City of Philadelphia

PENNSYLVANIA

Founded 1682

Independence Hall

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017

City of Philadelphia

PENNSYLVANIA

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017

James F. Kenney
Mayor

Prepared by:

Office of the Director of Finance

Rob Dubow
Director of Finance

Josefine Arevalo
Accounting Director

Accounting Office

Jamika Baucom
Nana Boateng
Randy Boucher
Sharon Donaldson
Isaac Fowowe
Christal Lewis
Gladwin Mathew
Eugene McCauley
Leon Minka
Rowaida Mohammed
Raimundo Rosado
Shenika Ruff
Dino Sam
Richard Sensenbrenner
Amit Shah
Yashesh Shah
Girgis Shehata
Shante Thompson
Shantae Thorpe
Shauntise Wise

SEAL OF THE CITY OF PHILADELPHIA

PHILADELPHIA MANETO

Table of Contents

Introductory Section

Letter of Transmittal 1
GFOA Certificate of Achievement 8
Organizational Chart 9
List of Elected and Appointed Officials 10

Financial Section

Independent Auditor's Report 13

Management's Discussion and Analysis 17

Basic Financial Statements
Government Wide Financial Statements
Exhibit I Statement of Net Position 34
Exhibit II Statement of Activities 35

Fund Financial Statements
Governmental Funds Financial Statements
Exhibit III Balance Sheet 36
Exhibit IV Statement of Revenues, Expenditures and Changes in Fund Balances 37
Exhibit V Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 38
Proprietary Funds Financial Statements
Exhibit VI Statement of Fund Net Position 39
Exhibit VII Statement of Revenues, Expenses and Changes in Fund Net Position 40
Exhibit VIII Statement of Cash Flows 41
Fiduciary Funds Financial Statements
Exhibit IX Statement of Net Position 42
Exhibit X Statement of Changes in Net Position 43
Component Units Financial Statements
Exhibit XI Statement of Net Position 44
Exhibit XII Statement of Activities 45

Exhibit XIII **Notes to the Financial Statements** 48

Required Supplementary Information Other than Management's Discussion and Analysis

Budgetary Comparison Schedules-Major Funds
Exhibit XIV General Fund 158
Exhibit XV HealthChoices Behavioral Health Fund 159
Exhibit XVI Grants Revenue Fund 160

Exhibit XVII Other Post Employment Benefits (OPEB) and Pension Plans
– City of Philadelphia - OPEB - Schedule of Funding Progress 161
– Municipal Pension Plan - Schedule of Changes in Net Pension Liability 161
– Municipal Pension Plan - Schedule of Collective Contributions 162
– Philadelphia Gas Works - Schedule of Changes in Net Pension Liability 163
– Philadelphia Gas Works - Schedule of Actuarially Determined Contributions 163
Exhibit XVIII Notes to Required Supplementary Information 164

Financial Section(Continued)

Other Supplementary Information

Schedule I Combining Balance Sheet - Non-Major Governmental Funds 168
Schedule II Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds..170
Schedule III Combining Statement of Fiduciary Net Position - Pension Trust Funds........................172
Schedule IV Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds 173
Schedule V Combining Statement of Fiduciary Net Position - Agency Funds 174
Schedule VI Statement of Changes in Fiduciary Net Position - Agency Funds.................................175
Schedule VII City Related Schedule of Bonded Debt Outstanding..176
Schedule VIII Budgetary Comparison Schedule - Water Operating Fund 178
Schedule IX Budgetary Comparison Schedule - Water Residual Fund 179
Schedule X Budgetary Comparison Schedule - County Liquid Fuels Tax Fund...............................180
Schedule XI Budgetary Comparison Schedule - Special Gasoline Tax Fund 181
Schedule XII Budgetary Comparison Schedule - Hotel Room Rental Tax Fund 182
Schedule XIII Budgetary Comparison Schedule - Aviation Operating Fund 183
Schedule XIV Budgetary Comparison Schedule - Community Development Fund 184
Schedule XV Budgetary Comparison Schedule - Car Rental Tax Fund 185
Schedule XVI Budgetary Comparison Schedule - Housing Trust Fund 186
Schedule XVII Budgetary Comparison Schedule - General Capital Improvement Funds......................187
Schedule XVIII Budgetary Comparison Schedule - Acute Care Hospital Assessment Fund..….....……..188
Schedule XIX Schedule of Budgetary Actual and Estimated Revenues and Obligations - General Fund 189
Schedule XX Schedule of Budgetary Actual and Estimated Revenues and Obligations - Water Operating Fund..192
Schedule XXI Schedule of Budgetary Actual and Estimated Revenues and Obligations - Aviation Operating Fund...193

Statistical Section

Table 1 Net Position by Component 196
Table 2 Changes in Net Positions..197
Table 3 Fund Balances - Governmental Funds 199
Table 4 Changes in Fund Balances - Governmental Funds...200
Table 5 Comparative Schedule of Operations - Municipal Pension Fund 201
Table 6 Wage and Earnings Tax Taxable Income...202
Table 7 Direct and Overlapping Tax Rates..203
Table 8 Principal Wage and Earnings Tax Remitters 205
Table 9 Assessed Value and Estimated Value of Taxable Property 206
Table 10 Principal Property Tax Payers 207
Table 11 Real Property Taxes Levied and Collected 208
Table 12 Ratios of Outstanding Debt by Type 209
Table 13 Ratios of General Bonded Debt Outstanding 210
Table 14 Direct and Overlapping Governmental Activities Debt...211
Table 15 Legal Debt Margin Information..212
Table 16 Pledged Revenue Coverage...213
Table 17 Demographic and Economic Statistics 214
Table 18 Principal Employers 215
Table 19 Full Time Employees by Function..216
Table 20 Operating Indicators by Function 217
Table 21 Capital Assets Statistics by Function 218

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

ROB DUBOW
Director of Finance

February 23, 2018

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

We are pleased to present the City of Philadelphia's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This report must be published by February 25th of every year to fulfill the continuing disclosure requirements related to the City's outstanding bonds and as outlined in SEC Rule 15c2-12.

The City's management assumes full responsibility for the completeness and accuracy of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatements.

The City Controller has issued an unmodified ("clean") opinion on the City's financial statements for the year ended June 30, 2017. The City Controller is an independently elected public official and is required by City Home Rule Charter (City Charter) section 6-401 to appoint a certified public accountant as the deputy in charge of auditing and complete an annual audit of all City accounts. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Philadelphia was founded in 1682, incorporated in 1789, 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 City 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.

Under the City Charter, there are two principal governmental entities in the City: (i) the City, which performs municipal and county functions; and (ii) the School District, which has boundaries coterminous with the City and responsibility for all public primary and secondary education. Under Article XII of the City Charter, the School District of Philadelphia operates as a separate and independent home rule school district. On December 21, 2001, the Pennsylvania Secretary of Education declared that the School District of Philadelphia was a "distressed" school district within the meaning of Section 691(c) of the Pennsylvania Public School Code, initiating the implementation of the School Reform Commission and effectively ending local control for Philadelphians. The School Reform Commission assumed governance of the School District for the period of distress. On November 16, 2017, the School Reform Commission adopted a resolution stating that it was no longer distressed and recommending that the Secretary rescind the declaration of distress and return the District to local control effective June 30, 2018. The Secretary was required to make a dissolution determination at least 180 days prior to the end of the current school year, i.e. by December 31, 2017, which he did on December 27, 2017, for the School Reform Commission to dissolve on June 30, 2018, and a new Board of Education, whose members will be appointed by the Mayor of the City of Philadelphia, to assume governance of the School District on July 1, 2018. The School District has already begun planning for a smooth transition from the School Reform Commission to a Board of Education.

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

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. The District Attorney and the City Controller are elected at the mid-point of the terms of the Mayor and City Council.

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 and prisons. The City operates water and wastewater systems that service the citizens of Philadelphia and the City operates two airports, Philadelphia International Airport which handles approximately 30 million passengers annually as well as cargo and Northeast Philadelphia Airport which handles private aircraft and some cargo.

This report includes the financial statements of the primary government, as well as its component units. Component units are legally separate organizations in which the primary government is financially accountable for that legally separate organization. In addition, when a component unit functions as an integral part of the primary government, its financial data is blended with the primary government, and treated just as though it were funds of the primary government. Otherwise, the component unit is presented discretely (separately) from the primary government.

Blended component units included in this report are:

- Philadelphia Municipal Authority
- Pennsylvania Intergovernmental Cooperation Authority

Discretely presented component units included in this report are:

- Philadelphia Gas Works
- Philadelphia Redevelopment Authority
- Philadelphia Parking Authority
- School District of Philadelphia
- Community College of Philadelphia
- Community Behavioral Health, Inc.
- Philadelphia Housing Authority
- Philadelphia Authority for Industrial Development

The relationship between the City and its component units is explained further in the *Notes to the Financial Statements*.

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 ECONOMIC 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

The City benefits from its strategic geographical location, relative affordability, cultural and recreational amenities, and its growing strength in key industries. As a hub for education and medicine, the City is home to a number of institutions of higher education, medical and research facilities, and hospitals. The City also has a strong business and personal services economy with strengths in insurance, law, finance, and leisure and hospitality. Tourism is driven by the City's attractive historic district and array of cultural assets, including museums, theatres and entertainment venues, vast park system, and dynamic restaurant scene. The cost of living in the City is relatively moderate compared to other major metropolitan areas. In addition, the City offers the business community a large and diverse labor pool.

After decades of population loss, the City has experienced ten years of consistent population growth and new investment in its neighborhoods, spurred in part by the relative affordability of housing options and the City's array of cultural amenities. Over the past decade, both personal income and per capita income have increased by 59.8% and 55.9%, respectively. The annual average unemployment rate has returned to near pre-recession levels.

Despite this progress, significant challenges still remain. At 25.7%, the City's poverty rate is the highest of the 10 largest cities in the country, and personal income levels also remain relatively low in comparison to the region. These factors create an ongoing challenge to fund public services from a weaker tax base. While the City has benefited from recent population growth, the number of parent-aged adults (age 35-54) and school age children (age 5-19 years) has declined over the past five years, which is a trend that has negative implications for the tax base.

Calendar Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2016	1,567,872	80,973,410	51,645	6.8%
2015	1,567,442	77,903,831	49,701	6.9%
2014	1,560,297	66,495,223	42,617	8.0%
2013	1,553,165	65,473,002	42,155	10.0%
2012	1,547,607	64,151,742	41,452	10.5%
2011	1,538,567	62,632,520	40,708	10.8%
2010	1,526,006	56,970,074	37,333	10.8%
2009	1,547,297	54,061,223	34,939	9.6%
2008	1,540,351	54,262,716	35,228	7.1%
2007	1,530,031	50,672,227	33,118	6.0%

Over the last decade, the changes in the City's bond ratings have demonstrated a gradual improvement. The City now has "A" category ratings for its General Obligation debt from all three major rating agencies: A2 (Moody's), A+ (Standard & Poor's), and A- (Fitch). Standard & Poor's (S&P) upgraded the City from "BBB" to "A-" in June 2013 and then gave the City a double upgrade to "A+" in December 2013. This was the first time that the City has been rated in the "A" category by all three rating agencies. In 2016, the outlook for the City's general obligation credit was changed from stable to negative by both Moody's Investor Service and Standard & Poor's. This means that both rating agencies during the next year will closely monitor the City's fiscal health for signs of improvements or deterioration and could decide to downgrade the City's bond rating or remove the negative outlook. The following table shows the City's 10-year history as of June 30th.

City of Philadelphia's General Obligation Bond Ratings

Fiscal Year End	Moody's	Standard & Poor's	Fitch
2017	A2	A+	A-
2016	A2	A+	A-
2015	A2	A+	A-
2014	A2	A+	A-
2013	A2	A-	A-
2012	A2	BBB+	A-
2011	A2	BBB	A-
2010	A1	BBB	A-
2009	Baa1	BBB	BBB+
2008	Baa1	BBB	BBB+

The consistent efforts of Philadelphia's economic development agencies and others have spurred significant economic changes throughout the City. Development in the Navy Yard has, over time, transitioned a former naval property and active military base to a growing hub for business. The City's hotel room inventory has increased to help meet demand, and investments in commercial corridors across the City have helped existing businesses renovate, encouraged new businesses to move in, and reduced vacancy rates in those neighborhood commercial areas.

As of March 2017, Philadelphia had 40 major projects recently completed or under construction concurrently, representing almost $7.4 billion in combined public and private investment. In summer 2014, Comcast Corporation broke ground on a 59-story, $1.2 billion office tower adjacent to its headquarters building in Center City. Residential and mixed use developments represent $3.3 billion in investment across 24 projects across various neighborhoods throughout the City. Commercial developments represent over $2.0 billion invested across 11 projects, the majority of which are concentrated in Center City and the Navy Yard. Projects from higher education and health care institutions in the University City district represent over $2.0 billion in investment.

Long-Term Financial Planning

Despite these recent economic improvements, the City must budget carefully for the years ahead. Careful planning is needed to ensure the City's continued fiscal health and prepare for potential challenges, such as another economic downturn.

One of the most important measures of the City's financial health is its fund balance. Having a healthy fund balance gives the City financial flexibility, makes it better able to meet its cash flow needs, mitigate current and future financial risks and ensure predictability of future services. The City's fund balance has historically been well below levels recommended by government experts and the City's target of 6% to 8% of General Fund expenditures.

In fiscal 2017, the General Fund ended with a fund balance of $189.3 million, a $40.9 million increase from fiscal 2016. The General Fund is projected to end fiscal 2018 with a fund balance of $203.3 million, which represents only 4.6% of the City's projected obligations. This is below the low end of the City's target of 6% to 8%.

The table below illustrates the City's General Fund year-end balance for the past 5 years, and also the projected Fiscal Year 2018 year-end balance as noted in the City's Quarterly City Managers Report (period ending December 31 2017).

General Fund
Year End Fund Balance (Legal Basis)

Fiscal Year End	Fund Balance	Projected/ Actual
2018	203,331	Projected
2017	189,243	Actual
2016	148,315	Actual
2015	151,531	Actual
2014	202,135	Actual
2013	256,902	Actual

Relevant Financial Policies

PICA Act and Requirements: PICA was created in 1991 by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the PICA Act) to provide financial assistance for the City of Philadelphia. Under this act and for as long as any PICA bonds are outstanding, the City is required to submit to PICA: (i) a five-year financial plan on an annual basis; and (ii) quarterly financial reports. The five-year financial plan includes projected revenues and expenditures of the principal operating funds of the City, beginning with the current fiscal year. Each five-year plan, which must be approved by PICA, is required to, among other things, eliminate any projected deficits, balance the fiscal year budgets and provide procedures to avoid fiscal emergencies. The quarterly reports must be submitted to PICA so that PICA may determine whether the City is in compliance with the then-current five-year plan.

Fund Balance Target: Recognizing the importance of maintaining adequate fund balances, the City developed a target of approximately 6% to 8% of expenditures for a target fund balance.

Continued Wage and Business Tax Reductions: The City's largest portion of tax revenue comes from the City's Wage and Earnings Tax. This tax is collected from all employees that work within the City limits but live elsewhere, as well as all residents regardless of work location. The Business Income and Receipts Tax (BIRT) is the third largest source of General Fund revenue and is based on both gross receipts (sales) and net income (profits). The Administration is committed to ensuring job and business growth in the City and to continuing gradual reductions in the City's wage and business tax rates to make Philadelphia more competitive regionally. The current FY2018-2022 Five Year Plan includes a continuation of wage and net income cuts resumed in fiscal year 2014 after being suspended during the Great Recession.

Conducting Regular and Comprehensive Reassessments: The Real Property Tax is levied on the taxable assessed value of all property in the City, and is the second largest source of tax revenue in the City. Philadelphia is unlike other cities and counties that rely more heavily on the property tax portion of their budget. Philadelphia's property tax is split between the City and the School District of Philadelphia. In fiscal year 2014, the City completed the Actual Value Initiative (AVI), which involved a comprehensive reassessment of all properties in the City – 579,000 parcels – to correct outdated and partial assessments. The intent of AVI is to ensure that properties are examined annually to ensure that values reflect the market. Since 2014, the Office of Property Assessment (OPA) has completed assessment projects on various property classes to maintain and improve the accuracy of assessments until another citywide reassessment is completed for fiscal 2019, after which full reassessments will be conducted annually.

Improving the Health of the Pension Fund: The City will not attain fiscal stability until it has solidified the financial condition of the pension fund. To address this challenge, the Kenney Administration, working with municipal employees, the Pension Board, and City Council, has launched a three-pronged approach to improve the health of the Pension Fund from 44.8% to 80% in about 13 years.

The first part of the Mayor's pension reform program is a commitment to increasing the City's annual contribution to the Pension Fund. The General Fund contribution makes up the vast majority of the City's annual contribution to the pension fund, totaling more than $650 million in FY17 (the all funds total is $782 million). In 2014, with local legislative support, the State Legislature required that the City dedicate a portion of local sales tax revenue to the Fund. Although the additional sales tax revenues could be counted toward satisfying minimum municipal obligation (MMO), the amount required under state law, the City will meet its MMO independent of these revenues, so that sales tax dollars directed to the Fund will be over and above the MMO. Over this Five Year Plan, the sales tax revenues are projected to be worth about $233 million.

Second, the Mayor aims to apply the reforms negotiated with District Council 33 (DC33), the largest group of municipal workers, to all City employees. Current employees would make additional contributions based on a progressive tiered contribution structure; those with higher annual salaries would pay a higher contribution rate. These additional contributions would increase the assets of the pension fund over time rather than be used to reduce the City's contribution to the fund. At the same time, newly hired workers would participate in a new, stacked hybrid pension plan.

Third, the Board of Pensions has made significant changes to its investment strategy to reduce costs while improving earnings. The Board is making greater use of indexing, which lowered management fees by almost $13 million a year, and has almost entirely divested from hedge funds, as the returns did not justify the fees.

Managing Heath Benefit Costs: Health benefit program costs are one the largest and fastest growing items in the City's budget. In order to address the challenges these costs present, the City has made cost-saving changes in the City-administered health benefit programs for exempt and non-represented employees, and sought changes to its labor contracts in the area of health benefits. These changes include moving to self-insurance, increasing co-pays, and implementing wellness and disease management programs.

Major Initiatives

Philadelphia Beverage Tax and Funded Programs: In June 2016, City Council passed and the Mayor signed the Philadelphia Beverage Tax (PBT). The Beverage Tax taxes the distribution of sweetened drinks at 1.5 cents per ounce and became effective January 1, 2017. The Beverage Tax is expected to provide funding for pre-kindergarten, community schools, recreation centers and libraries. In FY2017, the City collected approximately $39.5 million in revenues from the Beverage Tax during the six month period for which the tax was effective.

In September 2016, a lawsuit challenging the Beverage Tax was filed by the American Beverage Association and other co-plaintiffs in the Court of Common Pleas. This complaint was dismissed in its entirety by the Court of Common Pleas in December 2016. The plaintiffs appealed the ruling. On June 14, 2017, the Commonwealth Court of Pennsylvania upheld the decision of the Court of Common Pleas. The plaintiffs have petitioned the Pennsylvania Supreme Court to review this decision, and on January 30, 2018, the Supreme Court granted the petition.

Mayor Kenney remains committed to expanding the availability of affordable, quality pre-K, investing over time in the renewal of civic assets like parks and libraries, and creating additional community schools over the next five years. However, while the litigation is pending, the City cannot fully implement its plan for these three important initiatives. Until there is certainty that the Beverage Tax – and its accompanying revenue stream – will not be invalidated by any legal challenge, the City will proceed with limited expansion of these programs.

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, 2016. This was the thirty seventh 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.

Sincerely,

ROB DUBOW
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Philadelphia

Pennsylvania

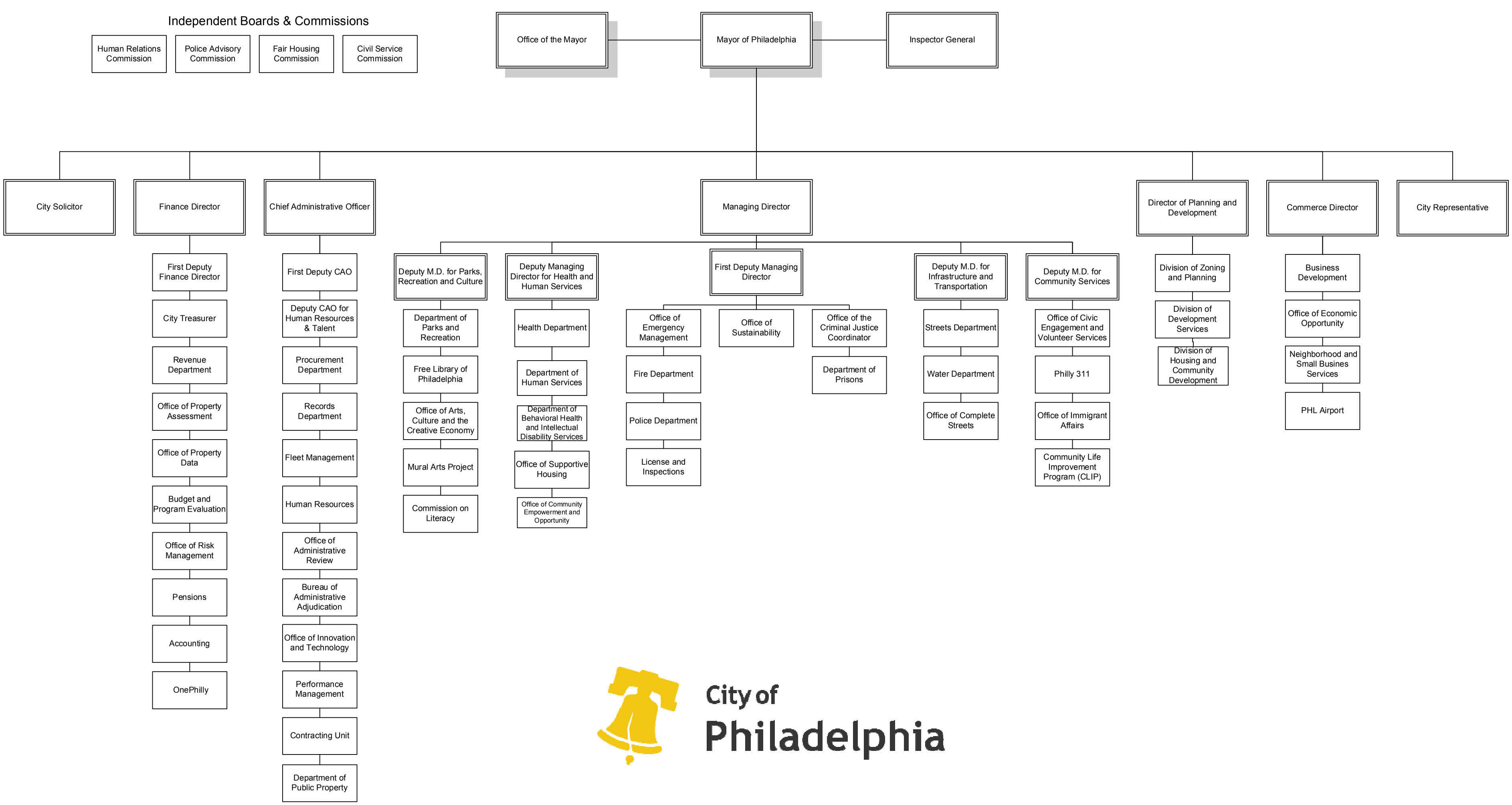
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Christopher P. Morrill

Executive Director/CEO

City of Philadelphia



City of Philadelphia

Elected Officials

Mayor	James F. Kenney
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	Cherelle L. Parker
10th District	Brian J. O'Neill
At-Large	Blondell Reynolds Brown
At-Large	Derek S. Green
At-Large	William K. Greenlee
At-Large	David Oh
At-Large	Helen Gym
At-Large	Al Taubenberger
At-Large	Allan Domb
District Attorney	Lawrence S. Krasner
City Controller	Rebecca Rhynhart
City Commissioners	
Chairwoman	Lisa M. Deeley
Commissioner	Al Schmidt
Commissioner	Anthony Clark
Register of Wills	Ronald R. Donatucci
Sheriff	Jewell Williams
First Judicial District of Pennsylvania	
President Judge, Court of Common Pleas	Sheila Woods- Skipper
President Judge, Municipal Court	Marsha H. Neifield

Appointed Cabinet Members

Managing Director	**Michael DiBerardinis**
Finance Director	**Rob Dubow**
Chief Administrative Officer	**Christine Derenick-Lopez**
City Solicitor	**Sozi Tulante**
Director of Planning & Development	**Anne Fadullon**
Commerce Director	**Harold Epps**
Chief of Staff	**Jane Slusser**
Deputy Mayor for Intergovernmental Affairs	**Deborah Mahler**
Deputy Mayor for Labor Relations	**Richard Lazer**
Deputy Mayor for Policy & Legislation	**James Engler**
Chief Integrity Officer	**Ellen Kaplan**
Chief Education Officer	**Otis Hackney**
Chief Diversity & Inclusion Officer	**Nolan Atkinson**
City Representative	**Sheila Hess**
Inspector General	**Amy L. Kurland**


SEAL OF THE CITY OF PHILADELPHIA
PHILADELPHIA MANETO

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

REBECCA RHYNHART
City Controller

CHRISTY BRADY
Deputy City Controller

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2017, and the related notes to the financial statements, which collectively comprise the City of Philadelphia, Pennsylvania's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 Parks and Recreation Departmental and Permanent Funds, which represent the indicated percent of total assets, net position/fund balances, and revenues as presented in the table below. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those component units and funds, are based solely on the reports of the other auditors.

	Percent Audited by Other Auditors		
	Total Assets	Total Net Position/Fund Balances	Total Revenues
Governmental Activities	7%	3%	8%
Business-Type Activities	0%	0%	0%
Aggregate Discretely Presented Component Units	63%	28%	44%
Major Funds	0%	0%	0%
Aggregate Remaining Fund Information	92%	96%	73%

We and other auditors conducted our audits 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 from material misstatement. The financial statements of the Philadelphia Parking Authority discussed in Note I.1 were not audited in accordance with *Government Auditing Standards*. Also, the reported amounts for the Philadelphia Housing Authority (PHA), discussed in Note I.1., include PHA's discretely presented component units whose financial statements, except for St. Ignatius Senior Housing I, L.P., St. Ignatius Senior Housing II, L.P., St. Francis Villa Senior Housing, L.P., and 1952 Allegheny Associates, L.P., were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Reporting Entity

As discussed in Notes I.1.B. and III.14.B.(2) to the financial statements, in 2017 the City determined that, due to a change in the Pennsylvania Housing Authorities Law whereby the Mayor of Philadelphia can remove a majority of the PHA's board of commissioners without cause, PHA meets the criteria for inclusion as a discretely presented component unit. Accordingly, net position at July 1, 2016 has been adjusted to include PHA. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 31, and the required supplementary information other than management's discussion and analysis as listed in the table of contents 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 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.

Other Supplementary Information

Our audit for the year ended June 30, 2017 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 Other Supplementary Information for the year ended June 30, 2017, as listed in the table of contents, is presented for purposes of additional analysis and is 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, 2017, 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 above, and the reports of other auditors, the Other Supplementary Information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2017.

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, 2016 (not presented herein), and have issued our report thereon dated February 24, 2017, which contained unmodified 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 2016 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations for the year ended June 30, 2016 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 2016 financial statements. The 2016 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 2016 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 2016 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, 2016.

Other Information

The other information, which includes the Introductory Section and Statistical Section as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Philadelphia, Pennsylvania's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Philadelphia, Pennsylvania's internal control over financial reporting and compliance.

Christy Brady

CHRISTY BRADY, CPA
Deputy City Controller
Philadelphia, Pennsylvania
February 23, 2018


SEAL OF THE CITY OF PHILADELPHIA
PHILADELPHIA MANETO

City of Philadelphia

PENNSYLVANIA

Management's Discussion & Analysis

This narrative overview and analysis of the financial statements of the City of Philadelphia, Pennsylvania for the fiscal year ended June 30, 2017 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 liabilities and deferred inflows of the City of Philadelphia exceeded its assets and deferred outflows by $4,435.8 million. Its *unrestricted net position* showed a deficit of $8,019.2 million. This deficiency will have to be funded from resources generated in future years.

- The City's total June 30, 2017 year-end net position increased by $193.5 million from the prior year June 30, 2016 net position. The governmental activities of the City experienced an increase of $117.3 million, while the business type activities had an increase of $76.2 million.

- For the current fiscal year, the City's governmental funds reported a combined ending fund balance of $436.0 million, an increase of $20.8 million from last year. The *unassigned fund balance* of the governmental funds ended the fiscal year with a deficit of $279.0 million, an increase of $48.8 million from last year.

- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed, assigned* and *unassigned* components of the fund balance) for the general fund was $152.1 million, of which, $23.7 was *unassigned* which represents the residual amounts that have not been assigned to other funds. The *unassigned fund balance* increased $23.7 in comparison with the prior year.

- On the legally enacted budgetary basis, the City's general fund ended the fiscal year with a surplus fund balance of $189.2 million, as compared to a $148.3 million surplus last year. The increase of $40.9 million was due to an increase in revenues that resulted in an operating surplus of $18.4 and cancelations of prior year obligations.

Overview of the Financial Statements

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

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

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

The *statement of net position* which includes all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. 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 position during the current fiscal year. These changes in net position 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:

1. ***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.

2. ***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.

3. ***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, Philadelphia Housing Authority, 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.

1. ***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.

2. ***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.

3. ***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 Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses and Changes in Net Position Statement of Cash Flows	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
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, liability and deferred inflow/outflow of resources	All assets, liabilities, deferred inflow/outflow of resources, financial and capital, short and long term	Only assets expected to be used up and liabilities and deferred inflows of resources that come due during the current year or soon thereafter; no capital assets are included	All assets, liabilities, deferred inflow/outflow of resources, 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 position. As noted earlier, net positions are useful indicators of a government's financial position. At the close of the current fiscal year, the City of Philadelphia's liabilities & deferred inflows exceeded its assets & deferred outflows by $4,435.8 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 position, $2,337.2 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.

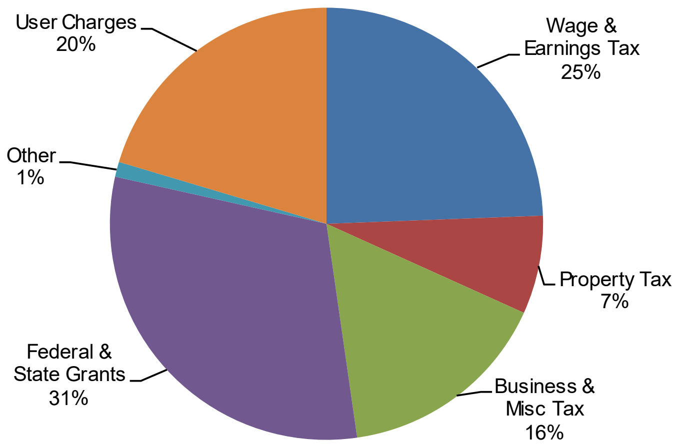
A portion of the City's net position, $1,246.3 million, is subject to external restrictions as to how they may be used. The remaining component of net position is unrestricted. Unrestricted net position ended the fiscal year with a deficit of $8,019.2 million. The governmental activities reported negative *unrestricted net position* of $7,767.3 million. The business type activities reported an unrestricted net position deficit of $251.9 million. Any deficits will have to be funded from future revenues.

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

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

	Governmental Activities		%	Business-type Activities		%	Total Primary Government		%
	2017	2016	Change	2017	2016	Change	2017	2016	Change
Current and other assets	2,263.5	2,137.6	5.89%	1,846.1	1,582.0	16.69%	4,109.6	3,719.6	10.48%
Capital assets	2,377.0	2,373.6	0.14%	4,348.7	4,220.8	3.03%	6,725.7	6,594.4	1.99%
Total assets	**4,640.5**	**4,511.2**	2.87%	**6,194.8**	**5,802.8**	6.76%	**10,835.4**	**10,314.0**	5.06%
Deferred Outflows	619.9	878.6	-29.44%	125.7	158.7	-20.79%	745.5	1,037.2	-28.12%
Long-term liabilities	4,361.6	4,600.2	-5.19%	3,424.2	3,182.9	7.58%	7,785.8	7,783.1	0.03%
Other liabilities	7,074.5	7,074.1	0.01%	1,123.2	1,079.2	4.08%	8,197.7	8,153.3	0.54%
Total liabilities	**11,436.1**	**11,674.3**	-2.04%	**4,547.4**	**4,262.1**	6.69%	**15,983.5**	**15,936.4**	0.30%
Deferred Inflows	31.2	39.7	-21.41%	2.0	4.4	-54.55%	33.2	44.1	-24.72%
Net Position:									
Net Investment in capital assets	1,006.6	955.2	5.38%	1,330.5	1,323.7	0.51%	$2,337.2	2,278.9	2.56%
Restricted	553.8	625.1	-11.41%	692.5	650.5	6.46%	$1,246.3	1,275.6	-2.30%
Unrestricted	(7,767.3)	(7,904.5)	1.74%	(251.9)	(279.3)	9.81%	(8,019.2)	(8,183.8)	2.01%
Total Net Position	**(6,206.9)**	**(6,324.2)**	1.85%	**1,771.1**	**1,694.9**	4.50%	**(4,435.8)**	**(4,629.3)**	4.18%

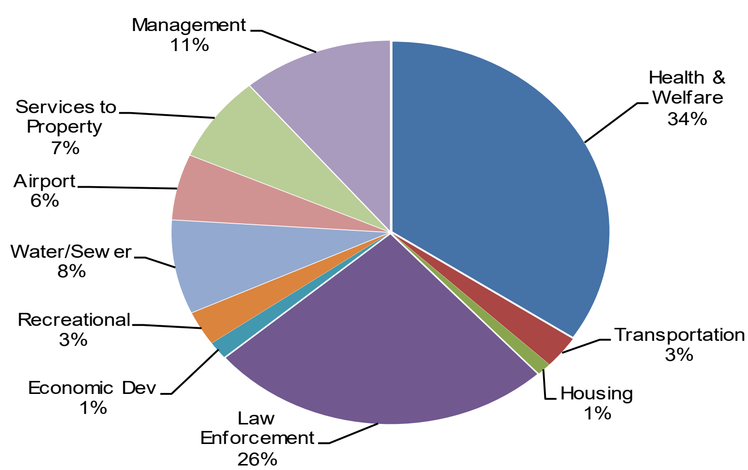
Changes in net position. The City's total revenues this year, $7,820.2 million, exceeded of total costs of $7,577.3 million by $242.9 million. Approximately 48% of all revenue came from wage and earnings taxes, property taxes, business and miscellaneous taxes. State, Federal and local grants account for another 31%, and the remaining 21% 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.



Total revenues increased by $326.7 million, total expenses increased by $164.3 million over last year. This resulted in the Change in Net Position, before prior period adjustments, being $162.4 million more than in the previous year. Net positions increased or decreased in the following activities, as noted below:

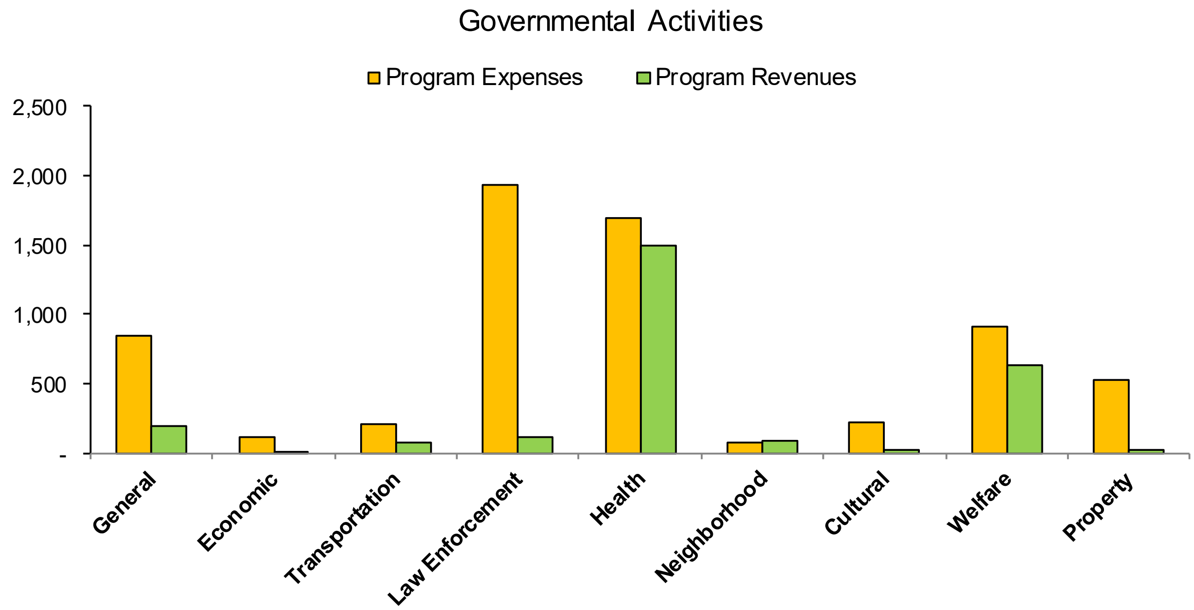
Increases (Decreases) in Revenues	
Charges for Services	$120.1
Operating Grants & Contributions	$109.0
Capital Grants & Contributions	(55.8)
Wage & Earnings Taxes	103.9
Property Taxes	28.5
Other Taxes	18.7
Unrestricted Grants	(0.3)
Unrestricted Interest	2.6
Total Revenues	$326.7

Increases (Decreases) in Expenses	
Economic Development	($3.9)
Transportation	($5.8)
Judicial & Law Enforcement	(17.5)
Conservation of Health	45.4
Housing & Neighborhoods	1.0
Cultural & Recreational	6.4
General Welfare	24.8
Services to Taxpayer Property	6.8
General Management	45.2
Interest on Long Term Debt	(7.1)
Water and Waste Water	32.8
Airport	19.7
Industrial Land Bank	16.5
Total Expenses	$164.3



Governmental Activities

The governmental activities of the City resulted in a $88.9 million increase in net position before prior period adjustments. 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		
	2017	2016	% Change	2017	2016	% Change	2017	2016	% Change
General Welfare	$ 913.4	$ 888.6	2.8%	$ 639.0	$ 590.1	8.3%	$ 274.4	$ 298.5	-8.1%
Judiciary & Law Enforcement	1,936.2	1,953.7	-0.9%	114.1	113.2	0.8%	1,822.1	1,840.5	-1.0%
Public Health	1,690.8	1,645.4	2.8%	1,497.0	1,392.5	7.5%	193.8	252.9	-23.4%
General Governmental	844.4	806.3	4.7%	195.1	213.1	-8.4%	649.3	593.2	9.5%
Services to Property	534.5	527.7	1.3%	17.7	20.3	-12.8%	516.8	507.4	1.9%
Housing, Economic & Cultural	619.8	622.0	-0.4%	196.0	202.5	-3.2%	423.8	419.5	1.0%
	$ 6,539.1	**$ 6,443.7**	1.5%	**$ 2,658.9**	**$ 2,531.7**	5.0%	**$ 3,880.2**	**$ 3,912.0**	-0.8%

The cost of all governmental activities this year was $6,539.1 million; the amount that taxpayers paid for these programs through tax payments was $3,757.2 million. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of $2,221.7 million while those who benefited from the programs paid $437.0 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 $240.4 million. The difference of $117.3 million represents an increase in net position.

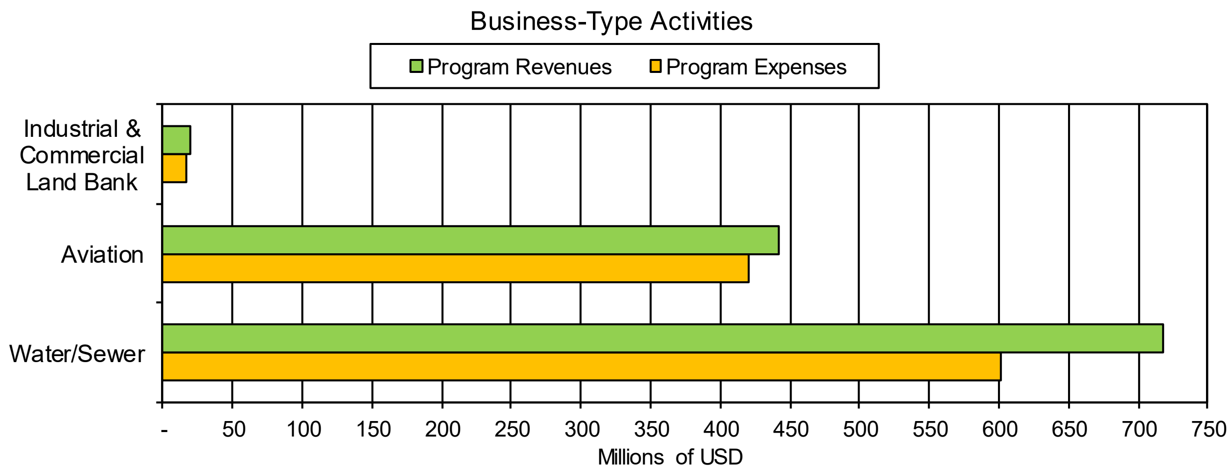
The following table shows a more detailed breakdown of program costs and related revenues for both the governmental and business-type activities of the City:

City of Philadelphia-Net Position

(millions of USD)	Governmental Activities 2017	Governmental Activities 2016	Business-type Activities 2017	Business-type Activities 2016	Total 2017	Total 2016	% Change
Revenues:							
Program revenues:							
Charges for services	$ 437.0	$ 379.2	$ 1,166.4	$ 1,104.1	$ 1,603.4	$ 1,483.3	8.1%
Operating grants and contributions	2,199.5	2,090.9	1.3	0.9	2,200.8	2,091.8	5.2%
Capital grants and contributions	22.2	61.8	10.6	26.8	32.8	88.6	-63.0%
General revenues:							
Wage and earnings taxes	1,920.7	1,816.8	-	-	1,920.7	1,816.8	5.7%
Property taxes	578.7	550.2	-	-	578.7	550.2	5.2%
Other taxes	1,258.0	1,239.3	-	-	1,258.0	1,239.3	1.5%
Unrestricted grants and contributions	184.5	185.4	2.5	1.9	187.0	187.3	-0.2%
Unrestricted Interest	27.4	28.0	11.4	8.3	38.8	36.3	7.0%
Total revenues	**6,628.0**	**6,351.6**	**1,192.2**	**1,142.0**	**7,820.2**	**7,493.6**	4.4%
Expenses:							
Economic development	111.4	115.3	-	-	111.4	115.3	-3.4%
Transportation	207.1	212.9	-	-	207.1	212.9	-2.7%
Judiciary & law enforcement	1,936.2	1,953.7	-	-	1,936.2	1,953.7	-0.9%
Conservation of health	1,690.8	1,645.4	-	-	1,690.8	1,645.4	2.8%
Housing & neighborhood development	81.1	80.1	-	-	81.1	80.1	1.2%
Cultural & recreational	220.2	213.8	-	-	220.2	213.8	3.0%
Improvement of the general welfare	913.4	888.6	-	-	913.4	888.6	2.8%
Services to taxpayer property	534.5	527.7	-	-	534.5	527.7	1.3%
General management	693.3	648.1	-	-	693.3	648.1	7.0%
Interest on long term debt	151.1	158.2	-	-	151.1	158.2	-4.5%
Water & waste water	-	-	601.8	569.0	601.8	569.0	5.8%
Airport	-	-	419.9	400.2	419.9	400.2	4.9%
Industrial land bank	-	-	16.5	-	16.5	-	0.0%
Total expenses	**6,539.1**	**6,443.8**	**1,038.2**	**969.2**	**7,577.3**	**7,413.0**	2.2%
Increase (dec.) in net position before transfers & special items	88.9	(92.2)	154.0	172.8	242.9	80.6	
Transfers	28.5	31.6	(28.5)	(31.6)	-	-	
Increase (dec) in Net Position	**117.4**	**(60.6)**	**125.5**	**141.2**	**242.9**	**80.6**	
Net Position - Beginning	(6,324.1)	(6,263.5)	1,694.9	1,575.7	(4,629.2)	(4,687.8)	-1.3%
Adjustment	-	-	(49.4)	(22.0)	(49.4)	(22.0)	
Net Position - End	**$ (6,206.7)**	**$ (6,324.1)**	**$ 1,771.0**	**$ 1,694.9**	**$ (4,435.7)**	**$ (4,629.2)**	-4.2%

Business-type Activities

Business-type activities resulted in a $125.7 million increase in net position before prior period adjustments. This increase was comprised of an increase in net position for water/wastewater of $94.4 million, an increase to aviation of $27.9 million, and an increase for industrial & commercial development operations of $3.4 million.



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. *Unassigned fund balance* serves as a useful measure of the City's net resources available for spending at the end of the fiscal year.

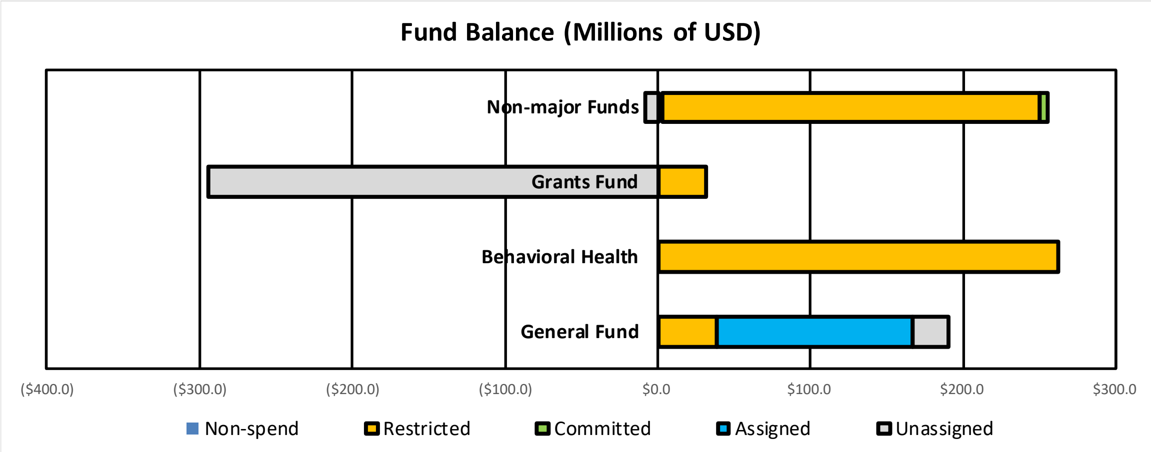
At the end of the fiscal year the City's governmental funds reported a *combined fund balance* of $436.0 million, a decrease of $20.8 million over last year. Of the total fund balance, $3.4 million represents *non-spendable fund balance* for amounts that cannot be spent.

In addition, $578.6 million represents *restricted fund balance* due to externally imposed constraints by outside parties, or law, for the following proposes:

Economic Development	$	13.8
Public Safety Emergency Phone System		31.5
Streets & Highways		46.0
Housing and Neighborhood Development		30.6
Health Services		13.4
Behavioral Health		262.3
Parks & Recreation		0.9
Libraries & Museums		3.3
Intergovernmental Financing		25.2
Central Library Project		1.7
Stadium Financing		6.6
Cultural & Commercial Corridor Project		2.7
Pension Obligation Bonds		33.1
Debt Service Reserve		72.4
Capital Projects		24.8
Trust Purposes		10.2
Total Restricted Fund Balance	$	578.6

The fund balance is further broken down as to *committed fund balance* for Prisons $3.4 million and Parks and Recreation $1.3 million. The difference between the non-spendable, restricted, committed, assigned and combined fund balance is a deficit of $279.0 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 *assigned fund balance* of $128.4 million and *unassigned fund balance* of $23.6 at the end of the fiscal year.



Overall, the total fund balance of the General Fund increased by $57.6 million during the current fiscal year, compared to a decrease of $23.0 million in the prior fiscal year. Some of the key factors contributing to this change are:

Revenues:

- Total current year revenues ($3,708.1 million) increased between fiscal years, with a $119.2 million (3.3%) increase from the prior fiscal year ($3,588.9 million).
- This increase was primarily due to $101.6 million increase in tax revenue.
- All other revenues remained relatively flat compared to the prior fiscal year.

Expenditures and Other Financing Sources (Uses):

- Total current year Expenditures and Other Financing Sources (Uses) ($3,650.5 million) increased between fiscal years, with a $38.6 million (1.1%) increase from prior fiscal year ($3,611.9 million)
- This increase was primarily due to a $25.2 million increase in expenditures related to Judiciary and Law Enforcement (Police, Prisons and the Courts).

The Health Choices Behavioral Health fund ended the fiscal year with a total fund balance of $262.3 million, the entire amount is reserved for a contractually required equity reserve and reinvestment initiatives. The total fund balance increased during the fiscal year by $42.3 million.

The Grants Revenue fund has a total fund balance deficit of $262.7 million which is comprised of a positive restricted fund balance of $31.5 million for emergency telephone system programs and a deficit unassigned fund balance of $294.3 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 an increase of $19.0 million during the current fiscal year.

Proprietary funds. The City's proprietary funds provide the same type of financial information found in the government-wide financial statements, but in slightly more detail. The *total net position* of the proprietary funds increased by $125.7 million during the current fiscal year. This increase is attributable to the water/wastewater system which had an increases of $94.4 million, airport operations which experienced an increase of $27.9 million, and industrial & commercial land bank operations which also experienced an increase of $3.4 million.

The proprietary funds reported an *unrestricted net position* deficit of $251.9 million. The table below indicates the *unrestricted net position* for the water and waste water operations, the airport, and the industrial and commercial land bank operations for the current and previous fiscal years.

	Unrestricted Net Position (deficit)		
	2017	2016	Change
Water and Waste Water	($243.1)	($258.2)	$15.1
Aviation	($75.8)	($84.7)	$8.9
Land Bank	$67.0	$63.6	$3.4
	($251.9)	($279.3)	$27.4

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)
2017	$ 189.2	$ 40.9
2016	148.3	(3.2)
2015	151.5	(50.6)
2014	202.1	(54.8)
2013	256.9	110.1

The general fund's budgetary fund balance surplus of $189.2 million differs from the general fund's fund financial statement unassigned fund balance of $23.6 by $165.6 million, which represents the unearned portion of the business income & receipts tax. Business income & receipts tax (BIRT prepays) is received prior to being earned but have no effect on budgeted cash receipts.

The charts below illustrate:

A. The reconciliation of Total Fund Balance - Budget Basis versus GAAP (Modified Accrual)
B. The components of Fund Balance for GAAP (Modified Accrual) basis
C. The reconciliation of Unassigned Fund Balance – Budget Basis versus GAAP (Modified Accrual)

(millions of USD)

A. Budget to GAAP Basis Reconcilation	**6/30/2017**	**6/30/2016**	**6/30/2015**	**6/30/2014**
Budget Basis Fund Balance	$ 189.2	$ 148.3	$ 151.5	$ 202.1
1. Less: BIRT six (6) months pre-pays	(165.6)	(169.5)	(178.5)	(179.1)
2. Add: Encumbrances	128.4	99.2	108.9	103.1
3. Add: Reserves	38.1	54.5	73.6	85.6
Modified Accrual Basis Fund Balance	$ 190.1	$ 132.5	$ 155.5	$ 211.7

B. Modified Accrual Basis Fund Balance	**6/30/2017**	**6/30/2016**	**6/30/2015**	**6/30/2014**
Restricted	$ 38.1	$ 54.5	$ 73.6	$ 85.6
Assigned				
Encumbrances	128.4	99.2	108.9	103.1
Reclassification of Unassigned	-	(21.2)	(27.0)	-
Assigned	128.4	78.0	81.9	103.1
Unassigned	23.6	-	-	23.0
Modified Accrual Basis Fund Balance	$ 190.1	$ 132.5	$ 155.5	$ 211.7

C. Budget to GAAP Basis Reconcilation	**6/30/2017**	**6/30/2016**	**6/30/2015**	**6/30/2014**
Budget Basis Fund Balance	$ 189.2	$ 148.3	$ 151.5	$ 202.1
1. Less: BIRT six (6) months pre-pays	(165.6)	(169.5)	(178.5)	(179.1)
2. Less: Reclass to Assigned Fund Balance	-	21.2	27.0	-
Unassigned Fund Balance	$ 23.6	$ -	$ -	$ 23.0

Differences between the original budget and the final amended budget resulted primarily from slight increase in revenue estimates and increases to appropriations. Total appropriations increased by $70.3 million; from an original budget of $4,187.1 million to a final amended budget of $4,257.4 million. The largest increases were required to support the following activities:

- $16.6 million for Police operations
- $18.4 million for Street maintenance and repair
- $14.5 million for Fire operations

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 $6.7 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. The table below shows a breakdown of the City's Capital Improvements over the past four fiscal years.

(millions of USD)

	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Airport Terminal & Airfield Improvements	$ 183.9	$ 161.1	$ 196.2	$ 74.4	$ 149.6
Water & Wastewater Improvements	239.3	176.0	175.0	141.3	142.5
Streets, Highways & Bridges Improvements	43.8	77.9	63.6	46.8	63.9
Transit System Improvements	0.8	10.6	1.3	2.2	3.9
Parks, Playgrounds, Museums & Recreational Facilities	38.1	37.9	33.6	18.6	27.1
Libraries Improvements	2.3	1.6	3.3	0.2	0.7
Police & Fire Facilities	6.7	7.7	18.9	5.9	18.5
City Hall & Municipal Buildings Improvements	2.0	2.7	5.9	6.2	3.3
Computers, Servers, Software & IT Infrastructure	15.4	11.4	19.4	16.5	9.6
Economic Development	4.5	11.2	12.7	11.8	4.7
Other and Non-Enterprise Vehicles	14.7	32.3	10.7	10.9	11.2
	$ 551.5	$ 530.4	$ 540.6	$ 334.8	$ 435.0

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		
	2017	2016	Inc/(Dec)	2017	2016	Inc/(Dec)	2017	2016	Inc/(Dec)
Land	$ 839	$ 829	$ 10	$ 171	$ 156	$ 15	$ 1,010	$ 985	$ 25
Fine Arts	1	1	-	-	-	-	1	1	-
Buildings	680	708	(28)	1,472	1,552	(80)	2,152	2,260	(108)
Improvements other than buildings	94	95	(1)	162	173	(11)	256	268	(12)
Machinery & equipment	139	124	15	30	26	4	169	150	19
Infrastructure	494	496	(2)	1,617	1,581	35	2,111	2,077	34
Construction in progress	53	43	10	890	728	163	943	771	173
Transit	54	59	(5)	-	-	-	54	59	(5)
Intangible Assets	23	19	4	6	5	1	29	24	5
Total	**$ 2,377**	**$ 2,374**	**$ 3**	**$ 4,348**	**$ 4,221**	**$ 127**	**$ 6,725**	**$ 6,594**	**$ 131**

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

Long-term debt. At year end the City had $7.8 billion in long term debt outstanding. Of this amount, $5.4 billion represents bonds outstanding (comprised of $2.0 billion of debt backed by the full faith and credit of the City, and $3.4 billion of debt secured solely by specific revenue sources) while $2.5 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

(millions of USD)

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Bonds Outstanding:						
General obligation bonds	1,988.6	2,113.4	-	-	1,988.6	2,113.4
Revenue bonds	-	-	3,371.0	3,128.0	3,371.0	3,128.0
Total Bonds Outstanding	**1,988.6**	**2,113.4**	**3,371.0**	**3,128.0**	**5,359.6**	**5,241.4**
Other Long Term Obligations:						
Service agreements	1,806.1	1,919.7	-	-	1,806.1	1,919.7
Employee related obligations	475.6	488.0	45.7	46.4	521.3	534.4
Indemnities	86.9	70.4	7.5	8.5	94.4	78.9
Leases	4.4	8.7	-	-	4.4	8.7
Other	-	-	-	-	-	-
Total Other Long Term Obligations	**2,373.0**	**2,486.8**	**53.2**	**54.9**	**2,426.2**	**2,541.7**
Total Long Term Debt Outstanding	**4,361.6**	**4,600.2**	**3,424.2**	**3,182.9**	**7,785.8**	**7,783.1**

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 temporary loan funds to smooth out unevenness in the City's cash flow created by the receipt of two major sources of tax revenue – the property tax and the business income and receipts tax – in the second half of the year. The City borrowed and repaid $175.0 million in Tax and Revenue Anticipation Notes by June 2017 plus interest. In accordance with statute there are no temporary loans outstanding at year end.

- In November 2016, the City issued $192.7 million of Water and Wastewater Revenue Bonds Series 2016 Bonds to refund the outstanding Series 2007A, 2009A and 2010C Bonds in the amount of $216.4 million and to pay the costs of issuing the Series 2016 Bonds. The total proceeds of the 2016 Bonds were $226.0 million (which includes a premium of $33.3 million).

- In February 2017, the City issued $262.9 million of General Obligation Refunding Bonds Series 2017. The total proceeds were $292.9 million (including a premium of $30.0 million). The proceeds of the sale were used to refund the Series 2006, 2007A, 2008A, 2009A and 2011 bonds.

- In April 2017, PMA issued $83.2 million of City Service Agreement Revenue Refunding Bonds Series 2017. The total proceeds of the 2017 bonds were $93.8 million (which includes a premium of $10.6 million). The 2017 Bonds were issued to partially refund $84.2 million of the Series 2009 Bonds and to pay the costs of issuing the 2017 Bonds.

- In April 2017, the City issued $279.9 million of Water and Wastewater Revenue Bonds Series 2017A Bonds to fund capital improvements for the Water Department and make a deposit into the

Water Sinking Fund Reserve. The total proceeds of the 2017A Bonds were $313.7 million (which includes a premium of $33.8 million).

- In April 2017, the City issued $125.0 million of Airport Revenue Bonds Series 2017 (Direct Purchase Federally Taxable Loan) to fund capital improvements for the Philadelphia Airport System.

- 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 2017, PENNVEST draw-downs totaled $6.2 million.

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 Ratings, Inc.
General Obligation Bonds	A2	A+	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 13.50% of the average assessed valuations of properties over the past ten years. As of June 30, 2017, the legal debt limit was $6,629.5 million. There is $1,952.0 million of outstanding tax supported debt leaving a legal debt margin of $4,677.5 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 are key factors to consider when reviewing the City of Philadelphia's budget for the 2018 fiscal year, as outlined in the City's most recent approved Five Year Financial and Strategic Plan for Fiscal Years 2018-2022.

- *Fund Balance:* In fiscal 2017, the General Fund ended with a fund balance of $189.2 million.
- *Revenue Projections for FY2018.* Wage and Earnings Tax revenue is projected to grow 3.41%, Sales Tax revenue is projected to grow by 3.96%, Real Property revenue is projected to grow by 2.65%, and Real Estate transfer tax is projected to grow by 4.32%, while the Business Income and Receipts Tax is projected to grow by 5.88%.
- *Wage and Business Tax Cuts.* The current Five Year Plan (FY 2018 to 2022) also includes a continuation of wage and business tax cuts resumed in FY 2014 after being suspended during the Great Recession. The residential rate was 4.3010% in FY2006, is currently 3.8907% in FY2018, and is projected to continue to drop to 3.6997% by FY2022. Regarding the Business Income and Receipts Tax, the FY2018 rate for gross receipts is 0.1415% and the net income rate is 6.30%. By 2022, the net income rate will fall to 6.10%.
- *Philadelphia Beverage Tax.* In 2016, the Philadelphia Beverage Tax (PBT) was enacted to fund free, quality pre-Kindergarten (pre-K) education for children; expand community schools in high-needs neighborhoods; and launch Rebuild, a $500 million capital improvement program for the City's parks, recreation centers, and libraries. On September 14, 2016 a lawsuit challenging the PBT was filed by the American Beverage Association and other co-plaintiffs in the Court of Common Pleas. This complaint was dismissed in its entirety by the Court of Common Pleas in December 2016. The plaintiffs appealed the ruling. On June 14, 2017, the Commonwealth Court of Pennsylvania upheld the decision of the Court of Common Pleas. The plaintiffs petitioned the Pennsylvania Supreme Court to review this

decision. On January 30, 2018, the Supreme Court granted the petition and agreed to hear the case, a decision that extends the litigation process. While this litigation remains ongoing, it represents a financial threat to the City. The PBT is the only source of funding identified to support these programs. The City has delayed expanding the pre-K and community schools initiatives and has put off issuing bonds for Rebuild while the legal challenge remains.

- *Contract Negotiations.* More than 80% of City employees are represented by one of the City's municipal unions.

  The City is committed to working with its union partners to reach agreements that are fair to employees while also maintaining the City's fiscal discipline. Contracts for District Council 47, the International Association of Fire Fighters, Correctional Officers, and Deputy Sheriffs and Register of Wills employees are open, and these groups are currently in negotiations or the arbitration process with the City.

  In FY17, both District Council 33 (DC33) and Local 810 (District Council 47) negotiated new contracts, and the International Association of Fire Fighters received an arbitration award that covered wages only for FY17, the final year of its previous contract.

  In August 2016, DC33, the City's largest union, ratified a four-year agreement with significant pension reform. Current employees now participate in a tiered contribution system where those with higher annual salaries pay a higher contribution rate, and new hires participate in a stacked hybrid pension plan. Employees received 3% wage increases in July 2016, 2017, and 2019 and a 2.5% increase in 2018. The agreement also provided additional funds for the DC33 health fund to continue providing quality health benefits for employees.

  Local 810 court employees agreed to a one-year contract that expired in June 2017, received a 3% wage increase, and are now on the same contract cycle as District Council 47 (DC47).

  The International Association of Fire Fighters had a wage reopener in FY17 for the final year of their contract and received a 3.25% increase, consistent with the increase provided to FOP members during the same period.

  An August 2017 arbitration award provided wage increases as well as required additional pension contributions for the FOP, the City's second largest union. Employees received 3.25% wage increases in July 2017, 3.5% in July 2018, and 3.75% in July 2019. Pension contribution rates for most existing employees will increase by 0.92% in July 2017 and another 0.92% in 2018 (total of 1.84% additional). New employees hired on or after July 1 2017 will pay an additional 2.5% toward pensions above the current base rate.

  Uniformed employees bargain under Pennsylvania Act 111 of 1968, which provides for final and binding interest arbitration to resolve collective bargaining impasses. Uniformed employees are not permitted to strike under state law. Non-uniformed employees bargain under Act 195 of 1970, which allows for the right to strike over collective bargaining impasses. Certain employees, including employees of the Sheriff's Office and the Register of Wills, corrections officers (represented by DC33), and employees of the First Judicial District (represented by DC47), are not permitted to strike but may proceed to interest arbitration under Act 195.

- *Pension Fund Challenges.* In FY2018, pension costs are budgeted to represent 15.5% of General Fund expenditures. The rapidly escalating costs of pensions, combined with the Pension Fund's declining health – it is now 44.8% funded – make it clear that the City will not attain fiscal stability until it has solidified the financial condition of the pension fund.

  In FY18, General Fund pension payments are projected to total $680 million compared to $651 million in FY17. While the City's annual pension contribution has grown by 230% since FY01, the Pension Fund's funded percent has dropped from 77% to 44.8%.

  Pension Reforms. The City will not attain fiscal stability until it has solidified the financial condition of the pension fund. To address this challenge, the Kenney Administration, working with municipal employees, the Pension Board, and City Council, has launched a three-pronged approach to improve the health of the Pension Fund from 44.8% to 80% in about 13 years.

The first part of the Mayor's pension reform program is a commitment to increasing the City's annual contribution to the Pension Fund. The General Fund contribution makes up the vast majority of the City's annual contribution to the pension fund, totaling more than $650 million in FY17 (the all funds total is $782 million). In 2014, with strong local legislative support, the State Legislature required that the City dedicate a portion of local sales tax revenue to the Fund. Although the additional sales tax revenues could be counted toward satisfying minimum municipal obligation (MMO), the amount required under state law, the City will meet its MMO independent of these revenues, so that sales tax dollars directed to the Fund will be over and above the MMO. Over the FY18-FY22 Five Year Plan, the sales tax revenues are projected to be worth about $233 million.

Second, the Mayor aims to apply the reforms negotiated with District Council 33 (DC33), the largest group of municipal workers, to all City employees other than those in the FOP who will be making additional contributions as a result of their arbitration award. Current employees, other than those in the FOP, would make additional contributions based on a progressive tiered contribution structure; those with higher annual salaries would pay a higher contribution rate. These additional contributions would increase the assets of the pension fund over time rather than be used to reduce the City's contribution to the fund. At the same time, newly hired workers would participate in a new, stacked hybrid pension plan.

Third, the Board of Pensions has made significant changes to its investment strategy to reduce costs while improving earnings. The Board is making greater use of indexing, which lowered management fees by almost $13 million a year, and has almost entirely divested from hedge funds, as the returns did not justify the fees.

In addition, the Pension Board has gradually lowered the assumed rate of return to 7.7% from 8.75% since 2008. Partially as a result of this change in assumed rate of return, the minimum municipal obligation (MMO), the actuarial amount required to be paid to the pension fund under state law, has increased in recent years. Reductions in earnings assumptions allow pension funds to moderate the risk of the investments, which can also reduce the likelihood of losses.

- *Improving Employee Healthcare Costs:* The City will continue to work with its union partners to help address the rising costs of health insurance and promote wellness. The municipal unions each provide benefits for members through union administered Health and Welfare Funds, and the City has minority representation on those boards. Non-union employees are provided benefits through the City Administered Benefits Program (CAP). In FY10, the City moved from a fully-insured model to a self-insurance arrangement. The City also increased employee copays and instituted a disease management and wellness program with financial incentives for completing wellness activities. In FY2015, the City added a tobacco user surcharge and employees will pay an additional copay for each prescription if using a pharmacy that sells tobacco products.

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


SEAL OF THE CITY OF PHILADELPHIA
PHILADELPHIA MANETO

City of Philadelphia
PENNSYLVANIA

Basic Financial Statements

City of Philadelphia **Exhibit I**
Statement of Net Position
June 30, 2017

Amounts in thousands of USD

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Units
Assets				
Cash on Deposit and on Hand	55,748	30	55,778	464,226
Equity in Pooled Cash and Investments	-	-	-	204,130
Equity in Treasurer's Account	788,973	231,565	1,020,538	-
Investments	84,069	-	84,069	276,500
Due from Component Units	41,170	-	41,170	-
Due from Primary Government	-	-	-	88,621
Amounts Held by Fiscal Agent	38,058	-	38,058	-
Notes Receivable - Net	-	-	-	43,783
Accounts Receivable - Net	429,864	207,674	637,538	316,317
Interest and Dividends Receivable	3,069	-	3,069	22,141
Due from Other Governments - Net	731,061	3,131	734,192	247,598
Inventories	13,680	58,160	71,840	212,039
Other Assets	77,921	15,299	93,220	93,648
Restricted Assets:				
Cash and Cash Equivalents	-	1,011,075	1,011,075	567,843
Other Assets	-	319,096	319,096	148,968
Capital Assets:				
Land and Other Non-Depreciated Assets	893,738	1,061,246	1,954,984	466,464
Other Capital Assets (Net of Depreciation)	1,483,167	3,287,565	4,770,732	3,979,483
Total Capital Assets, Net	2,376,905	4,348,811	6,725,716	4,445,947
Total Assets	4,640,518	6,194,841	10,835,359	7,131,761
Deferred Outflows of Resources	619,856	125,687	745,543	920,393
Liabilities				
Notes Payable	70,074	242,100	312,174	25,197
Vouchers Payable	60,399	8,963	69,362	67,760
Accounts Payable	296,995	112,171	409,166	232,881
Salaries and Wages Payable	83,655	5,580	89,235	177,676
Accrued Expenses	43,853	36,017	79,870	268,332
Due to Agency Funds	725	-	725	-
Due to Primary Government	-	-	-	40,391
Due to Component Units	41,252	1,052	42,304	-
Funds Held in Escrow	14,479	1,682	16,161	13,267
Due to Other Governments	4,691	-	4,691	37,733
Unearned Revenue	371,517	45,390	416,907	155,598
Overpayment of Taxes	226,435	-	226,435	27,393
Other Current Liabilities	-	2,230	2,230	87,343
Derivative Instrument Liability	60,208	8,698	68,906	4,554
Long-term Liabilities:				
Due within one year				
Bonds Payable & Other Long-term Liabilities	350,269	195,454	545,723	355,548
Due in more than one year				
Bonds Payable & Other Long-term Liabilities	4,011,452	3,226,371	7,237,823	4,797,077
Net OPEB Liability	323,193	-	323,193	367,706
Net Pension Liability	5,476,918	661,711	6,138,629	3,742,058
Total Liabilities	11,436,115	4,547,419	15,983,534	10,400,514
Deferred Inflows of Resources	31,165	1,974	33,139	379,176
Net Position				
Net Investment in Capital Assets	1,006,625	1,330,547	2,337,172	578,834
Restricted For:				
Capital Projects	10,586	162,300	172,886	5,193
Debt Service	73,387	328,101	401,488	299,197
Pension Oblig Bond Refunding Reserve	33,074	-	33,074	-
Behavioral Health	262,327	-	262,327	-
Neighborhood Revitalization	65	-	65	-
Stadium Financing	559	-	559	-
Central Library Project	1,695	-	1,695	-
Cultural & Commercial Corridor Project	2,731	-	2,731	-
Grant Programs	83,478	-	83,478	29,341
Rate Stabilization	-	202,108	202,108	-
Libraries & Parks:				
Expendable	3,235	-	3,235	-
Non-Expendable	3,137	-	3,137	-
Educational Programs	-	-	-	15,616
Other	79,445	-	79,445	12,791
Unrestricted(Deficit)	(7,767,250)	(251,921)	(8,019,171)	(3,668,508)
Total Net Position	(6,206,906)	1,771,135	(4,435,771)	(2,727,536)

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

Statement of Activities
For the Fiscal Year Ended June 30, 2017

Amounts in thousands of USD

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	Component Units
Primary Government:								
Governmental Activities:								
Economic Development	111,388	13	155	278	(110,942)		(110,942)	
Transportation:								
Streets & Highways	122,793	7,109	50,130	16,765	(48,789)		(48,789)	
Mass Transit	84,316	2,243	99	-	(81,974)		(81,974)	
Judiciary and Law Enforcement:								
Police	1,198,808	8,194	7,688	-	(1,182,926)		(1,182,926)	
Prisons	387,647	309	(11)	-	(387,349)		(387,349)	
Courts	349,742	53,620	44,281	-	(251,841)		(251,841)	
Conservation of Health:								
Emergency Medical Services	77,214	64,972	14,093	-	1,851		1,851	
Health Services	1,613,623	30,299	1,387,587	-	(195,737)		(195,737)	
Housing and Neighborhood Development	81,084	27,221	63,624	-	9,761		9,761	
Cultural and Recreational:								
Recreation	120,299	3,357	8,954	(757)	(108,745)		(108,745)	
Parks	9,494	3,552	(30)	5,042	(930)		(930)	
Libraries and Museums	90,386	1,408	6,820	-	(82,158)		(82,158)	
Improvements to General Welfare:								
Social Services	733,751	1,389	578,136	-	(154,226)		(154,226)	
Education	134,173	-	-	-	(134,173)		(134,173)	
Inspections and Demolitions	45,433	59,436	-	-	14,003		14,003	
Service to Property:								
Sanitation	161,122	13,847	1,486	-	(145,789)		(145,789)	
Fire	373,407	568	1,786	-	(371,053)		(371,053)	
General Management and Support	693,307	159,486	34,687	907	(498,227)		(498,227)	
Interest on Long Term Debt	151,108	-	-	-	(151,108)		(151,108)	
Total Governmental Activities	6,539,095	437,023	2,199,485	22,235	(3,880,352)		(3,880,352)	
Business Type Activities:								
Water and Sewer	601,751	714,666	1,283	1,077	-	115,275	115,275	
Aviation	419,854	431,881	-	9,566	-	21,593	21,593	
Industrial and Commercial Development	16,519	19,856	-	-	-	3,337	3,337	
Total Business Type Activities	1,038,124	1,166,403	1,283	10,643	-	140,205	140,205	
Total Primary Government	7,577,219	1,603,426	2,200,768	32,878	(3,880,352)	140,205	(3,740,147)	
Component Units:								
Gas Operations	598,705	626,605	11,587	-				39,487
Housing	481,904	57,791	385,555	17,060				(21,498)
Parking	253,496	259,532	-	-				6,036
Education	3,329,508	45,525	1,111,874	1,514				(2,170,595)
Health	919,572	-	919,474	-				(98)
Economic Development	159,419	5,370	92,524	59,385				(2,140)
Total Component Units	5,742,604	994,823	2,521,014	77,959				(2,148,808)
General Revenues:								
Taxes:								
Property Taxes					578,670	-	578,670	703,934
Wage & Earnings Taxes					1,920,725	-	1,920,725	-
Business Taxes					440,229	-	440,229	-
Other Taxes					817,561	-	817,561	448,323
Grants & Contributions Not Restricted to Specific Programs					184,543	2,488	187,031	1,214,077
Unrestricted Interest & Investment Earnings					27,414	11,437	38,851	(958)
Miscellaneous					-	-	-	9,200
Special Items					-	-	-	2,237
Transfers					28,483	(28,483)	-	-
Total General Revenues, Special Items and Transfers					3,997,625	(14,558)	3,983,067	2,376,813
Change in Net Position					117,273	125,647	242,920	228,005
Net Position - July 1, 2016					(6,324,179)	1,694,911	(4,629,268)	(4,020,958)
Adjustment					-	(49,423)	(49,423)	1,065,417
Net Position Adjusted - July 1, 2016					(6,324,179)	1,645,488	(4,678,691)	(2,955,541)
Net Position - June 30, 2017					(6,206,906)	1,771,135	(4,435,771)	(2,727,536)

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

Balance Sheet
Governmental Funds
June 30, 2017

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	11,592	-	97	44,059	55,748
Equity in Treasurer's Account	481,389	148,174	-	159,410	788,973
Investments	-	-	-	84,069	84,069
Due from Other Funds	101,131	-	-	50	101,181
Due from Component Units	41,170	-	-	-	41,170
Amounts Held by Fiscal Agent	38,058	-		-	38,058
Taxes Receivable	607,257	-	-	12,866	620,123
Accounts Receivable	411,789	-	2,753	6,364	420,906
Due from Other Governmental Units	14,972	162,878	482,222	70,989	731,061
Allowance for Doubtful Accounts	(612,202)	-	-	(788)	(612,990)
Interest and Dividends Receivable	389	229	-	34	652
Other Assets	-	-	-	152	152
Total Assets	1,095,545	311,281	485,072	377,205	2,269,103
Liabilities					
Vouchers Payable	30,025	219	23,984	6,171	60,399
Accounts Payable	77,939	9,213	130,699	29,903	247,754
Salaries and Wages Payable	76,699	-	6,134	822	83,655
Payroll Taxes Payable	-	-	-	65	65
Due to Other Funds	49,907	-	85,236	15,940	151,083
Due to Component Units	126	39,522	1,279	325	41,252
Funds Held in Escrow	10,542	-	-	3,937	14,479
Due to Other Governmental Units	4,691	-	-	-	4,691
Unearned Revenue	171,372	-	191,648	8,497	371,517
Overpayment of Taxes	226,435	-	-	-	226,435
Total Liabilities	647,736	48,954	438,980	65,660	1,201,330
Deferred Inflows of Resources	257,741	-	308,755	65,236	631,732
Fund Balances					
Nonspendable	-	-	-	3,426	3,426
Restricted	38,058	262,327	31,612	246,571	578,568
Committed	-	-	-	4,698	4,698
Assigned	128,357	-	-	-	128,357
Unassigned	23,653	-	(294,275)	(8,386)	(279,008)
Total Fund Balances	190,068	262,327	(262,663)	246,309	436,041
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	1,095,545	311,281	485,072	377,205	

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

a. Capital Assets used in governmental activities are not reported in the funds	2,376,905
b. Unavailable Revenue are reported as Deferred Inflows of Resources in the funds	630,724
c. Long Term Liabilities, including bonds payable are not reported in the funds	(4,361,721)
d. Derivatives and Deferred Outflows of Resources are not reported in the funds	559,648
e. Other	(18,235)
f. Net Pension & OPEB Liabilities are not reported in the funds	(5,830,268)
Net Position of Governmental Activities	(6,206,906)

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Tax Revenue	3,076,307	-	-	684,982	3,761,289
Locally Generated Non-Tax Revenue	308,484	1,880	58,273	31,910	400,547
Revenue from Other Governments	307,711	978,513	1,064,205	115,665	2,466,094
Other Revenues	15,614	-	-	2,999	18,613
Total Revenues	3,708,116	980,393	1,122,478	835,556	6,646,543
Expenditures					
Current Operating:					
Economic Development	34,572	-	253	65,727	100,552
Transportation:					
Streets & Highways	61,878	-	1,105	35,721	98,704
Mass Transit	79,795	-	99	-	79,894
Judiciary and Law Enforcement:					
Police	1,162,409	-	7,307	-	1,169,716
Prisons	370,648	-	-	2,005	372,653
Courts	301,404	-	38,166	-	339,570
Conservation of Health:					
Emergency Medical Services	61,682	-	14,093	-	75,775
Health Services	175,178	938,128	351,671	143,294	1,608,271
Housing and Neighborhood Development	2,260	-	23,569	55,544	81,373
Cultural and Recreational:					
Recreation	98,092	-	9,021	-	107,113
Parks	-	-	-	3,391	3,391
Libraries and Museums	77,956	-	6,345	117	84,418
Improvements to General Welfare:					
Social Services	153,807	-	577,856	-	731,663
Education	134,173	-	-	-	134,173
Inspections and Demolitions	44,574	-	-	-	44,574
Service to Property:					
Sanitation	152,767	-	1,486	-	154,253
Fire	351,690	-	1,800	-	353,490
General Management and Support	644,194	-	22,335	51,536	718,065
Capital Outlay	-	-	-	145,481	145,481
Debt Service:					
Principal	-	-	-	144,954	144,954
Interest	11,690	-	-	94,520	106,210
Bond Issuance Cost	-	-	-	3,242	3,242
Total Expenditures	3,918,769	938,128	1,055,106	745,532	6,657,535
Excess (Deficiency) of Revenues Over (Under) Expenditures	(210,653)	42,265	67,372	90,024	(10,992)
Other Financing Sources (Uses)					
Issuance of Refunding Debt	-	-	-	346,085	346,085
Bond Issuance Premium	-	-	-	40,709	40,709
Payment to Refunded Bonds Escrow Agent	-	-	-	(383,453)	(383,453)
Transfers In	453,976	-	-	277,442	731,418
Transfers Out	(185,723)	-	(48,371)	(468,841)	(702,935)
Total Other Financing Sources (Uses)	268,253	-	(48,371)	(188,058)	31,824
Net Change in Fund Balance	57,600	42,265	19,001	(98,034)	20,832
Fund Balance - July 1, 2016	132,468	220,062	(281,664)	344,343	415,209
Adjustment	-	-	-	-	-
Fund Balance Adjusted - July 1, 2016	132,468	220,062	(281,664)	344,343	415,209
Fund Balance - June 30, 2017	190,068	262,327	(262,663)	246,309	436,041

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

Amounts in thousands of USD

Net Change in Fund Balances - Total Governmental Funds..	20,832
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 (160,538)exceeded depreciation (152,473) in the current period..	8,045
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds..	(15,595)
c. Proceeds from debt obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments (583,961) exceeded proceeds (294,102)...	289,859
d. The increase in the Net Pension Liability 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..	(105,071)
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......	(80,797)
Change in Net Position of governmental activities..	117,273

Statement of Fund Net Position
Proprietary Funds
June 30, 2017

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
			Other Non-Major	
Assets	Water and Sewer	Aviation	Industrial & Commercial Development	Total
Current Assets:				
Cash on Deposit and on Hand	30	-	-	30
Equity in Treasurer's Account	95,258	126,510	9,797	231,565
Due from Other Governments	-	1,159	1,972	3,131
Accounts Receivable	161,306	60,518	8	221,832
Allowance for Doubtful Accounts	(13,058)	(1,100)	-	(14,158)
Inventories	14,772	3,376	40,012	58,160
Other Assets	136	-	15,163	15,299
Total Current Assets	258,444	190,463	66,952	515,859
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	667,688	343,387	-	1,011,075
Sinking Funds and Reserves	219,100	79,528	-	298,628
Grants for Capital Purposes	-	6,460	-	6,460
Receivables	1,136	12,872	-	14,008
Total Restricted Assets	887,924	442,247	-	1,330,171
Capital Assets:				
Land	5,919	164,962	-	170,881
Infrastructure	2,544,238	1,033,356	-	3,577,594
Construction in Progress	354,702	535,663	-	890,365
Buildings and Equipment	1,766,014	2,127,321	-	3,893,335
Less: Accumulated Depreciation	(2,352,463)	(1,830,901)	-	(4,183,364)
Total Capital Assets, Net	2,318,410	2,030,401	-	4,348,811
Total Non-Current Assets	3,206,334	2,472,648	-	5,678,982
Total Assets	3,464,778	2,663,111	66,952	6,194,841
Deferred Outflows of Resources	94,211	31,476	-	125,687
Liabilities				
Current Liabilities:				
Vouchers Payable	4,794	4,169	-	8,963
Accounts Payable	18,103	14,108	-	32,211
Salaries and Wages Payable	3,024	2,556	-	5,580
Construction Contracts Payable	39,851	40,109	-	79,960
Due to Component Units	1,052	-	-	1,052
Accrued Expenses	32,195	3,822	-	36,017
Funds Held in Escrow	1,682	-	-	1,682
Unearned Revenue	9,914	35,476	-	45,390
Commercial Paper Notes	-	242,100	-	242,100
Bonds Payable-Current	129,849	65,605	-	195,454
Other Current Liabilities	-	2,230	-	2,230
Total Current Liabilities	240,464	410,175	-	650,639
Derivative Instrument Liability	356	8,342	-	8,698
Net OPEB Liability	-	-	-	-
Net Pension Liability	444,233	217,478	-	661,711
Non-Current Liabilities:				
Bonds Payable	2,022,636	1,118,630	-	3,141,266
Unamortized Premium/(Discount and Loss)	-	32,070	-	32,070
Other Non-Current Liabilities	39,057	13,978	-	53,035
Total Non-Current Liabilities	2,061,693	1,164,678	-	3,226,371
Total Liabilities	2,746,746	1,800,673	-	4,547,419
Deferred Inflows of Resources	2,144	(170)	-	1,974
Net Position				
Net Investment in Capital Assets	542,042	788,505	-	1,330,547
Restricted For:				
Capital Projects	89,905	72,395	-	162,300
Debt Service	219,100	109,001	-	328,101
Rate Stabilization	202,108	-	-	202,108
Unrestricted	(243,056)	(75,817)	66,952	(251,921)
Total Net Position	810,099	894,084	66,952	1,771,135

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

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

Amounts in thousands of USD

	Business-Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Totals
Operating Revenues:				
Charges for Goods and Services	702,059	104,532	4,693	811,284
Rentals and Concessions	-	232,888	-	232,888
Operating Grants	1,283	-	-	1,283
Miscellaneous Operating Revenues	12,607	4,201	15,163	31,971
Total Operating Revenues	715,949	341,621	19,856	1,077,426
Operating Expenses:				
Personal Services	128,535	73,776	-	202,311
Purchase of Services	110,222	118,283	-	228,505
Materials and Supplies	35,013	5,156	-	40,169
Employee Benefits	132,650	61,940	-	194,590
Indemnities and Taxes	6,919	5,197	-	12,116
Depreciation	105,208	101,109	-	206,317
Cost of Goods Sold	-	-	16,519	16,519
Total Operating Expenses	518,547	365,461	16,519	900,527
Operating Income (Loss)	197,402	(23,840)	3,337	176,899
Non-Operating Revenues (Expenses):				
Federal, State and Local Grants	-	2,488	-	2,488
Passenger and Customer Facility Charges	-	90,260	-	90,260
Interest Income	7,626	3,786	25	11,437
Debt Service - Interest	(66,295)	(54,271)	-	(120,566)
Other Revenue (Expenses)	(16,909)	(122)	-	(17,031)
Total Non-Operating Revenues (Expenses)	(75,578)	42,141	25	(33,412)
Income (Loss) Before Contributions & Transfers	121,824	18,301	3,362	143,487
Transfers In/(Out)	(28,483)	-	-	(28,483)
Capital Contributions	1,077	9,566	-	10,643
Change in Net Position	94,418	27,867	3,362	125,647
Net Position - July 1, 2016	765,104	866,217	63,590	1,694,911
Adjustment	(49,423)	-	-	(49,423)
Net Position Adjusted - July 1, 2016	715,681	866,217	63,590	1,645,488
Net Position - June 30, 2017	810,099	894,084	66,952	1,771,135

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

City of Philadelphia
Exhibit VIII
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	706,195	319,971	-	1,026,166
Payments to Suppliers	(144,305)	(124,845)	-	(269,150)
Payments to Employees	(255,179)	(133,290)	-	(388,469)
Claims Paid	(6,919)	-	-	(6,919)
Other Receipts (Payments)	-	1,132	4,693	5,825
Net Cash Provided (Used)	299,792	62,968	4,693	367,453
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	1,283	2,655	-	3,938
Operating Subsidies and Transfers from Other Funds	(27,343)	-	-	(27,343)
Net Cash Provided (Used)	(26,060)	2,655	-	(23,405)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Debt Issuance	306,245	1,053,900	-	1,360,145
Capital Grants & Contributions Received	-	24,913	-	24,913
Acquisition and Construction of Capital Assets	(247,431)	(139,322)	-	(386,753)
Interest Paid on Debt Instruments	(79,638)	(57,388)	-	(137,026)
Principal Paid on Debt Instruments	(125,012)	(939,940)	-	(1,064,952)
Passenger Facility Charges	-	87,157	-	87,157
Net Cash Provided (Used)	(145,836)	29,320	-	(116,516)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale and Maturities of Investments	-	(31,927)	-	(31,927)
Interest and Dividends on Investments	5,260	3,556	17	8,833
Net Cash Provided (Used)	5,260	(28,371)	17	(23,094)
Net Increase (Decrease) in Cash and Cash Equivalents	133,156	66,572	4,710	204,438
Cash and Cash Equivalents, July 1 (including $550.7 mil for Water & Sewer and $287.1 mil for Aviation reported in restricted accounts)	629,820	403,325	5,087	1,038,232
Cash and Cash Equivalents, June 30 (including $667.7 mil for Water & Sewer and $344.2 mil for Aviation reported in restricted accounts)	762,976	469,897	9,797	1,242,670
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	197,402	(23,840)	3,337	176,899
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	105,208	101,109	-	206,317
Bad Debts, Net of Recoveries	-	-	-	-
Changes in Assets and Liabilities:				
Receivables, Net	(9,884)	(34,281)	(15,163)	(59,328)
Unearned Revenue	129	13,789	-	13,918
Inventories	143	19	16,519	16,681
Accounts and Other Payables	(2,300)	6,172	-	3,872
Accrued Expenses	9,094	-	-	9,094
Net Cash Provided by Operating Activities	299,792	62,968	4,693	367,453

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

City of Philadelphia
Statement of Net Position
Fiduciary Funds
June 30, 2017

Exhibit IX

Amounts in thousands of USD

	Pension Trust Funds	Agency Funds
Assets		
Cash on Deposit and on Hand	21,050	129,332
Equity in Treasurer's Account	5,336,928	63,995
Investments	-	2,360
Securities Lending Collective Investment Pool	369,181	-
Allowance for Unrealized Loss	43	-
Accounts Receivable	64,072	-
Due from Brokers for Securities Sold	141,679	-
Interest and Dividends Receivable	1,146	-
Due from Other Governmental Units	8,538	-
Due from Other Funds	-	699
Total Assets	5,942,637	196,386
Liabilities		
Vouchers Payable	64	92
Accounts Payable	312	-
Salaries and Wages Payable	130	-
Payroll Taxes Payable	-	5,656
Funds Held in Escrow	-	190,638
Due on Return of Securities Loaned	369,181	-
Due to Brokers for Securities Purchased	173,131	-
Accrued Expenses	3,229	-
Other Liabilities	989	-
Total Liabilities	547,036	196,386
Net Position Held in Trust for Pension Benefits	5,395,601	-

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

For the Fiscal Year Ended June 30, 2017 Amounts in thousands of USD

	Pension Trust Funds
Additions:	
Contributions:	
Employers' Contributions	734,155
Employees' Contributions	74,459
Total Contributions	808,614
Investment Income:	
Interest and Dividends	119,456
Net Gain in Fair Value of Investments	514,269
(Less) Investments Expenses	(9,390)
Securities Lending Revenue	1,798
Securities Lending Unrealized Gain	-
(Less) Securities Lending Expenses	(300)
Net Investment Gain	625,833
Miscellaneous Operating Revenues	1,794
Total Additions	1,436,241
Deductions	
Personal Services	3,329
Purchase of Services	1,830
Materials and Supplies	53
Employee Benefits	3,573
Pension Benefits	864,669
Refunds of Members' Contributions	8,202
Administrative Expenses Paid	129
Other Operating Expenses	89
Total Deductions	881,874
Change in Net Position	554,367
Net Position - July 1, 2016	4,841,234
Net Position - June 30, 2017	5,395,601

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

City of Philadelphia
Statement of Net Position
Component Units
June 30, 2017

Exhibit XI

Amounts in thousands of USD

	Philadelphia Gas Works*	Philadelphia Housing Authority*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Delaware River Waterfront Corp.	Philadelphia Authority for Industrial Development*	Total
Assets										
Cash on Deposit and on Hand	88,535	116,613	57,860	56,521	19	16,053	82,765	-	45,860	464,226
Equity in Pooled Cash and Investments	-	-	-	-	204,130	-	-	-	-	204,130
Investments	-	10,029	16,695	27,159	181,080	41,537	-	-	-	276,500
Due from Primary Government	-	-	5,960	-	-	-	69,801	-	12,860	88,621
Notes Receivable	-	16,529	27,254	-	-	-	-	-	-	43,783
Taxes Receivable	-	-	-	-	173,550	-	-	-	-	173,550
Accounts Receivable-Net	82,028	4,901	1,500	689	46,108	6,108	174	-	1,259	142,767
Interest and Dividends Receivable	-	76	21,181	125	712	47	-	-	-	22,141
Due from Other Governments	-	67,801	162	-	145,768	2,337	-	-	31,530	247,598
Inventories	55,414	1,359	153,315	-	1,951	-	-	-	-	212,039
Other Assets	70,347	10,693	4,755	103	7,258	-	492	-	-	93,648
Restricted Assets:										
Cash and Cash Equivalents	165,000	44,750	10,187	127,283	196,938	-	-	-	23,685	567,843
Other Assets	104,818	1,603	13,060	-	14,504	(2,868)	-	-	17,851	148,968
Capital Assets:										
Land and Other Non-Depreciated Assets	110,987	94,771	-	24,446	189,333	35,924	-	-	11,003	466,464
Other Capital Assets (Net of Depreciation)	1,227,128	896,752	312	155,150	1,496,090	129,958	9,647	-	64,446	3,979,483
Total Capital Assets	1,338,115	991,523	312	179,596	1,685,423	165,882	9,647	-	75,449	4,445,947
Total Assets	1,904,257	1,265,877	312,241	391,476	2,657,441	229,096	162,879	-	208,494	7,131,761
Deferred Outflows of Resources	82,650	27,300	3,903	89,727	708,605	8,208	-	-	-	920,393
Liabilities										
Notes Payable	-	-	6,897	18,300	-	-	-	-	-	25,197
Vouchers Payable	54,922	-	-	-	-	12,838	-	-	-	67,760
Accounts Payable	-	6,651	10,031	19,613	123,376	-	58,305	-	14,905	232,881
Salaries and Wages Payable	3,646	-	645	-	162,115	3,608	7,662	-	-	177,676
Accrued Expenses	156,411	16,491	13,586	560	-	1,678	79,606	-	-	268,332
Funds Held in Escrow	-	1,761	9,757	-	-	633	-	-	1,116	13,267
Due to Other Governments	-	448	-	13,648	11,425	52	-	-	12,160	37,733
Due to Primary Government	-	-	1,500	38,891	-	-	-	-	-	40,391
Unearned Revenue	7,096	1,691	32,117	-	15,150	4,030	4,363	-	91,151	155,598
Overpayment of Taxes	-	-	-	-	27,393	-	-	-	-	27,393
Other Current Liabilities	-	7,258	-	-	71,385	-	8,700	-	-	87,343
Derivative Instrument Liability	-	-	-	-	4,554	-	-	-	-	4,554
Net OPEB Liability	261,945	1,816	1,835	15,066	-	82,801	4,243	-	-	367,706
Net Pension Liability	-	90,609	15,234	209,757	3,426,458	-	-	-	-	3,742,058
Non-Current Liabilities:										
Due within one year	38,425	28,180	3,793	14,226	264,054	6,870	-	-	-	355,548
Due in more than one year	1,136,937	84,689	42,056	137,102	3,312,055	61,414	-	-	22,824	4,797,077
Total Liabilities	1,659,382	239,594	137,451	467,163	7,417,965	173,924	162,879	-	142,156	10,400,514
Deferred Inflows of Resources	-	-	905	-	377,997	274	-	-	-	379,176
Net Position										
Net Investment in Capital Assets	375,366	609,138	142	83,125	(631,309)	99,772	-	-	42,600	578,834
Restricted For:										
Capital Projects	-	-	-	-	-	5,193	-	-	-	5,193
Debt Service	104,818	-	11,202	4,522	178,655	-	-	-	-	299,197
Educational Programs	-	-	-	-	6,330	9,286	-	-	-	15,616
Grant Programs	-	-	-	-	-	-	-	-	29,341	29,341
Other	-	3,245	-	-	9,546	-	-	-	-	12,791
Unrestricted	(152,659)	441,200	166,444	(73,607)	(3,993,138)	(51,145)	-	-	(5,603)	(3,668,508)
Total Net Position	327,525	1,053,583	177,788	14,040	(4,429,916)	63,106	-	-	66,338	(2,727,536)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2017. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2016. The Philadelphia Parking Authority and Philadelphia Housing Authority are presented as of the close of their fiscal year, March 31, 2017.

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

City of Philadelphia **Exhibit XII**
Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2017

Amounts in thousands of USD

		Program Revenues			Net (Expense) Revenue and Changes in Net Position									
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Philadelphia Gas Works*	Philadelphia Housing Authority*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Delaware River Waterfront Corp.	Philadelphia Authority for Industrial Development*	Total
Gas Operations														
Gas Works	598,705	626,605	11,587	-	39,487									39,487
Housing														
Housing Authority	439,345	52,639	351,720	17,060		(17,926)								(17,926)
Redevelopment Authority	42,559	5,152	33,835	-			(3,572)							(3,572)
	481,904	57,791	385,555	17,060										
Parking														
Parking Authority	253,496	259,532	-	-				6,036						6,036
Education														
School District	3,157,396	10,796	1,052,045	1,514					(2,093,041)					(2,093,041)
Community College	172,112	34,729	59,829	-						(77,554)				(77,554)
Total	3,329,508	45,525	1,111,874	1,514										
Health														
Community Behavioral Health	919,572	-	919,474	-							(98)			(98)
Economic Development														
Delaware River Waterfront Corp	-	-	-	-								-		-
Authority for Ind. Development	159,419	5,370	92,524	59,385									(2,140)	(2,140)
Total	159,419	5,370	92,524	59,385										
Total Component Units	5,742,604	994,823	2,521,014	77,959										(2,148,808)
General Revenues:														
Property Taxes					-	-	-	-	703,934	-	-	-	-	703,934
Other Taxes					-	-	-	-	448,323	-	-	-	-	448,323
Grants & Contributions Not Restricted to Specific Programs					-	28,303	-	-	1,119,667	66,107	-	-	-	1,214,077
Unrestricted Interest & Investment Earnings					-	(2,302)	1,052	2,364	(3,890)	1,081	98	-	639	(958)
Miscellaneous					-	7,525	-	-	-	1,675	-	-	-	9,200
Special Item-Gain (Loss) on Sale of Capital Assets					-	-	-	-	34	-	-	-	2,203	2,237
Total General Revenue ,Special items and Transfers					-	33,526	1,052	2,364	2,268,068	68,863	98	-	2,842	2,376,813
Change in Net Position					39,487	15,600	(2,520)	8,400	175,027	(8,691)	-	-	702	228,005
Net Position - July 1, 2016					288,038	-	180,308	5,640	(4,639,072)	71,797	-	6,695	65,636	(4,020,958)
Adjustment					-	1,037,983	-	-	34,129	-	-	(6,695)	-	1,065,417
Net Position Adjusted - July 1, 2016					288,038	1,037,983	180,308	5,640	(4,604,943)	71,797	-	-	65,636	(2,955,541)
Net Position - June 30, 2017					327,525	1,053,583	177,788	14,040	(4,429,916)	63,106	-	-	66,338	(2,727,536)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2017. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2016. The Philadelphia Parking Authority and the Philadelphia Housing Authority are presented as of the close of their fiscal year, March 31, 2017.

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


SEAL OF THE CITY OF PHILADELPHIA
PHILADELPHIA MANETO

Notes to the Financial Statements
FYE 06/30/2017

Table of Contents

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES 48

1. Reporting Entity 48
2. Government-Wide and Fund Financial Statements 49
3. Basis of Accounting, Measurement Focus and Financial Statements 50
4. Deposits and Investments 51
5. Inventories 51
6. Capital Assets 52
7. Bonds and Related Premiums, Discounts and Issuance Costs 53
8. Insurance 53
9. Receivables and Payables 53
10. Deferred Outflows/Inflows of Resources and Net Position 53
11. Compensated Absences 55
12. Claims and Judgments 55
13. Unearned Revenue 55
14. New Accounting Standards 55

II. LEGAL COMPLIANCE 57

1. Budgetary Information 57

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS 57

1. Deposits and Investments 57
2. Securities Lending 65
3. Amounts Held by Fiscal Agent 65
4. Interfund Receivables and Payables 66
5. Capital Asset Activity 67
6. Notes Payable 70
7. Debt Payable 72
8. Lease Commitments and Leased Assets 91
9. Deferred Compensation Plans 93
10. Fund Balance Policies 93
11. Interfund Transactions 96
12. Tax Abatements 96
13. Reconciliation of Government-Wide and Fund Financial Statements 100
14. Prior Period Adjustments and Cumulative Effect of Change in Accounting Principle 100
15. Net Position Restricted by Enabling Legislation 101
16. Fund Deficits 102

IV. OTHER INFORMATION 102

1. Pension Plans 102
2. Accumulated Unpaid Sick Leave 134
3. Other Post Employment Benefits (OPEB) 134
4. Pennsylvania Intergovernmental Cooperation Authority 141
5. Related Party Transactions 141
6. Risk Management 142
7. Commitments 143
8. Contingencies 144
9. Subsequent Events 154

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. The criteria to determine an entity as a component unit is established by Governmental Accounting Standards Board Statement (GASBS) No. 14 which has been amended by GASB Statements No. 39, No. 61, and No. 80. 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 Related Organization is an entity which the City appoints board members but for which the city has no significant financial responsibility.

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. CCP’s reported amounts include the financial activity of the Community College of Philadelphia Foundation, which is a discretely presented component unit of CCP.

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. PRA's reported amounts include the financial activity of the Head House Retail Associates, L.P., which is PRA's discretely presented component unit whose fiscal year ended December 31, 2016.

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 decrease 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 the debt service that PAID issues on the City's behalf.

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.

Philadelphia Housing Authority (PHA) – 12 South 23RD Street, Philadelphia, PA 19103
PHA was established to provide low cost housing and other social services to the residents of the City. It is governed by a nine-member board with all members appointed by the City. The PHA has been presented as a related organization in the past. However, after reviewing the City's relationship with PHA, it has been determined that PHA should be included as a discretely presented component unit. Due to a change in the Pennsylvania Housing Authorities Law, the Mayor of Philadelphia can now remove a majority of PHA's board of commissioners without cause during any calendar year. Since the Mayor appoints a voting majority of PHA's board and can remove a majority of the board without cause, PHA meets the imposition of will criteria for inclusion as a discretely presented component unit in accordance with GASBS No. 14.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City's *government wide* financial statements (i.e. the Statement of Net Position 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 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 income and receipts, 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 income and receipts tax, 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 remains 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.

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 **CCP** have been prepared in accordance with GASBS No. 35 - Basic Financial Statements - and Management's Discussion and Analysis - For Public Colleges and Universities.

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

4. 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 December 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 Position 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 (except for the Aviation Fund which uses $10,000 for personal property and $100,000 for fixed assets). 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 acquisition price 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 “substantially complete” as their determining basis for transferring construction in process to one or more of the major asset classes), (2) when the expenditures are for existing facilities or (3) when they relate to specific identifiable items completed during the year which were part of a larger project.

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

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

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

B. COMPONENT UNITS

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

7. BONDS AND RELATED PREMIUMS, DISCOUNTS & ISSUANCE COSTS

In the *government-wide* financial statements and in the proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In FY13 GASB Statement No. 65 was implemented resulting in bond issuance costs being recognized as an expense and reported in the period incurred.

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 and unemployment benefits to its employees. The City is self-insured for medical benefits provided to employees in the Fraternal Order of Police, the city-administered health plan, the International Association of Fire Fighters and District Council 47.

9. RECEIVABLES 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".

Accounts receivable included in current assets consists of billed and unbilled rentals and fees, which have been earned but not collected as of June 30, 2017 and 2016. Credit balance receivables have been included in unearned revenue in the statement of net position. The allowance for doubtful accounts is management's estimate of the amount of accounts receivable which will be deemed to be uncollectible and is based upon specific identification. Unpaid accounts are referred to the City's Law Department if deemed uncollectible. Accounts are written off when recommended by the Law Department.

In fiscal year 2015, the Division of Aviation and the Philadelphia Airport Affairs Committee (PAAC) entered into an agreement that would reduce the fiscal year 2015 base rate to the airlines in exchange for a $10 million contribution from the Airport's Operation and Maintenance (O&M) reserve account that would be replenished by the signatory airlines, through the rates and charges process, over a three-year period from fiscal years 2016 to 2018. The Airport included this $10 million as part of the $32.5 million Accounts Receivable reported for the Aviation Fund in the FY 2015 Statement of Net Position. However, since the agreement states that repayment of the contribution is to take place over the next three years, $6.7 million of the $10 million receivable will not be collected until fiscal years 2017 and 2018.

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 31.95% 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. The City of Philadelphia and the School District of Philadelphia both impose a tax on all real estate in the City. Current real estate rates are $1.3998 on each $100 assessment; $0.6317 for the City and $0.7681 for the School District of Philadelphia. 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 OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION

Beginning with the fiscal year ended June 30, 2013 the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This GASB Statement replaces the term Net Assets with Net Position. Net Position is the residual of (a) assets and deferred outflows, less (b) liabilities and deferred inflows. The deferred classifications take into consideration the fact that governments enter into transactions that are applicable to future periods.

Also, beginning with the fiscal year ended June 30, 2013 the City chose to implement GASB Statement No. 65: *Items Previously Reported as Assets and Liabilities*. The objective of Statement No. 65 is to either properly classify or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses/expenditures) or inflows of resources (revenues).

Beginning in fiscal year ended June 30, 2015 the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement requires the reporting of pension transactions that incorporates deferred outflows of resources and deferred inflows of resources related to pensions over a defined, closed period, rather than a choice between an open or closed period.

Deferred Outflows of resources represents consumption of net position that applies to a future period(s) and will not be recognized as an expenditure/expense until that time. Deferred Inflows of resources represents an acquisition of net position that applies to future periods and will not be recognized as revenue until that time.

On the full accrual basis of accounting, the City has three items that qualify for reporting in all three categories.

- Derivative instruments are reported for the changes in fair value.
- Deferred Refunding results from the difference in the refunding of debt and its reacquisition price.
- Deferred pension transactions are recognized as an expense or revenue in a future period.

Six component units, including (**PGW),** (**PRA**), (**PPA**), (**SDP**), (**CCP**), and **(PHA)** have items that qualify in some of the categories, which is deferred refunding and deferred pension categories. These items have been reported as deferred outflows or deferred inflows on the City's and the component unit's Statement of Net Position.

(Amounts in Thousands of USD) **Deferred Outflows of Resources**	**Governmental Activities**	**Business Type Activities**	**Component Unit**
Derivative Instrument	58,535	8,698	7,911
Deferred Charge of Refunding	88,763	60,721	176,856
Deferred Pension Expense	472,558	56,268	735,627
Total:	619,856	125,687	920,394

(Amounts in Thousands of USD) **Deferred Inflows of Resources**	**Governmental Activities**	**Business Type Activities**	**Component Unit**
Deferred Gain of Refunding	1,007	158	4,030
Deferred Pension Revenue	30,158	1,816	375,146
Unavailable Government Revenue	-	-	-
Total:	31,165	1,974	379,176

On the modified accrual statements, there were no deferred outflows and the City has three items that are reported in the Governmental Balance Sheet as deferred inflows: Unavailable Tax revenue, Unavailable Agency revenue and Unavailable Governmental revenue.

(Amounts in Thousands of USD) **Deferred Inflows of Resources**	**General Fund**	**Grants Revenue Fund**	**Other Governmental Funds**
Unavailable Tax Revenue	154,169	-	321
Unavailable Agency Revenue	69,941	-	-
Unavailable Government Revenue	33,631	308,756	64,915
Total:	257,740	308,756	65,236

11. COMPENSATED ABSENCES

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

12. CLAIMS AND JUDGMENTS

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

13. UNEARNED REVENUE

GASB Statement No.65 prohibits the usage of the term "deferred" on any line items other than deferred inflows or outflows. Therefore, the term "Deferred Revenue" has been replaced by "Unearned Revenue". Unearned Revenue as reported in all the City's fund financial statements represents revenue received in advance with the exception of the General Fund. The General Fund reports two types of unearned revenue, Revenue Received in Advance ($5.8 million) and Business Income and Receipts Tax (BIRT) ($165.6 million).

14. NEW ACCOUNTING STANDARDS

In June 2015, **GASB issued Statement No. 74**, **Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans**. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The scope of this Statement includes OPEB plans— defined benefit and defined contribution—administered through trusts that meet certain criteria. This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet specified criteria. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. The adoption of this Statement did not result in any significant changes to the City's financial statements.

In June 2015, **GASB issued Statement No. 75**, **Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions**. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This Statement replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for fiscal years beginning after June 15, 2017. The City has not completed the process of evaluating the impact of adopting this Statement.

In August 2015, **GASB issued Statement No. 77**, **Tax Abatement Disclosures**. This Statement requires governments that enter into tax abatement agreements to disclose certain information regarding the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients. It also requires disclosure of the gross dollar amount of taxes abated during the period and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. As a result of the adoption of this Statement, the City has determined and included all applicable disclosures.

In December 2015, **GASB issued Statement No. 78**, **Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans**. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The adoption of this Statement did not result in any significant changes to the City's financial statements.

In January 2016, **GASB issued Statement No. 80**, **Blending Requirements For Certain Component Units, an amendment of GASB Statement No. 14**. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No.14, The Financial Reporting Entity. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The City adopted GASB Statement No. 80 during the fiscal year; the additional blending requirements did not affect the status of any of the City's component units.

In March 2016, **GASB issued Statement No. 81**, **Irrevocable Split-Interest Agreements**. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. The City has not completed the process of evaluating the impact of adopting this Statement.

In March 2016, **GASB issued Statement No. 82**, **Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73**. The objective of this Statement is to address certain issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The adoption of this Statement did not result in any significant changes to the City's financial statements.

In November 2016, **GASB issued Statement No. 83**, **Certain Asset Retirement Obligations**. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The City has not completed the process of evaluating the impact of adopting this Statement.

In January 2017, **GASB issued Statement No. 84**, **Fiduciary Activities**. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The City has not completed the process of evaluating the impact of adopting this Statement.

In March 2017, **GASB issued Statement No. 85, Omnibus 2017.** The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The City has not completed the process of evaluating the impact of adopting this Statement.

In May 2017, **GASB issued Statement No. 86, Certain Debt Extinguishment Issues.** The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The City has not completed the process of evaluating the impact of adopting this Statement.

In June 2017, **GASB issued Statement No. 87, Leases.** The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The City has not completed the process of evaluating the impact of adopting this Statement.

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 must be approved by City Council. Any funds that are not committed or expended at year end are lapsed. Comparisons of departmental project actual activity to budget are located in the City's *Supplemental Report of Revenues and Obligations*.

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

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

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

1. DEPOSITS AND INVESTMENTS

A. City

City 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 bank balance for City deposits was $625.1 million.

City Investments
The City has established a comprehensive investment policy that covers all funds other than the Municipal Pension Fund, Philadelphia Gas Works Retirement Reserve (PGW Pension Fund), and the Fairmount Park and Free Library Trust Funds. Those funds have separate investment policies designed to meet the long-term goals of the fund.

As of June 30, 2017, the total investments of the City, as well as both Pension Trust Funds and the Fairmount Park and Free Library Trust Funds, consisted of:

(amounts in thousands of USD)

Classification	City	City Trust Funds	PGW Pension Fund	Municipal Pension Fund	Grand Total
Certificate of Deposit	$ -	$ -	$ -	$ -	$ -
State of PA - Invest Program	882	-	-	-	882
Short-Term Investment Pools	465,878	-	18,607	149,067	633,552
Commercial Paper	262,945	-	-	-	262,945
U.S. Government Securities	672,651	77	37,597	180,539	890,863
U.S. Government Agency Securities	445,640	-	48,444	67,357	561,442
Municipal Debt	3,681	-	3,939	13,574	21,193
Foreign Debt	-	-	-	10,706	10,706
Corporate Bonds	201,107	-	59,241	300,807	561,155
CDO's	-	-	-	-	-
Government Bonds	-	-	4,022	144,638	148,660
Asset Backed Securities	-	-	3,441	20,970	24,411
Mortgage Backed Securities	-	-	-	113,717	113,717
Other Bonds and Investments	-	3,857	3,898	-	7,755
Corporate Equities	-	3,459	348,501	2,871,534	3,223,494
Limited Partnerships	-	-	-	189,003	189,003
Hedge Funds	-	-	-	50,277	50,277
Real Estate	-	-	-	258,321	258,321
Private Equity	-	-	-	442,257	442,257
Grand Total	$ 2,052,783	$ 7,393	$ 527,690	$ 4,812,768	$ 7,400,634

The City's investments include all operating, capital, debt service and debt service reserve accounts of the City's General Fund, Water Department and Aviation Division. All City investments must be in compliance with applicable provisions of the City Code and City bond resolutions, as well as the City's Investment Policy. The City's Investment Policy is meant to supplement the applicable provisions of the City Code and City bond resolutions, and is reviewed and adopted by the City's Investment Committee. The City's Investment Committee consists of the Director of Finance, the City Treasurer, a representative from the Water Department, Aviation Division, and the Philadelphia Gas Works.

City Investments - Credit Risk

Credit Risk:
The City's policy to limit credit risks by limiting the type of allowable investment, as well as the maximum percent of the portfolio for each type of investment.

The City's investment in US Government securities (32.73%) or US Government Agency obligations (21.68%) are allowable investments up to 100% of the portfolio. The US Government Agency obligations must be rated AAA by Standard & Poor's Corp. (S&P) or Aaa by Moody's Investor Services. All US Government Securities meet the criteria.

The City's investment in commercial paper (12.79%) is limited to 25% of the portfolio, and must be rated A1 by 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. All commercial paper investments meet the criteria.

The City's investment in corporate bonds (9.78%) are limited to 25% of the portfolio, and had a S&P rating of AAA to AA or Moody's rating of Aa2 or better.

Short Term Investment Pools are rated AAA by S&P and Aaa by Moody's Investor Services. The Short Term Investment Pools' amortized cost-based net asset value per share/unit is the same as the value of the pool shares. Cash accounts are swept nightly and idle cash invested in money market funds (short term investment pools).

The City limits its foreign currency risk by investing in certificates of deposit and banker's 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.

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.

City Investments - Interest Rate Risk

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 fixed income investments to maturities of no longer than 2 years, except in Sinking Fund Reserve Portfolios.

(amounts in thousands of USD)

Classifications	Less than 6 months	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months	Total
Commercial Paper	240,012	22,932	-	-	-	262,945
U.S. Government Security	266,955	146,525	147,665	111,506	-	672,651
U.S. Government Agency Securities	247,168	135,540	13,927	37,729	11,276	445,640
Municipal Debt	3,201	263	217	-	-	3,681
Corporate Bonds	35,554	112,085	30,462	23,006	-	201,107
Grand Total	$ 792,891	$ 417,345	$ 192,270	$ 172,241	$ 11,276	$ 1,586,024

City Investments – Fair Value Measurement

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability
- Level 3: Unobservable inputs for assets or liabilities

The City has the following recurring fair value measurements as of June 30, 2017:

- U.S. Treasury securities of $672.6 million are valued using quoted prices from active markets (Level 1)
- U.S Agency securities of $445.6 million are valued using quoted prices for identical securities traded in active markets when sufficient activity exists (Level 2)
- Corporate bond securities of $201.1 million are valued using quoted prices for similar securities in active markets and via matrix pricing models (Level 2)
- Commercial paper securities of $262.9 million are valued using quoted prices for identical securities in markets that are not active and via matrix pricing models (Level 2)

The City's money market and short-term investment pools of $466.7 million are valued at the published amortized cost-based net asset value per share/unit for each fund. There are no limitations or restrictions on withdrawals.

Municipal Pension Fund

See Footnote IV. 1. PENSION PLANS A. (1) a. Cash Deposits, Investments and Securities Lending

Philadelphia Gas Works Retirement Reserve (PGWRR)

See Footnote IV. 1. PENSION PLANS A. (2) c. Summary of Significant Accounting Policies and Plan Asset Matters

B. Blended Component Units

1) PICA

Deposits:

The Authority's funds may be deposited in any bank that is insured by the Federal Deposit Insurance Corporation. To the extent that such deposits exceed federal insurance, the depositories must deposit (with their trust department or other custodian) obligations of the United States, the Commonwealth, or any other political subdivision of the Commonwealth to eliminate the risk of uninsured funds. Under ACT 71 of 1971 Session of the Pennsylvania General Assembly (ACT 72), as amended, the depositories may meet this requirement by pooling appropriate securities to cover all public funds on deposit with their institution.

At June 30, 2017, the Authority's deposits consist of the following:

	(Thousands of USD)
Cash	1,707.6
Certificates of deposit	4,170.0
Total Deposits	$ 5,877.6

PICA's deposits include bank certificates of deposit that have a remaining maturity, at the time of purchase, of one year or less. US Treasury and Agency obligations with a remaining maturity of one year or less are classified as short-term investments.

Custodial Credit Risk – Custodial Credit Risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority has no policy, other than noted above, that further limits its custodial risk. As of June 30, 2017, the Authority's book balance was $5,877,582 and the bank balance was $5,878,809. Of the bank balance, $4,420,000 was covered by federal depository insurance and $1,458,809 was collateralized under Act 72.

Interest Rate Risk – The Authority does not have a formal investment policy, other than as noted above, that further limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Fair Value of Investments - Investments and derivatives are recorded at fair value as of June 30, 2017. GASB Statement No. 72 – Fair Value Measurement and Application, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets (or liabilities) in active markets that a government can access at the measurement date.
- Level 2 Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset (or liability), either directly or indirectly.
- Level 3 Investments classified as Level 3 have unobservable inputs for an asset (or liability) and may require a degree of professional judgment.

The following table summarizes PICA's investments within the fair value hierarchy at June 30, 2017:

Investment Type	Fair Value Measurements Using Level 1	Level 2	Level 3	Totals
Money Market Funds	29,286,825			29,286,825
Commercial Paper	229,000			229,000
Mutual funds - bonds	8,269,656			8,269,656
US Treasury & Agency Obligations	16,738,029			16,738,029
Municipal Bonds		36,855,294		36,855,294
Total	54,523,510	36,855,294		91,378,804

Investment Derivative Instruments

As of June 30, 2017, PICA's basis caps did not meet the criteria for effectiveness as a hedging instrument. Therefore, they are reported as investment derivative instruments.

Government Activities	Changes in Fair Value Classification	Amount	Fair Value as of June 30, 2017 Classification	Amount	Notional Amount
2003 Basis Cap	Investment Income	9,214	Investment	533,425	58,495,000
1999 Basis Cap	Investment Income	21,125	Investment	1,261,767	112,840,000

PICA Series of 2003 and 1999 Basis Cap Agreements

PICA entered into two basis cap transactions with JPMorgan Chase Bank, one in June 2003 related to the 2003 swap and one in April 2004 related to the 1999 swaption. For the 2003 basis cap transaction, beginning June 15, 2003, the counterparty pays the Authority a fixed rate each month of .40% per year and the Authority will pay the counterparty a variable rate based on the greater of (a) the average of SIFMA for the month divided by one-month LIBOR less 70%, multiplied by the one-month LIBOR, times the notional amount times the day count fraction or (b) zero. The notional amount and term of the agreement equals the notional amount and term of the 2003 interest rate swap noted above.

For the 1999 basis cap transaction, beginning June 15, 2009, the counterparty will pay the Authority a fixed-rate each month of .46% per year and the Authority will pay the counterparty a variable rate based on the greater of (a) the average of SIFMA for the month divided by one-month LIBOR, less 70%, multiplied by one-month LIBOR, times the notional amount times the day count fraction or (b) zero. The notional amount and term of this agreement equals the notional amount and term of the 1999 interest rate swaption noted above. The objective of each basis cap is to generate income. If the ratio of SIFMA/LIBOR rises sharply, the anticipated benefit might not be realized.

Fair value: As of June 30, 2017, the 2003 Basis Cap had a positive fair value of $533,425. This means that **PICA** would receive this amount to terminate the 2003 basis cap. As of June 30, 2017, the 1999 Basis Cap had a positive fair value of $1,261,767. This means that **PICA** would receive this amount to terminate the 1999 basis cap. The fair values of the swaps were measured using the zero coupon discount method and are categorized within Level 2 of the fair value hierarchy.

Risk: The basis caps include an additional termination event based on credit ratings. The basis cap may be terminated by the Authority if the counterparty's ratings fall below A- or A3 and collateral is not posted within 15 days.

2) PHILADELPHIA MUNICIPAL AUTHORITY

INVESTMENTS AND DEPOSITS

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.

A summary of the investments at June 30, 2017 is as follows:

	(Thousands of USD) Fair Value	Cost
Money Market Funds	14,409	14,409
	$ 14,409	$ 14,409

The Authority, through its trustees, invested the unexpended cash from the 2017 Juvenile Justice Center Bond Issue, the 2014 Philadelphia Municipal Authority Bond Issues, and the 2013 Energy Conservation and Direct Subsidy Bond Issues in money market funds during the year.

The Authority does not have a formally adopted investment policy related to credit risk, but it generally follows the practices of the City. As of June 30, 2017, the Authority had no investments in U.S. government securities. Investments in money market funds were not rated.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, the Authority's deposits or investments may not be returned to it. The Authority does not have a formal policy for custodial credit risk. However, it generally follows the practices of the City.

The Authority's depository cash accounts consisted of $201,906 on deposit with two local banks as of June 30, 2017. Amounts are insured up to $250,000 per bank by the Federal Deposit Insurance Corporation (FDIC). 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. As of June 30, 2017, the Authority did not have uninsured deposits on hand.

Interest Rate Risk

Interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. Such changes usually affect securities inversely and can be reduced by diversifying or hedging. The Authority does not have a formal policy for interest rate risk. However, it generally follows the practices of the City.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability.

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The Authority's investments qualify as Level 1 investments.

C. Discretely Presented Component Units

1. Philadelphia Authority for Industrial Development Basis Swap

As of June 30, 2017, **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)

	Changes in Fair Value		Fair Value at June 30, 2017		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Investment Derivatives:					
Basis Swap	Investment Revenue	1,158	Investment	(1,673)	193,520

Objective: **PAID** entered into a basis swap that became effective on July 1, 2004, that provided **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 was intended to provide for potentially significant long-term savings while also providing for a diversification of the City's variable rate index on its entire swap portfolio. The restructured portion of the swap was terminated in December 2009 at a benefit.

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 received 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.

A portion of the original transaction in the amount of $105 million was amended such that 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 amendment effective date was October 1, 2006, with variable payments to be 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, 2017, the notional amount on the portion of the swap that was not amended was $193.5 million.

Fair Value: As of June 30, 2017, the swap had a negative fair value of $1.673 million. This means that **PAID** would have to pay this amount to terminate the swap. The fair value reflects the effect of non-performance risk, which includes credit risk. The fair value of the swap was measured using the income approach and is categorized within Level 2 of the fair value hierarchy.

Risks: As of June 30, 2017, **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 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.

2. School District of Philadelphia Basis Swaps

Objective, Terms, Fair Value and Accounting of Derivative Instruments:
The School District engaged an independent pricing service with no vested interest in the interest rate swap transactions to perform the valuations, and evaluation of the swaps for compliance with GASB 53. 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. Fair values reflect the effect of non-performance risk, which includes the School District's credit risk.

The swaps where the School District pays and receives floating rates--basis swaps--are deemed investment instruments under GASB 53 and are accounted for as investment instruments.

The table below displays the objectives, terms, and fair values of the School District's derivative instruments outstanding as of June 30, 2017 along with the counterparties and their credit ratings.

Associated Bonds	Initial Notational	Current Notational	Effective Date	Maturity Date	Rate Paid	Rate Received	Fair Value	Bank Counterparty	Counterparty Ratings
Series 2006B & 2016A School Lease Revenue Bonds	$150,000,000	$150,000,000	11/30/2006	5/15/2033	SIFMA Swap67% of USD-LIBOR Index	+.2788%	($1,366,255)	Wells Fargo Bank, N.A.	Aa2/AA-/AA
Series 2006B & 2016A School Lease Revenue Bonds	$350,000,000	$350,000,000	11/30/2006	5/15/2033	SIFMA Swap67% of USD-LIBOR Index	+.2788%	($3,187,929)	JPMorgan Chase Bank, N.A.	Aa3/A+/AA-
							($4,554,184)		

Basis risk/Interest rate risk. The primary objective of the basis swaps was for the School District to reduce interest cost from the expected benefit resulting from short term tax-exempt rates reflecting prevailing income tax rates throughout the life of the swap. The School District receives a percentage of 1-Month LIBOR plus a spread of 0.2788% and pays the SIFMA tax-exempt rate, with the expectation of a 0.2788% net benefit over the life of the swap as long as tax rates remain the same. The historical average ratio of 1-Month LIBOR (short-term taxable rates) versus SIFMA Swap Rates (short-term tax-exempt rates), a direct function of income tax rates, is approximately 67%. Therefore, there needs to be a spread payable to the School District in exchange for 67% of LIBOR over the long term and this is the value of the benefit, the risk being tax rates change over the life of the basis swap. This additional receipt of 0.2788% to the School District is the expected benefit and reduction to interest cost on the associated bonds for the life of the basis swap transaction. From the date of execution of the two basis swaps through June 30, 2017, the net benefit to the School District has been $15,526,636.

The value of such a swap is determined by the prevailing level of taxable interest rates received versus the level of tax-exempt interest rates paid.

Credit risk: This is the risk that the counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk, at the reporting date, is the total market-to-market value of swaps netting, or aggregating, under a contract between the School District and each counterparty. The School District would be exposed to credit risk on derivative instruments under a netting agreement that would total to an asset position. As of June 30, 2017, the School District has no credit risk exposure on the remaining two basis swap contracts because the swaps under each netting agreement with each counterparty have negative market-to-market values. This means the counterparties are exposed to the School District in the amount of the derivatives' market-to-market values, a total negative market-to-market value of $5,379,218 as of June 30, 2017. However, should interest rates change and the fair values of the swaps become positive, the School District would be exposed to credit risk.

The basis 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.

Termination risk: Only the School District may terminate the two existing basis swaps if the counterparty fails to perform under the terms of the respective contracts. If at the time of termination, the swaps have 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

A. GOVERNMENTAL FUNDS

The City Treasurer is prohibited from lending or selling city-owned securities with an agreement to buy them back after a stated period of time (City of Philadelphia - Investment Policy Section VI. Investment Restrictions)

B. PENSION TRUST FUNDS

1) City Plan (Municipal Pension Fund)

The Board of Directors of the Municipal Pension Fund has authorized management of the Fund to participate in securities lending transactions.

See Footnote IV. 1. PENSION PLANS A. (1) e. Cash Deposits, Investments and Securities Lending

2) Philadelphia Gas Works (PGW) Plan

The Board of Directors of the Sinking Fund Commission on behalf of Philadelphia Gas Works Retirement Reserve Fund ("PGWRR") has authorized the management of these funds to participate in securities lending transactions.

As of June 1, 2014, the Plan no longer participates in a securities lending program. In December 2011, Wells Fargo, the custodian of the Plan, with the written consent of the Plan, assigned the securities lending program to Citibank. The agreement between the parties gave both parties the right to terminate the arrangement with at least 15 days' notice. On May 9, 2014, Citibank gave written communication to the Plan that they wished to terminate the arrangement effective June 1, 2014.

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 and series 2014A, PAID's Cultural & Commercial Corridor Lease Revenue Bonds Series 2006, PAID City Service Agreement Refunding Revenue Series Bond 2012, PAID's City Service Agreement Series 2014A for the Philadelphia School District, PAID's City Agreement - Cultural & Commercial Corridor Program - Revenue Refunding Series Bond 2016A, and PAID's City Agreement – Philadelphia Central Library Project - Revenue Refunding Series Bond 2016B.

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:				
	General	Special Revenue	Pension Fund*	Other Funds	Total
Interfund Payables Due From:					
General	$ -	$ -	$ 49,177	$ 699	$ 49,876
Grants Revenue Fund	85,236	-	-	-	85,236
Non major Special Revenue Funds	15,895	76	-	-	15,971
Total	**$ 101,131**	**$ 76**	**$ 49,177**	**$ 699**	**$ 151,083**

* - The $49,177,000 Due to the Pension Fund from the General Fund is reported under Accounts Receivable on Exhibit IX and Schedule III.

B. COMPONENT UNITS

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

(Amounts in Thousands of USD)	Receivables Due to:								
	General	Aviation	CBH	PRA	PAID	PGW	PPA	Timing Difference	Total
Payables Due From:									
General Fund	-	-	-	-	8	118	-	-	126
Behavioral Health	-	-	39,522	-	-	-	-	-	39,522
Grants Revenue	-	-	896	383	-	-	-	-	1,279
Community Dev.	-	-	-	325	-	-	-	-	325
Water Fund	-	-	-	-	1,026	26	-	-	1,052
PPA	3,556	30,489	-	-	-	-	-	4,846	38,891
PAID	37,614	-	-	-	-	-	-	(37,614)	-
PRA	1,500	-	-	-	-	-	-	-	1,500
Timing Difference	(1,500)	(30,489)	29,383	5,252	11,826	(144)	-	-	14,328
									-
Total	41,170	-	69,801	5,960	12,860	-	-	(32,768)	97,023

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
Capital assets not being depreciated:				
Land	829.0	10.0	-	839.0
Fine Arts	1.0	-	-	1.0
Construction In Process	43.0	11.0	(1.0)	53.0
Total capital assets not being depreciated	873.0	21.0	(1.0)	893.0
Capital assets being depreciated:				
Buildings	2,159.0	36.0	-	2,195.0
Other Improvements	348.0	8.0	-	356.0
Equipment	515.0	54.0	(39.0)	530.0
Infrastructure	1,669.0	43.0	-	1,712.0
Intangibles	22.0	6.0	-	28.0
Transit	292.0	-	-	292.0
Total capital assets being depreciated	5,005.0	147.0	(39.0)	5,113.0
Less accumulated depreciation for:				
Buildings	(1,451.0)	(64.0)	-	(1,515.0)
Other Improvements	(253.0)	(9.0)	-	(262.0)
Equipment	(391.0)	(28.0)	28.0	(391.0)
Infrastructure	(1,174.0)	(44.0)	-	(1,218.0)
Intangibles	(3.0)	(2.0)	-	(5.0)
Transit	(233.0)	(5.0)	-	(238.0)
Total accumulated depreciation	(3,505.0)	(152.0)	28.0	(3,629.0)
Total capital assets being depreciated, net	1,500.0	(5.0)	(11.0)	1,484.0
Governmental activities capital assets, net	2,373.0	16.0	(12.0)	2,377.0

(Amounts In Millions of USD)

Business-Type Activities - Enterprise Funds	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	156.0	14.8	-	170.9
Construction In Process	728.4	404.0	(242.0)	890.4
Total capital assets not being depreciated	884.4	418.8	(242.0)	1,061.2
Capital assets being depreciated:				
Buildings	3,393.9	42.5	(48.2)	3,388.2
Other Improvements	349.9	3.5	-	353.4
Equipment	136.9	17.3	(2.4)	151.8
Intangible Assets	15.2	2.5	-	17.7
Infrastructure	3,479.5	159.9	(79.5)	3,559.9
Total capital assets being depreciated	7,375.3	225.8	(130.1)	7,470.9
Less accumulated depreciation for:				
Buildings	(1,841.6)	(95.3)	20.9	(1,916.0)
Other Improvements	(177.1)	(14.1)	-	(191.2)
Equipment	(112.6)	(11.5)	2.5	(121.7)
Intangible Assets	(10.2)	(1.6)	-	(11.9)
Infrastructure	(1,897.4)	(86.5)	41.2	(1,942.7)
Total accumulated depreciation	(4,038.9)	(209.1)	64.5	(4,183.4)
Total capital assets being depreciated, net	3,336.4	16.7	(65.6)	3,287.5
Business-type activities capital assets, net	4,220.9	435.4	(307.6)	4,348.7

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

(Amounts in Millions of USD)

Governmental Activities:	
Economic Development	2
Transportation:	
Streets & Highways	44
Mass Transit	5
Judiciary and Law Enforcement:	
Police	12
Prisons	7
Courts	1
Conservation of Health:	
Health Services	3
Cultural and Recreational:	
Recreation	12
Parks	11
Libraries and Museums	7
Improvements to General Welfare:	
Social Services	1
Service to Property:	
Fire	8
General Management & Support	39
Total Governmental Activities	152

(Amounts in Millions of USD)

Business-Type Activities:

Water and Sewer	105
Aviation	101
Total Business Type Activities	206

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	Deletions	Transfers	Ending Balance
Capital Assets - Not depreciated:					
(1) Land	129.5	0.1	(2.8)	-	126.8
Construction In Process	59.0	44.5	-	(40.9)	62.6
Total Capital Assets - Not depreciated	188.5	44.6	(2.8)	(40.9)	189.4
Capital Assets - Depreciated:					
Buildings	1,748.7	8.0	(30.2)	9.6	1,736.1
Other Improvements	1,223.6	19.0	(42.6)	31.3	1,231.3
Intangible Assets	53.6	11.5	-	-	65.1
Personal Property & Equipment	233.3	18.2	(22.4)	-	229.1
Total capital assets - Depreciated	3,259.2	56.7	(95.2)	40.9	3,261.6
Less accumulated depreciation for:					
Buildings	(688.1)	(31.0)	17.2	-	(701.9)
Other Improvements	(833.2)	(47.8)	36.1	-	(844.9)
(2) Intangible Property	(43.8)	(3.4)	-	-	(47.2)
Personal Property & Equipment	(176.6)	(16.4)	21.5	-	(171.5)
Total accumulated depreciation	(1,741.7)	(98.6)	74.8	-	(1,765.5)
Total Capital Assets - Depreciated, net	1,517.5	(41.9)	(20.4)	40.9	1,496.1
Capital Assets, net	1,706.0	2.7	(23.2)	-	1,685.5

(1) The beginning balance for Land was adjusted to reflect a $0.1 million prior period adjustment to include Land at full value.

(2) The beginning balance for Intangible Assets was adjusted to reflect a $0.1 million to account for a rounding difference.

(Amounts In Millions of USD)

Business-type Activities:	**Beginning Balance**	**Adjustment**	**Increases**	**Decreases**	**Ending Balance**
Capital assets not being depreciated:					
Land	48.0	27.4	1.4	(5.1)	71.7
Fine Arts	(9.0)	-	-	-	(9.0)
Construction In Process	100.0	70.5	150.3	(142.5)	178.3
Total capital assets not being depreciated (1)	139.0	97.9	151.7	(147.6)	241.1
Capital assets being depreciated:					
Buildings	714.0	1,999.8	36.9	(17.7)	2,732.9
Other Improvements	24.0	-	0.6	33.5	58.1
Equipment	540.0	21.0	11.2	(1.1)	571.1
Infrastructure	1,753.0	-	70.3	(5.3)	1,818.0
Total capital assets being depreciated (2)	3,031.0	2,020.8	118.9	9.4	5,180.1
Less accumulated depreciation for:					
Buildings	(333.0)	(1,120.2)	(69.6)	24.2	(1,498.6)
Other Improvements	(41.0)	-	(8.6)	0.2	(49.4)
Equipment	(228.0)	7.4	(20.8)	0.7	(240.7)
Infrastructure	(842.0)	-	(39.1)	3.9	(877.3)
Total accumulated depreciation (3)	(1,444.0)	(1,112.8)	(138.2)	29.0	(2,666.0)
Total capital assets being depreciated, net	1,587.0	907.9	(19.3)	38.4	2,514.1
* Capital assets, net	1,726.0	1,005.8	132.5	(109.1)	2,755.2

The Business-type Activities – Capital Assets, net, 6/30/16 ending balance of $1,726.0 million has been adjusted to reflect the addition of PHA as a discretely presented component unit and the exclusion of DRWC as a discretely presented component unit.

6. NOTES PAYABLE

The Aviation Fund established a commercial paper (CP) program, which closed on January 1, 2013, in the amount of $350 million to provide funding for capital projects currently approved by the airlines. CP is a short-term financing tool with a maximum maturity of 270 days. The Philadelphia International Airport's CP Program will enable projects to be financed on an as-needed basis; lower the Airport's cost of borrowing, as amounts drawn can be closely matched to capital cash flow requirements; and limit negative arbitrage during the construction period for projects. CP Notes will be "rolled over" until long-term bonds are issued to refund the outstanding commercial paper. There were $242.1 million notes outstanding at June 30, 2017.

Pursuant to a contract between the City and the United States Department of Housing and Urban Development (HUD), the City borrows funds through the HUD Section 108 loan program for the purpose of establishing loan pools to finance qualifying businesses and specific development projects. These funds are placed in custodial accounts established by the Philadelphia Industrial Development Corporation (PIDC), as designee of the City, and are being administered on behalf of the City by PIDC. While the City is the primary borrower, PIDC, acting as the City's designee, makes the repayments on the City's HUD Section 108 Notes Payable. Loan repayments and investment proceeds from un-loaned funds are used to repay the Notes Payable. If there is a deficiency in these resources, the City authorizes PIDC to use Community Development Block Grant (CDBG) program income funds on hand at PIDC to repay the Notes Payable. From fiscal year 2006 through 2017, $12.8 million of CDBG program income funds had been used to repay the debt. Collateral for repayment of the HUD Section 108 loans includes future CDBG entitlements due to the City from HUD.

Through the end of the fiscal year, HUD had disbursed $196.1 million in loans to PIDC. As of June 30, 2017, there was $70.07 million in outstanding HUD Section 108 Notes Payable. In connection with this Notes Payable, a corresponding receivable due from PIDC has been recorded under Other Assets on the Governmental Activities Statement of Net Position. Scheduled repayments of the HUD Section 108 Notes Payable for the next five years and thereafter as of June 30, 2017 are as follows:

Year ending December 31,	
2017	10,822,000
2018	11,535,000
2019	3,350,000
2020	6,615,000
2021	12,783,000
Thereafter	24,969,000
Total	$ 70,074,000

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, may not exceed $150 million outstanding at any one time. These notes are intended to provide additional working capital. PGW may also sell additional short-term notes in an aggregate principal amount, which may not exceed $120.0 million outstanding at any one time to pay the cost of certain capital projects and other projects costs. All notes are supported by two irrevocable letters of credit and a security interest in the PGW's revenues. The letter of credit supporting PGW's combined commercial paper programs set the maximum level of outstanding notes plus interest at $120.0 million in FY2017, FY2016, and FY2015. There were no Capital Project Notes or Gas Works Revenue Notes outstanding at August 31, 2017. At the end of FY2016 and FY2015, there was $71.0 million and $30.0 million of tax-exempt capital project commercial paper outstanding, respectively.

PPA:
On January 29, 2015, The Authority borrowed $6,000,000 for the Philadelphia Airport Parking Garage Project in anticipation of a future bond financing. The structure of the loan is a tax-exempt bond anticipation note to be paid over a two-year period at a fixed interest rate of 1.017% and matures March 31, 2018. The balance of the note payable at March 31, 2017 is $4,800,000.

On March 31, 2016, The Authority borrowed $15,000,000 for the Philadelphia Airport Parking Garage in anticipation of a future bond financing. The structure of the loan is a tax-exempt bond anticipation note to be paid over a two-year period at a variable interest rate equal to 67% of 1-month LIBOR Rate plus 0.60% (60 basis points) and matures March 31, 2018. The balance of the note payable at March 31, 2017 is $13,500,000.

The aggregate annual principal and sinking fund payments of debt at March 31, 2017 are as follows:

Notes Payable

Year Ending March 31	Revenue Bonds Principal Amount	Revenue Bonds Interest Amount	Notes Payable Principal Amount	Notes Payable Interest Amount	Total
2018	$14,225,515	$6,427,575	$18,300,000	$164,627	$39,117,717
2019	14,520,615	5,759,750			20,280,365
2020	15,030,515	5,074,085			20,104,600
2021	15,635,515	4,328,298			19,963,813
2022	13,915,515	3,612,432			17,527,947
2023 - 2027	48,682,573	8,889,842			57,572,415
2028 - 2032	18,157,573	1,998,148			20,155,721
2033 - 2037	2,127,583	350,124			2,477,707
2038 - 2040	1,170,460	54,001			1,224,461
Total	$ 143,465,864	$ 36,494,255	$ 18,300,000	$ 164,627	$ 198,424,746

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, 2017, the statutory limit for the City is $6.6 billion, the General Obligation Debt, net of deductions authorized by law, is $1.9 billion; leaving a legal debt borrowing capacity of $4.7 billion. Termination Compensation costs and Worker's Compensation claims are paid by whichever governmental fund incurs them. Indemnity claims are typically paid by the General Fund. The following schedule reflects the changes in long-term liabilities for the fiscal year:

Long Term Debt Governmental Changes - Primary Government

(Amounts In Millions of USD)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activity					
Bonds Payable					
Term Bonds	614.8	83.2	(283.4)	414.6	74.1
Refunding Bonds	843.7	262.9	(185.7)	920.9	55.4
Serial Bonds	530.3	-	(24.7)	505.6	15.4
Add: Bond Premium	138.9	40.7	(31.5)	148.1	-
Less: Unamortized Discount	(1.7)	-	1.1	(0.6)	-
Total Bonds Payable	2,126.0	386.8	(524.2)	1,988.6	144.9
Obligations Under Lease & Service Agreements					
Pension Service Agreement	997.5	34.6	(104.9)	927.2	104.9
Neighborhood Transformation	182.4	-	(7.7)	174.7	8.1
One Parkway	34.6	-	(2.5)	32.1	2.6
Sports Stadium	276.5	-	(13.7)	262.8	14.1
Library	6.2	-	(0.6)	5.6	0.6
Cultural Corridor Bonds	93.6	-	(4.4)	89.2	4.2
City Service Agreement	299.8	-	-	299.8	-
PAID School District	29.1	-	(14.4)	14.7	14.7
Total Obligations Under Lease & Service Agreements	1,919.7	34.6	(148.2)	1,806.1	149.2
Other Long-term Liabilities					
Indemnity Claims	70.4	169.6	(153.1)	86.9	28.4
Worker's Compensation Claims	244.3	60.1	(61.9)	242.4	-
Termination Compensation Payable	243.7	9.4	(19.9)	233.2	23.3
Leases	8.7	-	(4.3)	4.4	4.4
Total Other Long-term Liabilities	567.1	239.1	(239.2)	566.9	56.1
Net Pension and OPEB Liability					
Net Pension Liability	5,611.9	-	(134.9)	5,477.0	-
OPEB Liability	296.5	26.7		323.2	-
Total Net Pension and OPEB Liability	5,908.4	26.7	(134.9)	5,800.2	-
Governmental Activity Long-term Liabilities	10,521.2	687.2	(1,046.5)	10,161.8	350.2

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

(Amounts in Millions of USD)

	Interest Rates					Principal	Due Dates			
Governmental Funds:										
City	3.000	%	to	6.500	%	1,431.7	Fiscal	2018	to	2042
PMA	1.250	%	to	6.660	%	195.5	Fiscal	2018	to	2044
PICA	4.000	%	to	5.000	%	213.9	Fiscal	2018	to	2023
						1,841.1				

- In February 2017, the City issued $262.9 million of General Obligation Refunding Bonds Series 2017. The total proceeds were $292.9 million (including a premium of $30.0 million). The proceeds of the sale were used to refund the Series 2006, 2007A, 2008A, 2009A and 2011 bonds. The interest rates of the Bonds that were refunded ranged from 4.75% to 6.5%. The interest rates of the newly issued bonds ranged from 4% to 5%. The transaction resulted in a total savings to the City of $39.4 million over the next 26 years. The difference between the present value of the debt service payments on the old debt versus the new debt (economic gain) was $25.9 million.

- In April 2017, PMA issued $83.2 million of City Service Agreement Revenue Refunding Bonds Series 2017. The total proceeds of the 2017 bonds were $93.8 million (which includes a premium of $10.6 million). The 2017 Bonds were issued to partially refund $84.2 million of the Series 2009 Bonds and to pay the costs of issuing the 2017 Bonds. The interest rates for the 2017 Bonds range from 3.0% to 5.0%. The interest rates of the refunded bonds range from 6.0% to 6.5%. The transaction resulted in a total savings to the City of $22.2 million over the next 22 years. The difference between the present value of the debt service payments on the old debt versus the new debt (economic gain) was $15.6 million.

The City has General Obligation Bonds authorized and un-issued at year-end of $570.0 million for Governmental Funds. The debt service through maturity for the Governmental GO Debt is as follows:

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

(Amounts in Millions of USD)

	City Fund		Blended Component Units			
Fiscal	General Fund		PMA		PICA	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2018	70.8	69.5	28.7	8.3	45.4	10.7
2019	74.4	65.9	13.9	7.5	38.8	8.4
2020	76.6	62.3	4.9	7.1	40.5	6.4
2021	70.0	58.7	5.1	6.9	32.9	4.4
2022	73.1	55.2	5.4	6.7	34.4	2.8
2023-2027	414.0	215.5	31.1	29.1	21.9	1.1
2028-2032	415.3	111.5	29.4	22.0	-	-
2033-2037	177.3	32.1	40.2	14.1	-	-
2038-2042	60.2	5.8	29.2	4.7	-	-
2042-2046	-	-	7.6	0.5	-	-
Totals	1,431.7	676.5	195.5	106.9	213.9	33.8

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

(Amounts in Millions of USD)

Lease & Service Agreements

Fiscal Year	Pension Service Agreement		Neighborhood Transformation		One Parkway		Sports Stadium	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	99.7	35.0	8.1	8.7	2.6	1.5	14.1	12.2
2019	93.4	41.4	9.8	8.3	2.7	1.4	14.5	11.6
2020	87.4	47.3	10.3	7.8	2.9	1.2	15.3	10.8
2021	54.6	45.2	10.8	7.3	3.0	1.1	16.0	10.1
2022	54.8	50.0	11.3	6.8	3.1	1.0	16.7	9.3
2023-2027	91.3	193.1	61.3	25.3	17.9	2.6	94.8	33.4
2028-2032	446.1	29.3	63.1	8.1	-	-	91.4	8.8
2033-2037	-	-	-	-	-	-	-	-
Totals	927.3	441.3	174.7	72.3	32.2	8.8	262.8	96.2

Fiscal Year	Central Library		Cultural Corridors		City Service Agreement		PAID School District	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	0.6	0.2	4.2	4.2	-	11.7	14.7	0.3
2019	0.6	0.2	4.4	4.1	-	11.8	-	-
2020	0.7	0.2	4.5	3.9	-	11.8	-	-
2021	0.7	0.1	4.7	3.7	23.2	11.8	-	-
2022	0.7	0.1	5.0	3.4	19.0	10.9	-	-
2023-2027	2.3	0.1	29.1	13.1	257.6	25.6	-	-
2028-2032	-	-	37.3	4.9	-	-	-	-
Totals	5.6	0.9	89.2	37.3	299.8	83.6	14.7	0.3

(2) Business Type Debt Payable

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

Long Term Debt Business Changes - Business Type *(Amounts In Millions of USD)*

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
Revenue Bonds	2,985.0	603.8	(405.4)	3,183.4	195.5
Add: Bond Premium	143.0	67.1	(22.5)	187.6	-
Less: Deferred Amounts					
Unamortized Discounts and Loss	-	-	-	-	-
Total Bonds Payable	3,128.0	670.9	(427.9)	3,371.0	195.5
Indemnity Claims	8.5	7.6	(8.6)	7.5	
Worker's Compensation Claims	27.1	5.5	(5.5)	27.1	-
Termination Compensation Payable	19.3	2.5	(3.2)	18.6	-
Arbitrage	-	-	-	-	-
Business-type Activity Long-term Liabilities	3,182.9	686.5	(445.2)	3,424.2	195.5
Other long term liabilities reported on separate line in Exhibit I					
Net Pension Liability	678.6	-	(16.9)	661.7	-
Total	3,861.5	686.5	(462.1)	4,085.9	195.5

The City has General Obligation Bonds authorized and un-issued at fiscal year-end of $303.6 million. This includes $211.6 million for the Enterprise Funds and $92 million for **PGW.**

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

(Amounts in Millions of USD)

	Interest Rates					Principal	Due Dates			
Water Fund	0.060	%	to	5.750	%	1,996.9	Fiscal	2018	to	2046
Aviation Fund	2.000	%	to	5.375	%	1,186.5	Fiscal	2018	to	2040
Total Revenue Debt Payable						3,183.4				

- In November 2016, the City issued $192.7 million of Water and Wastewater Revenue Bonds Series 2016 Bonds to refund the outstanding Series 2007A, 2009A and 2010C Bonds in the amount of $216.4 million and to pay the costs of issuing the Series 2016 Bonds. The total proceeds of the 2016 Bonds were $226.0 million (which includes a premium of $33.3 million). The interest rates of the bonds that were refunded ranged from 4.0% to 5.25%. The interest rates of the newly issued bonds range from 3.0% to 5.0%. The transaction resulted in a total savings to the City of $51.4 million over the next 20 years, the economic gain was $40.9 million.

- In April 2017, the City issued $279.9 million of Water and Wastewater Revenue Bonds Series 2017A Bonds to fund capital improvements for the Water Department and make a deposit into the Water Sinking Fund Reserve. The total proceeds of the 2017A Bonds were $313.7 million (which includes a premium of $33.8 million). The interest rates of the newly issued bonds range from 5.0% to 5.25%.

- In April 2017, the City issued $125.0 million of Airport Revenue Bonds Series 2017 (Direct Purchase Federally Taxable Loan) to fund capital improvements for the Philadelphia Airport System. The interest rate of the newly issued Series 2017 Loan is 2.797%.

- 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 2017, PENNVEST draw-downs totaled $6.2 million. The funding is through low interest loans of 1.193% during the construction period and for the first five years of amortization (interest only payment is due during the construction period up to three years) and 2.107% for the remaining fifteen years. Individual loan information is as follows:

Date	Series	Maximum Loan Amount	Amount Received Though 6/30/17	Current Balance Outstanding 6/30/17	Purpose
Oct 2009	2009B	42,886,030	29,432,930	19,297,861	Water Plant Improvements
Oct 2009	2009C	57,268,193	49,157,776	35,667,752	Water Main Replacements
Mar 2010	2009D	84,759,263	75,744,096	55,985,423	Sewer Projects
Jul 2010	2010B	30,000,000	28,500,000	23,683,419	Green Infrastructure Project
	Totals	214,913,486	182,834,802	134,634,455	

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

(Amounts in Millions of USD)

Fiscal Year	Water Fund Principal	Water Fund Interest	Aviation Fund Principal	Aviation Fund Interest
2018	129.8	89.1	65.6	56.2
2019	103.9	84.7	61.8	52.6
2020	96.8	79.9	65.1	49.4
2021	80.5	76.0	68.3	46.1
2022	73.1	72.4	187.1	42.5
2023-2027	312.0	318.4	366.7	145.8
2028-2032	321.6	254.4	179.4	70.7
2033-2037	246.1	190.7	141.7	33.5
2038-2042	307.4	124.8	50.8	5.2
2043-2047	227.2	48.4	-	-
2048-2052	79.9	15.5	-	-
2053-2057	18.6	0.4	-	-
Totals	1,996.9	1,354.7	1,186.5	502.0

(3) Defeased Debt

As of the current fiscal year-end, the City 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	268.8
Enterprise Funds:	
Water Fund Revenue Bonds	286.7
	555.6

(4) Short -Term Borrowings

The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows funds to pay debt service and required pension contributions due before the receipt of the real estate taxes. The City borrowed and repaid $175 million in Tax Revenue Anticipation Notes by June 2017 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, 2016	-
Additions	175.0
Deletions	(175.0)
Balance June 30, 2017	-

(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, 2017, the City had no arbitrage liability.

(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, 2017, classified by type, and the changes in fair value of such derivatives are as follows:

(Amounts in thousands)

	Changes in Fair Value		Fair Value at June 30, 2017		
Governmental Activities	**Classification**	**Amount**	**Classification**	**Amount**	**Notional**
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	(9,482)	Debt	(20,443)	100,000
	Deferred Outflow	(7,066)	Debt	(14,636)	87,759
	Deferred Outflow	(6,612)	Debt	(13,915)	87,961
	Deferred Outflow	(2,355)	Debt	(4,878)	29,246
	Deferred Outflow	(2,207)	Debt	(4,663)	29,314
Business Type Activities:					
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	(7,697)	Debt	(8,342)	110,700
	Deferred Outflow	(1,152)	Debt	(356)	18,180

The following table displays the objective and terms of the City's hedging derivative instruments outstanding at June 30, 2017, along with the credit rating of the associated counterparty.

City Entity	City GO	Airport	Water
Related Bond Series	2009B(1)	2005C Refunding	2005 Refunding
Initial Notional Amount	313,500,000.00	189,500,000.00	86,105,000.00
Current Notional Amount	100,000,000.00	110,700,000.00	18,180,000.00
Termination Date	8/1/2031	6/15/2025	8/1/2018
Product	Fixed Payer Swap	Fixed Payer Swap (2)	Fixed Payer Swap (3)
Rate Paid by Dealer	SIFMA	SIFMA	Bond Rate/ 68.5% of 1-mo LIBOR
Rate Paid by City Entity	3.829%	Multiple Fixed Rates	4.53%
Dealer	Royal Bank of Canada	JP Morgan Chase Bank, N.A.	Citigroup Financial Products Inc.
Dealer Rating	Aa1/AA-	Aa3/A+	Baa1/BBB+ (Citigroup Inc.)
Fair Value (4)	($20,442,979)	($8,341,971)	($356,070)

1) *On 7/28/2009, the City terminated a portion of the swap in the amount of $213,505,000 in conjunction with the refunding of its Series 2007B bond with the Series 2009A fixed rate bonds. The City made a termination payment of $15,450,000 to RBC.*
2) *The City received an upfront payment of $6,536,800 for the related swaption. JPM exercised its option to enter into the swap on 6/15/2005. The swap includes a knock-out option whereby JPM has the right to terminate the swap if the 180-day SIFMA average exceeds 7.00%.*
3) *The City received an upfront payment of $4,000,000 for the related swaption. Citigroup exercised its option to enter into the swap on 5/4/2005. Under the swap, the City receives the bond rate or 68.5% of 1-month LIBOR in the event of an Alternative Floating Rate Date. An Alternative Floating Rate Date has been triggered and the City is currently receiving the LIBOR-based rate.*
4) *Fair values are shown from the City's perspective and include accrued interest.*

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 28, 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, 2017, 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, 2017, the swap had a negative fair value of $20.44 million. This means that the City would have to pay this amount to terminate the swap. The fair value of the swap was measured using the income approach and is categorized within Level 2 of the fair value hierarchy.

Risk: As of June 30, 2017, 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, 2017, the rates were:

	Terms	Rates
Interest Rate Swap		
Fixed payment to RBC under swap	Fixed	3.82900 %
Variable rate payment from RBC under swap	SIFMA	(0.91000) %
Net interest rate swap payments		2.91900 %
Variable rate bond coupon payments	Weekly reset	0.91000 %
Synthetic interest rate on bonds		3.82900 %

Swap payments and associated debt: As of June 30, 2017, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the above current interest rates remain the same, were as follows:

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Interest Rate Swaps Net	Total Interest
2018	-	910,000	2,919,000	3,829,000
2019	-	910,000	2,919,000	3,829,000
2020	-	910,000	2,919,000	3,829,000
2021	-	910,000	2,919,000	3,829,000
2022	-	910,000	2,919,000	3,829,000
2023-2027	-	4,550,000	14,595,000	19,145,000
2028-2032	100,000,000	2,521,792	8,089,133	10,610,925
Total:	100,000,000	11,621,792 -	37,279,133 -	48,900,925

City Entity	City Lease PAID	City Lease PAID	City Lease PAID	City Lease PAID	City Lease PAID
Related Bond Series	2007A (Stadium)	2007B (Stadium)	2007B (Stadium)	2014A (Stadium)	2014A (Stadium)
Initial Notional Amount	298,485,000	217,275,000	72,400,000	87,961,255	29,313,745
Current Notional Amount	193,520,000	87,758,745	29,246,255	87,961,255	29,313,745
Termination Date	10/1/2030	10/1/2030	10/1/2030	10/1/2030	10/1/2030
Product	Basis Swap (1)	Fixed Payer Swap	Fixed Payer Swap	Fixed Payer Swap (2)	Fixed Payer Swap (3)
Rate Paid by Dealer	67% 1- month LIBOR + 0.20%	SIFMA	SIFMA	70% 1 -mo LIBOR	70% 1 -mo LIBOR
Rate Paid by City Entity	SIFMA	3.9713%	3.9713%	3.6200%	3.6320%
Dealer	Merrill Lynch Capital Services, Inc.	JP Morgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.	JP Morgan Chase Bank, N.A.	JP Morgan Chase Bank, N.A.
Dealer Rating	Baa1/BBB+ (Bank of America Corp)	Aa3/A+	Baa1/BBB+ (Bank of America Corp)	Aa1/AA-	Aa1/AA-
Fair Value (2)	($1,673,405)	($14,635,908)	($4,877,863)	($13,915,048)	($4,662,751)

1) *PAID received annual fixed payments of $1,216,500 from 7/1/2004 through 7/1/2013. The constant maturity swap that was an amendment to this was terminated on 12/1/2009. The City received a payment of $3,049,000.*
2) *On 5/3/2014, PAID converted a portion of the 2007B SIFMA Swap with JPMorgan to a LIBOR-based swap whereby PAID pays a fixed rate of 3.62% and receives a floating rate of 70% of 1-month LIBOR.*
3) *On 5/3/2014, PAID converted a portion of the 2007B SIFMA Swap with MLCS to a LIBOR-based swap whereby PAID pays a fixed rate of 3.632% and receives a floating rate of 70% of 1-month LIBOR.*
4) *Fair values are shown from the City's perspective and include accrued interest.*

b. Philadelphia Authority for Industrial Development (PAID) 2007B and 2014A 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. 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.

In May 2014, **PAID** fully refunded the 2007B-1 bonds with the 2014A bonds, a directly purchased note. The 2014As pay interest on a LIBOR-linked index. Concurrently, the two swaps were amended such that the floating rate index on the portions allocable to the 2007B-1 bonds were converted from SIFMA to the same LIBOR-based index as the 2014A bonds. One of the LIBOR-based swaps, with a notional amount of $87.96 million, was documented under a separate trade confirmation with JP Morgan Chase Bank. The other LIBOR-based swap, with a notional amount of $29.31 million, was documented under a separate trade confirmation with Merrill Lynch Capital Services, Inc. Under the LIBOR-based swaps, **PAID** pays a fixed rate of 3.62% and 3.632% (to JPMorgan and Merrill Lynch, respectively), and receives 70% of 1-month LIBOR. The payments are based on an amortizing notional schedule.

In July 2014, **PAID** refunded the 2007B-4 bonds, and terminated the allocable portions of the SIFMA-based swaps. **PAID** terminated $41.56 million of notional of the JP Morgan SIFMA-based swap and $13.84 million of notional of the Merrill Lynch SIFMA-based swap, representing the 2015-2018 maturities of each, and paid a total termination payment of $5.56 million. Costs to finance this termination payment were more than offset by refunding savings generated on the bonds, so the City will receive positive cashflow savings from the transaction in every fiscal year that the bonds are outstanding.

As of June 30, 2017, the swaps together had a notional amount of $234.3 million which matched the principal amount of the associated variable rate bond deals. Payments under these swaps are lease rental obligations of the City.

Fair Value: As of June 30, 2017, the SIFMA-based swap with JP Morgan Chase Bank had a negative fair value of $14.636 million, the SIFMA-based swap with Merrill Lynch Capital Services, Inc. had a negative fair value of $4.878 million, the LIBOR-based swap with JP Morgan Chase Bank had a negative fair value of $13.915 million and the LIBOR-based swap with Merrill Lynch Capital Services had a negative fair value of $4.663 million. This means that **PAID** would have to pay these amounts to terminate the swaps. The fair values reflect the effect of non-performance risk, which includes credit risk. The fair values of the swaps were measured using the income approach and are categorized within Level 2 of the fair value hierarchy.

Risks: As of June 30, 2017, **PAID** was 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, **PAID** would be exposed to credit risk in the amount of the swaps' fair value. The City is subject to traditional basis risk on the SIFMA-based swaps 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, 2017, the rates for the JPMorgan SIFMA-based swap were:

	Terms	Rates
Interest Rate Swap		
Fixed payment to JP Morgan under Swap	Fixed	3.97130 %
Variable rate payment from JP Morgan under Swap	SIFMA	(0.91000) %
Net interest rate swap payments		3.06130 %
Variable Rate bond coupon payments	Weighted Average weekly resets	0.89381 %
Synthetic interest rate on bonds		3.95511 %

As of June 30, 2017, the rates for the Merrill Lynch SIFMA-based swap were:

	Terms	Rates
Interest Rate Swap		
Fixed payment to Merrill Lynch under Swap	Fixed	3.97130 %
Variable rate payment from Merrill Lynch under Swap	SIFMA	(0.91000) %
Net interest rate swap payments		3.06130 %
Variable Rate bond coupon payments	Weighted Average weekly resets	0.89381 %
Synthetic interest rate on bonds		3.95511 %

As of June 30, 2017, the rates for the JP Morgan LIBOR-based swap were:

	Terms	Rates
Interest Rate Swap		
Fixed payment to JP Morgan under Swap	Fixed	3.62000 %
Variable rate payment from JP Morgan under swap	70% of 1-month Libor	(0.85672) %
Net interest rate swap payments		2.76328 %
Variable Rate bond coupon payments	70% of 1-month Libor + fixed spread	0.85672 %*
Synthetic interest rate on bonds		3.62000 %

As of June 30, 2017, the rates for the Merrill Lynch LIBOR-based swap were:

	Terms	Rates
Interest Rate Swap		
Fixed payment to Merrill Lynch under Swap	Fixed	3.63200 %
Variable rate payment from Merrill Lynch under Swap	70% of 1-month Libor	(0.85672) %
Net interest rate swap payments		2.77528 %
Variable Rate bond coupon payments	70% of 1-month Libor + fixed spread	0.85672 %*
Synthetic interest rate on bonds		3.63200 %

* *Excludes fixed spread, which is similar to the City's expected Letter of Credit costs on a comparable variable rate bond.*

Swap payments and associated debt: As of June 30, 2017, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the above current interest rates remain the same, were as follows:

	Variable Rate Bonds		Interest Rate	
June 30,	Principal	Interest	Swap Net	Total Interest
2018	-	2,050,527	6,826,025	8,876,552
2019	-	2,050,527	6,826,025	8,876,552
2020	15,355,000	2,050,527	6,826,025	8,876,552
2021	16,015,000	1,916,134	6,378,649	8,294,783
2022	16,695,000	1,775,965	5,912,043	7,688,008
2023-2027	94,780,000	6,559,339	21,835,602	28,394,941
2028-2031	91,435,000	2,042,490	6,799,351	8,841,841
Total	234,280,000	18,445,509	61,403,720	79,849,229

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, 2017, the swap had a notional amount of $110.7 million and the associated variable-rate bonds had a $110.7 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, 2017, the swap had a negative fair value of $8.34 million. This means that if the swap terminated today, the Airport would have to pay this amount to JP Morgan Chase. The fair value of the swap was measured using the income approach and is categorized within Level 2 of the fair value hierarchy.

Risk: As of June 30, 2017, the Airport was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the Airport would be exposed to credit risk in the amount of the swap's fair value. In addition, the Airport is subject to basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable bond rate, the synthetic interest rate will be greater than anticipated. The swap includes an additional termination event based on downgrades in credit ratings. The swap may be terminated by the Airport if JP Morgan's ratings fall below A- or A3, or by JP Morgan Chase if the Airport's ratings fall below BBB or Baa2. No termination event based on the Airport's ratings can occur as long as National Public Finance Guarantee Corporation (formerly MBIA) is rated at least A- or A3.

As of June 30, 2017, the rates were:

	Terms	Rates	
Interest Rate Swap			
Fixed payment to JP Morgan under swap	Fixed-declining	3.91079	%
Variable rate payment from JP Morgan under swap	SIFMA	(0.91000)	%
Net interest rate swap payments		3.00079	%
Variable rate bond coupon payments	Weekly resets	0.92500	%
Synthetic interest rate on bonds		3.92579	%

Swap payments and associated debt: As of June 30, 2017, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the above current interest rates remain the same, were as follows.

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Interest	Interest Rate Swaps Net	Total Interest
2018	$ 11,400,000	$ 1,023,975	$ 3,321,880	$ 4,345,855
2019	$ 12,200,000	$ 918,525	$ 2,668,386	$ 3,586,911
2020	$ 13,000,000	$ 805,675	$ 2,022,456	$ 2,828,131
2021	$ 13,700,000	$ 685,425	$ 1,486,956	$ 2,172,381
2022	$ 14,300,000	$ 558,700	$ 1,058,186	$ 1,616,886
2023 -2025	$ 46,100,000	$ 861,175	$ 1,081,946	$ 1,943,121
Total:	$ 110,700,000	$ 4,853,475	$ 11,639,810	$ 16,493,285

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 the alternative floating rate option of 68.5% of one-month LIBOR. Citigroup is currently paying 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.

In May 2013, the City and Water Department converted the original variable rate bonds associated with the swap to an index-based rate, terminating the existing letter of credit in the process.

As of June 30, 2017, the swap had a notional amount of $18.18 million and the associated variable-rate bond had a $18.18 million principal amount. The bonds' variable-rate coupons are based on the same index as the receipt on the swap. The bonds mature on August 1, 2018 and the related swap agreement terminates on August 1, 2018.

Fair value: As of June 30, 2017, the swap had a negative fair value of $0.36 million. This means that the Water Department would have to pay this amount if the swap terminated. The fair value of the swap was measured using the income approach and is categorized within Level 2 of the fair value hierarchy.

Risk: As of June 30, 2017 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 becomes 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, and paying 68.5% of one-month LIBOR plus a fixed spread, the City is no longer exposed to basis risk or tax risk. 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 2017, rates were as follows:	Terms	Rates
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	(0.83836) %
Net interest rate swap payments		3.69164 %
Variable Rate bond coupon payments	68.5% of 1-month LIBOR + fixed spread	0.83836 % *
Synthetic interest rate on bonds		4.53000 %

* Excludes fixed spread, which is similar to the City's expected Letter of Credit costs on a comparable variable rate bond.

Swap payments and associated debt: As of June 30, 2017, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the above current interest rates remain the same, were as follows:

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Interest	Interest Rate Swaps Net	Total Interest
2018	18,015,000	152,415	671,139	823,554
2019	165,000	1,383	6,091	7,475
	-	-	-	-
Total:	18,180,000	153,798	677,230	831,029

(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 2017 Pension Funding Bonds liability of $927.3 million is reflected in the City's financial statements as another Long-Term Obligation.

(8) Neighborhood Transformation Initiative Service Agreement

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.

In April 2015, PRA issued the Series 2015A, $73.2 million and the Series 2015B, $38.3 million - Revenue Refunding Bonds. The 2015A and 2015B Bonds were issued for the purpose of Refunding the 2005B and 2005C bonds and to pay for the cost of issuance of the 2015A & 2015B Bonds. The fiscal year 2017 NTI Service Agreement liability of $174.7 million is reflected in the City's financial statements as another Long-Term Obligation.

(9) Sports Stadium Financing Agreement

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

In October 2007 PAID issued Lease Revenue Refunding Bonds Series A and B of 2007. The proceeds from the bonds were used to refund the Series 2001B Stadium Bonds. PAID assigned its interest in the lease agreements to the parties providing the financing and in accordance with GASB Interpretation #2, PAID treats this as conduit debt and therefore does not include these transactions on its financial statements. In fiscal 2017, the Sports Stadium Financing Agreement liability of $262.8 million is reflected in the City's financial statements as Other Long-Term Liabilities.

(10) Philadelphia Free Library

In August of 2005, **PAID** issued $10,780,000 of Lease Revenue Bonds for the Philadelphia Free Library Project. These bonds were issued to provide financing for a portion of the construction costs related to the expansion and renovation of the Central library of the Free Library of Philadelphia. The bonds are non-recourse obligations of **PAID**, payable solely from rental payments made by the City to **PAID**, which will be sufficient to pay the principal and interest due. The cumulative principal repayment on the Lease Revenue Bonds as of December 31, 2016 and 2015 was $4,125,000. Effective February 3, 2016, the Cultural and Commercial Corridors Bonds were refinanced by the Revenue Refunding Bonds – Philadelphia Central Library Project, Series 2016B

(11) 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 were 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 2017 the liability of $89.2 million is reflected in the City's financial statements as Other Long-Term Liabilities.
The Series A Bonds began principal repayment in 2010. The Series B Bonds were paid off during 2009. As of December 31, 2016 and 2015, the cumulative principal balance repaid for the Series A Bonds was $22,230,000. Effective February 3, 2016, the Cultural and Commercial Corridors Bonds were refinanced by the Revenue Refunding Bonds – Cultural and Commercial Corridors Program, Series 2016A.

(12) City Service Agreement

In December 2012, **PAID** issued City Service Agreement Refunding Revenue Bonds, Series 2012 in the amount of $299.8 million. The 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 bonds were issued to refund outstanding Pension Funding Bonds Series 1999B, fund interest on the Bonds through April 15, 2020, make a deposit to the City Retirement System and pay the cost of issuance of the Bonds. The bond is payable as set forth in the Service Agreement solely from revenues of the City. The debt service payments begin in 2021. The reacquisition price exceeded the net carrying value of the old debt by $23.1 million. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The portion of the Series 1999B Bonds that were refunded are considered defeased and the liability for those bonds has been removed from the Statement of Net Position. In fiscal year 2017, the liability of $299.8 million is reflected in the City's financial statements as Other Long-Term Liabilities.

(13) School District

In June 2014, **PAID** issued City Service Agreement Revenue Bonds, **Series 2014A** in the amount of $27.2 million. The bonds shall bear interest at the LIBOR Interest Rate. The Calculation Agent will determine the LIBOR interest rate on each computation date and will become effective on the Libor index reset date next succeeding the computation date and will accrue each date during the rate period. The LIBOR interest rate will be rounded if necessary to the nearest one hundred-thousandth of a percentage point. The bonds were issued to provide additional operating funds for the School District of Philadelphia and pay the costs of issuance. The bonds have a maturity date of August 15, 2018. In fiscal year 2017, **PAID** School District liability of $14.7 million is reflected in the City's financial statements as Other Long-Term Liabilities. In October of 2014, **PAID** issued $57.5 million of Lease Revenue Bonds. The proceeds of the sale were used to refund $27.2 million of the **Series 2014A** bonds outstanding and provide the School District with $30.0 million of new funding. The interest rate of the refunded bonds was variable. The interest rate of the newly issued bonds is 1.78%. The purpose of the transaction was to provide the School District with $30.0 million of additional funding and not to generate any savings of the refunded portion of $27.2 million. The newly issued bonds have a maturity date of June 30, 2018.

(14) Net Pension Liability

Net Pension Liabilities at June 30, 2014 was $404.7 million and $49.7 million for the Governmental and Business Type Activities, respectively. As a result of a change in accounting principle (implementation of GASB 68) the beginning FY 2015 Net Position was adjusted by $4.7 billion and $579.7 million for Governmental and Business Type Activities respectively. During FY 2017, the Governmental Activities' Net Pension Liabilities (NPL) decreased by $134.9 million, resulting in a Net Pension Liability of $5.5 Billion. During FY 2017, the Business Type Activities' NPL decreased by $16.9 million, resulting in a Net Pension Liability of $661.7 million

B. COMPONENT UNIT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

The **SDP** has debt that is classified as General Obligation debt payable. The General Obligation Bonds outstanding at year-end total $2,976.2 million in principal, with interest rates from 1.25% to 6.765% and have due dates from 2019 to 2043. The following schedule reflects the changes in long-term liabilities for the **SDP**:

Long Term Obligations (1)
(Dollars in Millions)

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Governmental Activities:					
General Obligation Bonds/Lease Rental Debt	$ 2,989.3	$ 1,391.8	$ (1,404.9)	$ 2,976.2	$ 124.2
Bond Premium	120.7	166.3	(43.0)	244.0	19.7
Bond Discount	(8.2)	-	6.3	(1.9)	(0.5)
Total Bonded Debt	3,101.8	1,558.1	(1,441.6)	3,218.3	143.4
Termination Compensation Payable	187.4	14.6	(15.3)	186.7	25.5
Severance Payable (2)	125.8	-	(125.8)	-	-
Due to Other Governments					
- Deferred Reimbursement	45.3	-	-	45.3	45.3
Other Liabilities	114.7	20.8	(29.6)	105.9	33.8
Incurred But Not Reported (IBNR) Payable (3)	18.0	-	(2.0)	16.0	16.0
Arbitrage Liability	0.3	-	(0.3)	-	-
OPEB Liability	1.7	0.4	-	2.1	-
PSERS Pension Liability	2,993.3	598.8	(216.7)	3,375.4	-
Governmental Activity - Long-Term Liabilities	$ 6,588.3	$ 2,192.7	$ (1,831.3)	$ 6,949.7	$ 264.0
Business-Type Activities:					
Termination Compensation Payable	$ 2.0	$ 0.2	$ (0.4)	$ 1.8	$ 0.3
Severance Payable (2)	0.8	-	(0.8)	-	-
PSERS Pension Liability	45.3	9.1	(3.3)	51.1	-
Business-Type Activities - Long-Term Liabilities	$ 48.1	$ 9.3	$ (4.5)	$ 52.9	$ 0.3

1. Termination (Compensated absences), severance, unemployment, workers' compensation, claims and judgments liabilities are accrued to the governmental funds to which the individual is charged. These liabilities are then liquidated by the General Fund. In addition, DHS, OPEB and Arbitrage liabilities are fully liquidated by the General Fund.

2. Prior to fiscal year 2017, the District incorrectly classified the portion of active 10-Pay-12 employee salary and benefit expenses that were earned throughout the current fiscal year, but not paid until the subsequent fiscal year, as Severance Payable. Beginning in Fiscal Year 2017, the District is correcting this error and classifying it as a short-term liability, included in Accrued Salaries and Benefits Payable on the Balance Sheet.

3. IBNR is included with the Self Insurance Health Care Internal Service Fund.

The **SDP** Debt service to maturity on general obligation bonds at June 30, 2017 is summarized as follows: (Excludes debt issued through the State Public School Building Authority)

Fiscal Year	Principal	Interest	Total
2018	$ 104,475	$ 98,100	$ 202,575
2019	127,520	92,989	220,509
2020	110,695	87,537	198,232
2021	115,055	82,022	197,077
2022	116,880	76,244	193,124
2023-2027	512,270	305,118	817,388
2028-2032	465,995	183,749	649,744
2033-2037	216,475	88,303	304,778
2038-2042	71,100	44,192	115,292
2043	147,245	3,725	150,970
Total	$ 1,987,710	$ 1,061,979	$ 3,049,623

(2) Business Type Debt Payable

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

	Interest Rates			Principal	Due Dates			
PGW	2.00 %	to	5.25 %	1,054.73	Fiscal	2018	to	2047
PPA	3.01 %	to	5.25 %	143.47	Fiscal	2018	to	2039
CCP	2.00 %	to	6.25 %	66.90	Fiscal	2018	to	2028
PHA	4.75 %	to	5.50 %	40.69	Fiscal	2018	to	2022
Total Revenue Debt Payable				1,305.78				

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

(Amounts in Millions of USD)

Fiscal	Philadelphia Gas Works †		Philadelphia Parking Authority		Community College of Philadelphia		Philadelphia Housing Authority ‡	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal *	Interest *
2018	38.43	44.47	14.23	6.43	6.41	3.03	5.35	2.08
2019	51.82	43.32	14.52	5.76	6.37	2.74	7.62	1.80
2020	52.87	40.76	15.03	5.07	6.64	2.48	8.02	1.39
2021	53.77	38.23	15.64	4.33	6.90	2.21	8.45	0.97
2022	54.82	35.59	13.92	3.61	6.87	1.93	11.27	0.67
2023-2027	280.63	142.99	48.68	8.89	28.32	5.36		
2028-2032	189.89	99.28	18.16	2.00	5.51	0.28		
2033-2037	161.85	60.56	2.13	0.35	-	-		
2038-2042	95.93	30.84	1.17	0.05	-	-		
2043-2047	74.7	11.57	0.00	0.00	-	-		
2048 - 2072								
Totals	1,054.73	547.61	143.47	36.49	67.00	18.01	40.69	6.90

† - Gas Works amounts are presented as of its fiscal year ended August 31, 2017

‡ - PHA amount are presented as of March 31, 2017.

* Includes only PHA debt service amounts, it does not include any amouts related to PHA discretely presented component units.

(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 †	296.5
School District of Philadelphia	290.2
Total	586.7

† - Gas Works amounts are presented as of August 31, 2016

PGW assets pledged, primarily noncallable U.S. Government securities, had a market value of $308.7 million at August 31, 2017, bearing interest on face value from 0.63% to 5.89%.

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.

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. This includes the following:

a) As of June 30, 2017, $286.7 million of bonds outstanding are considered to be defeased and the liability has been removed from long-term liabilities.
b) In addition, as of June 30, 2017, the Defeasance Accounts from the Sale of SDP Property had $3.5 million of bonds outstanding considered to be defeased and the liability was removed from long-term liabilities.

(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, 2017, the arbitrage rebate calculation indicates a liability totaling $47,257.

This arbitrage liability of $47,257 relates to GOB Series 2010E, 2010F and 2010G. The actual amount due as of the next required "Installment Rebate Payment Date" is subject to change due to bond and investment activity, if any, occurring after June 30, 2017. Pursuant to the Regulations, the next required "Installment Rebate Payment" must be paid no later than 60 days after June 30, 2020. The School District will continue to perform an annual rebate calculation until all funds have been expended. This year's liability is lower than last year's liability of $308,817.

During the fiscal year, the District had an arbitrage liability of $264,479 related to the Series A and B Bonds of 2006 issued through the State Public School Building Authority (SPSBA) that was due payable on 60 days after December 28, 2016. On January 11, 2017, the District received notification from SPSBA that this amount was payable to the United States Treasury (IRS) and the District paid this amount on January 24, 2017.

The School District has reserved as of June 30, 2017 $47,257 under the fund balance of the Capital Projects Fund. In addition, a contingent liability for this amount has been accounted for in the governmental activities column of the government-wide statement of net position.

(5) Derivative Instruments

a. PGW Interest Rate Swap Agreement

Objective - In January 2006, the City entered into a fixed rate payor, floating rate receiver interest rate swap to create a synthetic fixed rate for the Sixth Series Bonds. The interest rate swap was used to hedge interest rate risk.

Terms - The swaps have a maturity date of August 1, 2028 and require the City to pay a fixed rate of 3.6745% and receive a variable rate equal to 70.0% of one-month LIBOR until maturity.

In August 2016, the underlying variable rate bonds maturing in FY 2017 through FY 2023 were refunded with fixed rate bonds and the related portions of the swaps, totaling $102.7 million in notional amount, were terminated. PGW made a termination payment of $13.9 million to partially terminate the swaps.

As of August 31, 2017, the swaps had a notional amount of $122.8 million and the associated variable rate debt had a $122.8 million principal amount, broken down by series as follows:

- The Series B swap had a notional amount of $27.4 million and the associated variable rate bonds had a $27.4 million principal amount.
- The Series C swap had a notional amount of $27.2million and the associated variable rate bonds had a $27.2 million principal amount.
- The Series D swap had a notional amount of $40.8 million and the associated variable rate bonds had a $40.8 million principal amount.
- The Series E swap had a notional amount of $27.4 million and the associated variable rate bonds had a $27.4 million principal amount.

The final maturity date for all swaps is on August 1, 2028.

Fair Value - As of August 31, 2017, the swaps had a combined negative fair value of approximately $23.5 million. The fair values of the interest rate swaps were estimated using the zero-coupon method and are classified as Level 2 within the fair value hierarchy. 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.

Risk - As of August 31, 2017, 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 **PGW**'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 A2/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, 2017 and 2016 is as follows (thousands of U.S. dollars):

	Interest Rate Swap Liability	Deferred ouflows of resources
August 31, 2016 Balance	31,806	14,763
Change in fair value through August 31, 2017	(8,273)	(8,273)
Amortization of terminated hedge	-	1,421
August 31, 2017 Balance	23,533	7,911

	Interest Rate Swap Liability	Deferred ouflows of resources
August 31, 2015 Balance	39,410	20,948
Change in fair value through August 31, 2016	(7,604)	(7,604)
Amortization of terminated hedge	-	1,419
August 31, 2016 Balance	31,806	14,763

Because the original hedging relationship was terminated when the Sixth Series Bonds were refunded by the Eighth Series Bonds in 2009, there is a difference between the interest rate swap liability and the related deferred outflows of resources. The difference is being amortized on a straight-line basis into expense over the life of the hedge.

The interest rate swap liability is included in other non-current liabilities 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, 2017, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2017 financial statements are as follows (amounts in thousands; debit (credit)):

In February 2015, the GASB issued Statement 72, addressing the accounting and financial reporting issues related to fair value measurements. GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between swap counterparties at the measurement date, which includes the non-performance risk. The Statement is effective for reporting periods beginning after June 15, 2016.

The School District adopted GASB 72 beginning Fiscal Year ended 2016. The fair values balances as defined by GABS 72 and notional amounts of derivative instruments outstanding at June 30, 2017, classified by type, and the change in fair value per GASBS 72 of such derivative instruments for the year then ended as reported in the 2017 financial statements are as follows (amounts in thousands: debit (credit)):

	Change in Fair Value		Fair Value at June 30, 2017		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Investment Derivatives:					
Pays-variable interest rate swaps	Investment Revenue	$ (3,890)	Investment	$ (4,554)	$ 500,000
				$ (4,554)	

As of June 30, 2017, 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.

Fair Value of Investments: In February 2015, the GASB issued Statement 72, addressing the accounting and financial reporting issues related to fair value measurements. GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between swap counterparties at the measurement date, which includes the non-performance risk. The Statement is effective for reporting periods beginning after June 15, 2016.

The District's investments are valued at fair value using the following hierarchy:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other that quoted market prices; and
- Level 3: Unobservable inputs

The lowest available level of valuation available is used for all investments.

Fixed income securities are valued based on the values for similar assets in an active market. Equity securities are valued based on published values for identical assets in an active market.

The income approach is used to obtain the fair value of the swaps, where future amounts (the expected swap cash flows) are converted to a single current (discounted) amount, using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows, and time value of money. Where applicable under the income approach, the option pricing model technique, such as the Black-Derman-Toy model, or other appropriate option pricing model is used. This valuation technique is applied consistently across all the swaps.

Given the observability of inputs that are significant to the entire measurement, the fair values of the School District investments are categorized as follows:

	Level 1	Level 2	Level 3
Morgan Stanley Institutional Liquidity Fund Treasury Securities Portfolio	147,634,840		
Federal Home Loan Bank		16,874,933	
Fedral national Mortgage Assoc		8,105,484	
U.S. Treasury Bills	5,608,737		
SIFMA Swap		(4,554,184)	
Total	153,243,577	20,426,233	-

8. LEASE COMMITMENTS AND LEASED ASSETS

A. CITY AS LESSOR

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

(Amounts In Thousands of USD)	**Primary Government**		**Component Units**
	Governmental Funds	Proprietary Funds	
Minimum Rentals	6,928	59,847	3,107
Additional Rentals	-	161,971	205
Sublease	10,195	-	2,650
Total Rental Income	17,123	221,818	5,962

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

(Amounts In Thousands of USD)	**Primary Government**		**Component Units**
Fiscal Year Ending June 30	**Governmental Funds**	**Proprietary Funds**	
2018	13,172	28,647	3,999
2019	12,381	7,082	3,243
2020	11,997	6,686	2,506
2021	12,204	4,902	5,305
2022	12,414	4,353	614
2023-2027	44,246	17,998	599
2028-2032	17,558	12,641	
2033-2037	17,524	6,170	
2038-2042	17,524	5,889	
2043 thru 2082	-	-	
Total	159,020	94,368	16,266

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:

Operating Leases

(Amounts In Thousands of USD)	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
Minimum Rentals	176,759	41,853	17,331
Additional	-	-	29
Sublease	-	-	2,650
Total Rental Expense	176,759	41,853	20,010

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:

(Amounts In Thousands of USD)	Primary Government		Component Units
Fiscal Year Ending June 30	**Governmental Funds**	**Proprietary Funds**	
2018	33,220	1,007	14,313
2019	24,482	545	13,163
2020	22,511	393	13,092
2021	21,068	393	12,155
2022	14,178	393	13,099
2023-2027	45,731	1,964	31,856
2028-2032	11,997	1,964	9,925
2033-2037	-	1,964	10,844
2038-2042	-	1,964	6,911
Total	173,187	10,587	125,358

2) CAPITAL LEASES

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

Future Minimum Capital Lease Payments (Amounts In Thousands of USD)

Fiscal Year Ending June 30	Principal	Interest	Total
2018	463,331	34,321	497,652
2019	426,296	20,864	447,160
2020	285,592	8,582	294,174
2021	109,110	1,380	110,490
	1,284,329	65,147	1,349,476

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, 2014, 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 (the Plan) created in accordance with Internal Revenue Service Code Section 457. The Plan, available to all **PGW** employees with at least 30 days of service, permits them to defer a portion of their salary until future years. **PGW** provides an annual 10.0% matching contribution of applicable wages that immediately vests to the employee. **PGW** contributed $0.4 million and $0.3 million in FY2017 and FY2016, respectively. PGW's contributions are accounted for as part of administrative and general expenses.

10. FUND BALANCE POLICIES

Fund Balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. 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:

- 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 Permanent Funds ($3.4 million) were non-spendable.

- 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 $38.0 million at June 30, 2017. The fund balances in the following Special Revenue Funds were restricted: HealthChoices Behavioral Health ($262.3 million); Grants Revenue ($31.6 million); County Liquid Fuels ($5.9 million); Special Gasoline Tax ($40.0 million); Hotel Room Rental Tax ($13.7 million); Car Rental Tax ($6.0 million); Housing Trust ($30.6 million); Acute Care Hospital Assessment ($13.4 million); Departmental ($10.9 million); Municipal Authority Administrative ($.4 million); PICA Administrative ($25.2 million). The Debt Service Fund had a Restricted Fund Balance of ($72.3 million) and entire fund balance of the Capital Improvement ($24.8 million) funds was restricted. The Permanent Fund had a restricted fund balance of $3.5 million at June 30, 2017.

- 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: Riverview Residents $.03 million, Philadelphia Prisons $3.4 million, and Departmental $1.3 million.

- Assigned Fund Balance ─ Includes amounts that are constrained by government's intent to be used for a specific purpose but are neither restricted nor committed. The intent may be expressed by the Budget Director, other authorized department heads or their designees to which the Finance Director has granted the authority to assign amounts to be used for specific purposes. There is no prescriptive action to be taken by the authorized officials in removing or modifying the constraints imposed on the use of the assigned amounts. The General fund reported an assigned fund balance of $128.4 million at June 30, 2017 which represents the encumbrance balance at the end of the reporting period.

- 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 $23.7 million unassigned fund balance at June 30, 2017. Within the Special Revenue Funds, the Grants Revenue fund had a negative unassigned fund balance of $294.3 million and the Community Development fund had a negative unassigned fund balance of $8.4 million at June 30, 2017.

To the extent that funds are available for expenditure in both the restricted and the other fund balance categories, except for the non-spendable category, funds shall be expended first from restricted amounts and then from the other fund balance categories amounts excluding non-spendable. To the extent that funds are available for expenditure in these other categories, except for the non-spendable fund balance, the order of use shall be: committed balances, assigned amounts, and lastly, unassigned amounts. The table below presents a more detailed breakdown of the City's fund balances at June 30, 2017:

(Amounts In Thousands of USD)

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Permanent Fund (Principal)	-	-	-	3,426	3,426
Subtotal Nonspendable:	-	-	-	3,426	3,426
Restricted for:					
Neighborhood Revitalization	-	-	65	-	65
Economic Development	-	-	-	13,669	13,669
Public Safety Emergency Phone System	-	-	31,547	-	31,547
Streets & Highways	-	-	-	45,983	45,983
Housing & Neighborhood Dev	-	-	-	30,647	30,647
Health Services	-	-	-	13,446	13,446
Behavioral Health	-	262,327	-	-	262,327
Parks & Recreation	-	-	-	894	894
Libraries & Museums	-	-	-	3,314	3,314
Intergovernmental Financing (PICA)	-	-	-	25,197	25,197
Intergovernmentally Financed Programs	-	-	-	-	-
Central Library Project	1,695	-	-	-	1,695
Stadium Financing	559	-	-	6,027	6,586
Cultural & Commercial Corridor Project	2,730	-	-	-	2,730
Capitalized Interest	33,074	-	-	-	33,074
Debt Service Reserve	-	-	-	72,388	72,388
Capital Projects	-	-	-	24,823	24,823
Trust Purposes	-	-	-	10,183	10,183
Subtotal Restricted	38,058	262,327	31,612	246,571	578,568
Committed, reported in:					
Social Services	-	-	-	30	30
Prisons	-	-	-	3,354	3,354
Parks & Recreation	-	-	-	1,314	1,314
Subtotal Committed	-	-	-	4,698	4,698
Assigned, reported in:					
Encumbrances	-	-	-	-	-
General Management & Support	52,955				52,955
Social Services	21,206				21,206
Prisons	15,129				15,129
Health Services	9,436				9,436
Other	29,631				29,631
Subtotal Assigned:	128,357	-	-	-	128,357
Unassigned Fund Balance:	23,653	-	(294,275)	(8,386)	(279,008)
Total Fund Balances	190,068	262,327	(262,663)	246,309	436,041

11. INTERFUND TRANSACTIONS

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

Transfers between fund types during the year were:

	Transfers To:				
(Amounts in Thousands of USD)	Govermental	Non Major Governmental			
		Special	Debt	Capital	
Transfers From:	General	Revenue	Service	Improvement	Total
General Fund	-	11,265	168,694	5,764	185,723
Grants Revenue Fund	42,592	1,200	4,579	-	48,371
Non major Special Rev. Fds	409,518	-	55,706	1,500	466,724
Permanent Funds	-	72	-	-	72
Capital Improvements	-	2,045	-	-	2,045
Water Fund	1,866	26,617	-	-	28,483
Total	453,976	41,199	228,979	7,264	731,418

12. TAX ABATEMENTS

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures,* the City is required to disclose certain information about tax abatements as defined in the Statement. For the purposes of GASB Statement No. 77, a tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual, or entity, in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to the economic development or otherwise benefits the City or the citizens of the City. The City has entered into such agreements. The quantitative threshold set by the City for disclosing its tax abatement programs is currently $500,000 or more. A description of each of the City's tax abatement programs where the City has promised to forgo taxes are as follows:

A		Tax Credit Agreements entered into by the City of Philadelphia	
1	Name and Purpose of Program	**Community Development Corporation (CDC) Tax Credit** The Program rewards local businesses that contribute to economic development efforts as sponsors in distressed parts of the City.	**Job Creation Tax Credit** The Job Creation Tax Credit rewards businesses that increase the number of jobs available in the City of Philadelphia.
2	Specific tax being abated	Business Income and Receipts Tax	Business Income and Receipts Tax
3	Authority under which abatement agreement is entered into	The Philadelphia Code under Chapter § 19-2604 (6) defines the implementation of the Community Development Corporation (CDC) Tax Credit. Section 501 of the Business Income and Receipts Tax regulations provides a full description of the CDC Tax Credit, including definitions of qualifying CDCs.	The Philadelphia Code under Chapter § 19-2604 (7) defines the implementation of the Job Creation Tax Credit. A full description of the Job Creation Tax Credit can be found under Section 502 of the BIRT regulations.
4	Criteria to be eligible to receive tax abatement	The CDC tax credit is available to a maximum of 42 businesses per tax year. The sponsor must contribute $100,000 to a qualifying organization under the terms and conditions of the Business Income and Receipts Tax regulations and the contribution agreement. Contributions exceeding $100,000 will not be entitled to any additional tax credit and no tax credit will be available if contributions are less than $100,000. Sponsors must make the full contribution by December 31st of each year. A sponsor must take the credit on the tax year for which the contribution is made. Tax credits may not be carried forward or carried backward. Tax credits are non-transferable.	A business can attain this credit if it creates 25 new jobs or increases its number of employees by at least 20% within five years of the designated start date. Program participants must commit to maintaining business operations in the City of Philadelphia for five years.
5	The mechanism by which taxes are abated:		
5a	How the tax abatement recipient's taxes are reduced, such as through a reduction of assessed value	A business as a sponsor that pledges and contributes $100,000 annually to a currently non-participating qualifying organization for 10 consecutive years; obtains a tax credit of $100,000 or actual BIRT tax liability per year, whichever is lower.	The credit amount for jobs created is 2% of annual wages paid for each new job or $5,000 per new job created, whichever is higher, subject to the maximum amount specified in the commitment agreement.
5b	How the amount of tax abatement is determined, such as dollar mount or percentage of taxes owed	Same as 5A	Same as 5A
6	Provisions for recapturing abated taxes, if any	There are no provisions for recapture of this tax credit.	There are no provisions for recapture of this tax credit.
7	Types of commitments made by recipients	The Sponsor pledges to contribute to a non-participating qualifying organization, $100,000 annually, for 10 consecutive years.	Program participants must commit to maintaining business operations in the City of Philadelphia for five years.
B	Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement program	4,607,653	721,143

C. There were no forgone revenues received, or receivable from other governments relative to this tax abatement program.
D. There were no other commitments, other than to reduce taxes, relative to this tax abatement program.
E. No tax abatement agreement has been disclosed individually.
F. No required information has been omitted relative to this tax abatement program.

A	Real Estate Tax Abatement Agreements entered into by the City of Philadelphia				
1	Name of Program (s)	Development Abatement for New or Improved Residential Properties (State Act 175)	Rehab Construction for Residential Properties (Ordinance 961)	Rehab & New Construction for Commercial & Industrial Properties (Ordinance 1130)	New Construction for Residential Properties (Ordinance 1456-A)
	Purpose of Program (s)	To encourage new construction or rehabilitation of properties, to help revitalize communities, retain residents, attract home- and business-owners to the City of Philadelphia, and reduce development costs for commercial and residential projects.	To encourage new construction or rehabilitation of properties, to help revitalize communities, retain residents, attract home- and business-owners to the City of Philadelphia, and reduce development costs for commercial and residential projects.	To encourage new construction or rehabilitation of properties, to help revitalize communities, retain residents, attract home- and business-owners to the City of Philadelphia, and reduce development costs for commercial and residential projects.	To encourage new construction or rehabilitation of properties, to help revitalize communities, retain residents, attract home- and business-owners to the City of Philadelphia, and reduce development costs for commercial and residential projects.
2	Specific tax being abated	Real Estate Taxes	Real Estate Taxes	Real Estate Taxes	Real Estate Taxes
3	Authority under which abatement agreement is entered into	State Act 175	The Philadelphia Code (Bill) Ordinance 961	The Philadelphia Code (Bill) Ordinance 1130	The Philadelphia Code (Bill) Ordinance 1456-A
4	Criteria to be eligible to receive tax abatement	Developers building or rehabbing residential properties for lease or sale that make improvements, under City issued permits, that affect the assessed value of the property.	Owner / developers rehabbing a property to be sold or owner-occupied that make improvements, under City issued permits, that affect the assessed value of the property.	Owner / developers rehabbing or building a property to be sold or leased for commercial, industrial or business purposes that make improvements, under City issued permits, that affect the assessed value of the property.	Owner / developers that are building a property that make improvements, under City issued permits, that affect the assessed value of the property.
5	The mechanism by which taxes are abated:				
5a	How the tax abatement recipient's taxes are reduced, such as through a reduction of assessed value	Real Estate Taxes are abated for the first 30 months or until property is leased or sold, whichever occurs first.	Real Estate Taxes are abated for 10 years, beginning January 1st, after the improvement is certified by the owner.	Real Estate Taxes are abated for 10 years, beginning January 1st, after the improvement is certified by the owner.	Real Estate Taxes are abated for 10 years, beginning the 1st month after the title date.
5b	How the amount of tax abatement is determined, such as dollar mount or percentage of taxes owed	The change in value due to the improvements will not be taxable	The change in value due to the improvements will not be taxable	The change in value due to the improvements will not be taxable	The change in value due to the improvements will not be taxable
6	Provisions for recapturing abated taxes, if any	There are no provisions to recapture abated taxes.	There are no provisions to recapture abated taxes.	There are no provisions to recapture abated taxes.	There are no provisions to recapture abated taxes.
7	Types of commitments made by recipients	There are no commitments, other than described above, made by recipients	There are no commitments, other than described above, made by recipients	There are no commitments, other than described above, made by recipients	There are no commitments, other than described above, made by recipients
B	Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement program	847,607	5,630,672	22,452,636	14,439,754

C. There were no forgone revenues received, or receivable from other governments relative to this tax abatement program.
D. There were no other commitments, other than to reduce taxes, relative to this tax abatement program.
E. No tax abatement agreement has been disclosed individually.
F. No required information has been omitted relative to this tax abatement program.

A	Tax Abatement Agreements entered into by Other Governments	
1	Name and Purpose of Program	**Keystone Opportunity Zone (KOZ)** For properties in the areas designated by the Pennsylvania Department of Community and Economic Development. A KOZ property is a legislatively designated parcel where little to no development has taken place. Philadelphia offers tax abatements to businesses that invest in these areas.
2	Specific taxes being abated	Business Income and Receipt Tax, Net Profit Tax, & Real Estate Tax.
3	Authority under which abatement agreement is entered into	The Philadelphia Code, Chapter § 19-3200 defines the implementation of the Keystone Opportunity Zone, Economic Development District, and Strategic Development Area Tax Credit.
4	Criteria to be eligible to receive tax abatement	To qualify for Keystone Opportunity Zone Tax Credits, a business must: Own or lease property in one of the designated zones; and actively conduct a trade, business, or profession in that same designated zone. The qualified business must receive initial certification from the Pennsylvania Department of Community and Economic Development (DCED).
5	The mechanism by which taxes are abated:	Waived or reduced taxes will apply when filing the tax forms/returns listed below:
5a	How the tax abatement recipient's taxes are reduced, such as through a reduction of assessed value	Tax credits are applied to recipients' State Corporate Net Income Tax, Capital Stock & Foreign Franchise Tax, Personal Income Tax (Partners or Sole Proprietors), Sales & Use Tax, Mutual Thrift Institutions Tax, & Insurance Premiums Tax and/or to their respective City Business Income & Receipt Tax, Net Profit Tax, and Real Estate Tax filings. Abatement / credit amounts are based on the recipients' tax return filings and real estate tax valuations.
5b	How the amount of tax abatement is determined, such as dollar amount or percentage of taxes owed	
6	Provisions for recapturing abated taxes, if any	If any qualified business located within the zone has received an exemption, abatement or credit under this Chapter and subsequently relocates outside of the zone before agreement period then that business will refund to the City or School District, the exemptions, abatements or credits attributed in accordance to the Philadelphia Codes.
7	Types of commitments made by recipients	Must be up to date on all City and State taxes and in compliance with City and State laws and regulations. Must file KOZ application annually. If presently a PA business and relocated to a KOZ, they must: - increase employment by 20% in the first year - or invest the equivalent of 10% of the previous year's gross revenues in capital improvements to the KOZ Property. - or enter into a lease agreement for property within a KOZ for a term at least equivalent to the duration of the KOZ property and with an aggregate payment under the lease at least equivalent to 5% of the gross revenues of that business in the immediately preceding calendar or fiscal year.

B	Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of the tax abatement program.	
	Net Profit Taxes	
	City Portion	8,980,527
	PICA Portion	8,353,052
	Total Net Profit Taxes	**17,333,579**
	Real Estate Taxes:	**7,536,066**
	Business Income & Receipt Taxes	**94,117,280**
	Total KOZ Tax Credits	**118,986,925**

C. There were no forgone revenues received, or receivable from other governments relative to this tax abatement program.
D. There were no other commitments, other than to reduce taxes, relative to this tax abatement program.
E. No tax abatement agreement has been disclosed individually.
F. No required information has been omitted relative to this tax abatement program.

13. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund balance sheet (Exhibit III) includes reconciliation to the Net Position 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 USD)
Bonds Payable	1,988.6
Service Agreements	1,806.1
Indemnity Claims	86.9
Employee Related Obligations	475.6
Leases	4.4
Total Adjustment:	4,361.6

14. PRIOR PERIOD ADJUSTMENTS AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

A. PRIMARY GOVERNMENT

The Water Fund's Net Position decreased by ($49.4) million as a result of:

(1) reclassification of net equipment purchases in prior years of ($.7) million that should have been capitalized and depreciated,
(2) prior year construction projects that were cancelled for $16.0 million,
(3) utility payments classified as construction in progress that should have been expensed of $2.5 million,
(4) the net effect of reclassifying fixed assets that should have been expensed from the prior year of $31.6 million.

The effect of the adjustment is reflected as a decrease to the Water Fund's Net Position as of July 1, 2016 in the June 30, 2017 Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds, Exhibit VII.

B. COMPONENT UNIT

(1) SDP:

The **SDP** recorded a prior period adjustment in Fiscal Year 2017 for the correction of an error for the accounting from a cash basis to a modified accrual basis for accrued salary and benefit expenditures for returning 10-month employees who are paid out over a 12-month period. In applying generally accepted accounting principles, the **SDP** should have recorded the 2-month accrual for salaries and related benefits which were earned through June 30, but not paid out until July and August at the governmental fund level as a short-term liability as of June 30 each year. The result of this practice, which was in place since Fiscal Year 1983, was to recognize 12 months of salary and related benefits, however two months related to the prior year of service and ten months related to the subsequent year of service.

To account for this correction, the **SDP** posted a prior period adjustment, at the governmental fund level, in Fiscal Year 2017 for ($91,739,926). This increase to June 30, 2016 Net Fund Deficit was as follows:

- Instructional Expenditures increased by $120,335,902 and;
- State Grants and Subsidies Revenues increased by $28,595,976

The **SDP** had followed the modified accrual basis of accounting and accrued the 2-month July and August salary and benefit expense, for employees retiring June 30, as a short-term liability (Severance Payable) and the portion for returning employees as a Non-Current Liability. However, the **SDP** was not using appropriate assumptions when calculating this accrual.

To account for this correction, the **SDP** posted a prior period adjustment to reverse the Fiscal Year 2016 accrual to Severance. The governmental fund level prior period adjustment, noted above, also effects the **SDP**'s District-wide financial statements. The net effect of the prior period adjustments to the June 30, 2016 ending Net Deficit are:

- Instruction Expenses decreased by $34,062,997 (An increase of $91,739,926 from governmental fund level prior period adjustment and a decrease of $125,802,923 from the District-wide prior period adjustment).

Adjustments to the June 30, 2016 ending balances on the Statement of Net Position are:

- Severance Payable decreased by $7,165,808
- Non-Current Liabilities (Severance) decreased by $125,802,923
- Accrued Salaries and Benefits Payable increased by $98,905,734

(2) The **PHA** and **DRWC:**

As noted in footnote section I.1.B, it was determined that it is necessary to include the Philadelphia Housing Authority (PHA) as a discretely presented component unit in the City's reporting entity. The inclusion of PHA necessitated a prior period adjustment of $1,038.0 million which reflects PHA's net position as of March 31, 2016. Additionally, it was determined that the Delaware River Waterfront Corporation (DRWC) is immaterial and excluding them would not be misleading, so DRWC is not included in the City's reporting entity. Therefore, DWRC's net position of $6.7 million at June 30, 2016 was removed, necessitating a prior period adjustment.

15. NET POSITION RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net position reports $1,246.2 million of restricted net position, of which $110.0 million is restricted by enabling legislation as follows:

(Amounts in Thousands of USD)	Restricted Net Position	Restricted by Enabling Legislation
Capital Projects	172,886	
Debt Service	401,488	
Pension Oblig Bond Refunding Reserve	33,074	
Behavioral Health	262,327	
Neighborhood Revitalization	65	
Stadium Financing	559	
Central Library Project	1,695	
Cultural & Commercial Corridor Project	2,731	
Grant Programs	83,478	30,647
Rate Stabilization	202,108	
Libraries & Parks:	-	
Expendable	3,235	
Non-Expendable	3,137	
Educational Programs	-	
Other	79,445	79,445
Total	1,246,228	110,093

16. FUND DEFICITS

- The Grants Revenue fund, which is a Special Revenue Fund, has a Fund Balance Deficit at year-end of $262.7 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 $8.4 million.

IV. OTHER INFORMATION

1. PENSION PLANS

The City maintains two single employer defined benefit plans for its employees and several of its component units. The two plans maintained by the City are the City Plan and the Philadelphia Gas Works (PGW) Plan. In addition to the City, the three other quasi-governmental agencies that participate in the City Plan are the Philadelphia Parking Authority (PPA), the Philadelphia Municipal Authority (PMA), and the Philadelphia Housing Development Corporation (PHDC).

Effective with Fiscal Year 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This statement revises existing standards for measuring and reporting pension liabilities for pension plans. GASB Statement No. 68 defines a single employer as the primary government and its component units. All three quasi-governmental agencies that participate in the City Plan were determined to be component units of the City. Therefore, the City Plan meets the definition of a single employer plan.

The note disclosures and Required Supplementary Information required by GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB No. 25*, are presented in the separately issued audited financial statements of the City Plan and PGW Plan. Copies of these financial statements may be obtained by contacting the Director of Finance of the City of Philadelphia.

A. PRIMARY GOVERNMENT

(1) City Plan

a. PENSION FUND DESCRIPTION

Plan Administration. The Philadelphia Board of Pensions (the Pension Board) administers the City of Philadelphia Municipal Pension Fund (the Fund)- a single-employer defined benefit pension plan with a small but increasing defined contribution component, which provides pensions for all officers and employees of the City of Philadelphia (the City), as well as those of three quasi-governmental agencies (per applicable enabling legislation and contractual agreements). The Board was established by section 2-308 of the 1952 Philadelphia Home Rule Charter. Its actions in administering the Retirement System are governed by Title 22 of the Philadelphia Code.

The Board consists of nine voting members - four elected by the active members within the civil service, and the City's Controller, Solicitor, Managing Director, Personnel Director, and Director of Finance, who serves as the Chair.

Plan Membership. At July 1, 2016, the date of the most recent actuarial valuation, pension plan membership consisted of the following:

Actives		28,308
Terminated Vested		1,248
Disabled		4,005
Retirees		22,412
Beneficiaries		8,567
DROP		1,614
Total City Members		66,154
Annual Salaries	$	1,676,548,962
Average Salary per Active Member	$	59,225
Annual Retirement Allowances	$	741,828,339
Average Retirement Allowance	$	21,205

Contributions.
Per Title 22 of the Philadelphia Code, members contribute to the Fund at various rates based on bargaining unit, uniform/non-uniform/elected/exempt status, and entry date into the Fund. Beginning July 1, 2016, members contributed at one of the following rates:

Employee Contribution Rates

For the Period of July 1, 2016 to June 30, 2017

	Municipal (1)	Elected	Police	Fire
Plan 67	6.00%	N/A	6.00%	6.00%
Plan 67 - 50% of Aggregate Normal Cost (2)	5.95%	N/A	N/A	N/A
Plan 87	3.02%	8.21%	5.00%	5.00%
Plan 87 - 50% of Aggregate Normal Cost (3)	3.37%	N/A	N/A	N/A
Plan 87 - Accelerated Vesting (4)	3.63%	10.60%	N/A	N/A
Plan 87 Prime (5)	4.02%	9.21%	6.00%	6.00%
Plan 87 Prime - Accelerated Vesting	4.63%	11.60%	N/A	N/A
Plan 10	3.14%	N/A	5.50%	5.50%
Plan 16	4.14%	N/A	N/A	N/A

1- For the Municipal Plan 67 members who participate in the Social Security System, employee contributions are 3.75% of compensation up to the social security wage base and 6% above it.

2- Effective November 2014 guards represented by DC 33 contributions at 50% of the aggregate Normal Cost of all members in Plan J.

3- This represents 50% of aggregate Normal Cost for all members in Plan Y.

4- Member rates for Municipal Plan 87 (Y5) members eligible to vest in 5 years and Elected Officials (L8) eligible to be vested in 8 years instead of 10.

5- Plan 87 Prime refers to new hires who have the option to elect Plan 10 but have elected to stay in Plan 87.

Employer contributions are made by the City throughout each fiscal year (which ends June 30) and by three (3) quasi-governmental agencies on a quarterly basis. These contributions, determined by an annual actuarial valuation report (AVR), when combined with plan member contributions, are expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Within the AVR, two contribution amounts are determined based upon two different sets of rules for determining the way the unfunded actuarial liability is funded.

The first method is defined in accordance with Act 205 and defines the Minimum Municipal Obligation (MMO), which is the City's minimum required contribution under Pennsylvania state law.

The second method is in accordance with the City's Funding Policy, which predates the Act 205 rules and calls for contributions that are greater than the MMO until the initial unfunded liability determined in 1984 is fully funded.

Under both funding methods there are two components: the normal cost and the amortized unfunded actuarial liability. The actuarial unfunded liability is the amount of the unfunded actuarial liability that is paid each year based upon the given or defined amortization periods. The amortization periods are different under the MMO and City's Funding Policy.

City's Funding Policy:
The initial July 1, 1985 unfunded actuarial liability (UAL) is amortized over 34 years ending June 30, 2019 with payments increasing at 3.3% per year, the assumed payroll growth. Other changes in the actuarial liability are amortized in level-dollar payments as follows:

- Actuarial gains and losses – 20 years beginning July 1, 2009. Prior gains and losses were amortized over 15 years.
- Assumptions changes – 15 years beginning July 1, 2010. Prior to July 1, 2010, assumption changes were amortized over 20 years.
- Plan changes for active members – 10 years.
- Plan changes for inactive members – 1 year.
- Plan changes mandated by the State – 20 years.

In fiscal year 2017, the City and other employers' contributions of $706.2 million was less than the actuarially determined employer contribution (ADEC) of $881.4 million. In the event that the City contributes less than the funding policy, an experience loss will be created that will be amortized in accordance with funding policy over a closed 20-year period.

The Schedule of Employer Contributions (based on the City's Funding Policy) is included as Required Supplemental Information and provides a 10-year presentation of the employer contributions.

Minimum Municipal Obligation (MMO):

For the purposes of the MMO under Act 205 reflecting the fresh start amortization schedule, the July 1, 2009 UAL was "fresh started" to be amortized over 30 years ending June 30, 2039. This is a level dollar amortization of the UAL. All future amortization periods will follow the City's Funding Policies as outlined above.

In fiscal year 2017, the City and other employers' contributions of $706.2 million exceeded the Minimum Municipal Obligation of $629.6 million.

The Schedule of Employer Contributions (based on the MMO Funding Policy) is included as Required Supplemental Information and provides a 10-year presentation of the employer contributions.

b. BENEFITS

The Fund provides retirement, disability, and death benefits according to the provisions of Title 22 of the Philadelphia Code. These provisions prescribe retirement benefit calculations, vesting thresholds, and minimum retirement ages that vary based on bargaining unit, uniform/non-uniform status, and entry date into the System.

Non-uniform employees may retire at either age 55 with up to 80% of average final compensation (AFC) or age 60 with up to either 100% or 25% of AFC, depending on entry date into the System. Uniform employees may retire at either age 45 with up to 100% of AFC or age 50 with up to either 100% or 35% of AFC, depending on entry date into the System. Survivorship selections may result in an actuarial reduction to the calculated benefit.

Members may qualify for service-connected disability benefits regardless of length of service. Service-connected disability benefits are equal to 70% of a member's final rate of pay, and are payable immediately without an actuarial reduction. These applications require approval by the Board.

Eligibility to apply for non-service-connected disability benefits varies by bargaining unit and uniform/non-uniform status. Non-service-connected disability benefits are determined in the same manner as retirement benefits, and are payable immediately.

Service-connected death benefits are payable to:

1. surviving spouse/life partner at 60% of final rate of pay plus up to 2 children under age 18 at 10% each of final rate of pay (maximum payout: 80%);
2. if no surviving spouse/life partner, up to 3 children under age 18 at 25% each of final rate of pay (maximum payout 75%); or
3. if no surviving spouse/life partner or children under age 18, up to 2 surviving parents at 15% each of final rate of pay (maximum payout 30%).

Non-service-connected deaths are payable as a lump sum payment, unless the deceased was either vested or had reached minimum retirement age for their plan, in which case the beneficiary(ies) may instead select a lifetime monthly benefit, payable immediately with an actuarial reduction.

A Pension Adjustment Fund (PAF) is funded with 50% of the excess earnings that are between 1% and 6% above the actuarial assumed earnings rate. Each year within sixty days of the end of the fiscal year, by majority vote of its members, the Board of Directors of the Fund (the Board) shall consider whether sufficient funds have accumulated in the PAF to support an enhanced benefit distribution (which may include, but is not limited to, a lump sum bonus payment, monthly pension payment increases, ad-hoc cost-of-living adjustments, continuous cost-of-living adjustments, or some other form of increase in benefits as determined by the Board) to retirees, their beneficiaries and their survivors. As of July 1, 2016, the date of the most recent actuarial valuation, there was $7,222,828 in the PAF and the Board voted to make PAF distributions of $6,855,987 during the fiscal year ended June 30, 2017.

The Fund includes a Deferred Retirement Option Plan (DROP Plan). The DROP Plan allows a participant to declare that they will retire within 4 years. During the 4-year period, the City will make no further contributions for the participant. The participant would continue to work and to receive their salary; however, any increases would not be counted towards their pension benefit. During the 4-year period the individual participates in the DROP Plan, their pension benefits will be paid into an escrow account in the participant's name. After the 4-year period, the participant would begin to receive their pension benefits and the amount that has been accu-mulated in the escrow account in a lump sum payment. The balance in the DROP Plan as of June 30, 2017 is $122.3 million.

c. INVESTMENTS

The Pension Board's Investment Policy Statement provides, in part:

The overall investment objectives and goals should be achieved by use of a diversified portfolio, with safety of principal a primary emphasis. The portfolio policy should employ flexibility by prudent diversification into various asset classes based upon the relative expected risk-reward relationship of the asset classes and the expected correlation of their returns.

The Fund seeks an annual total rate of return of not less than 7.70% over a full market cycle. It is anticipated that this return standard should enable the Fund to meet its actuarially assumed earnings projection (currently 7.70%) over a market cycle. The investment return assumption was reduced by the Board from 7.75% to 7.70%. The Fund's investment program will pursue its aforestated total rate of return by a combination of income and appreciation, relying upon neither exclusively in evaluating a prospective investment for the Fund.

All investments are made only upon recommendation of the Fund's Investment Committee and approval by a majority of the Pension Board. In order to document and communicate the objectives, restrictions, and guide-lines for the Fund's investment staff and investments, a continuously updated Investment Policy Statement will be maintained. The Investment Policy Statement will be updated (and re-affirmed) each year at the January Board meeting.

The following was the Board's approved asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation
Broad Fixed Income	10.0%
Global Fixed Income	2.0%
Emerging Market Debt	2.0%
U.S. Large - Cap Core	22.0%
U.S. Mid-Cap Core	3.0%
U.S. Small - Cap Core	5.0%
ACWI ex-U.S	15.0%
Non-U.S Small Cap	6.0%
Emerging Markets	4.0%
Public REITs	1.0%
Real Estate Core	11.0%
Real Estate – Mezzanine	1.0%
Real Estate – Opportunistic	1.0%
Infrastructure	5.0%
Private Equity	10.0%
Private Debt	2.0%
Total	100.0%

Money-Weighted Rate of Return: For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.68%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

d. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Financial statements of the Fund are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the Fund.

Method Used to Value Investments

The Fund's investments are reported at fair value. Fair value is the amount that the Fund can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. Fixed income securities and common and preferred stocks are generally valued based on published market prices and quotations from national security exchanges or securities pricing services. Securities which are not traded on a national security exchange are valued by the respective fund manager or other third parties based on similar sales.

Directly-owned real estate investments are primarily valued based on appraisals performed by independent appraisers and for properties not appraised, the present value of the projected future net income stream is used.

For private market investments which include private equity, private debt, venture capital, hedge funds and equity real estate investments where no readily ascertainable market value exists, management, in consultation with the general partner and investment advisors, has determined the fair values for the individual investments based upon the partnership's most recent available financial information. Futures contracts, foreign exchange contracts, and options are marked-to-market daily with changes in market value recognized as part of net appreciation/depreciation in the fair value of investments. Initial margin requirements for such financial instruments are provided by investment securities pledged as collateral or by cash.

Investment expenses consist of investment manager fees and investment consultant fees related to the traditional investments only, and not those fees related to the alternative investments. Unsettled investment sales are reported as Accrued Interest and Other Receivable, and unsettled investment purchases are included in Accrued Expenses and Other Liabilities.

Dividend income is recorded on the ex-dividend date. Interest income is recorded as earned on an accrual basis.

Income Taxes

The Fund qualifies under Section 401(a) of the Internal Revenue Code (IRC) and is exempt from income taxation as allowed by Section 501(a) of the IRC.

Related Parties

The City's Department of Finance provides cash receipt and cash disbursement services to the Fund. The City's Solicitor's office provides legal services to the Fund. Other administrative services are also provided by the City.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risks and Uncertainties

The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position.

Contributions are calculated based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these statements and assumptions in the near term would be material to the financial statements.

Administrative Expenses

Administrative expenses of the Fund are paid for by the Fund.

e. CASH DEPOSITS, INVESTMENTS AND SECURITIES LENDING

Legal Provisions

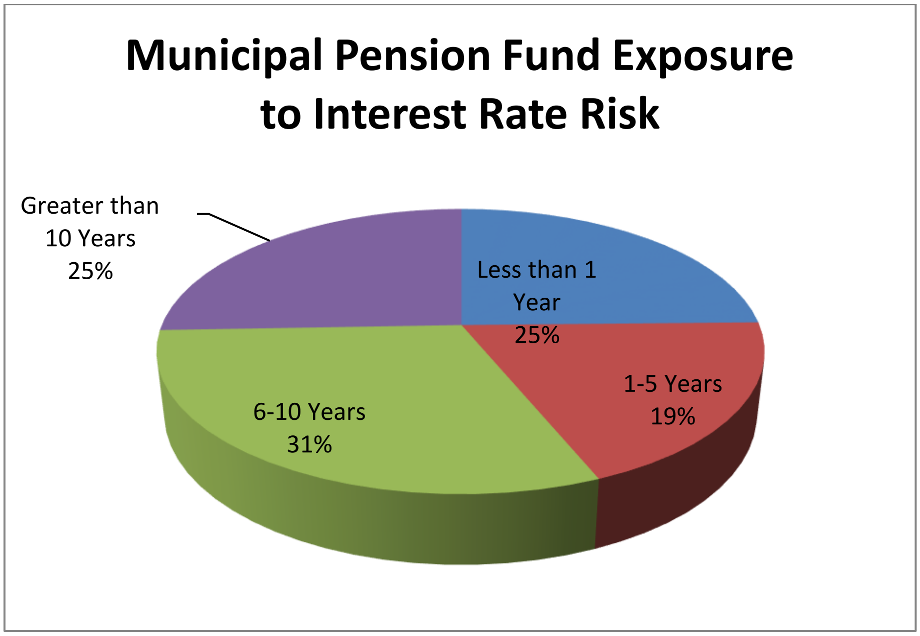
The Fund is authorized to invest in "prudent investments," including obligations of the U.S. Treasury, agencies and instrumentalities of the United States, investment grade corporate bonds, common stock, real estate, private market, etc. City ordinances contain provisions which preclude the Fund from investing in organizations that conduct business in certain countries and also impose limitations on the amounts invested in certain types of securities.

Interest Rate Risk

Interest rate risk is the largest risk faced by an investor in the fixed income market. The price of a fixed income security generally moves in the opposite direction of the change in interest rates. Securities with long maturities are highly sensitive to interest rate changes.

Duration is a measure of the approximate sensitivity of a bond’s value to interest rate changes. The higher the duration, the greater the changes in fair value when interest rates change. The Fund measures interest rate risk using option-adjusted duration, which recognizes the fact that yield changes may change the expected cash flows due to embedded options.

This chart details the exposure to interest rate changes based on maturity dates of the fixed income securities at June 30, 2017:



Custodial Credit Risk

In the event of counter-party failure, the Fund may not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities held by the counterparty or counterparty's trust department, are uninsured and are not registered in the name of the Fund. The Fund requires that all investments be clearly marked as to ownership, and to the extent possible, be registered in the name of the Fund. Certain investments may be held by the managers in the Fund's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of substantial loss if investments are concentrated in one issuer. As of June 30, 2017, the Fund has no single issuer that exceeds 5% of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded.

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The fund is subject to credit risk on $852.3 million of directly owned fixed income. The Fund's directly owned rated debt investments as of June 30, 2017 were rated by Standard & Poor's, a nationally recognized statistical rating agency and are presented below using Standard and Poor's rating scale:

2017 (in thousands)	Total Fair Value	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR
	Credit Rating											
Asset Backed Securities	$ 20,970	$ 6,890	$ 2,162	$ 3,163	$ 4,458	-	$ -	$ -	$ -	$ -	$ -	$ 4,297
CMO/REMIC	4,271	-	2,663	812	278	188			-	-	-	331
Commercial Mortgage Backed Securities	21,853	6,095	11,893	1,512	255	96	63	-	-	-	-	1,940
Corporate Bonds	300,807	1,466	15,620	62,238	79,782	43,259	60,995	27,206	-	454	95	9,694
Government Bonds	403,240	10,905	272,918	47,460	25,397	22,836	11,710	3,311	-	-	-	8,701
Mortgage Backed Securities	87,593	-	87,593	-	-	-	-	-	-	-	-	-
Municipal Bonds	13,574	-	9,329	3,591	654	-	-	-	-	-	-	-
Total Credit Risk of Debt Securities	$ 852,308	$25,356	$ 402,178	$ 118,776	$ 110,824	$66,379	$72,768	$30,517	$ -	$ 454	$ 95	$24,963

Foreign Currency Risk

The Fund's exposure to foreign currency risk derives from its position in foreign currency-denominated cash and investments in fixed income, equities, and derivatives. The foreign currency investment in equity securities is 39% of the total investment in equities.

Currency	Cash	Fixed Income	Equities	Derivatives	Total
			(thousands of USD)		
Euro (EUR)	$ 2,015	$ 6,123	$ 262,079	$ (110)	$ 270,107
Pound Sterling (GBP)	640	11,302	177,421	99	189,462
Japanese Yen (JPY)	343	-	186,820	(7)	187,156
Hong Kong Dollar (HKD)	381	-	95,179	-	95,560
Canadian Dollar (CAD)	336	75	93,138	88	93,637
Swiss Franc (CHF)	185	-	80,098	-	80,283
Australian Dollar (AUD)	80	8,899	52,388	147	61,514
South Korean Won (KRW)	-	-	52,661	(14)	52,647
Mexican Peso (MXN)	-	25,631	9,826	4	35,461
Brazilian Real (BRL)	492	9,563	16,679	-	26,734
South African Rand (ZAR)	(1)	8,510	16,226	5	24,740
Swedish Krona (SEK)	445	-	21,250	344	22,039
Malaysian Ringgit (MYR)	7	10,268	7,700	-	17,975
Indonesian Rupiah (IDR)	26	9,025	8,390	-	17,441
Polish Zloty (PLN)	2	10,851	3,741	45	14,639
Danish Krone (DKK)	122	-	10,551	-	10,673
Singapore Dollar (SGD)	45	-	8,560	-	8,605
Thai Baht (THB)	2	-	7,128	-	7,130
New Turkish Lira (TRY)	-	2,739	3,285	-	6,024
Philippine Peso (PHP)	-	393	5,126	-	5,519
Norwegian Krone (NOK)	125	-	4,389	281	4,795
Chilean Peso (CLP)	-	-	4,008	(86)	3,922
All Others	2,631	7,688	6,420	39	16,778
	$ 7,876	$ 111,067	$ 1,133,063	$ 835	$ 1,252,841

Derivatives

The Fund may invest in derivatives as permitted by guidelines established by the Pension Board. Pursuant to such authority, the Fund may invest in foreign currency forward contracts, options, futures (S&P Fund) and swaps. No derivatives were purchased with borrowed funds.

Derivatives are generally used to provide market exposure in the equity portfolio and to hedge against foreign currency risk and changes in interest rates, improve yield and adjust the duration of the Fund's fixed income portfolio. These securities are subject to changes in value due to changes in interest rates or currency valuations. Credit risk for derivatives results from the same considerations as other counterparty risk assumed by the Fund, which is the risk that the counterparty might be unable to meet its obligations.

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

The 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 (CMOs); other forward contracts, and U.S. treasury strips. The contracts are used primarily to enhance performance and reduce the volatility of the portfolio. The Fund is exposed to credit risk in the event of non-performance by counterparties to financial instruments. The 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 Fund is exposed to market risk, the risk that future changes in market conditions may make an instrument less valuable. Exposure to market risk is managed in accordance with risk limits set by senior management, through buying or selling instruments or entering into offsetting positions. The notional or contractual amounts of derivatives indicate the extent of the Fund's involvement in the various types and uses of derivative financial instruments and do not measure the 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.

Derivative Instruments

The following table summarizes aggregate notional or contractual amounts for the Fund's derivative financial instruments at June 30, 2017 in addition to the fair value and change in the fair value of derivatives.

List of Derivatives Aggregated by Investment Type

Classification	Change in Fair Value			Fair Value at June 30, 2017			Notional	
Investment Derivatives:								
Forwards Currency Contracts	Net appreciation/(depreciation) in Investments	$	1,442,945	Accrued interest and other receivables	$	854,480	$	220,310,216
Futures	Net appreciation/(depreciation) in Investments	$	65,566	Accrued expenses and other liabilities	$	(75,965)	$	156
Grand Totals		$	1,508,511		$	778,515	$	220,310,372

A Derivatives Policy Statement identifies and allows common derivative investments and strategies, which are consistent with the Investment Policy Statement of the City of Philadelphia Municipal 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 Fund involves are described below.

Credit risk:

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

It is the 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.

Swap agreements:

These derivative instruments provide for periodic payments at predetermined future dates between parties based on the change in value of underlying securities, indexes or interest rates. Under 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 during 2017. 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.

Futures contracts:

These derivative instruments 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. The realized gain from Futures contracts was $1,474,541.

Forward contracts:

The Fund is exposed to basis risk on its forward contracts 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. The realized gain from Forward contracts was $55,615.

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.

Fair Value Measurement

The Municipal Pension Fund has the following recurring fair value measurement as of June 30, 2017:

		Fair Value Measurements Using		
	6/30/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. Treasury Securities	$ 180,538,575	$ -	$ 180,538,575	$ -
Agency Bonds	67,357,205	-	67,357,205	-
Asset Backed Securities	20,970,026	-	20,970,021	5
Corporate Bonds	300,807,297	-	300,806,001	1,296
Government Bonds	144,638,309	-	144,638,309	-
Mortgage Backed Securities	113,717,302	-	113,717,302	-
Municipal Bonds	13,574,040	-	13,574,040	-
Sovereign Debt	10,705,557	-	10,705,557	-
Mutual Funds	456,121	456,121	-	-
Equity	2,871,077,516	2,866,682,157	2,902,089	1,493,270
Total Investments by fair value level	$ 3,723,841,949	$ 2,867,138,278	$ 855,209,099	$ 1,494,571
Investments measured at the net asset value (NAV)				
Credit Distressed Hedge Fund	$ 22,419,608			
Equity Long/Short hedge funds	27,857,614			
Real Estate	258,320,778			
Private Equity	442,257,227			
Fixed Income Funds	188,473,203			
Equity Funds	529,857			
Total Investments measured at the NAV	939,858,287			
Total Investments measured at fair value	$ 4,663,700,236			
Investment derivative instruments				
Equity index Futures (Assets)	$ 191	$ 191		
Equity index Futures (Liabilities)	(76,156)	(76,156)		
Forward Currency Contracts (Assets)	1,541,922		1,541,922	
Forward Currency Contracts (Liabilities)	(687,443)		(687,443)	
Total Investment derivative instruments	$ 778,515	$ (75,965)	$ 854,480	

Equity securities classified in Level 1 of the fair value hierarchy are valued using quoted market prices. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Mortgage and Asset backed securities and Corporate bonds in Level 3 are valued using discounted cash flow techniques.

Derivative instruments classified in Level 1 of the fair value hierarchy are valued using quoted market prices. Derivative instruments classified in Level 2 are valued using a market approach that considers benchmark for foreign exchange rates.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

Investment Measured at the net asset value (NAV)		Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Credit Distressed Hedge Fund	$ 22,419,608	-	Quarterly	90 days
Equity Long/Short hedge funds	27,857,614	-	Quarterly	90 days' notice
Real Estate	258,320,778	31,048,304	N/A	N/A
Private Equity	442,257,227	232,073,081	N/A	N/A
Fixed Income Funds	188,473,203	-	Quarterly	90-120 days
Equity Funds	529,857	-	Quarterly	90-120 days
Total Investments measured at the NAV	$ 939,858,287			

1. Equity long/short hedge funds: This Fund will typically hold 0-50 long positions and 10-15 short positions in U.S. common stocks. Management has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The Fund mitigates market risk by utilizing short positions. In periods of extreme volatility, the Fund may hold a significant portion of its assets in cash. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investment can be redeemed with a 90 days' notice.

2. Credit distressed hedge funds: The Funds seek to identify and exploit event driven opportunities both on the long and short side in the stressed and distressed corporate debt markets. Investments are generally driven by fundamental, value-oriented analysis and specific credit events. The Funds maintain the flexibility to invest globally and across capital structures of stressed and distressed companies. Investments generally target secondary U.S. credit opportunities across all tranches of a company's debt capital structure. The Funds may also invest opportunistically in certain equities, long and short. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. Investment can be redeemed with a 90 days' notice.

3. Real estate funds: This type includes funds that invest in U.S. and Non-U.S. commercial and residential real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. However, the individual investments that will be sold have not yet been determined. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Once it has been determined which investments will be sold and whether those investments will be sold individually or in a group, the investments will be sold in an auction process. The investee fund's management is required to approve of the buyer before the sale of the investments can be completed. It is expected that the underlying assets of the funds will be liquidated over the next seven to 10 years.

4. Private equity funds: The primary goal of these Funds is to generate returns for investors that exceed private equity industry benchmarks and are commensurate with asset class risk through the construction of a portfolio of opportunistic, highly performing private equity investments. Investments that fund may undertake include early-stage venture capital, later-stage growth financings, leveraged buyouts of medium and large-sized companies, mezzanine investments, PIPES and investments in companies that are being taken private. These investments can never be redeemed with the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is expected that the underlying assets of the fund would be liquidated over five to 10 years. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments. Once a buyer has been identified, the investee fund's management is required to approve of the buyer before the sale of the investments can be completed.

5. Fixed Income funds: The primary goal of these Funds is to create alpha by sourcing proprietary opportunities, avoiding capital loss, buying securities below their intrinsic value and selling securities above their intrinsic value. Firms look for opportunities that are currently mispriced, based on fundamentals or potentially an event that may improve the price of the holding.

6. Equity funds: The primary goal of these Funds is employ a private equity approach to public market investing which seeks to deliver superior returns through a value-oriented investment strategy focusing on companies that are (or should be) implementing strategic change.

Securities Lending Program

The Fund, pursuant to a Securities Lending Authorization Agreement, has authorized J.P. Morgan Bank and Trust Company (J.P. Morgan) to act as the Fund's agent in lending the Fund's securities to approved borrowers. J.P. Morgan, as agent, enters into Securities Loan Agreements with borrowers.

During the fiscal year, J.P. Morgan lent, on behalf of the Fund, certain securities of the Fund held by J.P. Morgan Chase Bank, N.A. as custodian and received cash or other collateral including securities issued or guaranteed by the United States, U.K., and Eurozone governments. J.P. Morgan does not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 102% or 105% of the market value of the loaned securities.

Pursuant to the Securities Lending Authorization Agreement, J.P. Morgan had an obligation to indemnify the Fund in the event of default by a borrower. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration or notice of default of the borrower.

During the fiscal year, the Fund and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested in a separately managed account based upon the investment guidelines established by the Fund. As of June 30, 2017, the weighted average maturity was 48 days and the final maturity was 351 days. Because the securities lending transactions were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral received from the borrower.

On June 30, 2017, the Fund had no credit risk exposure to borrowers.

As of June 30, 2017, the fair value of securities on loan was $360.6 million. Associated collateral totaling $369.2 million was comprised of cash which was invested in a separately managed account based upon the investment guidelines established by the Pension Fund. As of June 30, 2017, the invested cash collateral was $369.2 million and is valued at amortized cost.

f. INVESTMENT ADVISORS

The Fund utilizes investment advisors to manage long-term debt, real estate, private market, and equity portfolios. To be eligible for consideration, investments must meet criteria set forth in governing laws and regulations.

g. NET PENSION LIABILITY

The components of the net pension liability as of June 30, 2017 were as follows:

Total Pension Liability	$	11,192,601,311
Plan Fiduciary Net Position		4,874,074,826
Net Pension Liability	$	6,318,526,485

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability: 43.5%

Actuarial assumptions:

The total pension liability was determined by an actuarial valuation as of June 30, 2016 and was rolled forward to June 30, 2017. The June 30, 2016 used the following actuarial assumptions, applied to all periods including the measurement period:

Actuarial Cost Method:	Entry Age Normal
Investment Rate of Return:	7.70% compounded annually, net of expenses
Salary Increases:	Age based table

- The investment return assumption was changed from 7.75% from the prior year valuation to 7.70% for the current year valuation.
- To recognize the expense of the benefits payable under the Pension Adjustment Fund, the actuarial liabilities have been increased by 0.54%. This estimate is based on the statistical average expected value of the benefits.
- The mortality rates were based on the RP 2000 Healthy Annuitant Mortality Table for males and females with adjustments for mortality improvements using Scale AA with a five year set-back for Municipal males and females and a 2 year set-back for Police and Fire males and females.

The measurement date for the net pension liability (NPL) is June 30, 2017. Measurements are based on the fair value of assets as of June 30, 2017 and the total pension liability (TPL) as of the valuation date, July 1, 2016, updated to June 30, 2017. The roll-forward procedure included the addition of service cost and interest cost offset by actual benefit payments. During the measurement year, the collective NPL decreased by approximately $201 million. The service cost and interest cost increased the collective NPL by the approximately $982 million while contributions plus investment income offset by administrative expenses decreased the collective NPL by approximately $1,338 million.

There were no changes in benefits during the year. There were actuarial experience losses during the year of approximately $104 million which includes the loss due the Pension Adjustment Fund payment of $30 million for the previous year.

The board adopted an assumption change to decrease the expected long-term return on assets from 7.75% to 7.70% which increased the TPL by approximately $51 million.

Long-term expected rate of return:
The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table: (see pension plan's investment policy: http://www.phila.gov/pensions/PDF/ips.pdf)

	Average 10 Year Annualized Return	Benchmark Index
Fixed Income		
Broad Fixed Income	2.80%	Bloomberg Barclays U.S. Aggregate TR
Int. Government	2.20%	Bloomberg Barclays U.S. Govt TR
High Yield	4.50%	Bloomberg Barclays U.S. High Yield TR
Global Aggregate	1.70%	Bloomberg Barclays U.S. Global Aggregate TR
Bank Loans	4.90%	Credit Suisse Leveraged Loans
Emerging Market Debt	6.30%	JP Morgan EMBI Global TR
Equities		
Broad U.S. Equity	7.30%	Russell 3000
Global Equity	7.40%	MSCI ACWI
Broad Non-U.S. Equity	7.60%	MSCI EAFE
Emerging Market	8.60%	MSCI Emerging Markets
Hedge Fund		
Hedge Funds	5.00%	HFRI Fund of Funds Composite Index
Real Estate		
Real Estate – Core	7.60%	NCREIF Fund Index
Public REITs	7.10%	NAREIT
Opportunistic Real Estate	11.70%	NCREIF Property Index
Real Asset		
MLPs	7.60%	Alerian MLP Index
Global Infrastructure	7.50%	Dow Jones Brookfield Global Infrastructure Index
Private Equity		
Private Equity	11.10%	Cambridge Associates
Private Debt	10.00%	Cambridge Associates
Cash		
TIPS	3.80%	Bloomberg Barclays US TIPS TR
91 Day T-Bills	1.20%	

The above table reflects the expected (7-10 year) real rate of return for each major asset class. The expected inflation rate is projected at 2.5% for the same time period.

Discount Rate: The discount rate used to measure the total pension liability was 7.70 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the participating governmental entity contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods on projected benefit payment to determine the total pension liability.

Sensitivity of the net pension liability: The following presents the net pension liability of the System, calculated using the discount rate of 7.70%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease 6.70%	Discount Rate 7.70%	1% Increase 8.70%
Total Pension Liability	$ 12,314,093,713	$ 11,192,601,311	$ 10,236,978,416
Plan Fiduciary Net Position	4,874,074,826	4,874,074,826	4,874,074,826
Collective Net Pension Liability	$ 7,440,018,887	$ 6,318,526,485	$ 5,362,903,590
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	39.6%	43.5%	47.6%

h. GUARANTEE OF BENEFITS

Benefits under the Fund are guaranteed by statute. In the event that employee contributions do not equal required benefits, the City's General Fund must provide any shortfall.

i. PARTICIPATION IN THE PENSION FUND

The trustees for the Fund are also members of the Fund and as such, are subject to the provisions of the Fund as described in the notes to these financial statements.

j. SUBSEQUENT EVENTS

Management evaluated subsequent events through December 20, 2017 the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2017, but prior to December 20, 2017 that provided additional evidence about conditions that existed at June 30, 2017, have been recognized in the financial statements for the year ended June 30, 2017. Events or transactions that provided evidence about conditions that did not exist at June 30, 2017, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2017.

k. REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

Changes in Collective Net Pension Liability: The following table shows the changes in total pension liability (TPL), the plan fiduciary net position (i.e., fair value of the System assets) (FNP), and the net pension liability (NPL) during the measurement period ending on June 30, 2017.

Change in Collective Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balances at 6/30/2016	$ 10,877,209,958	$ 4,357,975,073	$ 6,519,234,885
Changes for the year:			
Service cost	157,607,110		157,607,110
Interest	823,959,345		823,959,345
Changes of benefits			
Differences between expected and actual experience	103,878,650		103,878,650
Changes of assumptions	51,441,475		51,441,475
Contributions - employer		706,236,698	(706,236,698)
Contributions - member		73,607,359	(73,607,359)
Net investment income		566,624,580	(566,624,580)
Benefit payments	(821,495,227)	(821,495,227)	
Administrative expense		(8,873,657)	8,873,657
Net Changes	315,391,353	516,099,753	(200,708,400)
Balances at 6/30/2017	$ 11,192,601,311	$ 4,874,074,826	$ 6,318,526,485

Employer's Proportionate Shares: GASB 68 requires that the proportionate share for each employer be determined based upon the "employer's projected long-term contribution effort to the pension … as compared to the total long-term contribution effort to all employers". In addition to the City, three governmental agencies currently participate in the system, PHDC, PPA, and PMA. The method of allocation is based on the ratio of quasi-agency contributions in proportion to total contributions by plan.

Pension amounts by employer: The following schedule presents the pension amounts for each participating employer: Philadelphia Parking Authority (PPA), Philadelphia Municipal Authority (PMA), Philadelphia Housing Development Corporation (PHDC), and the City of Philadelphia (City).

Schedule of Pension Amounts by Employer

	For the year ended	PPA	PMA	PHDC	City	Total
Collective pension expenses		$ 21,764,584	$ 339,545	$ 1,983,059	$ 803,618,540	$ 827,705,728
Change in proportion		2,060,545	218,642	(298,075)	(1,981,112)	-
Contribution difference		4,529,808	30,619	317,046	(4,877,473)	-
Employer pension expense		28,354,937	588,806	2,002,030	796,759,955	827,705,728
Net pension liability	6/30/16	209,757,356	2,965,619	20,257,850	6,286,254,060	6,519,234,885
Net pension liability	6/30/17	166,146,127	2,592,010	15,138,241	6,134,650,107	6,318,526,485
Change in net pension liablility		(43,611,229)	(373,609)	(5,119,609)	(151,603,953)	(200,708,400)
Deferred outflows	6/30/16	65,741,046	1,275,353	5,267,031	806,510,385	878,793,815
Deferred outflows	6/30/17	43,794,815	842,698	3,319,721	527,544,043	575,501,277
Change in deferred outflows		(21,946,231)	(432,655)	(1,947,310)	(278,966,342)	(303,292,538)
Deferred inflows	6/30/16	-	-	-	(42,392,584)	(42,392,584)
Deferred inflows	6/30/17	(25,061,614)	(190,428)	(3,032,702)	(32,992,732)	(61,277,476)
Change in deferred inflows		(25,061,614)	(190,428)	(3,032,702)	9,399,852	(18,884,892)
Employer contributions		24,958,321	339,332	2,141,627	678,797,417	706,236,698
Employer pension expense		28,354,937	588,806	2,002,030	796,759,955	827,705,728

Reconciliation of Net Pension Liability

The following table reconciles the Collective Net Pension Liability to the amount reported in the Primary Government Net Pension Liability in Exhibit I.

Reconciliation of Collective Net Pension Liability to the Primary Government Net Pension Liability

(Amounts in thousands of USD)

Municipal Pension Fund	Proportionate Share of NPL	Discretely Presented Component Units	City and Blended Component Units
City	6,134,650		6,134,650
PPA	166,146	166,146	
PMA	2,592		2,592
PHDC (1)	15,138	15,138	
Collective Net Pension Liability	6,318,526	181,284	6,137,242
State Pension Fund			
PICA			1,387
City's Primary Government Net Pesnion Liability (Exhibit I)			6,138,629

(1) PHDC does not appear in the Component Unit Financial Statements (Exhibit XI Statement of Net Position and Exhibit XII Statement of Activities) due to immaterially.

Deferred Outflows by Employer

The following table summarizes the deferred outflows allocated to each employer for experience, assumptions changes, investment returns and contribution differences.

Schedule of Employer's Deferred Outflows

	PPA	PMA	PHDC	CITY	Total
Proportionate Shares	2.63%	0.04%	0.24%	97.09%	100%
Experience	$ 4,275,467	$ 66,701	$ 389,555	$ 157,863,998	$ 162,595,721
Assumption changes	2,450,479	38,229	223,273	90,479,593	93,191,574
Investment return	6,795,607	106,017	619,175	250,915,708	258,436,507
Proportion change	20,828,833	564,235	1,425,650	28,284,744	51,103,462
Contribution difference	9,444,429	67,517	662,068	-	10,174,014
	$ 43,794,815	$ 842,699	$ 3,319,721	$ 527,544,043	$ 575,501,278

Deferred Inflows by Employer

The following table summarizes the deferred inflows allocated to each employer for experience, assumptions changes, investment returns and contribution differences.

Schedule of Employer's Deferred Intflows

	PPA	PMA	PHDC	CITY	Total
Proportionate Shares	2.63%	0.04%	0.24%	97.09%	100%
Experience	$ -	$ -	$ -	$ -	$ -
Assumption changes	-	-	-	-	-
Investment return	-	-	-	-	-
Proportion change	(25,061,614)	(190,428)	(3,032,702)	(22,818,718)	(51,103,462)
Contribution difference	-	-	-	(10,174,015)	(10,174,015)
	$ (25,061,614)	$ (190,428)	$ (3,032,702)	$ (32,992,733)	$ (61,277,477)

Recognition of Deferred Outflows and Inflows by Employer

The following table shows the net amount of deferred outflows and inflows to be recognized by each participating employer in each of the next five years and the total thereafter.

Schedule of Employer's Recognition of Deferred Outflows and Intflows

For Year ending	PPA	PMA	PHDC	CITY	Total
2018	$ 13,020,233	$ 349,573	$ 604,825	$ 230,553,287	$ 244,527,918
2019	11,262,115	334,926	470,650	211,696,262	223,763,953
2020	(4,323,955)	(13,115)	(676,823)	97,539,752	92,525,859
2021	(1,225,191)	(19,114)	(111,632)	(45,237,991)	(46,593,928)
2022	-	-	-	-	-
Thereafter	-	-	-	-	-
Total	$ 18,733,202	$ 652,270	$ 287,020	$ 494,551,310	$ 514,223,802

(2) Philadelphia Gas Works (PGW) Plan

a. PLAN DESCRIPTION

The City of Philadelphia (the "City"), maintains two pension systems providing benefits for its employees and several of its component units: The City's pension system includes the Municipal Pension (the "Fund"); and the Gas Works Plan (the "Plan"). Each pension system is a separate Public Employee Retirement System ("PERS") with a separate oversight body and is financially independent of the others. In each case, the City is required by the Philadelphia Home Rule Charter to maintain an actuarially sound pension and retirement system.

There are no component units of the Plan. In determining its oversight responsibility, the Plan considers financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability of fiscal matters.

The Plan consists of Philadelphia Gas Works ("PGW" or the "Company"), a component unit of the City and is included in the City's Comprehensive Annual Financial Report as a trust and agency fund.

The Plan is a single employer defined benefit PERS. The Plan provides pension benefits for all eligible employees of Philadelphia Gas Works, and other eligible class employees of Philadelphia Facilities Management Corporation (PFMC) and Philadelphia Gas Commission (PGC).

The Plan is administered by the Sinking Fund Commission of the City of Philadelphia (the "Commission"). The Commission is responsible for the administration of the Plan. Certain administrative aspects of the Plan are delegated to PGW. The Commission acts in a fiduciary matter with regards to the assets of the Plan. The Commission was established by the City Charter and consists of the Director of Finance, the City Controller and an experienced banker or investment banker appointed by the Mayor. Alternates for these members are allowed by written authorization of the Mayor.

As of the latest available actuarial valuation (June 30, 2017), the Plan's membership consisted of:

Active participants	1,243
Retired participants	2,180
Vested termininated participants	333
Total Plan participants	3,756

The Plan is currently open to all employees of PGW.

b. BENEFITS PROVIDED

Normal Retirement Benefits: The Plan provides retirement benefits as well as death and disability benefits. Retirement benefits are vested 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 percent of the first $6,600 of Final Average Earnings plus 1.75 percent of the excess of Final Average Earnings over $6,600, times years of credited service, with a maximum of 60 percent of the highest annual earnings during the last 10 years of credited service, applicable to all participants; or,

- 2 percent of total earnings received during the period of credited service plus 22.5 percent 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 are the employees' average pay, over the highest five years of the last ten years of credited service. Employees with 15 years of credited service may retire at or after age 55 and receive a reduced retirement benefit. In addition, employees with 30 years of credited service are eligible to select early retirement with no reduction in benefits.

Covered employees (those employees who are participants in the Plan as of May 21, 2011) are not required to contribute to the Plan. Contributing employees (those employees who became participants) are required to contribute to the Plan (see Note c, Employee Contributions). The Company is required by statute to contribute the amounts necessary to finance the Plan. Benefit and contribution provisions are established by City ordinance and may be amended only as allowed by City ordinance. Benefits under the Plan are guaranteed by statute. In the event employer contributions are not sufficient to pay required benefits, the City's General fund must provide any shortfall.

c. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

Basis of Accounting
Plan financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements.

Investment Policy
The Commission maintains a Statement of Investment Guidelines ("Policy") consistent with the needs of the Plan. The latest Policy was approved by the Commission at its meeting on November 12, 2014. The Policy serves as the chief communication tool of the Commission with vendors and investment managers. The Policy defines the need for the Policy, the goals of the Plan, the asset allocation, the investment guidelines, including prohibited investments, as well as the objectives for each manager and benchmarks for each type of investment. Additionally, it defines the necessary communication and responsibilities of each party, including the Commission, the investment managers, the custodian and the consultant. The Policy can only be revised or changed by a vote by the Commission. For a fuller description of the Investment Policy, see the online version at: http://www.phila.gov/Treasurer/pdfs/PGWPP.

Investments
The Plan reports investments at their fair value in the statement of fiduciary net position. Unrealized gains and losses are included in the statement of changes in fiduciary net position. Securities traded on national or international exchanges are recorded at the last reported sales price at current exchange rates.
Investment income is recognized as earned. Gains and losses on sales and exchanges are recognized on the transaction date. Net realized gains on sales amounted to $15,747,110 for the year ended June 30, 2017. Net unrealized gains for the year ended June 30, 2017 totaled $35,588,123.

Income Taxes
The Plan is not subject to Federal, state or local income taxes.

Deposits and Investments
The Plan is authorized to maintain a diversified portfolio in the following types of investments: U.S. Treasury or agency obligations, corporate debt and equity securities, and foreign debt and equity securities. City ordinances and sinking fund policies contain provisions which preclude the Plan from investing in organizations that conduct business in certain countries and industries and also impose limitations on the amounts invested in certain types of securities.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

The annual money-weighted return for the year ended June 30, 2017 was 13.04 percent.

The Pension Plan utilizes both equity and fixed-income investments consistent with the Policy as described above. As of June 30, 2017, the Plan had investments of approximately $509 million, comprised of $348 million in equities and $161 million in fixed-income investments. The ratio of equities to fixed income is 68 percent to 32 percent which is in line with the Policy guidelines of 60-70 percent equities and 30-40 percent fixed income.

The Commission employs third-party vendors to manage the assets of the Plan as well as perform other needed services. As of June 30, 2017, the Commission employed the following investment managers and vendors:

Manager	Mandate	Balance (millions)
Equity Managers		
RhumbLine Asset Management	Domestic Large Cap Index	$ 110.0
RhumbLine Asset Management	International Markets	22.9
Fred Alger Management, Inc	Domestic Large Cap Growth	32.6
O'Shaughnessy Asset Management	Domestic Large Cap Value	33.2
Northern Trust Company	Domestic Large Cap Index	23.1
Eagle Asset Management	Domestic Small Cap Growth	22.2
Harding-Loevner	International Growth (fund)	44.1
Mondarian International Equity	International Value (fund)	22.6
Dimensional Fund Advisors	Emerging Markets (fund)	17.7
Vaughan Nelson	Domestic Small Cap Value	20.1
		348.5

Manager	Mandate	Balance (millions)
Bond Managers		
Weaver Barksdale	Core	$ 33.9
Logan Circle Partners	Core Plus	46.1
Garcia Hamilton	Intermediate	42.0
Lazard Asset Management	Intermediate Plus	38.6
		160.6
Total		**509.1**

At its quarterly meetings, the Commission, with the assistance of PFM Asset Management LLC monitors the performance of the investment managers over various periods of time, and will change a manager when the Commission deems it necessary. Each of the managers and other vendors (except for those marked 'fund') are contracted for a period of one year, with three one-year extensions at the discretion of the Commission.

Due from and to Brokers
Due from brokers represents the value of investments sold by brokers prior to year-end, for which the settlement date of the sale occurred subsequent to year end. Similarly, due to brokers represents the value of investments purchased by brokers prior to year-end, for which the settlement date of the purchase occurred subsequent to year end.

Funding Policy
The Plan's funding policy 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 percentages of payroll employer contributions rates are determined using the Projected Unit Credit actuarial funding method. The most recent annual actuarial valuation is as of June 30, 2017 and the contribution rate as of percentage of payroll was 30.88 percent.

Employee Contributions
In December 2011 the City of Philadelphia City Council approved Bill No. 110830 "An Ordinance" effecting PGW workers hired on or after May 21, 2011. The ordinance states, in part, that employees commencing employment on or after May 21, 2011 shall become a participant in the Plan only upon completion of an irrevocable written election to participate in the Plan. Such election must be made within thirty days after their employment commencement date, or if later, thirty days after the effective date of the ordinance. All such employees who elect to participate in the Plan are deemed contributing participants.

Contributing participants (Non-covered employees) in the Plan are required to make annual contributions totaling 6 percent of their compensation. Such contributions are made by means of periodic payroll deductions determined by the sponsor. Contributing participants are 100 percent vested in their contribution. All participants in the Plan, including contributing participants, have no vested interest in their accrued benefit until they have 5 years of credited service, at which time they become 100 percent vested in their accrued benefit. Contributions from contributing participants for the Plan year ending June 30, 2017 totaled $851,744.

In addition, newly hired employees who commence employment on or after May 21, 2011 who opt out of the Plan will enter into the newly formed Philadelphia Gas Works Employees' Defined Contribution Plan, a tax qualified defined contribution plan pursuant to Section 401(a) of the Internal Revenue Code of 1986 as amended. The defined contribution plan provides for an employer contribution equal to 5.5% of applicable wages. Assets of this plan are not a part of the City of Philadelphia Gas Works Retirement Reserve Fund and are not reported on in these financial statements.

Benefits Payable
The pension benefits are paid monthly. As a result, there are no pension benefits payable at June 30, 2017.

Trend Information
Historical trend information related to the Plan is presented in the Supplemental Information section. The information is presented to enable the reader to assess the progress made by the Plan in accumulating sufficient assets to pay pension benefits as they become due.

Investment Advisors
The Fund utilizes numerous investment advisors to manage debt and equity portfolios. The Sinking Fund Commission must approve all investment advisors.

Related Parties
The Sinking Fund Commission is the trustee of the Plan. The City of Philadelphia Department of Finance provides bookkeeping services for the Plan. Philadelphia Gas Works makes monthly benefit payments to retirees on behalf of the Plan and incurs administrative expenses on behalf of the Plan. Benefits payments made by PGW and administrative costs incurred by PGW on behalf of the Plan amounted to $51,375,532 and $129,434, respectively for the year ended June 30, 2017.

Fair Value of Financial Instruments
The carrying values of financial instruments including interest and dividends receivable, due from brokers, accounts payable, and amounts due to PGW and brokers approximate their fair market value due to the relative short maturity of these instruments.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at June 30, 2017, and the reported amounts of revenues and expenses during the year then ended. Actual results could differ from those estimates. Significant estimates include the valuation of investments without quoted prices in an active market for identical assets and the actuarial estimates for Plan future benefit obligations.

d. DISCLOSURE ABOUT FAIR VALUE OF FINANICAL INSTRUMENTS

The accounting pronouncement on fair value measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access. Such inputs include quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
Corporate bonds	$ -	$ 59,034,064	$ 206,826	$ 59,240,890
Common and preferred stock	333,054,081	15,386,780	312	348,441,173
U.S. government securities	37,597,756	48,443,687	-	86,041,443
Financial Agreements	-	-	59,983	59,983
Asset backed securities	-	7,462,778	-	7,462,778
Bond Mutual Funds	3,898,123	-	-	3,898,123
Municipal obligations	-	3,938,718	-	3,938,718
	$ 374,549,960	$ 134,266,027	$ 267,121	$ 509,083,108

e. ADVANCE FROM THE PHILADELPHIA GAS WORKS

Payments to beneficiaries are made by PGW through its payroll system. The amount due to PGW at June 30, 2017 of $706,796 represents the cumulative excess of payments made to the retirees and administrative expenses incurred by PGW, over the sum of the Company's required contribution, and reimbursements received from the Plan.

f. NET PENSION LIABILITY

The components of the net pension liability of the City of Philadelphia Gas Works Retirement Reserve Fund at June 30, 2017, were as follows (dollar amounts in thousands):

Total pension liability	$ 783,471
Plan fiduciary net position	(521,526)
Net pension liability	$ 261,945
Plan fiduciary net position as a percentage of the total pension liability	66.57%

Actuarial Assumptions
The total pension liability was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions:

Salary increases	4.5 percent for the current year and for subsequent years
General inflation	2 percent
Investment rate of return including inflation	7.30 percent, net of pension plan investment expense,

Mortality rates were based on the RP-2014 Combined Mortality Table for Males and Females with adjustments for mortality improvements based on Scale MP-2016.

Change in Assumptions
Total pension liability reflects a decrease of approximately $8 million as a result of change in actuarial assumptions for the Plan year ended June 30, 2017. The mortality table was changed from RP-2014 mortality table generationally projected with Scale MP-2015 to the RP-2014 mortality table generationally projected with Scale MP-2016 to better reflect actual and future mortality experience.
.

Discount Rate
The discount rate used to measure the total pension liability was 7.30 percent. The projection of cash flows used to determine the discount rate assumed the contributions from Plan members will be made at the current contribution rate and that contributions from PGW will be made based on the current, actuarially determined funding policy. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The following table illustrates the impact of interest rate sensitivity on the Net Pension Liability. The net pension liability as of June 30, 2017, the most recent actuarial report, is calculated using the discount rate of 7.30 percent, as well as the Plan's net pension liability if it were calculated using a discount rate that is 1 percent lower (6.30 percent) or 1 percent higher (8.30 percent) than the current rate (dollar amounts in thousands):

	1% Decrease 6.30%	Current Rate 7.30%	1% Increase 8.30%
Total pension liability	$ 873,790	$ 783,471	$ 708,124
Plan fiduciary net position	(521,526)	(521,526)	(521,526)
Net pension liability	$ 352,264	$ 261,945	$ 186,598

g. RISK AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statement of fiduciary net position.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Interest Rate Risk:
Interest rate risk is the largest risk faced by an investor in the fixed income market. The price of a fixed income security generally moves in the opposite direction of the change in interest rates. Securities with long maturities are highly sensitive to interest rate changes. The Plan's fixed income investments are as follows:

	Below 1 year	1-5 years	5-10 years	10 Years and over
U.S. Government Treasuries	$ 2,430,627	$ 10,525,270	$ 24,006,490	$ 3,065,996
U.S. Government Agency	18,644,606	26,350,971	2,462,350	985,760
Municipal Bonds	127,310	3,621,132	-	190,276
Corporate Bonds	10,877,261	19,461,483	19,225,876	9,676,270
Asset Backed Securities	2,813,851	2,162,140	2,102,031	384,756
Total	$ 34,893,655	$ 62,120,996	$ 47,796,747	$ 14,303,058

Custodial Credit Risk:
In the event of counter-party failure, the Plan may not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities held by the counterparty, or counterparty's trust department, are uninsured and are not registered in the name of the Plan. The Plan requires that all investments be clearly marked as to ownership, and to the extent possible, be registered in the name of the Plan. Certain investments may be held by the managers in the Plan's name.

Credit Risk:
Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Plan's rated debt investments as of June 30, 2017 were rated by Moody's, a nationally recognized statistical rating agency and are presented below using Moody's rating scale:

S&P Credit Rating	U.S. Government Securities	U.S. Government Agency Securities	Municipal Bonds	Corporate Bonds	Asset Backed Securities	Total
AAA	$ 40,028,383	$ 48,398,762	$ -	$ 289,787	$ 5,025,034	$ 93,741,966
AA+			720,515	499,706	242,891	1,463,112
AA				371,791	24,613	396,404
AA-			2,016,151	1,912,938	126,100	4,055,189
A+				5,697,557	502,115	6,199,672
A			190,276	5,921,706	436,786	6,548,768
A-			429,777	14,518,672	283,223	15,231,672
BBB+			315,882	11,116,226	128,400	11,560,508
BBB				5,485,668	90,775	5,576,443
BBB-			266,117	10,135,121	352,287	10,753,525
BB+				1,580,548	250,554	1,831,102
BB				737,734		737,734
BB-				378,637		378,637
B+				396,889		396,889
B				153,000		153,000
N/R		44,925		44,910		89,835
	$ 40,028,383	$ 48,443,687	$ 3,938,718	$ 59,240,890	$ 7,462,778	$ 159,114,456

Concentration of Credit Risk:
Concentration of credit risk is the risk of substantial loss if investments are concentrated in one issuer. As of June 30, 2017, no single investment not guaranteed by the U.S. government exceeds 5 percent of the Plan's net fiduciary financial position.

Subsequent Events
The Plan has evaluated subsequent events occurring after the statement of fiduciary net position through the date of December 27, 2017 which is the date the financial statements were available to be issued.

Based on this evaluation the Plan has determined no subsequent event has occurred which requires disclosure in the financial statements.

B. DISCRETELY PRESENTED COMPONENT UNITS

(1) Philadelphia Gas Works

a. Plan Description

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – a. Plan Description

b. Benefits Provided

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – b. Benefits Provided

c. Employees Covered by Benefit Terms

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – a. Plan Description

d. Contributions

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – d. Summary of Significant Accounting Policies and Plan Asset Matters – Funding Policy and Employee Contributions

e. Net Pension Liability

The Company's net pension liability as of August 31, 2017 and 2016 were measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 and June 30, 2016, respectively.

The total pension liability was determined using the entry age normal actuarial method and the following actuarial assumptions:

	2017	2016
Inflation	2.00%	2.00%
Salary increases	4.50	4.50
Investment rate of return	7.30	7.30

Mortality rates. Mortality rates for FY 2016 were based on the RP-2014 mortality tables for males and females generationally projected with scale MP-2015. Mortality rates for FY 2017 were based on the RP-2014 mortality tables for males and females generationally projected with scale MP-2016.

Long-term rate of return. The long-term expected rate of return on Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for FY 2017 are summarized in the following table:

Asset class	Minimum	Maximum	Target	Expected annual return
Domestic equity	35.0%	55.0%	45.0%	9.0%
International equity	10.0	30.0	20.0	9.1
Fixed Income	25.0	45.0	35.0	5.6
Cash equivalents	—	10.0	—	—
			100.0%	

Discount rate. The discount rate used to measure the total pension liability at June 30, 2017 and 2016 was 7.30%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Company contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee contributions. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability
(Thousands of U.S. dollars)

	Increase (decrease)		
	Total pension liability (a)	**Plan fiduciary net position (b)**	**Net pension liability (a)-(b)**
Balances at September 1, 2015	$ 750,588	$ 510,719	$ 239,869
Changes for the year:			
Service cost	5,399	-	5,399
Interest	55,903	-	55,903
Differences between expected and actual experience	(8,840)	-	(8,840)
Contributions-employer	-	21,123	(21,123)
Contributions-employee	-	602	(602)
Net investment income	-	2,872	(2,872)
Benefit payments, including refunds of employee contributions	(50,447)	(50,447)	-
Administrative expenses	-	(1,611)	1,611
Change in assumptions	26,748	-	26,748
Net changes	28,763	(27,461)	56,224
Balances at August 31, 2016	$ 779,351	$ 483,258	$ 296,093
Balances at September 1, 2016	$ 779,351	$ 483,258	$ 296,093
Changes for the year:			
Service cost	5,823	-	5,823
Interest	55,443	-	55,443
Differences between expected and actual experience	2,182	-	2,182
Contributions-employer	-	27,918	(27,918)
Contributions-employee	-	852	(852)
Net investment income	-	61,002	(61,002)
Benefit payments, including refunds of employee contributions	(51,376)	(51,376)	-
Administrative expenses	-	(129)	129
Change in assumptions	(7,952)	-	(7,952)
Net changes	4,120	38,267	(34,147)
Balances at August 31, 2017	$ 783,471	$ 521,525	$ 261,946

Sensitivity of the net pension liability to changes in the discount rate:
The following presents the net pension liability of the Company at June 30, 2017, calculated using the discount rate of 7.30%, as well as what the Company's net pension liability as of August 31, 2017 would be if it were calculated using a discount rate that is 1-percentage-point lower (6.30%) or 1-percentage point higher (8.30%) than the current rate:

(Thousands of U.S. dollars)	**1% Decrease 6.30%**	**Current discount rate 7.30%**	**1% Increase 8.30%**
Net pension liability	$ 352,265	$ 261,945	$ 186,598

The following presents the net pension liability of the Company at June 30, 2016, calculated using the discount rate of 7.30%, as well what the Company's net pension liability as of August 31, 2016 would have been if it were calculated using a discount rate that is 1-percentage-point lower (6.30%) or 1-percentage point higher (8.30%) than the current rate:

(Thousands of U.S. dollars)	1% Decrease 6.30%	Current discount rate 7.30%	1% Increase 8.30%
Net pension liability	$ 387,060	$ 296,093	$ 220,296

Pension Plan fiduciary net position. Detailed information about the Pension Plan's fiduciary net position is available in the separately issued Pension Plan financial report.

f. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended August 31, 2017 and 2016, the Company recognized pension expense of $58.4 million and $62.3 million, respectively. At August 31, 2017 and 2016, the Company reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (thousands of U.S. dollars):

	August 31, 2017		August 31, 2016	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 4,268	$ -	$ 19,092	$ -
Changes of assumptions	18,053	-	42,140	-
Net difference between projected and actual earnings on pension plan investments	(2,071)	-	21,278	-
Contributions made after measurement date	6,875	-	5,533	-
Total	$ 27,125	$ -	$ 88,043	$ -

The $6.9 million reported as deferred outflows of resources related to employer contributions made after the measurement date as of June 30, 2017 will be recognized as a reduction of the net pension liability in FY 2018. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (thousands of U.S. dollars):

Fiscal year:	Deferred outflow of resources	Deferred inflow of resources
2018	$ 17,823	$ -
2019	7,361	-
2020	377	-
2021	-	5,311
Thereafter	-	-
Total	$ 25,561	$ 5,311

g. Fair Value Measurements

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – d. Disclosures About Fair Value of Financial Instruments

(2) School District of Philadelphia

a. Plan Description

Public School Employees' Retirement System (the System) is a governmental cost- sharing multiple-employer defined benefit plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSRS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

b. Benefits provided:

The System provides retirement and disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes- (1) Membership Class T-E (Class T-E) and (2) Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Pennsylvania Public School Code (Code) of multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to defined benefits is vested and early retirement benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and T-F members) or who has at least five years of credited services (ten years for Class T-E and T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

c. Contributions

Members Contributions:

Active members who joined prior to July 22, 1983, contribute at 5.25 % (Membership Class T-C) or at 6.50 % (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001 contribute at 6.25 % (Membership Class T-C) or 7.50 % (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011 contribute at 7.50 % (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F Membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer's Contributions:

The School District of Philadelphia' contractually required contribution rate for fiscal year ended June 30, 2017 was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the PSERS pension plan from the School District were $274.9 million for the year ended June 30, 2017.

Commonwealth Contributions:

The Commonwealth reimburses the School District 50 percent of the retirement cost for employees hired prior to July 1, 1994 and a percentage equal to the greater of 50 percent or the School District's market value/personal income aid ratio for employees hired after June 30, 1994. The School District's market/personal income aid ratio for Fiscal Year 2017 was 74.48 percent.

d. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

(a) At June 30, 2017, the District reported a liability of $3,426.5 million for its proportionate share of the net pension liability of which $3,375.4 million was under the Governmental Activity section of the Government-wide while the remaining amount was included under the Business-type Activity (Food Services and Print Shop) section of the Government-wide Statements. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The District's proportion of the net pension liability was calculated using the employer's one-year covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the District's proportion was 6.9142 percent, which was a decrease of 0.1009 percent from its proportion measured as of June 30, 2015.

(b) For the year ended June 30, 2017, the District recognized net pension expense of $63,098.9 thousand of which $62,158.3 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of $940.6 thousand was under the Business-type Activity section of the Government-wide Statements.

(c) At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Dollars Amounts in Thousands)	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference between expected and actual experience	-	(28,542)
Change in assumption	123,688	-
Net difference between projected and actual investment earnings	190,975	-
Change in proportions	-	(340,595)
Difference between employer contributions and proportionate share of total contributions	-	(4,829)
Contributions subsequent to the measurement date	274,885	-
Totals:	589,548	(373,966)

Deferred outflows of resources for contributions made subsequent to the measurement date was $274,885.1 thousand and will be recognized as a reduction of net pension liability in the actuarially year ended June 30, 2017.

The District recognized net deferred inflows of $59,305.0 thousands reported related to pensions in pension expense as follows:

(Dollars in Thousands)

Year ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows & Inflows of Resources
2017	$ 95,884	$ (175,984)	$ (80,100)
2018	52,563	(132,663)	(80,100)
2019	74,542	(36,133)	38,409
2020	91,674	(29,186)	62,488
Total	$ 314,663	$ (373,966)	$ (59,303)

Actuarial assumptions

The total pension liability as of June 30, 2016 was determined by rolling forward the System's total pension liability as of June 30, 2015 actuarial valuation to June 30, 2016 using the following actuarial assumptions and changes in assumptions used in measurement of Total Pension Liability beginning June 30, 2016, applied to all periods included in the measurement:

Actuarial cost method – Entry Age Normal – level % of pay

Adjusted Investment return from 7.50% to 7.25% includes decrease for the inflation from 3.00% to 2.75%.

Salary growth changed from an effective average of 5.50%, which comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50% to an effective average of 5.00% comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females were modified to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

PSERS' Board approved new actuarial assumptions effective for the June 30, 2016 actuarial valuation. The new assumptions were used to calculate the net pension liability at June 30, 2016 and are reflected above.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public markets global equity	22.5%	5.3%
Fixed Income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
MLPs/Infrastructure	5.0%	4.8%
Real Estate	12.0%	4.0%
Alternative Investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	-14.0%	0.5%
	100.00%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2016.

Discount rate: The discount rate used to measure the total pension liability was decreased from 7.50% to 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

e. Sensitivity of the District's proportionate share of the net pension to changes in the discount rate:

The following presents the net liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percenage point higher (8.25%) than the current rate:

(Dollars in Thousands)	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	4,191,480	3,426,458	2,783,614

f. Pension plan fiduciary net position:

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

g. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. ACCUMULATED UNPAID SICK LEAVE

City and certain component unit employees are credited with varying amounts of sick leave according to type of employee and/or length of service. City employees may accumulate unused sick leave to predetermined balances. **SDP** employees have an unlimited maximum accumulation, and Gas Works' employees' sick leave is non-cumulative. Non-uniformed employees (upon retirement only) and uniformed employees (upon retirement or in case of death while on active duty) are paid varying amounts ranging from 25% to 50% of unused sick time, not to exceed predetermined amounts. Employees, who separate for any reason other than indicated above, forfeit their entire sick leave. The City budgets for and charges the cost of sick leave as it is taken.

3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. PRIMARY GOVERNMENT

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

Funding Policy: The City's funding policy is to pay the net expected benefits for the current retirees. 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. The City's contributions are estimated to be about $114.8 million for fiscal year ending June 30, 2017.

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:

(Amounts in thousands)

Annual required contribution	$	140,272
Interest on net OPEB Obligation	$	12,600
Adjustment to ARC	$	(11,353)
Annual OPEB Cost	$	141,519
Payments made		
Increase / (Decrease) in net OPEB Obligation	$	(114,800)
Net OPEB Obligation - beginning of year:	$	296,474
Net OPEB Obligation - end of year:	$	323,193

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, 2017 was as follows:

(Amounts in thousands USD)

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
6/30/2017	141,519	81%	323,193
6/30/2016	137,388	78%	296,474
6/30/2015	133,052	72%	266,286

Funded Status and Funding Progress: As of July 1, 2016, 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 \$1.94 billion. The covered annual payroll was \$1.68 billion and the ratio of the UAAL to the covered payroll was 115.5%.

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:
The July 1, 2016 valuation was performed using a full valuation methodology. This means that new claims cost assumptions were developed based on the claims data available for the fiscal year ending June 30, 2015 through June 30, 2017, and this was applied to census data as of July 1, 2016.

The Entry Age Cost Method was used to value the Plan's actuarial liabilities and to set the normal cost. Under this method, the normal cost rate is the percentage of pay contribution which would be sufficient to fund the plan benefits if it were paid from each member's entry into the Retirement System until termination or retirement.

Changes in Methods and Assumptions:
This valuation includes updated claims cost and trend assumptions based on information available as of June 30, 2016 and anticipated experience. The discount rate was also decreased from 4.25% to 2.85% as of June 30, 2016, and increased to 3.58% as of June 30, 2017.

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, 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. A retired employee is eligible for this benefit if covered for 10 years as an active employee and retired at age 60 with 30 years of service or aged 62 with 10 years of service or 35 years of service regardless of age. Effective November 1, 2013, active employees who become disabled (total and permanent) prior to satisfying the retirement eligibility conditions for postretirement life insurance benefits are no longer eligible for postretirement benefit provided by the District. Employees who were granted disability retirement from PSERS and were approved by the insurance company providing the coverage prior to November 1, 2013 continue to be eligible for postretirement life insurance benefits. An unaudited copy of the single-employer life insurance benefit plan can be obtained by writing to School District 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 numbers of eligible participants enrolled to receive such benefits as of June 30, 2016, the effective date of the biennial OPEB valuation, follows. 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	12,075	45.8
Non-represented	817	47.4
Retirees	10,328	77.2
Disabled	69	60.3
Total	23,289	57.7

Annual OPEB Cost and Net OPEB Obligation:

The **SDP**'s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that was actuarially determined by the Entry Age Normal 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, amortized over a 30-year period for the valuation period ending June 30, 2016. There was a change in actuarial assumptions since the last biennial actuarial valuation. The payroll growth assumption was eliminated as the District is now using level dollar amortization of the unfunded liability.

The following table shows the elements of **SDP's** annual OPEB cost for the year, the amount paid on behalf of the plan, and changes in **SDP's** net OPEB obligation to the plan:

Normal Cost	$	84,875
Amortization of unfunded Actuarial Accrued Liability		913,395
Annual Required Contribution (ARC)		998,270
Interest on Net OPEB Obligation		49,647
Adjustment to ARC		(88,849)
Annual OPEB Cost	$	959,068
Net OPEB Obligation as of June 30, 2016	$	1,654,915
Annual OPEB Cost		959,069
Employer Contributions		(520,980)
Increase (Decrease) in net OPEB Obligation	$	438,089
Net OPEB as of June 30, 2017	$	2,093,004

The **SDP**'s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ending June 30, 2017 was as follows:

Year Ended June 30	Annual OPEB Cost (APC)	Employer Contribution	Percentage of APC Contributed	Net OPEB Obligation
2017	$959,069	$520,980	54.3%	$ 2,093,004
2016	$972,586	$539,601	55.5%	1,654,915
2015	981,837	570,813	58.1%	1,221,930

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 School District'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, 2016, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability of $18.4 million and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $18.4 million.

Most Recent Actuarial Valuation Date	Active Covered Payroll	Unfunded Actuarial Accrued Liability (UAAL)	UAAL as a Percentage of Covered Payroll
6/30/2016	$722,662,580	$18,440,073	0.02552%
6/30/2014	751,086,581	17,956,061	0.02078%
6/30/2012	871,663,661	18,114,395	0.02078%

Actuarial Methods and Assumptions:

The actuarial assumptions used in the June 30, 2016 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: 3.00% per year, compounded annually, based on anticipated investment returns on short-term investments as of June 30, 2016.

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:

If less than 5 years of Service		If 5 or more years of Service	
Years of Service	Rate	Age	Rate
< 1	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, 2015 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			Sample Superannuation Retirement Rates		
Age	Male	Female	Age	Male	Female
55	15%	15%	55	30%	30%
60	12%	15%	60	28%	30%
			65	20%	25%
			74	100%	100%

Disability: Disability rates are the rates utilized in the June 30, 2015 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:

	Percentage Disability Incidence	
Attained Age	Male	Female
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, 2016 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: None

Philadelphia Gas Works (PGW) OPEB

Plan Description:

PGW sponsors a single employer defined benefit healthcare plan and provides postemployment healthcare and life insurance benefits to approximately 2,176 and 2,190 participating retirees and their beneficiaries and dependents in FY2017 and FY 2016, respectively, in accordance with their retiree medical program. The annual covered payroll (which was substantially equal to total payroll) was $112.6 million and $113.0 million at August 31, 2017 and August 31, 2016, respectively.

PGW pays the full cost of medical, basic dental, and prescription coverage for employees who retired prior to December 1, 2001. Employees who retire after December 1, 2001 are provided a choice of three plans at **PGW**'s expense and can elect to pay toward a more expensive plan. Retirees may also contribute toward enhanced dental plan and life insurance coverage. **PGW** pays 100% of the cost for the prescription drug plan after drug co-pays. Union employees hired on or after May 21, 2011 and Non-Union employees hired on or after December 21, 2011 are entitled to receive post-retirement medical, prescription, and dental benefits for five years only. Currently, **PGW** provides for the cost of healthcare and life insurance benefits for retirees and their beneficiaries on a pay-as-you-go basis.

Total expense incurred for healthcare and life insurance related to retirees amounted to $29.6 million and $28.5 million in FY 2017 and FY 2016, respectively. In addition, **PGW** expensed $18.5 million of funding for the OPEB Trust in both FY 2017 and FY 2016. Retirees contributed $0.4 million and $0.3 million towards their healthcare in FY 2017 and FY 2016, respectively. These contributions represent the additional cost of healthcare plans chosen by retirees above the basic plan offered by **PGW**. Total premiums for group life insurance were $2.5 million and $2.4 million in FY 2017 and FY 2016, respectively, which included $2.0 million for retirees in both FY 2017 and FY 2016. Retirees contributed $0.2 million towards their life insurance in both FY 2017 and FY 2016.

Annual Postemployment Benefit Cost, Contributions Required, and Contributions Made*:*

The amount paid by **PGW** for retiree benefits in FY 2017 was $48.1 million, consisting of $27.8 million of healthcare expenses, $1.8 million of life insurance expenses, and $18.5 million contributed to the OPEB trust. The difference between the AOC and **PGW's** contributions resulted in a decrease in the OPEB obligation of $11.2 million and $8.6 million in FY 2017 and FY 2016, respectively, which was recorded to other non-current liabilities and expensed.

The actuarial accrued liability for benefits at August 31, 2017 was $516.1 million. The ratio of the unfunded actuarial accrued liability to the covered payroll was 310.9% as of August 31, 2017.

The assumptions used to determine the AOC for the current Year and the funded status of the plan include:

Actuarial cost method:	Projected unit credit
Method(s) used to determine the actuarial value of the assets	Market value of plan assets held in the OPEB Trust
Investment return assumption (discount rate)	7.95%, which represents the long term expected investment return on OPEB trust assets
Mortality	RP-2014 Mortality Tables with projection scale MP-2016
Amortization Method	Level Dollar amount
Amortization Period	Open period of 30 years.

Healthcare cost trend rates are as follows:

	Healthcare Cost Trend Rates			
Year	**Medical (pre-65)**	**Medical (post-65)**	**Prescription**	**Dental**
2017	6.0%	4.5%	8.5%	4.0%
2018	5.5	4.5	8.0	4.0
2019	5.0	4.5	7.5	4.0
2020	4.5	4.5	7.0	4.0
2021	4.5	4.5	6.5	4.0
2022	4.5	4.5	6.0	4.0
2023	4.5	4.5	5.5	4.0
2024	4.5	4.5	5.0	4.0
2025 and following	4.5	4.5	4.5	4.0

The following table shows the components of **PGW's** AOC for FY 2017 and FY 2016, the amount actually contributed to the plan, and PGW's net OPEB obligation (thousands of U.S. dollars).

	2017	**2016**
Annual required contribution	$ 37,639	41,782
Interest on net OPEB obligation	6,475	7,156
Adjustment to the annual required contribution	(7,200)	(7,958)
Annual OPEB Cost	36,914	40,980
Contributions made		
Net OPEB obligation as of prior year	(48,065)	(49,551)
Net OPEB obligation as of August 31	81,443	90,014
	$ 70,292	81,443

PGW's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY 2017 and the preceding fiscal years were as follows (thousands of U.S. dollars):

	Annual OPEB Cost	Percentage of annual OPEB cost contributed	Net OPEB Obligation
Fiscal year ended August 31:			
2017	$ 36,914	130.2%	70,292
2016	40,980	120.9	81,443
2015	37,073	131.8	90,014

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 2017 this transfer amounted to $409.5 million.

5. RELATED PARTY TRANSACTIONS

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

A. SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY (SEPTA)

During the year the City provided an operating subsidy of $79.72 million to SEPTA.

B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments which totaled $100.39 million during the year to the following organizations:

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

6. RISK MANAGEMENT

A. PRIMARY GOVERNMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City (except for Aviation Fund operations, the Municipal Authority and PICA) is self-insured for fire damage, casualty losses, public liability, 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 is self-insured for medical benefits provided to employees in the Fraternal Order of Police, its city-administered health plan, the International Association of Fire Fighters and District Council 47.

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 $365.1 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, 2015 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2015	349.3	296.0	(291.7)	353.6
Fiscal 2016	353.6	216.2	(219.5)	350.3
Fiscal 2017	350.3	243.9	(229.1)	365.1

The City's Unemployment Compensation and Workers' Compensation coverage are provided through its General Fund. Unemployment Compensation and Workers' Compensation coverage are funded by a pro rata charge to the various funds. Payments for the year were $2.9 million for Unemployment Compensation claims and $67.4 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are $269.4 million discounted at 3.5%. On an undiscounted basis, these liabilities total $352.6 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 $244.1 million (discounted) and $321.3 million (undiscounted).

During the last five (5) 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 School District 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 School District is self-insured for casualty losses, public liability, Workers' Compensation, Unemployment Compensation, Weekly Indemnity (salary continuation during employee illness), and employee medical benefits.

The School District maintains 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 $0.5 million except for losses incurred from windstorm, fire, flood and earthquake which has a $1.0 million and a limit of $250.0 million per occurrence with certain sub-limits as specified in the policy terms. Also, certain insurance coverage including Accident, Foreign Package Excess Workers' Compensation, Student Professional Liability and Employee Performance bonds are obtained.

The School District reported the long-term portion of its risk management obligations totaling $121.9 million in the district-wide Statement of Net Position. Self-Insured Medical Benefits and Workers' Compensation coverage is funded by a prorated charge to the various funds while both the School District and covered employees share the cost of Weekly Indemnity and Unemployment Compensation coverage.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and when the amount of the loss can be reasonably estimated. 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.

Settled claims covered by commercial insurance have not exceeded the amount of insurance coverage in any of the past three (3) years. There has not been a significant reduction in insurance coverage from coverage in the prior year for any risk category. The School District has not entered into any annuity contracts as part of claims settlements.

Additionally, **PGW** and **PPA** are self-insured for various risks.

At June 30, 2017, the amount of these liabilities totaled $141.0 million, $121.9 million for **SDP**, $14.4 million for **PGW**, and $4.8 million for **PPA**. Changes in the balances of claims and liabilities during the past two (2) years are as follows:

(Dollars in Millions)

	Beginning Liability	Claims & Adjustments	Claim Payments	Ending Liability	Due Within One Year
Fiscal Year 2016	$ 139.5	$ 220.1	$ (227.1)	$ 132.5	$ 53.6
Fiscal Year 2017	$ 148.8	$ 215.2	$ (223.0)	$ 141.1	$ 49.8

7. COMMITMENTS

A. PRIMARY GOVERNMENT

Encumbrance accounting is utilized to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amounts of open encumbrances for both, the current and prior fiscal years, were as follows:

(Amounts in Thousands U.S.D.)

Fund	Amounts
General fund	178,971
Grants Revenue fund	232,168
Community Behavioral Health fund	114,721
Water Enterprise funds	554,216
Aviation Enterprise funds	161,204
Non-Major governmental funds	234,629
Total	1,475,909

B. COMPONENT UNITS

The School District's outstanding contractual commitments at June 30, 2017 are summarized as follows:

New Construction and Land	$	2,224,984
Environmental Management		2,266,702
Alterations and Improvements		69,924,111
Major Renovations		3,341,263
Total	$	77,757,060

Outstanding contractual commitments in the School District's operating funds at June 30, 2017 are as follows:

Services and Supplies		
General Fund	$	28,606,784
Intermediate Unit Fund	$	1,702,216

Categorical Funds encumbrances totaled $8.0 million at June 30, 2017.

8. CONTINGENCIES

A. PRIMARY GOVERNMENT

1) Claims and Litigation

Generally, claims against the City are payable out of the General Fund, except claims against the City Water Department, City Aviation Division, or Component Units which are paid out of their respective funds and only secondarily out of the General Fund which is then reimbursed for the expenditure. Unless specifically noted otherwise, all claims hereinafter discussed are payable out of the General Fund or the individual Enterprise Fund. The Act of October 5, 1980, P.L. 693, No. 142, known as the "Political Subdivision Tort Claims Act", established a $500,000 aggregate limitation on damages arising from the same cause of action or transaction or occurrence or series of causes of action, transactions or occurrences with respect to governmental units in the Commonwealth such as the City. The constitutionality of that aggregate limitation has been upheld by the United States Supreme Court. There is no such limitation under federal law.

Various claims have been asserted against the City and in some cases lawsuits have been instituted. Many of these claims are reduced to judgment or otherwise settled in a manner requiring payment by the City. The aggregate estimate of loss deemed to be probable is approximately $336.70 million. Of this amount, $35.78 million is charged to the current operations of the Enterprise Funds. The remaining $300.93 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 estimate of the amount of loss from these lawsuits in which some amount of loss is reasonably possible is approximately $100.4 million from the General Fund, $11.2 million from the Water Fund and $2.7 million from the Aviation Fund. This represents the best estimate of the entire current inventory of such litigation and pre-suits as of February 5, 2018.

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

Brennan v. City of Philadelphia

- This is an FLSA overtime class action filed in the Eastern District of Pennsylvania which is an offshoot of a case settled by the City last year for about $1.45 million. That case was Lawrence v. City of Philadelphia, and it concerned the manner in which the City pays overtime wages to firefighters. Plaintiffs challenged not the amount of overtime wages but whether the City unreasonably delays payment of those wages. In the aftermath of Lawrence, the City reformed the manner in which it compensates firefighters in 2009. The Brennan matter was stayed while the parties litigated and settled Lawrence. After Lawrence was settled, we began litigating in earnest. Brennan concerns firefighters who are paid under the new system. We believe that the City has good defenses in Brennan, but discovery has just begun and the number of class members has risen past 400. We disclose this matter in an abundance of caution because the FLSA contains a liquidated damages provision that doubles the amount of unpaid wages. Once liquidated damages and attorneys' fees are added, it is possible that this matter could exceed $8 million if we were unsuccessful.

Thomas v. City of Philadelphia

- Plaintiff was incarcerated for twenty-four years until the District Attorney's Office agreed to vacate his murder conviction. He now alleges that two police detectives fabricated evidence against him by coercing witness statements, failed to disclose Brady material, and failed to investigate his alibi. Plaintiff is represented by attorneys from Dechert LLP. The case is currently in discovery. The Law Department intends to file a motion for summary judgment at the close of discovery. The damages in this case could exceed $8 million and the likelihood of an unfavorable outcome is reasonably possible.

2018 Tax Reassessment Cases

- On September 14, 2017, the first Plaintiffs, the owners of 76 commercial properties, filed suit in the Court of Common Pleas of Philadelphia County, alleging that the 2018 property tax reassessment performed by the City's Office of Property Assessment (the "OPA") violated the Uniformity Clause of the Pennsylvania Constitution, as well as the statutes controlling assessments in Pennsylvania and first-class counties, and seeking the reduction of their 2018 tax bills to levels based on 2017 values. Plaintiffs allege that, following a countywide property tax reassessment for tax year 2014 known as the Actual Value Initiative ("AVI"), the City made no subsequent reassessments until tax year 2018 when it reassessed only commercial, but not residential, properties. Plaintiffs claim that, pursuant to the Pennsylvania Supreme Court's recent decision in Valley Forge Towers Apartments N, LP et al v. Upper Merion Area School District et al, such disparate treatment of different categories of real property violates the state constitution Uniformity Clause, and thus is null and void. Plaintiffs seek declaratory relief, an injunction forbidding the collection of taxes based on the allegedly unconstitutional valuations and an order directing the OPA to "recertify" Plaintiffs' properties at their 2017 values.

Subsequently, ten additional cases have been filed, representing single commercial properties but asserting virtually the same claims. Pursuant to the City's motion, which the plaintiffs did not oppose, the cases were consolidated for purposes of pleadings, discovery, pretrial motions and trial. The City filed Preliminary Objections to most of the complaints; following argument, the Court overruled several of these objections and sustained the City's objection to mandamus relief. The cases now will move on into discovery; there is a discovery deadline of December 3, 2018 and the cases are in the April 2019 trial pool. On February 13, 2018, following a hearing on a motion filed by plaintiffs for a preliminary objection to restrain the City from collecting more than taxes based upon the plaintiffs' tax year 2017 assessments and against the Board of Revision of Taxes (the "BRT") to prevent their administrative assessment appeals from being scheduled and/or heard, the Court denied the injunction request as against the City and granted a stay of plaintiffs' BRT appeals.

The City believes that the lawsuits both misstate the relevant facts about the OPA's assessment process and misapply the relevant law, and intend to vigorously defend the City's interests. Moreover, even if the assessment process for the 2018 tax year should be found to violate Uniformity under the very recent Valley Forge ruling, the City believes that Valley Forge represents a significant change in the law and that it operated in good faith consistent with the prior caselaw, and thus that there is a strong possibility that any relief ordered may be prospective, rather than retrospective, in nature. However, the real estate tax revenue associated with the increase of taxable assessed values for the properties in question exceeds $14.9 Million, with approximately 55% allocated to the School District and 45% to the City. Use and Occupancy tax revenue for the School District is also dependent upon the OPA property assessments.

Owens v. City of Philadelphia

- On October 20, 2016, plaintiffs filed this putative class action against the City and thereafter filed two amended complaints. Plaintiffs claimed that the City should be held liable for the actions of City police officers who allegedly stopped drivers on I-95, I-76, and I-676 and issued them tickets for violations of the state Motor Vehicle Code. Plaintiffs asserted that Philadelphia police officers lack the jurisdiction to write tickets on interstate highways due to the absence of a speed enforcement agreement between the Philadelphia Police Department and the State Police. Because the claims asserted involved tort immunity and collateral attacks on criminal (speeding) convictions in a subsequent civil action, the City moved to dismiss all claims. After the City sought to file an interlocutory appeal with the Commonwealth Court, on January 18, 2018, the Court reconsidered sua sponte the City's Motion for Judgment on the Pleadings, granting the motion and dismissing all claims. We are waiting to see if the plaintiffs appeal the Court's dismissal. Currently however, there is no litigation pending and this disclosure is made solely in an abundance of caution.

Eugene Gilyard v. City of Philadelphia

- Plaintiffs Eugene Gilyard and Lance Felder were convicted of the murder of Thomas Keal in 1997. They spent approximately 16 years in prison. Plaintiffs were granted post-conviction relief in the form of a new trial after a man came forward and claimed to have murdered Keal. The District Attorney declined to retry plaintiffs for the murder and they were released from prison. Plaintiffs have now brought this claim for Malicious Prosecution. Plaintiffs claim that a witness for the prosecution was coerced into identifying one of the plaintiffs as a man he saw in the area of the murder with a gun. Specifically, they claim that detectives told him which picture to select from a photo array. Plaintiffs also claim that the affidavit of probable cause seeking an arrest warrant was intentionally falsified. The affidavit included the selection of plaintiffs from a photo array by a witness. Plaintiffs claim that selection never occurred. Finally, plaintiffs claim generally that the detectives failed to investigate alternative suspects. Specifically, they claim that a witness identified two men named "Rolex" and "Tizz" that were in the area of the murder asking questions about Keal prior to his death. Discovery closed and the City motioned for summary judgement. The court ruled against the City's qualified immunity arguments in its motion for summary judgment and the City has decided to take an interlocutory appeal to the Third Cir. Court of Appeals, which has the effect of staying proceedings until the appeal has been resolved. The likelihood of success and damages are difficult to estimate at this point and a plaintiff verdict could reach $8 million if successful, considering the time Plaintiffs spent in prison.

Anthony Wright v. City of Philadelphia

- The Wright case is a civil rights action arising from Mr. Wright's retrial for the rape and murder of a 77-year-old woman. In 1993, Mr. Wright was convicted of the rape and murder of Louis Talley and sentenced to life without parole. After serving nearly 25 years in prison, Mr. Wright was acquitted of the rape and murder by a jury at his retrial in August of 2016. At the second trial, DNA evidence obtained from the victim was introduced into evidence that did not include Mr. Wright as the source. Also, other DNA evidence obtained from clothing allegedly belonging to Mr. Wright cast doubt on whether he wore the clothing during the murder. The DNA inside the clothing (pants and shoes) matched the victim's DNA. Mr. Wright filed this Section 1983 civil rights action alleging that his civil rights were violated by the City of Philadelphia and several homicide detectives. He claims his conviction in 1993 was based on a coerced confession, clothing that was planted by detectives in his home and false inculpatory statements from witnesses. He claims his conviction, therefore, violated his 4th Amendment right to be free from malicious prosecution. Mr. Wright further claims the violation of his right was directly caused by the City's failure to train, supervise and discipline its homicide detectives. The City and the individual defendants contest Mr. Wright's claims. The case is in the early stage of discovery. It is difficult at this point to evaluate the likelihood of success, but the exposure, were Mr. Wright to prevail, would be in excess of $8 million.

Henderson Inverse Condemnation

- In early September 2016, a Petition for the Appointment of a Board of View pursuant to the Pennsylvania Eminent Domain Code 26 Pa. C. Section 502(c) was filed in Delaware County against the City by numerous Henderson related entities and trusts (the "Hendersons"). The Petition alleged that the City effected a de facto taking of the Hendersons properties (the "Property"), which Property is proximate to the Philadelphia International Airport and located in Tinicum Township, Delaware County. The City desires to acquire the Property for Airport purposes and had numerous discussions with representatives for the Sellers. The City filed Preliminary Objections to the Petition and there was a hearing on the Petition and the Preliminary Objections scheduled for January 2018. Prior to the hearing, the City filed its own Declaration of Taking and made an offer of just compensation. The City and the Hendersons then settled the foregoing matters. The City obtained possession and paid the Hendersons estimated just compensation of $54.5 million. The Hendersons' de facto taking case was dismissed. The Fair Market Value ("FMV") of the Property remains disputed and will be determined by a Board of View which will be appointed by the Court of Common Pleas in Delaware County. What the Board of View will determine to be FMV is unknown. Both the City and the Hendersons will have the opportunity to advocate for the value that they believe is the appropriate FMV. The City is represented by outside counsel.

Philadelphia Beverage Tax Litigation (Lora Jean Williams v. City of Philadelphia et al, Nos. 321 & 322 EAL 2017 (Pa.))

- In September 2016, the American Beverage Association and other co-plaintiffs filed a lawsuit challenging the Philadelphia Beverage Tax in the Philadelphia Court of Common Pleas. On December 19, 2016, the Philadelphia Court of Common Pleas dismissed the lawsuit in its entirety. The tax went into effect as scheduled on January 1, 2017, generating $78.8 million in revenue in its first twelve months. On June 14, 2017, the Commonwealth Court of Pennsylvania (the intermediate appellate court), sitting en banc, affirmed the order of the Court of Common Pleas in a 5-2 decision. On July 13, 2017, the plaintiffs filed a petition for allowance of appeal with the Pennsylvania Supreme Court, asking the Court to hear an appeal of the Commonwealth Court's decision. The City answered and opposed the petition on July 31, 2017. On January 30, 2018 the Supreme Court granted the plaintiffs' petition to appeal. Briefing and argument will now follow. The City has a high degree of confidence that the tax is lawful and that it will ultimately prevail in the litigation, but, if the Pennsylvania Supreme Court reversed the decision of the Commonwealth Court, all or some of the tax revenue would be at risk.

Fraternal Order of Police – Labor Contract Grievance Re: Conditions of Police Facilities

- The FOP filed a grievance alleging that the City violated their union labor contract's human dignity clause based on the condition of all police facilities and sought extensive remedies. Following a lengthy arbitration, an interim award was issued on April 26, 2013. Pursuant to the terms of that award, the arbitrator found that the City had violated the contract but ordered only that the parties meet on a monthly basis to identify and prioritize issues, work out budgets and work through the issues identified by the union. The parties have been doing so continuously since the award was issued. In July of 2016, the FOP began seeking new hearings before the arbitrator regarding the conditions of the police facilities. Although the union has not specified its concerns, the City's attorneys believe that the union wishes the arbitrator to force the City to significantly renovate or replace existing facilities. The City's attorneys are unable in their professional judgment to evaluate the likely cost of an unfavorable outcome but estimate that if renovations such as the union has previously sought were necessary, it could cost the city more than $8 million. City attorneys believe the probability of such an award being issued to be highly unlikely and would contest any such award vigorously through available appellate options.

Estate of Rodriguez v. City of Philadelphia, No. 14-4435.

- This lawsuit arose after a pregnant woman carrying a 36-week old baby fell down her stairs due to a pulmonary embolism and was taken by two Fire Department paramedics to Temple Hospital. The woman, Joanne Rodriguez, coded upon arriving at the hospital, at which point the door locks of the ambulance malfunctioned and trapped her and the paramedics inside the ambulance for a few minutes. Ms. Rodriguez died, while her son survived after a C-section but sustained severe, lifelong injuries. Ms. Rodriguez's estate has sued the City, its two paramedics, and every company involved in manufacturing the ambulance and its doors. Plaintiff has brought a state-created danger claim against our clients, as well as a variety of state law claims.

The case is currently in discovery. The City intends to file a motion for summary judgment as to all the claims. The City's attorneys believe the likelihood of an unfavorable outcome to be remote, believing instead that prevailing on summary judgment is likely. However, potential damages in this case could exceed $8 million.

Sourovelis v. City of Philadelphia, No. 14-4687

- This class action lawsuit alleges that the drug forfeiture program run by the City and the District Attorney's Office ("DAO") violates due process because the City and DAO accrue too much money from the program, thereby creating an inherent conflict of interest. Plaintiffs have filed a motion for class certification. The Court denied plaintiffs' original motion for class certification. However, the Court may still permit plaintiffs to renew their motion. This means that the City currently will not have to pay approximately $12 million in damages to the class. However, if plaintiffs are allowed to amend their complaint and bring a different type of class action, the Court could grant a renewed motion for class certification, in which case the City might still owe $12 million in damages plus attorneys' fees. The City intends to file a motion for summary judgment and oppose any class certification.

Doe v. City of Philadelphia, No. 151201740

- This class action lawsuit alleges that the City has violated a state law which sets a statutory penalty of $1,000 for each incident where a local government discloses the identity of someone who applies for a gun permit. The Plaintiffs allege that the City has violated this statute by sending out postcards addressed to gun permit applicants, having applicants write their names on sign-in sheets at the Police Department's Gun Permit Unit ("GPU") and calling out the names of applicants in the waiting room of the GPU.

The parties are currently in class discovery, which will be followed by briefing and argument on a class certification motion. The Pennsylvania Supreme Court recently granted a partial review of a similar case filed against Franklin County. However, the portion of that case being reviewed is not anticipated to affect the City's liability. Therefore, the Law Department intends to argue at the class certification stage that this case presents too many individualized issues to proceed as a class action. The damages in this matter could exceed $8 million, as plaintiffs allege that their putative class has 31,000 members. The City's attorneys believe the likelihood of an unfavorable outcome to be remote because a class will not be able to be certified due to the various individualized issues of the plaintiffs.

Augustin v. City of Philadelphia, et al, No. 14-4238 (E.D. Pa)

- Plaintiffs, purporting to represent a class of non-owner-occupied residential and commercial property owners, filed an action in the United States District Court for the Eastern District of Pennsylvania alleging that the City (which for this purpose includes the Philadelphia Gas Works ("PGW")), imposes liens on the class' properties for unpaid charges for gas service, incurred by their tenants or others living in or utilizing the properties, without meaningful and timely notice to them or opportunity to be heard beforehand, in alleged violation of their federal due process rights. Plaintiffs seek declaratory and permanent injunctive relief, an order requiring the City to release all existing liens in this category and "such other relief deemed by the Court to be necessary or appropriate." Following extensive merits discovery, the parties filed cross-motions for summary judgment on the constitutionality of PGW's liening procedure as applied to such properties.

On February 11, 2016, the Court denied the City's summary judgment motion, identifying certain purported issues of material fact. On March 18, 2016, the Court granted the plaintiffs' motion. On May 5, 2016, following a hearing on May 3, 2016, the Court entered a preliminary injunction against the City and PGW restraining them, pending further order of the Court, from filing any new liens against such properties and from collecting upon existing liens. The Court permitted the City and PGW to continue to issue payoff statements to facilitate real estate transactions (PGW's typical method of satisfying its liens) on such properties and to accept the payoffs but directed it to segregate such money.

On July 26, 2016, the Court held a hearing on class certification and a non-jury trial on remaining factual issues.

In January 2017 the Court entered its Final Judgment and a permanent injunction. The Court's injunction prohibits the imposition of liens on "mismatch" properties until further order of the Court approving PGW pre-liening procedures and required PGW to vacate liens against such properties. PGW appealed to the United States Court of Appeals for the Third Circuit. The case has now been fully briefed and is awaiting oral argument. The parties also negotiated an agreed upon stay of the Court's permanent injunction pending appeal, which in pertinent part stays vacating liens other than any involved in real estate closings. PGW continues to hold the monies segregated pursuant to the preliminary injunction.

The City continues to believe that it has strong and credible defenses to this suit and is pursuing the appeal vigorously. The total amount of liens at issue exceeds $8 Million.

Narcotics Field Unit – District Attorney's Letter Re: Not Prosecuting Cases

- The highly publicized letter from the District Attorney's Office calls into question approximately 350-500 arrests by a group of six narcotics officers. So far, approximately 300 cases have been filed in Federal Court in the Eastern District of Pennsylvania. The complaints allege that narcotics officers(s) falsified information obtained through confidential informants and planted evidence. The six narcotics officers implicated have been acquitted of federal criminal charges in relation to these complaints. However, City Lawyers anticipate between 350 and 500 civil lawsuits to be filed. The number of lawsuits could easily surpass the number of cases brought as a result of the 39th District scandal. The 39th District scandal cost the City approximately $5 million.

Currently, of the 300 cases which are now stayed in Federal Court, the parties have selected 10 cases to litigate (the "Bellwether cases"). Those 10 are now stayed as the City has begun a preliminary discussion on settlement of these cases. The City will aggressively defend the Bellwether cases to see if any of those 10 cases have value. At that point, a more global strategy will be implemented to deal with the remaining 290 claims.

If Federal Court juries award significant damages in any of the 10 Bellwether cases, then potentially the entire matter could be worth 4-8 million dollars, although that high of a figure is unlikely. These cases are highly defensible given the nature of most of the plaintiffs, many of whom are career criminals.

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 hazardous waste sites. The Site includes two former municipal landfills: the Folcroft Landfill (also referred to as Operable Unit number 1 [OU-1]) and the Clearview Landfill (OU-2). In 2002, EPA sent the City a letter alleging the City is a Potentially Responsible Party (PRP) at the Clearview Landfill (Clearview) 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 Clearview 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 at or from the City's property. Additionally, EPA alleges that the City "arranged" for the disposal of hazardous substances at Clearview. The City received and responded to two separate requests from EPA for additional information. EPA completed the Remedial Investigation for Clearview in May 2011 and a Feasibility Study of remedial options in October 2012. In August 2013, EPA issued a proposed plan identifying its preferred remedy and proposed cleanup plan. The final plan and Record of Decision (ROD) were issued September 30, 2014. EPA chose its preferred option of a capping remedy that was estimated to cost approximately $24 million and preliminarily identified approximately $11 million dollars in past costs. On January 16, 2015, EPA sent a letter to the City and 22 other PRPs indicating EPA would not use its Special Notice authority to force the PRPs to begin a cleanup. Instead, EPA decided that EPA would implement the remedial action plan and design the remedy. EPA also indicated it would begin a groundwater study likely to result in a recommendation for additional cleanup related to groundwater.

In November 2015 EPA released a 30% Design Report for Clearview. A 60% Design Report was released in October 2016. After several unexplained delays, EPA has indicated the 90% Design will be ready in February 2018. EPA will provide the City with a very short period to give informal comment on the design. The 100% Design is then expected in the spring of 2018. At that point EPA will likely decide whether it will precede to implement the Remedial Action itself or force the PRPs to take on the task. At this time EPA has informally indicated it would seek funding pursuant to CERCLA/Superfund to implement the Remedial Design itself.

EPA continues a so-called Time Critical Removal Action to remediate soil on certain nearby residential properties contaminated with polycyclic aromatic hydrocarbons (PAHs). This removal action began in September 2016 and is expected to be complete by the summer of 2018.

Because of the broad liability scheme under the federal Superfund law (strict, joint and several), 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 removal and remedial actions for which EPA may assert cost recovery claims until June 2017 were estimated to be in the range of $40 million to $60 million and the City's estimated cost as $8 million - $12 million dollars. Unfortunately, in June 2017 EPA informed the City that EPA's expected costs had significantly increased.

On June 1, 2017 EPA sent a letter to the City asking the City to enter into "pre-filing settlement" negotiations. EPA made two initial offers to the City to settle the City's liability. The first offer is $14,178,017.59 for past and future costs of remediating the Clearview Landfill, including EPA's associated costs and its enforcement activities. This settlement would be subject to reopeners for unknown conditions (previously unidentified contamination despite years of testing and investigation), new information (such as previously unknown City sources of other waste), or response cost overruns. The second offer is for $19,627,491.58 for the same past and future costs, however it includes a premium to account for uncertainty in future costs (i.e. it covers general cost overruns) and would only have reopeners for unknown conditions or new information. The City considers these two remaining reopeners very unlikely to occur.

On June 7, 2017 a conference call was held with EPA/DOJ seeking an explanation of such high opening offers to settle. EPA/DOJ indicated the total cost of the expected cleanup of the landfill had risen to $76.2 million dollars. This does not apparently include the cost of groundwater investigation and potential remediation, referred to as OU-3. EPA's initial offer to settle of approximately $14.2 million dollars, while unstated at this time by EPA/DOJ, appears to reflect an estimate from EPA that the City should be allocated a liability share of approximately 20% of the cleanup of OU-1. This percentage is similar to our past internal estimates, but unfortunately EPA's costs have significantly exceeded previous estimates.

The City has entered into voluntary negotiations with EPA/DOJ. The first negotiating session occurred in September 2017. A second negotiating session occurred December 18, 2017. The City argued that EPA/DOJ's initial settlement offers are excessively high and unfair to demand of a municipal entity, and that there are factual and equitable reasons to significantly reduce any final settlement amount. The City argued that EPA calculations of the City's volumetric share of the landfill had significant errors and that there is no concrete evidence that the City contributed incinerator ash to the site during the last 3 years it was legally open. Based on this, the City made a counter offer of approximately $2.3 million dollars. EPA is now reviewing information provided by the City and interviewed a former City Sanitation engineer to determine if the City's assessed costs should be reduced.

Reach Communications Specialists, Inc. (Reach) v. Jewell Williams, Sheriff et al.

E.D. Pa., No. 13-2388

- Reach for itself and t/a RCS Searchers, Inc. ("Reach/RCS") commenced an action by writ of summons in Court of Common Pleas of Philadelphia County in January 2013 against, among others, Sheriff Williams in his official capacity, the City of Philadelphia, former Controller Alan Butkovitz in his official and individual capacity and Barbara Deeley, former Acting Sheriff, in her individual and official capacity (collectively "City Defendants"). Reach thereafter filed a complaint. Reach pleaded federal law and state law claims for damages against City Defendants.

In the Complaint, Reach alleged that Acting Sheriff Deeley, in January 2011, immediately after her appointment as Acting Sheriff and following the retirement of former Sheriff Green effective end of December 2010, "unlawfully" terminated certain alleged contracts ("Alleged Contracts") made between former Sheriff Green and Reach/RCS. The Alleged Contracts concerned advertising and printing services, settlement services, title insurance distribution policies, computer systems and website technical support and services, relating to the official functions of the Office of the Sheriff in connection with judicial sales of real property. Reach further alleged that it had provided (and expected to continue to render), such services or distribution policies pursuant to those Alleged Contracts (a series of oral and written agreements and amendments with former Sheriff Green or his staff).

Reach asserted that it has been a minority-owned and controlled corporation, with mostly black employees and has acquired an imputed racial identity as a "black corporation". Reach also asserted that it actively and publicly supported and assisted Sheriff Green's efforts to help homeowners stave off foreclosure sales and maintain the power and office of the Sheriff from dissolution.

Reach alluded to certain official actions taken, statements made, familial connections and employment relationships by former Sheriff Deeley (and her daughter) and Controller Butkovitz or by and between then-Chief Deputy Sheriff Vignola and Lexington officials, in connection with: the Controller's audit of Sheriff Office operations (and Auditor's Report critical of Sheriff's Office); the engagement of Lexington Technology Auditing, Inc. ("Lexington") to assist in that audit and the information Lexington purportedly obtained about Reach; and then-President Judge Dembe's involvement in the termination of Reach and FJD's hiring of Lexington. Reach contended that these relationships, actions and statements established improper motivation and conspiratorial conduct to terminate the Alleged Contracts unlawfully and take over the functions, powers and monies of Sheriff's Office. Additionally, Reach contended that the termination of Reach's Alleged Contracts fits into a pattern and practice of racial discrimination engaged in by Acting Sheriff Deeley and results from her retaliatory animus or conspiratorial activity.

Reach made claims for damages (compensatory and punitive), interest, attorney's fees and costs under 42 U.S.C. §§1983 and 1985(3) arising out of former Sheriff Deeley's termination of the Alleged Contracts and her (and current Sheriff Williams') refusal to continue the relationships. In summary, Reach alleged: deprivation of property without due process by former Sheriff Deeley and Sheriff Williams; retaliation by City and City Official Defendants for protected First Amendment conduct in violation of First Amendment; racial discrimination by Controller Butkovitz, former Sheriff Deeley and Sheriff Williams in violation of 42 U.S.C. § 1981; and conspiracies by all in violation of Section 1983 and 42 U.S.C. § 1985(3).

Reach also made claims for compensatory damages, prejudgment interest and costs against Sheriff Williams, in his official capacity, for breach of contract or, alternatively, promissory estoppel or unjust enrichment and against City for breach of contract or alternatively unjust enrichment. Reach asserted in substance that Sheriff Williams (or City) refused to be bound by the Alleged Contracts, alleged promises of Green or implied restitutionary obligations and refused to pay post-termination any alleged unpaid balances due and owing for services rendered. Reach contended such actions resulted in breach of those Alleged Contracts or, alternatively, necessitated enforcement of Green's promises to pay to avoid injustice or justified creation of implied contracts (at law) to avoid unjust enrichment.

The City Defendants, with the consent of other co-Defendant Lexington Technology Auditing, Inc., removed the action to federal court, specifically the Eastern District of Pennsylvania.

During the Rule 16 conference on the case, based on the Court's determination that continued litigation might interfere with an ongoing criminal investigation, the Court issued an order placing the case in suspense (deferred status). The case remains in deferred status.

If and when the Court removes the case from suspense status and the litigation resumes, the City (and City De-fendants in their official capacities) intend vigorously to pursue defenses and potentially counterclaims to de-feat/minimize Reach's claims. At this very early stage of the action, and based on filed papers and matters of record, the City's lawyers reasonably believe that Reach will not likely succeed on their claims or for the amount of damages sought and that the City's defenses/counterclaims have merit.

(2) Consolidated Cash Account Unreconciled Difference

There is currently a discrepancy between the account balance of the Consolidated Cash Account as shown on the City's records and as shown on the records of the bank at which the cash balance of such account is maintained. The reported balance on the City's records is higher than the account balance on the bank record's by approximately $33.3 million. The City has engaged the services of an auditing firm to reconcile the discrepancy.

(3) Guaranteed Debt

During Fiscal Year 2014, the City implemented GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 had no significant effect on the City's financial statements. The City has guaranteed certain debt payments of one component unit (PPA). Under a contract with PPA authorized by City Council Ordinance, the City agreed to annually pay such amounts as necessary to restore any deficiency in the debt service reserve fund for PPA's Parking System Revenue Bonds Series 1999A. During fiscal year 2017, the 1999A indenture did operate at a deficit. The City provided almost $0.2 million to cover debt service payments during fiscal year 2017. As of March 31, 2017, the City of Philadelphia has provided approximately $12.8 million in its role as guarantor of these bonds. The 1999A Indenture provides for the PPA to repay the City for any funds paid by the City as a result of its guarantee. In the event of a sale of the related parking lot, any funds received in excess of the bond principal and accrued interest will be used to repay the City. The 1999A bonds, which mature in fiscal year 2029, had an outstanding principal balance of $11.67 million at March 31, 2017.

(4) 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 year ended June 30, 2017, which accounted for $420.2 million for all open programs as of November 30, 2017. Of this amount, $418.9 million represents unresolved cost due to the inability to obtain audit reports from sub-recipients for the year ended June 30, 2017. For Fiscal Years ending June 30, 2016 and prior, $1.2 million represents questioned costs related to specific compliance requirements which have yet to be resolved.

(5) HUD Section 108 Loans

As detailed in Note III. 6., collateral for repayment of the City's HUD Section 108 loans includes future Community Development Block Grant entitlements due to the City from HUD.

(6) 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, 2016, the Grants Revenue Fund had a $246.91 million receivable for the Children and Youth Program. In FY 2017 the Grants Revenue Fund had expenditures totaling $480.90 million and revenue totaling $436.28 million. At June 30, 2017, the Grants Revenue Fund had a $357.31 million receivable for the Children and Youth Program. Due to the nature of the program's billing polices, 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 ineligible, such non-reimbursable costs will be charged to the General Fund.

B. COMPONENT UNITS

(1) Claims and Litigation

The following information represents the opinion and disclosures of the General Counsel of the School District concerning litigation and contingencies:

Special Education and Civil Rights Claims – There are four hundred and five (405) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of $5.2 million.

Of those, three hundred ninety-eight (398) 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 two (102) unfavorable outcomes are deemed probable and two hundred sixty-nine (269) are considered reasonably possible, in the aggregate of $1.9 million and $1.4 million respectively.

There is one (1) lawsuit 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 is deem reasonably possible for this lawsuit in the aggregate amount of approximately $0.3 million.

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 in the aggregate amounts of approximately $0.5 million.

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 $23.6 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 deem reasonably possible in the amount of $2.0 million 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 $3.2 million and $7.8 million, respectively, arising from personal injury and property damage claims and lawsuits.

Federal Audits - 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 commencing 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. On January 15, 2010, the OIG issued an audit report, assessing the School District's management of federal grant funds during the 2006 fiscal year. The report identified $138.8 million in findings resulting from the audit of controls over federal expenditures, of which $121.1 million were considered inadequately supported and $17.7 million were considered unallowable costs. The report included five findings, the largest of which related to undocumented salary and benefits charged to federal programs in the amount of $123 million.

The U.S. Department of Education ("ED") issued two program determination letters (PDLs) related to the 2010 audit report seeking a recovery of funds. The PDLs were issued to the Pennsylvania Department of Education ("PDE"). ED issued two additional PDLs (four PDLs total) on the remaining findings that required corrective actions, but did not result in monetary exposure. Most of the corrective actions have already been implemented or are being addressed as part of the corrective action plan.as agreed upon with the PDE and ED.

The first PDL demanded a recovery of $9.9 million and was appealed to the Office of Administrative Law Judge. Of that amount, ED's counsel stipulated to approximately $2.8 million as barred by the statute of limitations, leaving a balance of $7.2 million. PDE raised two primary arguments against the recovery of the remaining liability: (1) the statute of limitations bars an additional $5.3 million in costs; and (2) equitable offset extinguishes the remaining liability. The administrative law judge (ALJ) issued a decision on February 28, 2014 rejecting these arguments and sustaining the full amount of disputed liabilities. On March 31, 2014, PFE and the District appealed the initial decision to the Secretary. On March 31, 2014, PDE and the School District appealed the initial decision to the Secretary. On December 29, 2014, the Secretary affirmed the liability, although he did not adopt the standard used by the ALJ. The Secretary's final decision was appealed to the U.S. Court of Appeals for Third Circuit on February 17, 2015. A panel of the Third Circuit issued its decision and sustaining the $7.2 million liability. PDE and the District filed a petition for certiorari with the Supreme Court of the United States on July 18, 2016. The petition was denied on October 3, 2016. On February 3, 2017, PDE received a letter from ED demanding payment for the $7.2 million liability by March 1, 2017. The School District paid the liability in full on February 27, 2017.

The second PDL demanded a recovery of $2.5 million. That PDL was not timely appealed by PDE. However, the PDL invited the State to present evidence to ED of the amount barred by the statute of limitations. PDE and the School District assembled documentation demonstrating the application of the statute of limitations and presented that documentation to ED on April 4, 2016. On April 21, 2016, ED determined that all costs related to the second PDL are barred by the statute of limitations and there is no liability related to the second PDL.

Accordingly, the School District's 2010 OIG audit and the related recovery actions are fully resolved. After remitting payment of $7.2 million related to the first PDL, PDE and the School District submitted an application for "grant-back." The grantback application currently is under review by the Department of Education which has considerable discretion in awarding grantbacks, including in determining the amount to be awarded. Accordingly, no assurance can be given as to the final amount, if any, which may be awarded to the School District through grantback.

Administrative Appeals in Pennsylvania Department of Education

Numerous charter schools have filed charter payment withholding requests with PDE and/or petitions for review in the Commonwealth Court in which the charter schools seek either payment from the School District, a withholding by PDE from the School District State subsidies, or a court order mandating that payment be made to the charter schools from the School District or PDE. The main issue in these cases or proceedings is whether PDE's interpretation of 24 P.S. § 1725-A(a)(5) set forth in the PDE-363 Guidelines is valid.

Based on those Guidelines, which apply state-wide, the School District has made payments to charter schools and adjusted charter school per-pupil payment rates. The charter schools contend that the Guidelines should be disregarded or voided because the interpretation of subsection (a)(5) contained in the Guidelines is plainly inconsistent with the language of subsection (a)(5), The charter schools also contend that the Guidelines are regulations that were not promulgated in accordance with the Commonwealth Documents Law. Another issue, applicable to some schools that seek payment for the 2015-16 school year, is whether those schools are entitled to the payments they seek when they made their requests, if at all, after the statutory deadline of October 1, 2016.

The following actions have been initiated to date:

> Seven charter schools have filed an action in Commonwealth Court related to the 2015-2016 school year. PDE already has withheld a total amount of $2.1 million for these charter schools as a result of payment requests by the charter schools. .
>
> One charter school submitted a payment request to PDE related to the 2015-2016 school year. PDE has withheld a total amount of $0.5 million for this charter school, and an administrative hearing befòre PDE has commenced. (This withholding is included in the amount cited in the previous paragraph, because this school is a plaintiff in the Commonwealth Court action.)
>
> Five charter schools submitted payment requests to PDE related to the 2015-2016 school year. PDE has withheld a total amount of $0.7 million for these charter schools, and administrative hearings before PDE have not yet commenced.
>
> Six charters schools have submitted payment requests to PDE seeking a total amount of $.2 million related to the 2015-2016 school year, but PDE has not withheld any funds from the School District's state subsidies. Administrative hearings befòre PDE have commenced.
>
> Eighteen charter schools have submitted payment requests to PDE related to the 2016-2017 school year, and PDE has withheld a total amount of $12.3 million fòr these charter schools from the School District's state subsidies. Administrative hearings before PDE have not yet commenced.
>
> There are several charter schools, other than the one mentioned above, involved in actions before the Commonwealth Court and administrative hearings before PDE on the same withholding requests.

There are millions of dollars at issue in the cases—some dollars have been withheld from the School District and some have not been withheld—but if the Commonwealth Court (or possibly, the PDE) decides the issue of how to properly determine charter school tuition rates adverse to the interests of the School District, then there could be more millions paid by the School District or withheld from the School District. The total amount is not quantifiable in light of the limited access to the data submitted by charter schools to the School District. Moreover, at present, outside counsel cannot offer an opinion on the likelihood of success because there is no case law on the issue of whether the PDE's Guidelines comport with section 1725-A(a)(5) or whether the PDE was required to promulgate the Guidelines in accordance with the Commonwealth Documents Law. Preliminary objections are pending in the Commonwealth Court, arguing that the charter schools failed to pursue their mandatory and exclusive remedy of seeking a determination from the PDE. A single judge of the Commonwealth Court granted a preliminary injunction, finding that the administrative remedy was inadequate. If the Court finds that the School District's practices are in accordance with the statute, then the School District expects to recover the funds that have been withheld as a result of the rate adjustments.

9. SUBSEQUENT EVENTS

In preparing the accompanying financial statements, the City has reviewed events that occurred subsequent to June 30, 2017 through and including February 23, 2018. The following events are described below:

A. PRIMARY GOVERNMENT

1. In December 2017, the City issued $125 million of Tax and Revenue Anticipation Notes (TRAN), Series A of 2017-2018 to provide cash to supplement the receipts of the City in the General Fund for the purpose of paying the general expenses of 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 29, 2018.

2. In August 2017 the City issued $331.6 million of General Obligation Bonds, Series 2017A. The series 2017A bonds were issued with interest rates ranging from 3% to 5%. The 2017A series bonds were issued for the purpose of providing funds to (A) pay the costs of certain projects in the City’s capital budgets, (B) refund a portion of certain series of the City’s outstanding general obligation bonds, (C) pay the costs relating to the issuance of the 2017A bonds.

3. Through November 2017 draw-downs totaling $1.8 million represent new loans from the Pennsylvania State Infrastructure Financing Authority (“PENNVEST”) for water main replacement.

4. In August 2017, the City issued $174.1 million of Water and Wastewater Revenue Refunding Bonds, Series 2017B. The 2017B bonds were issued with interest rates ranging from 2% to 5%. The 2017B bonds were issued for the purpose of providing funds which, together with the other available funds of the City, will be used to finance (A) the current refunding of a portion of the City’s outstanding Water and Wastewater Revenue Refunding Bonds, Series 2007B, (B) the advance refunding of a portion of the City’s outstanding Water and Wastewater Revenue Bonds, Series 2010C and a portion of the Water and Wastewater Revenue Refunding Bonds, Series 2012, and (C) the costs of issuance relating to the issuance of the 2017B bonds.

5. In August 2017, the Philadelphia Authority for Industrial Development issued $52.9 million in City Service Agreement Revenue Bonds, Series 2017. The 2017 bonds were issued with interest rates ranging from 3% to 5%. The 2017 bonds were issued to (A) finance certain costs of the City’s affordable housing preservation programs, and (B) pay the costs of issuing the 2017 bonds and the costs of credit enhancement.

6. In December 2017, the City issued $692.5 million in Airport Revenue and Refunding Bonds, Series 2017. The 2017 bonds were issued with interest rates ranging from 3% to 5%. The 2017 bonds were issued for the purpose of providing funds to (A) currently refund certain outstanding commercial paper notes, (B) pay for a portion of the costs of 2017 Capital Projects, and (C) currently refund all of the City’s outstanding Airport Revenue Refunding Bonds, Series 2007B, and a portion of the 2017B bond proceeds will be used to currently refund all of the City’s outstanding Airport Revenue Bonds, Series 2009A, and (D) provide for capitalized interest on a portion of the 2017 Bonds, and (E) fund a deposit to the Parity Sinking Fund Reserve Account and (F) pay the costs of issuance of the 2017 Bonds.

B. COMPONENT UNITS

1. **SDP** Subsequent Events

a. Tax Anticipation Revenue Notes (TRAN)
In July 2017, as part of the annual process to obtain short term financing (in anticipation of the receipt of taxes and revenues) through the issuance of tax and revenue anticipation notes (TRANS), the School Reform Commission, through a resolution, authorized the issuance and sale of TRAN Note Series of 2017-2018 which was issued as fixed and variable rate notes in the aggregate of $400.0 million which matures on June 29, 2018. The District maintains authority and ability, through the same School Reform Commission resolution, to issue additional notes either as fixed or variable rate mode and has access to $175.0 million additional capacity which totals $575.0 million if cash flow needs require it to do so.

On July 10, 2017, the District issued Series 2017-2018 TRAN under two separate subseries and sold them to two separate private banks. The District issued and sold (1) Series A 2017-2018 as a fixed rate mode for $200.0 million and (2) Series B of 2017-2018 as a fixed rate mode for $200.0 million. Both series were issued for the purpose of financing the current operating expenses to be received during Fiscal Year 2018.

b. Recommendation to Dissolve the School Reform Commission (SRC)

On December 21, 2001, the Pennsylvania Secretary of Education declared that the School District of Philadelphia was a “distressed” school district within the meaning of Section 691(c) of the Pennsylvania Public School Code. The School Reform Commission was appointed and assumed governance of the School District for the period of distress. On November 16, 2017, the School Reform Commission adopted a resolution recommending that the Secretary issue a declaration that the School Reform Commission dissolve effective June 30, 2018, as the School District is no longer distressed and therefore no longer requires governance by a School Reform Commission. The Secretary was required to make a dissolution determination at least 180 days prior to the end of the current school year, i.e. by December 31, 2017, which he did on December 27, 2017, for the School Reform Commission to dissolve on June 30, 2018, and a new Board of Education, whose members will be appointed by the Mayor of the City Philadelphia, to assume governance of the School District on July 1, 2018. The School District has already begun planning for a smooth transition from the School Reform Commission to a Board of Education.

2. **PAID** Subsequent Events

In October of 2017, PAID entered into a master lease with a commercial entity, and a sublease with the City of Philadelphia, for the property located at 400 N. Broad Street and the parking lot located at 1501 Callowhill Street; and to take title of the property for further conveyance to the City in the event the City exercises its option to purchase the property as provided for in the leases. The lease terms will be for 9 years with one 10-year renewal. The lease payment terms will be set upon the commencement date, but wouldn’t exceed $15.6 million annually.

3. **PHA** Subsequent Events

On June 1, 2017, PHA on behalf of the Philadelphia Housing Authority Development Corporation (“PHADC”) issued a General Revenue Bonds with an aggregate principal amount of $28,870,000 to finance costs of acquisition, construction, renovation, improvement, furnishing and equipping its new corporate headquarters in the Sharswood/Blumberg neighborhood. The Bonds are limited obligations of PHA payable solely from (i) amounts to be paid by PHADC, which amounts consist of project revenues which include payments of base rent to be paid by PHA under the lease and (ii) other funds available to the Trustee under the Indenture. The obligation to pay the base rent is a general obligation of PHA secured by a pledge of its general revenues under the lease. PHA approved the appointment of U.S.Bank National Association as the Trustee under the Indenture. Bonds maturing on or after May 1, 2028 are subject to optional redemption by PHA, as a whole or in part at any time on or after May 1, 2027 at a redemption price equal to the principal amount plus accrued interest to the redemption date. The bonds maturing in 2030, 2033, 2035, 2037, 2039, 2042, and 2047 are subject to mandatory sinking fund redemption on the dates and in the amounts specified in the Official Statement.

SEAL OF THE CITY OF PHILADELPHIA

PHILADELPHIA MANETO

City of Philadelphia
PENNSYLVANIA

Required Supplementary Information

(Other than Management's Discussion and Analysis)

Exhibit XIV

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Tax Revenue	3,071,895	3,048,694	3,071,422	22,728
Locally Generated Non-Tax Revenue	287,291	305,120	309,481	4,361
Revenue from Other Governments	697,010	708,950	717,229	8,279
Revenue from Other Funds	75,571	75,426	60,072	(15,354)
Total Revenues	4,131,767	4,138,190	4,158,204	20,014
Expenditures and Encumbrances				
Personal Services	1,565,831	1,601,745	1,589,003	12,742
Pension Contributions	635,510	669,316	665,229	4,087
Other Employee Benefits	594,284	584,390	575,760	8,630
Sub-Total Employee Compensation	2,795,625	2,855,451	2,829,992	25,459
Purchase of Services	896,926	908,162	851,447	56,715
Materials and Supplies	72,173	64,476	62,201	2,275
Equipment	36,954	44,916	32,207	12,709
Contributions, Indemnities and Taxes	189,395	189,445	186,559	2,886
Debt Service	153,950	153,950	140,893	13,057
Payments to Other Funds	32,064	37,278	36,493	785
Advances, Subsidies, Miscellaneous	10,000	3,716	-	3,716
Total Expenditures and Encumbrances	4,187,087	4,257,394	4,139,792	117,602
Operating Surplus (Deficit) for the Year	(55,320)	(119,204)	18,412	137,616
Fund Balance Available for Appropriation, July 1, 2016	76,103	148,315	148,315	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	24,000	25,241	22,516	(2,725)
Other Adjustments	(4,500)	(1,500)	-	1,500
Adjusted Fund Balance, July 1, 2016	95,603	172,056	170,831	(1,225)
Fund Balance Available for Appropriation, June 30, 2017	40,283	52,852	189,243	136,391

* Refer to the notes to required supplementary information.

City of Philadelphia **Exhibit XV**
Required Supplementary Information
Budgetary Comparison Schedule
HealthChoices Behavioral Health Fund
For the Fiscal Year Ended June 30, 2017

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Locally Generated Non-Tax Revenue	2,000	2,000	1,880	(120)
Revenue from Other Governments	1,300,000	1,198,000	978,513	(219,487)
Total Revenues	1,302,000	1,200,000	980,393	(219,607)
Other Sources				
Decrease in Unreimbursed Committments	-	-	(113,279)	(113,279)
Increase in Financed Reserves	-	-	(100,000)	(100,000)
Total Revenues and Other Sources	1,302,000	1,200,000	767,114	(432,886)
Expenditures and Encumbrances				
Purchase of Services	1,300,350	1,300,350	958,347	342,003
Equipment	50	50	-	50
Payments to Other Funds	1,600	1,600	1,450	150
Total Expenditures and Encumbrances	1,302,000	1,302,000	959,797	342,203
Operating Surplus (Deficit) for the Year	-	(102,000)	(192,683)	(90,683)
Fund Balance Available for Appropriation, July 1, 2016	-	130,227	130,227	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	134,949	134,949
Other Adjustments	-	(130,227)	-	130,227
Adjusted Fund Balance, July 1, 2016	-	-	265,176	265,176
Fund Balance Available for Appropriation, June 30, 2017	-	(102,000)	72,493	174,493

* Refer to the notes to required supplementary information.

Required Supplementary Information
Budgetary Comparison Schedule
Grants Revenue Fund
For the Fiscal Year Ended June 30, 2017

Amounts in thousands of USD

	Budgeted Amounts Original	Budgeted Amounts Final	Actual*	Final Budget to Actual Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	92,485	88,029	58,273	(29,756)
Revenue from Other Governments	1,492,097	1,255,352	1,028,196	(227,156)
Total Revenues	1,584,582	1,343,381	1,086,469	(256,912)
Other Sources				
Increase in Unreimbursed Committments	-	-	7,088	7,088
Decrease in Financed Reserves	-	-	9,219	9,219
Total Revenues and Other Sources	1,584,582	1,343,381	1,102,776	(240,605)
Expenditures and Encumbrances				
Personal Services	191,542	193,333	159,834	33,499
Pension Contributions	36,504	38,293	31,913	6,380
Other Employee Benefits	32,771	40,058	33,455	6,603
Sub-Total Employee Compensation	260,817	271,684	225,202	46,482
Purchase of Services	1,025,267	1,019,484	817,672	201,812
Materials and Supplies	24,029	22,728	12,199	10,529
Equipment	26,712	23,517	4,985	18,532
Contributions, Indemnities and Taxes	100	100	-	100
Payments to Other Funds	43,856	43,919	43,067	852
Advances, Subsidies, Miscellaneous	203,801	112,507	-	112,507
Total Expenditures and Encumbrances	1,584,582	1,493,939	1,103,125	390,814
Operating Surplus (Deficit) for the Year	-	(150,558)	(349)	150,209
Fund Balance Available for Appropriation, July 1, 2016	-	(326,829)	(321,887)	4,942
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	49,807	49,807
Revenue Adjustments - Net	-	-	(14,725)	(14,725)
Prior Period Adjustments	-	326,829	-	(326,829)
Adjusted Fund Balance, July 1, 2016	-	-	(286,805)	(286,805)
Fund Balance Available for Appropriation, June 30, 2017	-	(150,558)	(287,154)	(136,596)

* Refer to the notes to required supplementary information.

City of Philadelphia - OPEB - Schedule of Funding Progress *(Amounts in millions of USD)*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b - a) / c
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%
07/01/2012	-	1,511.9	1,511.9	0.00%	1,371.6	110.23%
07/01/2013	-	1,703.6	1,703.6	0.00%	1,416.9	120.23%
07/01/2014	-	1,732.1	1,732.1	0.00%	1,495.1	115.85%
07/01/2015	-	1,772.6	1,772.6	0.00%	1,544.5	114.77%
07/01/2016	-	1,936.6	1,936.6	0.00%	1,676.5	115.51%

City of Philadelphia - Municipal Pension Plan - Schedule of Changes in Net Pension Liability *(Amounts of USD)*

	FYE 2017	FYE 2016	FYE 2015	FYE 2014
Total Pension Liability				
Service Cost (MOY)	157,607,110	148,370,075	143,556,347	136,986,515
Interest (includes interest on service cost)	823,959,345	802,450,569	791,298,503	774,518,750
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	103,878,650	151,918,733	34,909,464	-
Changes of assumptions	51,441,475	85,147,737	48,146,352	213,156,725
Benefit payments, including refunds of member contributions	(821,495,227)	(889,343,124)	(881,464,964)	(808,597,357)
Net change in total pension liability	**315,391,353**	**298,543,990**	**136,445,702**	**316,064,633**
Total Pension liability - beginning	**10,877,209,958**	**10,578,665,968**	**10,442,220,266**	**10,126,155,633**
Total Pension liability - ending	**11,192,601,311**	**10,877,209,958**	**10,578,665,968**	**10,442,220,266**
Plan fiduciary net position				
Contributions - employer	706,236,698	660,246,511	577,195,412	553,178,927
Contributions - member	73,607,359	67,055,003	58,657,817	53,722,275
Net investment income	566,624,580	(145,681,480)	13,838,367	681,469,584
Benefit payments, including refunds of member contributions	(821,495,227)	(889,343,124)	(881,666,036)	(808,597,357)
Administrative expense	(8,873,657)	(8,553,837)	(10,478,541)	(8,291,820)
Net change in plan fiduciary net position	**516,099,753**	**(316,276,927)**	**(242,452,981)**	**471,481,609**
Plan fiduciary net position - beginning	**4,357,975,073**	**4,674,252,416**	**4,916,705,397**	**4,445,223,788**
Plan fiduciary net position - ending	**4,874,074,826**	**4,357,975,073**	**4,674,252,416**	**4,916,705,397**
Net pension liability - ending	**6,318,526,485**	**6,519,234,885**	**5,904,413,552**	**5,525,514,869**
Plan fiduciary net position as a percentage of the total pension liability	43.55%	40.07%	44.19%	47.08%
Covered payroll	1,744,729,284	1,676,411,925	1,597,848,869	1,556,660,223
Net pension liability as a percentage of covered payroll	362.15%	388.88%	369.52%	354.96%

City of Philadelphia Schedule of Collective Contributions (Based on Minimum Municipal Obligations)
Last 10 Fiscal Years
Amounts in Thousands

	FYE 2017	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011	FYE 2010	FYE 2009	FYE 2008
Actuarially determined Contribution	629,620	594,975	556,030	523,368	727,604	534,039	463,375	297,446	438,522	412,449
Contributions in Relation to the Actuarially Determined Contribution	706,237	660,246	577,195	553,179	781,823	555,690	470,155	312,556	455,389	426,934
Contribution Deficiency/(Excess)	(76,617)	(65,271)	(21,165)	(29,811)	(54,219)	(21,651)	(6,780)	(15,110)	(16,867)	(14,485)
Covered Payroll	1,744,729	1,676,412	1,597,849	1,495,421	1,429,723	1,372,174	1,371,274	1,421,151	1,463,260	1,456,520
Contributions as a Percentage of Covered Payroll	40.48%	39.38%	36.12%	36.99%	54.68%	40.50%	34.29%	21.99%	31.12%	29.31%

City of Philadelphia Schedule of Collective Contributions (Based on Funding Policy)
Last 10 Fiscal Years
Amounts in Thousands

	FYE 2017	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011	FYE 2010	FYE 2009	FYE 2008
Actuarially determined Contribution	881,356	846,283	798,043	823,885	738,010	722,491	715,544	581,123	539,464	536,874
Contributions in Relation to the Actuarially Determined Contribution	706,237	660,247	577,195	553,179	781,823	555,690	470,155	312,556	455,389	426,934
Contribution Deficiency/(Excess)	175,119	186,036	220,847	270,706	(43,813)	166,801	245,389	268,567	84,075	109,940
Covered Payroll	1,744,729	1,676,412	1,597,849	1,495,421	1,429,723	1,372,174	1,371,274	1,421,151	1,463,260	1,456,520
Contributions as a Percentage of Covered Payroll	40.48%	39.38%	36.12%	36.99%	54.68%	40.50%	34.29%	21.99%	31.12%	29.31%

Notes to Schedule

Valuation Date	7/1/2015
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation two years prior to the beginning of the plan year

Key Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age
Asset valuation method	Ten-year smoothed market
Amortization method	Gain/Losses are amortized over closed 20-year periods, assumption changes over 15 years, benefit changes for actives over 10 years, benefit changes for inactive members over 1 year, and plan changes mandated by the state over 20 years. Under the City's Funding policy, the initial July 1, 1985 unfunded actuarial liability (UAL) is amortized over 34 years ending June 30, 2019, with payments increasing 3.3% per year, the assumed payroll growth. Under the MMO Funding Policy, the July 1, 2009 unfunded actuarial liability (UAL) was "fresh started", to be amortized over 30 years, ending June 30, 2039. This is level dollar amortization of the UAL.
Discount rate	7.75%
Amortization growth rate	3.30%
Salary increases	Age based salary scale
Mortality	Sex distinct RP-2000 Combined Mortality with adjustments and improvements using Scale AA

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2017 can be found in the July 1, 2015 actuarial valuation report.

Philadelphia Gas Works - Schedule of Changes in Net Pension Liability *(Amounts in thousands USD)*

	FYE 2017	FYE 2016	FYE 2015
Total Pension Liability			
Service Cost	5,823	5,400	4,890
Interest Cost	55,443	55,903	52,377
Changes in Benefit Terms	-	-	-
Differences between expected and actual experience	2,182	(8,841)	17,960
Changes in assumptions	(7,952)	26,748	44,877
Benefit Payments	(51,376)	(50,447)	(46,917)
Net Change in Total Pension Liability	**4,120**	**28,763**	**73,187**
Total Pension Liability (Beginning)	**779,351**	**750,588**	**677,401**
Total Pension Liability (Ending)	**783,471**	**779,351**	**750,588**
Plan Fiduciary Net Position			
Contributions-Employer	27,918	21,123	21,106
Contributions - Member	852	602	393
Net Investment Income	61,002	2,872	24,472
Benefit Payments	(51,376)	(50,446)	(46,917)
Administrative Expense	(129)	(1,611)	(1,480)
Other	-	-	-
Net Change in Fiduciary Net Position	**38,267**	**(27,460)**	**(2,426)**
Plan Fiduciary Net Position (Beginning)	**483,259**	**510,719**	**513,145**
Plan Fiduciary Net Position (Ending)	**521,526**	**483,259**	**510,719**
Net Pension Liability (Ending)	**261,945**	**296,092**	**239,869**
Total Pension Liability	783,471	779,351	750,588
Plan Fiduciary Net Position	521,526	483,259	510,719
Net Pension Liability (Ending)	**261,945**	**296,092**	**239,869**
Net Position as a percentage of Pension Liability	66.57%	62.01%	68.04%
Covered Payroll	94,768	90,860	95,187
Net Pension Liability as a percentage of Payroll	276.41%	325.88%	252.00%

Valuation Date: Actuarial liabilities and assets are calculated as of the fiscal year end date.

Philadelphia Gas Works - Schedule of Actuarially Determined Contribution *(Amounts in thousands USD)*

	FYE 2017	FYE 2016	FYE 2015
Actuarially Determined Contribution	29,260	26,476	21,526
Contributions Made	27,918	21,123	21,106
Contribution Deficiency/(Excess)	1,342	5,353	420
Covered Payroll	94,768	90,860	95,187
Contributions as a percent of covered payroll	30.88%	29.14%	22.61%

Notes to Required Supplementary Information:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	July 01, 2017
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Contributions based on greater of 20 year level dollar open amortization method and 30 year level dollar closed amortization method.
Asset Valuation Method	Actual Fair Market Value
Salary Increases	4.5% for current and subsequent years
General Inflation	2.00%
Investment Rate of Return	7.30%
Cost of Living	N/A
Mortality rates	RP-2014 static mortality generationally projected with Scale MP-2016

Amounts in thousands of USD

I. BASIS OF BUDGETING

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

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

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

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

II. BASIS OF BUDGETING TO GAAP BASIS RECONCILIATION

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund
Revenues			
Budgetary Comparison Schedule	4,158,204	980,393	1,086,469
Transfers	(453,976)	-	-
Program Income	-	-	50,734
Change in Amount Held by Fiscal Agent	15	-	-
Change in BPT Adjustment	3,873	-	-
Other	-	-	(14,725)
Statement of Revenues, Expenditures & Changes in Fund Balance	3,708,116	980,393	1,122,478
Expenditures and Encumbrances			
Budgetary Comparison Schedule	4,139,792	959,797	1,103,125
Transfers	(185,723)	-	(48,371)
Expenditures applicable to Prior Years Budgets	47,754	3,894	398
Program Income	-	-	50,734
Change in Amount Held by Fiscal Agent	16,410	-	-
Current Year Encumbrances	(99,464)	(25,563)	(50,780)
Statement of Revenues, Expenditures & Changes in Fund Balance	3,918,769	938,128	1,055,106

City of Philadelphia
PENNSYLVANIA

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 **Schedule I**
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2017

Amounts in thousands of USD

	Special Revenue												
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Assets													
Cash on Deposit and on Hand	-	-	-	-	-	-	-	-	-	8,401	202	17,048	25,651
Equity in Treasurer's Account	6,201	42,472	9,366	-	5,441	31,165	14,210	30	3,875	4,138	-	-	116,898
Investments	-	-	-	-	-	-	-	-	-	879	-	8,270	9,149
Due from Other Funds	-	-	-	-	-	-	-	-	-	50	-	-	50
Due from Component Units	-	-	-	-	-	-	-	-	-	-	-	-	-
Amounts Held by Fiscal Agent	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	7,442	-	582	-	-	-	-	-	-	4,842	12,866
Accounts Receivable	-	-	-	2,438	-	-	-	-	-	-	3,926	-	6,364
Due from Other Governmental Units	-	-	-	13,338	-	-	-	-	-	-	-	-	13,338
Allowance for Doubtful Accounts	-	-	(788)	-	-	-	-	-	-	-	-	-	(788)
Interest and Dividends Receivable	-	-	-	-	4	-	-	-	-	-	-	3	7
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	129	-	22	151
Total Assets	6,201	42,472	16,020	15,776	6,027	31,165	14,210	30	3,875	13,597	4,128	30,185	183,686
Liabilities													
Notes Payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Vouchers Payable	-	767	-	172	-	11	221	-	74	160	-	-	1,405
Accounts Payable	285	1,638	2,030	3,962	-	507	468	-	-	483	4,087	81	13,541
Salaries and Wages Payable	-	-	-	643	-	-	75	-	-	-	-	-	718
Payroll Taxes Payable	-	-	-	-	-	-	-	-	-	-	-	65	65
Accrued Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	11,048	-	-	-	-	-	15	-	4,842	15,905
Due to Primary Government	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to Component Units	-	-	-	325	-	-	-	-	-	-	-	-	325
Funds Held in Escrow	-	-	-	-	-	-	-	-	447	743	-	-	1,190
Due to Other Governmental Units	-	-	-	-	-	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
General Obligation Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Unamortized Loss - Refunded Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Unamortized Discount on Revenue Bond	-	-	-	-	-	-	-	-	-	-	-	-	-
Obligations Under Capital Leases	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	285	2,405	2,030	16,150	-	518	764	-	521	1,401	4,087	4,988	33,149
Deferred Inflows of Resources	-	-	321	8,012	-	-	-	-	-	-	-	-	8,333
Fund Balances													
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted	5,916	40,067	13,669	-	6,027	30,647	13,446	-	-	10,882	41	25,197	145,892
Committed	-	-	-	-	-	-	-	30	3,354	1,314	-		4,698
Assigned	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	(8,386)	-	-	-	-	-	-	-	-	(8,386)
Total Fund Balances	5,916	40,067	13,669	(8,386)	6,027	30,647	13,446	30	3,354	12,196	41	25,197	142,204
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	6,201	42,472	16,020	15,776	6,027	31,165	14,210	30	3,875	13,597	4,128	30,185	183,686

City of Philadelphia **Schedule I**
Combining Balance Sheet
Non-Major Governmental Funds(Continued)
June 30, 2017

Amounts in thousands of USD

	Debt Service				Capital Improvement			Permanent	Total
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks	Non-Major Governmental Funds
Assets									
Cash on Deposit and on Hand	-	-	18,117	18,117	-	-	-	291	44,059
Equity in Treasurer's Account	355	-	-	355	42,157	-	42,157	-	159,410
Investments	-	30	53,822	53,852	-	14,379	14,379	6,689	84,069
Due from Other Funds	-	-	-	-	-	-	-	-	50
Due from Component Units	-	-	-	-	-	-	-	-	-
Amounts Held by Fiscal Agent	-	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-	12,866
Accounts Receivable	-	-	-	-	-	-	-	-	6,364
Due from Other Governmental Units	-	-	-	-	57,651	-	57,651	-	70,989
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	(788)
Interest and Dividends Receivable	-	-	23	23	4	-	4	-	34
Inventories	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	1	152
Total Assets	355	30	71,962	72,347	99,812	14,379	114,191	6,981	377,205
Liabilities									
Notes Payable	-	-	-	-	-	-	-	-	-
Vouchers Payable	-	-	-	-	4,766	-	4,766	-	6,171
Accounts Payable	-	-	-	-	16,210	141	16,351	11	29,903
Salaries and Wages Payable	-	-	-	-	104	-	104	-	822
Payroll Taxes Payable	-	-	-	-	-	-	-	-	65
Accrued Expenses	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	35	15,940
Due to Primary Government	-	-	-	-	-	-	-	-	-
Due to Component Units	-	-	-	-	-	-	-	-	325
Funds Held in Escrow	-	-	-	-	2,747	-	2,747	-	3,937
Due to Other Governmental Units	-	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	8,497	-	8,497	-	8,497
General Obligation Bonds	-	-	-	-	-	-	-	-	-
Revenue Bonds	-	-	-	-	-	-	-	-	-
Unamortized Loss - Refunded Debt	-	-	-	-	-	-	-	-	-
Unamortized Discount on Revenue B	-	-	-	-	-	-	-	-	-
Obligations Under Capital Leases	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	32,324	141	32,465	46	65,660
Deferred Inflows of Resources	-	-	-	-	56,903	-	56,903	-	65,236
Fund Balances									
Nonspendable	-	-	-	-	-	-	-	3,426	3,426
Restricted	355	30	71,962	72,347	10,585	14,238	24,823	3,509	246,571
Committed	-	-	-	-	-	-	-	-	4,698
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	(8,386)
Total Fund Balances	355	30	71,962	72,347	10,585	14,238	24,823	6,935	246,309
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	355	30	71,962	72,347	99,812	14,379	114,191	6,981	377,205

City of Philadelphia **Schedule II**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds

For the Fiscal Year Ended June 30, 2017

Amounts in thousands of USD

	Special Revenue													
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Revenues														
Tax Revenue	-	-	67,117	-	5,638	-	147,045	-	-	-	-	-	465,182	684,982
Locally Generated Non-Tax Revenue	-	220	-	3,031	9	17,873	-	-	3,415	317	4,029	768	174	29,836
Revenue from Other Governments	9,209	35,160	-	41,443	-	-	-	-	-	-	-	-	-	85,812
Other Revenues	-	-	-	-	-	-	-	-	-	-	366	-	549	915
Total Revenues	9,209	35,380	67,117	44,474	5,647	17,873	147,045	-	3,415	317	4,395	768	465,905	801,545
Expenditures														
Current Operating:														
Economic Development	-	-	65,727	-	-	-	-	-	-	-	-	-	-	65,727
Transportation:														
Streets & Highways	5,194	30,527	-	-	-	-	-	-	-	-	-	-	-	35,721
Judiciary and Law Enforcement:														
Prisons	-	-	-	-	-	-	-	-	2,005	-	-	-	-	2,005
Conservation of Health:														
Health Services	-	-	-	-	-	-	143,294	-	-	-	-	-	-	143,294
Housing and Neighborhood Development	-	-	-	47,551	-	7,993	-	-	-	-	-	-	-	55,544
Cultural and Recreational:														
Parks & Recreation	-	-	-	-	-	-	-	-	-	-	3,284	-	-	3,284
Libraries and Museums	-	-	-	-	-	-	-	-	-	-	116	-	-	116
Improvements to General Welfare:														
Service to Property:														
General Management and Support	-	-	-	-	6,000	-	-	-	907	317	2,433	40,857	1,022	51,536
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:														
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	5,194	30,527	65,727	47,551	6,000	7,993	143,294	-	2,912	317	5,833	40,857	1,022	357,227
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,015	4,853	1,390	(3,077)	(353)	9,880	3,751	-	503	-	(1,438)	(40,089)	464,883	444,318
Other Financing Sources (Uses)														
Issuance of Refunding Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment to Refunded Bonds Escrow Agent	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-	-	1,222	39,977	-	41,199
Transfers Out	-	-	-	-	-	-	(1,500)	-	-	-	-	-	(465,224)	(466,724)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	(1,500)	-	-	-	1,222	39,977	(465,224)	(425,525)
Net Change in Fund Balances	4,015	4,853	1,390	(3,077)	(353)	9,880	2,251	-	503	-	(216)	(112)	(341)	18,793
Fund Balance - July 1, 2016	1,901	35,214	12,279	(5,309)	6,380	20,767	11,195	30	2,851	-	12,412	153	25,538	123,411
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balance Adjusted - July 1, 2016	1,901	35,214	12,279	(5,309)	6,380	20,767	11,195	30	2,851	-	12,412	153	25,538	123,411
Fund Balance - June 30, 2017	5,916	40,067	13,669	(8,386)	6,027	30,647	13,446	30	3,354	-	12,196	41	25,197	142,204

City of Philadelphia

Schedule II

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds(Continued)

For the Fiscal Year Ended June 30, 2017

Amounts in thousands of USD

	Debt Service				Capital Improvement			Permanent	Total
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks	Non-Major Governmental Funds
Revenues									
Tax Revenue	-	-	-	-	-	-	-	-	684,982
Locally Generated Non-Tax Revenue	-	-	1,261	1,261	-	70	70	743	31,910
Revenue from Other Governments	-	-	-	-	29,853	-	29,853	-	115,665
Other Revenues	13	-	-	13	2,071	-	2,071	-	2,999
Total Revenues	13	-	1,261	1,274	31,924	70	31,994	743	835,556
Expenditures									
Current Operating:									
Economic Development	-	-	-	-	-	-	-	-	65,727
Transportation:									
Streets & Highways	-	-	-	-	-	-	-	-	35,721
Judiciary and Law Enforcement:									
Prisons	-	-	-	-	-	-	-	-	2,005
Conservation of Health:									
Health Services	-	-	-	-	-	-	-	-	143,294
Housing and Neighborhood Development	-	-	-	-	-	-	-	-	55,544
Cultural and Recreational:									
Parks & Recreation	-	-	-	-	-	-	-	107	3,391
Libraries and Museums	-	-	-	-	-	-	-	1	117
Improvements to General Welfare:									
Service to Property:									
General Management and Support	-	-	-	-	-	-	-	-	51,536
Capital Outlay	-	-	-	-	136,920	8,561	145,481	-	145,481
Debt Service:									
Principal	67,890	24,914	52,150	144,954	-	-	-	-	144,954
Interest	70,023	11,189	13,308	94,520	-	-	-	-	94,520
Bond Issuance Cost	2,180	1,062	-	3,242	-	-	-	-	3,242
Total Expenditures	140,093	37,165	65,458	242,716	136,920	8,561	145,481	108	745,532
Excess (Deficiency) of Revenues Over (Under) Expenditures	(140,080)	(37,165)	(64,197)	(241,442)	(104,996)	(8,491)	(113,487)	635	90,024
Other Financing Sources (Uses)									
Issuance of Refunding Bonds	262,865	83,220	-	346,085	-	-	-	-	346,085
Bond Issuance Premium	30,077	10,632	-	40,709	-	-	-	-	40,709
Payment to Refunded Bonds Escrow Agent	(290,762)	(92,691)	-	(383,453)	-	-	-	-	(383,453)
Transfers In	137,268	36,004	55,707	228,979	7,264	-	7,264	-	277,442
Transfers Out	-	-	-	-	-	(2,045)	(2,045)	(72)	(468,841)
Total Other Financing Sources (Uses)	139,448	37,165	55,707	232,320	7,264	(2,045)	5,219	(72)	(188,058)
Net Change in Fund Balances	(632)	-	(8,490)	(9,122)	(97,732)	(10,536)	(108,268)	563	(98,034)
Fund Balance - July 1, 2016	987	30	80,452	81,469	108,317	24,774	133,091	6,372	344,343
Adjustment	-	-	-	-	-	-	-	-	-
Fund Balance Adjusted - July 1, 2016	987	30	80,452	81,469	108,317	24,774	133,091	6,372	344,343
Fund Balance - June 30, 2017	355	30	71,962	72,347	10,585	14,238	24,823	6,935	246,309

City of Philadelphia

Schedule III

Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2017

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Assets			
Cash on Deposit and on Hand	21,050		21,050
Equity in Treasurer's Account	509,083	4,827,845	5,336,928
Securities Lending Collective Investment Pool	-	369,181	369,181
Allowance for Unrealized Loss	-	43	43
Accounts Receivable	11,976	52,096	64,072
Due from Brokers for Securities Sold	-	141,679	141,679
Interest and Dividends Receivable	1,146	-	1,146
Due from Other Governmental Units	-	8,538	8,538
Total Assets	543,255	5,399,382	5,942,637
Liabilities			
Vouchers Payable	-	64	64
Accounts Payable	285	27	312
Salaries and Wages Payable	-	130	130
Due on Return of Securities Loaned	-	369,181	369,181
Due to Brokers for Securities Purchased	20,737	152,394	173,131
Accrued Expenses	-	3,229	3,229
Other Liabilities	707	282	989
Total Liabilities	21,729	525,307	547,036
Net Position Held in Trust for Pension Benefits	521,526	4,874,075	5,395,601

City of Philadelphia
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2017

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Additions			
Contributions:			
Employer's Contributions	27,918	706,237	734,155
Employees' Contributions	852	73,607	74,459
Total Contributions	28,770	779,844	808,614
Investment Income:			
Interest and Dividends	10,993	108,463	119,456
Net Gain in Fair Value of Investments	51,335	462,934	514,269
(Less) Investments Expenses	(1,365)	(8,025)	(9,390)
Securities Lending Revenue	-	1,798	1,798
(Less) Securities Lending Expenses	-	(300)	(300)
Net Investment Gain	60,963	564,870	625,833
Miscellaneous Operating Revenues	39	1,755	1,794
Total Additions	89,772	1,346,469	1,436,241
Deductions			
Personal Services	-	3,329	3,329
Purchase of Services	-	1,830	1,830
Materials and Supplies	-	53	53
Employee Benefits	-	3,573	3,573
Pension Benefits	51,376	813,293	864,669
Refunds of Members' Contributions	-	8,202	8,202
Administrative Expenses Paid	129	-	129
Other Operating Expenses	-	89	89
Total Deductions	51,505	830,369	881,874
Change in Net Position	38,267	516,100	554,367
Net Position - July 1, 2016	483,259	4,357,975	4,841,234
Net Position - June 30, 2017	521,526	4,874,075	5,395,601

Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2017

Amounts in thousands of USD

	Escrow Fund	Employee Health & Welfare Fund	Departmental Custodial Accounts	Total
Assets				
Cash on Deposit and on Hand	-	-	129,332	129,332
Equity in Treasurer's Account	45,180	18,815	-	63,995
Investments	-	-	2,360	2,360
Due from Other Funds	-	-	699	699
Total Assets	45,180	18,815	132,391	196,386
Liabilities				
Vouchers Payable	91	1	-	92
Payroll Taxes Payable	-	5,656	-	5,656
Funds Held in Escrow	45,089	13,158	132,391	190,638
Total Liabilities	45,180	18,815	132,391	196,386
Net Position	-	-	-	-

Statement of Changes in Fiduciary Net Position
Agency Funds
For the Fiscal Year Ended June 30, 2017

Amounts in thousands of USD

	Balance 7-1-2016	Additions	Deductions	Balance 6-30-2017
Escrow Fund				
Assets				
Equity in Treasurer's Account	31,875	1,148,910	1,135,605	45,180
Liabilities				
Funds Held in Escrow	31,737	477,567	464,215	45,089
Vouchers Payable	138	1,261	1,308	91
Total Liabilities	31,875	478,828	465,523	45,180
Employee Health and Welfare Fund				
Assets				
Equity in Treasurer's Account	18,696	1,065,665	1,065,546	18,815
Liabilities				
Vouchers Payable	1	9,518	9,518	1
Payroll Taxes Payable	5,384	961,056	960,784	5,656
Funds Held in Escrow	13,311	104,434	104,587	13,158
Total Liabilities	18,696	1,075,008	1,074,889	18,815
Departmental Custodial Accounts				
Assets				
Cash on Deposit and on Hand	108,456	397,026	376,150	129,332
Investments	2,352	8	-	2,360
Due from Other Funds	699	-	-	699
Total Assets	111,507	397,034	376,150	132,391
Liabilities				
Funds Held in Escrow	111,507	397,034	376,150	132,391
Totals - Agency Funds				
Assets				
Cash on Deposit and on Hand	108,456	397,026	376,150	129,332
Equity in Treasurer's Account	50,571	2,214,575	2,201,151	63,995
Investments	2,352	8	-	2,360
Due from Other Funds	699	-	-	699
Total Assets	162,078	2,611,609	2,577,301	196,386
Liabilities				
Vouchers Payable	139	10,779	10,826	92
Payroll Taxes Payable	5,384	961,056	960,784	5,656
Funds Held in Escrow	156,555	979,035	944,952	190,638
Total Liabilities	162,078	1,950,870	1,916,562	196,386

City of Philadelphia

Schedule VII

City Related Schedule of Bonded Debt Outstanding
June 30, 2017

Amounts in USD

	Date of Issuance	Issued	Fiscal 2017 Outstanding	Maturities	Interest Rates	FY 2018 Debt Service Requirements Interest	FY 2018 Debt Service Requirements Principal
Governmental Activities							
General Obligation Bonds:							
Series 2007A (Refunding)	12/20/2007	188,910,000	57,075,000	8/2017 to 8/2019	5.00 to 5.25	2,227,344	26,375,000
Series 2008A (Refunding)	5/1/2008	195,170,000	17,825,000	12/2017 to 12/2032	5.00 to 5.25	673,000	8,730,000
Series 2009A (Refunding)	8/13/2009	237,025,000	215,210,000	8/2019 to 8/2031	4.25 to 5.45	10,901,734	-
Series 2009B (Refunding)	8/13/2009 [1]	100,000,000	100,000,000	8/2027 to 8/2031	variable	4,602,836	-
Series 2011	4/19/2011	139,150,000	62,505,000	8/2017 to 8/2041	5.00 to 6.50	3,417,650	2,455,000
Series 2011 (Refunding)	4/19/2011	114,570,000	38,160,000	8/2017 to 8/2020	3.00 to 5.25	1,634,166	9,235,000
Series 2012A (Refunding)	5/8/2012	21,295,000	19,925,000	9/2017 to 9/2021	5.00	996,250	-
Series 2013A	7/30/2013	201,360,000	182,345,000	7/2017 to 7/2033	5.00 to 5.25	9,153,525	6,960,000
Series 2014A (Refunding)	2/6/2014	154,275,000	151,220,000	7/2017 to 7/2038	3.00 to 5.25	7,643,462	925,000
Series 2015A (Refunding)	7/8/2015	138,795,000	138,795,000	8/1/2017 8/1/2031	4.00 to 5.00	6,612,575	10,125,000
Series 2015B	9/30/2015	191,585,000	185,780,000	8/1/2017 8/1/2035	2.00 to 5.00	8,852,825	6,015,000
Series 2017 (Refunding)	2/2/2017	262,865,000	262,865,000	8/1/2018 8/1/2041	4.00 to 5.00	12,788,328	-
Total New Money Bonds		532,095,000	430,630,000			21,424,000	15,430,000
Total Refunding Bonds		1,412,905,000	1,001,075,000			48,079,695	55,390,000
Total General Obligation Bonds		1,945,000,000	1,431,705,000			69,503,695	70,820,000
Business Type Activities							
Revenue Bonds							
Water and Sewer Revenue Bonds:							
Series 1997B	11/25/1997 [2]	100,000,000	53,200,000	8/2017 to 8/2027	variable	432,689	3,800,000
Series 1999	4/22/1999	6,700,000	161,950	7/2017 to 4/2019	2.729	3,333	87,332
Series 2005B (Refunding)	5/4/2005 [1]	86,105,000	18,180,000	8/2017 to 8/2018	variable	415,514	18,015,000
Series 2007A (Refunding)	5/9/2007	191,440,000	9,925,000	8/2017 to 8/2027	4.50 to 5.00	248,125	9,925,000
Series 2007B (Refunding)	5/9/2007	153,595,000	151,455,000	11/2017 to 11/2031	4.00 to 5.00	6,891,875	275,000
Series 2009A	5/21/2009	140,000,000	8,980,000	1/2018 to 1/2036	4.00 to 5.75	502,600	4,365,000
Series 2009B	10/14/2009	29,432,930	19,297,861	7/2017 to 6/2033	1.193	341,808	2,192,955
Series 2009C	10/14/2009	46,699,887	35,667,752	7/2017 to 6/2033	1.193	731,859	2,043,580
Series 2009D	3/31/2010	71,956,891	55,985,423	7/2017 to 6/2033	1.193	1,019,469	3,369,902
Series 2010B	6/17/2010	28,500,000	23,683,419	7/2017 to 6/2033	1.193	274,713	1,435,155
Series 2010A (Refunding)	4/15/2010	396,460,000	69,880,000	6/2018 to 6/2019	2.00 to 5.00	3,323,197	34,120,000
Series 2010C	8/5/2010	185,000,000	134,005,000	8/2017 to 8/2040	3.00 to 5.00	5,725,325	33,365,000
Series 2011A	11/16/2011	135,000,000	135,000,000	1/2033 to 1/2041	5.00	6,737,000	-
Series 2011B (Refunding)	11/16/2011	49,855,000	44,220,000	11/2017 to 11/2026	5.00	2,024,750	7,205,000
Series 2012 (Refunding)	11/1/2012	70,370,000	65,005,000	11/2025 to 11/2028	5.00	3,250,250	-
Series 2013A	8/22/2013	170,000,000	166,575,000	1/2018 to 1/2043	4.00 to 5.125	8,334,700	3,425,000
Series 2014 (Refunding)	1/23/2014	93,170,000	87,200,000	7/2017 to 7/2027	3.00 to 5.00	4,099,625	6,225,000
Series 2014	1/23/2014	30,000,000	30,000,000	7/2041 to 7/2043	5.00	1,500,000	-

City of Philadelphia

City Related Schedule of Bonded Debt Outstanding

June 30, 2017

Schedule VII

Amounts in USD

	Date of Issuance	Issued	Fiscal 2017 Outstanding	Maturities	Interest Rates	FY 2018 Debt Service Requirements: Interest	FY 2018 Debt Service Requirements: Principal
Series 2015A	4/16/2015	275,820,000	275,820,000	7/2040 to 7/2045	5.00	13,791,000	-
Series 2015B (Refunding)	4/16/2015	141,740,000	141,740,000	7/2019 to 7/2033	4.00 to 5.00	6,810,100	-
Series 2016 (Refunding)	11/3/2016	192,680,000	191,070,000	10/2018 to 10/2035	3.00 to 5.00	9,011,137	-
Series 2017A	4/13/2017	279,865,000	279,865,000	10/2018 to 10/2052	5.00 to 5.25	13,645,587	-
Total New Money Bonds		1,498,974,708	1,218,241,405			53,040,083	54,083,924
Total Refunding Bonds		1,375,415,000	778,675,000			36,074,573	75,765,000
Total Water Revenue Bonds		2,874,389,708	1,996,916,405			89,114,656	129,848,924
Aviation Revenue Bonds:							
Series 1998B	7/15/1998	443,700,000	5,000	7/1/2028	5.125	256	-
Series 2005C (Refunding)	6/2/2005 [1]	189,500,000	110,700,000	6/2018 to 6/2025	variable	5,324,706	11,400,000
Series 2007A	8/16/2007	172,470,000	146,780,000	6/2018 to 6/2037	5.00	7,339,000	4,440,000
Series 2007B (Refunding)	8/16/2007	82,915,000	46,785,000	6/2018 to 6/2027	5.00	2,339,250	3,720,000
Series 2009A (Refunding)	4/14/2009	45,715,000	32,930,000	6/2018 to 6/2029	4.00 to 5.375	1,629,304	2,120,000
Series 2010A	11/15/2010	273,065,000	251,310,000	6/2018 to 6/2040	3.75 to 5.25	12,615,712	6,050,000
Series 2010C (Refunding)	11/15/2010	54,730,000	8,995,000	6/2018 to 6/2018	5.00	449,750	8,995,000
Series 2010D (Refunding)	11/15/2010	272,475,000	185,755,000	6/2018 to 6/2028	4.00 to 5.25	9,562,200	16,830,000
Series 2011A (Refunding)	12/14/2011	199,040,000	161,240,000	6/2018 to 6/30/2028	4.625 to 5.00	8,006,406	7,350,000
Series 2011B (Refunding)	12/14/2011	34,790,000	26,440,000	6/2018 to 6/2031	3.375 to 5.00	1,145,019	1,445,000
Series 2015A (Refunding)	9/3/2015	97,780,000	90,525,000	6/2018 to 6/2035	4.00 to 5.00	4,408,150	3,255,000
Series 2017	4/27/2017	125,000,000	125,000,000	7/2018 to 4/2022	2.797	3,496,250	-
Total New Money Bonds		1,014,235,000	523,095,000			23,451,218	10,490,000
Total Refunding Bonds		976,945,000	663,370,000			32,864,785	55,115,000
Total Aviation Revenue Bonds		1,991,180,000	1,186,465,000			56,316,003	65,605,000
Total Revenue Bonds		4,865,569,708	3,183,381,405			145,430,659	195,453,924
Total All Bonds		6,810,569,708	4,615,086,405			214,934,354	266,273,924

NOTES:

[1] Assumes interest rate to be fixed swap rate on hedged variable rate bonds

[2] Based on latest available estimated rates at June 30, 2017

Budgetary Comparison Schedule
Water Operating Fund
For the Fiscal Year Ended June 30, 2017

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	663,450	663,440	685,515	22,075
Revenue from Other Governments	1,000	1,000	1,408	408
Revenue from Other Funds	86,735	88,986	38,285	(50,701)
Total Revenues	751,185	753,426	725,208	(28,218)
Expenditures and Encumbrances				
Personal Services	131,865	129,886	125,010	4,876
Pension Contributions	60,200	68,915	68,915	-
Other Employee Benefits	53,765	52,652	52,652	-
Sub-Total Employee Compensation	245,830	251,453	246,577	4,876
Purchase of Services	187,942	183,942	167,609	16,333
Materials and Supplies	49,813	50,177	42,592	7,585
Equipment	6,522	6,157	4,030	2,127
Contributions, Indemnities and Taxes	7,006	7,481	7,352	129
Debt Service	207,372	218,372	215,898	2,474
Payments to Other Funds	66,700	65,700	65,700	-
Total Expenditures and Encumbrances	771,185	783,282	749,758	33,524
Operating Surplus (Deficit) for the Year	(20,000)	(29,856)	(24,550)	5,306
Fund Balance Available for Appropriation, July 1, 2016	-	-	-	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	20,000	25,000	24,550	(450)
Adjusted Fund Balance, July 1, 2016	20,000	25,000	24,550	(450)
Fund Balance Available for Appropriation, June 30, 2017	-	(4,856)	-	4,856

City of Philadelphia

Schedule IX

Budgetary Comparison Schedule
Water Residual Fund
For the Fiscal Year Ended June 30, 2017

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	1,224	50	138	88
Revenue from Other Funds	33,248	34,065	33,167	(898)
Total Revenues	34,472	34,115	33,305	(810)
Expenditures and Encumbrances				
Payments to Other Funds	34,724	34,724	33,167	1,557
Total Expenditures and Encumbrances	34,724	34,724	33,167	1,557
Operating Surplus (Deficit) for the Year	(252)	(609)	138	747
Fund Balance Available for Appropriation, July 1, 2016	14,684	15,106	15,106	-
Fund Balance Available for Appropriation, June 30, 2017	14,432	14,497	15,244	747

Budgetary Comparison Schedule
County Liquid Fuels Tax Fund
For the Fiscal Year Ended June 30, 2017

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Revenue from Other Governments	4,500	7,925	8,935	1,010
Total Revenues	4,500	7,925	8,935	1,010
Expenditures and Encumbrances				
Personal Services	3,734	3,734	3,734	-
Purchase of Services	747	2,130	1,015	1,115
Materials and Supplies	-	1,117	1,113	4
Payments to Other Funds	19	19	19	-
Total Expenditures and Encumbrances	4,500	7,000	5,881	1,119
Operating Surplus (Deficit) for the Year	-	925	3,054	2,129
Fund Balance Available for Appropriation, July 1, 2016	2,126	1,797	1,797	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	25	25	10	(15)
Revenue Adjustments - Net	-	-	273	273
Adjusted Fund Balance, July 1, 2016	2,151	1,822	2,080	258
Fund Balance Available for Appropriation, June 30, 2017	2,151	2,747	5,134	2,387

Budgetary Comparison Schedule
Special Gasoline Tax Fund
For the Fiscal Year Ended June 30, 2017

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	1	1	220	219
Revenue from Other Governments	33,900	34,281	35,160	879
Total Revenues	33,901	34,282	35,380	1,098
Expenditures and Encumbrances				
Personal Services	4,058	4,973	4,973	-
Pension Contributions	500	500	500	-
Other Employee Benefits	500	500	500	-
Sub-Total Employee Compensation	5,058	5,973	5,973	-
Purchase of Services	16,590	15,881	13,267	2,614
Materials and Supplies	13,102	13,296	12,025	1,271
Payments to Other Funds	20	20	20	-
Total Expenditures and Encumbrances	34,770	35,170	31,285	3,885
Operating Surplus (Deficit) for the Year	(869)	(888)	4,095	4,983
Fund Balance Available for Appropriation, July 1, 2016	26,656	31,526	31,526	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	500	500	300	(200)
Adjusted Fund Balance, July 1, 2016	27,156	32,026	31,826	(200)
Fund Balance Available for Appropriation, June 30, 2017	26,287	31,138	35,921	4,783

City of Philadelphia

Schedule XII

Budgetary Comparison Schedule
Hotel Room Rental Tax Fund
For the Fiscal Year Ended June 30, 2017

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Taxes	63,954	63,954	67,116	3,162
Total Revenues	63,954	63,954	67,116	3,162
Expenditures and Encumbrances				
Contributions, Indemnities and Taxes	63,954	63,954	63,857	97
Total Expenditures and Encumbrances	63,954	63,954	63,857	97
Operating Surplus (Deficit) for the Year	-	-	3,259	3,259
Fund Balance Available for Appropriation, July 1, 2016	5,737	4,306	4,306	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	-	-
Adjusted Fund Balance, July 1, 2016	5,737	4,306	4,306	-
Fund Balance Available for Appropriation, June 30, 2017	5,737	4,306	7,565	3,259

Budgetary Comparison Schedule
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2017

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	417,033	416,160	367,599	(48,561)
Revenue from Other Governments	4,500	4,500	2,655	(1,845)
Revenue from Other Funds	1,500	1,500	1,166	(334)
Total Revenues	423,033	422,160	371,420	(50,740)
Expenditures and Encumbrances				
Personal Services	73,196	74,345	70,881	3,464
Pension Contributions	32,900	25,428	35,352	(9,924)
Other Employee Benefits	26,294	35,766	22,897	12,869
Sub-Total Employee Compensation	132,390	135,539	129,130	6,409
Purchase of Services	144,339	144,339	107,078	37,261
Materials and Supplies	12,042	12,068	7,144	4,924
Equipment	9,110	9,084	6,835	2,249
Contributions, Indemnities and Taxes	6,717	6,717	5,197	1,520
Debt Service	139,626	139,626	122,205	17,421
Payments to Other Funds	24,648	24,648	7,157	17,491
Total Expenditures and Encumbrances	468,872	472,021	384,746	87,275
Operating Surplus (Deficit) for the Year	(45,839)	(49,861)	(13,326)	36,535
Fund Balance Available for Appropriation, July 1, 2016	38,781	71,231	71,416	185
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	17,000	15,000	11,832	(3,168)
Adjusted Fund Balance, July 1, 2016	55,781	86,231	83,248	(2,983)
Fund Balance Available for Appropriation, June 30, 2017	9,942	36,370	69,922	33,552

Budgetary Comparison Schedule
Community Development Fund
For the Fiscal Year Ended June 30, 2017

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	250	250	3,031	2,781
Revenue from Other Governments	92,554	72,554	35,060	(37,494)
Total Revenues	92,804	72,804	38,091	(34,713)
Other Sources				
Increase in Financed Reserves	-	-	(2,363)	(2,363)
Total Revenues and Other Sources	92,804	72,804	35,728	(37,076)
Expenditures and Encumbrances				
Personal Services	6,280	6,280	4,307	1,973
Pension Contributions	2,230	2,361	1,014	1,347
Other Employee Benefits	1,852	1,721	1,558	163
Sub-Total Employee Compensation	10,362	10,362	6,879	3,483
Purchase of Services	62,138	64,301	41,060	23,241
Materials and Supplies	279	260	103	157
Equipment	-	55	21	34
Payments to Other Funds	25	25	22	3
Advances, Subsidies, Miscellaneous	20,000	20,000	-	20,000
Total Expenditures and Encumbrances	92,804	95,004	48,085	46,918
Operating Surplus (Deficit) for the Year	-	(22,200)	(12,358)	9,842
Fund Balance Available for Appropriation, July 1, 2016	-	(5,309)	(5,309)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	9,281	9,281
Prior Period Adjustments	-	5,309	-	(5,309)
Adjusted Fund Balance, July 1, 2016	-	-	3,972	3,972
Fund Balance Available for Appropriation, June 30, 2017	-	(22,200)	(8,386)	13,814

Budgetary Comparison Schedule
Car Rental Tax Fund
For the Fiscal Year Ended June 30, 2017

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Taxes	5,822	5,822	5,637	(185)
Locally Generated Non-Tax Revenue	1	20	9	(11)
Total Revenues	5,823	5,842	5,646	(196)
Expenditures and Encumbrances				
Purchase of Services	6,000	6,000	6,000	-
Total Expenditures and Encumbrances	6,000	6,000	6,000	-
Operating Surplus (Deficit) for the Year	(177)	(158)	(354)	(196)
Fund Balance Available for Appropriation, July 1, 2016	6,492	6,381	6,381	-
Fund Balance Available for Appropriation, June 30, 2017	6,315	6,223	6,027	(196)

City of Philadelphia **Schedule XVI**

Budgetary Comparison Schedule

Housing Trust Fund

For the Fiscal Year Ended June 30, 2017

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	12,510	13,460	17,873	4,413
Revenue from Other Funds	-	-	-	-
Total Revenues	12,510	13,460	17,873	4,413
Expenditures and Encumbrances				
Personal Services	1,250	1,250	275	975
Purchase of Services	22,250	22,250	20,398	1,852
Total Expenditures and Encumbrances	23,500	23,500	20,673	2,827
Operating Surplus (Deficit) for the Year	(10,990)	(10,040)	(2,800)	7,240
Fund Balance Available for Appropriation, July 1, 2016	2,370	2,216	2,216	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	12,000	12,000	9,587	(2,413)
Revenue Adjustments - Net	-	-	-	-
Prior Period Adjustments	-	-	-	-
Other Adjustments	-	-	-	-
Adjusted Fund Balance, July 1, 2016	14,370	14,216	11,803	(2,413)
Fund Balance Available for Appropriation, June 30, 2017	3,380	4,176	9,003	4,827

Budgetary Comparison Schedule
General Capital Improvement Funds
For the Fiscal Year Ended June 30, 2017

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	528,010	528,010	2,071	(525,939)
Revenue from Other Governments	476,350	476,350	29,852	(446,498)
Revenue from Other Funds	31,327	31,327	7,264	(24,063)
Total Revenues	1,035,687	1,035,687	39,187	(996,500)
Other Sources (Uses)				
Decrease in Unreimbursed Committments	-	-	(7,196)	(7,196)
Total Revenues and Other Sources	1,035,687	1,035,687	31,991	(1,003,696)
Expenditures and Encumbrances				
Capital Outlay	1,035,687	1,035,687	156,133	879,554
Operating Surplus (Deficit) for the Year	-	-	(124,142)	(124,142)
Fund Balance Available for Appropriation, July 1, 2016	-	-	(37,299)	(37,299)
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	6,796	6,796
Adjusted Fund Balance, July 1, 2016	-	-	(30,503)	(30,503)
Fund Balance Available for Appropriation, June 30, 2017	-	-	(154,645)	(154,645)

Amounts in thousands of USD

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Final Budget to Actual Positive (Negative)
Revenues				
Tax Revenue	157,000	148,252	147,046	(1,206)
Total Revenues	157,000	148,252	147,046	(1,206)
Other Sources				
Decrease in Unreimbursed Committments	-	-	(1,759)	(1,759)
Total Revenues and Other Sources	157,000	148,252	145,287	(2,965)
Expenditures and Encumbrances				
Personal Services	4,098	4,098	1,558	2,540
Pension Contributions	42	42	-	42
Other Employee Benefits	226	226	-	226
Sub-Total Employee Compensation	4,366	4,366	1,558	2,808
Purchase of Services	154,174	154,174	142,160	12,014
Materials and Supplies	96	96	7	89
Equipment	-	-	85	(85)
Payments to Other Funds	1,500	1,500	1,500	-
Total Expenditures and Encumbrances	160,136	160,136	145,310	14,826
Operating Surplus (Deficit) for the Year	(3,136)	(11,884)	(23)	11,861
Fund Balance Available for Appropriation, July 1, 2016	4,868	11,195	11,195	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	2,274	2,274
Adjusted Fund Balance, July 1, 2016	4,868	11,195	13,469	2,274
Fund Balance Available for Appropriation, June 30, 2017	1,732	(689)	13,446	14,135

Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2017 (with comparative actual amounts for the Fiscal Year Ended June 30, 2016)

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2017 Actual	Positive (Negative)	FY 2016 Actual	Increase (Decrease)
Revenue						
Taxes						
Real Property Tax:						
Current	537,898	533,511	542,940	9,429	521,242	21,698
Prior Years	57,023	49,627	44,159	(5,468)	50,405	(6,246)
Total Real Property Tax	594,921	583,138	587,099	3,961	571,647	15,452
Wage and Earnings Taxes:						
Current	1,411,069	1,413,925	1,440,605	26,680	1,364,612	75,993
Prior Years	7,033	7,033	8,256	1,223	8,397	(141)
Total Wage and Earnings Taxes	1,418,102	1,420,958	1,448,861	27,903	1,373,009	75,852
Business Taxes:						
Business Income & Receipts Taxes:						
Current	399,068	394,113	396,635	2,522	427,134	(30,499)
Prior Years	42,500	41,000	20,891	(20,109)	47,037	(26,146)
Total Business Income & Receipts Taxes	441,568	435,113	417,526	(17,587)	474,171	(56,645)
Net Profits Tax:						
Current	21,418	26,007	25,330	(677)	23,333	1,997
Prior Years	3,083	3,083	(3,007)	(6,090)	2,056	(5,063)
Total Net Profits Tax	24,501	29,090	22,323	(6,767)	25,389	(3,066)
Total Business Taxes	466,069	464,203	439,849	(24,354)	499,560	(59,711)
Other Taxes:						
Sales Tax	177,478	186,584	188,355	1,771	169,383	18,972
Amusement Tax	20,543	21,180	20,577	(603)	19,397	1,180
Beverage Tax	46,183	39,717	39,525	(192)	-	39,525
Real Property Transfer Tax	249,608	232,861	247,290	14,429	237,347	9,943
Parking Lot Tax	95,128	96,696	96,105	(591)	92,665	3,440
Smokeless Tobacco	757	775	880	105	771	109
Miscellaneous Taxes	3,106	2,582	2,881	299	2,869	12
Total Other Taxes	592,803	580,395	595,613	15,218	522,432	73,181
Total Taxes	3,071,895	3,048,694	3,071,422	22,728	2,966,648	104,774
Locally Generated Non-Tax Revenue						
Rentals from Leased City Properties	6,715	6,431	6,118	(313)	6,062	56
Licenses and Permits	56,446	58,031	60,096	2,065	56,040	4,056
Fines, Forfeits, Penalties, Confiscated Money and Property	18,513	20,570	18,416	(2,154)	17,579	837
Interest Income	2,369	6,653	5,538	(1,115)	5,628	(90)
Service Charges and Fees	141,448	156,053	154,028	(2,025)	137,040	16,988
Other	61,800	57,382	65,285	7,903	68,641	(3,356)
Total Locally Generated Non-Tax Revenue	287,291	305,120	309,481	4,361	290,990	18,491
Revenue from Other Governments						
United States Government:						
Grants and Reimbursements	35,367	42,147	41,645	(502)	29,655	11,990
Commonwealth of Pennsylvania:						
Grants and Other Payments	216,782	215,426	210,676	(4,750)	223,651	(12,975)
Other Governmental Units	444,861	451,377	464,908	13,531	435,770	29,138
Total Revenue from Other Governments	697,010	708,950	717,229	8,279	689,076	28,153
Revenue from Other Funds	75,571	75,426	60,072	(15,354)	42,253	17,819
Total Revenues	4,131,767	4,138,190	4,158,204	20,014	3,988,967	169,237

City of Philadelphia

Schedule XIX

Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
Amounts in thousands of USD
For the Fiscal Year Ended June 30, 2017 (with comparative actual amounts for the Fiscal Year Ended June 30, 2016)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2017 Actual	Positive (Negative)	FY 2016 Actual	Increase (Decrease)
Obligations						
General Government						
City Council	16,725	17,012	15,605	1,407	15,512	93
Mayor's Office:						
Mayor's Office	4,261	5,069	4,817	252	5,327	(510)
Scholarships	200	200	190	10	200	(10)
Mural Arts Program	1,679	1,686	1,674	12	1,651	23
Labor Relations	1,096	1,096	937	159	509	428
MDO Office of Technology	95,312	95,776	76,913	18,863	68,166	8,747
Office of Property Assessment	12,795	12,889	12,694	195	12,253	441
Mayor's Office of Community Services	2,525	2,526	679	1,847	939	(260)
Transportation	-	-	-	-	691	(691)
Office of Chief Administrative Officer	5,617	5,670	5,438	232	-	5,438
Community Schools & Pre-K	27,470	27,140	13,876	13,264	-	13,876
Law	16,593	17,111	16,466	645	14,573	1,893
Board of Ethics	1,071	1,082	951	131	925	26
Youth Commission	-	-	-	-	101	(101)
Inspector General	1,669	1,686	1,483	203	1,647	(164)
Office of Sustainability	835	844	801	43	718	83
City Planning Commission	2,540	2,541	2,514	27	2,391	123
Commission on Human Relations	2,190	2,196	2,004	192	1,902	102
Zoning Code Commisssion	-	-	-	-	-	-
Arts & Culture	4,173	4,176	4,139	37	4,151	(12)
Board of Revision of Taxes	956	1,025	1,025	-	995	30
Department of Planning & Development	1,016	1,182	977	205	-	977
Total General Government	198,723	200,907	163,183	37,724	132,651	30,532
Operation of Service Departments						
Housing	2,865	3,373	3,373	-	3,590	(217)
Managing Director	84,842	86,059	85,191	868	81,949	3,242
Police	650,177	666,777	666,276	501	658,914	7,362
Streets	125,560	143,986	142,280	1,706	145,412	(3,132)
Fire	221,812	236,337	236,275	62	246,243	(9,968)
Public Health	123,844	133,968	132,974	994	121,476	11,498
Office-Behavioral Health/Mental Retardation	14,136	14,132	14,132	-	13,971	161
Parks and Recreation	59,882	63,060	61,134	1,926	59,693	1,441
Fairmount Park Commission	-	-	-	-	-	-
Atwater Kent Museum	295	298	298	-	273	25
Camp William Penn	-	-	-	-	-	-
Public Property	192,948	195,041	192,772	2,269	190,061	2,711
Department of Human Services	103,220	106,992	103,047	3,945	98,109	4,938
Philadelphia Prisons	258,832	263,624	260,892	2,732	252,998	7,894
Office of Supportive Housing	46,657	46,959	46,785	174	45,692	1,093
Office of Fleet Management	61,146	61,658	60,819	839	61,753	(934)
Licenses and Inspections	33,612	35,063	32,913	2,150	30,606	2,307
Board of L & I Review	170	171	158	13	150	8
Board of Building Standards	75	75	70	5	68	2
Zoning Board of Adjustment	372	379	344	35	361	(17)
Records	4,767	4,840	4,439	401	4,683	(244)
Philadelphia Historical Commission	432	432	401	31	343	58
Art Museum	2,550	2,550	2,550	-	2,620	(70)
Philadelphia Free Library	40,081	40,725	40,471	254	39,764	707
Total Operations of Service Departments	2,028,275	2,106,499	2,087,594	18,905	2,058,729	28,865
Financial Management						
Office of Director of Finance	9,745	12,776	11,356	1,420	19,638	(8,282)
Department of Revenue	30,204	30,531	29,160	1,371	25,031	4,129
Sinking Fund Commission	275,340	275,340	238,367	36,973	224,731	13,636
Procurement	4,870	4,911	4,804	107	5,369	(565)
City Treasurer	1,181	1,192	1,093	99	1,115	(22)
Audit of City Operations	8,432	8,493	8,477	16	8,412	65
Total Financial Management	329,772	333,243	293,257	39,986	284,296	8,961

Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
Amounts in thousands of USD
For the Fiscal Year Ended June 30, 2017 (with comparative actual amounts for the Fiscal Year Ended June 30, 2016)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2017 Actual	Positive (Negative)	FY 2016 Actual	Increase (Decrease)
Obligations (Continued)						
City-Wide Appropriations Under the Director of Finance						
Fringe Benefits	1,229,793	1,253,705	1,241,028	12,677	1,181,225	59,803
PGW Rental Reimbursement	-	-	-	-	-	-
Community College of Philadelphia	29,909	29,909	29,909	-	30,309	(400)
Legal Services	-	-	-	-	-	-
Hero Award	25	25	15	10	18	(3)
Refunds	250	250	-	250	-	-
Indemnities	40,675	1,901	-	1,901	-	-
Office of Risk Management	3,234	3,234	3,075	159	3,042	33
Witness Fees	172	172	108	64	119	(11)
Contribution to School District	104,264	104,264	104,264	-	104,185	79
Total City-Wide Under Director of Finance	1,408,322	1,393,460	1,378,399	15,061	1,318,898	59,501
Promotion and Public Relations						
City Representative	1,125	1,131	859	272	1,069	(210)
Commerce	23,164	23,453	23,453	-	22,963	490
Total Promotion and Public Relations	24,289	24,584	24,312	272	24,032	280
Personnel						
Civic Service Commission	10,179	3,908	191	3,717	180	11
Personnel Director	6,426	6,468	6,189	279	6,229	(40)
Total Personnel	16,605	10,376	6,380	3,996	6,409	(29)
Administration of Justice						
Clerk of Quarter Sessions	-	-	-	-	-	-
Register of Wills	3,672	3,916	3,916	-	3,670	246
District Attorney	36,944	37,650	36,258	1,392	35,698	560
Sheriff	20,142	26,388	26,388	-	23,431	2,957
First Judicial District	108,761	108,126	107,860	266	116,657	(8,797)
Total Administration of Justice	169,519	176,080	174,422	1,658	179,456	(5,034)
City-Wide Appropriations Under the First Judicial District						
Juror Fees	1,542	1,261	1,261	-	1,229	32
Conduct of Elections						
City Commissioners	10,040	10,984	10,984	-	10,095	889
Total Obligations	4,187,087	4,257,394	4,139,792	117,602	4,015,795	123,997
Operating Surplus (Deficit) for the Year	(55,320)	(119,204)	18,412	137,616	(26,828)	45,240

City of Philadelphia **Schedule XX**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

Water Operating Fund

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2017 (with comparative actual amounts for the Fiscal Year Ended June 30, 2016)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2017 Actual	Positive (Negative)	FY 2016 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Sales and Charges - Current	575,451	575,451	577,854	2,403	547,139	30,715
Sales and Charges - Prior Years	34,017	34,017	38,075	4,058	40,433	(2,358)
Fire Service Connections	3,388	3,388	2,872	(516)	2,737	135
Surcharges	4,000	4,000	5,911	1,911	7,375	(1,464)
Fines and Penalties	996	996	501	(495)	1,069	(568)
Miscellaneous Charges	1,234	1,244	2,698	1,454	1,033	1,665
Charges to Other Municipalities	36,618	36,618	34,652	(1,966)	32,389	2,263
Licenses and Permits	2,520	2,520	4,648	2,128	3,796	852
Interest Income	450	450	921	471	20	901
Fleet Management - Sale of Vehicles & Equipment	150	130	245	115	67	178
Contributions from Sinking Fund Reserve	-	-	11,829	11,829	-	11,829
Reimbursement of Expenditures	433	433	266	(167)	1,954	(1,688)
Repair Loan Program	3,218	3,218	4,137	919	3,518	619
Other	975	975	906	(69)	1,505	(599)
Total Locally Generated Non-Tax Revenue	663,450	663,440	685,515	22,075	643,035	42,480
Revenue from Other Governments						
State	1,000	1,000	615	(385)	744	(129)
Federal	-	-	793	793	-	793
Total Revenue from Other Governments	1,000	1,000	1,408	408	744	664
Revenue from Other Funds	86,735	88,986	38,285	(50,701)	36,756	1,529
Total Revenues	751,185	753,426	725,208	(28,218)	680,535	44,673
Obligations						
Mayor's Office of Information Services	24,413	24,426	20,133	4,293	16,222	3,911
Managing Director's Office	138	138	138	-	-	138
Public Property	4,043	4,043	4,043	-	4,043	-
Office of Fleet Management	8,733	8,826	7,756	1,070	7,871	(115)
Water Department	383,143	382,695	360,739	21,956	333,347	27,392
Office of the Director of Finance	-	-	-	-	-	-
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	60,200	68,915	68,915	-	59,115	9,800
Other Employee Benefits	53,765	52,652	52,652	-	47,276	5,376
Contributions, Indemnities and Taxes	6,500	23	-	23	-	-
Advances, Subsidies, Miscellaneous	-	-	-	-	-	-
Department of Revenue	18,491	18,799	16,634	2,165	15,020	1,614
Sinking Fund Commission	207,372	218,372	215,898	2,474	219,133	(3,235)
Procurement Department	82	85	85	-	77	8
Law	3,241	3,244	2,572	672	2,287	285
Mayor's Office of Sustainability	94	94	93	1	138	(45)
Water, Sewer and Stormwater Rate Board	970	970	100	870	94	6
Total Obligations	771,185	783,282	749,758	33,524	704,623	45,135
Operating Surplus (Deficit) for the Year	(20,000)	(29,856)	(24,550)	5,306	(24,088)	(462)

City of Philadelphia **Schedule XXI**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

Aviation Operating Fund

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2017 (with comparative actual amounts for the Fiscal Year Ended June 30, 2016)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2017 Actual	Positive (Negative)	FY 2016 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Concessions	53,752	53,752	48,908	(4,844)	47,060	1,848
Space Rentals	137,039	137,039	148,927	11,888	134,797	14,130
Landing Fees	93,047	93,047	77,918	(15,129)	87,170	(9,252)
Parking	28,523	28,523	1,337	(27,186)	29,963	(28,626)
Car Rentals	21,080	21,080	19,009	(2,071)	18,766	243
Payment in Aid - Terminal Building	-	-	-	-	-	-
Interest Earnings	1,000	127	1,290	1,163	566	724
Sale of Utilities	3,177	3,177	2,954	(223)	3,177	(223)
Passenger Facility Charge	31,500	31,500	33,693	2,193	31,176	2,517
Overseas Terminal Facility Charges	-	-	62	62	8	54
International Terminal Charge	37,537	37,537	29,979	(7,558)	34,171	(4,192)
Other	10,378	10,378	3,522	(6,856)	4,806	(1,284)
Total Locally Generated Non-Tax Revenue	417,033	416,160	367,599	(48,561)	391,660	(24,061)
Revenue from Other Governments						
State	250	250	-	(250)	-	-
Federal	4,250	4,250	2,655	(1,595)	2,137	518
Total Revenue from Other Governments	4,500	4,500	2,655	(1,845)	2,137	518
Revenue from Other Funds	1,500	1,500	1,166	(334)	1,158	8
Total Revenue	423,033	422,160	371,420	(50,740)	394,955	(23,535)
Obligations						
Mayor's Office of Information Services	10,002	10,002	8,144	1,858	6,750	1,394
Managing Director	-	-	-	-	-	-
Police	15,838	15,856	15,694	162	15,375	319
Fire	6,726	7,177	7,153	24	5,989	1,164
Public Property	26,900	26,900	20,710	6,190	22,950	(2,240)
Office of Fleet Management	8,245	8,289	6,983	1,306	4,062	2,921
Director of Finance	-	-	-	-	-	-
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	32,900	35,767	35,352	415	33,515	1,837
Other Employee Benefits	26,294	25,428	22,897	2,531	19,476	3,421
Purchase of Services	4,146	4,146	2,577	1,569	2,447	130
Contributions, Indemnities and Taxes	2,512	906	-	906		-
Advances, Subsidies, Miscellaneous	-	-	-	-	-	-
Sinking Fund Commission	139,626	139,626	122,204	17,422	117,272	4,932
Procurement	-	-	-	-	-	-
Commerce	193,568	195,806	141,401	54,405	133,597	7,804
Law	2,021	2,024	1,538	486	1,455	83
Mayor's Office of Transportation	-	-	-	-	111	(111)
Mayor's Office of Sustainability	94	94	93	1	94	(1)
Total Obligations	468,872	472,021	384,746	87,275	363,093	21,653
Operating Surplus (Deficit) for the Year	(45,839)	(49,861)	(13,326)	36,535	31,862	(45,188)

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 Position by Component 196
Table 2 Changes in Net Positions 197
Table 3 Fund Balances-Governmental Funds 199
Table 4 Changes in Fund Balances-Governmental Funds 200
Table 5 Comparative Schedule of Operations-Municipal Pension Fund 201

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 202
Table 7 Direct and Overlapping Tax Rates 203
Table 8 Principal Wage and Earnings Tax Remitters 205
Table 9 Assessed Value and Estimated Value of Taxable Property 206
Table 10 Principal Property Tax Payers 207
Table 11 Real Property Taxes Levied and Collected 208

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 209
Table 13 Ratios of General Bonded Debt Outstanding 210
Table 14 Direct and Overlapping Governmental Activities Debt 211
Table 15 Legal Debt Margin Information 212
Table 16 Pledged Revenue Coverage 213

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 214
Table 18 Principal Employers 215

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 216
Table 20 Operating Indicators by Function 217
Table 21 Capital Assets Statistics by Function 218

City of Philadelphia
Net Position by Component
For the Fiscal Years 2008 Through 2017

Table 1

Amounts in millions of USD

(full accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Net Investment in Capital Assets	206.4	(5.8)	(59.3)	(47.5)	83.9	232.5	176.8	1,040.8	955.2	1,006.6
Restricted	641.0	833.8	705.1	789.5	621.8	586.8	630.3	576.5	625.1	553.8
Unrestricted	(1,567.1)	(2,120.6)	(2,421.9)	(2,495.5)	(2,478.2)	(2,588.9)	(2,771.8)	(7,880.6)	(7,904.4)	(7,767.3)
Total Governmental Activities Net Position	(719.7)	(1,292.6)	(1,776.1)	(1,753.5)	(1,772.5)	(1,769.6)	(1,964.7)	(6,263.3)	(6,324.1)	(6,206.9)
Business-Type Activities										
Net Investment in Capital Assets	591.8	750.6	831.8	845.1	887.8	982.5	1,007.4	1,088.1	1,323.7	1,330.5
Restricted	644.1	511.2	489.3	550.6	591.8	628.9	685.5	766.0	650.5	692.5
Unrestricted	266.2	269.8	257.3	234.3	257.9	173.4	200.7	(278.5)	(279.3)	(251.9)
Total Business-Type Activities Net Position	1,502.1	1,531.6	1,578.4	1,630.0	1,737.5	1,784.8	1,893.6	1,575.6	1,694.9	1,771.1
Primary Government										
Net Investment in Capital Assets	798.2	744.8	772.5	797.6	971.7	1,215.0	1,184.2	2,128.9	2,278.9	2,337.1
Restricted	1,285.1	1,345.0	1,194.4	1,340.1	1,213.6	1,215.7	1,315.8	1,342.5	1,275.6	1,246.3
Unrestricted	(1,300.9)	(1,850.8)	(2,164.6)	(2,261.2)	(2,220.3)	(2,415.5)	(2,571.1)	(8,159.1)	(8,183.7)	(8,019.2)
Total Primary Government Net Position	782.4	239.0	(197.7)	(123.5)	(35.0)	15.2	(71.1)	(4,687.7)	(4,629.2)	(4,435.8)

City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2008 Through 2017

Table 2
Amounts in millions of USD

(full accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities:										
Economic Development	116.4	116.0	145.0	92.2	96.5	94.2	95.1	97.4	115.3	111.4
Transportation:										
Streets & Highways	117.7	119.1	129.4	136.3	115.6	112.9	143.9	122.4	136.8	122.8
Mass Transit	88.3	90.5	82.7	75.2	74.0	71.0	72.1	76.2	76.1	84.3
Judiciary and Law Enforcement:										
Police	1,002.9	985.6	990.5	1,048.1	1,094.2	1,087.9	1,262.7	1,098.7	1,232.4	1,198.8
Prisons	311.4	339.1	343.8	340.4	336.7	342.2	371.2	353.0	381.6	387.6
Courts	321.6	318.7	312.0	315.0	326.2	318.1	338.5	323.4	339.6	349.7
Conservation of Health:										
Emergency Medical Services	37.2	36.9	47.8	53.3	48.4	49.7	69.3	66.4	66.3	77.2
Health Services	1,572.6	1,701.5	1,446.7	1,524.6	1,500.1	1,464.9	1,519.1	1,420.5	1,579.1	1,613.6
Housing and Neighborhood Development	142.1	149.1	131.3	126.1	137.7	102.9	80.3	80.9	80.1	81.1
Cultural and Recreational										
Recreation	86.2	77.3	77.0	98.7	97.3	102.3	113.1	113.1	116.6	120.3
Parks	36.6	37.7	37.9	14.0	9.0	8.6	8.2	10.6	8.4	9.5
Libraries and Museums	87.0	92.8	79.0	75.7	80.8	76.1	84.5	84.3	88.8	90.4
Improvements to General Welfare:										
Social Services	794.1	756.3	718.8	718.4	675.5	625.3	657.5	687.8	688.7	733.8
Education	65.5	67.2	65.4	64.0	74.3	94.4	167.5	126.0	134.5	134.2
Inspections and Demolitions	47.3	27.8	23.4	30.1	26.5	38.0	43.3	41.7	65.3	45.4
Service to Property:										
Sanitation	138.0	137.8	142.7	143.0	153.2	136.7	153.1	151.1	157.0	161.1
Fire	284.8	278.6	266.0	285.9	292.2	296.8	386.6	350.8	370.7	373.4
General Management and Support	636.9	684.1	683.3	561.0	678.4	743.4	538.0	605.3	648.1	693.3
Interest on Long Term Debt	95.1	214.6	174.9	136.3	112.1	161.8	159.0	166.2	158.2	151.1
Total Governmental Activities Expenses	5,981.7	6,230.7	5,897.6	5,838.3	5,928.7	5,927.2	6,263.0	5,975.8	6,443.6	6,539.0
Business-Type Activities:										
Water and Sewer	504.3	530.8	502.5	520.2	490.8	513.4	543.5	550.2	569.0	601.8
Aviation	323.1	326.2	330.1	336.0	343.1	358.9	376.5	374.3	400.2	419.9
Industrial and Commercial Development	2.1	3.0	0.1	1.9	-	0.6	-	-	-	16.5
Total Business-Type Activities Expenses	829.5	860.0	832.7	858.1	833.9	872.9	920.0	924.5	969.2	1,038.2
Total Primary Government Expenses	6,811.2	7,090.7	6,730.3	6,696.4	6,762.6	6,800.1	7,183.0	6,900.3	7,412.8	7,577.2
Program Revenues										
Governmental Activities:										
Charges for Services:										
Economic Development	-	0.3	0.1	-	1.1	2.6	0.1	0.1	0.1	-
Transportation:										
Streets & Highways	3.9	2.8	4.4	5.1	5.2	5.3	5.2	7.3	5.8	7.1
Mass Transit	0.5	0.4	0.5	0.6	1.3	1.9	1.9	2.1	2.2	2.2
Judiciary and Law Enforcement:										
Police	4.3	5.0	3.3	3.5	5.5	6.3	4.5	5.2	5.1	8.2
Prisons	0.3	0.4	0.5	0.5	0.9	0.7	0.4	0.4	0.3	0.3
Courts	52.7	51.8	53.4	45.6	60.6	59.9	50.3	51.6	50.3	53.6
Conservation of Health:										
Emergency Medical Services	27.6	37.5	36.8	34.7	27.5	33.3	36.3	36.2	45.7	65.0
Health Services	15.3	14.4	16.2	16.7	14.8	16.7	18.9	14.4	14.1	30.3
Housing and Neighborhood Development	25.2	31.3	20.8	23.1	28.6	23.5	16.7	20.1	18.1	27.2
Cultural and Recreational:										
Recreation	0.3	3.2	(0.1)	2.8	2.2	3.8	2.8	3.7	4.6	3.4
Parks	1.5	0.6	0.9	5.0	4.8	3.3	2.2	1.1	1.0	3.6
Libraries and Museums	0.8	1.3	0.9	1.8	1.2	1.0	2.0	1.1	1.2	1.4

City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2008 Through 2017

Table 2
Amounts in millions of USD

(full accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Improvements to General Welfare:										
Social Services	6.4	7.6	14.4	6.8	5.2	8.3	5.6	4.4	1.2	1.4
Education	-	1.1	-	-	-	0.1	-	-	-	-
Inspections and Demolitions	44.9	40.3	43.9	45.5	50.0	53.9	50.1	52.4	54.1	59.4
Service to Property:										
Sanitation	3.1	2.9	2.0	11.6	15.9	16.2	35.5	24.9	16.5	13.8
Fire	0.2	0.7	0.3	0.5	0.3	0.9	0.3	2.9	0.3	0.6
General Management and Support	110.6	131.9	127.9	136.6	139.7	134.2	177.7	150.2	158.3	159.5
Interest on Long Term Debt	-	-	-	9.2	0.3	-	0.2	0.2	0.2	-
Operating Grants and Contributions	2,339.9	2,438.1	2,050.4	2,223.5	2,102.1	1,986.4	1,967.3	2,011.2	2,090.9	2,199.5
Capital Grants and Contributions	10.0	35.0	46.9	32.1	43.2	48.9	35.3	60.1	61.8	22.2
Total Governmental Activities Program Revenues	2,647.5	2,806.6	2,423.5	2,605.2	2,510.4	2,407.2	2,413.3	2,449.6	2,531.8	2,658.7
Business-Type Activities:										
Charges for Services:										
Water and Sewer	503.3	499.7	552.4	558.5	598.3	608.7	638.6	675.9	670.0	714.7
Aviation	303.2	251.7	240.0	258.1	263.2	291.4	315.4	322.4	433.7	431.9
Industrial and Commercial Development	1.5	0.5	0.3	0.5	0.4	0.4	0.4	0.5	0.5	19.9
Operating Grants and Contributions	5.4	2.6	6.1	4.8	3.5	2.3	1.4	0.9	0.9	1.3
Capital Grants and Contributions	36.6	109.4	90.5	105.9	91.6	58.2	93.6	161.3	26.8	10.6
Total Business-Type Activities Program Revenues	850.0	863.9	889.3	927.8	957.0	961.0	1,049.4	1,161.0	1,131.9	1,178.4
Total Primary Government Revenues	3,497.5	3,670.5	3,312.8	3,533.0	3,467.4	3,368.2	3,462.7	3,610.6	3,663.7	3,837.1
Net (Expense)/Revenue										
Governmental Activities	(3,334.2)	(3,424.1)	(3,474.1)	(3,233.1)	(3,418.3)	(3,520.0)	(3,849.7)	(3,526.2)	(3,911.8)	(3,880.3)
Business-Type Activities	20.5	3.9	56.6	69.7	123.1	88.1	129.4	236.5	162.7	140.2
Total Primary Government Net Expense	(3,313.7)	(3,420.2)	(3,417.5)	(3,163.4)	(3,295.2)	(3,431.9)	(3,720.3)	(3,289.7)	(3,749.1)	(3,740.1)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	401.3	409.2	400.8	506.6	500.8	553.8	530.2	551.3	550.2	578.7
Wage & Earnings Taxes	1,524.5	1,465.5	1,448.5	1,504.6	1,551.7	1,598.7	1,639.8	1,737.2	1,816.8	1,920.7
Business Taxes	414.5	407.6	385.2	364.2	399.2	452.4	469.2	453.4	505.6	440.2
Other Taxes	457.0	435.0	578.3	645.8	663.6	706.0	735.8	666.7	733.5	817.6
Unrestricted Grants & Contributions	104.7	107.8	171.4	173.8	223.2	187.4	229.5	185.1	185.4	184.5
Interest & Investment Earnings	65.3	46.1	25.5	35.8	33.3	17.9	21.7	24.1	28.0	27.4
Special Items	-	-	-	-	-	-	-	-	-	-
Transfers	4.9	4.2	28.3	24.9	27.5	21.4	28.3	30.2	31.6	28.5
Total Governmental Activities	2,972.2	2,875.4	3,038.0	3,255.7	3,399.3	3,537.6	3,654.5	3,648.0	3,851.1	3,997.6
Business-Type Activities:										
Interest & Investment Earnings	48.7	22.9	7.7	6.9	9.0	12.7	5.3	4.1	8.3	11.4
Unrestricted Grants & Contributions	-	-	-	-	2.9	42.2	2.5	1.9	1.9	2.5
Transfers	(4.9)	(4.2)	(28.3)	(24.9)	(27.5)	(21.4)	(28.3)	(30.3)	(31.6)	(28.5)
Total Business-Type Activities	43.8	18.7	(20.6)	(18.0)	(15.6)	33.5	(20.5)	(24.3)	(21.4)	(14.6)
Total Primary Government	3,016.0	2,894.1	3,017.4	3,237.7	3,383.7	3,571.1	3,634.0	3,623.7	3,829.7	3,983.0
Change in Net Position										
Governmental Activities	(362.0)	(548.7)	(436.1)	22.6	(19.0)	17.6	(195.2)	121.8	(60.7)	117.3
Business-Type Activities	64.3	22.6	36.0	51.7	107.5	121.6	108.9	212.2	141.3	125.6
Total Primary Government	(297.7)	(526.1)	(400.1)	74.3	88.5	139.2	(86.3)	334.0	80.6	242.9

City of Philadelphia **Table 3**
Fund Balances
Governmental Funds
For the Fiscal Years 2008 Through 2017

Amounts in millions of USD

(modified accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Non-spendable:	-	-	-	-	-	-	-	-	-	-
Restricted for:										
Central Library Project	4.9	4.7	2.3	2.3	2.3	2.3	2.0	2.0	1.7	1.7
Stadium Financing	0.1	1.7	0.6	0.3	0.5	2.1	3.8	4.3	0.6	0.6
Cultural & Commercial Corridor Project	122.5	89.8	30.8	19.2	15.3	12.2	11.6	10.6	7.4	2.7
Long Term Loan	22.5	-	-	-	-	79.7	68.2	56.7	44.8	33.1
Committed to:										
Encumbrances	108.8	102.8	-	-	-	-	-	-	-	-
General Fund	-	-	87.9	-	-	-	-	-	-	-
Assigned to:	-	-	-	-	70.5	98.0	103.1	81.9	78.0	128.4
Unassigned:	(24.3)	(274.6)	(251.8)	(45.7)	-	90.0	23.0	-	-	23.7
Total General Fund:	234.4	(75.6)	(130.2)	(23.9)	88.6	284.4	211.7	155.5	132.5	190.1
All Other Governmental Funds										
Non-spendable:										
Permanent Fund (Principal)	-	-	-	2.6	2.6	2.8	3.2	3.5	3.1	3.4
Restricted for:										
Behavioral Health	177.8	188.7	171.0	250.1	230.7	233.7	188.6	199.6	220.1	262.3
Neighborhood Revitalization	77.8	74.6	73.1	61.3	51.6	34.2	30.6	29.6	0.0	0.1
Public Safety Emergency Phone System	28.7	38.8	40.4	36.9	29.6	24.5	27.5	35.2	40.8	31.5
Economic Development	-	-	-	6.6	10.3	7.2	6.8	11.8	12.3	13.7
Intergovernmental Financing	18.6	12.1	7.9	21.1	21.7	33.9	34.0	28.3	25.5	25.2
Intergovernmentally Financed Pgms				24.5	18.9	-	-	-	-	-
Streets & Highways	12.8	16.8	16.8	18.3	23.2	23.9	26.2	31.9	37.1	46.0
Housing & Neighborhood Development	-	-	-	10.5	10.5	15.0	16.6	18.5	20.8	30.6
Health Services	-	4.0	10.8	8.8	9.5	15.2	10.1	11.0	11.2	13.4
Debt Service	80.9	79.1	76.6	82.8	82.4	81.5	83.1	81.5	81.6	72.4
Capital Improvements	21.0	196.1	152.2	267.7	128.5	29.2	191.6	70.2	133.1	24.8
Trust Purposes	8.3	6.4	4.7	8.1	8.3	8.9	11.8	12.3	10.2	10.2
Parks & Recreation	-	-	-	0.3	0.4	0.4	0.4	0.6	0.8	0.9
Libraries & Museums	-	-	-	0.1	0.1	0.1	0.1	0.0	3.0	3.3
Stadium Financing	-	-	-	6.3	6.4	6.8	7.3	6.7	6.4	6.0
Committed to:										
Capital Improvements	61.7	62.5	37.9	-	-	-	-	-	-	-
Economic Development	-	-	6.5	-	-	-	-	-	-	-
Housing & Neighborhood Development	17.4	18.6	15.2	-	-	-	-	-	-	-
Debt Service	5.7	5.6	7.9	-	-	-	-	-	-	-
Trust Purposes	9.1	8.0	7.7	-	-	-	-	-	-	-
Intergovernmental Financing	52.2	62.6	36.2	-	-	-	-	-	-	-
Social Services	-	-	-	-	-	-	-	-	-	-
Prisons	-	-	-	3.6	4.2	4.4	3.5	3.2	2.9	3.4
Parks & Recreation	-	-	-	0.5	0.9	0.7	0.8	0.9	1.7	1.3
Assigned to:										
Behavioral Health	40.5	-	42.5	-	-	-	-	-	-	-
PICA Rebate Fund	7.4	8.0	7.5	-	-	-	-	-	-	-
PMA	0.2	0.2	0.2	-	-	-	-	-	-	-
Unassigned:										
Community Behavioral Health	-	(5.4)	-	-	-	-	-	-	-	-
Housing & Neighborhood Dev	(3.2)	(5.0)	(4.0)	(4.0)	(6.5)	(7.2)	(7.9)	(7.1)	(5.3)	(8.4)
Parks & Recreation	-	-	-	-	-	-	-	(0.1)	-	-
Grants Revenue Fund	(23.0)	(36.7)	(39.0)	(34.3)	(175.1)	(217.1)	(273.3)	(213.0)	(322.5)	(294.3)
Capital Improvement	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	594.2	734.9	672.1	771.7	458.1	298.1	360.7	324.7	282.7	245.9

[1] Effective April 15, 2003, the City implemented a change to the basis on which the Business Privilege Tax is collected requiring an estimated payment applicable to the next year's tax liability.
A portion of these estimated tax payments are deferred in the general fund beginning in FY2003 because the underlying events had not occured.

City of Philadelphia **Table 4**
Changes in Fund Balances
Governmental Funds
For the Fiscal Years 2008 Through 2017

Amounts in millions of USD

(modified accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Tax Revenue	2,781.8	2,705.2	2,812.3	2,995.0	3,112.5	3,304.4	3,370.8	3,397.1	3,632.7	3,761.3
Locally Generated Non-Tax Revenue	349.7	349.3	302.7	370.6	336.5	348.6	387.1	376.6	367.3	399.8
Revenue from Other Governments	2,468.4	2,564.9	2,323.4	2,366.4	2,226.1	2,212.0	2,169.0	2,280.2	2,245.2	2,466.1
Other Revenues	17.9	49.6	33.1	25.8	27.5	27.9	20.2	16.9	19.6	18.6
Total Revenues	5,617.8	5,669.0	5,471.5	5,757.8	5,702.6	5,892.9	5,947.1	6,070.8	6,264.8	6,645.8
Expenditures										
Current Operating:										
Economic Development	112.3	107.0	135.1	82.6	88.9	85.9	83.7	82.5	101.1	100.5
Transportation:										
Streets & Highways	89.7	89.9	91.1	87.4	75.6	81.6	98.1	96.2	105.1	98.7
Mass Transit	61.7	63.7	65.2	67.1	67.7	66.5	67.5	71.7	76.1	79.9
Judiciary and Law Enforcement										
Police	951.9	933.9	882.7	955.9	1,020.0	1,089.4	1,164.9	1,104.6	1,162.5	1,169.7
Prisons	298.2	326.9	315.2	315.9	318.2	338.7	346.3	343.9	365.1	372.6
Courts	311.1	310.5	288.1	294.9	312.3	309.2	317.9	321.5	329.9	339.6
Conservation of Health:										
Emergency Medical Services	36.0	36.2	45.0	50.7	46.7	50.0	65.8	66.1	64.9	75.8
Health Services	1,567.6	1,695.0	1,436.5	1,514.8	1,492.7	1,464.6	1,510.3	1,419.8	1,573.1	1,608.3
Housing and Neighborhood										
Development	141.9	148.4	131.2	126.1	133.8	102.8	80.3	80.9	80.1	81.4
Cultural and Recreational										
Recreation	74.3	65.1	58.4	82.9	85.9	90.3	98.6	103.9	104.8	107.1
Parks	28.9	31.8	26.9	5.8	6.1	3.9	1.2	1.8	1.5	3.4
Libraries and Museums	84.2	81.0	68.8	68.7	71.9	72.0	74.9	79.1	81.4	84.4
Improvements to General Welfare:										
Social Services	778.2	743.1	699.7	701.8	674.3	624.3	655.3	687.8	687.1	731.7
Education	65.5	67.2	65.4	64.0	74.3	94.4	167.5	126.0	134.5	134.2
Inspections and Demolitions	46.3	33.1	27.3	34.8	32.2	45.8	40.8	41.5	64.0	44.50
Service to Property:										
Sanitation	132.9	134.6	130.6	133.9	146.2	137.2	144.8	146.9	152.4	154.3
Fire	276.4	266.9	237.6	258.1	267.8	295.9	344.2	346.4	355.0	353.5
General Management and Support	618.4	693.8	615.0	568.5	619.1	622.8	646.7	662.3	686.4	726.6
Capital Outlay	105.8	126.9	148.9	134.9	202.0	161.1	140.1	189.7	206.1	136.9
Debt Service:										
Principal	94.1	87.6	89.7	91.4	103.2	114.1	120.3	339.8	139.5	145.0
Interest	100.0	105.7	96.7	105.6	105.2	112.2	118.0	120.7	107.5	106.2
Bond Issuance Cost	24.2	8.5	23.5	2.2	1.6	4.4	5.0	7.2	3.3	3.2
Capital Lease Principal	-	-	-	-	-	-	-	-	-	-
Capital Lease Interest	-	-	-	-	-	-	-	-	-	-
Total Expenditures	5,999.6	6,156.8	5,678.6	5,748.0	5,945.7	5,967.1	6,292.2	6,440.3	6,581.4	6,657.5
Excess of Revenues Over (Under) Expenditures	(381.8)	(487.8)	(207.1)	9.8	(243.1)	(74.2)	(345.1)	(369.5)	(316.6)	(11.7)
Other Financing Sources (Uses)										
Issuance of Debt	1,303.8	262.9	207.0	139.1	12.6	299.8	293.8	30.0	191.6	-
Issuance of Refunding Debt	-	354.9	337.0	114.6	112.6	231.2	363.6	195.7	234.2	346.1
Bond Issuance Premium	31.1	26.7	24.3	5.0	16.6	0.8	31.4	21.3	53.9	40.7
Proceeds from Lease & Service Agreements	-	(3.1)	(1.0)	28.1	-	(252.7)	-	-	-	-
Payment to Refunded Bonds Escrow Agent	(1,313.7)	(326.9)	(504.0)	(117.6)	(127.3)	(190.5)	(382.2)	-	(259.6)	(383.5)
Transfers In	465.2	574.5	558.1	583.1	600.8	613.1	616.3	661.9	686.3	732.2
Transfers Out	(460.2)	(570.3)	(529.7)	(558.1)	(573.3)	(591.7)	(587.9)	(631.6)	(654.7)	(703.0)
Total Other Financing Sources (Uses)	26.2	318.7	91.7	194.2	42.0	110.0	335.0	277.3	251.7	32.5
Net Change in Fund Balances	(355.6)	(169.1)	(115.4)	204.0	(201.1)	35.8	(10.1)	(92.2)	(64.9)	20.8
Debt Service as a Percentage of Non-capital Expenditures	3.3%	3.2%	3.4%	3.5%	3.6%	3.9%	3.9%	7.4%	3.9%	3.9%

[1.0] Effective April 15, 2003, the City implemented a change to the basis on which the Business Income and Receipts Tax is collected requiring an estimated payment applicable to the next year's tax liability. $166.9 million of these estimated tax payments were deferred in the general fund in FY2013 because the underlying events had not occured.

City of Philadelphia **Table 5**

Comparative Schedule of Operations

Municipal Pension Fund

For the Fiscal Years 2008 through 2017

Amounts in millions of USD

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Additions:										
Contributions:										
Employee Contributions	51.7	54.0	51.6	52.7	50.0	49.6	53.7	58.7	67.1	73.6
Employer's:										
City of Philadelphia	412.4	440.0	297.4	455.8	539.8	763.7	533.4	556.1	629.4	678.8
Quasi-Governmental Agencies	14.5	15.4	15.1	14.2	16.2	18.1	19.8	21.1	30.8	27.4
Total Employer's Contributions	426.9	455.4	312.5	470.1	556.0	781.8	553.2	577.2	660.2	706.2
Total Contributions	478.6	509.4	364.1	522.8	606.0	831.4	606.9	635.9	727.3	779.8
Interest & Dividends	97.1	75.6	70.5	79.5	86.2	122.9	102.2	98.4	101.5	108.5
Net Gain (Decline) in Fair Value of Investments	(322.0)	(945.6)	381.2	618.5	(57.7)	213.9	585.4	(76.8)	(239.8)	462.9
(Less) Investment Expenses	0.0	0.0	0.0	0.0	(13.3)	(12.2)	(10.2)	(9.8)	(9.1)	(8.0)
Net Securities Lending Revenue	7.4	5.7	1.9	1.5	2.1	3.0	4.2	2.2	1.9	1.8
Securities Lending Unrealized Loss	0.0	0.0	0.0	0.0	(1.9)	118.0	0.0	0.0	0.0	0.0
(Less) Securities Lending Expenses	0.0	0.0	0.0	0.0	(0.9)	(0.3)	(0.6)	(0.3)	(0.3)	(0.3)
Net Investment Income (Loss)	(217.5)	(864.3)	453.6	699.5	14.5	445.3	681.0	13.7	(145.8)	564.9
Miscellaneous Operating Revenue	1.1	1.0	0.7	1.4	0.0	0.5	0.5	0.1	0.1	1.8
Total Additions	262.2	(353.9)	818.4	1,223.7	620.5	1,277.2	1,288.4	649.7	581.6	1,346.5
Deductions:										
Pension Benefits	725.7	681.1	680.1	681.9	706.2	740.7	802.6	876.4	882.0	813.3
Refunds to Members	4.2	4.8	4.5	5.1	6.5	5.7	6.0	5.3	7.4	8.2
Administrative Costs	7.6	8.4	8.1	8.0	0.0	8.2	8.3	10.4	8.4	8.8
Other Operating Expenses	0.0	0.0	0.0	0.0	15.2	0.2	0.0	0.1	0.1	0.1
Total Deductions	737.5	694.3	692.7	695.0	727.9	754.8	816.9	892.1	897.9	830.4
Net Increase (Decrease)	(475.3)	(1,048.2)	125.7	528.7	(107.4)	522.4	471.5	(242.4)	(316.3)	516.1
Net Assets: Adjusted Opening	4,899.3	4,424.0	3,375.9	3,501.6	4,030.2	3,922.8	4,445.2	4,916.7	4,674.3	4,358.0
Closing	4,424.0	3,375.9	3,501.6	4,030.2	3,922.8	4,445.2	4,916.7	4,674.3	4,358.0	4,874.1
Ratios:										
Pension Benefits Paid as a Percent of:										
Net Members Contributions	1527.79%	1383.30%	1443.95%	1432.56%	1623.45%	1687.24%	1682.60%	1640.28%	1477.39%	1243.58%
Closing Net Assets	16.40%	20.18%	19.42%	16.92%	18.00%	16.66%	16.32%	18.75%	20.24%	16.69%
Coverage of Additions over Deductions	35.55%	-50.97%	118.15%	176.07%	85.25%	169.21%	157.72%	72.83%	64.77%	162.15%
Investment Earnings as % of Pension Benefits	-29.97%	-126.90%	66.70%	102.58%	2.05%	60.12%	84.85%	1.56%	-16.53%	69.46%

City of Philadelphia

Table 6

Wage and Earnings Tax Taxable Income
For the Calendar Years 2007 Through 2016

Amounts in millions of USD

	City Residents			Non-City Residents				
Year	Taxable Income	% of Total	Direct Rate [1]	Taxable Income	% of Total	Direct Rate [1]	Total Taxable Income	Total Direct Rate
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	22,170.8	57.02%	3.92880%	16,713.5	42.98%	3.49910%	38,884.3	3.74410%
2011	22,726.3	57.06%	3.92800%	17,102.2	42.94%	3.49850%	39,828.5	3.74357%
2012	23,461.6	57.26%	3.92800%	17,513.6	42.74%	3.49850%	40,975.2	3.74442%
2013	24,320.8	57.50%	3.92600%	17,974.3	42.50%	3.49675%	42,295.1	3.74358%
2014	25,602.1	57.70%	3.92200%	18,767.3	42.30%	3.49325%	44,369.4	3.74065%
2015	26,668.6	57.62%	3.91510%	19,611.3	42.38%	3.48715%	46,279.9	3.73375%
2016	28,444.0	58.34%	3.90530%	20,308.6	41.66%	3.47845%	48,752.6	3.72749%

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] From 2008 to 2010, the rate changed on January 1st & July 1st. Also, in 2013 to 2015, the rate changed on July 1st. The direct rate is an average of the two rates involved during that calendar year.

[2] The amounts for Year 2016 are preliminary.

City of Philadelphia
Direct and Overlapping Tax Rates
For the Ten Fiscal Years 2008 through 2017

Table 7

Tax Classification	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Wage and Earnings Tax:										
[a] City Residents	4.2190% [b]	3.9300% [b]	3.9296% [b]	3.9280% [b]	3.9280% [b]	3.9280% [b]	3.9240%	3.9200%	3.9102%	3.9004%
Non-City Residents	3.7242% [b]	3.5000% [b]	3.4997% [b]	3.4985% [b]	3.4985% [b]	3.4985% [b]	3.4950%	3.4915%	3.4828%	3.4741%
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	3.305%	3.305%	3.305%	4.123%	4.123%	4.462%	0.602%	0.602%	0.632%	0.632%
School District of Philadelphia	4.959%	4.959%	4.959%	4.959%	5.309%	5.309%	0.738%	0.738%	0.768%	0.768%
Total Real Property Tax	8.264%	8.264%	8.264%	9.082%	9.432%	9.771%	1.340%	1.340%	1.400%	1.400%
[e] Assessment Ratio	28.86%	28.46%	26.73%	28.05%	28.87%	28.68%	224.40%	213.95%	167.26%	NA
Effective Tax Rate (Real Property Rate x Assessment Ratio)	2.385%	2.352%	2.209%	2.548%	2.723%	2.802%	3.007%	2.867%	2.341%	NA
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%	3.1%
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%	4.1%
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.										
[c] **Business Income and Receipts Taxes**										
(% on Gross Receipts)	0.1540%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%
[f] (% on Net Income)	6.5000%	6.4500%	6.4500%	6.4500%	6.4500%	6.4500%	6.4300%	6.4100%	6.3900%	6.3500%
Every individual, partnership, association and corporation engaged in a business, profession or other activity for profit within the City of Philadelphia must file a BIRT Return										
[c] **Net Profits Tax:**										
[a] City Residents	3.9800%	3.9296%	3.9280%	3.9280%	3.9280%	3.9240%	3.9200%	3.9102%	3.9004%	3.8907%
Non-City Residents	3.5392%	3.4997%	3.4985%	3.4985%	3.4985%	3.4950%	3.4915%	3.4828%	3.4741%	3.4654%
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 2008 through 2017

Table 7

Tax Classification	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sales Tax										
City	1.0%	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	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%	8.0%	8.0%	8.0%	8.0%	8.0%	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%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	22.5%	22.5%
	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%	7.2%	8.2%	8.2%	8.2%	8.5%	8.5%	8.5%	8.5%
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%	8.2%	9.2%	9.2%	9.2%	9.5%	9.5%	9.5%	9.5%
	Imposed on the rental of a hotel room to accommodate paying guests. The term "hotel" includes an apartment, hotel, motel, inn, guest house, bed and breakfast or other buildin located within the City which is available to rent for overnight lodging or use of facility space to persons seeking temporary accommodations.									
Vehicle Rental Tax	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
	Imposed on any person acquiring the custody or possession of a rental vehicle in the City under a rental contract for money or other consideration									

[a] Pursuant to an agreement with the Pennsylvania Intergovernmental Cooperation Authority (PICA), PICA's share of the Wage, Earnings and Net Profits Tax is 1.5% of City residents portion only.

[b] Effective January 1 of the fiscal year cited, the previous fiscal year's rate was in effect from July 1 through December 31. For FY 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 Income and Receipts Tax is allowed to be credited against the Net Profits Tax.

Principal Wage and Earnings Tax Remitters [1]
Current Calendar Year and Nine Years Ago

Amounts in millions of USD

Remittance Range	2016 # of Remitters (Employers)	2016 Total Amount Remitted	2016 Percentage of Total Remitted	2007 # of Remitters (Employers)	2007 Total Amount Remitted	2007 Percentage of Total Remitted
Greater then $10 million	17	$462.6	25.46%	14	$340.3	22.92%
Between $1 million & $10 million	181	447.5	24.63%	154	385.5	25.96%
Between $100,000 & $1 million	1,884	502.9	27.67%	1,596	411.5	27.71%
Between $10,000 & $100,000	10,226	303.8	16.72%	8,873	263.0	17.71%
Less then $10,000	42,296	100.4	5.52%	37,081	84.6	5.70%
Total	54,604	$1,817.2	100.00%	47,718	$1,484.9	100.00%

[1] Wage & Earnings information for individual remitters is confidential

City of Philadelphia

Table 9

Assessed Value and Estimated Value of Taxable Property
For the Calendar Years 2008 through 2017

Amounts in millions of USD

Calendar Year of Levy [1]	Assessed Value on Certification Date [3]	Less: Tax-Exempt Property [2, 3]	Less: Homestead Exemption [7]	Total Taxable Assessed Value [2, 3]	Adjustments between Certification Date and Billing Date [3]	Total Taxable Assessed Value on Billing Date	Total Direct Tax Rate [4]	STEB Ratio [5]	Estimated Actual Taxable Value (STEB)	Sales Ratio [6]	Estimated Actual Taxable Value (Sales)
2008	16,974	4,799		12,175		12,175	3.305%	28.86%	42,186	17.94%	67,865
2009	17,352	5,146		12,206		12,206	3.305%	28.46%	42,888	16.44%	74,246
2010	17,615	5,339		12,276		12,276	3.305%	26.73%	45,926	24.64%	49,821
2011	17,940	5,593		12,347		12,347	4.123%	28.05%	44,018	13.35%	92,487
2012	18,022	5,685		12,337		12,337	4.123%	28.87%	42,733	13.13%	93,960
2013	18,181	5,765		12,416		12,416	4.462%	28.68%	43,291	11.88%	104,512
2014	137,404	37,462	5,429	94,513	2,590	91,923	0.602%	224.40%	42,118	NA	NA
2015	136,341	37,223	6,411	92,707	1,777	90,930	0.602%	213.95%	43,331	NA	NA
2016	136,295	38,386	6,372	91,537	1,369	90,168	0.632%	167.26%	54,727	NA	NA
2017	136,682	38,552	6,389	91,741	105	91,846	0.632%	NA	NA	NA	NA

[1] Real property tax bills are normally sent out in December 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: Office of Property Assessment. Beginning in 2014:
a) the Assessed Value Certification Date was moved up to 3/31/2013; in prior years, the Certification Date occurred on or slightly before the Billing Date (in November)
b) the City re-evaluated all real property at its current market value, based upon the Actual Value Initiative (AVI).

[4] Total Direct Tax Rate is City portion only and excludes the School District portion (see statistical table #7 for breakdown).

[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 Office of Property Assessment based on sales of property during the year.

[7] Starting in 2014, the City provided for a $30,000 Homestead Exemption (amount subject to change) to all homeowners.

City of Philadelphia **Table 10**

Principal Property Tax Payers

Current Year and Nine Years Ago

Amounts in millions of USD

	2017			2008		
Taxpayer	Assessment [1]	Rank	Percentage of Total Assessments	Assessment [1]	Rank	Percentage of Total Assessments
HUB Properties Trust	247.0	1	0.27	48.0	5	0.39
Nine Penn Center Associates	232.6	2	0.25	54.1	4	0.44
Phila Liberty Pla E Lp	207.7	3	0.23	54.4	3	0.45
Philadelphia Market Street	203.7	4	0.22	-		-
Commerce Square Partners	178.2	5	0.19	33.3	9	0.27
Maguire/Thomas Partners	170.1	6	0.19	33.9	8	0.28
SRI Eleven 1818 Market	170.0	7	0.19	-		-
Franklin Mills Associates	163.2	8	0.18	64.4	1	0.53
Brandywine Operating	156.7	9	0.17	40.6	6	0.33
1700 Market Street Associates	142.4	10	0.16	-		-
Liberty Property Phila	-	-	-	58.1	2	0.48
PRU 1901 Market LLC	-	-	-	35.2	7	0.29
Phila Shipyard Development Corp				30.3	10	0.25
	1,871.6		2.04	452.3		3.71
Taxable Assessments (before Homestead) [2]	98,129.7		100.00	12,175.2		100.00
Less Homestead Exemption [2]	6,388.5			0.0		
Total Taxable Assessments	91,741.2			12,175.2		

[1] Source: Office of Property Assessment.

a) 2017 Assessment as of March 2016.

b) 2008 Assessment as of November 2007.

[2] In calendar year 2014,

a) the City re-evaluated all real property at its current market value, based upon the Actual Value Initiative (AVI).

b) the City initiated a new $30,000 Homestead Exemption to all homeowners.

City of Philadelphia
Real Property Tax Levied and Collected
For the Calendar Years 2008 through 2017
General Fund

Table 11

Amounts in millions of USD

Calendar Year	Taxes Levied for the Year **1	Taxes Levied Based on Adjusted Assessment **2	Collected in the Calendar Year of Levy **3	Percentage Collected in the Calendar Year of Levy **5	Collected in Subsequent Years **4	Total Collected to Date: All Years	Percentage Collected to Date: All Years **5
2008	390.2	NA	346.4	88.8%	39.6	386.0	98.9%
2009	396.5	NA	315.4	79.5%	73.2	388.6	98.0%
2010	405.8	NA	353.7	87.2%	37.1	390.8	96.3%
2011	509.1	NA	440.9	86.6%	46.1	487.0	95.7%
2012	508.6	491.0	459.2	93.5%	24.2	483.4	98.5%
2013	554.0	537.5	505.6	94.1%	25.1	530.7	98.7%
2014	553.2	514.6	482.1	93.7%	24.9	507.0	98.5%
2015	547.4	517.5	489.1	94.5%	20.5	509.6	98.5%
2016	569.9	549.9	525.2	95.5%	10.8	536.0	97.5%
2017	580.5	567.0	522.1	NA	NA	522.1	NA

**1 Taxes are levied on a calendar year basis, this column represents the initial bill. They are due on March 31st.

**2 Adjustments include assessment appeals, a 1% discount for payment in full by the end of February, the senior citizen tax freeze, and the tax increment financing (TIF) return of tax paid. For 2014, adjustment include the Longtime Owner Occupants Program (LOOP), since the program was implemented after the initial bills were sent.

**3 For 2017, "collections in the calendar year of levy" does not include the full 12 months; it only includes collections through the end of June 2017.

**4 Includes payments from capitalized interest. This capitalization occurs only after the first year of the levy on any amount that remains unpaid at that time.

Note that all amounts in this table pertain to the General Fund only and do not include amounts levied and collected for the school district. The collection percentages for the school district are the same as for the General Fund.

**5 For calendar years 2008 to 2011, "percentage collected in the calendar year of levy" and "percentage collected to date: all years" are based on "taxes levied for the year", since "taxes levied based on adjusted assessment" data is unavailable for these years. For calendar year 2017, data is unavailable for "percentage collected in the calendar year of levy" and "percentage collected to date: all years", since collections in the calendar year does not include the full 12 months; it includes collections through the end of June 2017.

City of Philadelphia

Table 12

Ratios of Outstanding Debt by Type
For the Fiscal Years 2008 through 2017

Amounts in millions of USD (except per capita)

	Governmental Activities										
Fiscal Year	General Obligation Bonds	Capital Leases	Pension Service Agreement	City Service Agreement	Neighborhood Transformation Initiative	One Parkway Agreement	Sports Stadia Agreement	Central Library Project	Cultural & Commercial Corridor	PAID School District	Total Governmental Activities
2008	1,899.1	-	1,446.6	-	267.8	47.7	328.8	9.3	136.6	-	$ 4,135.9
2009	2,093.8	-	1,443.8	-	261.5	46.3	323.6	8.9	133.3	-	4,311.2
2010	2,085.1	31.1	1,428.3	-	254.8	44.9	319.6	8.5	129.9	-	4,302.2
2011	2,135.0	51.7	1,407.3	-	247.8	43.4	314.9	8.1	126.4	-	4,334.6
2012	2,041.1	40.6	1,379.3	-	240.3	41.9	310.0	7.7	122.8	-	4,183.7
2013	1,968.7	28.9	1,171.3	423.3	234.1	41.8	313.0	7.7	119.9	-	4,308.7
2014	2,139.7	16.9	1,121.4	299.8	225.5	39.6	300.6	7.2	116.0	27.3	4,266.7
2015	1,996.0	12.9	1,063.2	299.8	216.4	37.3	291.9	6.7	111.8	43.3	4,079.3
2016	2,073.6	8.8	997.5	299.8	205.8	34.9	277.2	6.7	108.5	29.1	4,041.9
2017	1,953.1	4.4	927.2	299.8	195.8	32.4	263.6	6.0	102.2	14.7	3,799.2

	Business-Type Activities				Ratios			
Fiscal Year	General Obligation Bonds	Water Revenue Bonds	Airport Revenue Bonds	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income (1)	Population (1)	Per Capita
2008	4.6	1,590.0	1,282.2	$ 2,876.8	$ 7,012.7	13.84%	1,530,031	$ 4,583
2009	3.4	1,648.7	1,250.4	2,902.5	7,213.7	13.29%	1,540,351	4,683
2010	2.2	1,574.9	1,213.9	2,791.0	7,093.2	13.12%	1,547,297	4,584
2011	1.0	1,738.2	1,450.8	3,190.0	7,524.6	13.21%	1,526,006	4,931
2012	-	1,819.9	1,383.1	3,203.0	7,386.7	11.79%	1,538,567	4,801
2013	-	1,830.4	1,355.4	3,185.8	7,494.5	11.68%	1,547,607	4,843
2014	-	1,935.3	1,291.7	3,227.0	7,493.7	11.45%	1,553,165	4,825
2015	-	2,110.8	1,225.3	3,336.1	7,415.4	11.15%	1,560,297	4,753
2016	-	1,967.1	1,160.9	3,128.0	7,169.9	9.20%	1,567,442	4,574
2017	-	2,152.5	1,218.5	3,371.0	7,170.2	8.86%	1,567,872	4,573

(1) See Table 17 for Personal Income and Population Amounts

City of Philadelphia **Table 13**

Ratios of General Bonded Debt Outstanding

For the Fiscal Years 2008 through 2017

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]
2008	1,899.1	12,175.2	28.86%	42,187.1	4.50%	1,232.90
2009	2,093.8	12,205.6	28.46%	42,886.9	4.88%	1,353.20
2010	2,085.1	12,276.3	26.73%	45,927.0	4.54%	1,366.38
2011	2,135.0	12,347.1	28.05%	44,018.2	4.85%	1,387.65
2012	2,041.1	12,337.0	28.87%	42,732.9	4.78%	1,318.87
2013	1,968.7	12,416.0	28.68%	43,291.5	4.55%	1,267.54
2014	2,139.7	94,513.0	224.40%	42,118.1	5.08%	1,371.34
2015	1,996.0	92,707.0	213.95%	43,331.2	4.61%	1,273.41
2016	2,073.6	91,536.5	167.26%	54,727.1	3.79%	1,322.56
2017	1,953.1	91,741.2	NA	NA	NA	NA

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statement.

[1] Source: Office of Property Assessment

[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, 2017

Table 14

Amounts in millions of USD

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Governmental Unit			
School District of Philadelphia	3,082.6	100.00%	3,082.6
[1] **City Direct Debt**			3,799.2
Total Direct and Overlapping Debt			6,881.8

Note:

Overlapping governments are those that coincide, in least in part, with the geographic boundries of the City. The outstanding debt of the School District of Philadelphia is supported by property taxes levied on properties within the City boundries. This schedule attempts to show the entire debt burden borne by City residents and businesses.

[1] Refer to Table 12

Amounts in Millions of USD

Legal Debt Margin Calculation for FY2017

Assessed Value	49,107.5
Debt Limit	6,629.5
Debt Applicable to Limit: [1]	
Tax Supported General Obligation Debt:	
Issued & Outstanding	1,431.0
Authorized but Unissued	521.0
Total	1,952.0
Less: Amount set aside for repayment of general obligation debt	-
Total Net Debt Applicable to Limit	1,952.0
Legal Debt Margin	4,677.5

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit (notes 2, 3, 4, and 5)	1,418.0	1,469.4	1,523.4	1,571.9	1,622.3	1,670.0	3,011.1	4,288.7	5,454.0	6,629.5
Total Net Debt Applicable to Limit	1,329.3	1,352.3	1,407.0	1,474.6	1,542.5	1,617.9	1,673.4	1,751.0	1,841.4	1,952.0
Legal Debt Margin	88.7	117.1	116.4	97.3	79.8	52.1	1,337.7	2,537.7	3,612.6	4,677.5
Total Net Debt Applicable to the Limit as a Percent of Total Debt	93.74%	92.03%	92.36%	93.81%	95.08%	96.88%	55.57%	40.83%	33.76%	29.44%

[1] Refer to Purdon's Statutes 53 P.S. Section 15721
[2] The legal limit is based on the Pennsylvania Constittution article IX Section 12.
[3] Tax Years 2008-2013 assessed values were provided by OPA via The Department of Revenue..
[4] Calendar Year 2013/Tax Year 2014 assessed values were provided by OPA. The higher amount was due to the implementation of the AVI (Actual Value Initiative) in 2013.
[5] Beginning in 2014, the Finance Department began using calendar Year assessed value to calculate the proceeding 10 year average; prior to this change, the Tax Year assessed values was used.

Calendar Year [4] of assessment	Tax Year of [3,4] assessment	R.E. Assessments
2007	2008	12,901,810,390
2008	2009	13,307,070,680
2009	2010	13,102,186,291
2010	2011	13,522,847,116
2011	2012	13,602,484,741
2012	2013	13,755,670,566
2013	2014	107,209,023,547
2014	2015	106,062,882,977
2015	2016	98,268,051,621
2016	2017	99,343,238,214
	Ten Year average	49,107,526,614
	Limit per art. 9	13.50%
	Legal Debt Limit	6,629,516,093

City of Philadelphia **Table 16**
Pledged Revenue Coverage
For the Fiscal Years 2008 through 2017
Amounts in millions of USD

No.		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	Water and Sewer Revenue Bonds										
1	Total Revenue and Beginning Fund Balance	597.8	527.5	566.7	589.7	613.3	638.4	680.4	-	-	-
1a	Total Revenue	-	-	-	-	-	-	-	676.8	678.9	720.6
2	Net Operating Expenses	334.7	342.6	334.0	357.7	375.1	399.3	410.8	422.3	433.0	480.3
2a	Commitments Cancelled (formally Beg. Fund Bal.)	-	-	-	-	-	-	-	(19.4)	(24.1)	(24.6)
3	Transfer To (From) Rate Stabilization Fund	(9.8)	(34.7)	(2.7)	10.9	8.5	(4.7)	22.9	21.4	(1.6)	(4.6)
4	Net Revenues	272.9	219.6	235.4	221.1	229.7	243.8	246.7	252.5	271.6	269.5
	Debt Service:										
5	Revenue Bonds Outstanding	173.8	183.0	195.7	184.3	191.4	201.0	201.7	205.3	219.3	206.1
6	Transfer to Escrow Account to Redeem Bonds	-	-	-	-	-	-	-	-	-	11.0
6a	Other Adjustments	-	-	-	-	-	-	-	-	(0.3)	(1.2)
7	Pennvest Loan	1.2	1.2	1.2	1.2	1.0	-	-	-	-	-
8	Total Debt Service	175.0	184.2	196.9	185.5	192.4	201.0	201.7	205.3	219.0	215.9
9	Net Revenue after Debt Service	97.9	35.4	38.5	35.6	37.3	42.8	45.0	47.2	52.6	53.6
10	Transfer to General Fund	5.0	4.2	2.3	-	1.1	0.6	-	-	-	-
11	Transfer to Capital Fund	16.9	17.1	17.3	18.1	18.9	19.4	20.2	20.7	21.5	22.3
12	Transfer to Residual Fund	76.0	14.1	18.9	17.5	17.3	22.8	24.8	26.5	31.1	31.3
13	Ending Fund Balance	-	-	-	-	-	-	-	-	-	-
	Debt Service Coverage:										
	Coverage A (Line 4/Line 5)	1.57	1.20	1.20	1.20	1.20	1.21	1.22	1.23	1.24	1.31
	Coverage B (Line 4/(Line 5 + Line 11))	1.42	1.09	1.10	1.09	1.09	1.11	1.11	1.12	1.13	1.18
	Airport Revenue Bonds										
1	Fund Balance	42.6	61.4	55.1	77.6	65.9	69.3	66.5	66.3	71.2	87.9
2	Project Revenues	250.5	255.3	246.9	260.8	269.6	291.8	316.9	322.8	341.2	362.0
3	Passenger Facility Charges	32.9	32.9	33.1	32.4	31.6	31.2	31.2	31.2	31.2	33.7
4	Total Fund Balance and Revenue	326.0	349.6	335.1	370.8	367.1	392.3	414.6	420.3	443.6	483.6
5	Net Operating Expenses	99.8	99.5	102.9	98.1	99.0	110.7	117.3	126.0	132.1	136.5
6	Interdepartmental Charges	89.1	89.0	80.7	88.6	92.7	101.9	103.9	108.7	106.8	116.7
7	Total Expenses	188.9	188.5	183.6	186.7	191.7	212.6	221.2	234.7	238.9	253.2
	Available for Debt Service:										
8	Revenue Bonds (Line 4-Line 5)	226.2	250.1	232.2	272.7	268.1	281.6	297.3	294.3	311.5	347.1
9	All Bonds (Line 4-Line 7)	137.1	161.1	151.5	184.1	175.4	179.7	193.4	185.6	204.7	230.4
	Debt Service:										
10	Revenue Bonds	84.4	95.6	94.3	102.4	103.0	109.8	125.4	125.2	120.6	122.6
11	General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
12	Total Debt Service	84.4	95.6	94.3	102.4	103.0	109.8	125.4	125.2	120.6	122.6
	Debt Service Coverage:										
	Revenue Bonds Only - Test "A" (Line 8/Line 10)	2.68	2.62	2.46	2.66	2.60	2.56	2.37	2.35	2.58	2.83
	Total Debt Service - Test "B" (Line 9/Line 12)	1.62	1.69	1.61	1.80	1.70	1.64	1.54	1.48	1.69	1.88

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.

Prior to FY 2015, Commitments Cancelled were included as part of Total Revenue and Beginning Fund Balance. Commitments Cancelled represent the liquidation of encumbrances. An encumbrance is an expense that is anticipated to be charged to the Water Fund. Beginning in FY 2015 these amounts were reclassified as contra-expenses and reported under Net Operating Expenses.

Prior to FY 2017, Water and Sewer Revenue Bonds Debt Service Coverage B was calculated as (Line4/(Line 8 + Line 11)).

City of Philadelphia

Table 17

Demographic and Economic Statistics

For the Calendar Years 2007 through 2016

Calendar Year	Population [1]	Personal Income [2] (thousands of USD)	Per Capita Personal Income (USD)	Unemployment Rate [3]
2007	1,530,031	50,672,227	33,118	6.0%
2008	1,540,351	54,262,716	35,228	7.1%
2009	1,547,297	54,061,223	34,939	9.6%
2010	1,526,006	56,970,074	37,333	10.8%
2011	1,538,567	62,632,520	40,708	10.8%
2012	1,547,607	64,151,742	41,452	10.5%
2013	1,553,165	65,473,002	42,155	10.0%
2014	1,560,297	66,495,223	42,617	8.0%
2015	1,567,442	77,903,831	49,701	6.9%
2016	1,567,872	80,973,410	51,645	6.8%

[1] US Census Bureau

[2] US Department of Commerce, Bureau of Economic Analysis

[3] US Department of Labor, Bureau of Labor Statistics

City of Philadelphia

Table 18

Principal Employers

Current Calendar Year and Nine Years Ago

Listed Alphabetically

2016	2007
CHILDRENS' HOSPITAL OF PH	ALBERT EINSTEIN MEDICAL
CITY OF PHILA	CHILDRENS' HOSPITAL OF PH
COMCAST CABLEVISION OF WILLOW GROVE INC	CITY OF PHILA
DREXEL UNIVERSITY	UNIVERSITY OF PENNSYLVANIA HOSPITAL
SCHOOL DIST OF PHILA	SCHOOL DIST OF PHILA
SEPTA	SEPTA
TEMPLE UNIVERSITY	TEMPLE UNIVERSITY
THOMAS JEFFERSON UNIVERSITY HOSPITALS	THOMAS JEFFERSON UNIVERSITY HOSPITALS
UNIVERSITY OF PENNA (college)	UNITED STATES POSTAL SERVICE
UNIVERSITY OF PENNA (hospital)	UNIVERSITY OF PENNSYLVANIA

City of Philadelphia **Table 19**

Full Time Employees by Function

For the Fiscal Years 2008 through 2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
Economic Development	6	23	25	27	28	31	29	33	43	39
Transportation:										
Streets & Highways	584	568	515	499	524	517	525	506	512	538
Mass Transit	1	8	7	9	13	15	15	12	12	1
Judiciary and Law Enforcement:										
Police	7,754	7,685	7,503	7,439	7,292	7,270	7,177	7,267	7,750	7,213
Prisons	2,153	2,309	2,268	2,173	2,150	2,245	2,257	2,286	2,280	2,257
Courts	3,386	3,310	3,215	3,225	3,249	3,260	3,234	3,255	3,276	3,367
Conservation of Health:										
Emergency Medical Services	237	256	329	341	338	375	494	576	534	592
Health Services	1,140	1,163	1,135	1,139	1,143	1,117	1,097	1,084	1,062	1,105
Housing and Neighborhood Development	108	99	96	94	83	75	72	74	66	67
Cultural and Recreational:										
Recreation	483	462	453	601	605	596	587	628	636	630
Parks	156	152	158	1	-	-				
Libraries and Museums	808	723	687	682	658	651	637	674	666	677
Improvements to General Welfare:										
Social Services	2,232	2,107	2,079	1,989	1,924	1,832	1,809	1,801	1,779	1,837
Inspections and Demolitions	246	221	223	214	230	286	288	319	323	336
Service to Property:										
Sanitation	1,239	1,169	1,157	1,185	1,154	1,152	1,158	1,155	1,159	1,153
Fire	2,052	2,019	1,820	1,838	1,700	1,705	1,643	1,719	1,871	1,896
General Management and Support	2,414	2,393	2,276	2,225	2,454	2,384	2,456	2,497	2,601	2,749
Total Governmental Activities	24,999	24,667	23,946	23,681	23,545	23,511	23,478	23,886	24,570	24,457
Business Type Activities:										
Water and Sewer	2,291	2,256	2,196	2,116	2,228	2,218	2,302	2,347	2,358	2,481
Aviation	1,057	1,033	1,001	1,010	1,021	1,057	1,040	1,021	1,032	1,035
Total Business-Type Activities	3,348	3,289	3,197	3,126	3,249	3,275	3,342	3,368	3,390	3,516
Fiduciary Activities:										
Pension Trust	59	69	66	65	61	53	50	55	56	56
Total Primary Government	28,406	28,025	27,209	26,872	26,855	26,839	26,870	27,309	28,016	28,029

City of Philadelphia
Operating Indicators by Function
For the Fiscal Years 2008 through 2017

Table 20

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
Transportation:										
Streets & Highways										
Street Resurfacing (miles)	74	119	69	36	37	51	34	40	43	56
Potholes Repaired	12,326	11,976	23,049	24,406	14,451	12,093	45,077	48,274	35,541	31,589
Judiciary and Law Enforcement:										
Police										
Arrests	75,805	68,922	64,465	73,310	70,971	71,109	71,650	71,661	55,693	46,268
Calls to 911	3,164,454	3,084,261	3,064,973	2,949,231	3,118,648	2,979,990	2,879,620	2,978,527	3,703,809	2,760,452
Prisons										
Average Inmate Population	9,133	9,554	8,806	7,935	8,240	8,987	8,759	8,254	7,685	6,925
Inmate Beds (city owned)	9,005	9,137	9,137	8,200	8,417	8,417	8,417	8,417	8,428	6,991
Conservation of Health:										
Emergency Medical Services										
Medic Unit Runs	215,305	217,505	222,882	227,147	273,557	280,877	239,403	243,127	263,754	267,266
First Responder Runs	60,756	53,610	54,960	66,763	60,972	57,047	60,296	49,529	48,965	47,456
Health										
Patient Visits	334,139	349,078	350,695	339,032	348,472	341,305	309,911	290,000	72,479	336,445
Cultural and Recreational:										
Parks										
Athletic Field Permits Issued	1,389	1,420	1,388	2,714	1,978	2,442	873	1,634	2,501	2,579
Libraries										
Items borrowed	7,037,694	7,419,466	6,530,662	7,210,217	7,503,031	6,579,054	6,502,087	6,511,582	5,926,481	5,419,516
Visitors to all libraries	6,648,998	6,396,633	5,615,201	6,103,528	6,020,321	6,116,762	5,563,015	5,891,382	5,839,145	5,128,715
Visitors to library website	4,912,405	4,613,496	5,256,928	6,131,726	6,886,339	7,301,311	8,194,626	9,907,573	7,971,946	5,029,713
Improvements to General Welfare:										
Social Services										
Children Receiving Services	25,893	35,685	31,416	28,572	28,939	27,391	17,761	18,982	19,697	18,955
Children in Placement	7,739	7,993	8,792	7,122	7,839	8,509	8,548	7,809	8,463	8,782
Emergency Shelter Beds (average)	2,747	2,689	2,617	2,520	2,987	2,116	2,544	2,708	2,196	2,143
Transitional Housing Units (new placements)	435	476	487	510	558	539	509	509	517	415
Service to Property:										
Sanitation										
Refuse Collected (tons per day)	2,798	2,532	2,412	2,254	2,299	2,179	2,132	2,139	2,270	2,311
Recyclables Collected (tons per day)	197	288	381	441	461	470	490	442	425	444
Fire										
Fires Handled	7,444	6,850	4,927	7,945	7,319	6,365	6,120	6,364	6,143	5,901
Fire Marshall Investigations	3,097	3,031	2,726	2,711	2,387	2,135	1,943	2,183	1,715	2,242
Business Type Activities:										
[2] **Water and Sewer**										
Millions of gallons of treated water	93,679	91,747	91,560	93,886	87,341	89,616	90,213	86,416	84,573	82,846
Percent of time Philadelphia's drinking water met or surpassed state & federal standards	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Miles of pipeline surveyed for leakage	1,113	931	1,133	995	1,137	962	775	637	682	1,022
Water main breaks repaired	679	807	664	962	563	755	918	907	703	655
Average time to repair a water main break upon crew arrival at site (hours)	7.6	7.6	7.8	7.7	7.7	5.8	6.2	5.7	6.8	6.7
Percent of hydrants available	99.70%	99.60%	99.58%	99.58%	99.70%	99.68%	99.68%	99.61%	99.60%	99.60%
Number of storm drains cleaned	75,804	77,012	72,802	71,771	84,395	100,251	94,653	103,056	98,105	107,784
[1] **Aviation**										
Passengers Handled (PIA)	32,287,035	30,819,348	30,469,899	31,225,470	30,612,150	30,358,905	30,539,430	30,601,985	31,336,138	29,641,556
Air Cargo Tons (PIA)	575,640	475,365	440,495	449,683	416,731	388,383	395,661	402,194	414,891	424,009
Aircraft Movements (PIA and NPA)	593,757	551,191	543,462	458,832	517,842	506,261	493,272	487,096	407,968	378,334

[1] PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo

[2] In prior year Comprehensive Annual Financial Report (CAFR) , Philadelphia Water Department (PWD) reported the following metrics: new connections, the number of water main breaks, average and peak daily treated water delivered, average daily water sewage treatment

City of Philadelphia
Capital Assets Statistics by Function
For the Fiscal Years 2008 through 2017

Table 21

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
Transportation:										
Streets & Highways										
[1] Total Miles of Streets	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575
Streetlights	102,949	103,982	104,219	104,219	104,600	105,151	105,151	105,151	105,151	104,595
Judiciary and Law Enforcement:										
Police										
Stations and Other Facilities	36	35	35	31	32	37	39	40	50	48
Prisons										
Major Correctional Facilities	6	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	8	8
Cultural and Recreational:										
Recreation										
[5] Recreation Centers	171	171	171	153	184	185	184	155	164	313
[2] Athletic Venues	919	915	914	1,148	1,102	1,101	1,107	1,108	1107	1030
[4] Neighborhood Parks and Squares	79	79	79	-	-	-	-	-	-	-
Parks										
Parks	63	63	63	150	177	177	177	209	209	211
Baseball/Softball Fields	77	79	79	407	404	404	403	403	404	412
Libraries										
Branch & Regional Libraries	54	54	54	54	54	54	54	54	54	54
Service to Property:										
Fire										
Stations and Other Facilities	64	63	63	63	68	68	68	69	63	69
Business Type Activities:										
Water and Sewer:										
Water System Piping (miles)	3,137	3,145	3,236	3,164	3,172	3,174	3,176	3,176	3,187	3,184
Fire Hydrants	25,181	25,208	25,234	25,353	25,321	25,355	25,364	25,364	25,398	25,419
Treated Water Storage Capacity (x 1000 gallons)	1,065,500	1,065,500	1,065,400	1,065,400	1,065,400	1,065,400	1,065,400	1,065,000	1,065,000	1,065,000
Sanitary Sewers (miles)	750	749	751	758	759	762	762	762	763	765
Stormwater Conduits (miles)	713	720	721	731	734	738	737	737	740	747
Sewage Treatment Capacity (x 1000 gallons)	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,065,400	1,044,000	1,044,000	1,044,000	1,044,000
[3] **Aviation**										
Passenger Gates (PIA)	120	120	120	126	126	126	126	126	126	126
Terminal Buildings (square footage) (PIA)	2,415,000	2,415,000	3,144,000	3,144,000	3,144,000	3,144,000	3,254,354	3,254,354	3,254,354	3,240,537
Runways (length in feet) (PIA & NPA)	42,460	43,500	43,500	43,500	43,500	43,500	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.
[5] Includes playgrounds and spraygrounds