NEW ISSUE—BOOK-ENTRY ONLY **RATINGS: Moody's: "MIG 1"**
S&P: "SP-1+"

See "RATINGS" herein.

In the opinion of Co-Bond Counsel, interest on the Notes is excluded from gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, subject to the conditions described in "TAX MATTERS – Federal" herein. Interest on the Notes will not be a specific preference item for purposes of the individual and corporate alternative minimum taxes; however, such interest is taken into account in computing the alternative minimum tax for certain corporations and may be subject to certain other federal taxes affecting corporate holders of the Notes. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, the Notes are exempt from Pennsylvania personal property taxes and the interest on the Notes is exempt from Pennsylvania income tax and Pennsylvania corporate net income tax. For a more complete discussion, see "TAX MATTERS" herein.

$125,000,000
THE CITY OF PHILADELPHIA, PENNSYLVANIA
Tax and Revenue Anticipation Notes, Series A of 2017-2018

Dated: Date of Delivery **Due: June 29, 2018**

Defined Terms. All capitalized terms that are not otherwise defined on this cover page have the meanings provided for such terms in this Official Statement.

The Notes. The City of Philadelphia, Pennsylvania (the "City"), a corporation, body politic and city of the first class existing under the laws of the Commonwealth of Pennsylvania, is issuing the above-referenced notes (the "Notes"). The Notes will be issued in registered form in denominations of $5,000 or any integral multiple thereof and will bear interest from the date of issuance to the maturity date at the annual rate set forth on the inside cover page hereof, calculated on the basis of actual days elapsed in a 365-day year.

Purpose. The City is issuing the Notes in anticipation of the receipt of current taxes and current revenues. The proceeds of the Notes will be used: (i) 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 the receipt of income from taxes and other sources of General Fund revenues to be received in the current Fiscal Year and pledged for the repayment of the Notes, and (ii) to pay the costs of issuance of the Notes.

Security. The Notes are general obligations of the City, but do not constitute debt of the City subject to the limitations of Article IX of the Pennsylvania Constitution. The Notes are payable from funds required to be deposited by the City in the Note Fund established under the Loan Authorization and the Trust Agreement. The Notes are equally and ratably secured by a pledge of, security interest in, and a lien and charge on, the taxes and revenues of the City to be received for the account of the General Fund from the issue date of the Notes until the earlier of (i) the payment or provision for payment in full of the principal of and interest on the Notes, and (ii) June 30, 2018. As further security for the repayment of the Notes, the City covenants in the Loan Authorization and the Trust Agreement to make certain irrevocable deposits into the Note Fund, which deposits in the aggregate will equal the entire principal of and interest due on the Notes at maturity.

Payment Date. The principal of and interest on the Notes will be payable on June 29, 2018, at the designated corporate trust office of the Trustee.

Redemption. The Notes are not subject to redemption prior to maturity.

Tax Status. For information on the tax status of the Notes, see the italicized language at the top of this cover page and "TAX MATTERS" herein.

Delivery Date. It is expected that the Notes will be available for delivery to DTC on or about December 6, 2017.

This cover page contains certain information for quick reference only. It is not a summary of the Notes or this Official Statement. Investors must read the entire Official Statement, including the Appendices, which are an integral part hereof, to obtain information essential to the making of an informed investment decision regarding the Notes.

The Notes are offered when, as and if issued by the City and accepted by the Underwriters and subject to the approval of the legality of the issuance of the Notes by Dilworth Paxson LLP, Philadelphia, Pennsylvania, and Ahmad Zaffarese LLC, Philadelphia, Pennsylvania, Co-Bond Counsel. Certain legal matters will be passed upon for the City by the City of Philadelphia Law Department, and for the Underwriters by their counsel, Saul Ewing Arnstein & Lehr LLP, Philadelphia, Pennsylvania. Hawkins Delafield & Wood LLP and the Law Office of Ann C. Lebowitz, Philadelphia, Pennsylvania, Co-Disclosure Counsel to the City, will deliver opinions to the City and the Underwriters regarding certain matters.

Janney Montgomery Scott

Ramirez & Co., Inc. **TD Securities**

Dated: November 29, 2017

$125,000,000
THE CITY OF PHILADELPHIA, PENNSYLVANIA
Tax and Revenue Anticipation Notes, Series A of 2017-2018

Amount	**Rate**	**Yield**	**Price**	**CUSIP**†
$125,000,000	2.000%	1.320%	100.379	717813WF2

† CUSIP is a registered trademark of the American Bankers Association (the "ABA"). CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a part of S&P Global Inc. The CUSIP number listed above is being provided solely for the convenience of the Noteholders only at the time of issuance of the Notes and the City and the Underwriters do not make any representation with respect to such CUSIP number or undertake any responsibility for its accuracy now or at any time in the future. The CUSIP number is subject to being changed after the issuance of the Notes as a result of various subsequent actions including, but not limited to, the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of the Notes.

THE CITY OF PHILADELPHIA, PENNSYLVANIA

MAYOR

HONORABLE JAMES F. KENNEY

MAYOR'S CHIEF OF STAFF

Jane Slusser

MAYOR'S CABINET

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

CITY TREASURER

Rasheia Johnson

CITY CONTROLLER

Alan L. Butkovitz

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized by the City or the Underwriters to give any information or to make representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriters.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Notes described herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract or agreement among the City, the Underwriters and the purchasers or owners of any offered Notes. This Official Statement is being provided to prospective purchasers either in bound printed form ("Original Bound Format") or in electronic format on the following website: www.munisOS.com. This Official Statement may be relied upon only if it is in its Original Bound Format or if it is printed in full directly from such website.

Preparation of this Official Statement. The information set forth herein has been furnished by the City and includes information obtained from other sources, all of which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Order and Placement of Materials. The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the cover page, the inside cover pages and the Appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections of this Official Statement. The offering of the Notes is made only by means of this entire Official Statement.

Estimates and Forecasts. The statements contained in this Official Statement and the Appendices hereto that are not purely historical are forward-looking statements. Such forward-looking statements can be identified, in some cases, by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "illustrate," "example," and "continue," or the singular, plural, negative or other derivations of these or other comparable terms. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to such parties on the date of this Official Statement, and the City assumes no obligation to update any such forward-looking statements. The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including, but not limited to, risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in various important factors. Accordingly, actual results may vary from the projections, forecasts and estimates contained in this Official Statement and such variations may be material, which could affect the ability to fulfill some or all of the obligations under the Notes.

Public Offering Prices. In connection with the offering of the Notes, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the Notes at levels above those which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

No Recommendation or Registration. The Notes have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense. The Notes have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, nor has the Trust Agreement been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain statutory exemptions contained in such acts.

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OFFICIAL STATEMENT
OF
THE CITY OF PHILADELPHIA, PENNSYLVANIA

$125,000,000
The City of Philadelphia, Pennsylvania
Tax and Revenue Anticipation Notes,
Series A of 2017-2018

INTRODUCTION

General

This Official Statement, including the cover page, inside cover page, and Appendices hereto, is provided to set forth information with respect to the issuance by The City of Philadelphia, Pennsylvania (the "City") of its Tax and Revenue Anticipation Notes, Series A of 2017-2018 (the "Notes"), in the aggregate principal amount of $125,000,000. This introduction is a brief description of certain matters set forth in this Official Statement and is qualified by reference to the entire Official Statement. Reference should be made to the material under the caption "THE NOTES" for a description of the Notes and to APPENDIX E for a description of the book-entry system of registration applicable thereto.

Certain factors that may affect an investment decision concerning the Notes are described throughout this Official Statement. Persons considering a purchase of the Notes should read this Official Statement, including the cover page, the inside cover page, and the Appendices, which are an integral part hereof, in its entirety. All estimates and assumptions of financial and other information are based on information currently available and are believed to be reasonable, but are not to be construed as assurances of actual outcomes. Any estimates of future performance or events constituting forward-looking statements may or may not be realized because of a wide variety of economic and other circumstances. Included in such forward-looking statements are numbers and other information from the adopted and proposed budgets of the City, as well as from the City's five-year financial plans. Accordingly, no assurance is given that any projected future results will be achieved. See "DISCUSSION OF FINANCIAL OPERATIONS – Current Financial Information" in APPENDIX A hereto.

This Official Statement has been prepared by the City under the direction of the Office of the Director of Finance. The fiscal year of the City extends from July 1 to June 30 of the subsequent year (referred to herein as the "Fiscal Year").

Information Regarding The City of Philadelphia

The City's Comprehensive Annual Financial Report and other information about the City can be found on the City's website at www.phila.gov/investor (the "City's Investor Website"). The "Terms of Use" statement on the City's Investor Website, which applies to all users of the City's Investor Website, provides, among other things, that the information contained therein is provided for the convenience of the user, that the City is not obligated to update such information, and that such information may not provide all information that may be of interest to investors. The information contained on the City's Investor Website does not constitute an offer to buy or sell securities, nor is it a solicitation therefor. The information contained on the City's Investor Website is not incorporated by reference in this Official

Statement and persons considering a purchase of the Notes should rely only on information contained in this Official Statement or incorporated by reference herein.

APPENDIX A provides information regarding the City, including relevant statutory provisions, financial information, litigation information, the relationship with the Pennsylvania Intergovernmental Cooperation Authority ("PICA") and the City's five-year financial plans. APPENDIX B contains the Comprehensive Annual Financial Report of the City for the Fiscal Year ended June 30, 2016 (the "Fiscal Year 2016 CAFR"). Certain information contained herein regarding the City is for periods prior to or subsequent to the Fiscal Year ended June 30, 2016. As a result, certain of the information in APPENDIX B may vary from corresponding information concerning the City in APPENDIX A.

The City Controller has examined and expressed opinions on the basic financial statements of the City contained in the Fiscal Year 2016 CAFR. The City Controller has not participated in the preparation of this Official Statement nor in the preparation of the budget estimates and projections and cash flow statements and forecasts set forth in various tables contained in this Official Statement. Consequently, the City Controller expresses no opinion with respect to any of the data contained in this Official Statement other than what is contained in the Fiscal Year 2016 CAFR.

Authorization

The Notes are being issued pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, Act No. 1991-6, approved June 5, 1991, as amended (the "Act"), and a Loan Authorization, adopted November 29, 2017 (the "Loan Authorization") by the Loan Committee of the City, comprised of the Mayor, the City Controller, and the City Solicitor, by at least a majority vote of its members (the "Loan Committee"). See "THE NOTES – Statutory Authorization."

U.S. Bank National Association, having a corporate trust office in Philadelphia, Pennsylvania, will act as registrar, transfer agent, and paying agent for the Notes and as trustee (the "Trustee") under a Trust Agreement between the City and the Trustee, dated December 6, 2017 (the "Trust Agreement").

The Notes are issuable as fully-registered notes and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchases of beneficial interests in the Notes will be made in book-entry only form in denominations of $5,000 and any integral multiple thereof. Purchasers of Notes will not receive certificates representing their ownership interests in the Notes purchased. See APPENDIX E – "BOOK-ENTRY ONLY SYSTEM."

Purpose

The City is issuing the Notes in anticipation of the receipt of current taxes and current revenues. The proceeds of the Notes will be used to: (i) 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 the receipt of income from taxes and other sources of General Fund revenues to be received in the current Fiscal Year and pledged for the repayment of the Notes, and (ii) pay the costs of issuance of the Notes. The proceeds of the Notes will be deposited initially to the credit of the General Fund in the City's Consolidated Cash Account. See "CITY CASH MANAGEMENT AND INVESTMENT POLICIES – Consolidated Cash."

THE NOTES

General

The Notes will be issued in the aggregate principal amount of $125,000,000, will be dated the date of original delivery thereof, and will mature on June 29, 2018. The Notes will bear interest, payable at maturity, at the rate per annum set forth on the inside cover page hereof, calculated on the basis of actual days elapsed in a 365-day year.

The Notes will be issued as fully registered notes and, when issued, will be registered in the name of Cede & Co., as nominee for DTC. Purchases of beneficial interests in the Notes will be made in book-entry form (without certificates) in denominations of $5,000 or any integral multiple thereof. So long as the Notes are in book-entry only form, the principal of and interest on the Notes will be payable by check or draft mailed to or by wire transfer of immediately available funds to Cede & Co., as nominee for DTC, the registered owner thereof for redistribution by DTC to the Direct and Indirect Participants and in turn to Beneficial Owners as described in APPENDIX E – "BOOK-ENTRY ONLY SYSTEM."

The Loan Authorization, the Trust Agreement, and all provisions thereof are incorporated by reference in the text of the Notes and the Notes provide that each registered owner, Beneficial Owner, and Direct or Indirect Participant of DTC, by acceptance of a Note (including receipt of a book-entry credit evidencing an interest therein), assents to all of such provisions as an explicit and material portion of the consideration running to the City to induce it to adopt the Loan Authorization and issue the Notes. Copies of the Loan Authorization, including the full text of the form of the Notes, and the Trust Agreement are on file at the Philadelphia, Pennsylvania corporate trust office of the Trustee.

Statutory Authorization

The issuance of the Notes is authorized by the Act. Pursuant to the Act, the Loan Committee has established the terms of the Notes in the Loan Authorization, which authorizes the issuance and sale of the Notes and provides for the payment of the Notes. In the Loan Authorization, the Loan Committee has authorized and approved the execution and delivery of the Trust Agreement, providing for the establishment of the Note Fund and appointing the Trustee as agent for the Noteholders (as defined below) for the purpose of enforcing the pledge and security interest granted to Noteholders pursuant to the Act and their rights and remedies under the Act.

Sources of Payment for the Notes; Security

Pursuant to the provisions of the Act, the Loan Authorization, and the Trust Agreement, the Notes are equally and ratably secured by a pledge of, a security interest in, and a lien and charge on, the taxes and revenues of the City to be received for the account of the General Fund from the date of the Notes until the earlier of (i) the payment or provision for payment in full of the principal of and interest on the Notes, and (ii) June 30, 2018 (notwithstanding the maturity date of the Notes of June 29, 2018).

Pursuant to the provisions of the Act, the Loan Authorization, and the Trust Agreement, the City has established a fund, designated the "Note Fund," to be held in trust by the Trustee for the benefit of the registered owners of the Notes (the "Noteholders" or "registered owners" or "holders of the Notes"). The City has covenanted in the Loan Authorization and in the Trust Agreement to make two irrevocable deposits to the Note Fund: (i) the first on May 25, 2018, in an amount equal to the principal of the Notes;

and (ii) the second on June 26, 2018, in an amount equal to the interest due on the Notes at their stated maturity on June 29, 2018. Each such date and each such amount being a "Note Deposit Requirement Date" and a "Note Deposit Requirement," respectively. See "SECURITY FOR THE NOTES."

As provided in the Act, the Notes are general obligations of the City, but do not constitute debt of the City subject to the limitations of Article IX of the Pennsylvania Constitution. The Notes do not pledge the taxing power of the City nor do they require the City to levy ad valorem taxes for their payment. If the Notes are not paid within the current Fiscal Year, the entire amount unpaid is required to be included by the City in its budget for the Fiscal Year ending June 30, 2019, and will be payable from (but will not be secured by) the taxes and revenues of such Fiscal Year.

No Redemption Prior to Maturity

The Notes are not subject to redemption prior to maturity.

Additional Notes

The Act and the Loan Authorization permit the City to issue additional tax and revenue anticipation notes. Any additional notes will be equally and ratably secured with the Notes, until such notes are paid or until deposits for such payment have been made into a trust fund established for such notes, by a pledge of a security interest in, and a lien and charge on, the taxes and revenues of the City to the account of the General Fund during the period such notes are outstanding. Holders of additional notes will not have a claim on or a security interest in the Note Fund.

Modification of Loan Authorization and Trust Agreement

The Loan Authorization may be modified with the consent of the registered owners of a majority in principal amount of the outstanding Notes; provided, however, that no such modification which would affect the rights of the registered owners of less than all outstanding Notes or affect the terms of payment of the principal of, or interest on, the Notes may be made without the consent of the registered owners of all the affected Notes.

The Trust Agreement may be amended without the consent of the registered owners of the Notes by a supplemental agreement authorized by the Loan Committee or a majority of the members thereof to: (i) add additional covenants of the City or surrender any right or power of the City conferred by the Trust Agreement; (ii) reflect changes in applicable law or to cure any ambiguity or to cure, correct or supplement any defective or inconsistent provision in a manner which is not inconsistent with the Trust Agreement and shall not impair the security of the Trust Agreement or adversely affect the registered owners of the Notes; or (iii) revise the provisions of the Trust Agreement so long as such revisions do not adversely affect the rights or security of the registered owners under the Trust Agreement, the Loan Authorization, or the Act.

All other amendments to the Trust Agreement require the consent of the registered owners of at least a majority in principal amount of the Notes then outstanding. However, any amendment with respect to amounts required to be deposited in the Note Fund, the Note Deposit Requirement Dates, the interest rate of the Notes, the maturity date of the Notes, or the Article of the Trust Agreement governing amendments, requires the consent of the registered owners of all of the outstanding Notes. Any amendment of the Trust Agreement described in the preceding sentence shall only be effective if the Loan Authorization has been duly amended in the same particulars.

SECURITY FOR THE NOTES

General

The Act provides that all tax and revenue anticipation notes issued in a single Fiscal Year will be equally and ratably secured by a pledge of, a security interest in, and a lien and charge on, the taxes or revenues or both of the City specified in the Loan Authorization to be collected or received during the period when such notes are outstanding. As required by the Act, the Loan Authorization grants such pledge of, security interest in, and lien and charge on the taxes and revenues to be collected or received by the City for the account of the General Fund from the date of the Notes until the earlier of (i) the payment or provision for payment in full of the principal of and interest on the Notes, and (ii) June 30, 2018 (notwithstanding the maturity date of the Notes of June 29, 2018).

The Act further provides that such pledge, lien, and charge shall be fully perfected as against the City, all creditors of the City, and all third parties from and after the filing of financing statements pursuant to the Pennsylvania Uniform Commercial Code. For the purpose of such filing, the Trustee has been appointed, as permitted by the Act, to file, on behalf of the Noteholders, the financing statements and any continuation or termination statements.

Note Fund

As authorized by the Act, the City has established the Note Fund, to be held in trust for the equal and ratable benefit of the owners of the Notes. In the Trust Agreement, the City grants to the Trustee a pledge of and security interest in the Note Fund and all investments thereof and income thereon for the benefit and security of the Noteholders.

In the Loan Authorization and the Trust Agreement, the City covenants to pay to the Trustee for irrevocable deposit into the Note Fund the following amounts on the following dates:

Note Deposit Requirement Date	Note Deposit Requirement
May 25, 2018	$125,000,000.00
June 26, 2018	$1,404,109.59 (all interest due on June 29, 2018)

On each Note Deposit Requirement Date, the Trustee will determine whether the amount on deposit in the Note Fund is equal to the Note Deposit Requirement (as noted above). The Trustee will provide notice to the Treasurer or the Director of Finance of any deficiency in the Note Fund. The Treasurer or the Director of Finance is required to immediately transfer any General Fund Receipts (as defined below) or other moneys of the City legally available for the purpose in an amount equal to the deficiency to the Trustee for deposit in the Note Fund. Such transfer and deposit is required to be made by 10:00 A.M., Philadelphia time, on the business day immediately succeeding the Note Deposit Requirement Date. Notwithstanding the foregoing, on June 26, 2018, the Trustee will determine no later than 3:00 P.M., Philadelphia time, whether the amount on deposit in the Note Fund equals the entire principal of and interest due on the Notes on June 29, 2018. If the Trustee determines that there is any deficiency in the Note Fund, the City must cure such deficiency by 10:00 A.M., Philadelphia time, on June 28, 2018.

Moneys on deposit in the Note Fund may be invested only in direct obligations of the United States of America, the principal of and interest on which are unconditionally guaranteed by the full faith and credit of the United States of America, obligations of certain agencies and instrumentalities of the United States of America, or agreements for the repurchase of such obligations, all as more fully described in the Trust Agreement and Loan Authorization, all such obligations to mature or be subject to redemption at the option of the holder at not less than par or the purchase price therefor on or prior to June 29, 2018. Funds and investments in the Note Fund will be applied solely to the payment of principal of and interest on the Notes at maturity and are not available as security for the holders of any additional notes. Payments from the Note Fund will be applied first to interest due on the Notes, and then to principal.

Pursuant to the Loan Authorization, when payment in full of principal and interest due on the Notes has been made from the Note Fund, any balance in the Note Fund in excess of such amounts will be paid by the Trustee to the City.

General Fund Receipts Collection and Transfer

Under the Philadelphia Home Rule Charter (the "City Charter"), the Department of Revenue is authorized to collect all real estate, personal property, income and other taxes of the City. The Revenue Commissioner is the head of the Department of Revenue.

General Fund Receipts are defined in the Trust Agreement to mean the taxes and other revenues of the City received from all sources for the account of the General Fund during the period beginning on the date of issue of the Notes and ending June 30, 2018, including, without limitation, general property taxes; wage, earnings and net profits taxes; business privilege taxes; sales and use taxes; and revenue from other governments, including the Commonwealth of Pennsylvania (the "Commonwealth") and PICA; provided, however, that at no time shall General Fund Receipts include (i) any taxes or other revenues collected by the City on behalf of The School District of Philadelphia, Pennsylvania (the "School District"), which taxes and revenues are at all times the sole property of the School District, or (ii) the Pennsylvania Intergovernmental Cooperation Authority Tax, as defined in the Act, collected by the City as agent for the Commonwealth Department of Revenue, which tax is at all times the sole property of PICA.

The City maintains an account (the "Concentration Account") for the deposit of the daily collection of certain categories of General Fund Receipts and other income of the City received by the Department of Revenue. In addition to the daily deposit of certain General Fund Receipts and other income of the City, the Concentration Account receives, by electronic fund transfer from the Pennsylvania Office of the State Treasurer, payments from the Commonwealth, which accrue to the General Fund. The City's wage, earnings and net profits taxes are deposited in a separate account at another bank and are transferred by the City to the Concentration Account on a daily basis. As determined by the City, these funds, when in excess of daily liquidity needs, are deposited at other banks or are transferred to a custodian and invested in authorized investments, per the guidelines of the City's Investment Policy (as described in APPENDIX A). The Concentration Account is currently maintained at Wells Fargo Bank, N.A. (Wells Fargo Bank, N.A. or such other bank designated by the City to hold the Concentration Account, is referred to herein as the "Concentration Account Bank").

In the Trust Agreement, the City covenants to transfer General Fund Receipts to the Trustee for deposit in the Note Fund, or to cause the Concentration Account Bank to transfer General Fund Receipts from the Concentration Account to the Trustee for deposit in the Note Fund, in the amount of the applicable Note Deposit Requirement on each Note Deposit Requirement Date. The City has further covenanted in the

Trust Agreement to maintain the Concentration Account until the maturity date of the Notes. The Trust Agreement includes an authorization and direction to the Concentration Account Bank, without further action of the City, to transfer General Fund Receipts from the Concentration Account to the Trustee for deposit in the Note Fund in the amount of the applicable Note Deposit Requirement on each Note Deposit Requirement Date, to the extent such deposits are not otherwise made by the City.

The City also maintains accounts at a number of other banking institutions in the City for the direct deposit of its Realty Transfer Tax Receipts, certain other items of General Fund Receipts, Grant Fund funding, and other miscellaneous revenues of other member funds that are pooled in the City's Consolidated Cash Account. The above mentioned Concentration Account is included in the pool of funds that make up the City's Consolidated Cash Account.

Remedies of Noteholders

Pursuant to the Act and the Loan Authorization, upon the filing of required financing statements, the Trustee will be entitled to exercise on behalf of the Noteholders all rights and remedies available to secured parties under the Pennsylvania Uniform Commercial Code.

The Act further grants the Trustee the right on behalf of the Noteholders to enforce the pledge of, security interest in, and lien and charge on, the pledged taxes and revenues of the City against all governmental agencies in possession of any such taxes and revenues at any time, which taxes and revenues may be collected directly from such officials upon notice by the Trustee for application to the payment of the Notes as and when due or for deposit in the Note Fund at the times and in the amounts specified in the Notes. The Trust Agreement requires the Trustee to enforce the pledge granted to secure the Notes in the manner described in the preceding sentence without further direction from the Noteholders, in the event the City fails to make any scheduled deposit into the Note Fund at the times prescribed in the Trust Agreement.

In addition, the Act grants to Noteholders the right, if the City fails to pay principal of or interest on the Notes when due, and such failure continues for thirty (30) days, to recover the amount due by action in the Court of Common Pleas. The judgment recovered will have an appropriate priority upon the moneys next coming into the treasury of the City. Pursuant to the Trust Agreement, this right will be enforced on behalf of Noteholders by the Trustee.

The Act also provides the following remedies to holders of the Notes which, pursuant to the Loan Authorization and Trust Agreement, will be exercised by the Trustee on behalf of Noteholders:

(i) By mandamus, suit, action or proceeding at law or in equity, to compel the City, the Loan Committee and the members thereof, and the officers, agents or employees of the City to perform each and every term, provision and covenant contained in the Notes, the Loan Authorization and the Trust Agreement, and to require the carrying out of any or all such covenants and agreements of the City and the fulfillment of all duties imposed on the City by the Act;

(ii) By proceeding in equity, to obtain an injunction against any acts or things which may be unlawful or the violation of any of the rights of the holders of Notes; and

(iii) To require the City to account as if it were the trustee of an express trust for the holders of the Notes for any pledged taxes or revenues received.

The Trust Agreement provides that the Trustee is not required to exercise any of the foregoing remedies (other than enforcing the pledge of, security interest in, and lien and charge on, the pledged revenues from Commonwealth and local public officers) unless the Trustee receives (i) written direction from the registered owners of at least a majority in principal amount of the Notes then outstanding, and (ii) indemnity satisfactory to it against its fees, costs, expenses, and liabilities. If the Trustee receives such written direction and indemnity and declines to take the action specified within a reasonable period of time, registered owners may proceed to enforce the remedies granted under the Act directly against the City.

Limitation of Remedies

The rights and remedies of Noteholders with respect to the City's obligations under the Notes could be significantly affected by the provisions of Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Chapter 9 permits, under prescribed circumstances (and only after an authorization by the applicable state legislature or by a governmental office or organization empowered by state law to give such authorization), a "municipality" of a state to file a petition for relief in a bankruptcy court of the United States if it is insolvent or unable to meet its debts as they mature, and it desires to effect a plan to adjust its debt. Chapter 9 defines "municipality" as a "political subdivision or public agency or instrumentality of a State." Thus, for purposes of Chapter 9, except as may be limited by state law, the City would be considered a "municipality."

Notwithstanding the foregoing, the Act prohibits the City from filing a petition for relief under Chapter 9 so long as PICA has outstanding any bonds issued pursuant thereto. As of June 30, 2017, the principal amount of PICA bonds outstanding is $213,945,000, and the final maturity date of such bonds is June 15, 2023, which is approximately five years after the maturity date of the Notes.

The rights and remedies of Noteholders could be limited by other reorganization and insolvency proceedings, and general principles of equity (whether asserted in a proceeding at law or in equity).

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CITY CASH MANAGEMENT AND INVESTMENT POLICIES

General Fund Cash Flow

Because the receipt of revenues into the General Fund generally lags behind expenditures from the General Fund during each Fiscal Year, the City issues notes in anticipation of General Fund revenues, such as the Notes, and makes payments from the Consolidated Cash Account (described below) to finance its on-going operations. The City has issued, or PICA has issued on behalf of the City, tax and revenue anticipation notes in each Fiscal Year since Fiscal Year 1972. Each issue was repaid when due, prior to the end of the respective Fiscal Year. The City issued $175 million of tax and revenue anticipation notes on October 19, 2016, which matured and were paid in full on June 30, 2017.

The timing imbalance referred to above results from a number of factors, principally the following: (i) real property taxes, business income and receipts taxes, and certain other taxes are not due until the latter part of the Fiscal Year; and (ii) the City experiences lags in reimbursement from other governmental entities for expenditures initially made by the City in connection with programs funded by other governments.

Table 1 shows information related to the City's tax and revenue anticipation notes issued in Fiscal Years 2013-2017.

Table 1
City of Philadelphia
Notes Issued in Anticipation of Receipt of Income by General Fund
Fiscal Years 2013-2017
(Amounts in millions)

	2013	2014	2015	2016	2017
Total Authorized Tax and Revenue Anticipation Notes[1]	$127.00	$100.00	$130.00	$175.00	$175.00
Maximum Amount Outstanding at any time during Fiscal Year	$127.00	$100.00	$130.00	$175.00	$175.00
Amount Outstanding at end of Fiscal Year	$0.00	$0.00	$0.00	$0.00	$0.00
Maximum Amount Outstanding as a Percentage of General Fund Revenues	3.43%	2.63%	3.46%	4.39%	4.23%[2]

(1) Amount represents General Fund borrowing.
(2) Percentage based on estimated General Fund revenues in the Revised Twenty-Sixth Five-Year Plan (as defined in APPENDIX A hereto).

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Consolidated Cash

The Act of the General Assembly of the Commonwealth of June 25, 1919 (Pa. P.L. 581, No. 274, Art. XVII, § 6) authorizes the City to make temporary inter-fund loans between certain operating and capital funds. The City maintains a Consolidated Cash Account for the purpose of pooling the cash and investments of all City funds, except those which, for legal or contractual reasons, cannot be commingled (e.g., the Municipal Pension Fund, sinking funds, sinking fund reserves, funds of the Philadelphia Gas Works, the Aviation Fund, the Water Fund, and certain other restricted purpose funds). A separate accounting is maintained to record the equity of each member fund that participates in the Consolidated Cash Account. For more information on the City's management of the Consolidated Cash Account, see APPENDIX A – "CITY CASH MANAGEMENT AND INVESTMENT POLICIES – Consolidated Cash."

Investment Practices

Cash balances in each of the City's funds are managed to maintain daily liquidity to pay expenses, and to make investments that preserve principal while striving to obtain the maximum rate of return. Pursuant to the City Charter, the City Treasurer is the City official responsible for managing cash collected into the City Treasury. The available cash balances in excess of daily expenses are placed in demand accounts, swept into money market mutual funds, or used to make investments directed by professional investment managers. These investments are held in segregated trust accounts at a separate financial institution. Cash balances related to revenue bonds for water and sewer and the airport are directly deposited and held separately in trust. A fiscal agent manages these cash balances in accordance with the applicable bond documents and the investment practice is guided by administrative direction of the City Treasurer per the Investment Committee and the Investment Policy (as described below). In addition, certain operating cash deposits (such as Community Behavioral Health, Special Gas/County Liquid and "911" surcharge) of the City are restricted by purpose and required to be segregated into accounts in compliance with federal or Commonwealth reporting. Investment guidelines for the City are embodied in § 19-202 of the Philadelphia Code. For more information on the City's investment guidelines and policies, see APPENDIX A – "CITY CASH MANAGEMENT AND INVESTMENT POLICIES – Investment Practices."

Cash Flow Projections

Tables 2-5 set forth the City's projected cash flow results for Fiscal Years 2017 and 2018, which include projections as of June 30, 2017. Tables 2-5 were prepared by the City's Office of the Director of Finance, and for purposes of the projections include adjustments made by that office to take into account revenues anticipated to be received and expenses scheduled to be paid or anticipated to be paid. As such, at any point in time there may be a difference between actual operating cash on deposit and investments and what the tables reflect as "Total Fund Equity." For example, Table 3 shows a projected Total Fund Equity as of June 30, 2017 of $375.9 million, while the City's Treasury Operations show a bank balance on June 30, 2017, of approximately $227.3 million and an investment balance of approximately $217.0 million, for an aggregate of approximately $444.3 million. In the context of how accurately these numbers reflect the overall financial position of the City, the City does not believe that these differences are material.

Table 2
Fiscal Year 2017 Cash Flows – Projections – General Fund

Office of the Director of Finance
Projections as of June 30, 2017

	Amounts in Millions															
	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	March 31	April 30	May 31	June 30	Total	Accrued	Not Accrued	Estimated Revenues
REVENUES																
Real Estate Tax	7.8	9.5	6.1	7.0	7.3	14.4	48.9	281.2	160.9	23.4	14.9	10.0	591.3	(8.2)		583.1
Total Wage, Earnings, Net Profits	109.9	131.7	110.1	125.7	114.5	96.7	157.2	107.9	133.1	142.2	129.3	113.2	1,471.6	(21.6)		1,450.0
Realty Transfer Tax	25.6	19.0	17.8	22.8	16.8	20.0	19.5	14.2	21.0	17.8	24.1	23.3	241.8	(8.9)		232.9
Sales Tax	25.1	27.3	11.7	11.8	13.8	11.9	11.3	15.2	11.4	11.1	13.6	19.2	183.3	3.3		186.6
Business Income & Receipts Tax	1.9	5.9	11.6	16.2	4.0	14.5	12.7	0.2	55.8	281.6	45.4	8.2	458.0	(22.9)		435.1
Beverage Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.9	6.2	7.0	6.5	6.9	32.5	7.2		39.7
Other Taxes	9.9	12.7	9.2	10.2	9.7	9.5	9.8	8.9	9.7	12.0	8.8	9.1	119.4	1.8		121.2
Locally Generated Non-tax	25.0	28.0	23.5	21.7	28.7	21.2	28.9	22.5	31.5	22.8	32.7	21.8	308.2	(3.1)		305.1
Total Other Governments	11.9	57.3	78.7	62.8	7.5	6.5	12.0	12.6	14.3	13.5	14.5	14.7	306.3	8.0		314.2
Total PICA Other Governments	29.7	33.8	31.8	17.8	31.3	39.0	31.8	25.5	50.3	40.7	40.4	13.3	385.4	9.3		394.7
Interfund Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	28.1	28.1		47.3	75.4
Total Current Revenue	246.7	325.1	300.5	296.0	233.6	233.8	332.1	494.0	494.0	572.1	330.3	267.8	4,126.0	(35.1)	47.3	4,138.2
Collection of prior year(s) revenue	24.7	0.0	0.0	5.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	30.0			
Other fund balance adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-			
TOTAL CASH RECEIPTS	271.4	325.1	300.5	301.3	233.7	233.8	332.1	494.0	494.0	572.1	330.3	267.8	4,156.1			
	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	March 31	April 30	May 31	June 30	Total	Vouchers Payable	Encum-brances	Estimated Obligations
EXPENSES AND OBLIGATIONS																
Payroll	72.3	178.4	118.0	122.1	127.0	120.8	120.8	103.8	160.1	119.3	132.1	115.9	1,490.6	96.7	3.5	1,590.8
Employee Benefits	57.1	43.5	53.1	47.0	43.3	42.4	46.1	48.8	50.5	50.3	49.1	57.0	588.2	18.9	0.5	607.6
Pension	3.7	(7.8)	4.5	60.4	(6.3)	(2.5)	(7.0)	(3.1)	475.6	113.1	(2.0)	(2.5)	626.0	25.0		651.0
Purchase of Services	38.2	34.9	64.9	97.6	46.0	76.9	57.8	42.3	73.6	67.3	83.7	51.6	734.9	24.3	128.2	887.5
Materials, Equipment	3.1	2.5	8.1	6.0	5.8	4.7	6.9	4.7	6.0	5.3	5.4	6.1	64.4	4.5	40.2	109.1
Contributions, Indemnities	13.9	2.3	11.9	6.2	2.0	14.1	7.7	2.8	10.4	4.8	107.5	2.7	186.4	3.1		189.4
Debt Service-Short Term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	2.5	0.0	2.8	1.7		4.5
Debt Service-Long Term	92.3	0.5	0.0	0.0	13.2	8.5	22.9	0.5	0.0	0.0	0.4	0.0	138.4	11.1		149.5
Interfund Charges	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.5	0.0	0.0	1.0	31.3		32.3
Advances & Misc. Pmts. / Labor Obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
Current Year Appropriation	280.6	254.6	260.6	339.3	231.0	264.8	255.2	199.9	776.1	361.0	378.8	230.8	3,832.7	216.5	172.4	4,221.6
Prior Yr. Expenditures against Encumbrances	32.6	22.7	10.8	5.0	2.9	2.9	2.8	10.6	1.4	4.5	1.7	1.0	98.8			
Prior Yr. Salaries & Vouchers Payable	63.3	(11.1)	57.6	21.7	(1.8)	10.4	(21.5)	14.1	7.6	(15.9)	(123.3)	136.7	137.8			
TOTAL DISBURSEMENTS	376.5	266.2	329.0	366.0	232.1	278.2	236.5	224.7	785.1	349.6	257.1	368.5	4,069.3			
Excess (Def) of Receipts over Disbursements	(105.1)	58.9	(28.5)	(64.6)	1.6	(44.4)	95.6	269.3	(291.1)	222.6	73.2	(100.7)				
Opening Balance	447.2	342.1	401.0	372.5	482.9	484.4	440.0	535.6	804.9	513.8	736.4	634.6				
TRAN	0.0	0.0	0.0	175.0	0.0	0.0	0.0	0.0	0.0	0.0	(175.0)	0.0				
CLOSING BALANCE	342.1	401.0	372.5	482.9	484.4	440.0	535.6	804.9	513.8	736.4	634.6	533.9				

Table 3
Fiscal Year 2017 Cash Flows – Projections – Consolidated Cash – All Funds

Office of the Director of Finance
Projection as of June 30, 2017

Amounts in Millions

	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	March 31	April 30	May 31	June 30
General	342.1	401.0	372.5	482.9	484.4	440.0	535.6	804.9	513.8	736.4	634.6	533.9
Grants Revenue	(123.7)	(63.2)	(55.9)	(116.6)	(180.8)	(271.3)	(246.3)	(299.3)	(367.9)	(353.6)	(310.4)	(246.2)
Community Development	(4.1)	(3.4)	(4.7)	(1.6)	(4.4)	(5.4)	(5.3)	(8.3)	(2.2)	2.6	5.4	(10.1)
Vehicle Rental Tax	6.4	7.0	1.6	2.1	2.6	3.0	3.4	3.7	4.1	4.5	4.9	5.4
Hospital Assessment Fund	11.2	26.5	34.0	12.6	12.5	15.1	14.3	13.5	20.0	13.7	41.3	14.1
Housing Trust Fund	25.9	26.8	27.7	28.7	29.4	30.1	30.0	30.3	30.7	31.0	31.9	31.0
Other Funds	8.7	9.0	7.8	7.9	7.9	7.6	7.5	7.5	7.0	7.2	7.1	7.8
TOTAL OPERATING FUNDS	266.5	403.7	383.1	416.0	351.6	219.1	339.0	552.4	205.5	441.7	414.7	336.0
Capital Improvement	114.2	114.6	105.2	98.5	89.6	78.6	71.0	61.5	54.4	51.3	41.8	30.3
Industrial & Commercial Dev.	5.1	5.1	5.4	5.4	5.4	5.4	5.4	5.4	9.6	9.6	9.6	9.6
TOTAL CAPITAL FUNDS	119.3	119.7	110.7	104.0	95.0	84.0	76.4	66.9	64.0	60.9	51.4	39.9
TOTAL FUND EQUITY	385.8	523.4	493.7	520.0	446.7	303.1	415.5	619.3	269.6	502.6	466.2	375.9

Table 4
Fiscal Year 2018 Cash Flows – Projections – General Fund

Office of the Director of Finance
Projections as of September 30, 2017

Amounts in Millions

	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	March 31	April 30	May 31	June 30	Total	Accrued	Not Accrued	Estimated Revenues
REVENUES																
Real Estate Tax	9.2	8.5	6.5	6.0	7.7	15.3	53.1	371.5	123.5	29.0	12.7	8.4	651.5			651.5
Total Wage, Earnings, Net Profits	137.7	114.0	115.3	134.3	119.7	110.7	150.2	117.9	131.2	153.4	124.8	113.0	1,522.3			1,522.3
Realty Transfer Tax	38.3	29.0	20.8	27.5	17.2	17.9	16.9	13.1	18.9	19.5	19.0	21.3	259.6	(4.0)		255.6
Sales Tax	28.6	29.0	12.0	11.9	14.6	13.1	13.5	15.8	12.4	12.2	14.6	18.4	195.9	2.2		198.1
Business Income & Receipts Tax	6.9	6.9	16.4	14.9	2.6	8.3	13.1	6.2	53.2	248.0	67.3	8.3	452.2			452.2
Beverage Tax	6.9	6.5	6.7	7.6	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	91.3	1.1		92.4
Other Taxes	10.2	9.5	12.2	10.3	9.8	9.3	9.2	11.3	7.8	15.4	10.6	9.5	125.0			125.0
Locally Generated Non-tax	24.3	29.4	21.4	30.7	21.6	20.5	25.3	24.6	28.3	23.0	27.3	26.4	302.9			302.9
Total Other Governments	22.9	52.3	77.9	59.9	17.5	6.4	6.8	13.3	13.5	9.5	11.9	15.0	307.0	9.7		316.6
Total PICA Other Governments	25.8	37.2	29.7	17.2	38.4	41.0	33.8	27.5	52.3	42.7	42.4	39.7	427.6	0.0		427.6
Interfund Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	30.5	30.5		33.7	64.2
Total Current Revenue	310.7	322.5	318.8	320.3	257.2	250.6	329.7	609.2	449.1	560.7	338.6	298.4	4,365.8	9.0	33.7	4,408.4
Collection of prior year(s) revenue	40.9	0.2	12.5	(2.8)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50.8			
Other fund balance adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-			
TOTAL CASH RECEIPTS	351.6	322.6	331.4	317.6	257.2	250.6	329.7	609.2	449.1	560.7	338.6	298.4	4,416.6			

	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	March 31	April 30	May 31	June 30	Total	Vouchers Payable	Encum-brances	Estimated Obligations
EXPENSES AND OBLIGATIONS																
Payroll	69.7	172.3	133.4	127.2	135.9	124.4	124.4	124.4	173.5	124.4	136.0	128.2	1,573.9	73.7	3.5	1,651.1
Employee Benefits	45.8	36.2	65.6	33.7	53.1	48.5	48.5	48.5	67.9	48.5	53.1	50.0	599.4	16.1	0.5	616.0
Pension	3.7	(6.5)	4.8	64.2	(6.3)	(2.5)	(7.0)	(5.6)	511.9	95.0	(3.1)	(2.6)	646.0	34.3		680.2
Purchase of Services	42.6	50.8	76.3	89.1	83.3	67.1	60.0	63.5	79.5	80.5	59.9	78.6	831.2	23.8	81.8	936.8
Materials, Equipment	3.0	3.8	8.5	6.8	9.1	7.6	7.8	6.8	7.8	9.0	8.6	8.9	87.7	4.0	16.2	108.0
Contributions, Indemnities	14.3	5.0	10.2	8.8	9.8	3.3	4.4	5.5	11.9	5.7	106.5	10.6	196.0			196.0
Debt Service-Short Term	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0	5.3			5.3
Debt Service-Long Term	96.1	0.5	0.0	0.6	0.0	13.2	8.3	21.3	0.5	0.0	0.0	11.4	152.1			152.1
Interfund Charges	0.4	0.0	0.0	0.0	0.0	1.4	0.1	1.8	0.0	0.1	0.9	5.9	10.5	25.6		36.0
Advances & Misc. Pmts. / Labor Obligations	0.0	0.0	0.0	0.0	0.0	7.3	7.3	7.3	7.3	7.3	7.3	7.3	50.9			50.9
Current Year Appropriation	275.5	262.2	298.9	330.4	284.9	270.2	253.8	273.5	860.3	370.6	369.2	303.3	4,152.9	177.5	102.0	4,432.4
Prior Yr. Expenditures against Encumbrances	38.3	25.3	19.3	9.0	7.1	4.2	9.6	6.4	5.9	2.7	1.0	2.0	130.9			
Prior Yr. Salaries & Vouchers Payable	77.4	(24.5)	(9.5)	89.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	133.3			
TOTAL DISBURSEMENTS	391.2	263.0	308.8	429.2	292.1	274.4	263.4	279.9	866.2	373.3	370.2	305.3	4,417.1			
Excess (Def) of Receipts over Disbursements	(39.6)	59.6	22.6	(111.7)	(34.8)	(23.8)	66.3	329.3	(417.2)	187.3	(31.6)	(6.9)				
Opening Balance	533.9	494.3	553.9	576.5	464.8	555.0	531.2	597.5	926.7	509.6	696.9	540.3				
TRAN	0.0	0.0	0.0	0.0	125.0	0.0	0.0	0.0	0.0	0.0	(125.0)	0.0				
CLOSING BALANCE	494.3	553.9	576.5	464.8	555.0	531.2	597.5	926.7	509.6	696.9	540.3	533.4				

Table 5
Fiscal Year 2018 Cash Flows – Projections – Consolidated Cash – All Funds

Office of the Director of Finance
Projection as of September 30, 2017

Amounts in Millions

	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	March 31	April 30	May 31	June 30
General	494.3	553.9	576.5	464.8	555.0	531.2	597.5	926.7	509.6	696.9	540.3	533.4
Grants Revenue	(58.0)	83.0	20.0	16.1	(154.5)	(213.8)	(179.6)	(199.8)	(227.4)	(236.8)	(212.1)	(119.4)
Community Development	(16.9)	(15.1)	(11.7)	(11.8)	(4.6)	(3.5)	(5.8)	(4.6)	(6.8)	(3.4)	(3.0)	(6.1)
Vehicle Rental Tax	6.0	6.6	1.2	1.6	4.2	4.6	5.0	5.4	4.8	5.3	5.7	6.2
Hospital Assessment Fund	13.8	13.6	23.1	14.7	10.5	16.1	10.8	8.8	23.2	9.4	27.1	15.4
Housing Trust Fund	32.0	33.3	33.8	33.9	20.8	21.9	20.8	18.9	18.6	18.4	18.5	17.7
Other Funds	8.7	9.0	7.8	7.9	7.3	7.1	7.0	7.4	7.6	7.4	7.2	7.2
TOTAL OPERATING FUNDS	480.0	684.3	650.7	527.4	438.7	363.6	455.8	762.9	329.7	497.2	383.8	454.4
Capital Improvement	28.4	297.8	279.8	267.5	252.0	240.5	225.0	209.5	198.0	186.5	171.0	159.5
Industrial & Commercial Dev.	9.8	9.8	9.8	9.8	4.6	4.6	4.6	4.6	4.6	4.4	4.4	4.3
TOTAL CAPITAL FUNDS	38.1	307.6	289.5	277.3	256.5	245.0	229.5	214.0	202.5	190.9	175.4	163.8
TOTAL FUND EQUITY	518.1	992.0	940.2	804.7	695.3	608.6	685.3	977.0	532.2	688.1	559.2	618.2

TAX MATTERS

Federal

Co-Bond Counsel will deliver, concurrently with the issuance of the Notes, their opinions to the effect that under existing statutes, regulations, rulings and court decisions, interest on the Notes is excluded from gross income for federal income tax purposes. Interest paid on the Notes will not be a specific preference item for purposes of calculating individual or corporate alternative minimum taxable income; however, interest on the Notes is included in the adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed on corporations. In addition, interest on the Notes may be included in a foreign corporation's effectively connected earnings and profits upon which certain foreign corporations are required to pay the foreign branch profits tax imposed under Section 884 of the Internal Revenue Code of 1986, as amended (the "Code").

The Notes have been offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Note through reductions in the holder's tax basis for the Note for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Note rather than creating a deductible expense or loss. Prospective purchasers of the Notes should consult their tax advisers for an explanation of the treatment of original issue premium.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. Ongoing requirements include, among other things, the provisions of Section 148 of the Code which prescribe yield and other limits within which the proceeds of the Notes are to be invested and which may require that certain excess earnings on investments made with the proceeds of the Notes be rebated on a periodic basis to the United States. The City has made certain representations and undertaken certain agreements and covenants in the Loan Authorization and its certificate of non-arbitrage and other federal tax matters to be delivered concurrently with the issuance of the Notes designed to ensure compliance with the applicable provisions of the Code. The inaccuracy of these representations or the failure on the part of the City to comply with such covenants and agreements could result in the interest on the Notes being included in the gross income of a holder for federal income tax purposes, in certain cases retroactive to the date of original issuance of the Notes.

The opinions of Co-Bond Counsel assume the accuracy of these representations and the future compliance by the City with its covenants and agreements. Moreover, Co-Bond Counsel have not undertaken to evaluate, determine or inform any person, including any holder of the Notes, whether any actions taken or not taken, events occurring or not occurring, or other matters that might come to the attention of Co-Bond Counsel would adversely affect the value of, or tax status of the interest on, the Notes.

Ownership of the Notes may result in collateral federal tax consequences to certain taxpayers, including, without limitation, financial institutions, S corporations with excess net passive income, property and casualty companies, individual recipients of social security or railroad retirement benefits and taxpayers who may be deemed to have incurred indebtedness to purchase or carry the Notes. Co-Bond Counsel will express no opinion with respect to these or any other collateral tax consequences of the ownership of the Notes. The nature and extent of the tax benefit to a taxpayer of ownership of the Notes will generally depend upon the particular nature of such taxpayer or such taxpayer's own particular circumstances, including other items of income or deduction. Accordingly, prospective purchasers of the Notes should consult their tax advisers.

There can be no assurance that currently existing or future legislative proposals by the United States Congress limiting or further qualifying the excludability of interest on tax exempt obligations from gross income for federal tax purposes, or changes in federal tax policy generally, will not adversely affect the tax status of the interest on, or the market for, the Notes.

As of date of this Official Statement, legislation has been introduced in the United States Congress which, if enacted, would, among other things, significantly change the federal income tax rates for individuals and corporations, eliminate private activity bonds (including qualified 501(c)(3) bonds), repeal the alternative minimum tax and eliminate advance refundings of tax-exempt bonds for tax years beginning after December 31, 2017. These proposals, if passed and signed by the President of the United States, may increase, reduce or otherwise change the financial benefits currently provided to certain owners of state and local government bonds, including the Notes. There can be no assurance that this introduced legislation will be adopted, and if adopted, which parts of the proposal will be incorporated into final law, and if adopted after December 31, 2017, will not have retroactive effect.

Pennsylvania

Co-Bond Counsel will also each deliver an opinion to the effect that under existing law as enacted and construed on the date of such opinion, the Notes are exempt from personal property taxes in Pennsylvania, and interest on the Notes is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. However, under the laws of the Commonwealth as presently enacted and construed, any profits, gains or income derived from the sale, exchange or other disposition of the Notes will be subject to Pennsylvania taxes within Pennsylvania.

The Notes and the interest thereon may be subject to state or local taxes in jurisdictions other than the Commonwealth under applicable state or local tax laws.

PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSULT THEIR TAX ADVISERS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL INCOME TAX CONSEQUENCES OF OWNERSHIP OF THE NOTES AND ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED TAX LEGISLATION.

NO LITIGATION

Upon delivery of the Notes, the City of Philadelphia Law Department will furnish an opinion, in form satisfactory to Co-Bond Counsel and to the Underwriters, to the effect, among other things, that, except for litigation which in the opinion of the City of Philadelphia Law Department is without merit and except as disclosed in this Official Statement (including in "LITIGATION" in APPENDIX A hereto and in Note 8 to the Fiscal Year 2016 CAFR, "Contingencies – Primary Government – Claims and Litigation in APPENDIX B hereto), (i) there is no litigation or other legal proceeding pending in any court or, to the best of its knowledge, threatened in writing to restrain or enjoin the issuance or delivery of the Notes or challenging the validity of the proceedings of the City with respect to the authorization, issuance, sale and provision for payment of the Notes or in any way contesting the validity or enforceability of the Notes, and (ii) there is no litigation or other legal proceeding pending in any court, or to the best of its knowledge, threatened, which can reasonably be anticipated to result in a final unfavorable decision in a magnitude or scope which would materially and adversely affect the financial condition or operations of the City as a whole.

RATINGS

Moody's Investors Service, Inc. and Standard & Poor's Ratings Services have assigned the Notes ratings of "MIG 1" and "SP-1+", respectively.

Such credit ratings reflect only the views of such credit rating agencies. An explanation of the significance of any such credit rating may be obtained from the applicable credit rating agency.

A rating is not a recommendation to buy, sell or hold securities. There is no assurance that any such credit rating will continue for any given period of time or that it will not be revised or withdrawn entirely by such credit rating agency if, in its judgment, circumstances so warrant. Neither the City nor the Underwriters have undertaken any responsibility to assure the maintenance of the rating. The City has agreed, in the Continuing Disclosure Agreement, to report actual rating changes on the Notes. See "CONTINUING DISCLOSURE UNDERTAKING" herein and APPENDIX D. Any downward change in or withdrawal of such credit rating may have an adverse effect on the marketability or market price of the Notes.

CERTAIN LEGAL MATTERS

The authorization, issuance, and sale of the Notes are subject to approval as to legality by Dilworth Paxson LLP, Philadelphia, Pennsylvania, and Ahmad Zaffarese LLC, Philadelphia, Pennsylvania, Co-Bond Counsel. The proposed form of opinion of Co-Bond Counsel is included herein as APPENDIX C. Certain legal matters will be passed upon for the City by the City of Philadelphia Law Department, and for the Underwriters by their counsel, Saul Ewing Arnstein & Lehr LLP, Philadelphia, Pennsylvania. Hawkins Delafield & Wood LLP and the Law Office of Ann C. Lebowitz, Philadelphia, Pennsylvania, Co-Disclosure Counsel to the City, will deliver opinions to the City and the Underwriters regarding certain matters.

UNDERWRITING

The Notes are being purchased by the Underwriters identified on the cover page hereof. The Underwriters have agreed, subject to certain terms and conditions, to purchase the Notes from the City at an aggregate purchase price of $125,359,664.74, which is equal to the principal amount of the Notes in the amount of $125,000,000.00, plus original issue premium on the Notes of $473,750.00, less an Underwriters' discount of $114,085.26.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed and may in the future perform, various investment or commercial banking services for the City for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

TD Securities (USA) LLC has entered into a negotiated dealer agreement (the "Dealer Agreement") with TD Ameritrade for the retail distribution of certain securities offerings, including the Notes, at the original price. Pursuant to the Dealer Agreement, TD Ameritrade may purchase the Notes from TD Securities (USA) LLC at the original issue prices less a negotiated portion of the selling concession applicable to any of the Notes that TD Ameritrade sells.

FINANCIAL ADVISORS

PFM Financial Advisors LLC, Philadelphia, Pennsylvania, and Phoenix Capital Partners, LLP, Philadelphia, Pennsylvania, are acting as co-financial advisors (together, the "Financial Advisors") to the City in connection with the issuance of the Notes. The Financial Advisors have assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Notes. They have received and reviewed but have not independently verified information in this Official Statement for accuracy or completeness (except, as to each Financial Advisor, the information in this section). Investors should not draw any conclusions as to the suitability of the Notes from, or base any investment decisions upon, the fact that the Financial Advisors have advised the City with respect to the Notes. The Financial Advisors' fees for this issue are contingent upon the sale and issuance of the Notes.

The Financial Advisors are financial advisory and consulting organizations and not organizations engaged in the business of underwriting, marketing or trading of municipal securities or any other negotiable instruments.

CONTINUING DISCLOSURE UNDERTAKING

In order to assist the Underwriters in complying with the requirements of Rule l5c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the City (i) will enter into a Continuing Disclosure Agreement with Digital Assurance Certification, L.L.C., as dissemination agent for the benefit of the Registered Owners (as defined in such agreement) of the Notes, to be dated the date of original delivery of and payment for the Notes, the form of which is annexed hereto as APPENDIX D, and (ii) has provided the disclosure in the following paragraphs.

During the previous five years, the City has failed on occasion to timely file event notices related to certain changes to enhanced ratings assigned to bonds issued by or on behalf of the City (related to changes to the credit quality of banks providing credit and liquidity enhancement or support for certain variable rate bonds). In one other instance, the City timely filed notice of a rating change, but did not associate the notice with all specific relevant outstanding obligations and filed the notice through incorporation by reference of information in an offering document. The foregoing description of instances of non-compliance by the City with its continuing disclosure undertakings should not be construed as an acknowledgement by the City that any such instance was material.

In connection with the continuing disclosure annual filing for the City's Gas Works Revenue Bonds (the "Gas Works Revenue Bonds") that was made in February 2016, certain annual financial information that should have been included was not filed until August 2016. The late-filed information was required by a continuing disclosure agreement that had been entered into in connection with the Gas Works Revenue Bonds, Thirteenth Series (1998 General Ordinance) that were issued in August 2015. The information that the City filed in February 2016 satisfied all prior continuing disclosure agreements relating to its other Gas Works Revenue Bonds.

The City has reviewed and updated its disclosure policies and procedures to assist the City in complying with its continuing disclosure undertakings in the future.

MISCELLANEOUS

This Official Statement is made available only in connection with the sale of the Notes and may not be used in whole or in part for any other purpose. This Official Statement is not to be construed as a contract or agreement between the City, the Underwriters and the purchasers or owners of any of the Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. No representation is made that any of the opinions or estimates will be realized. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there is no change in the affairs of the City since the date hereof.

The attached Appendices are integral parts of this Official Statement and should be read in their entirety together with the foregoing statements.

The City makes no representations or warranties to investors as to the accuracy or timeliness of any other information available on the City's Investor Website or any other website maintained by the City, nor any hyperlinks referenced therein.

The City has authorized the execution and distribution of this Official Statement.

THE CITY OF PHILADELPHIA

By: /s/ Rob Dubow
Name: Rob Dubow
Title: Director of Finance

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APPENDIX A

GOVERNMENT AND FINANCIAL INFORMATION

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THE GOVERNMENT OF THE CITY OF PHILADELPHIA

Introduction

The City of Philadelphia (the "City" or "Philadelphia") is located along the southeastern border of the Commonwealth of Pennsylvania (the "Commonwealth" or "Pennsylvania"). The City is the largest city in the Commonwealth and the sixth largest city in the United States with approximately 1.57 million residents (based on 2016 estimates). The City is also the center of the United States' seventh largest metropolitan statistical area, which is an 11-county area encompassing the City, Camden, NJ, and Wilmington, DE and represents approximately 6.07 million residents (based on 2016 estimates).

The City benefits from its strategic geographical location, relative affordability, cultural and recreational amenities, and its growing strength in key industries. The City is a business and personal services center with strengths in professional services, such as insurance, law, finance, healthcare and higher education, and leisure and hospitality. The cost of living in the City is relatively moderate compared to other major metropolitan areas in the northeast United States. In addition, the City, as one of the country's education centers, offers the business community a large and diverse labor pool.

The University of Pennsylvania, Temple University, Drexel University, St. Joseph's University, La Salle University, and Community College of Philadelphia are certain of the well-known institutions of higher education located in the City. There are also a number of other well-known colleges and universities located near the City, notably including Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University, among others.

The City is a center for health, education, research and science facilities. In the City, there are more than 30 hospitals, including the Children's Hospital of Philadelphia, Hospital of the University of Pennsylvania, Hahnemann University Hospital, Einstein Medical Center-Philadelphia, and Temple University Hospital, among others, and schools of medicine, dentistry, pharmacy, optometry, podiatry, and veterinary medicine.

Tourism is important to the City and is driven by the City's extraordinary historic and cultural assets. The City's Historic District includes Independence Hall, the Liberty Bell, Carpenters' Hall, the Betsy Ross House, and Elfreth's Alley, the nation's oldest residential street. The Parkway District includes the Philadelphia Museum of Art, the Barnes Foundation, and the Rodin Museum. The Avenue of the Arts, located along a mile-long section of South Broad Street between City Hall and Washington Avenue, includes the Kimmel Center, the Academy of Music, and other performing arts venues. All of the foregoing are key tourist attractions in the City.

History and Organization

The City was incorporated in 1789 by an Act of the General Assembly of the Commonwealth (the "General Assembly") (predecessors of the City under charters granted by William Penn in his capacity as proprietor of the colony of Pennsylvania may date to as early as 1682). In 1854, the General Assembly, by an act commonly referred to as the Consolidation Act: (i) made the City's boundaries coterminous with the boundaries of Philadelphia County (the same boundaries that exist today) (the "County"); (ii) abolished all governments within these boundaries other than the City and the County; and (iii) consolidated the legislative functions of the City and the County. Article 9, Section 13 of the Pennsylvania Constitution abolished all county offices in the City, provides that the City performs all functions of county government, and states that laws applicable to counties apply to the City.

Since 1952, the City has been governed under a Home Rule Charter authorized by the General Assembly (First Class City Home Rule Act, Act of April 21, 1949, P.L. 665, Section 17) and adopted by the voters of the City (as amended and supplemented, the "City Charter"). The City Charter provides, among other things, for the election, organization, powers and duties of the legislative branch (the "City Council") and the executive and administrative branch, as well as the basic rules governing the City's fiscal and budgetary matters, contracts, procurement, property, and records. Under Article XII of the City Charter, the School District of Philadelphia (the "School District") operates as a separate and independent home rule school district. Certain other constitutional provisions and Commonwealth statutes continue to govern various aspects of the City's affairs, notwithstanding the broad grant of powers of local self-government in relation to municipal functions set forth in the First Class City Home Rule Act.

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.

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

Elected and Appointed Officials

The Mayor is elected for a term of four years and is eligible to be elected for no more than two successive terms. Each of the seventeen members of City Council is also elected for a four-year term, which runs concurrently with that of the Mayor. There is no limitation on the number of terms that may be served by members of City Council. Of the members of City Council, ten are elected from districts and seven are elected at-large. No more than five of the seven at-large candidates for City Council may be nominated by any one party or political body. The District Attorney and the City Controller are elected at the mid-point of the terms of the Mayor and City Council.

The City Controller's responsibilities derive from the City Charter, various City ordinances and state and federal statutes, and contractual arrangements with auditees. The City Controller must follow Generally Accepted Government Auditing Standards, established by the federal Government Accountability Office (formerly known as the General Accounting Office), and Generally Accepted Auditing Standards, promulgated by the American Institute of Certified Public Accountants.

The City Controller post-audits and reports on the City's and the School District's Comprehensive Annual Financial Reports ("CAFRs"), federal assistance received by the City, and the performance of City departments. The City Controller also conducts a pre-audit program of City expenditure documents required to be submitted for approval, such as invoices, payment vouchers, purchase orders and contracts. Documents are selected for audit by category and statistical basis. The Pre-Audit Division verifies that expenditures are authorized and accurate in accordance with the City Charter and other pertinent legal and contractual requirements before any moneys are paid by the City Treasurer. The Pre-Audit Technical Unit, consisting of auditing and engineering staff, inspects and audits capital project design, construction and related expenditures. Other responsibilities of the City Controller include investigation of allegations of fraud, preparation of economic reports, certification of the City's debt capacity and the capital nature and useful life of the capital projects, and opining to the Pennsylvania Intergovernmental Cooperation Authority ("PICA") on the reasonableness of the assumptions and estimates in the City's five-year financial plans.

Under the City Charter, the principal officers of the City's government are the Managing Director of the City (the "Managing Director"), the Director of Finance of the City (the "Director of Finance"), the City Solicitor (the "City Solicitor"), the Director of Commerce (the "Director of Commerce"), the City Representative (the "City Representative"), and the Director of Planning and Development (the "Director of Planning and Development"). Under the City Charter, the Mayor appoints the Managing Director, the Director of Finance, the Director of Commerce, the City Representative, and the Director of Planning and Development. The Mayor, with the advice and consent of a majority of City Council, also appoints the City Solicitor.

The Managing Director, in coordination with the senior officials of City departments and agencies, is responsible for supervising the operating departments and agencies of the City that render the City's various municipal services. The Director of Commerce is charged with the responsibility of promoting and developing commerce and industry. The City Representative is the Ceremonial Representative of the City and especially of the Mayor. The City Representative is charged with the responsibility of giving wide publicity to any items of interest reflecting the activities of the City and its inhabitants, and for the marketing and promotion of the image of the City. The Director of Planning and Development oversees the Department of Planning and Development, which includes three divisions: (i) the Division of Development Services; (ii) the Division of Planning and Zoning; and (iii) the Division of Housing and Community Development.

The City Solicitor is head of the Law Department and acts as legal advisor to the Mayor, City Council, and all of the agencies of the City government. The City Solicitor is also responsible for: (i) advising on legal matters pertaining to all of the City's contracts and bonds; (ii) assisting City Council, the Mayor, and City agencies in the preparation of ordinances for introduction in City Council; and (iii) conducting litigation involving the City.

The Director of Finance is the chief financial and budget officer of the City and is selected from three names submitted to the Mayor by a Finance Panel, which is established pursuant to the City Charter and is comprised of the President of the Philadelphia Clearing House Association, the Chairman of the Philadelphia Chapter of the Pennsylvania Institute of Certified Public Accountants, and the Dean of the Wharton School of Finance and Commerce of the University of Pennsylvania. Under Mayor Kenney's administration, the Director of Finance is responsible for the financial functions of the City, including: (i) development of the annual operating budget, the capital budget, and capital program; (ii) the City's program for temporary and long-term borrowing; (iii) supervision of the operating budget's execution; (iv) the collection of revenues through the Department of Revenue; (v) the oversight of pension administration as Chairperson of the Board of Pensions and Retirement; and (vi) the supervision of the Office of Property Assessment. The Director of Finance is also responsible for the appointment and supervision of the City Treasurer, whose office manages the City's debt program and serves as the disbursing agent for the distribution of checks and electronic payments from the City Treasury and the management of cash resources.

The following are brief biographies of Mayor Kenney, his Chief of Staff, the Director of Finance, and the City Treasurer.

James F. Kenney, Mayor. On November 3, 2015, James F. Kenney was elected as the City's 99th Mayor and was sworn into office on January 4, 2016. Mayor Kenney is a lifelong resident of the City and a graduate of La Salle University. In 1991, Mayor Kenney was elected to serve as a Democratic City Councilman At-Large and was a member of City Council for 23 years.

Jane Slusser, Chief of Staff. Ms. Slusser was the campaign manager for Mayor Kenney's mayoral campaign. Previously, Ms. Slusser was Organizing Director at Equality Pennsylvania and led Human Rights Campaign's Americans for Workplace Opportunity statewide campaign in Pennsylvania. In 2008 and 2012, Ms. Slusser worked on President Obama's campaigns in South Philadelphia and Northeastern Pennsylvania. Ms. Slusser is a graduate of Barnard College.

Rob Dubow, Director of Finance. Mr. Dubow has served as Director of Finance since being appointed on January 7, 2008. Prior to that appointment, Mr. Dubow was the Executive Director of PICA. He has also served as Executive Deputy Budget Secretary of the Commonwealth, from 2004 to 2005, and as Budget Director for the City, from 2000 to 2004.

Rasheia Johnson, City Treasurer. Ms. Johnson was appointed as City Treasurer on January 19, 2016. Ms. Johnson has over 15 years of experience in government and public finance. In public finance, she has worked in the capacities of investment banker, financial advisor, and issuer officer, including positions at Siebert Brandford Shank, Loop Capital Markets, and Public Financial Management, and as Assistant to the Director of Finance for Debt Management for the City.

Government Services

Municipal services provided by the City include: (i) police and fire protection; (ii) health care; (iii) certain welfare programs; (iv) construction and maintenance of local streets, highways, and bridges; (v) trash collection, disposal and recycling; (vi) provision for recreational programs and facilities; (vii) maintenance and operation of the water and wastewater systems (the "Water and Wastewater Systems"); (viii) acquisition and maintenance of City real and personal property, including vehicles; (ix) maintenance of building codes and regulation of licenses and permits; (x) maintenance of records; (xi) collection of taxes and revenues; (xii) purchase of supplies and equipment; (xiii) construction and maintenance of airport facilities (the "Airport System"); and (xiv) maintenance of a prison system. The City maintains enterprise funds – the Water Fund and the Aviation Fund – for each of the Water and Wastewater Systems and the Airport System.

The City owns the assets that comprise the Philadelphia Gas Works ("PGW" or the "Gas Works"). PGW serves residential, commercial, and industrial customers in the City. PGW is operated by Philadelphia Facilities Management Corporation ("PFMC"), a non-profit corporation specifically organized to manage and operate PGW for the benefit of the City. For more information on PGW, see "PGW PENSION PLAN," "PGW OTHER POST-EMPLOYMENT BENEFITS," "EXPENDITURES OF THE CITY – PGW Annual Payments," and "LITIGATION – PGW," among others.

Local Government Agencies

There are a number of governmental authorities and quasi-governmental non-profit corporations that also provide services within the City. Certain of these entities are comprised of governing boards, the members of which are either appointed or nominated, in whole or part, by the Mayor, while others are independent of the Mayor's appointment or recommendation.

Mayoral-Appointed or Nominated Agencies

Philadelphia Industrial Development Corporation and Philadelphia Authority for Industrial Development. The Philadelphia Industrial Development Corporation ("PIDC") and the Philadelphia Authority for Industrial Development ("PAID"), along with the City's Commerce Department, coordinate the City's efforts to maintain an attractive business environment, attract new businesses to the City, and retain existing businesses. PIDC manages PAID's activities through a management agreement. Of the 30 members of the board of PIDC, eight are City officers or officials (the Mayor, the Managing Director, the Finance Director, the Commerce Director, the Director of Planning and Development, the City Solicitor, and two members of City Council), nine members are designated by the President of the Chamber of Commerce of Greater Philadelphia (the "Chamber of Commerce"), and the remaining 13 members are jointly designated by the Chamber of Commerce and the Commerce Director. The five-member board of PAID is appointed by the Mayor.

Philadelphia Municipal Authority. The Philadelphia Municipal Authority (formerly the Equipment Leasing Authority of Philadelphia) ("PMA") was originally established for the purpose of buying equipment and vehicles to be leased to the City. PMA's powers have been expanded to include any project authorized under applicable law that is specifically authorized by ordinance of City Council. PMA is governed by a five-member board appointed by City Council from nominations made by the Mayor.

Philadelphia Energy Authority. The Philadelphia Energy Authority ("PEA") was established by the City and incorporated in 2011 for the purpose of facilitating and developing energy generation projects, facilitating and developing energy efficiency projects, the purchase or facilitation of energy supply and consumer energy education. PEA is authorized to participate in projects on behalf of the City, other government agencies, institutions and businesses. PEA is governed by a five-member board appointed by City Council from four nominations made by the Mayor and one nomination from City Council.

Philadelphia Redevelopment Authority. The Philadelphia Redevelopment Authority (formerly known as the Redevelopment Authority of the City of Philadelphia) (the "PRA"), supported by federal funds through the City's Community Development Block Grant Fund and by Commonwealth and local funds, is responsible for the redevelopment of the City's blighted areas. PRA is governed by a five-member board appointed by the Mayor.

Philadelphia Land Bank. The Philadelphia Land Bank (the "PLB") was created in December 2013 with a mission to return vacant and tax delinquent property to productive reuse. The PLB is an independent agency formed under the authority of City ordinance and Pennsylvania law. The PLB has an 11-member board of directors, of which five are appointed by the Mayor and five are appointed by City Council. The final board member is appointed by a majority vote of the other board members. The City provides funds for its operations.

Philadelphia Housing Authority. The Philadelphia Housing Authority (the "PHA") is a public body organized pursuant to the Housing Authorities Law of the Commonwealth and is neither a department nor an agency of the City. PHA is the fourth largest public housing authority in the United States and is responsible for developing and managing low and moderate income rental units and limited amounts of for-sale housing in the City. PHA is also responsible for administering rental subsidies to landlords who rent their units to housing tenants qualified by PHA for such housing assistance payments. PHA is governed by a nine-member Board of Commissioners, all of whom are appointed by the Mayor with the approval of a majority of the members of City Council. The terms of the Commissioners are concurrent with the term of the appointing Mayor. Two of the members of the Board are required to be PHA residents.

Hospitals and Higher Education Facilities Authority of Philadelphia. The Hospitals and Higher Education Facilities Authority of Philadelphia (the "Hospitals Authority") assists non-profit hospitals by financing hospital construction projects. The City does not own or operate any hospitals. The powers of the Hospitals Authority also permit the financing of construction of buildings and facilities for certain colleges and universities and other health care facilities and nursing homes. The Hospitals

Authority is governed by a five-member board appointed by City Council from nominations made by the Mayor.

Southeastern Pennsylvania Transportation Authority. The Southeastern Pennsylvania Transportation Authority ("SEPTA"), which is supported by transit revenues and federal, Commonwealth, and local funds, is responsible for developing and operating a comprehensive and coordinated public transportation system in the southeastern Pennsylvania region. Two of the 15 members of SEPTA's board are appointed by the Mayor and confirmed by City Council. For more information on SEPTA, see "EXPENDITURES OF THE CITY – City Payments to SEPTA."

Pennsylvania Convention Center Authority. The Pennsylvania Convention Center Authority (the "Convention Center Authority") constructed and maintains, manages, and operates the Pennsylvania Convention Center, which opened on June 25, 1993. The Pennsylvania Convention Center is owned by the Commonwealth and leased to the Convention Center Authority. An expansion of the Pennsylvania Convention Center was completed in March 2011. This expansion enlarged the Pennsylvania Convention Center to approximately 2,300,000 square feet with the largest contiguous exhibit space in the Northeast, the largest convention center ballroom in the East and the ability to host large tradeshows or two major conventions simultaneously.

Of the 15 members of the board of the Convention Center Authority, two are appointed by the Mayor and one by each of the President and Minority Leader of City Council. The Director of Finance is an ex-officio member of the Board with no voting rights. The Commonwealth, the City and the Convention Center Authority have entered into an operating agreement with respect to the operation and financing of the Pennsylvania Convention Center. In January 2014, SMG began managing and operating the Pennsylvania Convention Center, instituting a number of measures intended to reduce and control show costs and improve customer service. For more information on the Convention Center Authority, see "EXPENDITURES OF THE CITY – City Payments to Convention Center Authority."

The School District. The School District was established, pursuant to the First Class City Home Rule Education Act, by the Educational Supplement to the City Charter as a separate and independent home rule school district to provide free public education to the City's residents. Under the City Charter, the School District is governed by the Board of Education of the School District of Philadelphia (the "Board of Education"). During a period of distress following a declaration of financial distress by the Secretary of Education of the Commonwealth, all of the powers and duties of the Board of Education granted under the Public School Code of 1949, as amended (the "School Code"), or any other law are suspended and all of such powers and duties are vested in the School Reform Commission (the "School Reform Commission") created pursuant to the School Code. The School Reform Commission is granted all of the powers and duties of the Board of Education by the School Code, as well as all the powers and duties of a board of control under the School Code. The School Reform Commission is responsible for the operation, management, and educational program of the School District during such period. It is also responsible for financial matters related to the School District. The School District was declared distressed by the Secretary of Education of the Commonwealth pursuant to the School Code, effective December 22, 2001, and such declaration continues to be in effect.

The School Code provides that the members of the Board of Education continue to serve during the time the School District is governed by the School Reform Commission, and that the establishment of the School Reform Commission may not interfere with the regular selection of the members of the Board of Education. The School Code authorizes the School Reform Commission to delegate duties to the Board of Education if it so chooses. There has been no sitting Board of Education for many years. Two of the five members of the School Reform Commission are appointed by the Mayor and three by the Governor of the Commonwealth (the "Governor"), subject to confirmation by the Pennsylvania Senate.

Under the City Charter, the School District's governing body is required to levy taxes annually, within the limits and upon the subjects authorized by the General Assembly or City Council, in amounts sufficient to provide for operating expenses, debt service charges, and for the costs of any other services incidental to the operation of public schools. The School District has no independent power to authorize school taxes. Certain financial information regarding the School District is included in the City's CAFR.

Except during a period of distress following a declaration of financial distress by the Secretary of Education of the Commonwealth, as described above, the Board of Education consists of nine members appointed by the Mayor from a list supplied by an Educational Nominating Panel established in accordance with provisions set forth in the City Charter.

The School District is part of the Commonwealth system of public education. In a number of matters, including the incurrence of short-term and long-term debt, the School District is governed by the laws of the Commonwealth. The School District is a separate political subdivision of the Commonwealth, and the City has no property interest in or claim on any revenues or property of the School District.

On November 2, 2017, the Mayor proposed that the School Reform Commission vote to recommend that the Commonwealth's Secretary of Education declare an end to distress and dissolve the School Reform Commission effective June 30, 2018. On November 16, 2017, the School Reform Commission approved a resolution to dissolve and is expected to deliver a certified copy of such resolution to the Commonwealth's Secretary of Education for review and approval.

If the School Reform Commission is dissolved, the School District will again be governed by the Board of Education. Under existing law, the Mayor appoints all members of such Board. The Mayor believes that such governance will best achieve accountability, assure adequate resources and strong leadership for the School District, and strengthen the collaboration between the School District and City.

The City's direct contribution to the School District from the General Fund is estimated to be approximately $104.3 million in Fiscal Year 2018, not including funding from taxes levied by the School District and authorized by City Council. Return of the School District to Mayoral control is not expected to affect the Commonwealth contribution amount, the City's direct contribution amount, or City or School District revenues in Fiscal Year 2018.

For more information on the School District, see "EXPENDITURES OF THE CITY – City Payments to School District" and Table 21.

Non-Mayoral-Appointed or Nominated Agencies

PICA. PICA was created by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the "PICA Act") in 1991 to provide financial assistance to cities of the first class, and it continues in existence for a period not exceeding one year after all of its liabilities, including the PICA Bonds (as defined herein), have been fully paid and discharged. The City is the only city of the first class in the Commonwealth. The Governor, 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 of PICA's board. The Secretary of the Budget of the Commonwealth and the Director of Finance of the City serve as ex officio members of PICA's board with no voting rights.

In January 1992, the City and PICA entered into an Intergovernmental Cooperation Agreement (the "PICA Agreement"), pursuant to which PICA agreed to issue bonds from time to time, at the request of the City, for the purpose of funding, among other things, deficits in the General Fund and a debt service reserve. See "DEBT OF THE CITY – PICA Bonds."

Under the PICA Act and for so 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, each as further described below under "DISCUSSION OF FINANCIAL OPERATIONS – Five-Year Plans of the City" and "– Quarterly Reporting to PICA." Under the PICA Act, at such time when no PICA Bonds are outstanding, the City will no longer be required to prepare such annual financial plans or quarterly reports. See "DEBT OF THE CITY – PICA Bonds" for the current final stated maturities of outstanding PICA Bonds.

The PICA Act and the PICA Agreement provide PICA with certain financial and oversight functions. PICA has the power to exercise certain advisory and review procedures with respect to the City's financial affairs, including the power to review and approve the five-year financial plans prepared by the City, and to certify non-compliance by the City with the then-existing five-year plan. PICA is also required to certify non-compliance if, among other things, no approved five-year plan is in place or if the City has failed to file mandatory revisions to an approved five-year plan. Under the PICA Act, any such certification of non-compliance would, upon certification by PICA, require the Secretary of the Budget of the Commonwealth to withhold funds due to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements, and payments payable to the City by the Commonwealth, including payment of the portion of the PICA Tax, as further described under "DEBT OF THE CITY – PICA Bonds" below, otherwise payable to the City).

Philadelphia Parking Authority. The Philadelphia Parking Authority (the "PPA") is responsible for: (i) the construction and operation of parking facilities in the City and at Philadelphia International Airport ("PHL"); and (ii) enforcement of on-street parking regulations. The members of the PPA's board are appointed by the Governor, with certain nominations from the General Assembly. For more information on the PPA, see "REVENUES OF THE CITY – Philadelphia Parking Authority Revenues."

DISCUSSION OF FINANCIAL OPERATIONS

Principal Operations

The major financial operations of the City are conducted through the General Fund. In addition to the General Fund, operations of the City are conducted through two other major governmental funds and 19 non-major governmental funds. The City operates on a July 1 to June 30 fiscal year ("Fiscal Year") and reports on all the funds of the City, as well as its component units, in the City's CAFR. PMA's and PICA's financial statements are blended with the City's statements. The financial statements for PGW, PRA, the PPA, the School District, the Community College of Philadelphia, the Community Behavioral Health, Inc., the Delaware River Waterfront Corporation, and PAID are presented discretely.

Fund Accounting

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 can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. The governmental funds are used to account for the financial activity of the City's basic services, such as: general government; economic and neighborhood development; public health, welfare and safety; cultural and recreational; and streets, highways and sanitation. The funds' financial activities focus on a short-term view of the inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the Fiscal Year. The financial information presented for the governmental funds is useful in evaluating the City's short-term financing requirements.

The City maintains 22 individual governmental funds. The City's CAFRs, including the City's CAFR for Fiscal Year 2016 (the "Fiscal Year 2016 CAFR"), present data 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 19 funds are combined into a single aggregated presentation.

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 that are a type of proprietary fund – airport, water and wastewater operations, and industrial land bank.

Fiduciary Funds. The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for PGW's employees' retirement reserve assets. Both of these fiduciary activities are reported in the City's CAFRs, including the Fiscal Year 2016 CAFR, as separate financial statements of fiduciary net assets and changes in fiduciary net assets.

See "CITY FINANCES AND FINANCIAL PROCEDURES" for a further description of these governmental, proprietary, and fiduciary funds.

Budget Procedure

At least 90 days before the end of the Fiscal Year, the operating budget for the next Fiscal Year is prepared by the Mayor and submitted to City Council for adoption. The budget, as adopted, must be balanced and provide for discharging any estimated deficit from the current Fiscal Year and make appropriations for all items to be funded with City revenues. The Mayor's budgetary estimates of revenues for the ensuing Fiscal Year and projection of surplus or deficit for the current Fiscal Year may not be altered by City Council. Not later than the passage of the operating budget ordinance, City Council must enact such revenue measures as will, in the opinion of the Mayor, yield sufficient revenues to balance the budget.

At least 30 days before the end of the Fiscal Year, City Council must adopt by ordinance an operating budget and a capital budget for the ensuing Fiscal Year and a capital program for the six ensuing Fiscal Years. If the Mayor disapproves the bills, he must return them to City Council with the reasons for his disapproval at the first meeting thereof held not less than ten days after he receives such bills. If the Mayor does not return the bills within the time required, they become law without his approval. If City Council passes the bills by a vote of two-thirds of all of its members within seven days after the bills have been returned with the Mayor's disapproval, they become law without his approval. While the City Charter requires that City Council adopt the ordinances for the operating and capital budgets at least 30 days before the end of the Fiscal Year, in practice, such ordinances are often adopted after such deadline, but before the end of such Fiscal Year. For example, the City's Fiscal Year 2018 operating budget ordinance was presented to City Council on March 2, 2017, approved by City Council on June 15, 2017, and signed by the Mayor on June 21, 2017. There is no practical consequence to adopting the budget ordinances after the deadline in the City Charter, but before the end of the Fiscal Year.

The capital program is prepared annually by the City Planning Commission to present the capital expenditures planned for each of the six ensuing Fiscal Years, including the estimated total cost of each project and the sources of funding (local, state, federal, and private) estimated to be required to finance each project. The capital program is reviewed by the Mayor and transmitted to City Council for adoption with his recommendation thereon. The Capital Program ordinance for Fiscal Years 2018-2023 (the "Fiscal Year 2018-2023 Adopted Capital Program") was approved by City Council on June 15, 2017, and signed by the Mayor on June 21, 2017.

The capital budget ordinance, authorizing in detail the capital expenditures to be made or incurred in the ensuing Fiscal Year from City Council appropriated funds, is adopted by City Council concurrently with the capital program. The capital budget must be in full conformity with that part of the capital program applicable to the Fiscal Year that it covers.

For information on the City's Fiscal Year 2018 Adopted Budget (as defined below), see "– Current Financial Information – Fiscal Year 2018 Adopted Budget and Revised Twenty-Sixth Five-Year Plan" herein. For information on the City's capital program, see "CITY CAPITAL PROGRAM" herein.

Budget Stabilization Reserve

In April 2011, the City adopted an amendment to the City Charter that established the "Budget Stabilization Reserve." The City Charter provides that the annual operating budget ordinance is required to provide for appropriations to a Budget Stabilization Reserve, to be created and maintained by the Director of Finance as a separate fund, which may not be commingled with any other funds of the City. Appropriations to the Budget Stabilization Reserve are required to be made each Fiscal Year if the projected General Fund balance for the upcoming Fiscal Year equals or exceeds three percent of General Fund appropriations for such Fiscal Year. City Council can appropriate additional amounts to the Budget Stabilization Reserve by ordinance, no later than at the time of passage of the annual operating budget ordinance and only upon recommendation of the Mayor. Total appropriations to the Budget Stabilization Reserve are subject to a limit of five percent of General Fund appropriations. Amounts in the Budget Stabilization Reserve from the prior Fiscal Years, including any investment earnings certified by the Director of Finance, are to remain on deposit therein.

Since the establishment of the Budget Stabilization Reserve, no annual operating budget ordinance has included a provision to fund the Budget Stabilization Reserve because the conditions that would require the funding of such reserve have not been met.

Annual Financial Reports

The City is required by the City Charter to issue, within 120 days after the close of each Fiscal Year, a statement as of the end of the Fiscal Year showing the balances in all funds of the City, the amounts of the City's known liabilities, and such other information as is necessary to furnish a true picture of the City's financial condition (the "Annual Financial Reports"). The Annual Financial Reports, which are released on or about October 28 of each year, are intended to meet these requirements and are unaudited. As described above, the audited financial statements of the City are contained in its CAFR, which is published at a later date. The Annual Financial Reports contain financial statements for all City governmental funds and blended component units presented on the modified accrual basis. The proprietary and fiduciary funds are presented on the full accrual basis. They also contain budgetary comparison schedules for those funds that are subject to an annual budget. The financial statements of the City's discretely presented component units that are available as of the date of the Annual Financial Reports are also presented. Historically, the results for General Fund fund balance have not materially changed between the Annual Financial Reports and the CAFRs.

The Annual Financial Report for Fiscal Year 2017 was released on October 27, 2017 (the "FY 2017 AFR (Unaudited)"). The City's CAFR for Fiscal Year 2017 is expected to be filed with the Municipal Securities Rulemaking Board ("MSRB") as soon as practicable after delivery of such report (expected to be no later than February 25, 2018). See "CITY FINANCES AND FINANCIAL PROCEDURES – Current City Disclosure Practices."

Five-Year Plans of the City

The PICA Act requires the City to annually prepare a financial plan that includes projected revenues and expenditures of the principal operating funds of the City for five Fiscal Years consisting of the current Fiscal Year and the subsequent four Fiscal Years. 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. For information on the Revised Twenty-Sixth Five-Year Plan (as defined below), see "– Current Financial Information – Fiscal Year 2018 Adopted Budget and Revised Twenty-Sixth Five-Year Plan."

Quarterly Reporting to PICA

The PICA Act requires the City to prepare and submit quarterly reports to PICA so that PICA may determine whether the City is in compliance with the then-current five-year plan. Each quarterly report is required to describe actual or current estimates of revenues, expenditures, and cash flows compared to budgeted revenues, expenditures, and cash flows by covered funds for each month in the previous quarter and for the year-to-date period from the beginning of the then-current Fiscal Year of the City to the last day of the fiscal quarter or month, as the case may be, just ended. Each such report is required to explain any variance existing as of such last day.

Under the PICA Agreement, a "variance" is deemed to have occurred as of the end of a reporting period if (i) a net adverse change in the fund balance of a covered fund (i.e., a principal operating fund) of more than 1% of the revenues budgeted for such fund for that Fiscal Year is reasonably projected to occur, such projection to be calculated from the beginning of the Fiscal Year for the entire Fiscal Year, or (ii) the actual net cash flows of the City for a covered fund are reasonably projected to be less than 95% of the net cash flows of the City for such covered fund for that Fiscal Year originally forecast at the time of adoption of the budget, such projection to be calculated from the beginning of the Fiscal Year for the entire Fiscal Year.

PICA may not take any action with respect to the City for variances if the City: (i) provides a written explanation of the variance that PICA deems reasonable; (ii) proposes remedial action that PICA believes will restore overall compliance with the then-current five-year plan; (iii) provides information in the immediately succeeding quarterly financial report demonstrating to the reasonable satisfaction of PICA that the City is taking remedial action and otherwise complying with the then-current five-year plan; and (iv) submits monthly supplemental reports until it regains compliance with the then-current five-year plan.

PICA last declared a variance in February 2009 and that variance was cured. A failure by the City to explain or remedy a variance would, upon certification by PICA, require the Secretary of the Budget of the Commonwealth to withhold funds due to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements and payments payable to the City by the Commonwealth, including payment of the portion of the PICA Tax, as further described under "DEBT OF THE CITY – PICA Bonds" below, otherwise payable to the City). The City uses its Quarterly City Manager's Reports to satisfy the quarterly reporting requirement to PICA. Such reports are released within 45 days following the end of the applicable quarter and the most recent versions of such reports are available on the City's Investor Website (as defined herein). The most recent Quarterly City Manager's Report is the report for the period ending September 30, 2017, which was released on November 15, 2017 (the "First Quarter QCMR"). The next Quarterly City Manager's Report will be the report for the period ending December 31, 2017, and is expected to be released on or about February 15, 2018.

Summary of Operations

The following table presents the summary of operations for the General Fund for Fiscal Years 2013-2017 and budgeted amounts and current estimates for Fiscal Year 2018. For a description of the legally enacted basis on which the City's budgetary process accounts for certain transactions, see "CITY FINANCES AND FINANCIAL PROCEDURES – Budgetary Accounting Practices." "Current Estimate," as used in the tables and text below, refers (except as otherwise indicated) to the most recently revised estimates for Fiscal Year 2018, which were published by the City on November 15, 2017, as part of the First Quarter QCMR. Elsewhere in this APPENDIX A, the "Current Estimate" for Fiscal Year 2017 is derived from the Revised Twenty-Sixth Five-Year Plan and is noted as such where applicable.

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Table 1
General Fund
Summary of Operations (Legal Basis)
Fiscal Years 2013-2016 (Actual), 2017 (Unaudited Actual), and 2018 (Adopted Budget and Current Estimate)
(Amounts in Millions of USD)(1), (2)

	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Unaudited Actual 2017	Adopted Budget 2018	Current Estimate 2018
Revenues							
Real Property Taxes(3)	540.5	526.4	536.4	571.6	587.1	651.5	651.5
Wage and Earnings Tax	1,221.5	1,261.6	1,325.8	1,373.0	1,448.9	1,464.6	1,492.7
Net Profits Tax	19.2	16.3	21.2	25.4	22.3	29.7	29.6
Business Income and Receipts Tax	450.9	461.7	438.2	474.2	417.5	489.9	452.2
Sales Tax(4)	257.6	263.1	149.5	169.4	188.4	198.1	198.1
Other Taxes(5)	243.7	266.9	305.9	353.0	367.7	372.2	380.6
Philadelphia Beverage Tax(6)	0.0	0.0	0.0	0.0	39.5	92.4	92.4
Total Taxes	2,733.5	2,795.9	2,777.0	2,966.6	3,071.4	3,298.3	3,297.1
Locally Generated Non-Tax Revenue	266.2	301.8	294.4	291.0	309.5	307.1	302.9
Revenue from Other Governments							
Net PICA Taxes Remitted to the City(7)	314.0	318.7	346.5	383.4	409.5	419.2	427.6
Other Revenue from Other Governments(8)	337.5	347.3	302.8	305.6	307.7	316.3	316.6
Total Revenue from Other Governments	651.5	666.0	649.3	689.1	717.2	735.5	744.3
Receipts from Other City Funds	46.8	42.0	39.0	42.3	60.1	64.2	64.2
Total Revenue	3,698.0	3,805.6	3,759.8	3,989.0	4,158.2	4,405.1	4,408.4
Obligations/Appropriations							
Personal Services	1,362.4	1,450.6	1,508.7	1,562.6	1,589.0	1,628.9	1,651.1
Purchase of Services(9)	757.8	787.6	810.6	822.2	851.4	935.1	936.8
Materials, Supplies and Equipment	85.4	88.8	90.6	92.1	94.4	105.7	108.0
Employee Benefits	1,119.1	1,194.1	1,099.5	1,181.3(12)	1,241.0	1,307.8(14)	1,296.2(14)
Indemnities, Contributions, and Refunds(10)	138.3	208.6	150.7	192.7	186.6	196.0	196.0
City Debt Service(11)	118.9	122.5	132.0	132.1	140.9	157.3	157.3
Payments to Other City Funds	31.5	34.4	39.4	32.8	36.5	36.0	36.0
Advances & Miscellaneous Payments / Labor Reserve	0.0	0.0	0.0	0.0	0.0	20.0(15)	0.0
Advances & Miscellaneous Payme	0.0	0.0	0.0	0.0	0.0	50.9(16)	50.9(16)
Total Obligations/Appropriations	3,613.3	3,886.6	3,831.5	4,015.8	4,139.8	4,437.7	4,432.4
Operating Surplus (Deficit) for the Year	84.7	(80.9)	(71.7)	(26.8)	18.4	(32.6)	(24.0)
Net Adjustments – Prior Year	25.4	26.1	21.1	23.6	22.5	19.5	19.5
Cumulative Fund Balance Prior Year	146.8	256.9	202.1	151.5	148.3	88.6(17)	189.2(17)
Cumulative Adjusted Year End Fund Balance (Deficit)	256.9	202.1	151.5	148.3	189.2(17)	75.5	184.8

(1) Sources: For Fiscal Years 2013-2016, the City's CAFRs for such Fiscal Years. For Fiscal Year 2017, the FY 2017 AFR (Unaudited) and the First Quarter QCMR. For Fiscal Year 2018 (Adopted Budget), the Fiscal Year 2018 Adopted Budget. For Fiscal Year 2018 (Current Estimate), the First Quarter QCMR.
(2) Figures may not sum due to rounding.
(3) The amount for Fiscal Year 2013 reflects a 3.6% increase in the Real Estate Tax rate. The amounts for Fiscal Year 2014 and thereafter reflect a reduction in the Real Estate Tax rate, but also an increase in the assessed value of all taxable real property resulting from a citywide property reassessment. See "REVENUES OF THE CITY – Real Property Taxes Assessment and Collection."
(4) The amounts for Fiscal Years 2013-2014 reflect a 1% increase in the City Sales Tax effective October 8, 2009, which expired June 30, 2014. Fiscal Year 2015 figures include remaining 1% City Sales Tax, an additional $15,000,000 for debt service, plus any amounts designated for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(5) Includes Amusement Tax, Real Property Transfer Tax, Parking Lot Tax, Smokeless Tobacco Tax and miscellaneous taxes.
(6) The Philadelphia Beverage Tax (as defined herein) taxes the distribution of certain beverages at 1.5 cents per ounce and became effective January 1, 2017. See "REVENUES OF THE CITY – Other Taxes" for a discussion of litigation relating to the Philadelphia Beverage Tax.
(7) For a detailed breakdown of "Net PICA Taxes Remitted to the City," see Table 43. Such figures reflect revenues received by the City from the PICA Tax of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on PICA bonds and PICA expenses. After paying debt service and expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments. See "DEBT OF THE CITY – PICA Bonds."
(8) For a detailed breakdown of "Other Revenue from Other Governments," see Table 12. "Other Revenue from Other Governments" includes state gaming revenues.
(9) Includes debt service on lease and service agreement financings.
(10) Includes contributions to the School District. See also Table 21 and the accompanying text herein.
(11) Includes debt service on General Obligation Debt (as defined herein) and tax and revenue anticipation notes; excludes debt service on PICA bonds and lease and service agreement financings.
(12) Includes $9.7 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(13) Includes $19.2 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(14) Assumes $24.0 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(15) The Labor Reserve is set aside for the potential costs of anticipated new labor agreements with certain of the City's municipal unions. See "EXPENDITURES OF THE CITY – Overview of City Employees."
(16) The Federal Funding Reserve is set aside to address certain federal funding that may become unavailable as a result of cuts in the federal budget or the implementation of other federal policies that may affect federal funding for the City.
(17) In the Fiscal Year 2018 Adopted Budget, the City projected that Fiscal Year 2017 would end with a General Fund balance of $88.6 million. In the FY 2017 AFR (Unaudited), the City reported that Fiscal Year 2017 ended with a General Fund balance of $189.2 million. Such number has been included as the "Cumulative Fund Balance Prior Year" in the First Quarter QCMR.

Current Financial Information

Table 2 below shows General Fund balances for Fiscal Year 2016, unaudited actual results for Fiscal Year 2017, and budgeted amounts and current estimates for Fiscal Year 2018.

Table 2
General Fund – Fund Balance Summary
(Amounts in Thousands of USD)[1]

	Fiscal Year 2016 Actual[2] (June 30, 2016)	Fiscal Year 2017 Unaudited Actual[3] (October 27, 2017)	Fiscal Year 2018 Adopted Budget[4] (June 21, 2017)	Fiscal Year 2018 Current Estimate[5] (November 15, 2017)
REVENUES				
Taxes	$2,966,648	$3,071,422[6]	$3,298,332[6]	$3,297,081[6]
Locally Generated Non – Tax Revenues	290,990	309,481	307,058	302,888
Revenue from Other Governments	689,076	717,229	735,524	744,257
Revenues from Other Funds of City	42,253	60,072	64,191	64,191
Total Revenue	**$3,988,967**	**$4,158,204**	**$4,405,105**	**$4,408,417**
OBLIGATIONS / APPROPRIATIONS				
Personal Services	1,562,628	1,589,003	1,628,903	1,651,079
Personal Services – Employee Benefits	1,181,265[7]	1,240,989[7]	1,307,799[7]	1,296,249[7]
Purchase of Services[8]	822,159	851,447	935,078	936,835
Materials, Supplies, and Equipment	92,086	94,408	105,678	107,957
Contributions, Indemnities, and Taxes	192,729	186,559	196,010	196,010
Debt Service[9]	132,089	140,893	157,322	157,322
Payments to Other Funds	32,839	36,493	36,026	36,026
Advances & Miscellaneous Payments	0	0	70,893[10]	50,893[11]
Total Obligations / Appropriations	**$4,015,795**	**$4,139,792**	**$4,437,709**	**$4,432,371**
Operating Surplus (Deficit)	**(26,828)**	**18,412**	**(32,604)**	**(23,954)**
OPERATIONS IN RESPECT TO PRIOR FISCAL YEARS				
Net Adjustments – Prior Years	23,612	22,516	19,500	19,500
Operating Surplus/(Deficit) & Prior Year Adj.	(3,216)	0	(13,104)	(4,454)
Prior Year Fund Balance	151,531	148,315	88,596[12]	189,243[12]
Year End Fund Balance	**$148,315**	**$189,243**[12]	**$75,492**	**$184,789**

(1) Figures may not sum due to rounding.
(2) From the Fiscal Year 2016 CAFR.
(3) From the FY 2017 AFR (Unaudited).
(4) From the Fiscal Year 2018 Adopted Budget.
(5) From the First Quarter QCMR.
(6) For Fiscal Year 2017, assumes $39.5 million in revenue from the Philadelphia Beverage Tax. For Fiscal Year 2018 Adopted Budget and Fiscal Year 2018 Current Estimate, assumes $92.4 million in revenue from such tax. The Philadelphia Beverage Tax taxes the distribution of certain beverages at 1.5 cents per ounce and became effective January 1, 2017. See "REVENUES OF THE CITY – Other Taxes" for a discussion of litigation relating to the Philadelphia Beverage Tax.
(7) For Fiscal Year 2016 Actual, includes $9.7 million from City Sales Tax revenues for the Municipal Pension Fund. For Fiscal Year 2017, includes $19.2 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2018 Adopted Budget and Fiscal Year 2018 Current Estimate, assumes $24.0 million from such tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(8) Includes debt service on lease and service agreement financings.
(9) Includes debt service on General Obligation Debt (as defined herein) and tax and revenue anticipation notes; excludes debt service on PICA bonds and lease and service agreement financings.
(10) Includes (i) $20.0 million for the Labor Reserve, which is set aside for the potential costs of anticipated new labor agreements with certain of the City's municipal unions (see "EXPENDITURES OF THE CITY – Overview of City Employees"), and (ii) $50.9 million for the Federal Funding Reserve, which is set aside to address certain federal funding that may become unavailable as a result of cuts in the federal budget or the implementation of other federal policies that may affect federal funding for the City.
(11) Includes $50.9 million for the Federal Funding Reserve, which is set aside to address certain federal funding that may become unavailable as a result of cuts in the federal budget or the implementation of other federal policies that may affect federal funding for the City.
(12) In the Fiscal Year 2018 Adopted Budget, the City projected that Fiscal Year 2017 would end with a General Fund balance of $88.596 million. In the FY 2017 AFR (Unaudited), the City reported that Fiscal Year 2017 ended with a General Fund balance of $189.243 million. Such number has been included as the "Prior Year Fund Balance" in the First Quarter QCMR.

The following discussion of the unaudited actual results for Fiscal Year 2017, the Fiscal Year 2018 Adopted Budget, the Revised Twenty-Sixth Five-Year Plan, and the First Quarter QCMR, as applicable, is based, in part, on projections and forward-looking statements related to Fiscal Years 2017 and 2018. No assurance can be given that the applicable budget estimates and forward-looking statements will be realized. The accuracy of such budget estimates and forward-looking statements cannot be verified until after the close of the applicable Fiscal Year and the completion of the related audit.

Fiscal Year 2017 Unaudited Actual Results. The unaudited actual results for Fiscal Year 2017 are derived from information included in the FY 2017 AFR (Unaudited).

In the FY 2017 AFR (Unaudited), the City reported that Fiscal Year 2017 ended with a General Fund balance of $189.2 million, approximately $100.6 million higher than estimated in the Revised Twenty-Sixth Five-Year Plan.

Fiscal Year 2018 Adopted Budget and Revised Twenty-Sixth Five-Year Plan. On March 2, 2017, Mayor Kenney submitted his proposed Fiscal Year 2018 budget to City Council, along with the proposed five-year plan for Fiscal Years 2018-2022. On June 15, 2017, City Council approved the Fiscal Year 2018 operating budget ordinance, which was signed by the Mayor on June 21, 2017 (the "Fiscal Year 2018 Adopted Budget").

Original Twenty-Sixth Five-Year Plan. On June 19, 2017, the City submitted to PICA its FY 2018-2022 Five Year Financial Plan Per Council Approved Budget (the "Original Twenty-Sixth Five-Year Plan"). In the Original Twenty-Sixth Five-Year Plan, the City set forth certain priorities, including: (i) protecting the City's most vulnerable populations; (ii) increasing public safety in all neighborhoods; (iii) ensuring City government runs efficiently and effectively; (iv) improving economic opportunities for City residents; (v) making progress on initiatives funded by the Philadelphia Beverage Tax; and (vi) improving the fiscal health of the City with a focus on program-based budgeting and General Fund balance.

The Original Twenty-Sixth Five-Year Plan also included (i) a $200.0 million Labor Reserve (the "Labor Reserve") for potential costs of anticipated new labor agreements with certain of the City's municipal unions (see "EXPENDITURES OF THE CITY – Overview of City Employees"), and (ii) a $274.6 million Federal Funding Reserve (the "Federal Funding Reserve") to address certain federal funding that may become unavailable as a result of cuts in the federal budget or the implementation of other federal policies that may affect federal funding for the City.

On July 18, 2017, PICA approved the Original Twenty-Sixth Five-Year Plan. PICA staff, in recommending that PICA approve the Original Twenty-Sixth Five-Year Plan, noted that the revenue and expenditure projections presented in the Original Twenty-Sixth Five-Year Plan were [quoting from the PICA Act] "based on reasonable and appropriate assumptions and methods of estimation . . . consistently applied." The PICA staff report concluded that "PICA is confident that the [Original Twenty-Sixth Five-Year Plan] is based on reasonable assumptions, which will ultimately result in positive fund balances over each of the five years presented" in the Original Twenty-Sixth Five-Year Plan. The PICA report did, however, note that there are certain risk factors present, which include: (i) labor costs that are likely to exceed projections; (ii) the possibility of a decline in economic growth; (iii) rising pension costs; (iv) accelerating cost growth in employee health benefits; and (v) Business Income and Receipts Tax ("BIRT") volatility. The PICA staff report also highlighted certain other financial concerns that could impact the City's financial condition, including, among others, low General Fund balance and the financial stability of the School District (which is projected to have a budget deficit of nearly $1.0 billion by Fiscal Year 2022).

New Labor Agreement. On August 15, 2017, a labor arbitration panel awarded FOP Lodge No. 5 a new three-year contract (the "FOP Lodge No. 5 Labor Contract") reflecting annual raises ranging from 3.25% to 3.75%, resulting in a projected aggregate cost to the City of approximately $247.5 million during Fiscal Years 2018-2022. As set forth above in Tables 1 and 2 in APPENDIX A, at footnotes 15 and 10, respectively, the City included $20 million of the Labor Reserve in the Fiscal Year 2018 Adopted Budget. Additionally, as part of the Fiscal Year 2018 Adopted Budget, the City included a Federal Funding Reserve of approximately $50.9 million and projected a year-end General Fund balance of approximately $75.5 million for Fiscal Year 2018. For Fiscal Year 2018, the City has determined that the impact of the FOP Lodge No. 5 Labor Contract is an additional cost of approximately $18.8 million.

Revised Twenty-Sixth Five-Year Plan. On September 5, 2017, the City submitted to PICA its FY 2018-2022 Five Year Financial Plan as Revised (the "Revised Twenty-Sixth Five-Year Plan"). While the Revised Twenty-Sixth Five-Year Plan includes adjustments to reflect the FOP Lodge No. 5 Labor Contract, much of the information included in the Original Twenty-Sixth Five-Year Plan was unchanged. PICA approved the Revised Twenty-Sixth Five-Year Plan on September 19, 2017.

PICA staff, in recommending that PICA approve the Revised Twenty-Sixth Five-Year Plan, noted that the revenue and expenditure projections presented in the Revised Twenty-Sixth Five-Year Plan were [quoting from the PICA Act] "based on reasonable and appropriate assumptions and methods of estimation . . . consistently applied." The PICA staff report concluded that "despite lowered [General Fund] balances in four of the five years presented in the [Revised Twenty-Sixth Five-Year Plan], PICA is confident that the [Revised Twenty-Sixth Five-Year Plan] is based on reasonable assumptions." In the PICA staff report, PICA continued to stress the risk factors that were identified in its approval of the Original Twenty-Sixth Five-Year Plan (as described above).

For Fiscal Years 2019-2022, the Revised Twenty-Sixth Five-Year Plan projects that the City will end such Fiscal Years with General Fund balances (on the legally enacted basis) of $76.9 million (Fiscal Year 2019), $29.4 million (Fiscal Year 2020), $31.0 million (Fiscal Year 2021), and $75.9 million (Fiscal Year 2022). The City continues to face uncertainty regarding the pace of economic growth. The estimated General Fund balances in Fiscal Years 2019-2022, which are low, could lead to financial risk.

<u>Fiscal Year 2018 Current Estimate</u>. The current estimate for Fiscal Year 2018 is derived from information included in the First Quarter QCMR.

As noted above, in the FY 2017 AFR (Unaudited), the City reported that Fiscal Year 2017 ended with a General Fund balance of $189.2 million, approximately $100.6 million higher than estimated in the Revised Twenty-Sixth Five-Year Plan. For Fiscal Year 2018, the First Quarter QCMR projects that the City will end such Fiscal Year with a General Fund balance (on the legally enacted basis) of $184.8 million, approximately $107.5 million higher than estimated in the Revised Twenty-Sixth Five-Year Plan.

Such higher than anticipated General Fund balance is mostly due to a higher ending General Fund balance from Fiscal Year 2017. Although this is positive for the City's fiscal situation, many of the factors that caused the better than anticipated performance in Fiscal Year 2017 are unlikely to recur, including (i) savings in health care costs, which could be impacted by potential changes at the federal level; (ii) lower debt service costs; and (iii) reserved expenditures associated with the Philadelphia Beverage Tax litigation, which are expected to be spent when the litigation related to such tax is resolved. See "REVENUES OF THE CITY – Other Taxes" for a discussion of such litigation. The projected General Fund balance for Fiscal Year 2018 is also higher than previous estimates due to the inclusion of certain budget reductions and updated revenue projections. The City faces many anticipated challenges that could impact its finances and such challenges are expected to be addressed during the budget process for Fiscal Year 2019.

For more information on the City's annual budget process under the City Charter and the five-year financial plans and quarterly reporting required under the PICA Act, see "– Budget Procedure," "– Five-Year Plans of the City," and "– Quarterly Reporting to PICA," above.

CITY FINANCES AND FINANCIAL PROCEDURES

Except as otherwise noted, the financial statements, tables, statistics, and other information shown below have been prepared by the Office of the Director of Finance and can be reconciled to the financial statements in the Fiscal Year 2016 CAFR and notes therein. The Fiscal Year 2016 CAFR was prepared by the Office of the Director of Finance in conformance with guidelines adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants' audit guide, Audits of State and Local Government Units.

General

Governmental funds account for their activities 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 in the case of full 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, BIRT, 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.

Revenue that is considered to be program revenue includes: (i) charges to customers or applicants for goods received, services rendered or privileges provided; (ii) operating grants and contributions; and (iii) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program specific revenues; therefore, all taxes are considered general revenues.

The City's financial statements reflect the following three funds as 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. These resources are restricted to providing managed behavioral health care to residents of the City.

- The Grants Revenue Fund accounts for the resources received from various federal, Commonwealth, and private grantor agencies. The resources are restricted to accomplishing the various objectives of the grantor agencies.

In Fiscal Year 2012, the City transferred the majority of the Department of Human Services ("DHS") revenues and obligations to the Grants Revenue Fund.

The City also 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 permanent funds that require the principal to remain intact, while only the earnings may be used for the programs.

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 accounts for contributions made by PGW to provide pension benefit payments to its qualified employees under its pension plan. For more information on the PGW Pension Plan (as defined herein), see "PGW PENSION PLAN."

- 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 departments of the City.

The City reports on the following major proprietary funds:

- The Water Fund accounts for the activities related to the operation of the Water and Wastewater Systems.

- The Aviation Fund accounts for the activities of the Airport System.

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 revenues of the Aviation Fund are charges for the use of the City's airports. 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.

Current City Disclosure Practices

It is the City's practice to file its CAFR, which contains the audited combined financial statements of the City, in addition to certain other information, such as the City's bond ratings and information about upcoming debt issuances, with the MSRB as soon as practicable after delivery of such report. For bonds issued in calendar year 2015 and after, the annual filing deadline is February 28; for bonds issued prior to calendar year 2015, the annual filing deadline is 240 days after the end of the respective Fiscal Year, being February 25. The Fiscal Year 2016 CAFR was filed with the MSRB on February 24, 2017, through the MSRB's Electronic Municipal Market Access ("EMMA") system. The Fiscal Year 2016 CAFR is attached hereto as APPENDIX B.

A wide variety of information concerning the City is available from publications and websites of the City and others, including the City's investor information website at http://www.phila.gov/investor (the "City's Investor Website"). Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement.

Independent Audit and Opinion of the City Controller

The City Controller has examined and expressed opinions on the basic financial statements of the City contained in the Fiscal Year 2016 CAFR. The City Controller has not participated in the preparation of this Official Statement nor in the preparation of the budget estimates and projections and cash flow statements and forecasts set forth in various tables contained in this Official Statement. Consequently, the City Controller expresses no opinion with respect to any of the data contained in this Official Statement other than what is contained in the basic financial statements of the City in the Fiscal Year 2016 CAFR.

Budgetary Accounting Practices

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles ("GAAP"). In accordance with the City 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, Health Choices Behavioral Health, Hotel Room Rental Tax, Grants Revenue, Community Development, Car Rental Tax, Acute Care Hospital Assessment and Housing Trust Funds) and two Enterprise Funds (Water and Aviation Funds), are subject to annual operating budgets adopted by City Council. These budgets appropriate funds for all City departments, boards and commissions by major class of expenditure within each department. Major classes are defined as: (i) personal services; (ii) purchase of services; (iii) materials and supplies; (iv) equipment; (v) contributions, indemnities, and taxes; (vi) debt service; (vii) payments to other funds; and (viii) 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 City Council approval. Appropriations that are not expended or encumbered at year-end are lapsed.

The City's capital budget is adopted annually by City Council. The capital budget is appropriated by project for each department. Requests to transfer appropriations between projects must be approved by City Council. Any appropriations that are not obligated at year-end are either lapsed or carried forward to the next Fiscal Year.

Schedules prepared on the legally enacted basis differ from the GAAP basis 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. The primary difference between the GAAP and legal (budgetary) fund balance is due to the timing of recognizing the BIRT. The legal basis recognizes BIRT revenues in the Fiscal Year they are collected. The GAAP basis requires the City to recognize the BIRT revenues (which are primarily paid in April) for the calendar year in which the BIRT taxes are due, requiring the City to defer a portion of the April payment into the next Fiscal Year. For more information on BIRT, see "REVENUES OF THE CITY – Business Income and Receipts Tax."

REVENUES OF THE CITY

General

Prior to 1939, the City relied heavily on the real estate tax as the mainstay of its revenue system. In 1932, the General Assembly adopted an act (commonly referred to as the Sterling Act) under which the City is permitted to levy any tax that was not specifically pre-empted by the Commonwealth. Acting under the Sterling Act and other Pennsylvania legislation, the City has taken various steps over the years to reduce its reliance on real property taxes as a source of income, including: (i) enacting the wage, earnings, and net profits tax in 1939; (ii) introducing a sewer service charge to make the sewage treatment system self-sustaining after 1945; (iii) requiring under the City Charter that the water, sewer, and other utility systems be fully self-sustaining; (iv) enacting the Mercantile License Tax (a gross receipts tax on business done within the City) in 1952, which was replaced as of the commencement of Fiscal Year 1985 by the Business Privilege Tax (renamed the Business Income and Receipts Tax in May 2012), and (v) enacting the City Sales Tax (as defined herein) for City general revenue purposes effective beginning in Fiscal Year 1992.

Major Revenue Sources

The City derives its revenues primarily from various taxes, non-tax revenues, and receipts from other governments. See Table 3 for General Fund tax revenues for Fiscal Years 2013-2017, as well as the budgeted amounts and current estimates for Fiscal Year 2018. The following discussion of the City's revenues does not take into account revenues in the non-debt related funds. The tax rates for Fiscal Years 2013 through 2016 are contained in the Fiscal Year 2016 CAFR.

Table 3 provides a detailed breakdown of the "Total Taxes" line from Table 1 above. Table 3 does not include "Revenues from Other Governments," which consists of "Net PICA Taxes Remitted to the City" and "Other Revenue from Other Governments." "Net PICA Taxes Remitted to the City" is set forth in Table 1 and a detailed breakdown of such revenues is shown in Table 43. "Other Revenue from Other Governments" is set forth in Table 1 and a detailed breakdown of such revenues is shown in Table 12.

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Table 3
General Fund Tax Revenues
Fiscal Years 2013-2016 (Actual), 2017 (Unaudited Actual), and 2018 (Adopted Budget and Current Estimate)
(Amounts in Millions of USD) (1), (2), (3)

	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Unaudited Actual 2017	Adopted Budget 2018	Current Estimate 2018
Real Property Taxes[4]							
Current	$504.2	$483.9	$493.1	$521.2	$542.9	$602.1	$602.1
Prior	36.3	42.5	43.4	50.4	44.2	49.3	49.3
Total	$540.5[4]	$526.4	$536.4	$571.6	$587.1	$651.5	$651.5
Wage and Earnings Tax[5]							
Current	$1,219.5	$1,255.9	$1,318.8	$1,364.6	$1,440.6	$1,457.4	$1,485.5
Prior	2.0	5.7	7.1	8.4	8.3	7.2	7.2
Total	$1,221.5	$1,261.6	$1,325.8	$1,373.0	$1,448.9	$1,464.6	$1,492.7
Business Taxes							
Business Income and Receipts Tax							
Current & Prior	$450.9	$461.7	$438.2	$474.2	$417.5	$489.9	$452.2
Net Profits Tax							
Current	$17.2	$13.2	$14.7	$23.3	$25.3	$26.6	-
Prior	1.9	3.1	6.5	2.1	(3.0)	3.1	-
Subtotal Net Profits Tax	$19.2	$16.3	$21.2	$25.4	$22.3	$29.7	$29.6
Total Business and Net Profits Taxes	$470.1	$478.0	$459.4	$499.6	$439.8	$519.6	$481.8
Other Taxes							
Sales and Use Tax[6]	$257.6	$263.1	$149.5	$169.4	$188.4	$198.1	$198.1
Amusement Tax	19.1	20.0	19.0	19.4	20.6	22.1	22.1
Real Property Transfer Tax	148.0	168.1	203.4	237.3	247.3	242.9	255.6
Parking Taxes	73.3	75.1	79.7	92.7	96.1	103.7	99.5
Other Taxes	3.4	3.7	3.8	3.6	3.8	3.4	3.4
Subtotal Other Taxes	$501.3	$530.0	$455.4	$522.4	$556.1	$570.3	$578.7
Philadelphia Beverage Tax[7]	0.0	0.0	0.0	0.0	39.5	92.4	92.4
TOTAL TAXES	$2,733.5	$2,795.9	$2,777.0	$2,966.6	$3,071.4	$3,298.3	$3,297.1

(1) Sources: For Fiscal Years 2013-2016, the City's CAFRs for such Fiscal Years. For Fiscal Year 2017, the FY 2017 AFR (Unaudited). For Fiscal Year 2018 (Adopted Budget), the Fiscal Year 2018 Adopted Budget. For Fiscal Year 2018 (Current Estimate), the First Quarter QCMR.

(2) See Table 7 in the Fiscal Year 2016 CAFR for tax rates.

(3) Figures may not sum due to rounding.

(4) The amount for Fiscal Year 2013 reflects a 3.6% increase in the Real Estate Tax rate. The amounts for Fiscal Year 2014 and thereafter reflect a reduction in the Real Estate Tax rate, but also an increase in the assessed value of all taxable real property resulting from a citywide property reassessment. See "– Real Property Taxes Assessment and Collection."

(5) Does not include the PICA Tax of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on PICA Bonds and PICA expenses. After paying debt service and expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments. See "DEBT OF THE CITY – PICA Bonds" for a description of the PICA Tax.

(6) The amounts for Fiscal Years 2013-2014 reflect a 1% increase in the City Sales Tax effective October 8, 2009, which expired June 30, 2014. For Fiscal Years 2015-2018, figures include the remaining 1% City Sales Tax, an additional $15,000,000 for debt service, plus any amounts designated for the Municipal Pension Fund. See "– Sales and Use Tax."

(7) The Philadelphia Beverage Tax taxes the distribution of certain beverages at 1.5 cents per ounce and became effective January 1, 2017. See "– Other Taxes" for a discussion of litigation relating to the Philadelphia Beverage Tax.

Wage, Earnings, and Net Profits Taxes

The largest tax revenue source (comprising more than 45% of all tax revenues in Fiscal Year 2016) is the wage, earnings and net profits tax. The wage and earnings tax is collected from all employees working within City limits, and all City residents regardless of work location. The net profits tax is collected 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 within the City limits. The following table sets forth the resident and non-resident wage, earnings and net profits tax rates for Fiscal Years 2013-2018, the annual wage, earnings and net profits tax receipts in Fiscal Years 2013-2017 and the budgeted amount and current estimate of such receipts for Fiscal Year 2018.

Table 4
Summary of Wage, Earnings and Net Profits Tax Rates and Receipts
Fiscal Years 2013-2016 (Actual), 2017 (Unaudited Actual), and 2018 (Adopted Budget and Current Estimate)[1]

Fiscal Year	Resident Wage, Earnings and Net Profits Tax Rates[2]	Non-Resident Wage, Earnings and Net Profits Tax Rates	Annual Wage, Earnings and Net Profits Tax Receipts (including PICA Tax) (Amounts in Millions of USD)[3]
2013	3.9280%	3.4985%	$1,617.2 (Actual)
2014	3.9240%	3.4950%	$1,662.3 (Actual)
2015	3.9200%	3.4915%	$1,755.5 (Actual)
2016	3.9102%	3.4828%	$1,842.9 (Actual)
2017	3.9004%	3.4741%	$1,940.4 (Unaudited Actual)
2018	3.8907%	3.4654%	$1,969.5 (Adopted Budget)
			$2,005.9 (Current Estimate)

(1) See Table 7 in the Fiscal Year 2016 CAFR for tax rates.
(2) Includes PICA Tax. See "DEBT OF THE CITY – PICA Bonds" for a description of the PICA Tax.
(3) Sources: For Fiscal Years 2013-2016, the City's CAFRs for the City's annual wage, earnings, and net profits and the City's Quarterly City Manager's Reports for gross PICA Tax (see first column in Table 43). For Fiscal Year 2017, the First Quarter QCMR. For Fiscal Year 2018, the Fiscal Year 2018 Adopted Budget and the First Quarter QCMR.

Commonwealth funding from gaming revenues is mandated by statute to be used to reduce the resident and nonresident wage tax rate. Gaming revenues have averaged approximately $86.3 million in Fiscal Years 2013-2016. For Fiscal Year 2017, the unaudited actual amount of gaming revenues is $86.3 million. For Fiscal Year 2018, the budgeted amount and current estimate of gaming revenues is $86.3 million. The wage tax rates in such Fiscal Years reflect a rate reduction due to these revenues.

See "– Proposed Tax Rate Changes" herein, for information regarding proposed wage and earnings tax rate reductions commencing in Fiscal Year 2018 under the Revised Twenty-Sixth Five-Year Plan.

In a 2015 decision by the Supreme Court of the United States (*Comptroller of the Treasury of Maryland v. Wynne*, 135 S. Ct. 1787 (2015)), a state's failure to provide certain credits against its personal income tax was held to have violated the dormant Commerce Clause of the United States Constitution. Such personal income tax was applied to income earned outside of the state of residency, and residents were not given a credit for income taxes paid to the state where such income was earned, resulting, in the circumstances presented, in taxing income earned interstate at a rate higher than income earned intrastate. The City does not provide a credit to resident taxpayers against their respective wage, earnings, and net profits tax liabilities for similar taxes paid to another jurisdiction. For 2016 and 2017, the City has paid approximately $414,000 to resident taxpayers in connection with this matter.

Business Income and Receipts Tax

In 1984, the Commonwealth passed legislation known as The First Class City Business Tax Reform Act of 1984, authorizing City Council to impose a business tax measured by gross receipts, net income or the combination of the two. The same year, City Council by ordinance repealed the Mercantile License Tax and the General Business Tax and imposed the Business Privilege Tax. As of May 1, 2012, the Business Privilege Tax was renamed the Business Income and Receipts Tax (the "BIRT"). Rental activities are usually considered to be business activities. Every estate or trust (whether the fiduciary is an individual or a corporation) must file a BIRT return if the estate or trust is engaged in any business or activity for profit within the City.

The BIRT allows for particular allocations and tax computations for regulated industries, public utilities, manufacturers, wholesalers and retailers. There are also credit programs where meeting the requirement of the program allows for a credit against the BIRT. All persons subject to both the BIRT and the net profits tax are entitled to apply a credit of 60% of the net income portion of their BIRT liability against what is due on the net profits tax to the maximum of the net profits tax liability for that tax year.

In November 2011, legislation was enacted to halt a previously enacted program of reducing the gross receipts portion of the BIRT and to commence reductions in the net income portion of the BIRT to take effect in tax year 2014 with changes phasing in through tax year 2023. The following table reflects such changes and provides a summary of BIRT rates for tax years 2012-2023. Future scheduled reductions in the net income portion of the BIRT remain subject to amendment by action of City Council and the Mayor.

Table 5
Summary of Business Income and Receipts Tax Rates

Tax Year	Gross Receipts	Net Income
2012	1.415 mills	6.45%
2013	1.415 mills	6.45%
2014	1.415 mills	6.43%
2015	1.415 mills	6.41%
2016	1.415 mills	6.39%
2017	1.415 mills	6.35%
2018	1.415 mills	6.30%
2019	1.415 mills	6.25%
2020	1.415 mills	6.20%
2021	1.415 mills	6.15%
2022	1.415 mills	6.10%
2023	1.415 mills	6.00%

In addition, the 2011 legislation incorporated several changes intended to help small and medium sized businesses and lower costs associated with starting a new business in order to stimulate new business formation and increase employment in the City, including the following: (i) the Commercial Activity License fee for all businesses was eliminated in 2014; (ii) business taxes for the first two years of operations for all new businesses with at least three employees in their first year and six employees in their second year were eliminated beginning in 2012; and (iii) across the board exclusions on the gross receipts portion of the BIRT were provided for all businesses phased in over a three-year period beginning in 2014 and eventually excluding the first $100,000 of gross receipts, along with proportional reductions in the net income portion of the BIRT. The legislation also provides for implementation of single sales factor apportionment in 2015, which enables businesses to pay BIRT based solely on sales in the City, rather than on property or payroll.

Real Property Taxes Assessment and Collection

A tax is levied on the assessed value of all taxable residential and commercial real property located within the City's boundaries (the "Real Estate Tax") as assessed by the Office of Property Assessment ("OPA") and collected by the Department of Revenue. Real Estate Taxes are allocated to the City and the School District with the millage split between the two taxes changing over the years. Real Estate Taxes are levied on a calendar year basis. Bills are sent in December for the following year and payments are due March 31. A discount of 1% is available for taxpayers who pay their Real Estate Taxes on or before the last day of February.

Beginning in 2010, the City significantly changed the system used for assessing Real Estate Tax in Philadelphia. On May 18, 2010, Philadelphia voters approved an amendment to the City Charter that split the assessment and appeals functions, moving assessment functions into City government into a new agency, OPA, and creating an independent board of appeals, replacing the Board of Revision of Taxes ("BRT"), which previously combined both functions. OPA formally took over responsibility for assessments in October 2010. However, the Pennsylvania Supreme Court ruled on September 20, 2010, that without an amendment to state law, the City did not have the authority to replace the BRT in its capacity as an existing appeals board. Therefore, the BRT remains in place as the property assessment appeals board; but the separation of the appeals function from the assessment function, which removed an inherent conflict and was a key goal of the legislation, remains in place. The BRT is an independent, seven-member board appointed by the Board of Judges of the Philadelphia Common Pleas Court.

For tax year 2014, under the Actual Value Initiative ("AVI"), all 579,000 properties in Philadelphia were reassessed at their actual market value by OPA, replacing outdated values and inequities within the system. As the new total assessed value of all properties more accurately reflected the market in Philadelphia, the total assessment grew substantially. As a result, the Mayor and City Council significantly reduced the tax rate to ensure that the reassessment resulted in the collection of approximately the same amount of current year revenue as the prior year (the rates are shown in Table 6 below). Moreover, in order to make the tax bills more understandable, AVI removed the complicated fractional system. Prior to AVI, tax bills were calculated by multiplying the certified market value by an established predetermined ratio ("EPR") multiplied by the tax rate. The last applicable EPR was 32%.

The changes in the system had implications for most property owners in the City. Under the old assessment system, some properties were valued closer to their actual value than other properties. Properties that had been valued closer to their actual value saw relatively smaller increases in assessments and when those assessment changes were coupled with the much lower Real Estate Tax rate, they produced tax decreases. On the other hand, properties that were relatively undervalued saw tax increases, a small number of which were substantial.

In order to mitigate the hardship that could be created by those large increases, the ordinance imposing the new Real Estate Tax rates included a homestead exemption of $30,000 for all primary residential owner-occupants. Alternative programs are also available to reduce Real Estate Tax bills for homeowners, including the Longtime Owner-Occupant Program (LOOP) to provide relief to longtime owners with large increases and the ten-year tax abatement. In addition to the homestead exemption, the City has also instituted several other property tax relief programs for taxpayers.

The Real Estate Tax rates for tax years 2012-2018 are set forth in Table 6 below:

Table 6
Real Estate Tax Rates and Allocations

Tax Year	City	School District	Total
2012	4.1230%	5.3090%	9.4320%
2013	4.4620%	5.3090%	9.7710%
2014[1]	0.6018%	0.7382%	1.3400%
2015[1]	0.6018%	0.7382%	1.3400%
2016[1]	0.6317%	0.7681%	1.3998%
2017[1]	0.6317%	0.7681%	1.3998%
2018[1]	0.6317%	0.7681%	1.3998%

(1) The reduction of the Real Estate Tax rates from tax year 2013 to tax year 2014 and succeeding tax years reflects the City's Actual Value Initiative.

For Fiscal Year 2016, the actual amount of Real Estate Tax revenue for the City was $521.2 million (excluding delinquent collections). For Fiscal Year 2017, the unaudited actual amount of Real Estate Tax revenue for the City is $542.9 million (excluding delinquent collections). For Fiscal Year 2018, the budgeted amount and current estimate of Real Estate Tax revenue for the City is $602.1 million (excluding delinquent collections). See Table 3 above.

Table 7 shows the assessed values of properties used for tax year 2016 and 2017 Real Estate Taxes (both of which reflect the effect of AVI). Under AVI, the OPA certifies the market values by March 31 of the prior year (that is, for tax year 2016, the OPA certified the market values on March 31, 2015). Taxpayers base their appeals on the certified market values, and therefore, the assessed values are adjusted as the appeals are finalized. For budgetary purposes, the OPA provides an updated table to the Office of the Director of Finance in December, from which tax rates are proposed.

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Table 7
Certified Property Values for Tax Years 2017 and 2018

Tax Year 2017*

Category	Tax Status	Assessed Value	Taxable Assessed Value	Exempt Assessed Value	Number of Parcels
Residential	Fully Taxable	$27,239,032,724	$27,239,032,724	$0	227,596
Residential	Abatement	5,656,888,300	1,584,639,283	4,072,249,017	13,906
Residential	Exemption	35,439,456,377	27,462,644,199	7,976,812,178	231,790
Total		**$68,335,377,401**	**$56,286,316,206**	**$12,049,061,195**	**473,292**
Hotels and Apartments	Fully Taxable	$11,309,938,300	$11,309,938,300	$0	21,819
Hotels and Apartments	Abatement	2,732,361,800	781,802,004	1,950,559,796	768
Hotels and Apartments	Exemption	3,144,407,300	1,009,817,435	2,134,589,865	4,629
Total		**$17,186,707,400**	**$13,101,557,739**	**$4,085,149,661**	**27,216**
Store with Dwelling	Fully Taxable	$2,654,179,000	$2,654,179,000	$0	12,611
Store with Dwelling	Abatement	113,049,600	49,070,436	63,979,164	211
Store with Dwelling	Exemption	410,214,200	295,454,160	114,760,040	1,830
Total		**$3,177,442,800**	**$2,998,703,596**	**$178,739,204**	**14,652**
Commercial	Fully Taxable	$13,987,005,400	$13,987,005,400	$0	9,873
Commercial	Abatement	2,474,106,400	787,638,368	1,686,468,032	426
Commercial	Exemption	24,712,736,300	430,585,920	24,282,150,380	4,358
Total		**$41,173,848,100**	**$15,205,229,688**	**$25,968,618,412**	**14,657**
Industrial	Fully Taxable	$2,654,419,300	$2,654,419,300	$0	3,960
Industrial	Abatement	292,220,700	49,509,849	242,710,851	107
Industrial	Exemption	499,667,800	28,545,270	471,122,530	291
Total		**$3,446,307,800**	**$2,732,474,419**	**$713,833,381**	**4,358**
Vacant Land	Fully Taxable	$1,397,808,735	$1,397,808,735	$0	33,804
Vacant Land	Abatement	42,839,500	117,908	42,721,592	35
Vacant Land	Exemption	1,921,166,000	18,996,099	1,902,169,901	11,898
Total		**$3,361,814,235**	**$1,416,922,742**	**$1,944,891,493**	**45,737**
Grand Total		**$136,681,497,736******	**$91,741,204,390**	**$44,940,293,346**	**579,912**

* Certified Market Value as of 3/31/2016
** Based on revised market values for tax year 2017, as of 4/11/2017, the revised assessed value is $138,276,358,121 (based on 581,919 parcels).

Tax Year 2018*

Category	Tax Status	Assessed Value	Taxable Assessed Value	Exempt Assessed Value	Number of Parcels
Residential	Fully Taxable	$28,834,307,863	$28,834,307,863	$0	233,860
Residential	Abatement	5,583,248,300	1,573,935,559	4,009,312,741	13,061
Residential	Exemption	34,743,873,838	26,942,483,841	7,801,389,997	227,450
Total		**$69,161,430,001**	**$57,350,727,263**	**$11,810,702,738**	**474,371**
Hotels and Apartments	Fully Taxable	$15,522,233,388	$15,522,233,388	$0	21,960
Hotels and Apartments	Abatement	4,433,514,680	1,479,167,632	2,954,347,048	850
Hotels and Apartments	Exemption	3,817,077,100	1,169,583,571	2,647,493,529	4,584
Total		**$23,772,825,168**	**$18,170,984,591**	**$5,601,840,577**	**27,394**
Store with Dwelling	Fully Taxable	$3,104,975,030	$3,104,975,030	$0	12,830
Store with Dwelling	Abatement	155,607,400	69,866,381	85,741,019	224
Store with Dwelling	Exemption	416,206,725	293,689,072	122,517,653	1,686
Total		**$3,676,789,155**	**$3,468,530,483**	**$208,258,672**	**$14,740**
Commercial	Fully Taxable	$18,081,041,646	$18,081,041,646	$0	9,143
Commercial	Abatement	3,078,093,570	934,704,280	2,143,389,290	366
Commercial	Exemption	25,512,090,455	662,684,636	24,849,405,819	4,237
Total		**$46,671,225,671**	**$19,678,430,562**	**$26,992,795,109**	**$13,746**
Industrial	Fully Taxable	$3,378,308,625	$3,378,308,625	$0	4,240
Industrial	Abatement	693,382,830	397,776,002	295,606,828	89
Industrial	Exemption	583,057,900	34,885,062	548,172,838	202
Total		**$4,654,749,355**	**$3,810,969,689**	**$843,779,666**	**$4,531**
Vacant Land	Fully Taxable	$2,449,227,090	$2,449,227,090	$0	32,970
Vacant Land	Abatement	99,963,900	0	99,963,900	36
Vacant Land	Exemption	2,509,072,725	60,071,559	2,449,001,166	12,345
Total		**$5,058,263,715**	**$2,509,298,649**	**$2,548,965,066**	**45,351**
Grand Total		**$152,995,283,065**	**$104,988,941,237**	**$48,006,341,828**	**580,133**

* Certified Market Value as of 3/31/2017.

As part of the transition to the new assessment system, OPA set up a new process called a first level review, where a taxpayer could request an administrative review of its assessment notice prior to launching a formal appeal with the BRT. The BRT has the authority, following a formal appeal, to either increase or decrease the property valuations contained in the return of the assessors in order that such valuations conform with law. After all changes in property assessments, and after all assessment appeals, assessments are certified and the results provided to the Department of Revenue.

On October 24, 2012, the Governor approved Act 160 ("Act 160"), which permits downward adjustments to School District property tax and use and occupancy tax rates, solely to offset the higher assessed values anticipated under AVI, and only to the extent the yield from such lower rates is no lower than the highest tax yield in the previous three years. Act 160 permits such adjustment for the reassessment year and the two years thereafter. Act 160 also precludes the School District from using its direct authority to levy real estate taxes, separately granted by the General Assembly of the Commonwealth, but only to the extent the City authorizes School District real estate taxes yielding an amount not lower than total real estate taxes yielded in the year prior to the year of the revision of assessments, adjusted to account for increases in assessed value since the first year of revision.

In 2014, City Council passed legislation intended to ease the transition to AVI, which provided, for tax year 2014 only, that residential and commercial property owners who appeal their new property assessments need only pay the prior year's amount of Real Estate Tax and (if applicable) use and occupancy tax, pending the assessment appeal. Interest and penalties would not accrue on the additional 2014 tax liability during the appeal, whether or not the appeal is ultimately successful.

For tax year 2017, OPA revised the assessed values of over 450,000 parcels throughout the City as part of its reassessment.

For tax year 2018, OPA revised the assessed values of over 60,000 parcels throughout the City as part of its reassessment. In September 2017, the owners of multiple commercial properties in the City filed a lawsuit against the City in the Court of Common Pleas. The plaintiffs in such matter have alleged that OPA violated the uniformity clause of the Pennsylvania Constitution in reassessing commercial properties and not residential properties for tax year 2018. The plaintiffs are seeking declaratory relief, an injunction, and an order directing OPA to recertify their properties at tax year 2017 values. The City intends to defend this lawsuit. If plaintiffs were to succeed in this matter, the City expects that any relief would only be granted prospectively, not resulting in the refund of any money. The Real Estate Taxes associated with the increase of the taxable assessed values for the properties in question is more than $14.9 million. For more general information on judgments and settlements on claims against the City, see "LITIGATION."

OPA plans to conduct a comprehensive reassessment of all properties in the City for tax year 2019 and each year thereafter.

Since 2010, the City has pursued a number of initiatives to improve the collection of Real Estate Taxes, including (i) prompt correspondence with taxpayers with overdue Real Estate Taxes, (ii) using outside collection firms to collect overdue Real Estate Taxes, (iii) sequestration of delinquent properties occupied by commercial tenants, and (iv) tax lien sales.

See Table 8 below for data with respect to Real Estate Taxes levied from 2012 to 2016 and collected by the City from January 1, 2012 to June 30, 2016. See Table 9 for the assessed property values of the City's principal taxable assessed parcels in 2017. See Table 10 for the 2017 market and assessed values of the ten highest valued taxable real properties in the City, as well as the amounts and duration of Real Estate Tax abatements with respect to such properties.

Table 8
City of Philadelphia
Real Property Taxes Levied and Collected
For the Calendar Years 2012-2016
(Amounts in Millions of USD)[(1), (2)]

Calendar Year	Taxes Levied Based on Original Assessment[(3)]	Taxes Levied Based on Adjusted Assessment[(4)]	Collections in the Calendar Year of Levy[(6)]	Percentage Collected in the Calendar Year of Levy	Collections in Subsequent Years[(5), (6)]	Total Collections to Date: All Years[(6)]	Percentage Collected to Date: All Years[(6)]
2012	$508.6	$491.1	$459.2	93.5%	$22.7	$481.9	98.1%
2013	$554.0	$537.7	$505.6	94.0%	$22.8	$528.4	98.3%
2014	$553.2	$515.4	$482.1	93.5%	$21.2	$503.3	97.7%
2015	$547.4	$519.1	$489.1	94.2%	$10.9	$500.0	96.3%
2016	$569.9	$552.7	$502.6	90.9%	N/A	$502.6	90.9%

(1) Source: Fiscal Year 2016 CAFR.
(2) Real Estate Taxes are levied by the City and the School District. While this table reflects City General Fund Real Estate Tax revenues exclusively, the School District Real Estate Tax collection rates are the same.
(3) Taxes are levied on a calendar year basis. They are due on March 31.
(4) Adjustments include assessment appeals, a 1% discount for payment in full by February 28, the senior citizen tax discount, and the tax increment financing return of tax paid.
(5) Includes payments from capitalization charges. This capitalization occurs one time, after the end of the first year of the levy, on any unpaid balances.
(6) For calendar year 2016, the data shown reflects collections through June 30, 2016. For earlier calendar years, the data shown reflects collections through December 31 of the respective year.

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Table 9
Principal Taxable Assessed Parcels – 2017
(Amounts in Millions of USD) (1)

Taxpayer	2017 Assessment(2)	2017 Percentage of Total Assessments
HUB Properties Trust	$265.7	0.27%
Nine Penn Center Associates	232.6	0.24
Phila Liberty Place ELP	207.7	0.21
Philadelphia Market Street	203.7	0.21
Commerce Square Partners	178.2	0.18
Maguire / Thomas	170.1	0.17
SRI Eleven 1818 Market L	170.0	0.17
Franklin Mills Associates	163.2	0.17
Brandywine Operating	156.7	0.16
1700 Market Street Associates	142.4	0.15
Total	$1,890.3	1.93%
Total Taxable Assessments(3)	$98,129.7	

Source: City of Philadelphia, Office of Property Assessment.

(1) Figures may not sum due to rounding.
(2) Assessment Values rounded to the nearest $100,000 and only include the largest assessed property for each taxpayer, additional properties owned by the same taxpayer are not included.
(3) Total 2017 Taxable Assessment as of March 31, 2016.

Table 10
Ten Largest Certified Market and Assessment Values of Tax-Abated Properties
Certified Values for 2017
(Amounts in Millions of USD)(1)(2)

Location	2017 Certified Market Value	Total Assessment	Total Taxable Assessment	Total Exempt Assessment	Exempt Through Tax Year
1701 John F Kennedy Blvd.	$212.5	$212.5	$9.1	$203.4	2017
1001-99 Delaware Ave.	$158.4	$158.4	$46.8	$111.6	2020
1500-30 Spring Garden St.	$138.7	$138.7	$106.0	$32.7	2020
1900-24 Arch St.	$85.8	$85.8	$2.2	$83.6	2025
1338-48 Chestnut St. Unit 2	$80.0	$80.0	$57.1	$22.9	2017
819-41 Chestnut St.	$76.8	$76.8	$72.6	$4.1	2024
2116 Chestnut St.	$72.5	$72.5	$1.4	$71.1	2023
3400L Lancaster Ave.	$69.7	$69.7	$0.0	$69.7	2025
2026-58 Market St.	$65.0	$65.0	$8.4	$56.6	2023
1601 N 15th St.	$64.2	$64.2	$0.5	$63.7	2017

Source: City of Philadelphia, Office of Property Assessment.

(1) Figures may not sum due to rounding.
(2) Certified Values as of 3/31/2016.

Sales and Use Tax

Pursuant to the authorization granted by the Commonwealth under the PICA Act, the City adopted a 1% sales and use tax (the "City Sales Tax") for City general revenue purposes effective beginning in Fiscal Year 1992. It is imposed in addition to, and on the same basis as, the Commonwealth's sales and use tax. Vendors are required to pay City Sales Taxes to the Commonwealth Department of Revenue together with the Commonwealth sales and use tax. The State Treasurer deposits the collections of City Sales Taxes in a special fund and disburses the collections, including any investment income earned thereon, less administrative fees of the Commonwealth Department of Revenue, to the City on a monthly basis.

The City's budgets for Fiscal Years 2010-2014 provided for an increase in the City Sales Tax rate to 2%, as authorized by the Commonwealth effective October 8, 2009, through June 30, 2014. In July 2013, the Commonwealth authorized the implementation of a new, permanent 1% increase in the City Sales Tax rate effective July 1, 2014, which was adopted by the City on June 12, 2014 and became effective on July 1, 2014. Under the reauthorized City Sales Tax, the first $120 million collected from such additional 1% is distributed to the School District. For Fiscal Years 2015-2018, the General Assembly has also authorized the City to use the next $15 million of City Sales Tax revenues from such additional 1% collected in such Fiscal Years for the payment of debt service on obligations issued by the City for the benefit of the School District. Following any such debt service payments, that remaining portion of the City Sales Tax revenues from such additional 1% distributed to the City is required to be used exclusively in accordance with Act 205 (as defined herein) and deposited to the Municipal Pension Fund.

In October 2014, the City, through PAID, issued $57.5 million in bonds to fund a portion of the School District's operating deficit for Fiscal Year 2015 and refund certain outstanding bonds that funded a portion of the Fiscal Year 2014 operating deficit. The debt service on such bonds is approximately $15 million annually through Fiscal Year 2018 and the City expects to continue paying its obligations with respect to such bonds with a combination of proceeds from the City Sales Tax revenues and other General Fund revenues. Such City Sales Tax revenues are not pledged to the holders of such bonds. Such funding by the City of a portion of the School District's operating deficits for Fiscal Years 2014-2015, and the related payment of debt service, does not require a comparable increase in grants by the City to the School District in subsequent Fiscal Years. See "EXPENDITURES OF THE CITY – City Payments to School District" and the paragraphs that follow Table 21.

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The following table sets forth the City Sales Taxes collected in Fiscal Years 2013-2017 and the budgeted amount and current estimate for Fiscal Year 2018.

Table 11
Summary of City Sales Tax Collections
Fiscal Years 2013-2016 (Actual), 2017 (Unaudited Actual), and 2018 (Adopted Budget and Current Estimate)
(Amounts in Millions of USD)[(1)]

Fiscal Year	City Sales Tax Collections
2013 (Actual)	$257.6
2014 (Actual)	$263.1
2015 (Actual)	$149.5[(2)]
2016 (Actual)	$169.4[(2)]
2017 (Unaudited Actual)	$188.4[(2)]
2018 (Adopted Budget and Current Estimate)	$198.1[(2)]

(1) Sources: For Fiscal Years 2013-2016, the City's CAFRs for such Fiscal Years. For Fiscal Year 2017, the FY 2017 AFR (Unaudited). For Fiscal Year 2018, the Fiscal Year 2018 Adopted Budget and the First Quarter QCMR.
(2) Net collections estimated to be distributed to the City from the first 1% City Sales Tax and following the distribution of $120 million of revenues from the second 1% City Sales Tax to the School District, as described above.

Other Taxes

The City also collects real property transfer taxes, parking taxes, an amusement tax, a valet parking tax, an outdoor advertising tax, a smokeless tobacco tax, the Philadelphia Beverage Tax (see below), and other miscellaneous taxes.

In June 2016, City Council passed the Philadelphia Beverage Tax (Chapter 19-4100 of the Philadelphia Code) (the "Philadelphia Beverage Tax"). On October 31, 2016, the Department of Revenue adopted regulations for the Philadelphia Beverage Tax. The Philadelphia Beverage Tax taxes the distribution of certain beverages at 1.5 cents per ounce and became effective January 1, 2017.

The Philadelphia Beverage Tax is deposited into the General Fund, and with the additional revenue, the City has budgeted additional funds for pre-Kindergarten, community schools, and debt service for improvements to parks, playgrounds, recreation centers, and libraries. In the FY 2017 AFR (Unaudited), the City reported that it collected approximately $39.5 million in revenues from the Philadelphia Beverage Tax for Fiscal Year 2017. In the Revised Twenty-Sixth Five-Year Plan, the City projects for Fiscal Years 2018-2022 that it will collect approximately (i) $92.4 million (Fiscal Year 2018), (ii) $92.5 million (Fiscal Year 2019), (iii) $92.6 million (Fiscal Year 2020), (iv) $92.1 million (Fiscal Year 2021), and (v) $91.7 million (Fiscal Year 2022) in revenues from the Philadelphia Beverage Tax in such Fiscal Years.

To date, the City has reserved a portion of the revenues it has collected from the Philadelphia Beverage Tax while the litigation related thereto (as described below) is ongoing. The City expects to spend such revenues when such litigation is resolved.

On September 14, 2016, a lawsuit challenging the Philadelphia Beverage Tax was filed by the American Beverage Association and other co-plaintiffs in the Philadelphia Court of Common Pleas – Trial Division – Civil. On December 19, 2016, the Court of Common Pleas dismissed the complaint in its entirety. The plaintiffs appealed this ruling. On June 14, 2017, the Commonwealth Court of Pennsylvania, which is one of the Commonwealth's intermediate appellate courts, upheld the decision of the Court of Common Pleas. The plaintiffs have petitioned the Pennsylvania Supreme Court to review this decision. The decision to grant or deny any such petition is at the discretion of the Pennsylvania Supreme Court. Such petition is pending. For more general information on judgments and settlements on claims against the City, see "LITIGATION."

Improved Collection Initiative

The City is pursuing a multifaceted strategy designed to improve collections of various taxes while decreasing delinquencies. Key compliance strategies continue to include revocation of commercial licenses and sequestration and tax lien sales, among others.

In addition to compliance efforts, the City has launched two projects – one to implement technology solutions for its cashiering and payments processing systems and another to develop an integrated data warehouse and case management system. These initiatives are designed to improve operational efficiencies and drive compliance efforts by providing tools currently unavailable to the City.

Other Locally Generated Non-Tax Revenues

These revenues include license fees and permit sales, traffic fines and parking meter receipts, court related fees, stadium revenues, interest earnings and other miscellaneous charges and revenues of the City.

Revenue from Other Governments

The following table presents revenues received from other governmental jurisdictions for Fiscal Years 2013-2017, the budgeted amounts and current estimate for Fiscal Year 2018, and the percentage such revenues represent in the General Fund. The table does not reflect substantial amounts of revenues from other governments received by the Grants Revenue Fund, Community Development Fund, and other operating and capital funds of the City.

Table 12
Revenue from Other Governmental Jurisdictions
Fiscal Years 2013-2016 (Actual), 2017 (Unaudited Actual), and 2018 (Adopted Budget and Current Estimate) [(1), (2), (3)]
(Dollar Amounts in Millions of USD)

Fiscal Year	Commonwealth[(4)]	Federal Government	Other Governments[(5)]	Total	Percentage of General Fund Revenues
2013 (Actual)	$233.6	$39.7	$64.2	$337.5	9.1%
2014 (Actual)	$255.3	$31.0	$61.0	$347.3	9.1%
2015 (Actual)	$212.7	$30.1	$60.0	$302.8	8.1%
2016 (Actual)	$223.7	$29.7	$52.3	$305.6	7.7%
2017 (Unaudited Actual)	-	-	-	$307.7	7.4%
2018 (Adopted Budget)	$221.4	$35.6	$59.3	$316.3	7.2%
2018 (Current Estimate)	-	-	-	$316.6	7.2%

(1) Sources: For Fiscal Years 2013-2016, the City's CAFRs for such Fiscal Years. For Fiscal Year 2017, the FY 2017 AFR (Unaudited). For Fiscal Year 2018, the Fiscal Year 2018 Adopted Budget, the Revised Twenty-Sixth Five-Year Plan, and the First Quarter QCMR. A breakdown of revenues from the Commonwealth, the federal government, and other governments is not available in the FY 2017 AFR (Unaudited) or the First Quarter QCMR.
(2) Figures may not sum due to rounding.
(3) Does not include the PICA Tax.
(4) Such revenues are for health, welfare, court, and various other specified purposes.
(5) Such revenues primarily consist of payments from PGW, parking fines and fees from PPA, and other authorized adjustments.

Proposals to Reduce Federal and/or State Funding

Sanctuary City. ***The following discussion of Senate Bill 10 and the Executive Order (each as defined below) addresses proposed state legislation and a federal policy that may affect certain funding for the City. The City is monitoring Senate Bill 10 and the Executive Order and the potential impact, if any, such initiatives may have on City funding. Table 12 above presents certain revenues received from other governmental jurisdictions, including the Commonwealth and the federal government, and the percentage such revenues represent in the General Fund.***

Commonwealth Funding. Senate Bill No. 10, Session of 2017, was passed by the Pennsylvania State Senate on February 7, 2017 ("Senate Bill 10"). Senate Bill 10 has been referred to the Judiciary Committee of the Pennsylvania House of Representatives.

Senate Bill 10 proposes to amend certain provisions of the Pennsylvania Consolidated Statutes, in matters addressing municipalities of refuge and the eligibility of such municipalities to receive certain Commonwealth funding, among other things. In such bill, a "municipality of refuge" is defined as "a municipality that permits, requires or requests the release of an individual in the custody of the law enforcement agency of the municipality notwithstanding the existence of a United States Immigration and Customs Enforcement civil immigration detainer request for the individual."

Under Senate Bill 10, the governing body of any municipality is prohibited from adopting "a rule, order, ordinance or policy which prohibits the enforcement of a Federal law or the laws of [the] Commonwealth, pertaining to an immigrant or immigrations." The bill also provides that, with certain exceptions, "a law enforcement agency or municipality that refuses to enforce an immigration order shall not be eligible for any [S]tate grant." Under the bill, in order to be eligible to receive State grant funds, a municipality is required to certify to State agencies and departments offering such grants that it is not a municipality of refuge and is otherwise in compliance with the provisions of the bill. Senate Bill 10 also provides for certain exceptions to governmental immunity for municipalities of refuge.

The City estimates that in Fiscal Year 2016 it received a total of approximately $1.7 billion from the Commonwealth, including: (i) nondiscretionary funding (e.g., funds the City is required to spend for the protection of children in the child welfare system); (ii) formulaic funding (e.g., reimbursement by the Commonwealth to the City for carrying out duties the Commonwealth wants the City to provide); and (iii) discretionary funding.

As of the date of this Official Statement, no further action has been taken on Senate Bill 10 and there is no indication of when any action on this legislation will be taken by the Pennsylvania House of Representatives. In addition, it is unclear what Commonwealth funding would be affected by Senate Bill 10. Accordingly, at this time, the City does not have sufficient information on the potential impact, if any, on any Commonwealth funding that may be withheld as a result of Senate Bill 10.

Federal Government Funding. On January 25, 2017, President Trump issued "Executive Order – Enhancing Public Safety in the Interior of the United States," which aims to address certain immigration policies of the administration relating to "sanctuary jurisdictions," among other things (the "Executive Order"). The Executive Order states, in part, that the policy of the executive branch will be to "ensure that jurisdictions that fail to comply with applicable Federal law do not receive Federal funds, except as mandated by law." The Executive Order further provides that:

> In furtherance of [such] policy, the Attorney General and the Secretary [of Homeland Security (the "Secretary")], in their discretion and to the extent consistent with law, shall ensure that jurisdictions that willfully

> refuse to comply with 8 U.S.C. 1373 (sanctuary jurisdictions) are not eligible to receive Federal grants, except as deemed necessary for law enforcement purposes by the Attorney General or the Secretary. The Secretary has the authority to designate, in his discretion and to the extent consistent with law, a jurisdiction as a sanctuary jurisdiction. The Attorney General shall take appropriate enforcement action against any entity that violates 8 U.S.C. 1373, or which has in effect a statute, policy, or practice that prevents or hinders the enforcement of Federal law.

The practical import of this Executive Order is unclear. The Executive Order raises many questions of law regarding the attachment of the above policies to federal funding and has been challenged in judicial proceedings, including a lawsuit brought by the City (as described below). The United States Department of Justice (the "Department of Justice") has indicated in such proceedings that certain law enforcement-related federal grants could potentially be impacted by the Executive Order.

In April 2017, the Department of Justice sent a letter to nine cities, including the City, reminding them they had until the end of June to certify their compliance with certain immigration-related federal laws or risk having grants withheld or be barred from receiving future federal grants. In June 2017, the City sent a letter to the Department of Justice indicating that its local policies did not violate any immigration-related federal laws. In October 2017, the Department of Justice sent another letter to the City disagreeing with such conclusion and restating its position that federal grants may be withheld if the City does not become compliant with federal law. The City responded to such letter, again asserting its compliance. The City identified an annual law enforcement federal grant in the amount of approximately $1.7 million that could potentially have been withheld as a result of this Executive Order and filed for an injunction in the Federal Court for the Eastern District of Pennsylvania seeking to enjoin the Department of Justice from withholding such grant funds. On November 15, 2017, the court issued its decision and preliminarily enjoined the Department of Justice and the Attorney General from withholding the grant funds.

Revenues from City-Owned Systems

In addition to taxes, the City realizes revenues through the operation of various City-owned systems, such as the Water and Wastewater Systems and PGW. The City has issued revenue bonds with respect to the Water and Wastewater Systems and PGW to be paid solely from and secured by a pledge of the respective revenues of these systems. The revenues of the Water and Wastewater Systems and PGW are not legally available for payment of other obligations of the City until, on an annual basis, all revenue bond debt service requirements and covenants relating to those bonds have been satisfied, and then only in a limited amount and upon satisfaction of certain other conditions.

Water Fund. The revenues of the Philadelphia Water Department (the "Water Department") are required to be segregated from other funds of the City. Under the City's Restated General Water and Wastewater Revenue Bond Ordinance of 1989 (the "Water Ordinance"), an annual transfer may be made from the Water Fund to the City's General Fund in an amount not to exceed the lesser of (i) all Net Reserve Earnings and (ii) $4,994,000. "Net Reserve Earnings" means the amount of interest earnings during the Fiscal Year on amounts in the Debt Reserve Account and Subordinated Bond Fund, each as defined in the Water Ordinance. The following table shows the amounts transferred from the Water Fund to the General Fund for Fiscal Years 2013-2016, the current estimate for Fiscal Year 2017, and the budgeted amount and current estimate for Fiscal Year 2018.

Table 13
Transfers from Water Fund to General Fund (Excess Interest on Sinking Fund Reserve)
Fiscal Years 2013-2016 (Actual), 2017 (Current Estimate), and 2018 (Adopted Budget and Current Estimate)[1]

Fiscal Year	Amount Transferred
2013 (Actual)	$560,156
2014 (Actual)	$400,364
2015 (Actual)	$745,585
2016 (Actual)	$1,555,702
2017 (Current Estimate)	$900,000[2]
2018 (Adopted Budget and Current Estimate)	$1,000,000[2]

(1) Sources: For Fiscal Years 2013-2016, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Year 2017, the Revised Twenty-Sixth Five-Year Plan. For Fiscal Year 2018, the Fiscal Year 2018 Adopted Budget and the Revised Twenty-Sixth Five-Year Plan.

(2) For Fiscal Years 2017 and 2018, the Water Department has budgeted $1,200,000 and $1,500,000, respectively, as its transfer from the Water Fund to the General Fund. Historically, the Water Department's budgeted amount is greater than the figure included in the City's operating budget.

The City also budgets for certain transfers from the Water Fund to the General Fund related to services performed and costs borne by the General Fund. For Fiscal Year 2018, the City has budgeted $9,046,000 for such transfers.

PGW. The revenues of PGW are required to be segregated from other funds of the City. Payments for debt service on PGW bonds are made directly by PGW. PGW is required to make an annual payment of $18 million to the General Fund. The Fiscal Year 2018 Adopted Budget includes such $18 million annual payment to the General Fund from PGW for such Fiscal Year. In certain past Fiscal Years, the City granted back to PGW such annual payments. For more information on PGW, see "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Government Services."

Philadelphia Parking Authority Revenues

The PPA was established by City ordinance pursuant to the Pennsylvania Parking Authority Law (P.L. 458, No. 208 (June 5, 1947)). Various statutes, ordinances, and contracts authorize PPA to plan, design, acquire, hold, construct, improve, maintain and operate, own or lease land and facilities for parking in the City, including such facilities at PHL, and to administer the City's on-street parking program.

PPA owns and operates five parking garages and a number of surface parking lots at PHL. The land on which these garages and surface lots are located is leased from the City, acting through the Division of Aviation, pursuant to a lease expiring in 2030 (the "Lease Agreement"). The Lease Agreement provides for payment of rent to the City, which is equal to gross receipts less operating expense, debt service on PPA's bonds issued to finance improvements at PHL and reimbursement to PPA for capital expenditures and prior year operating deficits relating to its operations at PHL, if any.

One component of the operating expenses is PPA's administrative costs. In 1999, at the request of the FAA, PPA and the City entered into a letter agreement (the "FAA Letter Agreement"), which contained a formula for calculating PPA's administrative costs and capped such administrative costs at 28% of PPA's total administrative costs for all of its cost centers. PPA owns and/or operates parking facilities at a number of locations in the City in addition to those at PHL. These parking facilities are revenue centers for purposes of the FAA Letter Agreement. According to PPA's audited financial statements, as filed with the City, PPA has been in compliance with the FAA Letter Agreement since its execution.

On-street parking revenues are administered and collected on behalf of the City by the PPA. Pursuant to Pennsylvania law, PPA is to transmit these revenues to the City, net of any actual expenses incurred in the administration of the on-street parking system in accordance with the PPA's approved budget, provided that, should such net revenues exceed a designated threshold, any excess above that threshold is to be transmitted to the School District. Pursuant to Act 84 of 2012, the effect of which commenced in Fiscal Year 2015, the threshold, which was previously set at $25 million, was set at $35 million, including a mandatory escalator to take into account increases in revenues. The following table presents payments received by the City from PPA for on-street parking for Fiscal Years 2013-2017 and the budgeted amount and current estimate for Fiscal Year 2018.

Table 14
PPA On-Street Parking Payments to the City
Fiscal Years 2013-2016 (Actual), 2017 (Unaudited Actual), and 2018 (Adopted Budget and Current Estimate)[(1)]
(Amounts in Millions of USD)

Fiscal Year	Payments to the City
2013 (Actual)	$36.5
2014 (Actual)	$37.7
2015 (Actual)	$38.1
2016 (Actual)	$33.7
2017 (Unaudited Actual)	$39.9
2018 (Adopted Budget and Current Estimate)	$38.8

(1) Sources: For Fiscal Years 2013-2016, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Year 2017, the First Quarter QCMR. For Fiscal Year 2018, the Fiscal Year 2018 Adopted Budget and the First Quarter QCMR.

Proposed Tax Rate Changes

The Revised Twenty-Sixth Five-Year Plan includes reductions in both the resident and non-resident wage and earnings tax. The following table details rates under the Revised Twenty-Sixth Five-Year Plan.

Table 15
Changes in Wage and Earnings Tax Rates[(1)]

	Revised Twenty-Sixth Five-Year Plan	
Fiscal Year	Resident Wage and Earnings Tax Rates[(2)]	Non-Resident Wage and Earnings Tax Rates
2017	3.9004%	3.4741%
2018	3.8907%	3.4654%
2019	3.8420%	3.4221%
2020	3.7844%	3.3707%
2021	3.7276%	3.3202%
2022	3.6997%	3.2953%

(1) Source: The Revised Twenty-Sixth Five-Year Plan.
(2) Includes PICA Tax. See "DEBT OF THE CITY – PICA Bonds" for a description of the PICA Tax.

Under the Revised Twenty-Sixth Five-Year Plan, receipts from the Wage and Earnings Tax are estimated to grow at a rate of 3.68% in Fiscal Year 2017, 3.41% in Fiscal Year 2018, 3.78% in Fiscal Year 2019, 3.62% in Fiscal Year 2020, 3.56% in Fiscal Year 2021, and 3.59% in Fiscal Year 2022.

EXPENDITURES OF THE CITY

Three of the principal City expenditures are for personal services (including pensions and other employee benefits), purchase of services (including payments to SEPTA), and debt service. The expenditures for personal services and purchase of services are addressed below under this caption; debt service is addressed below under "DEBT OF THE CITY."

Personal Services (Personnel)

As of June 30, 2017, the City employed 27,459 full-time employees, representing approximately 4.13% of employees in Philadelphia (approximately 665,036 employees, according to non-seasonally adjusted data from the Bureau of Labor Statistics). Of these full-time public employees, the salaries of 21,610 were paid from the General Fund. Additional sources of funding for full-time City employees include the Grants Revenue Fund, the Water Fund, and the Aviation Fund, as well as grants and contributions from other governments. Activities funded through such grants and contributions are not undertaken if funding is not received. The following table sets forth the number of filled, full-time positions of the City as of the dates indicated.

Table 16
Filled, Full-Time Positions[(1), (2)]

	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
General Fund					
Police	7,193	7,095	7,061	6,942	6,986
Fire	2,125	2,053	2,150	2,316	2,281
Courts	1,909	1,866	1,842	1,839	1,856
Prisons	2,248	2,268	2,286	2,289	2,277
Streets	1,690	1,684	1,664	1,676	1,702
Public Health	673	659	653	653	687
Human Services	377	382	395	449	385
All Other	4,710	4,984	5,115	5,263	5,436
Total – General Fund	20,925	20,991	21,166	21,427	21,610
Other Funds	5,547	5,657	5,626	5,615	5,849
Total – All Funds	26,472	26,648	26,792	27,042	27,459

(1) Source: Table P-1 in the City's Quarterly City Manager's Reports.
(2) Table 16 does not include seasonal or temporary employees.

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Overview of City Employees

The wages and benefits of City employees vary not only by position, but also by whether the employees are represented by a union and, if so, which union. Employee wages and benefits may also be impacted by whether the employee is subject to the civil service system or exempt from those rules. Thus, City employees may be broken down into three major categories for purposes of understanding how their wages and benefits are determined: (i) employees who are not subject to the civil service system ("exempt employees"); (ii) employees who fall under the civil service system but are not represented by a union ("non-represented employees"); and (iii) employees who are subject to the civil service system and are represented by a union ("union employees").

As of June 30, 2017, the City's 22,841 unionized employees, representing approximately 83.2% of the City's employees, were represented by the City's four municipal unions: (i) Fraternal Order of Police ("FOP") Lodge No. 5; (ii) IAFF Local 22; (iii) AFSCME DC 33; and (iv) American Federation of State, County and Municipal Employees District Council 47 ("AFSCME DC 47").

In July 2016, a collective bargaining agreement was reached with AFSCME DC 33, which provides for pension reforms coupled with salary increases, lump sum payments for health care, and a one-time bonus. This collective bargaining agreement was ratified on August 19, 2016. The costs of such agreement, along with the cost of the wage reopener with IAFF Local 22, were included in the City's modified FY 2017-2021 Five Year Financial Plan Per Council Approved Budget, dated August 8, 2016, and approved by PICA on August 31, 2016. Such plan also provides additional resources for compensation changes for other unionized and non-unionized employees.

On June 30, 2017, the labor agreements for FOP Lodge No. 5, IAFF Local 22, and AFSCME DC 47 expired. On August 15, 2017, a labor arbitration panel awarded FOP Lodge No. 5 a new three-year contract reflecting annual raises ranging from 3.25% to 3.75%, resulting in a projected aggregate cost to the City of approximately $247.5 million during Fiscal Years 2018-2022. The costs of such agreement were included in the Revised Twenty-Sixth Five-Year Plan, dated September 5, 2017, and approved by PICA on September 19, 2017.

The arbitration process with IAFF Local 22 and the negotiations with AFSCME DC 47 relating to their respective new labor agreements are ongoing.

For more information on the current status of the interest arbitration awards that have been issued for, and contract settlements reached with, the City's major labor organizations, as well as changes that have been made for non-represented employees, see Table 18.

Collective bargaining with respect to the wages, hours and other terms and conditions of employment of union employees, other than uniformed employees of the Police Department and the Fire Department, is governed by the Public Employee Relations Act (Pa. P.L. 563, No. 195 (1970)) ("PERA"). PERA requires the City and the unions to negotiate in good faith to attempt to reach agreement on new contract terms and, if an impasse exists after such negotiations, to mediate through the Commonwealth Bureau of Mediation. Once the mediation procedures have been satisfied, and if no collective bargaining agreement has been reached, most employees covered by PERA are permitted to strike. Certain employees, however, including employees of the Sheriff's Office and the Register of Wills represented by the FOP, corrections officers represented by AFSCME DC 33, and employees of the First Judicial District represented by AFSCME DC 47, are not permitted to strike under PERA. These employees must submit any impasse to binding interest arbitration once the mediation procedures have been satisfied. PERA permits parties at an impasse, which are not required to submit to binding interest arbitration, to do so voluntarily. Provisions of an interest arbitration award issued under PERA that require legislative action are considered advisory only and the legislative body is permitted to meet, consider, and reject those provisions.

Uniformed employees of the Police Department and the Fire Department bargain under the Policemen and Firemen Collective Bargaining Act (Pa. P.L. 237, No. 111 (1968)) ("Act 111"), which provides for final and binding interest arbitration to resolve collective bargaining impasses and prohibits these employees from striking. Interest arbitration under Act 111 operates similarly to interest arbitration under PERA, but City Council is not permitted to reject the portions of an interest arbitration award that require legislative action. To the contrary, City Council is required to pass any legislation necessary to implement the award unless doing so would violate state or federal law. Thus, the arbitration panel has significant, although not limitless, power to issue an award on mandatory subjects of bargaining. As with interest arbitration under PERA, the arbitration panel cannot issue an award on a matter that is one of inherent managerial policy. In addition to the grounds available to challenge a PERA interest arbitration award on appeal, the PICA Act requires an Act 111 interest arbitration panel to, among other things, give substantial weight to the City's five-year plan and ability to pay for the cost of the award without negatively impacting services, and gives the City the right to appeal the award to the Court of Common Pleas if it believes the panel has failed to meet these responsibilities. If the arbitration panel fails to do so or, among other things, if it awards wages or benefits that exceed what is assumed in the most-recent five-year plan without substantial evidence in the record demonstrating that the City can afford these increases without adversely impacting service levels, the Court of Common Pleas is required to vacate the arbitration award and remand it to the arbitration panel.

Overview of Employee Benefits

The City provides various pension, life insurance, and health benefits for its employees. The benefits offered depend on the employee's union status and bargaining unit, if applicable. General Fund employee benefit expenditures for Fiscal Years 2013 through 2018 are shown in the following table.

Table 17
General Fund Employee Benefit Expenditures
Fiscal Years 2013-2016 (Actual) and 2017-2018 (Projected)
(Amounts in Millions of USD)[(1)]

	2013	2014	2015	2016	2017	2018
Pension Contribution[(2)]	$618.9[(4)]	$646.4[(4)]	$558.3	$622.1[(8)]	$651.0[(9)]	$680.2[(10)]
Health[(3)]						
Payments under City-administered plan	76.4	75.6	75.5	72.5	81.9	---
Payments under union-administered plans[(5)]	286.8	333.8	319.1	339.0	366.2	---
Total Health	363.2	409.4	394.6	411.5	448.1	457.5
Federal Insurance Contributions Act (FICA) Taxes[(6)]	64.7	67.5	71.2	71.7	75.4	76.1
Other[(7)]	72.3	70.8	75.6	76.0	84.1	85.1
Total	$1,119.1	$1,194.1	$1,099.5	$1,181.3	$1,258.6	$1,298.9

(1) Source: From the City's five-year financial plans, except for "Payments under City-administered plan," which was provided by the City, Department of Human Resources. Figures may not sum due to rounding.
(2) Includes debt service on Pension Bonds (as defined herein) and the Commonwealth contributions to the Municipal Pension Fund. See Tables 29 and 30.
(3) This breakdown of "Health" between "Payments under City-administered plan" and "Payments under union-administered plans" is an estimate of actual expenses. The City records the actual health expenses in one line item, which corresponds to the figures in "Total Health."
(4) Includes repayment of deferred contributions. See Table 29.
(5) AFSCME DC 33 receives a per member per month amount of $1,194 from the City.
(6) Includes payments of social security and Medicare taxes.
(7) Includes payments for unemployment compensation, employee disability, group life, group legal, tool allowance, and flex cash payments.
(8) Includes $9.7 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(9) Assumes $18.3 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(10) Assumes $24.0 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

Each of the City's four municipal unions sponsors its own health plan that provides medical, prescription, dental and optical benefits to participating employees and eligible retirees through trusts on which the City has varying degrees of minority representation. Exempt and non-represented employees, along with represented employees of the Register of Wills and employees represented by AFSCME DC 33 who have chosen not to become members of the union's healthcare plan, receive health benefits through a plan sponsored and administered by the City. Each of the plans provides different benefits determined by the plan sponsor or through collective bargaining. To provide health care coverage, the City pays a negotiated monthly premium for employees covered by the union contract for AFSCME DC 33 and is self-insured for all other eligible employees. Aside from AFSCME DC 33, the City is responsible for the actual health care cost that is invoiced to the City's unions by their respective vendors. The actual cost can be a combination of self-insured claim expenses, premiums, ancillary services and administrative expenses. In addition, employees who satisfy the eligibility criteria receive five years of health benefits after their retirement. See "OTHER POST-EMPLOYMENT BENEFITS" below. These benefits are determined and administered by the plan in which the employee participated at the time of his or her retirement. As reflected in Table 17, the health payments under the City-administered plan have been relatively constant; the health payments for the union-sponsored plans have increased substantially since Fiscal Year 2013. Other employee benefits, including life insurance and paid leave, are similarly determined by the respective collective bargaining agreements and City policies and Civil Service Regulations. Employees also participate in the Municipal Pension Plan. See "PENSION SYSTEM" below.

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Overview of Current Labor Situation

Table 18 summarizes the current status of the interest arbitration awards that have been issued for, and contract settlements reached with, the City's major labor organizations, as well as changes that have been made for non-represented employees. It also provides a brief summary of pension reforms that have occurred since 2009.

Table 18
Status of Arbitration Awards and Labor Contract Settlements

Organization	Authorized Number of Full-Time Citywide Employees Represented[(1)]	Status of Arbitration Award or Contract Settlement	Wage Increases	Pension Reforms[(2)]
FOP Lodge No. 5 (Police Department)	6,457	Three-year contract effective July 1, 2017 through June 30, 2020 awarded by arbitration panel on August 15, 2017	• 3.25% pay increase for Fiscal Year 2018. • 3.50% pay increase for Fiscal Year 2019. • 3.75% pay increase for Fiscal Year 2020.	• Employees in Plan 87 hired before 1/1/10 pay 5% of salary • Employees hired on or after 1/1/10 elect to either enter Plan 87 and pay 6% of salary or enter Plan 10 • Beginning 7/1/17 and 7/1/18, current employees pay an additional .92% of salary • Employees hired on or after 7/1/17 will be required to pay an additional 2.5% of salary

FOP Lodge No. 5 (Sheriff's Office and Register of Wills)	373	Three-year contract effective July 1, 2014 through June 30, 2017 awarded by arbitration panel on April 16, 2015	• 2.5% increase for Fiscal Year 2015.
			• 3.0% increase for Fiscal Year 2016.
			• 3.25% increase for Fiscal Year 2017.
			• Register of Wills employees receive same wage package as AFSCME DC 33.
				• Sheriff's Office:
				  • Employees in Plan 87 hired before 1/1/12 pay 30% of normal cost
				  • Employees hired on or after 1/1/12 elect to enter Plan 87 and pay 50% of normal cost or enter Plan 10
				• Register of Wills:
				  • Employees in Plan 87 hired before 1/1/12 pay 30% of normal cost
				  • Employees hired on or after 1/1/12 participate in Plan 10

IAFF Local 22	2,407	Four-year contract effective July 1, 2013 through June 30, 2017 awarded by arbitration panel on January 9, 2015; *arbitration process on new labor agreement is ongoing.*	• 3% pay increase for Fiscal Year 2014 and 2015. • 3.25% pay increase for Fiscal Year 2016. • 3.25 % pay increase for Fiscal Year 2017.	• Employees in Plan 87 hired before 7/2/12 pay 5% of salary • Employees hired on or after 7/2/12 elect to enter Plan 87 and pay 6% of salary or enter Plan 10
AFSCME DC 33	7,409	Four-year contract term effective July 1, 2016 through June 30, 2020 (ratified on August 19, 2016)	• 3.0% pay increase effective July 1, 2016. • 3.0% pay increase for Fiscal Year 2018 • 2.5% pay increase for Fiscal Year 2019. • 3.0% pay increase for Fiscal Year 2020.	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund • Mandatory stacked hybrid plan for new hires under which employees receive a defined benefit pension for their first $50,000 of earnings and a defined contribution pension for earnings above $50,000 • Plan 10 closed to new enrollment for members of DC33 but remains unchanged for other employee groups • Once fully implemented, such employees in Plan 10 are expected to receive a letter indicating that they have 90 days to make an irrevocable election to opt into the stacked-hybrid • DROP (as defined below) interest rate decreases from 4.5% to the rate on the one year treasury effective January 1 of each year (currently 0.65%) for participants not currently enrolled or eligible to enroll

(1) From data provided by the Mayor's Office of Labor Relations as of June 30, 2017.
(2) "Plan 87" and "Plan 10" referenced in this column are described in Table 19. Plan 10 is mandatory for newly-hired employees of the Register of Wills and was mandatory for employees covered by the Correctional Officers arbitration award who are now covered by the same pension provisions as other employees of AFSCME DC 33.

Organization	Authorized Number of Full-Time Citywide Employees Represented[1]	Status of Arbitration Award or Contract Settlement	Wage Increases	Pension Reforms[2]
AFSCME DC 33, Local 159 Correctional Officers	2,164	Three-year contract effective July 1, 2014 through June 30, 2017 awarded by arbitration panel on March 23, 2015	• 3% pay increase for Fiscal Year 2015. • 3.25% pay increase for Fiscal Years 2016 and 2017. • $600 equity adjustment to base wages on January 1, 2016.	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund • Mandatory stacked hybrid plan for new hires under which employees receive a defined benefit pension for their first $50,000 of earnings and a defined contribution pension for earnings above $50,000 • Plan 10 closed to new enrollment for members of DC33 but remains unchanged for other employee groups • Once fully implemented, such employees in Plan 10 are expected to receive a letter indicating that they have 90 days to make an irrevocable election to opt into the stacked-hybrid • DROP interest rate decreases from 4.5% to the rate on the one year treasury effective January 1 of each year (currently 0.65%) for participants not currently enrolled or eligible to enroll
AFSCME DC 47	3,548	Contract term from July 1, 2009 through June 30, 2017 ratified on March 5, 2014; *negotiations on new labor agreement are ongoing.*	• 3.5% pay increase effective April 4, 2014. • 2.5% pay increase for Fiscal Year 2016. • 3% pay increase for Fiscal Year 2017.	• Employees in Plan 87 hired before 3/5/14 pay 30% of normal cost plus an additional 0.5% of pay in 2015 and an additional 0.5% of pay in 2016 (for a total of an additional 1% of pay by 1/1/16) • Employees hired on or after 3/5/14 may elect to enter Plan 87 and pay an additional 1% of pay over what others in Plan 87 pay or enter Plan 10 • DROP interest rate decreases from 4.5% to the rate on the one year treasury effective January 1 of each year (currently 0.65%) for participants not currently enrolled or eligible to enroll
AFSCME DC 47 Local 810 Court Employees	483	Agreement ratified August 13, 2014 on economic terms for July 1, 2014 through June 30, 2016; a one-year agreement for July 1, 2016-June 30, 2017 was also ratified in Fiscal Year 2017; *negotiations on new labor agreement are ongoing.*	• 2.5% pay increase for Fiscal Year 2015. • 2.5% pay increase for Fiscal Year 2016. • 3% pay increase for Fiscal Year 2017.	• Employees in Plan 87 hired before 3/5/14 pay 30% of normal cost plus an additional 0.5% of pay in 2015 and an additional 0.5% of pay in 2016 (for a total of an additional 1% of pay by 1/1/16) • Employees hired on or after 11/14/14 may elect to enter Plan 87 and pay an additional 1% of pay over what others in Plan 87 pay or enter Plan 10 • DROP interest rate decreases from 4.5% to the rate on the one year treasury effective January 1 of each year (currently 0.65%) for participants not currently enrolled or eligible to enroll
Non-Represented Employees	1,129	Changes for non-represented employees	• 2.5% pay increase effective October 1, 2012. • 3.5% non-represented pay increase effective April 1, 2014. • 2.5% non-represented pay increase for Fiscal Year 2016.	• Employees in Plan 87 hired before 5/14/14 for non-represented civil service and before 11/14/14 for non-represented non-civil service pay 30% of normal cost plus an additional 0.5% of pay in 2015 and an additional 0.5% of pay in 2016 (for a total of an additional 1% of pay by 1/1/16) • Employees hired on or after dates above may elect to enter Plan 87 and pay an additional 1% of pay over what others in Plan 87 pay or enter Plan 10 • DROP interest rate decreases from 4.5% to the rate on the one year treasury effective January 1 of each year (currently 0.65%) for participants not currently enrolled or eligible to enroll

(1) From data provided by the Mayor's Office of Labor Relations as of June 30, 2017.
(2) "Plan 87" and "Plan 10" referenced in this column are described in Table 19. Plan 10 is mandatory for newly-hired employees of the Register of Wills and was mandatory for employees covered by the Correctional Officers arbitration award who are now covered by the same pension provisions as other employees of AFSCME DC 33.

Certain features of the 1987 Plan ("Plan 87") and the 2010 Plan ("Plan 10") are summarized below. Plan 87 is solely a defined benefit plan. Plan 10 is a "hybrid" plan that includes both a defined benefit and a defined contribution component. A more comprehensive summary of each plan is included as Appendix D of the July 1, 2016 Valuation (as defined herein). See "PENSION SYSTEM" below.

Table 19
Summary of Key Aspects of Plan 87 and Plan 10

Plan 87	**Normal Retirement Eligibility**	**Average Final Compensation ("AFC")**	**Defined Benefit – Retirement Benefits Multiplier**
Municipal (Plan Y)	Age 60 and 10 years of credited service(1)	Average of three highest calendar or anniversary years	• (2.2% x AFC x years of service up to 10 years) plus (2.0% x AFC x numbers of years in excess of 10 years), subject to a maximum of 100% of AFC
Police and Fire	Age 50 and 10 years of credited service(1)	Average of two highest calendar or anniversary years	• (2.2% x AFC x years of service up to 20 years) plus (2.0% x AFC x numbers of years in excess of 20 years), subject to a maximum of 100% of AFC
Elected Official (Plan L)	Age 55 and 10 years of credited service(2)	Average of three highest calendar or anniversary years	• 3.5% x AFC x years of service, subject to a maximum of 100% of AFC

Plan 10	**Normal Retirement Eligibility**	**Average Final Compensation ("AFC")**	**Defined Benefit – Retirement Benefits Multiplier**
Municipal(3)	Age 60 and 10 years of credited service	Average of five highest calendar or anniversary years	• 1.25% x AFC x years of service up to 20 years
Police and Fire	Age 50 and 10 years of credited service	Average of five highest calendar or anniversary years	• 1.75% x AFC x years of service up to 20 years - **Defined Contribution** • The City matches employee contributions at a 50% rate, with the total City match not to exceed 1.5% of compensation for each year. • After five years of credited service, the full amount in the account is distributed to the employee when he or she separates from City service. • The right to the portion of the account attributable to City contributions does not vest until the completion of five years of credited service.

(1) Five years of credited service for those who make additional contributions. See "PENSION SYSTEM – Pension System; Pension Board – Membership."
(2) The lesser of two full terms or eight years of credited service for those elected officials who make additional contributions. See "PENSION SYSTEM – Pension System; Pension Board – Membership."
(3) Under Plan 10 (Municipal), pension contributions freeze after 20 years. At such time and for each subsequent year, the employee's pension payments remain fixed and the employee may no longer make pension contributions.

As part of the new collective bargaining agreement for AFSCME DC 33, the City and AFSCME DC 33 have agreed on a new, stacked hybrid pension plan for new municipal employees represented by AFSCME DC 33 ("Plan 16"). Plan 16 includes a defined benefit and defined contribution component. The defined benefit is applied to annual earnings up to $50,000. Employees with annual salaries over $50,000 may voluntarily participate in the defined contribution portion. The City will match a portion of an eligible employee's voluntary contributions up to a cap of 1.5% of annual compensation. Current municipal employees represented by AFSCME DC 33 will pay a tiered employee pension contribution rate based on their pay range. Starting at an annual salary of $45,000, the tiered structure is progressive so that higher earning employees will contribute at a higher rate.

Purchase of Services

The following table shows the City's major purchase of services, which represents one of the major classes of expenditures from the General Fund. Table 20 shows contracted costs of the City for Fiscal Years 2013-2017 and the budgeted amounts and current estimates for Fiscal Year 2018.

Table 20
Purchase of Services in the General Fund
Fiscal Years 2013-2016 (Actual), 2017 (Unaudited Actual), and 2018 (Adopted Budget and Current Estimate)
(Amounts in Millions of USD)[(1), (7)]

	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Unaudited Actual 2017	Adopted Budget 2018	Current Estimate 2018
Human Services[(2)]	$67.5	$76.3	$77.3	$75.3	$75.7	$77.4	$76.3
Public Health	63.0	60.5	59.4	64.9	70.7	70.7	70.7
Public Property[(3)]	139.5	140.7	148.8	155.0	158.5	161.6	161.6
Streets[(4)]	40.5	48.3	47.6	51.9	46.2	49.7	48.6
First Judicial District	16.5	15.8	17.1	17.7	-	-	-
Licenses & Inspections	7.1	10.1	10.0	10.4	-	-	-
Homeless Services[(5)]	34.2	36.9	36.6	37.1	-	-	-
Prisons	105.4	105.8	101.6	104.9	-	-	-
All Other[(6)]	284.1	293.2	312.2	305.0	500.4	575.7	579.6
Total	**$757.8**	**$787.6**	**$810.6**	**$822.2**	**$851.4**	**$935.1**	**$936.8**

(1) Sources: For Fiscal Years 2013-2016, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Years 2017-2018, the First Quarter QCMR. The detailed breakdown of the other subcategories for Fiscal Years 2017 and 2018 will be available upon the release of the City's Supplemental Report of Revenues & Obligations for such Fiscal Years.
(2) Includes payments for care of dependent and delinquent children.
(3) Includes payments for SEPTA, space rentals, and utilities.
(4) Includes solid waste disposal costs.
(5) Includes homeless shelter and boarding home payments.
(6) Includes the Convention Center subsidy, payments for vehicle leasing, and debt service on lease and service agreement financings, among other things.
(7) Figures may not sum due to rounding.

City Payments to School District

In each Fiscal Year since Fiscal Year 1996, the City has made an annual grant of at least $15 million to the School District. Pursuant to negotiations with the Commonwealth to address the School District's then current and future educational and fiscal situation, the Mayor and City Council agreed to provide the School District with an additional $20 million annual grant beginning in Fiscal Year 2002. The following table presents the City's payments to the School District from the General Fund for Fiscal Years 2013-2017 and the budgeted amount and current estimate for Fiscal Year 2018.

Table 21
City Payments to School District
Fiscal Years 2013-2016 (Actual), 2017 (Unaudited Actual), and 2018 (Adopted Budget and Current Estimate)
(Amounts in Millions of USD)[1]

	Actual 2013[2]	Actual 2014[3]	Actual 2015	Actual 2016	Unaudited Actual 2017	Adopted Budget and Current Estimate 2018
City Payments to School District	$68.9	$114.1	$69.1	$104.2	$104.3	$104.3

(1) Sources: For Fiscal Years 2013-2016, the City's CAFRs for such Fiscal Years. For Fiscal Year 2017, the FY 2017 AFR (Unaudited). For Fiscal Year 2018, the Fiscal Year 2018 Adopted Budget and the First Quarter QCMR.
(2) The City's contribution included a budgeted contribution of $48.9 million and an additional contribution of $20 million, which was derived from an increase in the Real Estate Tax rate.
(3) In Fiscal Year 2014, the City's contribution included a budgeted contribution of $69.1 million and an additional $45.1 million one-time contribution that was passed through from the Commonwealth.

In Fiscal Year 2014, the City also issued, through PAID, $27.3 million of bonds for the benefit of the School District. In Fiscal Year 2015, the City issued, through PAID, $57.5 million of bonds for the benefit of the School District and to refund the bonds issued in Fiscal Year 2014. The bond proceeds paid to the School District are not subject to the maintenance of effort described below.

The City's adopted Fiscal Year 2016 budget included a property tax increase and parking tax increase to benefit the School District in amounts of $25 million and $10 million, respectively, which are included in the $104.2 million for Fiscal Year 2016 and the $104.3 million for Fiscal Year 2017 reflected in Table 21 above. Both the $25 million and the $10 million are City revenues collected by the City and then granted to the School District. Each year in the Revised Twenty-Sixth Five-Year Plan reflects these increases in tax revenues, as well as the related expense of the grant to the School District; therefore, these amounts are already part of the City's General Fund balance calculation.

Section 696 of the School Code imposes on the City a maintenance of effort obligation with respect to the School District. For so long as the School District remains subject to a declaration of "distress" by the Secretary of Education, the City is obligated to continue (i) paying over to the School District each year an amount at least equal to the amount paid over to the School District in the previous year and (ii) authorizing for the School District tax rates at least equal to the rates of taxation authorized by the City for the School District in the previous year. The School District was declared distressed effective December 22, 2001, and such declaration continues to be in effect. See "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – *Mayoral-Appointed or Nominated Agencies* – The School District."

For a discussion of changes and proposed changes in the funding provided by the City to the School District, see "REVENUES OF THE CITY – Sales and Use Tax." For a discussion of the transition to

AVI, see "REVENUES OF THE CITY – Real Property Taxes Assessment and Collection." For a discussion of the Mayor's proposal to return governance of the School District to a Board of Education appointed by the Mayor, see "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – *Mayoral-Appointed or Nominated Agencies* – The School District," above.

City Payments to SEPTA

SEPTA operates a public transportation system within the City and Bucks, Chester, Delaware, and Montgomery counties. SEPTA's operating budget is supported by federal, Commonwealth, and local subsidies, including payments from the City. The following table presents the City's payments to SEPTA from the General Fund for Fiscal Years 2013-2017 and the budgeted amount and current estimate for Fiscal Year 2018.

Table 22
City Payments to SEPTA
Fiscal Years 2013-2016 (Actual), 2017 (Unaudited Actual), and 2018 (Adopted Budget and Current Estimate)
(Amounts in Millions of USD)[1]

	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Unaudited Actual 2017	Adopted Budget and Current Estimate 2018
City Payment to SEPTA	$65.2	$66.0	$70.4	$74.2	$79.7	$82.7

(1) Sources: For Fiscal Years 2013-2016, the City's CAFRs for such Fiscal Years. For Fiscal Year 2017, the First Quarter QCMR. For Fiscal Year 2018, the Fiscal Year 2018 Adopted Budget and the First Quarter QCMR.

The City budgets operating subsidies each Fiscal Year to match the estimated operating subsidies of the Commonwealth under Act 89. The state operating subsidy is funded through the Pennsylvania Public Transportation Trust Fund as created by Act 44 of 2007, amended by Act 89 of 2013. The local match requirement for Fiscal Years 2017-2022 has been calculated to match state operating subsidies. In addition, local matching funds must be appropriated each Fiscal Year in which state funds are received in order for SEPTA to receive the full allocation of state funds. The Revised Twenty-Sixth Five-Year Plan projects annual operating subsidy payments to SEPTA from the City will increase to $99.7 million by Fiscal Year 2022.

City Payments to Convention Center Authority

In connection with the financing of the expansion to the Pennsylvania Convention Center and the refinancing of debt for the original Pennsylvania Convention Center construction, the Commonwealth, the City, and the Convention Center Authority entered into an operating agreement in 2010 (the "Convention Center Operating Agreement"). The Convention Center Operating Agreement provides for the operation of the Convention Center by the Convention Center Authority and includes an annual service fee of $15,000,000 from the City to the Convention Center Authority in each Fiscal Year through Fiscal Year 2040.

As authorized by ordinance, the City has agreed to pay to the Convention Center Authority on a monthly basis a certain percentage of hotel room taxes and hospitality promotion taxes collected during the term of the Convention Center Operating Agreement. The remaining percentages of such taxes are paid to the City's tourism and marketing agencies. The General Fund does not retain any portion of the proceeds of the hotel room rental tax or the hospitality promotion tax.

PENSION SYSTEM

The amounts and percentages set forth under this heading relating to the City's pension system, including, for example, actuarial liabilities and funded ratios, are based upon numerous demographic and economic assumptions, including the investment return rates, inflation rates, salary increase rates, post-retirement mortality, active member mortality, rates of retirement, etc. The reader is cautioned to review and carefully consider the assumptions set forth in the documents that are cited as the sources for the information in this section. In addition, the reader is cautioned that such sources and the underlying assumptions speak as of their respective dates, and are subject to changes, any of which could cause a significant change in the unfunded actuarial liability.

Overview

The City faces significant ongoing financial challenges in meeting its pension obligations, including an unfunded actuarial liability ("UAL") of approximately $6.1 billion as of July 1, 2016. In Fiscal Year 2016, the City's contribution to the Municipal Pension Fund was approximately $660.2 million, of which the General Fund's share (including the Commonwealth contribution) was $512.2 million. See Table 29. The City's aggregate pension costs (consisting of payments to the Municipal Pension Fund and debt service on the Pension Bonds (as defined herein)) have increased from approximately 10.15% of the City's General Fund budget to approximately 13.93% of the General Fund budget from Fiscal Years 2007 to 2016. See Table 31. As reflected in the Funded Ratio chart following Table 28, the funded ratio of the Municipal Pension Plan was 50.0% on July 1, 1997 (at which time the UAL was approximately $2.7 billion), and was 44.8% on July 1, 2016.

The decline in the Municipal Pension System's funded status and the net growth of the unfunded liability is the product of a number of factors, including the following:

- The declines in the equity markets in 2000-2001 and in 2008-2009. See Table 24 and the Funded Ratio chart below Table 28.

- A reduction in the assumed rate of return, from 9.00% in 2004 to 7.70% effective July 1, 2016. Although the gradual reductions in the assumed rates of return reflected in Table 24 are considered a prudent response to experience studies, by reducing the assumed return in the measurement of the actuarial liabilities, it serves to increase the UAL from what it otherwise would have been.

- Adopting more conservative mortality rates in response to experience studies performed by the Municipal Pension Plan actuary.

- The Municipal Pension Plan is a mature system, which means the number of members making contributions to the Municipal Pension Plan is less than the number of retirees and other beneficiaries receiving payments from the Municipal Pension Plan, by approximately 9,500. As a result, the aggregate of member contributions and the City's contributions are less than the amount of benefits and refunds payable in any particular year, with the result that investment income must be relied upon to meet such difference before such income can contribute to an increase in the Municipal Pension System's assets growth. See Table 26.

- The determination by the City, commencing in Fiscal Year 2005, to fund in accordance with the "minimum municipal obligation" ("MMO"), as permitted and as defined by Pennsylvania law, in lieu of the City Funding Policy (as defined herein), resulted in the City contributing less than otherwise would have been contributed. See below, "– Funding Requirements; Funding Standards."

- Revising, in Fiscal Year 2009, in accordance with Pennsylvania law, the period over which the UAL was being amortized, such that the UAL as of July 1, 2009 was "fresh started" to be amortized over a 30 year period ending June 30, 2039. In addition, changes were made to the periods over which actuarial gains and losses and assumption changes were amortized under Pennsylvania law. See "UAL and its Calculation – Actuarial Valuations."

The City has taken a number of steps to address the funding of the Municipal Pension Plan, including the following:

- Reducing the assumed rate of return on a gradual and consistent basis, which results in the City making larger annual contributions. See Table 24 below.

- Adopting more conservative mortality rates in response to experience studies performed by the Municipal Pension Plan actuary.

- In conjunction with the revisions to the amortization periods that occurred in Fiscal Year 2009, changing from a level percent of pay amortization schedule to a level dollar amount schedule. This results in producing payments that ensure that a portion of principal on the UAL is paid each year.

- Funding consistently an amount greater than the MMO (subject to the authorized deferrals for Fiscal Years 2010 and 2011 described below).

- Negotiating collective bargaining agreements by which additional contributions are being made (and will be made) by certain current (and future) members and by which benefits will be capped for certain future members of the Municipal Pension Plan. See Table 18.

- Securing additional funding, including funds required to be deposited by the City to the Municipal Pension Fund from its share of future sales tax revenue.

This "Overview" is intended to highlight certain of the principal factors that led to the pension system's current funded status, and significant steps the City and the Pension Board have taken to address the underfunding. The reader is cautioned to review with care the more detailed information presented below under this caption, "PENSION SYSTEM."

Pension System; Pension Board

The City maintains two defined-benefit pension programs: (i) the Municipal Pension Plan, a single employer plan, which provides benefits to police officers, firefighters, non-uniformed employees, and non-represented appointed and elected officials, and (ii) the PGW Pension Plan, a single employer plan, which provides benefits to PGW employees. The Municipal Pension Plan is administered through 18 separate benefit structures, the funding for which is accounted for on a consolidated basis by the Municipal Pension Fund. The 18 benefit structures establish for their respective members different contribution levels, retirement ages, etc., but all assets are available to pay benefits to all members of the Municipal Pension Plan. The Municipal Pension Plan is a mature plan, initially established in 1915, with investment assets that totaled approximately $4.4 billion as of June 30, 2016. The Municipal Pension Plan has approximately 28,300 members who make contributions to the plan, and provides benefits to approximately 37,800 retirees and other beneficiaries.

PGW is principally a gas distribution facility owned by the City. For accounting presentation purposes, PGW is a component unit of the City and follows accounting rules as they apply to proprietary fund-type activities. The PGW Pension Plan is funded with contributions by PGW to such plan, which are treated as an operating expense of PGW, and such plan is not otherwise addressed under the caption "PENSION SYSTEM." See "PGW PENSION PLAN" below.

Contributions are made by the City to the Municipal Pension Fund from: (i) the City's General Fund; (ii) funds that are received by the City from the Commonwealth for deposit into the Municipal Pension Fund; and (iii) various City inter-fund transfers, representing amounts contributed, or reimbursed, to the City's General Fund for pensions from the City's Water Fund, Aviation Fund, and certain other City funds or agencies. See Table 29. In addition to such City (employer) contribution, the other principal additions to the Municipal Pension Fund are: (i) member (employee) contributions; (ii) interest and dividend income; (iii) net appreciation in asset values; and (iv) net realized gains on the sale of investments. See Table 26 below. An additional source of funding is that portion of the 1% Sales Tax rate increase that is required under Pennsylvania law to be deposited to the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

The City of Philadelphia Board of Pensions and Retirement (the "Pension Board") was established by the City Charter to administer "a comprehensive, fair and actuarially sound pension and retirement system covering all officers and employees of the City." The City Charter provides that the Pension Board "shall consist of the Director of Finance, who shall be its chairman, the Managing Director, the City Controller, the City Solicitor, the Personnel Director and four other persons who shall be elected to serve on the Board by the employees in the civil service in such manner as shall be determined by the Board." In addition, there is one non-voting member on the Pension Board, who is appointed by the President of City Council. An Executive Director, together with a staff of 73 personnel, administers the day-to-day activities of the retirement system, providing services to approximately 66,200 members.

The Municipal Pension Plan, the Municipal Pension Fund, and the Pension Board are for convenience sometimes collectively referred to under this caption as the "Municipal Retirement System."

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Membership. The following table shows the membership totals for the Municipal Pension Plan, as of July 1, 2016 and as compared to July 1, 2015.

Table 23
Municipal Pension Plan – Membership Totals

	July 1, 2016	July 1, 2015	% Change
Actives	28,308	27,951	1.3%
Terminated Vesteds	1,248	1,334	-6.4%
Disabled	4,005	4,016	-0.3%
Retirees	22,412	22,245	0.8%
Beneficiaries	8,567	8,566	0.0%
Deferred Retirement Option Plan ("DROP")	1,614	1,784	-9.5%
Total City Members	66,154	65,896	0.4%
Annual Salaries	$1,676,548,962	$1,597,848,869	4.9%
Average Salary per Active Member	$59,225	$57,166	3.6%
Annual Retirement Allowances	$741,828,339	$719,580,951	3.1%
Average Retirement Allowances	$21,205	$20,662	2.6%

Source: July 1, 2016 Valuation.

As shown in Table 23, total membership in the Municipal Pension Plan increased by 0.4%, or from 65,896 to 66,154 members, from July 1, 2015 to July 1, 2016, including an increase of 1.3% in active members from 27,951 to 28,308 (who were contributing to the Municipal Pension Fund). Of the 66,154 members, 37,846 were retirees, beneficiaries, disabled, and other members (who were withdrawing from, or not contributing to, the Municipal Pension Fund).

Subject to the exceptions otherwise described in this paragraph, employees and officials become vested in the Municipal Pension Plan upon the completion of ten years of service. Employees and appointed officials who hold positions that are exempt from civil service and who are not entitled to be represented by a union, and who were hired before January 13, 1999, may elect accelerated vesting after five years of service in return for payment of a higher employee contribution than if the vesting period were ten years. Such employees and officials hired after January 13, 1999, become vested after five years of service and pay a higher employee contribution than if the vesting period were ten years. Elected officials become vested in the Municipal Pension Plan once they complete service equal to the lesser of two full terms in their elected office or eight years and pay a higher contribution than if the vesting period were ten years. Elected officials pay an additional employee contribution for the full cost of the additional benefits they may receive over those of general municipal employees. Upon retirement, employees and officials may receive up to 100% of their average final compensation depending upon their years of credited service and the plan in which they participate.

All City employees participate in the U.S. Social Security retirement system except for uniformed Police and uniformed Fire employees.

Certain membership information relating to the City's municipal retirement system provided by the Pension Board is set forth in Appendix A to the July 1, 2016 Actuarial Valuation Report (the "July 1, 2016 Valuation") and includes as of July 1, 2016, among other information, active and non-active member data by plan, age/service distribution for active participants and average salary for all plans, and age and benefit distributions for non-active member data.

Funding Requirements; Funding Standards

City Charter. The City Charter establishes the "actuarially sound" standard quoted above. Case law has interpreted "actuarially sound" as used in the City Charter to require the funding of two components: (i) "normal cost" (as defined below) and (ii) interest on the UAL. (*Dombrowski v. City of Philadelphia*, 431 Pa. 199, 245 A.2d 238 (1968)).

Pennsylvania Law. The Municipal Pension Plan Funding Standard and Recovery Act (Pa. P.L. 1005, No. 205 (1984)) ("Act 205"), applies to all municipal pension plans in Pennsylvania, "[n]otwithstanding any provision of law, municipal ordinance, municipal resolution, municipal charter, pension plan agreement or pension plan contract to the contrary . . . ." Act 205 provides that the annual financial requirements of the Municipal Pension Plan are: (i) the normal cost; (ii) administrative expense requirements; and (iii) an amortization contribution requirement. In addition, Act 205 requires that the MMO be payable to the Municipal Pension Fund from City revenues, and that the City shall provide for the full amount of the MMO in its annual budget. The MMO is defined as "the financial requirements of the pension plan reduced by . . . the amount of any member contributions anticipated as receivable for the following year." Act 205 further provides that the City has a "duty to fund its municipal pension plan," and the failure to provide for the MMO in its budget, or to pay the full amount of the MMO, may be remedied by the institution of legal proceedings for mandamus.

In accordance with Pennsylvania law and Act 205, the City uses the entry age normal actuarial funding method, whereby "normal cost" (associated with active employees only) is the present value of the benefits that the City expects to become payable in the future distributed evenly as a percent of expected payroll from the age of first entry into the plan to the expected age at retirement. The City's share of such normal cost (to which the City adds the Plan's administrative expenses) is reduced by member contributions. The term "level" means that the contribution rate for the normal cost, expressed as a percentage of active member payroll, is expected to remain relatively level over time.

The City has budgeted and paid at least the full MMO amount since such requirement was established, and more specifically, prior to Fiscal Year 2005 the City had been contributing to the Municipal Pension Plan the greater amount as calculated pursuant to the City Funding Policy which was implemented before Act 205 was effective, as described below. Payment of the MMO is a condition for receipt of the Commonwealth contribution to the Municipal Pension Fund. See Table 29.

Act 205 was amended in 2009 by Pa. P.L. 396, No. 44 ("Act 44") to authorize the City to: (i) "fresh start" the amortization of the UAL as of July 1, 2009 by a level annual dollar amount over 30 years ending June 30, 2039; and (ii) revise the amortization periods for actuarial gains and losses and assumption changes in accordance with Act 44, as described below under "UAL and its Calculation – Actuarial Valuations." In addition, Act 44 authorized the City to defer, and the City did defer, $150 million of the MMO otherwise payable in Fiscal Year 2010, and $80 million of the MMO otherwise payable in Fiscal Year 2011, subject to repayment of the deferred amounts by June 30, 2014. The City repaid the aggregate deferred amount of $230 million, together with interest at the then-assumed interest rate of 8.25%, in Fiscal Year 2013. See Table 29. Because the final amortization date is fixed, if all actuarial assumptions are achieved, the unfunded liability would decline to zero as of the final amortization date. To the extent future experience differs from the assumptions used to establish the 30-year fixed amortization payment schedule, new amortization bases attributable to a particular year's difference would be established and amortized over their own 20-year schedule.

GASB; City Funding Policy. Governmental Accounting Standards Board ("GASB") Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" ("GASB 27"), applied to the City for Fiscal Years beginning prior to July 1, 2014. For the Fiscal Year beginning July 1, 2014, GASB Statement No. 68 ("GASB 68"), which amends GASB 27 in several significant respects, applies. GASB 27 defined an "annual required contribution" ("ARC") as that amount sufficient to pay (i) the normal cost and (ii) the amortization of UAL, and provides that the maximum acceptable amortization period is 30 years (for the initial 10 years of implementation, 1996-2006, a 40-year amortization period was permitted). GASB 27 did not establish funding requirements for the City but rather was an accounting and financial reporting standard. GASB 68 does not require the calculation of an ARC but does require the City to include as a liability on its balance sheet the City's "net pension liability," as defined by GASB 68. The City has been funding the Municipal Pension Fund since Fiscal Year 2003 based on the MMO (at a minimum), including the deferral permitted by Act 44. See Table 29 below.

The City, prior to Fiscal Year 2005, had been funding the Municipal Pension Fund in accordance with what the City referred to as the "City Funding Policy." That reference was used and continues to be used in the Actuarial Reports. Under the City Funding Policy, the UAL as of July 1, 1985 was to be 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 were amortized in level-dollar payments over various periods as prescribed in Act 205. In 1999, the City issued pension funding bonds, the proceeds of which were deposited directly into the Municipal Pension Fund to pay down its UAL. See "Annual Contributions – *Annual Debt Service Payments on the Pension Bonds*" below.

Revenue Recognition Policy. The City follows a policy (the "Revenue Recognition Policy") to contribute each year to the Municipal Pension Fund an amount in excess of the MMO. The determination for such additional funding is based on not including (i) the portion of the amounts generated by the increase in the Sales Tax rate that became effective on July 1, 2014 and are required by Act 205 to be deposited to the Municipal Pension Fund (see "Revenues of the City – Sales and Use Tax"), and (ii) contributions to be made by City employees that are under Plan 16 (described above in the text that immediately follows Table 19) in the actuarial asset value when determining the annual contribution obligation.

The amounts projected by the City in the Revised Twenty-Sixth Five Year Plan to be deposited from Sales Tax revenue into the Municipal Pension Fund, for the six Fiscal Years 2017-2022, respectively, are as follows: $18.3 million; $24.0 million; $44.6 million; $49.9 million; $54.9 million; and $59.8 million. (These revenue estimates reflect updates made since the data cutoff for performing the July 1, 2016 Valuation. Compare to the amounts under "Sales Tax Contribution" in the first table under the subsection "Actuarial Projections of Funded Status.")

UAL and its Calculation

According to the July 1, 2016 Valuation, the funded ratio (the valuation of assets available for benefits to total actuarial liability) of the Municipal Pension Fund as of July 1, 2016 was 44.8% and the Municipal Pension Fund had an unfunded actuarial liability ("UAL") of $6.089 billion. The UAL is the difference between total actuarial liability ($11.025 billion as of July 1, 2016) and the actuarial value of assets ($4.936 billion as of July 1, 2016).

Key Actuarial Assumptions. In accordance with Act 205, the actuarial assumptions must be, in the judgment of both Cheiron (the independent consulting actuary for the Municipal Pension Fund) and the City, "the best available estimate of future occurrences in the case of each assumption." The assumed investment return rate used in the July 1, 2016 Valuation was 7.70% a year (which includes an inflation assumption of 2.75%), net of administrative expenses, compounded annually. For the prior actuarial valuation, the assumed investment return rate was 7.75%. See Table 24 for the assumed rates of return for Fiscal Years 2007 to 2016. The 7.75% was used to establish the MMO payment for Fiscal Year 2017; 7.70% will be used to establish the MMO payment for Fiscal Year 2018.

Other key actuarial assumptions in the July 1, 2016 Valuation include the following: (i) total annual payroll growth of 3.30%, (ii) annual administrative expenses assumed to increase 3.30% per year, (iii) to recognize the expense of the benefits payable under the Pension Adjustment Fund, actuarial liabilities were increased by 0.54%, based on the statistical average expected value of the benefits, (iv) a vested employee who terminates will elect a pension deferred to service retirement age so long as their age plus years of service at termination are greater than or equal to 55 (45 for police and fire employees), (v) for municipal and elected members, 70% of all disabilities are ordinary and 30% are service-connected, and (vi) for police and fire members, 50% of all disabilities are ordinary and 50% are service-connected.

"Smoothing Methodology". The Municipal Retirement System uses an actuarial value of assets to calculate its annual pension contribution, using an asset smoothing method to dampen the volatility in asset values that could occur because of fluctuations in market conditions. The Municipal Retirement System used a five-year smoothing prior to Fiscal Year 2009, and beginning with Fiscal Year 2009 began employing a ten-year smoothing. Using the ten-year smoothing methodology, investment returns in excess or below the assumed rate are prospectively distributed in equal amounts over a ten-year period, subject to the requirement that the actuarial value of assets will be adjusted, if necessary, to ensure that the actuarial value of assets will never be less than 80% of the market value of the assets, nor greater than 120% of the market value of the assets. The actuarial value of assets as of July 1, 2016, was approximately 113.5% of the market value of the assets.

Actuarial Valuations. The Pension Board engages an independent consulting actuary (currently Cheiron) to prepare annually an actuarial valuation report. Act 205, as amended by Act 44, establishes certain parameters for the actuarial valuation report, including: (i) use of the entry age normal actuarial cost method; (ii) that the report shall contain: (a) actuarial exhibits, financial exhibits, and demographic exhibits; (b) an exhibit of normal costs expressed as a percentage of the future covered payroll of the active membership in the Municipal Pension Plan; and (c) an exhibit of the actuarial liability of the Municipal Pension Plan; and (iii) that changes in the actuarial liability be amortized in level-dollar payments as follows: (a) actuarial gains and losses be amortized over 20 years beginning July 1, 2009 (prior to July 1, 2009, gains and losses were amortized over 15 years); (b) assumption changes be amortized over 15 years beginning July 1, 2010 (prior to July 1, 2010, assumption changes were amortized over 20 years); (c) plan changes for active members be amortized over 10 years; (d) plan changes for inactive members be amortized over one year; and (e) plan changes mandated by the Commonwealth be amortized over 20 years.

Act 205 further requires that an experience study be conducted at least every four years, and cover the five-year period ending as of the end of the plan year preceding the plan year for which the actuarial valuation report is filed. The most recent Experience Study was prepared by Cheiron in March 2014 for the period July 1, 2008 – June 30, 2013. The changes to the actuarial and demographic assumptions that were adopted by the Pension Board in response to such Experience Study have been employed since the July 1, 2014 Valuation. The principal revisions included marginal changes in salary growth rates; changes in retirement assumptions (increase for those under the pension plan the City established in 1967; decrease for those under the pension plan the City established in 1987); increase in the expected disability rates for police and fire employees; and changes in mortality assumptions to fully reflect the most recent experience. Details of these assumption changes and the experience of the Municipal Pension Plan can be found in the *City of Philadelphia Municipal Retirement System Experience Study Results and Recommendations For the period covering July 1, 2008 – June 30, 2013,* available at the Investor Information section of the City's Investor Website.

Pension Adjustment Fund

Pursuant to § 22-311 of the Philadelphia Code, the City directed the Pension Board to establish a Pension Adjustment Fund ("PAF") on July 1, 1999, and further directed the Pension Board to determine, effective June 30, 2000 and each Fiscal Year thereafter, whether there are "excess earnings" as defined available to be credited to the PAF. The Pension Board's determination is to be based upon the actuary's certification using the "adjusted market value of assets valuation method" as defined in § 22-311. Although the portion of the assets attributed to the PAF is not segregated from the assets of the Municipal Pension Fund, the Philadelphia Code provides that the "purpose of the Pension Adjustment Fund is for the distribution of benefits as determined by the Board for retirees, beneficiaries or survivors [and] [t]he Board shall make timely, regular and sufficient distributions from the Pension Adjustment Fund in order to maximize the benefits of retirees, beneficiaries or survivors." Distributions are to be made "without delay" no later than six months after the end of each Fiscal Year. The PAF was established, in part, because the Municipal Retirement System does not provide annual cost-of-living increases to retirees or beneficiaries. At the time the PAF was established, distributions from the PAF were subject to the restriction that the actuarial funded ratio using the "adjusted market value of assets" be not less than such ratio as of July 1, 1999 (76.7%). That restriction was deleted in 2007 by an ordinance adopted by City Council; the Mayor vetoed such ordinance, and City Council overrode such veto.

The amount to be credited to the PAF is 50% of the "excess earnings" that are between one percent (1%) and six percent (6%) above the actuarial assumed investment rate. Earnings in excess of six percent (6%) of the actuarial assumed investment rate remain in the Municipal Pension Fund. Although the Pension Board utilizes a ten-year smoothing methodology, as explained above, for the actuarial valuation of assets for funding and determination of the MMO, § 22-311 provides for a five-year smoothing to determine the amount to be credited to the PAF. The actuary determined that for the Fiscal Year ended June 30, 2016, there were no "excess earnings" as defined to be credited to the PAF. The Pension Board transfers to the PAF the full amount calculated by the actuary as being available in any year for transfer within six months of the Pension Board designating the amount to be transferred.

Transfers to the PAF and the resultant additional distributions to retirees result in removing assets from the Municipal Pension Plan. To account for the possibility of such transfers, and as an alternative to adjusting the assumed investment return rate to reflect such possibility, the actuary applies a load of 0.54% to the calculated actuarial liability as part of the funding requirement and MMO. Such calculation was utilized for the first time in the July 1, 2013 actuarial valuation.

The market value of assets as used under this caption, "PENSION SYSTEM," represents the value of the assets if they were liquidated on the valuation date and this value includes the PAF (except as otherwise indicated in certain tables), although the PAF is not available for funding purposes. The actuarial value of assets does not include the PAF.

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Rates of Return; Asset Values; Changes in Plan Net Position

Rates of Return. The following table sets forth for the Fiscal Years 2007-2016 the market value of assets internal rate of return and actuarial value of assets internal rate of return experienced by the Municipal Pension Fund, and the assumed rate of return. The 5-year and 10-year annual average returns as of June 30, 2016, were 4.54% and 4.27%, respectively, on a market value basis.

Table 24
Municipal Pension Fund
Annual Rates of Return

Year Ending June 30,	Market Value	Actuarial Value[1]	Assumed Rate of Return
2007	17.0%	10.7%	8.75%
2008	-4.5%	10.1%	8.75%
2009	-19.9%	-9.3%	8.75%
2010	13.8%	12.9%	8.25%
2011	19.4%	9.9%	8.15%
2012	0.2%	2.4%	8.10%
2013	10.9%	5.1%	7.95%
2014	15.7%	4.8%	7.85%
2015	0.3%	5.8%	7.80%
2016	-3.2%	4.5%	7.75%

Source: July 1, 2016 Valuation.

(1) Net of PAF. See "Pension Adjustment Fund" above. The actuarial values for 2007-2008 reflect a five-year smoothing; for 2009-2016, a ten-year smoothing.

The preliminary estimates of the annual rates of return, on a market value basis, for the year ending June 30, 2017 is 12.9%, and for the three-month period ending September 30, 2017, is 3.5%.

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Asset Values. The following table sets forth as of the July 1 actuarial valuation date for the years 2007-2016 the actuarial and market values of assets in the Municipal Pension Fund and the actuarial value as a percentage of market value.

Table 25
Actuarial Value of Assets vs. Market Value of Net Assets
(Dollar Amounts in Millions of USD)

Actuarial Valuation Date (July 1)	Actuarial Value of Assets[1]	Market Value of Net Assets[1]	Actuarial Value as a Percentage of Market Value
2007	$4,421.7	$4,850.9	91.2%
2008	$4,623.6	$4,383.5	105.5%
2009	$4,042.1	$3,368.4	120.0%
2010[2]	$4,380.9	$3,650.7	120.0%
2011[2]	$4,719.1	$4,259.2	110.8%
2012[2]	$4,716.8	$4,151.8	113.6%
2013	$4,799.3	$4,444.1	108.0%
2014	$4,814.9	$4,854.3	99.2%
2015	$4,863.4	$4,636.1	104.9%
2016	$4,936.0	$4,350.8	113.5%

Source: July 1, 2016 Valuation for Actuarial Value of Assets; 2007-2016 Actuarial Reports for Market Value of Net Assets.

(1) For purposes of this table, the Market Value of Net Assets excludes the PAF, which as of June 30, 2016 equaled $7.223 million. The Actuarial Value of Assets excludes that portion of the Municipal Pension Fund that is allocated to the PAF. The actuarial values for 2007-2008 reflect a five-year smoothing; for 2009-2016, a ten-year smoothing.

(2) The July 1, 2010 actuarial and market values of assets include the $150 million deferred contribution from Fiscal Year 2010, and the July 1, 2011 and July 1, 2012 actuarial and market values of assets include the total deferred contribution of $230 million. See Table 29 below.

Changes in Plan Net Position. The following table sets forth for the Fiscal Years 2012-2016, the additions, including employee (member) contributions, City contributions (including contributions from the Commonwealth), investment income and miscellaneous income, and deductions, including benefit payments and administration expenses, for the Municipal Pension Fund. Debt service payments on pension funding bonds (as described below at "Annual Contributions – *Annual Debt Service Payments on the Pension Bonds*") are made from the City's General Fund, Water Operating Fund, and Aviation Operating Fund, but are not made from the Municipal Pension Fund, and therefore are not included in Table 26. In those years in which the investment income is less than anticipated, the Municipal Pension Fund may experience negative changes (total deductions greater than total additions), which, as the table reflects, did occur in Fiscal Year 2012. Furthermore, if unrealized gains are excluded from Table 26, resulting in a comparison of cash actually received against actual cash outlays, it results in a negative cash flow in each year, which is typical of a mature retirement system.

Contributions from the Commonwealth are provided pursuant to the provisions of Act 205. Any such contributions are required to be used to defray the cost of the City's pension system. The amounts contributed by the Commonwealth for each of the last ten Fiscal Years are set forth in Table 29 below. The contributions from the Commonwealth are capped pursuant to Act 205, which provides that "[n]o municipality shall be entitled to receive an allocation of general municipal pension system State aid in an amount greater that 25% of the total amount of the general municipal pension system State aid available."

Employee (member) contribution amounts reflect contribution rates as a percent of pay, which for the plan year beginning July 1, 2017, vary from 5.00% to 6.00% for police and fire employees, and from 3.10% to 7.00% for municipal employees excluding elected officials. These rates include the increases in contributions for certain municipal employees and elected officials currently in Plans 67, 87 and 87 Prime and elected officials as required by legislation. This legislation called for employees in these groups to pay an additional 0.5% of compensation from January 1, 2015 to December 31, 2015 and an additional 1.0% from January 1, 2016 onwards. New employees in these groups entering Plan 87 Municipal prime will pay an additional 1.0% of compensation which is included in the table below.

Table 26
Changes in Net Position of the Municipal Pension Fund
Fiscal Years 2012-2016
(Amounts in Thousands of USD)

	2012	2013	2014	2015	2016
Beginning Net Assets (Market Value)[1]	$4,030,216	$3,922,817	$4,445,224	$4,916,705	$4,674,252
Additions					
- Member Contributions	49,979	49,614	53,722	58,658	67,055
- City Contributions[2]	556,031	781,823	553,179	577,195	660,247
- Investment Income[3]	13,297	442,667	677,380	11,790	(147,424)
- Miscellaneous Income[4]	1,224	3,134	4,089	2,049	1,742
Total	$620,531	$1,277,238	$1,288,370	$649,692	$581,620
Deductions					
- Benefits and Refunds	(712,684)	(746,490)	(808,597)	(881,666)	(889,343)
- Administration	(15,246)[5]	(8,341)	(8,292)	(10,479)	(8,554)
Total	$(727,930)	$(754,831)	$(816,889)	$(892,145)	$(897,897)
Ending Net Assets (Market Value)[6]	$3,922,817	$4,445,224	$4,916,705	$4,674,252	$4,357,975

Source: Municipal Pension Fund's audited financial statements.

(1) Includes the PAF, which is not available for funding purposes.

(2) City Contributions include pension contributions from the Commonwealth. See Table 29.

(3) Investment income is shown net of fees and expenses, and includes interest and dividend income, net appreciation (depreciation) in fair value of investments, and net gains realized upon the sale of investments.

(4) Miscellaneous income includes securities lending and other miscellaneous revenues.

(5) The $15.2 million is the number in the Fund's 2012 audited financial statements. However, it was subsequently determined that certain investment expenses had been misclassified as administration expenses. If those investment expenses were not included, the administration deduction for Fiscal Year 2012 would have been $8.5 million.

(6) For Fiscal Year 2012, does not include the $230 million total contribution receivable, which was paid back and is included in Fiscal Year 2013 in the "City Contributions" amount. See Table 29.

Funded Status of the Municipal Pension Fund

The following two tables set forth as of the July 1 actuarial valuation date for the years 2007-2016, the asset value, the actuarial liability, the UAL, the funded ratio, covered payroll and UAL, as a percentage of covered payroll for the Municipal Pension Fund on actuarial and market value bases, respectively.

Table 27
Schedule of Funding Progress (Actuarial Value)
(Dollar Amounts in Millions of USD)

Actuarial Valuation Date (July 1)	Actuarial Value of Assets[(1)] (a)	Actuarial Liability (b)	UAL (Actuarial Value) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a % of Covered Payroll [(b-a)/c]
2007	$4,421.7	$8,197.2	$3,775.5	53.9%	$1,351.8	279.3%
2008	$4,623.6	$8,402.2	$3,778.7	55.0%	$1,456.5	259.4%
2009	$4,042.1	$8,975.0	$4,932.9	45.0%	$1,463.3	337.1%
2010	$4,380.9	$9,317.0	$4,936.1	47.0%	$1,421.2	347.3%
2011	$4,719.1[(2)]	$9,487.5	$4,768.4	49.7%	$1,371.3	347.7%
2012	$4,716.8[(2)]	$9,799.9	$5,083.1	48.1%	$1,372.2	370.4%
2013	$4,799.3	$10,126.2	$5,326.9	47.4%	$1,429.7	372.6%
2014	$4,814.9	$10,521.8	$5,706.9	45.8%	$1,495.4	381.6%
2015	$4,863.4	$10,800.4	$5,937.0	45.0%	$1,597.8	371.6%
2016	$4,936.0	$11,024.8	$6,088.8	44.8%	$1,676.5	363.2%

Source: July 1, 2016 Valuation.

(1) The July 1, 2010 Actuarial Value of Assets includes the $150 million deferred contribution from Fiscal Year 2010 and each of the July 1, 2011 and July 1, 2012 Actuarial Value of Assets includes the total deferred contribution of $230 million.

(2) Reflects the assumed rate of return on deferred contributions at the time of the deferral.

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Table 28
Schedule of Funding Progress (Market Value)
(Dollar Amounts in Millions of USD)

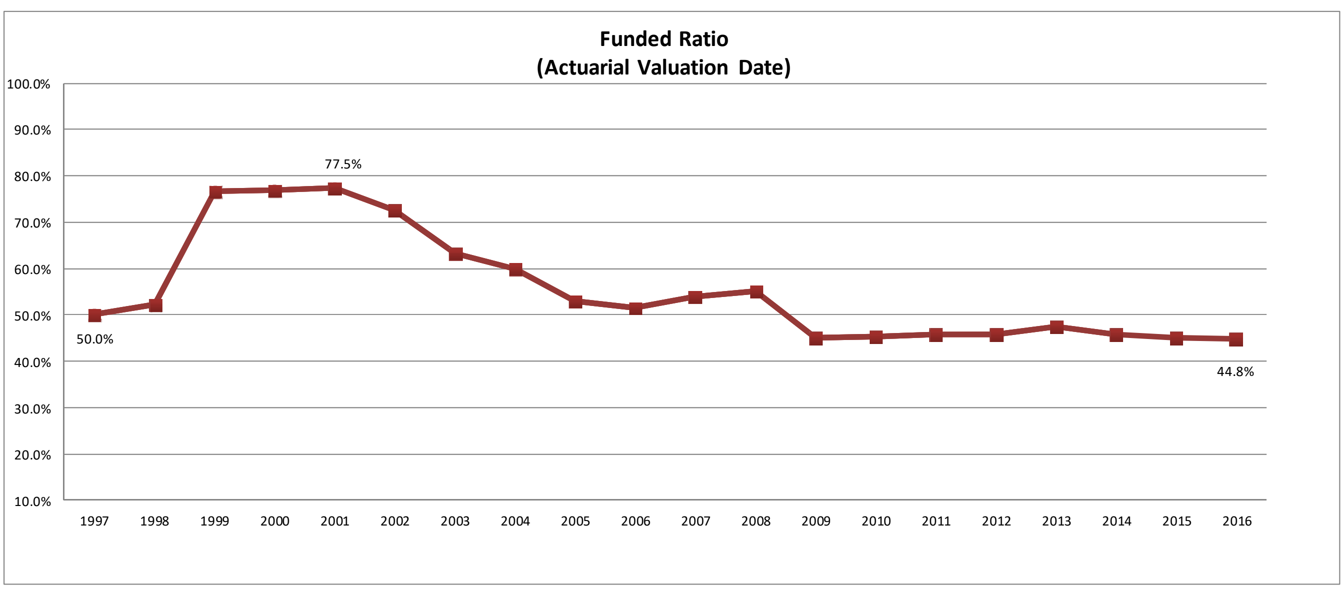
Actuarial Valuation Date (July 1)	Market Value of Net Assets[1] (a)	Actuarial Liability (b)	UAL (Market Value) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a % of Covered Payroll [(b-a)/c]
2007	$4,850.9	$8,197.2	$3,346.3	59.2%	$1,351.8	247.5%
2008	$4,383.5	$8,402.2	$4,018.7	52.2%	$1,456.5	275.9%
2009	$3,368.4	$8,975.0	$5,606.6	37.5%	$1,463.3	383.2%
2010	$3,650.7	$9,317.0	$5,666.3	39.2%	$1,421.2	398.7%
2011	$4,259.2	$9,487.5	$5,228.3	44.9%	$1,371.3	381.3%
2012	$4,151.8	$9,799.9	$5,648.1	42.4%	$1,372.2	411.6%
2013	$4,444.1	$10,126.2	$5,682.1	43.9%	$1,429.7	397.4%
2014	$4,854.3	$10,521.8	$5,667.6	46.1%	$1,495.4	379.0%
2015	$4,636.1[2]	$10,800.4	$6,164.3	42.9%	$1,597.8	385.8%
2016	$4,350.8[2]	$11,024.8	$6,674.0	39.5%	$1,676.5	398.1%

Source: 2007-2016 Actuarial Valuation Reports.

(1) The July 1, 2010 Market Value of Net Assets includes the $150 million deferred contribution from Fiscal Year 2010 and each of the July 1, 2011 and July 1, 2012 Market Value of Net Assets includes the total deferred contribution of $230 million.

(2) For purposes of this table, the Market Value of Net Assets excludes the PAF, which as of June 30, 2015 equaled $38,198,762, and as of June 30, 2016 equaled $7,223,000.

The following chart reflects the funded ratios, using the actuarial value of assets, for the 20-year period 1997 – 2016.



Annual Contributions

Annual Municipal Pension Contributions

Table 29 shows the components of the City's annual pension contributions to the Municipal Pension Fund for the Fiscal Years 2007-2016.

Table 29
Total Contribution to Municipal Pension Fund
(Dollar Amounts in Millions of USD)

Fiscal Year	General Fund Contribution (A)	Commonwealth Contribution (B)	Aggregate General Fund Contribution (A+B)	Water Fund Contribution	Aviation Fund Contribution	Grants Funding and Other Funds Contribution[1]	Contributions from Quasi-governmental Agencies	Pension Bond Proceeds	Total Contribution (C)	MMO (D)	MMO (Deferred) Makeup Payments	% of MMO Contributed (C/D)
2007	$304.6	$57.7	$362.3	$31.5	$14.3	$11.2	$13.0	$0.0	$432.3	$400.3		108.0%
2008	$292.7	$59.6	$352.3	$32.4	$15.5	$12.2	$14.5	$0.0	$426.9	$412.4		103.5%
2009	$315.0	$59.6	$374.6	$36.4	$17.5	$11.5	$15.4	$0.0	$455.4	$438.5		103.9%
2010	$190.8[2]	$59.2	$250.0	$25.1	$11.6	$10.8	$15.1	$0.0	$312.6[2]	$447.4	$(150.0)[3]	100.0%[4]
2011	$325.8[2]	$61.8	$387.6	$37.7	$17.1	$13.6	$14.2	$0.0	$470.2[2]	$511.0	$(80.0)[3]	100.0%[4]
2012	$352.7	$95.0	$447.7	$43.8	$20.6	$27.4	$16.2	$0.0	$555.7	$507.0		109.7%
2013	$356.5	$65.7	$422.2	$41.4	$20.3	$27.2	$18.1	$252.6[3]	$781.8	$492.0	$230.0[3]	100.0%[4]
2014	$365.8	$69.6	$435.4	$45.5	$22.5	$30.0	$19.8	$0.0	$553.2	$523.4		105.7%
2015	$388.5	$62.0	$450.5	$48.3	$23.9	$33.4	$21.1	$0.0	$577.2	$556.0		103.8%
2016	$449.6	$62.6	$512.2	$55.1	$27.1	$34.8	$31.0	$0.0	$660.2	$595.0		110.0%

(1) Other Funds Contributions represents contributions to the Municipal Pension Fund from the City's Special Gasoline Tax Fund, Community Development Block Grant Fund, Municipal Pension Fund, Acute Care Hospital Assessment Fund, and General Capital Improvement Fund.

(2) Reflects the actual cash outlays for Fiscal Year 2010 and Fiscal Year 2011, which do not include the deferred contributions authorized pursuant to Act 44. See "– Funding Requirements; Funding Standards – Pennsylvania Law" above for a discussion of pension contribution deferrals authorized pursuant to Act 44.

(3) As authorized pursuant to Act 44, the City deferred payments to the Municipal Pension Fund of $150 million in fiscal year 2010 and $80 million in fiscal year 2011. Those amounts were repaid in fiscal year 2013, in which year the City made a contribution of $252.6 million to the Municipal Pension Fund, consisting of $230 million of proceeds of Pension Bonds that were issued in October 2012 and $22.6 million in refunding savings from a refunding Pension Bond financing in December 2012. See " – *Annual Debt Service Payments on the Pension Bonds*" below.

(4) Act 205 directs the Actuary, in performing the actuarial valuations, to disregard deferrals, and therefore for ease of presentation 100.0% is reflected in this column for both the years in which the deferrals occurred and the year in which the makeup payment was made.

Annual Debt Service Payments on the Pension Bonds

Pension funding bonds ("Pension Bonds") were issued in Fiscal Year 1999, at the request of the City, by PAID. Debt service on the Pension Bonds is payable pursuant to a Service Agreement between the City and PAID. The Service Agreement provides that the City is obligated to pay a service fee from its current revenues and the City covenanted in the agreement to include the annual amount in its operating budget and to make appropriations in such amounts as are required. If the City's revenues are insufficient to pay the full service fee in any Fiscal Year as the same becomes due and payable, the City has covenanted to include amounts not so paid in its operating budget for the ensuing Fiscal Year.

The 1999 Pension Bonds were issued in the principal amount of $1.3 billion, and the net proceeds were used, together with other funds of the City, to make a contribution in Fiscal Year 1999 to the Municipal Pension Fund in the amount of approximately $1.5 billion.

In October 2012, PAID, at the request of the City, issued Pension Bonds in the principal amount of $231.2 million, the proceeds of which were used principally to make the $230 million repayment of deferred contributions to the Municipal Pension Fund reflected in Table 29 above. These bonds had maturities of April 1, 2013 and 2014, and have been repaid.

In December 2012, PAID, at the request of the City, issued Pension Bonds in the approximate principal amount of $300 million, the proceeds of which were used to current refund a portion of the 1999 Pension Bonds. The refunding generated savings of approximately $22.6 million, which the City deposited into the Municipal Pension Fund.

Table 30 shows the components of the City's annual debt service payments on the Pension Bonds for the Fiscal Years 2007-2016.

Table 30
Total Debt Service Payments on Pension Bonds
(Amounts in Millions of USD)

Fiscal Year	General Fund Payment	Water Fund Payment	Aviation Fund Payment	Other Funds Payment[1]	Grants Funding	Total Payment
2007	$74.6	$7.2	$3.2	$0.5	$1.3	$86.8
2008	$78.4	$7.8	$3.5	$0.6	$1.3	$91.6
2009	$84.4	$7.2	$3.3	$0.6	$1.3	$96.8
2010	$96.7	$7.6	$3.4	$0.6	$1.5	$109.8
2011	$97.7	$10.3	$4.6	$0.8	$1.5	$114.9
2012	$100.1	$10.7	$4.8	$0.7	$3.4	$119.7
2013[2]	$196.6	$21.5	$10.1	$1.3	$3.8	$233.3
2014[2]	$211.0	$23.6	$11.2	$1.4	$3.7	$250.9
2015	$107.7	$12.6	$5.9	$0.8	$4.0	$131.0
2016	$109.9	$13.7	$6.4	$0.9	$3.8	$134.7

(1) Other Funds Payments represents the allocable portion of debt service payments on the City's Pension Bonds from the City's Special Gasoline Tax Fund, Community Development Block Grant Fund, Municipal Pension Fund, Acute Care Hospital Assessment Fund, and General Capital Improvement Fund.

(2) The increase in debt service payments in fiscal years 2013 and 2014 over the fiscal year 2012 amounts reflect the debt service payments on the Pension Bonds that were issued in October 2012.

Annual Pension Costs of the General Fund

Table 31 shows the annual pension costs of the General Fund for the Fiscal Years 2007-2016, being the sum of the General Fund Contribution to the Municipal Pension Fund (column (A) in Table 29 above) and the General Fund debt service payments on Pension Bonds (Table 30 above).

Table 31
Annual Pension Costs of the General Fund
(Amounts in Millions of USD)

Fiscal Year	General Fund Pension Fund Contribution (A)[1]	General Fund Pension Bond Debt Service Payment (B)	Annual Pension Costs (A+B)	Total General Fund Expenditures (C)	General Fund portion of Annual Pension Costs as % of Total General Fund Expenditures (A+B) / C
2007	$304.6	$74.6	$379.2	$3,736.66	10.15%
2008	$292.7	$78.4	$371.1	$3,919.84	9.47%
2009	$315.0	$84.4	$399.4	$3,915.29	10.20%
2010	$190.8	$96.7	$287.5	$3,653.73	7.87%
2011	$325.8	$97.7	$423.5	$3,785.29	11.19%
2012	$352.7	$100.1	$452.8	$3,484.88	12.99%
2013	$356.5	$196.6	$553.1	$3,613.27	15.31%
2014	$365.8	$211.0	$576.8	$3,886.56	14.84%
2015	$388.5	$107.7	$496.2	$3,831.51	12.95%
2016	$449.6	$109.9	$559.5	$4,015.80	13.93%

(1) Does not include Commonwealth contribution. See Table 29.

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The following table shows the annual City contribution to the Municipal Pension Fund as a percentage of the covered employee payroll.

Table 32
Annual City Contribution as % of Covered Employee Payroll
(Dollar Amounts in Thousands of USD)

Fiscal Year	Annual City Contribution	Fiscal Year Covered Employee Payroll(1)	ACC as % of Payroll
2007	$432,267	$1,351,826	31.98%
2008	$426,934	$1,456,520	29.31%
2009	$455,389	$1,463,260	31.12%
2010	$312,556	$1,421,151	21.99%
2011	$470,155	$1,371,274	34.29%
2012	$555,690	$1,372,174	40.50%
2013	$781,823	$1,429,723	54.68%
2014	$553,179	$1,495,421	36.99%
2015	$577,195	$1,597,849	36.12%
2016	$660,247	$1,676,412	39.38%

Source: Municipal Pension Fund Financial Statements, June 30, 2016.

(1) The definition of "covered-employee payroll" in GASB 68 differs slightly from the "covered payroll" definition in GASB 27. See "PENSION SYSTEM – Funding Requirements; Funding Standards – *GASB; City Funding Policy*."

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Actuarial Projections of Funded Status

Cautionary Note. The information under this subheading, "Actuarial Projections of Funded Status," was prepared by Cheiron. The table below shows a five-year projection of MMO payments, Actuarial Value of Assets, Actuarial Liability, UAL, and Funded Ratio. The charts below show projections through 2036 of funded ratios and MMO contributions. All projections, whether for five years or for twenty years, are subject to actual experience deviating from the underlying assumptions and methods, and that is particularly the case for the charts below for the periods beyond the projections in the five-year table. **Projections and actuarial assessments are "forward looking" statements and are based upon assumptions which may not be fully realized in the future and are subject to change, including changes based upon the future experience of the City's Municipal Pension Fund and Municipal Pension Plan.**

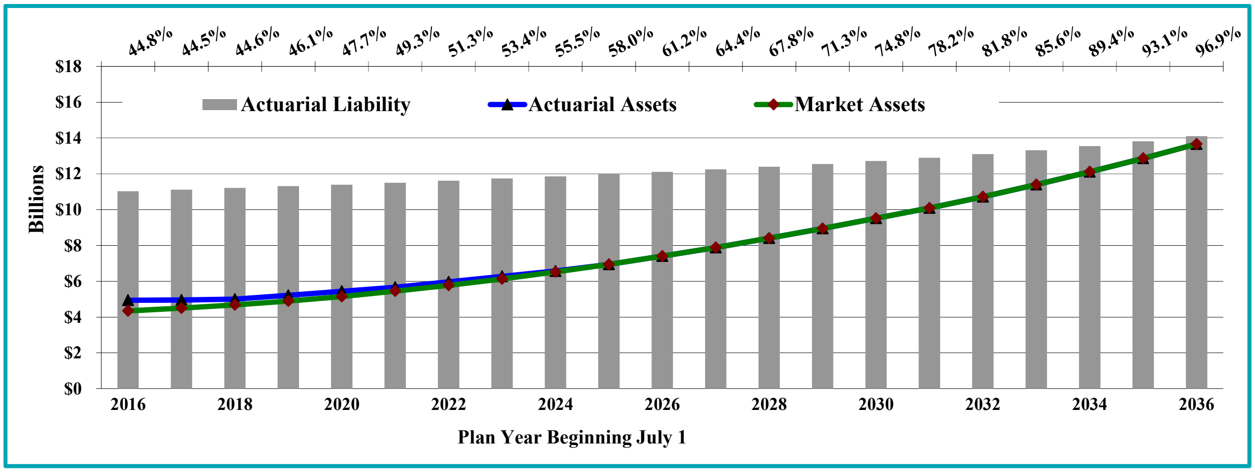
The projections are on the basis that all assumptions in the July 1, 2016 Valuation are exactly realized and the City makes all future MMO payments on schedule as required by Pennsylvania law, and must be understood in the context of the assumptions, methods and benefits in effect as described in the July 1, 2016 Valuation. Included among such assumptions are: (i) the rates of return for the Municipal Pension Fund over the projection period will equal 7.70% annually, (ii) MMO contributions will be made each year, and (iii) the provisions of Act 205 as amended by Act 44 will remain in force during the projection period. The July 1, 2016 Valuation includes charts reflecting the contributions based on MMO (charts 1A and 2A), and charts reflecting the additional contributions in accordance with the Revenue Recognition Policy (chart 3A). The charts below reflect the MMO contributions without taking into account any additional contributions in accordance with the Revenue Recognition Policy. See the July 1, 2016 Valuation for a further discussion of the assumptions and methodologies used by the Actuary in preparing the July 1, 2016 Valuation and the following projections, all of which should be carefully considered in reviewing the projections. The July 1, 2016 Valuation is available for review on the Municipal Retirement System website. The table and charts below separately set forth estimates of sales tax revenues that will be deposited by the City into the Municipal Pension Fund, which were provided by the City to Cheiron at the time of the valuation. Please note that the sales tax contribution figures below do not reflect the updated sales tax contribution figures included in the Revised Twenty-Sixth Five-Year Plan (see line 11 of the "Summary of Operations Fiscal Years 2016 to 2022" on page 1 of the Revised Twenty-Sixth Five-Year Plan). Cheiron has not analyzed and makes no representation regarding the validity of the sales tax revenue assumptions and estimates provided by the City. See "REVENUES OF THE CITY – Sales and Use Tax." Each of the tables and graphs that follow are part of the July 1, 2016 Valuation and such Valuation report should be referenced regarding the underlying benefits, methods, and assumptions utilized in the production of these values.

Five-Year Projection. For the following chart, dollar amounts are in millions of USD.

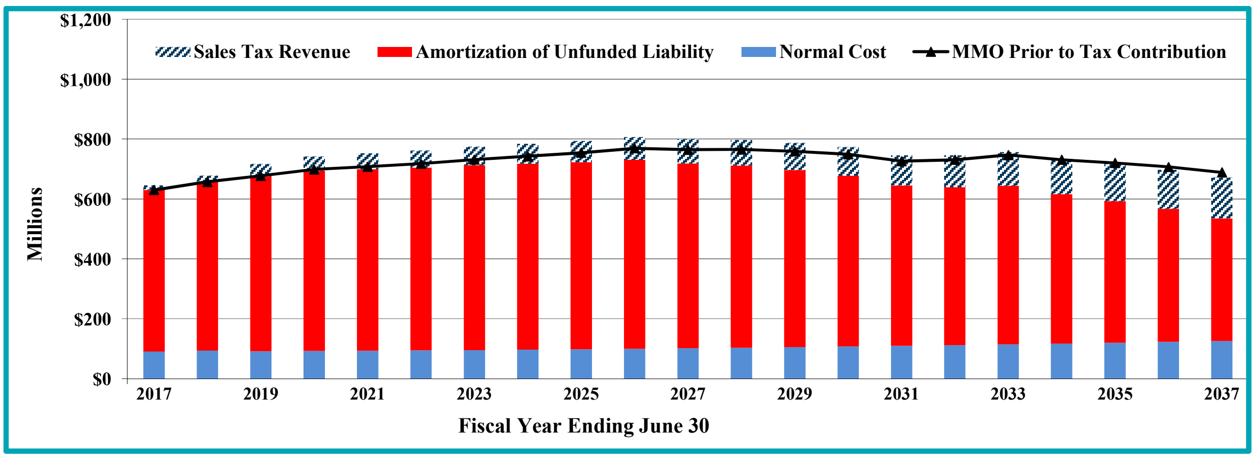
Fiscal Year End	MMO	Sales Tax Contribution	Actuarial Value of Assets	Actuarial Liability	UAL	Funded Ratio
2017	$ 629.6	$ 16.1	$ 4,936.0	$ 11,024.7	$ 6,088.7	44.8%
2018	657.0	21.1	4,955.1	11,126.1	6,171.0	44.5%
2019	675.4	41.7	5,002.4	11,221.0	6,218.5	44.6%
2020	694.7	47.3	5,214.9	11,309.2	6,094.2	46.1%
2021	699.7	52.9	5,437.5	11,392.6	5,955.1	47.7%
2022	704.7	57.2	5,672.3	11,506.9	5,834.6	49.3%

Twenty-Year Projections.

Funded Ratio Chart:



MMO Contribution Chart:



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OTHER POST-EMPLOYMENT BENEFITS

The City self-administers a single employer, defined benefit plan for post-employment benefits other than pension benefits ("OPEB"), and funds such plan on a pay-as-you-go basis. The City's OPEB plan provides for those persons who retire from the City and are participants in the Municipal Pension Plan: (i) post-employment healthcare benefits for a period of five years following the date of retirement and (ii) lifetime life insurance coverage ($7,500 for firefighters who retired before July 1, 1990; $6,000 for all other retirees). In general, retirees eligible for OPEB are those who terminate their employment after ten years of continuous service to immediately become pensioned under the Municipal Pension Plan.

To provide health care coverage, the City pays a negotiated monthly premium for retirees covered by the union contract for AFSCME DC 33 and is self-insured for all other eligible pre-Medicare retirees. Aside from AFSCME DC 33, the City is responsible for the actual health care cost that is invoiced to the City's unions by their respective vendors. The actual cost can be a combination of self-insured claim expenses, premiums, ancillary services, and administrative expenses. Eligible union represented employees receive five years of coverage through their union's health fund. The City's funding obligation for pre-Medicare retiree benefits is the same as for active employees. Union represented and non-union employees may defer their retiree health coverage until a later date. For some groups, the amount that the City pays for their deferred health care is based on the value of the health benefits at the time the retiree claims the benefits, but for police and fire retirees who retired after an established date, the City pays the cost of five years of coverage when the retiree claims the benefits.

The annual payments made by the City for OPEB for Fiscal Years 2012-2016 are shown in Table 33 below.

Table 33
Annual OPEB Payment
(Amounts in Thousands of USD)

Fiscal Year ended June 30,	Annual OPEB Payment
2012	$76,344
2013	$57,096
2014	$67,100
2015	$95,300
2016	$107,200

Source: See Note IV.3 to the City's audited Financial Statements for such Fiscal Years (as included in the City's CAFRs).

For financial reporting purposes, although the City funds OPEB on a pay-as-you-go basis, it is required to include in its financial statements (in accordance with GASB Statement No. 45) a calculation similar to that performed to calculate its pension liability. Pursuant to GASB 45, an annual required contribution is calculated which, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability over a period not to exceed 30 years. As of July 1, 2015, the date of the most recent actuarial valuation, the UAL for the City's OPEB was $1.77 billion, the covered annual payroll was $1.54 billion, and the ratio of UAL to the covered payroll was 114.8%. See Note IV.3 to the City's audited Financial Statements for the Fiscal Year ended June 30, 2016.

PGW PENSION PLAN

General

PGW consists of all the real and personal property owned by the City and used for the acquisition, manufacture, storage, processing, and distribution of gas within the City, and all property, books, and records employed and maintained in connection with the operation, maintenance, and administration of PGW. The City Charter provides for a Gas Commission (the "Gas Commission") to be constituted and appointed in accordance with the provisions of contracts between the City and the operator of PGW as may from time to time be in effect, or, in the absence of a contract, as may be provided by ordinance. The Gas Commission consists of the City Controller, two members appointed by City Council and two members appointed by the Mayor.

PGW is operated by PFMC, pursuant to an agreement between the City and PFMC dated December 29, 1972, as amended, authorized by ordinances of City Council (the "Management Agreement"). Under the Management Agreement, various aspects of PFMC's management of PGW are subject to review and approval by the Gas Commission. The PUC has the regulatory responsibility for PGW with regard to rates, safety, and customer service.

The City sponsors the Philadelphia Gas Works Pension Plan (the "PGW Pension Plan"), a single employer defined benefit plan, to provide pension benefits for all of PGW's employees and other eligible class employees of PFMC and the Gas Commission. As plan sponsor, the City, through its General Fund, could be responsible for plan liabilities if the PGW Pension Plan does not satisfy its payment obligations to PGW retirees. At July 1, 2016, the PGW Pension Plan membership total was 3,772, comprised of: (i) 2,521 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them; and (ii) 1,251 participants, of which 1,036 were vested and 215 were nonvested.

PGW Pension Plan

The PGW Pension Plan provides retirement benefits as well as death and disability benefits. Retirement benefits vest after five years of credited service. Retirement payments for vested employees commence: (i) at age 65 and five years of credited service; (ii) age 55 and 15 years of credited service; or (iii) without regard to age, after 30 years of credited service. For covered employees hired prior to May 21, 2011 (union employees) or prior to December 21, 2011 (non-union employees), PGW pays the entire cost of the PGW Pension Plan. Union employees hired on or after May 21, 2011 and non-union employees hired on or after December 21, 2011 have the option to participate in the PGW Pension Plan and contribute 6% of applicable wages, or participate in a plan established in compliance with Section 401(a) of the Internal Revenue Code (deferred compensation plan) and have PGW contribute 5.5% of applicable wages.

PGW is required by statute to contribute the amounts necessary to fund the PGW Pension Plan. The PGW Pension Plan is being funded with contributions by PGW to the Sinking Fund Commission of the City, together with investment earnings and employee contributions required for new hires after December 2011 who elect to participate in the PGW Pension Plan. Benefit and contribution provisions are established by City ordinance and may be amended only as allowed by City ordinance. The pension payments are treated as an operating expense of PGW and are included as a component of PGW's base rate. The PUC approves all items that are to be included in PGW's base rates. PGW filed its current rate case with the PUC on February 27, 2017.

Effective October 2015, payments to beneficiaries of the PGW Pension Plan are made by the PGW Retirement Reserve Fund. Prior to October 2015, payments to beneficiaries of the PGW Pension Plan were made by PGW through its payroll system. The financial statements for the PGW Pension Plan for the fiscal year ended June 30, 2016, show an amount due to PGW of approximately $6.0 million, which represents the cumulative excess of payments made to the retirees and administrative expenses incurred by PGW, over the sum of PGW's required annual contribution and reimbursements received from the PGW Pension Plan.

Pension Costs and Funding

PGW pays an annual amount that is projected to be sufficient to cover its normal cost and an amortization of the PGW Pension Plan's UAL. The following table shows the normal cost, the amortization payment, and the resulting annual required contribution as of the last five actuarial valuation dates for the PGW Pension Plan. PGW has been using a 20-year open amortization period (and the payments in Table 34 are on the basis of a 20-year open amortization). Commencing in PGW's fiscal year 2016, PGW calculates an annual required contribution on the basis of both a 20-year open amortization period and a 30-year closed amortization period, and will contribute the higher of the two amounts. See "– Projections of Funded Status" below. An open amortization period is one that begins again or is recalculated at each actuarial valuation date. With a closed amortization period, the unfunded liability is amortized over a specific number of years to produce a level annual payment. Because the final amortization date is fixed, if all actuarial assumptions are achieved, the unfunded liability would decline to zero as of the final amortization date. To the extent future experience differs from the assumptions used to establish the 30-year fixed amortization payment schedule, new amortization bases attributable to a particular year's difference would be established and amortized over their own 30-year schedule.

Table 34
PGW Pension – Annual Required Contributions
(Dollar Amounts in Thousands of USD)

Calculation of ARC for the 12-month period ended:	**Normal Cost**(1) (A)	**Amortization Payment**(1) (B)	**ARC**(1), (2) (A + B)	**Payments to Beneficiaries**(3)
9/1/2012	$8,782	$14,357	$23,139	$40,122
9/1/2013	$8,533	$15,127	$23,660	$41,614
9/1/2014	$8,852	$12,130	$20,982	$42,913
7/1/2015	$7,859	$18,063	$25,922	$46,917
7/1/2016	$7,992	$20,238	$28,230	$50,447

(1) Source: The Actuarial Valuation Report for the Plan Year July 1, 2016 – June 30, 2017 for the PGW Pension Plan.

(2) As described above, until October 2015, PGW did not make a net cash contribution to the PGW Pension Plan, but rather paid beneficiaries through its payroll system, and then was reimbursed by the Plan. Effective October 2015, payments to beneficiaries of the PGW Pension Plan are made by the PGW Retirement Reserve Fund. Each ARC is the sum reflected in this table, but the "Calculated Mid-Year Contribution" in Tables 36 and 37 more closely approximates the actual pension contributions made by PGW.

(3) Source: For 2012 and 2013, PGW's CAFR for the fiscal years ended August 31, 2012 and 2013, respectively. For 2014-2015, PGW's CAFR for the fiscal year ended August 31, 2015. For 2016, the audited financial statements for PGW for the fiscal years ended August 31, 2016 and 2015.

Although PGW has paid its annual required contribution each year, the market value of assets for the PGW Pension Plan is less than the actuarial accrued liability, as shown in the next table.

Table 35
Schedule of Pension Funding Progress
(Dollar Amounts in Thousands of USD)[1]

Actuarial Valuation Date	Market Value of Assets	Actuarial Liability	UAL (Market Value)	Funded Ratio
9/1/2012	$437,780	$585,632	$147,852	74.75%
9/1/2013	$462,691	$623,612	$160,921	74.20%
9/1/2014	$514,944	$643,988	$129,044	79.96%
7/1/2015	$510,719	$706,704	$195,985	72.27%
7/1/2016[2]	$483,259	$736,078	$252,819	65.65%

(1) Source: The Actuarial Valuation Report for the Plan Year July 1, 2016 – June 30, 2017 for the PGW Pension Plan.

(2) On July 1, 2016, the actuarial value of assets was $511.3 million, resulting in a UAL of $224.8 million, and a funded ratio of 69.46%. See Tables 36 and 37.

The current significant actuarial assumptions for the PGW Pension Plan are: (i) investment return rate of 7.30% compounded annually; (ii) salary increases assumed to reach 4.5% per year; and (iii) retirements that are assumed to occur, for those with 30 or more years of service, at a rate of 15% at ages 55 to 60, 30% at age 61, 50% at ages 62-69, and 100% at age 70 and older.

Since the last actuarial valuation performed as of July 1, 2015, the demographics of the plan participants have changed as follows: (i) the number of plan participants has decreased 0.7%, (ii) the total number of actives in the plan decreased 1.8%, (iii) total payroll has decreased 4.5%, (iv) average pay has decreased 2.8%, and (v) average age of active plan participants increased 1.2%. Effective September 1, 2016, PGW began utilizing an investment rate of return of 7.30% for the PGW Pension Plan. The assumed investment rate return for the period July 1, 2015 – August 31, 2016 was 7.65%. Such reduction in the assumed investment rate of return increased the measurement of plan liabilities by approximately 3.6% and increased the annual contribution by $2,407,000 (2.6% of pay). The foregoing, among other factors, have resulted in an increase in the UAL from approximately $196.0 million at July 1, 2015 to approximately $252.8 million at July 1, 2016.

PGW uses a September 1 – August 31 fiscal year, while the PGW Pension Plan uses a July 1 – June 30 fiscal year (the same as the City's fiscal year). The last two actuarial valuation reports for the PGW Pension Plan utilized a plan year of July 1 to June 30. This is reflected in Table 35 above.

The PGW Pension Plan actuary prepared a separate actuarial valuation report ("GASB 67 Report") for the fiscal year ending June 30, 2016, for purposes of plan reporting information under Governmental Accounting Standards Board Statement No. 67, "Financial Reporting for Pension Plans." The GASB 67 Report shows for the fiscal year ending June 30, 2016, an unfunded liability of approximately $296.1 million (rather than the approximately $252.8 million reflected in Table 35), which results in a funded ratio of 62.00%. In addition, that report provides an interest rate sensitivity, which shows that were the investment rate to be 6.30% (1% lower than the assumed investment rate of 7.30%), the unfunded liability would be approximately $387.1 million.

Projections of Funded Status

The information under this subheading, "Projections of Funded Status," is extracted from tables prepared by Aon Hewitt, as actuary to the PGW Pension Plan, which were included in their "Actuarial Valuation Report for the Plan Year July 1, 2016 – June 30, 2017," dated October 28, 2016. The charts show 10-year projections, using both the current amortization method (20-year, open) and the alternative amortization method (30-year, fixed). See "– Pension Costs and Funding" above. Projections are subject to actual experience deviating from the underlying assumptions and methods. **Projections and actuarial assessments are "forward looking" statements and are based upon assumptions that may not be fully realized in the future and are subject to change, including changes based upon the future experience of the PGW Pension Plan.**

Table 36
Schedule of Prospective Funded Status (20-Year Open Amortization)
(Dollar Amounts in Thousands of USD)

Actuarial Valuation Date (July 1)	Actuarial Value of Assets	Actuarial Accrued Liability	UAL (Actuarial Value)	Calculated Mid-Year Contribution[(1), (2)]	Funded Ratio
2016	$511,289	$736,078	$224,789	$29,260	69.46%
2017	$516,312	$743,161	$226,849	$29,201	69.48%
2018	$520,981	$749,322	$228,341	$29,227	69.53%
2019	$525,256	$754,759	$229,502	$29,361	69.59%
2020	$529,287	$760,354	$231,067	$29,267	69.61%
2021	$539,874	$764,209	$224,335	$28,403	70.64%
2022	$549,285	$766,619	$217,334	$27,526	71.65%
2023	$557,447	$767,850	$210,403	$26,709	72.60%
2024	$564,315	$768,739	$204,424	$25,598	73.41%
2025	$569,580	$769,172	$199,591	$25,018	74.05%

(1) Source: The Actuarial Valuation Report for the Plan Year July 1, 2016 – June 30, 2017 for the PGW Pension Plan.

(2) PGW makes monthly contributions to the PGW Retirement Reserve Fund. The actuary's report assumes contributions at the beginning, middle, and end of the plan year. PGW utilizes the mid-year contribution level to approximate the actual funding methodology.

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Table 37
Schedule of Prospective Funded Status (30-Year Closed Amortization)
(Dollar Amounts in Thousands of USD)

Actuarial Valuation Date (July 1)	Actuarial Value of Assets	Actuarial Accrued Liability	UAL (Actuarial Value)	Calculated Mid-Year Contribution[(1), (2)]	Funded Ratio
2016	$511,289	$736,078	$224,789	$26,470	69.46%
2017	$516,312	$743,161	$226,849	$26,587	69.48%
2018	$520,981	$749,322	$228,341	$26,806	69.53%
2019	$525,256	$754,759	$229,502	$27,157	69.59%
2020	$529,287	$760,354	$231,067	$27,293	69.61%
2021	$539,874	$764,209	$224,335	$26,792	70.64%
2022	$549,285	$766,619	$217,334	$26,298	71.65%
2023	$557,447	$767,850	$210,403	$25,880	72.60%
2024	$564,315	$768,739	$204,424	$25,178	73.41%
2025	$569,580	$769,172	$199,591	$25,013	74.05%

(1) Source: The Actuarial Valuation Report for the Plan Year July 1, 2016 – June 30, 2017 for the PGW Pension Plan.

(2) PGW makes monthly contributions to the PGW Retirement Reserve Fund. The actuary's report assumes contributions at the beginning, middle, and end of the plan year. PGW utilizes the mid-year contribution level to approximate the actual funding methodology.

Additional Information

The City issues a publicly available financial report that includes financial statements and required supplementary information for the PGW Pension Plan. The report is not incorporated into this Official Statement by reference. The report may be obtained by writing to the Office of the Director of Finance of the City.

Further information on the PGW Pension Plan, including with respect to its membership, plan description, funding policy, actuarial assumptions and funded status is contained in the Fiscal Year 2016 CAFR.

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PGW OTHER POST-EMPLOYMENT BENEFITS

PGW provides post-employment healthcare and life insurance benefits to its participating retirees and their beneficiaries and dependents. The City, through its General Fund, could be responsible for costs associated with post-employment healthcare and life insurance benefits if PGW fails to satisfy its post-employment benefit obligations.

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. Union employees hired prior to May 21, 2011 and non-union employees hired prior to December 21, 2011 who retire from active service to immediately begin receiving pension benefits are entitled to receive lifetime post-retirement medical, prescription, and dental benefits for themselves and, depending on their retirement plan elections, their dependents. Employees hired on or after those dates are entitled to receive only five years of post-retirement benefits. Currently, PGW provides for the cost of healthcare and life insurance benefits for retirees and their beneficiaries on a pay-as-you-go-basis.

As part of a July 29, 2010 rate case settlement (the "Rate Settlement"), which provided for the establishment of an irrevocable trust for the deposit of funds derived through a rider from all customer classes to fund OPEB liabilities (the "OPEB Surcharge"), PGW established the trust in July 2010, and began funding the trust in accordance with the Rate Settlement in September 2010. The Rate Settlement provides that PGW shall deposit $15.0 million annually for an initial five-year period towards the ARC, and an additional $3.5 million annually, which represents a 30-year amortization of the OPEB liability at August 31, 2010. These deposits will be funded primarily through increased rates of $16.0 million granted in the Rate Settlement. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period of 30 years. In PGW's 2015-2016 Gas Cost Rate ("GCR") proceeding, PGW proposed to continue its OPEB Surcharge. The parties to the GCR proceeding submitted a settlement agreement continuing the OPEB Surcharge at the same level of revenue ($16 million annually) and funding ($18.5 million annually). Such settlement agreement was approved by the PUC.

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Table 38 provides detail of actual PGW OPEB payments for the last five PGW Fiscal Years and projected PGW OPEB payments for PGW Fiscal Years 2017-2021.

Table 38
PGW OPEB Payments
(Amounts in Thousands of USD)

	Fiscal Year ended August 31,	Healthcare	Life Insurance	OPEB Trust	Total
Actual					
	2012	$24,503	$1,483	$18,500	$44,486
	2013	$22,180	$1,562	$18,500	$42,242
	2014	$24,247	$1,615	$18,500	$44,362
	2015	$28,598	$1,749	$18,500	$48,847
	2016[(1)]	$29,300	$1,800	$18,500	$49,551
Projections					
	2017	$30,971	$1,700	$18,500	$51,171
	2018	$34,449	$1,700	$18,500	$54,649
	2019	$37,659	$1,700	$18,500	$57,859
	2020	$41,010	$1,700	$18,500	$61,210
	2021	$44,661	$1,700	$18,500	$64,861

(1) For PGW Fiscal Year 2016, "Healthcare" and "Life Insurance" are rounded figures and, as such, will not sum. "Total" is an actual figure.

Table 39 is the schedule of PGW OPEB funding progress, as of the actuarial valuation date of August 31 for 2012-2016.

Table 39
Schedule of OPEB Funding Progress
(Dollar Amounts in Thousands of USD)

Actuarial valuation date (August 31)	Actuarial value of assets	Actuarial liability	Unfunded actuarial liability	Funded ratio
2012	$38,860	$443,982	$405,122	8.8%
2013	$61,796	$436,527	$374,731	14.2%
2014	$90,838	$450,289	$359,451	20.2%
2015	$104,318	$505,434	$401,116	20.6%
2016	$131,868	$489,725	$357,857	26.9%

Further information on PGW's annual OPEB expense, net OPEB obligation and the funded status of the OPEB benefits related to PGW is contained in the Fiscal Year 2016 CAFR.

CITY CASH MANAGEMENT AND INVESTMENT POLICIES

General Fund Cash Flow

Because the receipt of revenues into the General Fund generally lags behind expenditures from the General Fund during each Fiscal Year, the City issues notes in anticipation of General Fund revenues and makes payments from the Consolidated Cash Account (described below) to finance its on-going operations.

The timing imbalance referred to above results from a number of factors, principally the following: (i) Real Estate Taxes, BIRT, and net profits taxes are not due until the latter part of the Fiscal Year; and (ii) the City experiences lags in reimbursement from other governmental entities for expenditures initially made by the City in connection with programs funded by other governments.

The City has issued, or PICA has issued on behalf of the City, tax and revenue anticipation notes in each Fiscal Year since Fiscal Year 1972. Each issue was repaid when due, prior to the end of the Fiscal Year. The City issued $175 million of tax and revenue anticipation notes on October 19, 2016, which matured on June 30, 2017 and were paid in full.

The repayment of the tax and revenue anticipation notes is funded through cash available in the General Fund.

Consolidated Cash

The Act of the General Assembly of June 25, 1919 (Pa. P.L. 581, No. 274, Art. XVII, § 6) authorizes the City to make temporary inter-fund loans between certain operating and capital funds. The City maintains a Consolidated Cash Account for the purpose of pooling the cash and investments of all City funds, except those which, for legal or contractual reasons, cannot be commingled (e.g., the Municipal Pension Fund, sinking funds, sinking fund reserves, funds of PGW, the Aviation Fund, the Water Fund, and certain other restricted purpose funds). A separate accounting is maintained to record the equity of each member fund that participates in the Consolidated Cash Account. The City manages the Consolidated Cash Account pursuant to the procedures described below.

To the extent that any member fund temporarily experiences the equivalent of a cash deficiency, an advance is made from the Consolidated Cash Account, in an amount necessary to result in a zero balance in the cash equivalent account of the borrowing fund. All subsequent net receipts of a member fund that has negative equity are applied in repayment of the advance.

All advances are made within the budgetary constraints of the borrowing funds. Within the General Fund, this system of inter-fund advances has historically resulted in the temporary use of tax revenues or other operating revenues for capital purposes and the temporary use of capital funds for operating purposes. With the movement of the reimbursable component of DHS activities from the General Fund to the Grants Revenue Fund, a similar system of advances has resulted in the use of tax revenues or other operating revenues in the General Fund to make expenditures from the Grants Revenue Fund, which advances may be outstanding for multiple Fiscal Years, but which are expected to be reimbursed by the Commonwealth.

The City, in addition to maintaining an ongoing cash reconciliation process, is reviewing and reconciling certain unidentified variances in the Consolidated Cash Account. The reconciliation process, in short, reconciles the account balance and activity shown on the records of the bank at which the cash balance of the Consolidated Cash Account is maintained to that shown on the City's records. The City's records show currently that the reported balance in the Consolidated Cash Account on the City's records is higher than the account balance on the bank's records by approximately $32.9 million, which is attributable principally to unidentified historic variances. The City will be engaging the services of an auditing firm to undertake a timely and complete reconciliation and resolve the unidentified variances. The audit is expected to take approximately 12 to 14 months to complete. At this time, the City does not know what impact, if any, the final results of such audit will show regarding the balance in the Consolidated Cash Account.

Procedures governing the City's cash management operations require the General Fund-related operating fund to borrow initially from the General Fund-related capital fund, and only to the extent there is a deficiency in such fund may the General Fund-related operating fund borrow money from any other funds in the Consolidated Cash Account.

Investment Practices

Cash balances in each of the City's funds are managed to maintain daily liquidity to pay expenses, and to make investments that preserve principal while striving to obtain the maximum rate of return. Pursuant to the City Charter, the City Treasurer is the City official responsible for managing cash collected into the City Treasury. The available cash balances in excess of daily expenses are placed in demand accounts, swept into money market mutual funds, or used to make investments directed by professional investment managers. These investments are held in segregated trust accounts at a separate financial institution. Cash balances related to revenue bonds for water and sewer and the airport are directly deposited and held separately in trust. A fiscal agent manages these cash balances in accordance with the applicable bond documents and the investment practice is guided by administrative direction of the City Treasurer per the Investment Committee and the Investment Policy (as described below). In addition, certain operating cash deposits (such as Community Behavioral Health, Special Gas/County Liquid and "911" surcharge) of the City are restricted by purpose and required to be segregated into accounts in compliance with federal or Commonwealth reporting.

Investment guidelines for the City are embodied in section 19-202 of the Philadelphia Code. In furtherance of these guidelines, as well as Commonwealth and federal legislative guidelines, the Director of Finance adopted a written Investment Policy (the "Policy") that went into effect in August 1994 and was most recently revised in September 2014. The Policy supplements other legal requirements and establishes guiding principles for the overall administration and effective management of all of the City's monetary funds (except the Municipal Pension Fund, the PGW Retirement Reserve Fund, the PGW OPEB Trust and the PGW Workers' Compensation Reserve Fund).

The Policy delineates the authorized investments as authorized by the Philadelphia Code and the funds to which the Policy applies. The authorized investments include U.S. government securities, U.S. treasuries, U.S. agencies, repurchase agreements, commercial paper, corporate bonds, money market mutual funds, obligations of the Commonwealth, collateralized banker's acceptances and certificates of deposit, and collateralized mortgage obligations and pass-through securities directly issued by a U.S. agency or instrumentality, all of investment grade rating or better and with maturity limitations.

U.S. government treasury and agency securities carry no limitation as to the percent of the total portfolio. Repurchase agreements, money market mutual funds, commercial paper, and corporate bonds are limited to investment of no more than 25% of the total portfolio. Obligations of the Commonwealth and collateralized banker's acceptances and certificates of deposit are limited to no more than 15% of the total portfolio. Collateralized mortgage obligations and pass-through securities directly issued by a U.S. agency or instrumentality are limited to no more than 5% of the total portfolio.

U.S. government securities carry no limitation as to the percent of the total portfolio per issuer. U.S. agency securities are limited to no more than 33% of the total portfolio per issuer. Repurchase agreements and money market mutual funds are limited to no more than 10% of the total portfolio per issuer. Commercial paper, corporate bonds, obligations of the Commonwealth, collateralized banker's acceptances and certificates of deposit, and collateralized mortgage obligations and pass-through securities directly issued by a U.S. agency or instrumentality are limited to no more than 3% of the total portfolio per issuer.

The Policy provides for an ad hoc Investment Committee consisting of the Director of Finance, the City Treasurer and one representative each from the Water Department, the Division of Aviation, and PGW. The Investment Committee meets quarterly with each of the investment managers to review each manager's performance to date and to plan for the next quarter. Investment managers are given any changes in investment instructions at these meetings. The Investment Committee approves all modifications to the Policy. The Investment Committee may from time to time review and revise the Policy and does from time to time approve temporary waivers of the restrictions on assets based on cash management needs and recommendations of investment managers.

The Policy expressly forbids the use of any derivative investment product as well as investments in any security whose yield or market value does not follow the normal swings in interest rates. Examples of these types of securities include, but are not limited to: structured notes, floating rate (excluding U.S. Treasury and U.S. agency floating rate securities) or inverse floating rate instruments, securities that could result in zero interest accrual if held to maturity, and mortgage derived interest and principal only strips. The City currently makes no investments in derivatives.

DEBT OF THE CITY

General

Section 12 of Article IX of the Constitution of the Commonwealth provides that the authorized debt of the City "may be increased in such amount that the total debt of [the] City shall not exceed 13.5% of the average of the annual assessed valuations of the taxable realty therein, during the ten years immediately preceding the year in which such increase is made, but [the] City shall not increase its indebtedness to an amount exceeding 3.0% upon such average assessed valuation of realty, without the consent of the electors thereof at a public election held in such manner as shall be provided by law." The Supreme Court of Pennsylvania has held that bond authorizations once approved by the voters need not be reduced as a result of a subsequent decline in the average assessed value of City property. The general obligation debt subject to the limitation described in this paragraph is referred to herein as "Tax-Supported Debt."

The Constitution of the Commonwealth further provides that there shall be excluded from the computation of debt for purposes of the Constitutional debt limit, debt (herein called "Self-Supporting Debt") incurred for revenue-producing capital improvements that may reasonably be expected to yield revenue in excess of operating expenses sufficient to pay interest and sinking fund charges thereon. In the case of general obligation debt, the amount of such Self-Supporting Debt to be so excluded must be determined by the Court of Common Pleas of Philadelphia County upon petition by the City. Self-Supporting Debt is general obligation debt of the City, with the only distinction from Tax-Supported Debt being that it is not used in the calculation of the Constitutional debt limit. Self-Supporting Debt has no lien on any particular revenues.

For purposes of this Official Statement, Tax-Supported Debt and Self-Supporting Debt are referred to collectively as "General Obligation Debt." The term "General Fund-Supported Debt" is comprised of: (i) General Obligation Debt; and (ii) PAID, PMA, PPA, and PRA bonds.

Using the methodology described above, as of June 30, 2017, the Constitutional debt limitation for Tax-Supported Debt was approximately $6,629,516,000. The total amount of authorized debt applicable to the debt limit was $1,952,005,000, including $873,632,000 of authorized but unissued debt, leaving a legal debt margin of $4,677,511,000. Based on the foregoing figures, the calculation of the legal debt margin is as follows:

Table 40
General Obligation Debt
June 30, 2017
(Amounts in Thousands of USD)

Authorized, issued and outstanding	$1,431,705
Authorized and unissued	873,632
Total	$2,305,337
Less: Self-Supporting Debt	($353,332)
Less: Serial bonds maturing within a year	0
Total amount of authorized debt applicable to debt limit	1,952,005
Legal debt limit	6,629,516
Legal debt margin	$4,677,511

As a result of the implementation of the City's AVI, the assessed value of taxable real estate within the City has increased substantially. See "REVENUES OF THE CITY – Real Property Taxes Assessment and Collection." The $6.630 billion Constitutional debt limit calculation includes four years of property values certified under the City's AVI program, and six years of property values under the City's former property valuation process. Assuming no increase or decrease in property values used to calculate the Constitutional debt limit in Table 40, the Constitutional debt limit is estimated to be $13.411 billion by 2027.

The City is also empowered by statute to issue revenue bonds and, as of June 30, 2017, had outstanding $1,996,916,000 aggregate principal amount of Water and Wastewater Revenue Bonds ("Water and Wastewater Bonds"), $834,850,000, aggregate principal amount of Gas Works Revenue Bonds, and $1,186,465,000 aggregate principal amount of Airport Revenue Bonds. As of June 30, 2017, the principal amount of PICA bonds outstanding was $213,945,000. The City has also enacted an ordinance authorizing the issuance of approximately $350 million aggregate principal amount in commercial paper for the Division of Aviation, and ordinances authorizing the issuance of up to $270 million of Gas Works Revenue Notes to finance working capital and capital projects for PGW and the issuance of up to $300 million of Gas Works Revenue Bonds to finance capital projects for PGW.

Short-Term Debt

The City issued $175 million of tax and revenue anticipation notes on October 19, 2016, which matured on June 30, 2017 and were paid in full. As provided in the PICA Act, the City's tax and revenue anticipation notes are general obligations of the City, but do not constitute debt of the City subject to the limitations of the Constitutional debt limit. See "CITY CASH MANAGEMENT AND INVESTMENT POLICIES – General Fund Cash Flow."

Long-Term Debt

The following table presents a synopsis of the bonded debt of the City and its component units as of the date indicated. Of the total balance of the City's general obligation bonds issued and outstanding as of June 30, 2017, approximately 26% is scheduled to mature within five Fiscal Years and approximately 54% is scheduled to mature within ten Fiscal Years. When PICA's outstanding bonds are included with the City's general obligation bonds, approximately 60% is scheduled to mature within ten Fiscal Years.

Table 41
Bonded Debt – City of Philadelphia and Component Units
(as of June 30, 2017)
(Amounts in Thousands of USD)(1), (2)

General Obligation Debt and PICA Bonds				
General Obligation Bonds		$1,431,705		
PICA Bonds		213,945		
Subtotal: General Obligation Debt and PICA Bonds			**$1,645,650**	
Other General Fund-Supported Debt(3)				
Philadelphia Municipal Authority				
Criminal Justice Center	$33,100			
Juvenile Justice Center	87,325			
Public Safety Campus	65,155			
Fleet Management Equipment Lease	4,429			
Energy Conservation	9,915			
		$199,924		
Philadelphia Authority for Industrial Development				
Pension capital appreciation bonds	$465,351			
Pension fixed rate bonds	761,655			
Stadiums	262,830			
Library	5,570			
Cultural and Commercial Corridor	89,205			
One Parkway	32,165			
Philadelphia School District(4)	14,680			
		$1,631,456		
Parking Authority		11,660		
Redevelopment Authority		174,670		
Subtotal: Other General Fund-Supported Debt			**$2,017,710**	
Revenue Bonds				
Water Fund		$1,996,916		
Aviation Fund		1,186,465		
Gas Works		834,850		
Subtotal: Revenue Bonds			**$4,018,231**	
Grand Total				**$7,681,591**

(1) Unaudited; figures may not sum due to rounding.
(2) For tables setting forth a ten-year historical summary of Tax-Supported Debt of the City and the School District and the debt service requirements to maturity of the City's outstanding bonded indebtedness as of June 30, 2016, see the Fiscal Year 2016 CAFR.
(3) The principal amount outstanding relating to the PAID 1999 Pension Obligation Bonds, Series B (capital appreciation bonds) is reflected as the accreted value thereon as of June 30, 2017.
(4) This financing was undertaken by the City through PAID for the benefit of the School District and does not represent debt of the School District. For more information on this financing, see "REVENUES OF THE CITY – Sales and Use Tax" and "EXPENDITURES OF THE CITY – City Payments to School District."

Table 42
City of Philadelphia
Annual Debt Service on General Fund-Supported Debt
(as of June 30, 2017)
(Amounts in Millions of USD)[1]

Fiscal Year	General Obligation Debt[2] Principal	Interest[3]	Total	Other General Fund-Supported Debt[4] Principal	Interest[5]	Total	Aggregate General Fund-Supported Debt Principal	Interest	Total
2018	70.82	68.73	139.55	108.14	139.22	247.36	178.96	207.95	386.91
2019	74.45	65.18	139.63	74.65	138.74	213.39	149.10	203.92	353.02
2020	76.65	61.51	138.15	65.56	138.61	204.17	142.21	200.12	342.32
2021	69.97	57.94	127.91	80.75	123.50	204.25	150.72	181.44	332.16
2022	73.12	54.45	127.57	78.56	125.71	204.27	151.68	180.16	331.84
2023	77.80	50.65	128.45	115.98	88.28	204.26	193.78	138.93	332.71
2024	81.68	46.59	128.27	114.74	88.28	203.02	196.42	134.87	331.29
2025	85.67	42.36	128.03	119.20	83.84	203.05	204.87	126.20	331.08
2026	82.42	38.14	120.55	134.81	67.43	202.24	217.23	105.57	322.79
2027	86.38	33.88	120.26	159.97	44.41	204.38	246.35	78.29	324.64
2028	91.08	29.57	120.65	165.11	35.16	200.27	256.19	64.73	320.92
2029	65.73	25.87	91.60	273.16	18.18	291.34	338.89	44.05	382.94
2030	81.49	22.33	103.81	53.30	8.60	61.90	134.79	30.93	165.71
2031	86.30	18.27	104.57	55.77	6.14	61.91	142.07	24.41	166.48
2032	90.66	13.99	104.65	15.23	4.08	19.30	105.89	18.07	123.95
2033	55.58	10.40	65.98	7.33	3.55	10.87	62.91	13.95	76.85
2034	43.80	7.85	51.65	7.66	3.20	10.86	51.46	11.05	62.51
2035	29.55	5.98	35.53	8.02	2.85	10.87	37.57	8.83	46.40
2036	31.00	4.54	35.53	8.40	2.47	10.87	39.40	7.01	46.40
2037	17.33	3.33	20.66	8.79	2.08	10.87	26.12	5.41	31.53
2038	17.79	2.42	20.21	9.21	1.66	10.87	27.00	4.08	31.08
2039	18.67	1.55	20.21	9.65	1.22	10.87	28.32	2.77	31.08
2040	7.58	0.96	8.54	3.31	0.77	4.08	10.89	1.73	12.62
2041	7.93	0.61	8.54	3.45	0.62	4.07	11.38	1.23	12.61
2042	8.34	0.21	8.54	3.60	0.48	4.07	11.94	0.69	12.61
2043	0	0	0	3.75	0.33	4.08	3.75	0.33	4.08
2044	0	0	0	3.91	0.17	4.08	3.91	0.17	4.08
Total	**$1,431.79**	**$667.31**	**$2,099.04**	**$1,691.98**	**$1,129.57**	**$2,821.54**	**$3,123.77**	**$1,796.88**	**$4,920.58**

(1) Does not include letter of credit fees. Figures may not sum due to rounding.
(2) Includes both Tax-Supported Debt and Self-Supporting Debt. See "– General." Does not include PICA Bonds.
(3) Assumes interest rate on hedged variable rate bonds to be the associated fixed swap rate.
(4) Includes PAID, PMA, PPA, and PRA bonds, with capital appreciation bonds including only actual amounts payable. The original issuance amount of such capital appreciation bonds is included under the "Principal" column in the Fiscal Year such bonds mature and the full accretion amount at maturity less the original issuance amount is included in the "Interest" column in the Fiscal Year such bonds mature.
(5) Assumes interest rate on hedged variable rate bonds to be the associated fixed swap rate, plus any fixed spread. Net of capitalized interest on PAID 2012 Service Agreement Revenue Refunding Bonds.

Other Long-Term Debt Related Obligations

The City has entered into other contracts and leases to support the issuance of debt by public authorities related to the City pursuant to which the City is required to budget and appropriate tax or other general revenues to satisfy such obligations, as shown in Table 41. The City budgets all other long-term debt-related obligations as a single budget item with the exception of PPA.

The Hospitals Authority and the State Public School Building Authority have issued bonds on behalf of the Community College of Philadelphia ("CCP"). Under the Community College Act (Pa. P.L. 103, No. 31 (1985)), each community college must have a local sponsor, which for CCP is the City. As the local sponsor, the City is obligated to pay up to 50% of the annual capital expenses of CCP, which includes debt service. The remaining 50% is paid by the Commonwealth. Additionally, the City annually appropriates funds for a portion of CCP's operating costs (less tuition and less the Commonwealth's payment). The amount paid by the City in Fiscal Year 2017 was $29.9 million. The budgeted amount for Fiscal Year 2018 is $30.4 million.

In the first quarter of Fiscal Year 2016, the City entered into a service agreement supporting PAID's guaranty of a $15 million letter of credit securing the funding of certain costs related to the 2016 Democratic National Convention.

PICA Bonds

PICA has issued 11 series of bonds at the request of the City (the "PICA Bonds"). PICA no longer has authority under the PICA Act to issue bonds for new money purposes, but may refund bonds previously issued. As of June 30, 2017, the principal amount of PICA Bonds outstanding was $213,945,000. The final maturity date for such PICA Bonds is June 15, 2023. The proceeds of the PICA Bonds were used to: (i) make grants to the City to fund its General Fund deficits, to fund the costs of certain City capital projects, to provide other financial assistance to the City to enhance operational productivity, and to defease certain of the City's general obligation bonds; (ii) refund other PICA Bonds; and (iii) pay costs of issuance.

The PICA Act authorizes the City to impose a tax for the sole and exclusive purposes of PICA. In connection with the adoption of the Fiscal Year 1992 budget and the execution of the PICA Agreement, as so authorized by the PICA Act, the City reduced the wage, earnings, and net profits taxes on City residents by 1.5% and enacted a new tax of 1.5% on wages, earnings, and net profits of City residents (the "PICA Tax"), which continues in effect. The PICA Tax secures the PICA Bonds. Pursuant to the PICA Act, at such time when no PICA Bonds are outstanding, the PICA Tax will expire. At any time, the City is authorized to increase for its own use its various taxes, including its wage, earnings, and net profits taxes on City residents and could do so upon the expiration of the PICA Tax. Certain taxes, such as sales, liquor, and hotel taxes, among others, cannot be increased by the City without Commonwealth approval.

The PICA Tax is collected by the City's Department of Revenue, as agent of the State Treasurer, and deposited in the Pennsylvania Intergovernmental Cooperation Authority Tax Fund (the "PICA Tax Fund") of which the State Treasurer is custodian. The PICA Tax Fund is not subject to appropriation by City Council or the General Assembly. See "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – *Non-Mayoral-Appointed or Nominated Agencies* – PICA."

The PICA Act authorizes PICA to pledge the PICA Tax to secure its bonds and prohibits the Commonwealth and the City from repealing the PICA Tax or reducing its rate while any PICA Bonds are outstanding. PICA Bonds are payable from PICA revenues, including the PICA Tax, pledged to secure PICA's bonds, the Bond Payment Account (as described below) and any debt service reserve fund established for such bonds and have no claim on any revenues of the Commonwealth or the City.

The PICA Act establishes a "Bond Payment Account" for PICA as a trust fund for the benefit of PICA bondholders and authorizes the creation of a debt service reserve fund for bonds issued by PICA. The State Treasurer is required to pay the proceeds of the PICA Tax held in the PICA Tax Fund directly to the Bond Payment Account. The proceeds of the PICA Tax in excess of amounts required for: (i) debt service; (ii) replenishment of any debt service reserve fund for bonds issued by PICA; and (iii) certain PICA operating expenses, are required to be deposited in a trust fund established exclusively to benefit the City and designated the "City Account." Amounts in the City Account are required to be remitted to the City not less often than monthly, unless PICA certifies the City's non-compliance with the then-current five-year financial plan.

The total amount of PICA Tax remitted by the State Treasurer to PICA (which is net of the costs of the State Treasurer in collecting the PICA Tax), PICA annual debt service and investment expenses, and net PICA tax revenue remitted to the City for Fiscal Years 2013-2017 and the budgeted amounts and current estimates for Fiscal Year 2018 are set forth below.

Table 43
Summary of PICA Tax Remitted by the State Treasurer to PICA
and Net Taxes Remitted by PICA to the City
(Amounts in Millions of USD)[1]

Fiscal Year	PICA Tax[2]	PICA Annual Debt Service and Investment Expenses[2]	Net taxes remitted to the City[3]
2013 (Actual)	$376.5	$62.5	$314.0
2014 (Actual)	$384.5	$65.8	$318.7
2015 (Actual)	$408.5	$62.0	$346.5
2016 (Actual)	$444.5	$61.1	$383.4
2017 (Unaudited Actual)	$469.2	$59.7	$409.5
2018 (Adopted Budget)	$475.2	$56.0	$419.2
2018 (Current Estimate)	$483.6	$56.0	$427.6

(1) Figures may not sum due to rounding.
(2) Source: The City's Quarterly City Manager's Reports.
(3) Source: For Fiscal Years 2013-2016, the City's CAFRs for such Fiscal Years. For Fiscal Year 2017, the First Quarter QCMR. For Fiscal Year 2018, the Fiscal Year 2018 Adopted Budget and the First Quarter QCMR.

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OTHER FINANCING RELATED MATTERS

Swap Information

The City has entered into various swaps related to its outstanding General Fund-Supported Debt as detailed in the following table:

Table 44
Summary of Swap Information
for General Fund-Supported Debt
as of June 30, 2017

City Entity	City GO	City Lease PAID	City Lease PAID	City Lease PAID	City Lease PAID	City Lease PAID
Related Bond Series	2009B[(1)]	2007A (Stadium)[(2)]	2007B-2,3 (Stadium)[(3),(5)]	2014A (Stadium)[(3)]	2007B-2,3 (Stadium)[(3),(6)]	2014A (Stadium)[(3)]
Initial Notional Amount	$313,505,000	$298,485,000	$217,275,000	$87,961,255	$72,400,000	$29,313,745
Current Notional Amount	$100,000,000	$193,520,000	$87,758,745	$87,961,255	$29,246,255	$29,313,745
Termination Date	8/1/2031	10/1/2030	10/1/2030	10/1/2030	10/1/2030	10/1/2030
Product	Fixed Payer Swap	Basis Swap	Fixed Payer Swap	Fixed Payer Swap	Fixed Payer Swap	Fixed Payer Swap
Rate Paid by Dealer	SIFMA	67% 1-month LIBOR + 0.20% plus fixed annuity	SIFMA	70% 1-month LIBOR	SIFMA	70% 1- month LIBOR
Rate Paid by City Entity	3.829%	SIFMA	3.9713%	3.62%	3.9713%	3.632%
Dealer	Royal Bank of Canada	Merrill Lynch Capital Services, Inc.	JPMorgan Chase Bank, N.A.	JPMorgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.	Merrill Lynch Capital Services, Inc.
Fair Value[(4)]	($21,708,517)	($1,859,739)	($15,296,505)	($14,571,079)	($5,097,981)	($4,882,679)
Additional Termination Events	For Dealer: Rating change below BBB- or Baa3 For City: Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)	For Dealer: Rating change below BBB- or Baa3 For PAID: Rating change below BBB- or Baa3	For Dealer: Rating change below BBB- or Baa3 For PAID: Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)	For Dealer: Rating change below BBB- or Baa3 For PAID: Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)	For Dealer: Rating change below BBB- or Baa3 For PAID: Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)	For Dealer: Rating change below BBB- or Baa3 For PAID: Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)

(1) On July 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 bonds with the Series 2009A fixed rate bonds and the Series 2009B variable rate bonds. The City made a termination payment of $15,450,000.

(2) PAID received annual fixed payments of $1,216,500 from July 1, 2004 through July 1, 2013. As the result of an amendment on July 14, 2006, $104,965,000 of the total notional amount was restructured as a constant maturity swap (the rate received by PAID on that portion was converted from a percentage of 1-month LIBOR to a percentage of the 5-year LIBOR swap rate from October 1, 2006 to October 1, 2020). The constant maturity swap was terminated in December 2009. The City received a termination payment of $3,049,000.

(3) On May 13, 2014, PAID converted a portion of the 2007B SIFMA Swap to a LIBOR-based swap in conjunction with the refunding of its Series 2007B bonds with the Series 2014A bonds. Under the conversion, PAID pays a fixed rate of 3.62% and 3.632% to JPMorgan and Merrill Lynch, respectively, and receives a floating rate of 70% of 1-month LIBOR.

(4) Fair values are as of June 30, 2017, and are shown from the City's perspective and include accrued interest.

(5) On July 15, 2014, PAID terminated a portion of the swap in the amount of $41,555,000 in conjunction with the refunding of its Series 2007B bonds with the Series 2014B fixed rate bonds. PAID made a termination payment of $4,171,000 to JPMorgan.

(6) On July 15, 2014, PAID terminated a portion of the swap in the amount of $13,840,000 in conjunction with the refunding of its Series 2007B bonds with the Series 2014B fixed rate bonds. PAID made a termination payment of $1,391,800 to Merrill Lynch.

While the City is party to several interest rate swap agreements, for which there is General Fund exposure and on which the swaps currently have a negative mark against the City, the City has no obligation to post collateral on these swaps while the City's underlying ratings are investment grade.

For more information related to certain swaps entered into in connection with revenue bonds issued for PGW, the Water Department, and the Division of Aviation, see the Fiscal Year 2016 CAFR. In addition, PICA has entered into swaps, which are detailed in the Fiscal Year 2016 CAFR.

Swap Policy

The City has adopted a swap policy for the use of swaps, caps, floors, collars and other derivative financial products (collectively, "swaps") in conjunction with the City's debt management. The swap program managed by the City includes swaps related to the City's general obligation bonds, tax-supported service contract debt issued by related authorities, debt of the Water Department, Division of Aviation, and debt of PGW. Swaps related to debt of the PICA, the School District, and the PPA are managed by those governmental entities, respectively.

The Director of Finance has overall responsibility for entering into swaps. Day-to-day management of swaps is the responsibility of the City Treasurer, and the Executive Director of the Sinking Fund Commission is responsible for making swap payments. The Office of the City Treasurer and the City Solicitor's Office coordinate their activities to ensure that all swaps that are entered into are in compliance with applicable federal, state, and local laws.

The swap policy addresses the circumstances when swaps can be used, the risks that need to be evaluated prior to entering into swaps and on an ongoing basis after swaps have been executed, the guidelines to be employed when swaps are used, and how swap counterparties will be chosen. The swap policy is used in conjunction with the City's Debt Management Policy, reviewed annually, and updated as needed.

Under the swap policy, permitted uses of swaps include: (i) managing the City's exposure to floating interest rates through interest rate swaps, caps, floors and collars; (ii) locking in fixed rates in current markets for use at a later date through the use of forward starting swaps and rate locks; (iii) reducing the cost of fixed or floating rate debt through swaps and related products to create "synthetic" fixed or floating rate debt; and (iv) managing the City's credit exposure to financial institutions and other entities through the use of offsetting swaps.

Since swaps can create exposure to the creditworthiness of financial institutions that serve as the City's counterparties on swap transactions, the City has established standards for swap counterparties. As a general rule, the City enters into transactions with counterparties whose obligations are rated in the double-A rated category or better from two nationally recognized rating agencies. If counterparty's credit rating is downgraded below the double-A rating category, the swap policy requires that the City's exposure be collateralized. If a counterparty's credit is downgraded below the A category, even with collateralization, the swap policy requires a provision in the swap permitting the City to exercise a right to terminate the transaction prior to its scheduled termination date.

Letter of Credit Agreements

The City has entered into various letter of credit agreements related to its General Fund-Supported Debt as detailed in the table below. Under the terms of such letter of credit agreements, following a purchase of the applicable bonds, the City may be required to amortize such bonds more quickly than as originally scheduled at issuance.

Table 45
Summary of Letter of Credit Agreements for General Fund-Supported Debt as of June 30, 2017

Variable Rate Bond Series	Amount Outstanding	Bond Maturity Date	Provider	Expiration Date	Rating Thresholds [1]
General Obligation Multi-Modal Refunding Bonds, Series 2009B	$100,000,000	August 1, 2031	Barclays Bank PLC	May 24, 2019	The long-term rating assigned by any one of the rating agencies to any unenhanced long-term parity debt of the City is (i) withdrawn or suspended for credit-related reasons or (ii) reduced below investment grade.
PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B-2	$72,400,000	October 1, 2030	TD Bank	May 29, 2019	The long-term ratings assigned by at least two of the rating agencies to any unenhanced general obligation bonds of the City is (i) withdrawn or suspended for credit-related reasons, or (ii) reduced below investment grade.
PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B-3	$44,605,000	October 1, 2030	PNC Bank	May 22, 2020	The long-term ratings assigned by at least two of the rating agencies to any unenhanced general obligation bonds of the City is (i) withdrawn or suspended for credit-related reasons, or (ii) reduced below investment grade.

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(1) The occurrence of a Rating Threshold event would result in an event of default under the reimbursement agreement with the related bank.

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Recent and Upcoming Financings

Recent Financings. The following is a list of financings that the City has entered into since June 30, 2017. Such financings are not reflected in Tables 40-42 under the caption "DEBT OF THE CITY" nor otherwise described therein.

- In August 2017, PAID issued $52,910,000 in City Service Agreement Revenue Bonds for the benefit of the City.
- In August 2017, the City, together with PGW, issued $273,140,000 in Gas Works Revenue Bonds.
- In August 2017, the City, together with the Water Department, issued $174,110,000 in Water and Wastewater Revenue Refunding Bonds.
- In August 2017, the City issued $331,615,000 in General Obligation Bonds.

Upcoming Financings. The City currently expects to enter into the following financings within the next six months:

- The City, together with the Division of Aviation, expects to issue in December 2017, approximately $690 million in Airport Revenue and Refunding Bonds.

Other Upcoming Transactions

City Council has enacted an ordinance authorizing the City to enter into a sublease not to exceed nineteen years for property located at 400 N. Broad Street and 1501 Callowhill Street to be renovated and used as the City's police headquarters and related facilities. The City's sublease payments will be based on a market interest rate and the repayment of the master landlord's total project cost (currently estimated at $260 million) over the term of the sublease; however, the final structure of the sublease payments has not yet been determined. The City has a purchase option for the property in the ninth year of the sublease. The sublease is anticipated to be executed and effective in the first quarter of Fiscal Year 2018.

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CITY CAPITAL PROGRAM

As part of the annual budget process, the Mayor submits for approval a six-year capital program to City Council, together with the proposed operating budget. For more information on the City's budget process, see "DISCUSSION OF FINANCIAL OPERATIONS – Budget Procedure."

Certain Historical Capital Expenditures

Table 46 shows the City's historical expenditures for Fiscal Years 2013-2017 for certain capital purposes, including expenditures for projects related to transit, streets and sanitation, municipal buildings, recreation, parks, museums, and stadia, and economic and community development. The source of funds used for such expenditures are primarily general obligation bond proceeds, but also include federal, state, private, and other government funds and operating revenue. Figures in the table below are generated after the Fiscal Year closes and may not sum due to rounding.

Table 46
Historical Expenditures for Certain Capital Purposes
Fiscal Years 2013-2017

Purpose Category	2013	2014	2015	2016	2017
Transit	$ 3,895,208	$ 2,168,224	$ 1,283,307	$ 3,223,431	$ 378,229
Streets & Sanitation	63,925,744	46,806,225	63,612,248	76,350,266	43,772,678
Municipal Buildings	37,979,932	35,579,152	53,419,449	50,653,561	45,002,188
Recreation, Parks, Museums & Stadia	26,609,320	17,787,234	29,875,633	35,963,360	37,323,288
Economic & Community Development	4,654,403	11,839,066	12,714,468	16,176,644	4,570,196
TOTAL	**$137,064,607**	**$114,179,901**	**$160,905,105**	**$182,367,262**	**$131,046,579**

Table 47 shows the City's historical expenditures for Fiscal Years 2013-2017 for certain capital purposes from general obligation bond proceeds only and the percentage of the total costs covered by such proceeds in such Fiscal Years. Figures in the table below are generated after the Fiscal Year closes and may not sum due to rounding.

Table 47
Historical Expenditures for Certain Capital Purposes
(General Obligation Bond Proceeds Only)
Fiscal Years 2013-2017

Purpose Category	2013	2014	2015	2016	2017
Transit	$ 3,895,208	$ 2,168,224	$ 1,274,467	$ 3,223,431	$ 414,434
Streets & Sanitation	20,921,343	18,642,621	24,887,488	23,963,058	21,952,654
Municipal Buildings	19,108,015	27,936,597	47,163,418	40,036,844	43,400,701
Recreation, Parks, Museums & Stadia	23,403,765	15,838,047	25,494,778	25,364,901	29,135,962
Economic & Community Development	4,459,786	11,816,222	12,714,468	12,474,164	4,570,196
TOTAL	**$71,788,117**	**$76,401,711**	**$111,534,619**	**$105,062,399**	**$99,473,947**
Percentage of Total Costs	**52%**	**67%**	**69%**	**58%**	**54%**

Fiscal Year 2018-2023 Adopted Capital Program

The Fiscal Year 2018-2023 Adopted Capital Program contemplates a total budget of $9.57 billion. In the Fiscal Year 2018-2023 Adopted Capital Program, $3.33 billion is expected to be provided from federal, Commonwealth, and other sources and the remainder through City funding. The following table shows the amounts budgeted each year from various sources of funds for capital projects in the Fiscal Year 2018-2023 Adopted Capital Program.

Table 48
Fiscal Year 2018-2023 Adopted Capital Program
(Amounts in Thousands of USD)

Funding Source	2018	2019	2020	2021	2022	2023	2018-2023
City Funds--Tax Supported							
Carried-Forward Loans	$426,560	-	-	-	-	-	$426,560
Operating Revenue	22,216	$2,250	$2,250	$2,250	$2,000	$2,000	32,966
New Loans	165,206	185,942	156,450	156,978	159,945	157,035	981,556
Prefinanced Loans	4,653	-	-	-	-	-	4,653
PICA Prefinanced Loans	4,947	-	-	-	-	-	4,947
Tax Supported Subtotal	$623,582	$188,192	$158,700	$159,228	$161,945	$159,035	$1,450,682
City Funds--Self Sustaining							
Self-Sustaining Carried Forward Loans	$419,075	-	-	-	-	-	$419,075
Self-Sustaining Operating Revenue	139,345	$59,522	$56,045	$75,048	$82,091	$82,162	494,213
Self-Sustaining New Loans	638,804	636,897	645,134	629,803	643,934	650,701	3,845,273
Self-Sustaining Subtotal	$1,197,224	$696,419	$701,179	$704,851	$726,025	$732,863	$4,758,561
Other City Funds							
Revolving Funds	$9,000	$3,000	$3,000	$3,000	$3,000	$3,000	$24,000
Other Than City Funds							
Carried-Forward Other Government	$4,884	-	-	-	-	-	$4,884
Other Government Off Budget	1,338	$1,639	$1,435	$1,744	$1,717	$1,580	9,453
Other Governments/Agencies	2,300	-	-	-	-	-	2,300
Carried-Forward State	165,951	-	-	-	-	-	165,951
State Off Budget	209,147	200,791	195,945	205,504	204,846	202,860	1,219,093
State	34,350	30,259	30,266	29,763	29,787	22,849	177,274
Carried-Forward Private	115,108	-	-	-	-	-	115,108
Private	87,270	77,351	73,140	73,678	78,591	71,358	461,388
Carried-Forward Federal	262,013	-	-	-	-	-	262,013
Federal Off-Budget	26,819	39,636	69,612	9,324	3,497	-	148,888
Federal	139,934	123,324	141,938	121,961	122,460	116,336	765,953
Other Than City Funds Subtotal	$1,049,114	$473,000	$512,336	$441,974	$440,898	$414,983	$3,332,305
TOTAL	**$2,878,920**	**$1,360,611**	**$1,375,215**	**$1,309,053**	**$1,331,868**	**$1,309,881**	**$9,565,548**

LITIGATION

Generally, judgments and settlements on claims against the City are payable from the General Fund, except for claims against the Water Department, the Division of Aviation, and PGW, which are paid out of their respective funds or revenues and only secondarily out of the General Fund.

The Act of October 5, 1980, P.L. 693, No. 142, known as the "Political Subdivision Tort Claims Act," (the "Tort Claims Act") establishes a $500,000 aggregate limitation on damages for injury to a person or property 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 on damages has been previously upheld by the Pennsylvania appellate courts, including in the recent decision of the Supreme Court of Pennsylvania in *Zauflik v. Pennsbury School District*, 104 A.3d 1096 (2014). Under Pennsylvania Rule of Civil Procedure 238, delay damages are not subject to the $500,000 limitation. The limit on damages is inapplicable to any suit against the City that does not arise under state tort law, such as claims made against the City under federal civil rights laws. In two instances over the last several years, legislation has been introduced in the General Assembly that would have increased such $500,000 limitation. In both such instances, the legislation was not reported out of committee or scheduled for a vote.

General Fund

The following table presents the City's aggregate losses from settlements and judgments paid out of the General Fund for Fiscal Years 2013-2017 and the budgeted amount for Fiscal Year 2018.

Table 49
Aggregate Losses – General and Special Litigation Claims (General Fund)
Fiscal Years 2013-2017 (Actual) and 2018 (Budget)
(Amounts in Millions of USD)

	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Actual 2017	Budget 2018
Aggregate Losses	$30.3	$41.0	$37.3	$41.2	$38.3	$44.9

Sources: The City, Office of Budget and Program Evaluation – Budget Bureau, Indemnity Account, Status Reports.

The current estimate of settlements and judgments from the General Fund for Fiscal Year 2018 is $51.3 million. Such estimate is based on the Law Department's internal calculations using (i) the "Possible Costs" listed in its Quarterly Litigation Reports, (ii) the 3-year average cost for closed cases, and (iii) current year to date spending reports. Based on the Revised Twenty-Sixth Five-Year Plan, the current estimate of settlements and judgments from the General Fund for Fiscal Years 2019-2022 is $44.9 million for each such Fiscal Year.

In budgeting for settlements and judgments in the annual operating budget and projecting settlements and judgments for each five-year plan, the City bases its estimates on past experience and on an analysis of estimated potential liabilities and the timing of outcomes, to the extent a proceeding is sufficiently advanced to permit a projection of the timing of a result. General and special litigation claims are budgeted separately from back-pay awards and similar settlements relating to labor disputes. Usually, some of the costs arising from labor litigation are reported as part of current payroll expenses.

In addition to routine litigation incidental to performance of the City's governmental functions and litigation arising in the ordinary course relating to contract and tort claims and alleged violations of law, certain special litigation matters are currently being litigated and/or appealed and adverse final outcomes of such litigation could have a substantial or long-term adverse effect on the General Fund. These proceedings involve: (i) environmental-related actions and proceedings in which it has been or may be alleged that the City is liable for damages, including but not limited to property damage and bodily injury, or that the City should pay fines or penalties or the costs of response or remediation, because of the alleged generation, transport, or disposal of toxic or otherwise hazardous substances by the City, or the alleged disposal of such substances on or to City-owned property; (ii) contract disputes and other commercial litigation; (iii) union arbitrations and other employment-related litigation; (iv) potential and certified class action suits; and (v) civil rights litigation. The ultimate outcome and fiscal impact, if any, on the General Fund of the claims and proceedings described in this paragraph are not currently predictable. See Note 8 to the Fiscal Year 2016 CAFR, "Contingencies – Primary Government – Claims and Litigation in APPENDIX B hereto.

In addition, see "REVENUES OF THE CITY – Other Taxes," for a discussion of litigation relating to the Philadelphia Beverage Tax, "REVENUES OF THE CITY – Real Property Taxes Assessment and Collection," for a discussion of litigation relating to the reassessment of commercial property in tax year 2018, and "REVENUES OF THE CITY – Proposals to Reduce Federal and/or State Funding," for a discussion of litigation relating to the potential withholding of certain federal funds.

Water Fund

Various claims have been asserted against the Water Department and in some cases lawsuits have been instituted. Many of these Water Department claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Water Department. The following table presents the Water Department's aggregate losses from settlements and judgments paid out of the Water Fund for Fiscal Years 2013-2017 and the budgeted amount for Fiscal Year 2018. The current estimate for Fiscal Year 2018 is $9.5 million. The Water Fund is the first source of payment for any of the claims against the Water Department.

Table 50
Aggregate Losses – General and Special Litigation Claims (Water Fund)
Fiscal Years 2013-2017 (Actual) and 2018 (Budget)
(Amounts in Millions of USD)

	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Actual 2017	Budget 2018
Aggregate Losses	$5.1	$6.1	$3.8	$5.4	$7.0	$6.5

Sources: The City, Office of Budget and Program Evaluation – Budget Bureau, Indemnity Account, Status Reports.

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Aviation Fund

Various claims have been asserted against the Division of Aviation and in some cases lawsuits have been instituted. Many of these Division of Aviation claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Division of Aviation. The following table presents the Division of Aviation's aggregate losses from settlements and judgments paid out of the Aviation Fund for Fiscal Years 2013-2017 and the budgeted amount for Fiscal Year 2018. The current estimate for Fiscal Year 2018 is $1.3 million. The Aviation Fund is the first source of payment for any of the claims against the Division of Aviation.

Table 51
Aggregate Losses – General and Special Litigation Claims (Aviation Fund)
Fiscal Years 2013-2017 (Actual) and 2018 (Budget)

	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Actual 2017	Budget 2018
Aggregate Losses	$1.4 million	$665,527	$750,793	$1.3 million	$1.6 million	$2.5 million

Sources: The City, Office of Budget and Program Evaluation – Budget Bureau, Indemnity Account, Status Reports.

PGW

Various claims have been asserted against PGW and in some cases lawsuits have been instituted. Many of these PGW claims have been reduced to judgment or otherwise settled in a manner requiring payment by PGW. The following table presents PGW's settlements and judgments paid out of PGW revenues, with accompanying reserve information, in PGW Fiscal Years 2013 through 2017. PGW revenues are the first source of payment for any of the claims against PGW. PGW currently estimates approximately $4.4 million and $3.0 million in settlements and judgments for PGW Fiscal Years 2018 and 2019, respectively.

Table 52
Claims and Settlement Activity (PGW)
PGW Fiscal Years 2013-2017
(Amounts in Thousands of USD)

Fiscal Year (ending August 31)	Beginning of Year Reserve	Current Year Claims and Adjustments	Claims Settled	End of Year Reserve	Current Liability Amount
2013	$11,102	$2,616	($3,307)	$10,411	$4,925
2014	$10,411	$2,498	($2,965)	$9,944	$4,728
2015	$9,944	$3,610	($2,042)	$11,512	$5,011
2016	$11,512	$2,022	($3,041)	$10,493	$5,307
2017	$10,493	$6,681	($2,797)	$14,377	$4,627

Source: PGW's audited financial statements.

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APPENDIX B

CITY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2016

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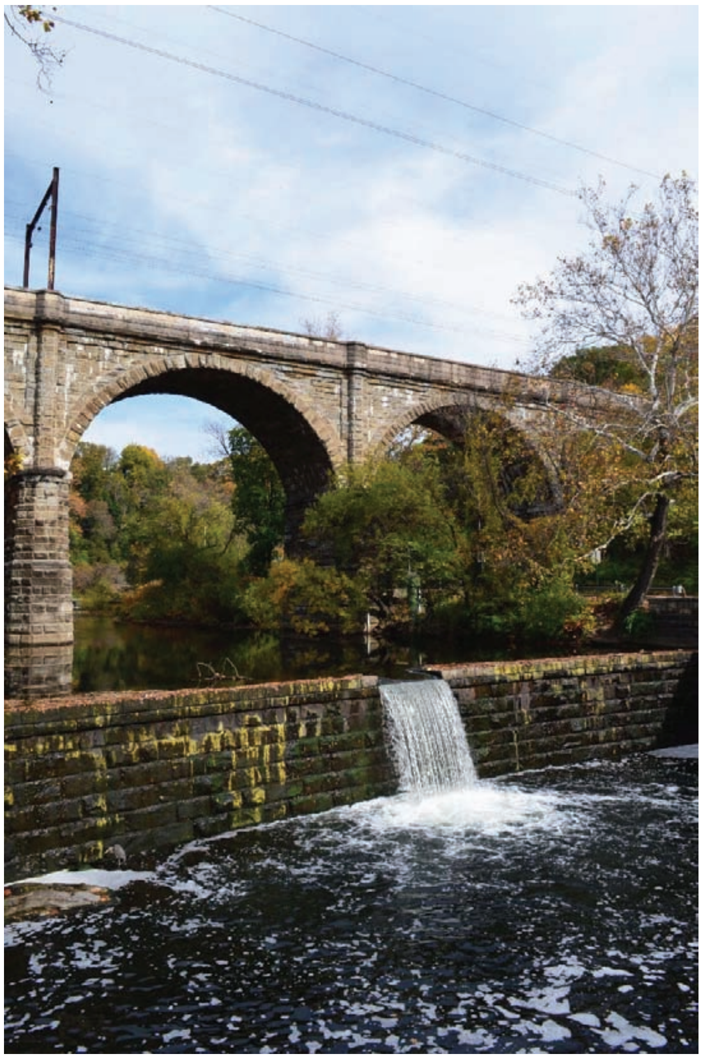
City of Philadelphia

PENNSYLVANIA

Founded 1682



SEPTA bridge over Wissahickon Creek

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016

City of Philadelphia
PENNSYLVANIA

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016

James F. Kenney
Mayor

Prepared by:

Office of the Director of Finance

Rob Dubow
Director of Finance

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Shauntise Wise

Office of the Director of Finance • 1330 MSB • Philadelphia, PA 19102

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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 24, 2017

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, 2016. 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. 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 Controller has issued an unqualified ("clean") opinion on the City's financial statements for the year ended June 30, 2016. 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 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. In December 2001, the Secretary of Education of the Commonwealth of Pennsylvania declared the School District financially distressed under Act 46, suspending the powers of the existing Board of Education and placing management of the District under control of a five-member School Reform Commission (SRC). Three SRC members, including the Chair, are appointed by the Governor, and the remaining two members are appointed by the Mayor. The SRC is responsible for the overall operation and management of the School District and educational programs, including all budgetary and financial matters.

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 in excess of 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.
- Delaware River Waterfront Corporation
- 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, and these institutions improve the neighborhoods around them. 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 several 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 63.8% and 58.8%, respectively. The unemployment rate has returned to near pre-recession levels.

Despite this progress, significant challenges still remain. At 26%, 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
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%
2006	1,520,251	47,566,075	31,288	6.2%

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
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+
2007	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 formal 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 June 2016, Philadelphia had 48 major projects under construction concurrently, representing almost $7.3 billion in combined public and private investment. Most significantly, 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 $3.2 billion in investment across 32 projects that are under construction across various neighborhoods throughout the City. Commercial developments represent over $1.9 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 $1.9 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 2016, the General Fund ended with a fund balance of $148.3 million, a $3.2 million decrease from fiscal 2015. The General Fund is projected to end fiscal 2017 with a fund balance of $106.1 million. Although greater than the balance projected in the City's most recent approved Five Year Plan for FY2017-2021, $106.1 million represents only 2.5% of the City's projected obligations. This is less than half of 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 projected forward 5 years as noted in the City's Quarterly City Managers Report (period ending Dec. 31 2016) and the City's most recent Five Year Plan (Five Year Strategic Plan for Fiscal Years 2017-2021).

General Fund
Year End Fund Balance (Legal Basis)

Fiscal Year End	Fund Balance	Projected/ Actual
2021	107,258	Projected
2020	73,565	Projected
2019	57,849	Projected
2018	47,064	Projected
2017	106,134	Projected
2016	148,315	Actual
2015	151,531	Actual
2014	202,135	Actual
2013	256,902	Actual
2012	146,754	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 FY2017-2021 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 and its unions have taken multiple steps to improve the health of the pension fund, which is only 45% funded. Each year, the City has been contributing more than what is legally required, including dedicating sales tax revenue in addition to the minimum municipal obligation to improve the funding status of the plan.

The contract ratified in August 2016 by District Council 33, the City's largest municipal union, increases contributions for current employees so that those with higher annual salaries pay a higher contribution rate. These additional contributions will increase the assets of the pension fund over time. The agreement with District Council 33 also created a stacked hybrid plan that is mandatory for new hires. The stacked hybrid plan provides retirement security for the City's employees while also reducing the pension system's liabilities. Under the stacked hybrid plan included in the DC33 agreement, employees receive a traditional defined benefit plan for their first $50,000 of earnings and a 401k type plan for earnings above that amount.

Since fiscal 2008, the Pension Board has gradually lowered the pension system's assumed rate of return from 8.75% to 7.75% and has voted to make assumptions around mortality and other demographic factors more conservative. While fiscally prudent, these changes also lower the fund's actuarial funding percentage. The changes are partially responsible for recent increases in the City's minimum municipal obligation.

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. The City projects to collect approximately $42.2 million in fiscal 2017, and slightly over $92 million annually in fiscal years 2018 through 2021.

In September 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. Following the decision, the plaintiffs appealed the ruling to the Commonwealth Court of Pennsylvania. The appeal is currently on an expedited scheduling track before the Commonwealth Court and is scheduled for oral argument during the first week of April 2017. Mayor Kenney remains committed to providing affordable, quality pre-K to up to 6,500 children over the next five years, investing over time in the renewal of civic assets like parks and libraries, and creating 25 community schools over the next four 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.

Pension Reform: The Administration will continue efforts to improve the health of the pension fund by applying the reforms negotiated with District Council 33 to all City employees. When the collective bargaining agreements for the police, fire, and District Council 47 employees expire on June 30, 2017, the Administration will work with the unions and City Council to expand the reforms included in the District Council 33 agreement to all City employees.

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, 2015. This was the thirty sixth 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

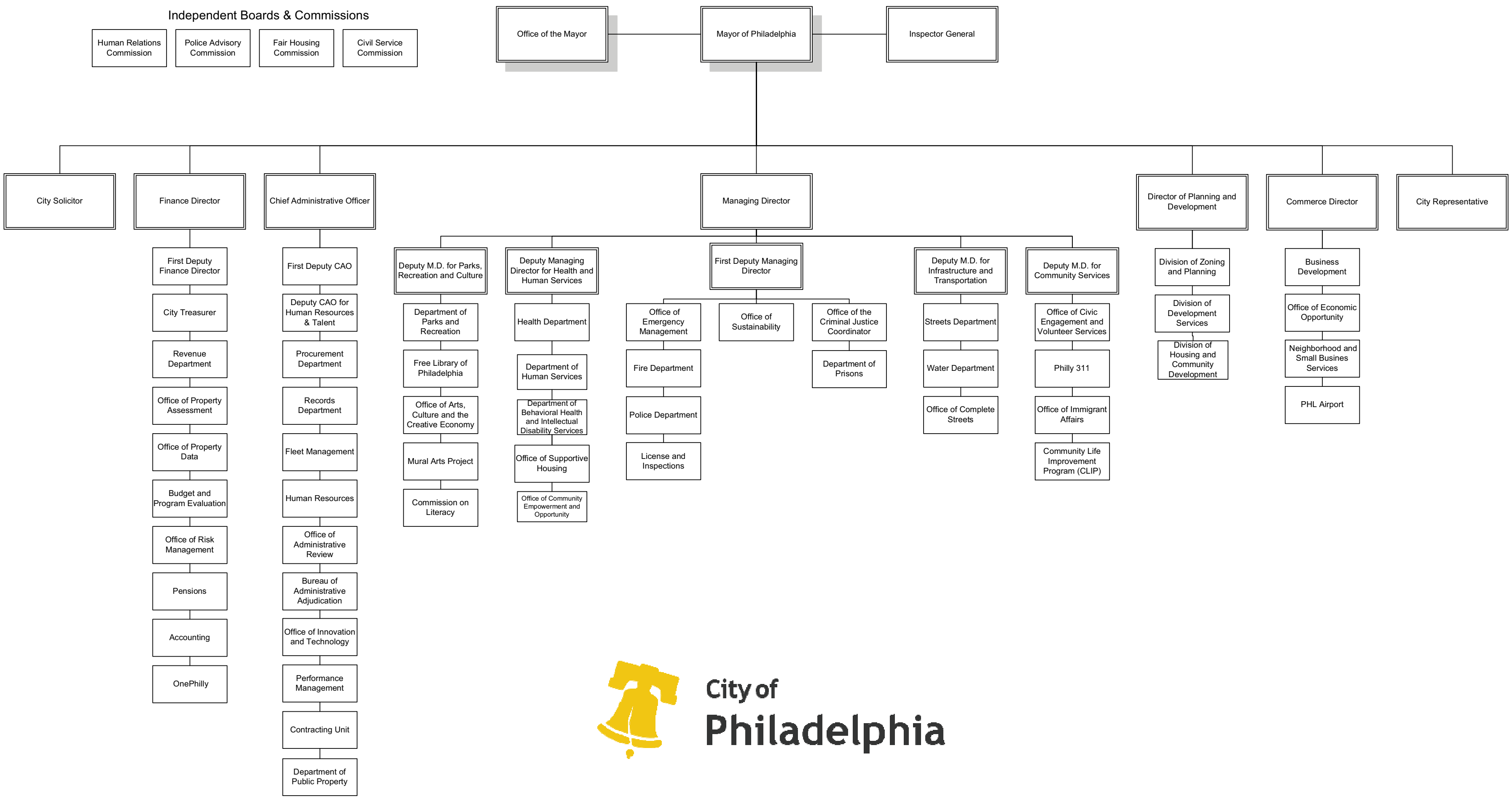
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

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	R. Seth Williams
City Controller	Alan Butkovitz
City Commissioners	
Chairman	Anthony Clark
Commissioner	Al Schmidt
Commissioner	Lisa M. Deeley
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**
Deputy Mayor for Public Engagement	**Nina Ahmad**
City Representative	**Sheila Hess**
Inspector General	**Amy L. Kurland**

CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER
1230 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102-1679
(215) 686-6680 FAX (215) 686-3832

ALAN BUTKOVITZ
City Controller

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, 2016, 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 collectively represent 30%, 28%, and 17% of the total assets, net position/fund balances, and revenues, respectively. 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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, 2016, 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.

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 15 through 29, 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 GASB 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, 2016 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, 2016, 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, 2016, 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, 2016.

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, 2015 (not presented herein), and have issued our report thereon dated February 24, 2016, 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 2015 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations for the year ended June 30, 2015 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 2015 financial statements. The 2015 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 2015 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 2015 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, 2015.

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.

Christy Brady

CHRISTY BRADY, CPA
Deputy City Controller
Philadelphia, Pennsylvania
February 24, 2017


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, 2016 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 $4,629.3 million. Its *unrestricted net position* showed a deficit of $8,183.8 million. This deficiency will have to be funded from resources generated in future years.

- The City's total June 30, 2016 year-end net position increased by $58.5 million from the prior year June 30, 2015 net position. The governmental activities of the City experienced a decrease of $60.7 million, while the business type activities had an increase of $119.2 million.

- For the current fiscal year, the City's governmental funds reported a combined ending fund balance of $415.2 million, a decrease of $65.0 million from last year. The *unassigned fund balance* of the governmental funds ended the fiscal year with a deficit of $327.8 million, a decrease of $107.6 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 $78.0 million, of which, $0.0 (zero) was *unassigned* which represents the residual amounts that have not been assigned to other funds. The *unassigned fund balance* was unchanged 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 $148.3 million, as compared to a $151.5 million surplus last year. The decrease of $3.2 million was due to an increase in expenditures that resulted in an operating deficit of $26.8 million offset by some 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 positions 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 first 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, Delaware River Waterfront Corporation, Philadelphia Authority for Industrial Development and the Redevelopment Authority.

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

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 positions and changes in fiduciary net positions. 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 $4,629.3 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, $2,278.9 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.

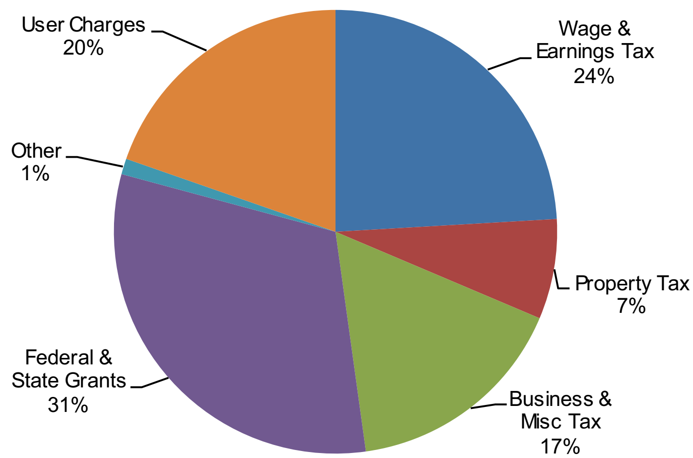
A portion of the City's net position, $1,275.6 million, is subject to external restrictions as to how they may be used. The remaining component of net position is unrestricted. Unrestricted net position ended the fiscal year with a deficit of $8,183.8 million. The governmental activities reported negative *unrestricted net position* of $7,904.5 million. The business type activities reported an unrestricted net position deficit of $279.3 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)

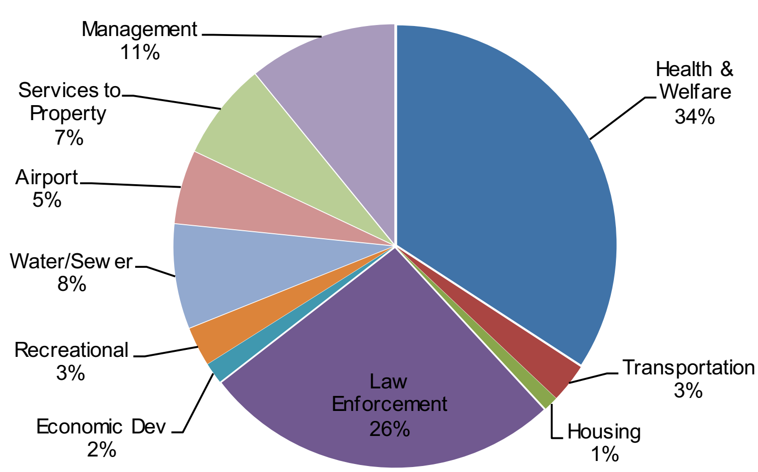
	Governmental Activities		%	Business-type Activities		%	Total Primary Government		%
	2016	2015	Change	2016	2015	Change	2016	2015	Change
Current and other assets	2,137.6	2,063.4	3.60%	1,582.0	1,714.2	-7.71%	3,719.6	3,777.6	-1.54%
Capital assets	2,373.6	2,314.0	2.58%	4,220.8	4,098.5	2.98%	6,594.4	6,412.5	2.84%
Total assets	**4,511.2**	**4,377.4**	3.06%	**5,802.8**	**5,812.7**	-0.17%	**10,314.0**	**10,190.1**	1.22%
Deferred Outflows	878.6	439.4	99.95%	158.7	118.3	34.15%	1,037.2	557.7	85.98%
Long-term liabilities	4,600.2	4,612.9	-0.28%	3,182.9	3,386.3	-6.01%	7,783.1	7,999.2	-2.70%
Other liabilities	7,074.1	6,463.5	9.45%	1,079.2	968.9	11.38%	8,153.3	7,432.4	9.70%
Total liabilities	**11,674.3**	**11,076.4**	5.40%	**4,262.1**	**4,355.2**	-2.14%	**15,936.4**	**15,431.6**	3.27%
Deferred Inflows	39.7	3.9	915.58%	4.4	-	-	44.1	3.9	1027.81%
Net Position:									
Net Investment in capital assets	955.2	1,040.8	-8.22%	1,323.7	1,088.1	21.65%	$2,278.9	2,128.9	7.05%
Restricted	625.1	576.3	8.47%	650.5	766.0	-15.08%	$1,275.6	1,342.3	-4.97%
Unrestricted	(7,904.5)	(7,880.6)	-0.30%	(279.3)	(278.4)	-0.32%	(8,183.8)	(8,159.0)	-0.30%
Total Net Position	**(6,324.2)**	**(6,263.5)**	-0.97%	**1,694.9**	**1,575.7**	7.56%	**(4,629.3)**	**(4,687.8)**	1.25%

Changes in net position. The City's total revenues this year, $7,493.5 million, exceeded total costs of $7,413.0 million by $80.5 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 60% are related to the health, welfare and safety of the general public.



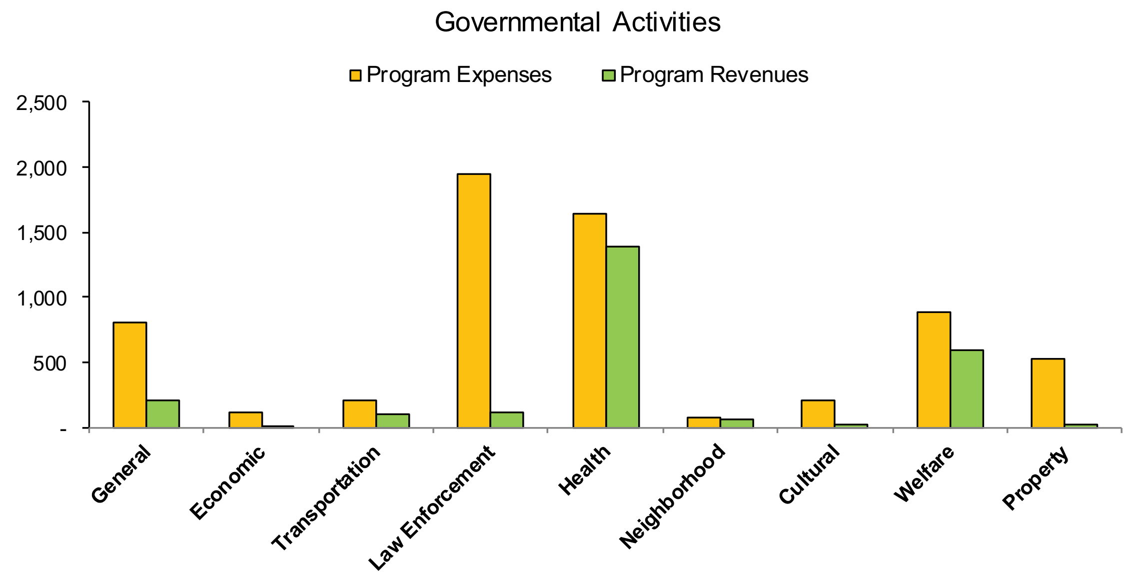
Total revenues increased by $259.1 million, total expenses increased by $512.7 million over last year. This resulted in the Change in Net Position, before prior period adjustments, being $253.6 million less than in the previous year. Net positions were increased by $106.1 million from Charges for Services, $79.7 million from Operating Grants and Contributions, $79.6 million for Wage and Earning Taxes, $119.2 million from Other Taxes, $0.3 million from Unrestricted Grants and Contributions, $8.1 million from Unrestricted Interest; and decreased by $132.8 million from Capital Grants and Contributions, and $1.1 million from Property Taxes.

Expense increased by $512.7 million with decreases of $0.8 million in Housing and Neighborhood Development, $8.0 million in Interest in Long Term Debt; and increases of $17.9 million in Economic Development, $14.3 million in Transportation, $178.6 million for Judiciary and Law Enforcement, $158.5 million in Conservation of Health, $5.8 million in Cultural & Recreational, $33.2 million in Improvement of the General Welfare, $25.7 million in Services to Taxpayer Property, $42.8 million in General Management, $18.8 million in Water and Waste Water and $25.9 million in Airport.



Governmental Activities

The governmental activities of the City resulted in a $92.3 million decrease 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		
	2016	2015	% Change	2016	2015	% Change	2016	2015	% Change
General Welfare	$ 888.6	$ 855.4	3.9%	$ 590.1	$ 590.8	-0.1%	$ 298.5	$ 264.6	12.8%
Judiciary & Law Enforcement	1,953.7	1,775.1	10.1%	113.2	111.3	1.7%	1,840.5	1,663.8	10.6%
Public Health	1,645.4	1,486.9	10.7%	1,392.5	1,276.0	9.1%	252.9	210.9	19.9%
General Governmental	806.3	771.5	4.5%	213.1	220.2	-3.2%	593.2	551.3	7.6%
Services to Property	527.7	501.9	5.1%	20.3	31.1	-34.7%	507.4	470.8	7.8%
Housing, Economic & Cultural	622.0	584.9	6.3%	202.5	220.3	-8.1%	419.5	364.6	15.1%
	$ 6,443.7	**$ 5,975.7**	7.8%	**$ 2,531.7**	**$ 2,449.7**	3.3%	**$ 3,912.0**	**$ 3,526.0**	10.9%

The cost of all governmental activities this year was $6,443.7 million; the amount that taxpayers paid for these programs through tax payments was $3,606.1 million. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of $2,152.6 million while those who benefited from the programs paid $379.2 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 $245.1 million. The difference of $60.7 million represents a reduction in net positions.

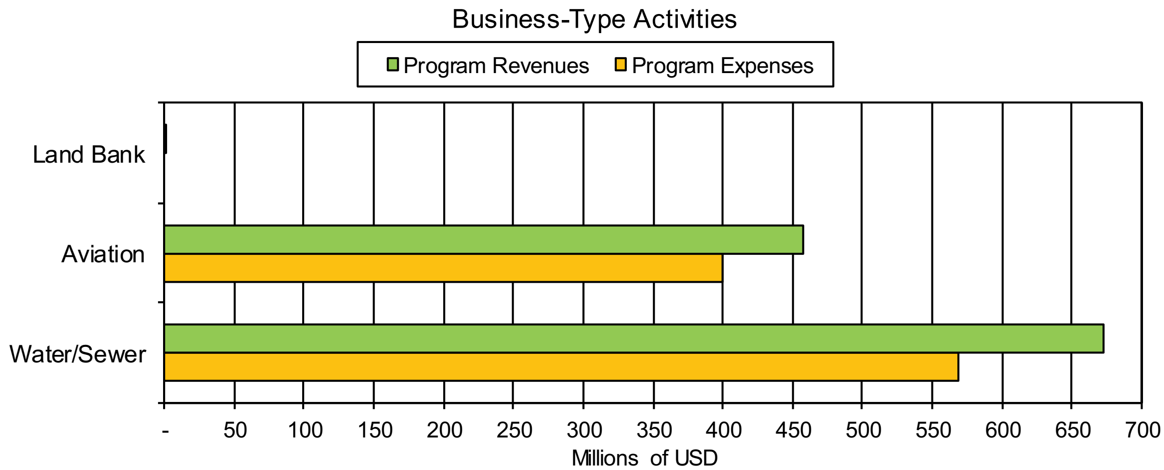
The following table shows a more detailed breakdown of program costs and related revenues for both the governmental and business-type activities of the City:

City of Philadelphia-Net Position

(millions of USD)	Governmental Activities 2016	Governmental Activities 2015	Business-type Activities 2016	Business-type Activities 2015	Total 2016	Total 2015	% Change
Revenues:							
Program revenues:							
Charges for services	$ 379.2	$ 378.4	$ 1,104.1	$ 998.8	$ 1,483.3	$ 1,377.2	7.7%
Operating grants and contributions	2,090.9	2,011.2	0.9	0.9	2,091.8	2,012.1	4.0%
Capital grants and contributions	61.8	60.1	26.8	161.3	88.6	221.4	-60.0%
General revenues:							
Wage and earnings taxes	1,816.8	1,737.2	-	-	1,816.8	1,737.2	4.6%
Property taxes	550.2	551.3	-	-	550.2	551.3	-0.2%
Other taxes	1,239.2	1,120.0	-	-	1,239.2	1,120.0	10.6%
Unrestricted grants and contributions	185.4	185.1	1.9	1.9	187.3	187.0	0.2%
Unrestricted Interest	28.0	24.1	8.3	4.1	36.3	28.2	28.7%
Total revenues	**6,351.5**	**6,067.4**	**1,142.0**	**1,167.0**	**7,493.5**	**7,234.4**	3.6%
Expenses:							
Economic development	115.3	97.4	-	-	115.3	97.4	18.4%
Transportation	212.9	198.6	-	-	212.9	198.6	7.2%
Judiciary & law enforcement	1,953.7	1,775.1	-	-	1,953.7	1,775.1	10.1%
Conservation of health	1,645.4	1,486.9	-	-	1,645.4	1,486.9	10.7%
Housing & neighborhood development	80.1	80.9	-	-	80.1	80.9	-1.0%
Cultural & recreational	213.8	208.0	-	-	213.8	208.0	2.8%
Improvement of the general welfare	888.6	855.4	-	-	888.6	855.4	3.9%
Services to taxpayer property	527.7	502.0	-	-	527.7	502.0	5.1%
General management	648.1	605.3	-	-	648.1	605.3	7.1%
Interest on long term debt	158.2	166.2	-	-	158.2	166.2	-4.8%
Water & waste water	-	-	569.0	550.2	569.0	550.2	3.4%
Airport	-	-	400.2	374.3	400.2	374.3	6.9%
Industrial land bank	-	-	-	-	-	-	0.0%
Total expenses	**6,443.8**	**5,975.8**	**969.2**	**924.5**	**7,413.0**	**6,900.3**	7.4%
Increase (dec.) in net position before transfers & special items	(92.3)	91.6	172.8	242.5	80.5	334.1	
Transfers	31.6	30.3	(31.6)	(30.3)	-	-	
Increase (dec) in Net Position	**(60.7)**	**121.9**	**141.2**	**212.2**	**80.5**	**334.1**	
Net Position - Beginning	(6,263.5)	(1,964.6)	1,575.7	1,893.6	(4,687.8)	(71.0)	6502.5%
Adjustment	-	(4,420.8)	(22.0)	(530.1)	(22.0)	(4,950.9)	
Net Position - End	**$ (6,324.2)**	**$ (6,263.5)**	**$ 1,694.9**	**$ 1,575.7**	**$ (4,629.3)**	**$ (4,687.8)**	-1.2%

Business-type Activities

Business-type activities resulted in a $141.3 million increase in net position before prior period adjustments. This increase was comprised of an increase in net position for water/wastewater of $77.6 million, an increase to aviation of $62.0 million, and an increase for industrial & commercial development operations of $1.7 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.

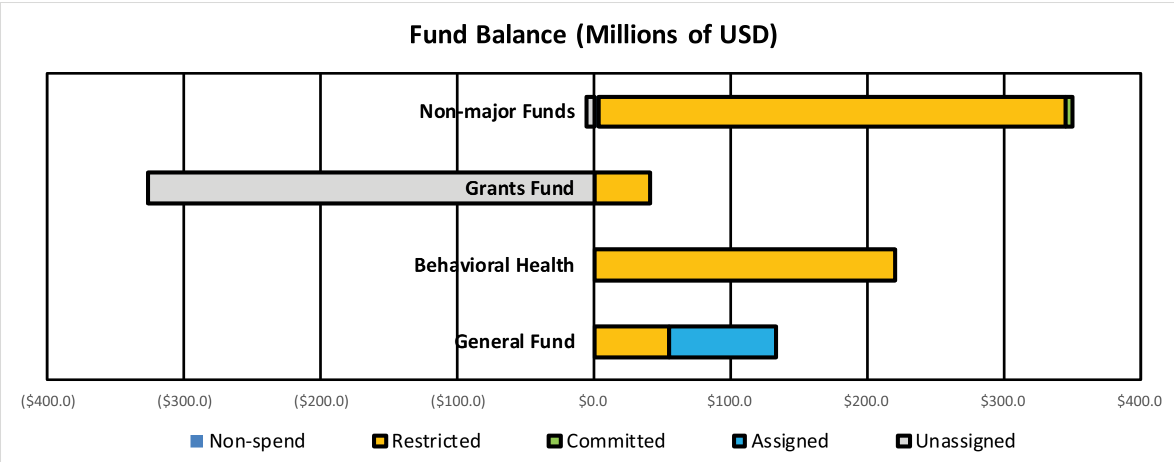
At the end of the fiscal year the City's governmental funds reported a *combined fund balance* of $415.2 million, a decrease of $65.0 million over last year. Of the total fund balance, $3.1 million represents *non-spendable fund balance* for amounts that cannot be spent.

In addition, $657.3 million represents *restricted fund balance* due to externally imposed constraints by outside parties, or law, for the following proposes:

Economic Development	$	12.3
Public Safety Emergency Phone System		40.8
Streets & Highways		37.1
Housing and Neighborhood Development		20.8
Health Services		11.2
Behavioral Health		220.1
Parks & Recreation		0.8
Libraries & Museums		3.0
Intergovernmental Financing		25.5
Central Library Project		1.7
Stadium Financing		6.9
Cultural & Commercial Corridor Project		7.4
Pension Obligation Bonds		44.8
Debt Service Reserve		81.6
Capital Projects		133.1
Trust Purposes		10.2
Total Restricted Fund Balance	$	657.3

The fund balance is further broken down as to *committed fund balance* for Prisons $2.9 million and Parks and Recreation $1.7 million. The difference between the non-spendable, restricted, committed, assigned and combined fund balance is a deficit of $327.8 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 $78.0 million and *unassigned fund balance* of $0.0 (zero) at the end of the fiscal year.



Overall, the total fund balance of the General Fund decreased by $23.0 million during the current fiscal year, compared to a decrease of $56.2 million in the prior fiscal year. Some of the key factors contributing to this change are:

Revenues:

- Total current year revenues ($3,588.9 million) increased between fiscal years, with a $198.8 million (5.9%) increase from the prior fiscal year ($3,390.1 million).
- This increase was primarily due to $196.8 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) ($3,611.9 million) increased between fiscal years, with a $165.6 million (4.8%) increase from prior fiscal year ($3,446.3 million)
- This increase was primarily due to a $91.5 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 $220.1 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 $20.5 million.

The Grants Revenue fund has a total fund balance deficit of $281.7 million which is comprised of a positive restricted fund balance of $40.8 million for emergency telephone system programs and a deficit unassigned fund balance of $322.5 million. Because most programs accounted for in the grants revenue fund are reimbursement based, it is not unusual for the grants revenue fund to end the fiscal year with a deficit unassigned fund balance. The overall fund balance of the grants revenue fund experienced a decrease of $133.4 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 $141.3 million during the current fiscal year. This increase is attributable to the water/wastewater system which had an increases of $77.6 million, airport operations which experienced an increase of $62.0 million, and industrial & commercial land bank operations which also experienced an increase of $1.7 million.

The proprietary funds reported an *unrestricted net position* deficit of $279.3 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)		
	2016	2015	Change
Water and Waste Water	($258.2)	($235.9)	($22.3)
Aviation	($84.7)	($104.3)	$19.6
Land Bank	$63.6	$61.9	$1.7
	($279.3)	($278.3)	($1.0)

The $22.3 million change in the Water and Waste Water *unrestricted net position* is primarily due to a prior period adjustment of $22.0 million which related to items that were capitalized and should have been expensed in prior years.

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)
2016	$ 148.3	$ (3.2)
2015	151.5	(50.6)
2014	202.1	(54.8)
2013	256.9	110.1
2012	146.8	146.7

The general fund's budgetary fund balance surplus of $148.3 million differs from the general fund's fund financial statement unassigned fund balance of $0.0 (zero) by $148.3 million, which represents the following:

1. The unearned portion of the business income & receipts tax of $169.5 million. Business income & receipts tax (BIRT prepays) is received prior to being earned but have no effect on budgeted cash receipts.
2. Since governments cannot report a deficit in unassigned fund balance (GASB No. 54, paragraph 15), the resulting $21.2 million deficit is reclassified to assigned fund balance.

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

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

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

Differences between the original budget and the final amended budget resulted primarily from decreases in revenue estimates and increases to appropriations. Total appropriations increased by $75.9 million; from an original budget of $3,998.1 million to a final amended budget of $4,074.0 million. The largest increases were required to support the following activities:

- $22.2 million for Police operations
- $20.1 million for Street maintenance and repair
- $27.1 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 $6.6 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 2016	FY 2015	FY 2014	FY 2013
Airport Terminal & Airfield Improvements	$ 161.1	$ 196.2	$ 74.4	$ 149.6
Water & Wastewater Improvements	176.0	175.0	141.3	142.5
Streets, Highways & Bridges Improvements	77.9	63.6	46.8	63.9
Transit System Improvements	10.6	1.3	2.2	3.9
Parks, Playgrounds, Museums & Recreational Facilities	37.9	33.6	18.6	27.1
Libraries Improvements	1.6	3.3	0.2	0.7
Police & Fire Facilities	7.7	18.9	5.9	18.5
City Hall & Municipal Buildings Improvements	2.7	5.9	6.2	3.3
Computers, Servers, Software & IT Infrastructure	11.4	19.4	16.5	9.6
Economic Development	11.2	12.7	11.8	4.7
Other and Non-Enterprise Vehicles	32.3	10.7	10.9	11.2
	$ 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		
	2016	2015	Inc/(Dec)	2016	2015	Inc/(Dec)	2016	2015	Inc/(Dec)
Land	$ 829	$ 818	$ 11	$ 156	$ 153	$ 3	$ 985	$ 971	$ 14
Fine Arts	1	1	-	-	-	-	1	1	-
Buildings	708	735	(27)	1,552	1,399	153	2,260	2,134	126
Improvements other than buildings	95	113	(18)	173	168	5	268	281	(13)
Machinery & equipment	124	92	32	26	25	1	150	117	33
Infrastructure	496	444	52	1,581	1,492	90	2,077	1,936	141
Construction in progress	43	36	7	728	856	(128)	771	892	(121)
Transit	59	63	(4)	-	-	-	59	63	(4)
Intangible Assets	19	12	7	5	6	(1)	24	18	6
Total	**$ 2,374**	**$ 2,314**	**$ 60**	**$ 4,221**	**$ 4,099**	**$ 122**	**$ 6,594**	**$ 6,413**	**$ 182**

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, $5.2 billion represents bonds outstanding (comprised of $2.1 billion of debt backed by the full faith and credit of the City, and $3.1 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	
	2016	2015	2016	2015	2016	2015
Bonds Outstanding:						
General obligation bonds	2,113.4	2,027.7	-	-	2,113.4	2,027.7
Revenue bonds	-	-	3,128.0	3,336.1	3,128.0	3,336.1
Total Bonds Outstanding	**2,113.4**	**2,027.7**	**3,128.0**	**3,336.1**	**5,241.4**	**5,363.8**
Other Long Term Obligations:						
Service agreements	1,919.7	2,038.8	-	-	1,919.7	2,038.8
Employee related obligations	488.0	459.5	46.4	45.2	534.4	504.7
Indemnities	70.4	74.0	8.5	4.7	78.9	78.7
Leases	8.7	12.9	-	-	8.7	12.9
Other	-	-	-	0.3	-	0.3
Total Other Long Term Obligations	**2,486.8**	**2,585.2**	**54.9**	**50.2**	**2,541.7**	**2,635.4**
Total Long Term Debt Outstanding	**4,600.2**	**4,612.9**	**3,182.9**	**3,386.3**	**7,783.1**	**7,999.2**

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

- The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows funds to pay debt service and required pension contributions due before the receipt of the real estate taxes. The City borrowed and repaid $175.0 million in Tax and Revenue Anticipation Notes by June 2016 plus interest. In accordance with statute there are no temporary loans outstanding at year end.

- In July 2015, the City issued $138.8 million of General Obligation Refunding Bonds Series 2015A. The total proceeds were $157.0 million (including a premium of $18.2 million). The proceeds of the sale were used to refund the Series 2006, 2008B, and 2011 bonds.

- In September 2015, the City issued $191.6 million of General Obligation Bonds Series 2015B. The 2015B bonds were issued for the purpose of funding the City's capital projects and paying the costs relating to the issuance of the 2015B bonds.

- In September 2015, the City issued $97.8 million of Airport Revenue Bonds Series 2015A Bonds to refund all of the outstanding Series 2005A Bonds in the amount of $105.9 million and to pay the costs of issuing the Series 2015A Bonds.

- In February 2016, PAID issued $95.4 million of City Service Agreement Revenue Refunding Bonds Series 2016A and 2016B. The total proceeds of the 2016A bonds were $104.6 million (which includes a premium of $15.4 million). The 2016A Bonds were issued to partially refund $99.5 million of the Series 2006A Bonds and to pay the costs of issuing the 2016A Bonds. The total proceeds of the 2016B bonds were $6.8 million (which includes a premium of $0.6 million). The 2016B Bonds were issued to refund $6.7 million of the Series 2005 Bonds and to pay the costs of issuing the 2016B Bonds.

- 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 2016, PENNVEST draw-downs totaled $5.8 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.

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

Bond Type	**Moody's**	**Standard & Poor's**	**Fitch**
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, 2016 the legal debt limit was $5,454.0 million. There is $1,841.4 million of outstanding tax supported debt leaving a legal debt margin of $3,612.6 million.

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

Economic Factors and Next Year's Budgets and Rates

The following factors have been considered in preparing the City of Philadelphia's budget for the 2017 fiscal year, as outlined in the City's most recent Five Year Financial and Strategic Plan for Fiscal Years 2017-2021.

- *Fund Balance:* In fiscal 2016, the General Fund ended with a fund balance of $148.3 million.
- *Revenue Projections for FY2017.* Wage and Earnings Tax revenue is projected to grow 3.42%, Sales Tax revenue is projected to grow by 4.34%, Real Property revenue is projected to grow by 3.76%, and Real Estate transfer tax is projected to grow by 5.09%, while the Business Income and Receipts Tax is projected to decline by 2.01%.
- *Wage and Business Tax Cuts.* The current Five Year Plan (FY 2017 to 2021) 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 3.9004% in FY2017, and is projected to continue to drop to 3.7276% by FY2021. Regarding the Business Income and Receipts Tax, the FY2017 rate for gross receipts is 0.1415% and the net income rate is 6.35%. By 2021, the net income rate will fall to 6.15%.
- *Philadelphia Beverage Tax.* In June 2016, City Council passed 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. The City projects to collect approximately $42.2 million in FY2017, and slightly over $92 million annually in FY2018 through 2021. In September 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. Following the decision, the plaintiffs appealed the ruling to the Commonwealth Court of Pennsylvania. The appeal is currently on an expedited scheduling track before the Commonwealth Court and is scheduled for oral argument during the first week of April 2017. Mayor Kenney remains committed to providing affordable, quality pre-K to up to 6,500 children over the next five years, investing in civic assets like parks and libraries over time, and creating 25 community schools over the next four years. However, while the litigation is pending, the City cannot fully implement its plan for these two important initiatives. Until there is certainty that the PBT – and its accompanying revenue stream – will not be invalidated by any legal challenge, the City will proceed with limited expansion of these programs.
- *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. The four-year District Council 33 contract ratified in August 2016 includes significant pension reform that is described below in the Pension Reforms paragraph. District Council 33 members 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 expires in June 2017 and received a 3% wage increase and are now on the same contract cycle as District Council 47. The International Association of Fire Fighters (IAFF) had a wage reopener in FY2017 and received a 3.25% increase, consistent with the increase provided to FOP members during the same period. Contracts for the FOP Lodge 5, IAFF Local 22, and District Council 47 members each expire on June 30, 2017. The FY2017-2021 Five Year Plan includes $200 million to budget for the potential costs of these labor agreements.
- *Pension Fund Challenges.* The City of Philadelphia's Municipal Retirement System has a $5.9 billion unfunded liability as of the July 1, 2015 valuation and is only 45% funded. The pension funding ratio has weakened over time, dropping from 77% in FY01 (around peak funding after the FY99 pension bond issuance) to 45% in FY2016. General Fund pension costs make up more than 15% of the City's projected expenditures (including payments on pension obligation bonds) in FY2017.

- *Pension Reforms.* The City and its unions have taken multiple steps to improve the health of the pension fund. Each year, the City has been contributing more than what is legally required, including dedicating sales tax revenue in addition to the minimum municipal obligation (MMO) to improve the funding status of the plan. Over the current FY2017-2021 Five Year Plan, the sales tax revenues are projected to provide an additional $179 million for the pension fund. As discussed above, the contract ratified in August 2016 by District Council 33, the City's largest municipal union, increases contributions for current employees so that those with higher annual salaries pay a higher contribution rate. These additional contributions will increase the assets of the pension fund over time. The agreement with District Council 33 also created a stacked hybrid plan that is mandatory for new hires. The stacked hybrid plan combines a traditional defined benefit for the first $50,000 of an employee's earnings and an optional 401k, with an employer match, for earnings above this amount. The stacked hybrid plan provides retirement security for the City's employees while also reducing the pension system's liabilities. The Pension Board has also gradually lowered the assumed rate of return from 8.75% to 7.75% since FY08 and over time has voted to make assumptions around mortality and other demographic factors more conservative. While fiscally prudent, these changes also lower the fund's actuarial funding percentage. The changes are partially responsible for recent increases in the City's minimum municipal obligation.
- *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.
- *Economic Development:* After decades of population loss, the City has experienced several 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. 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, and these institutions improve the neighborhoods around them. The City also has a strong business and personal services economy with strengths in insurance, law, finance, and leisure and hospitality. Additionally, the consistent efforts of Philadelphia's economic development agencies as well as private investment have spurred significant economic changes throughout the City. Development in the Navy Yard has, over time, transitioned a formal 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, attracted new businesses, and helped reduce vacancy rates in those neighborhood commercial areas. As of June 2016, Philadelphia had 48 major projects under construction concurrently, representing almost $7.3 billion in combined public and private investment.

Requests for information

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

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

City of Philadelphia
PENNSYLVANIA

Basic Financial Statements

City of Philadelphia **Exhibit I**

Statement of Net Position

June 30, 2016

Amounts in thousands of USD

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Units
Assets				
Cash on Deposit and on Hand	59,265	30	59,295	268,185
Equity in Pooled Cash and Investments	-	-	-	272,564
Equity in Treasurer's Account	752,746	200,379	953,125	-
Investments	102,969	-	102,969	228,324
Due from Component Units	49,515	-	49,515	-
Due from Primary Government	-	-	-	100,878
Amounts Held by Fiscal Agent	54,454	-	54,454	-
Notes Receivable - Net	-	-	-	25,553
Accounts Receivable - Net	377,927	164,623	542,550	281,174
Interest and Dividends Receivable	4,122	-	4,122	20,924
Due from Other Governments - Net	641,724	3,422	645,146	139,135
Inventories	14,163	74,843	89,006	203,114
Other Assets	80,765	126	80,891	77,706
Restricted Assets:				
Cash and Cash Equivalents	-	837,817	837,817	181,818
Other Assets	-	300,678	300,678	137,975
Capital Assets:				
Land and Other Non-Depreciated Assets	873,575	884,423	1,757,998	328,295
Other Capital Assets (Net of Depreciation)	1,500,013	3,336,443	4,836,456	3,105,840
Total Capital Assets, Net	2,373,588	4,220,866	6,594,454	3,434,135
Total Assets	4,511,238	5,802,784	10,314,022	5,371,485
Deferred Outflows of Resources	878,564	158,661	1,037,225	538,603
Liabilities				
Notes Payable	80,388	189,900	270,288	80,297
Vouchers Payable	79,903	9,650	89,553	68,292
Accounts Payable	238,855	104,180	343,035	175,744
Salaries and Wages Payable	85,970	9,237	95,207	94,937
Accrued Expenses	44,008	37,154	81,162	254,627
Due to Agency Funds	699	-	699	-
Due to Primary Government	-	-	-	34,427
Due to Component Units	47,405	1,021	48,426	-
Funds Held in Escrow	12,017	1,741	13,758	10,985
Due to Other Governments	2,156	-	2,156	33,286
Unearned Revenue	315,371	31,472	346,843	203,911
Overpayment of Taxes	174,871	-	174,871	18,612
Other Current Liabilities	-	-	-	72,173
Derivative Instrument Liability	84,202	17,547	101,749	664
Long-term Liabilities:				
Due within one year				
Bonds Payable & Other Long-term Liabilities	343,607	187,968	531,575	340,403
Due in more than one year				
Bonds Payable & Other Long-term Liabilities	4,256,513	2,993,675	7,250,188	4,501,739
Net OPEB Liability	296,474	-	296,474	386,355
Net Pension Liability	5,611,853	678,602	6,290,455	3,200,287
Total Liabilities	11,674,292	4,262,147	15,936,439	9,476,739
Deferred Inflows of Resources	39,689	4,386	44,075	454,307
Net Position				
Net Investment in Capital Assets	955,217	1,323,668	2,278,885	65,063
Restricted For:				
Capital Projects	108,318	146,299	254,617	5,381
Debt Service	74,018	298,487	372,505	244,793
Pension Oblig Bond Refunding Reserve	44,764	-	44,764	-
Behavioral Health	220,062	-	220,062	-
Neighborhood Revitalization	19	-	19	-
Stadium Financing	558	-	558	-
Central Library Project	1,688	-	1,688	-
Cultural & Commercial Corridor Project	7,444	-	7,444	-
Grant Programs	94,719	-	94,719	27,033
Rate Stabilization	-	205,761	205,761	-
Libraries & Parks:				
Expendable	3,235	-	3,235	-
Non-Expendable	3,137	-	3,137	-
Educational Programs	-	-	-	14,861
Other	67,182	-	67,182	9,809
Unrestricted(Deficit)	(7,904,540)	(279,303)	(8,183,843)	(4,387,898)
Total Net Position	(6,324,179)	1,694,912	(4,629,267)	(4,020,958)

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

City of Philadelphia **Exhibit II**
Statement of Activities
For the Fiscal Year Ended June 30, 2016

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	115,315	90	919	446	(113,860)		(113,860)	
Transportation:								
Streets & Highways	136,811	5,847	44,392	49,875	(36,697)		(36,697)	
Mass Transit	76,099	2,172	134	-	(73,793)		(73,793)	
Judiciary and Law Enforcement:								
Police	1,232,416	5,130	9,729	-	(1,217,557)		(1,217,557)	
Prisons	381,642	349	29	-	(381,264)		(381,264)	
Courts	339,596	50,255	47,733	-	(241,608)		(241,608)	
Conservation of Health:								
Emergency Medical Services	66,322	45,679	6,946	-	(13,697)		(13,697)	
Health Services	1,579,052	14,050	1,325,809	-	(239,193)		(239,193)	
Housing and Neighborhood Development	80,091	18,114	51,389	-	(10,588)		(10,588)	
Cultural and Recreational:								
Recreation	116,618	4,597	7,359	-	(104,662)		(104,662)	
Parks	8,393	976	-	8,272	855		855	
Libraries and Museums	88,768	1,239	6,712	-	(80,817)		(80,817)	
Improvements to General Welfare:								
Social Services	688,718	1,218	533,798	-	(153,702)		(153,702)	
Education	134,494	-	-	-	(134,494)		(134,494)	
Inspections and Demolitions	65,344	54,064	1,062	-	(10,218)		(10,218)	
Service to Property:								
Sanitation	157,037	16,547	1,887	-	(138,603)		(138,603)	
Fire	370,694	333	1,532	-	(368,829)		(368,829)	
General Management and Support	648,149	158,345	51,432	3,178	(435,194)		(435,194)	
Interest on Long Term Debt	158,168	192	-	-	(157,976)		(157,976)	
Total Governmental Activities	6,443,727	379,197	2,090,862	61,771	(3,911,897)		(3,911,897)	
Business Type Activities:								
Water and Sewer	568,981	669,950	870	1,506	-	103,345	103,345	
Aviation	400,176	433,651	-	24,203	-	57,678	57,678	
Industrial and Commercial Development	-	522	-	1,136	-	1,658	1,658	
Total Business Type Activities	969,157	1,104,123	870	26,845	-	162,681	162,681	
Total Primary Government	7,412,884	1,483,320	2,091,732	88,616	(3,911,897)	162,681	(3,749,216)	
Component Units:								
Gas Operations	582,576	580,309	12,321	-				10,054
Housing	72,532	6,556	59,101	-				(6,875)
Parking	239,572	242,855	-	-				3,283
Education	3,096,511	42,567	1,008,976	1,260				(2,043,708)
Health	811,528	-	811,342	-				(186)
Economic Development	194,367	15,475	110,190	65,827				(2,875)
Total Component Units	4,997,086	887,762	2,001,930	67,087				(2,040,307)
General Revenues:								
Taxes:								
Property Taxes					550,226	-	550,226	669,424
Wage & Earnings Taxes					1,816,791	-	1,816,791	-
Business Taxes					505,613	-	505,613	-
Other Taxes					733,490	-	733,490	424,507
Grants & Contributions Not Restricted to Specific Programs					185,444	1,871	187,315	1,137,845
Unrestricted Interest & Investment Earnings					28,031	8,282	36,313	17,569
Miscellaneous					-	-	-	3,356
Special Items					-	-	-	3,757
Transfers					31,622	(31,622)	-	-
Total General Revenues, Special Items and Transfers					3,851,217	(21,469)	3,829,748	2,256,458
Change in Net Position					(60,680)	141,212	80,532	216,151
Net Position - July 1, 2015					(6,263,488)	1,575,748	(4,687,740)	(4,228,463)
Adjustment					(11)	(22,048)	(22,059)	(8,646)
Net Position Adjusted - July 1, 2015					(6,263,499)	1,553,700	(4,709,799)	(4,237,109)
Net Position - June 30, 2016					(6,324,179)	1,694,912	(4,629,267)	(4,020,958)

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

City of Philadelphia **Exhibit III**
Balance Sheet
Governmental Funds
June 30, 2016

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	11,580	-	87	38,561	50,228
Equity in Treasurer's Account	400,900	116,113	-	235,733	752,746
Investments	-	-	-	112,004	112,004
Due from Other Funds	52,183	-	-	39	52,222
Due from Component Units	49,515	-	-	-	49,515
Amounts Held by Fiscal Agent	54,454	-	-	-	54,454
Taxes Receivable	592,562	-	-	13,196	605,758
Accounts Receivable	376,322	-	1,463	6,452	384,237
Due from Other Governmental Units	9,280	150,682	398,106	83,656	641,724
Allowance for Doubtful Accounts	(611,171)	-	-	(897)	(612,068)
Interest and Dividends Receivable	615	273	-	16	904
Other Assets	-	-	-	377	377
Total Assets	936,240	267,068	399,656	489,137	2,092,101
Liabilities					
Vouchers Payable	30,776	870	31,889	16,368	79,903
Accounts Payable	86,080	7,794	112,691	32,255	238,820
Salaries and Wages Payable	79,738	-	5,814	418	85,970
Payroll Taxes Payable	-	-	-	42	42
Due to Other Funds	699	-	41,912	10,310	52,921
Due to Component Units	85	38,342	3,941	5,037	47,405
Funds Held in Escrow	7,983	-	-	4,034	12,017
Due to Other Governmental Units	2,156	-	-	-	2,156
Unearned Revenue	175,152	-	131,372	8,847	315,371
Overpayment of Taxes	174,871	-	-	-	174,871
Total Liabilities	557,540	47,006	327,619	77,311	1,009,476
Deferred Inflows of Resources	246,232	-	353,701	67,484	667,417
Fund Balances					
Nonspendable	-	-	-	3,137	3,137
Restricted	54,454	220,062	40,831	341,970	657,317
Committed	-	-	-	4,544	4,544
Assigned	78,014	-	-	-	78,014
Unassigned	-	-	(322,495)	(5,309)	(327,804)
Total Fund Balances	132,468	220,062	(281,664)	344,342	415,208
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	936,240	267,068	399,656	489,137	

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	2,373,588
b. Unavailable Revenue are reported as Deferred Inflows of Resources in the funds	665,907
c. Long Term Liabilities, including bonds payable are not reported in the funds	(4,600,120)
d. Derivatives and Deferred Outflows of Resources are not reported in the funds	794,362
e. Other	(26,618)
f. Net Pension & OPEB Liabilities are not reported in the funds	(5,946,506)
Net Position of Governmental Activities	(6,324,179)

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

City of Philadelphia **Exhibit IV**
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Tax Revenue	2,974,729	-	-	657,925	3,632,654
Locally Generated Non-Tax Revenue	291,954	1,209	47,834	26,351	367,348
Revenue from Other Governments	305,643	893,202	912,654	133,694	2,245,193
Other Revenues	16,581	-	-	3,054	19,635
Total Revenues	3,588,907	894,411	960,488	821,024	6,264,830
Expenditures					
Current Operating:					
Economic Development	41,987	-	1,058	58,062	101,107
Transportation:					
Streets & Highways	68,696	-	3,643	32,781	105,120
Mass Transit	75,988	-	134	-	76,122
Judiciary and Law Enforcement:					
Police	1,153,574	-	8,949	-	1,162,523
Prisons	362,407	-	29	2,645	365,081
Courts	293,260	-	36,665	-	329,925
Conservation of Health:					
Emergency Medical Services	57,989	-	6,946	-	64,935
Health Services	167,003	873,936	387,244	144,892	1,573,075
Housing and Neighborhood Development	3,292	-	19,945	56,826	80,063
Cultural and Recreational:					
Recreation	97,445	-	7,350	-	104,795
Parks	-	-	-	1,488	1,488
Libraries and Museums	75,143	-	6,140	116	81,399
Improvements to General Welfare:					
Social Services	147,624	-	539,482	-	687,106
Education	134,494	-	-	-	134,494
Inspections and Demolitions	41,568	-	22,475	-	64,043
Service to Property:					
Sanitation	150,479	-	1,903	-	152,382
Fire	353,436	-	1,532	-	354,968
General Management and Support	614,314	-	18,512	53,578	686,404
Capital Outlay	-	-	-	206,064	206,064
Debt Service:					
Principal	6,655	-	-	132,893	139,548
Interest	11,679	-	-	95,824	107,503
Bond Issuance Cost	991	-	-	2,353	3,344
Total Expenditures	3,858,024	873,936	1,062,007	787,522	6,581,489
Excess (Deficiency) of Revenues Over (Under) Expenditures	(269,117)	20,475	(101,519)	33,502	(316,659)
Other Financing Sources (Uses)					
Issuance of Debt	-	-	-	191,585	191,585
Issuance of Refunding Debt	95,365	-	-	138,795	234,160
Bond Issuance Premium	15,982	-	-	37,897	53,879
Payment to Refunded Bonds Escrow Agent	(103,664)	-	-	(155,916)	(259,580)
Transfers In	409,106	-	-	277,178	686,284
Transfers Out	(170,699)	-	(31,881)	(452,082)	(654,662)
Total Other Financing Sources (Uses)	246,090	-	(31,881)	37,457	251,666
Net Change in Fund Balance	(23,027)	20,475	(133,400)	70,959	(64,993)
Fund Balance - July 1, 2015	155,495	199,587	(148,264)	273,394	480,212
Adjustment	-	-	-	(11)	(11)
Fund Balance Adjusted - July 1, 2015	155,495	199,587	(148,264)	273,383	480,201
Fund Balance - June 30, 2016	132,468	220,062	(281,664)	344,342	415,208

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

City of Philadelphia

Exhibit V

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2016

Amounts in thousands of USD

Net Change in Fund Balances - Total Governmental Funds	(64,993)
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 ($192,409) exceeded depreciation ($143,287) in the current period	49,122
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	87,437
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 ($546,490) exceeded proceeds ($479,624)	66,866
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	(104,589)
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	(94,523)
Change in Net Position of governmental activities	(60,680)

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

City of Philadelphia **Exhibit VI**

Statement of Fund Net Position

Proprietary Funds

June 30, 2016

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	79,044	116,254	5,081	200,379
Due from Other Governments	125	1,325	1,972	3,422
Accounts Receivable	152,588	26,216	6	178,810
Allowance for Doubtful Accounts	(13,007)	(1,180)	-	(14,187)
Inventories	14,915	3,396	56,532	74,843
Other Assets	126	-	-	126
Total Current Assets	233,821	146,011	63,591	443,423
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	550,746	287,071	-	837,817
Sinking Funds and Reserves	220,890	47,869	-	268,759
Grants for Capital Purposes	-	21,807	-	21,807
Receivables	740	9,372	-	10,112
Total Restricted Assets	772,376	366,119	-	1,138,495
Capital Assets:				
Land	5,919	150,124	-	156,043
Infrastructure	2,466,451	1,028,188	-	3,494,639
Construction in Progress	296,254	432,126	-	728,380
Buildings and Equipment	1,768,387	2,112,276	-	3,880,663
Less: Accumulated Depreciation	(2,306,778)	(1,732,081)	-	(4,038,859)
Total Capital Assets, Net	2,230,233	1,990,633	-	4,220,866
Total Non-Current Assets	3,002,609	2,356,752	-	5,359,361
Total Assets	3,236,430	2,502,763	63,591	5,802,784
Deferred Outflows of Resources	108,809	49,852	-	158,661
Liabilities				
Current Liabilities:				
Vouchers Payable	6,635	3,015	-	9,650
Accounts Payable	11,939	10,930	-	22,869
Salaries and Wages Payable	6,598	2,639	-	9,237
Construction Contracts Payable	42,880	38,431	-	81,311
Due to Component Units	1,021	-	-	1,021
Accrued Expenses	33,215	3,939	-	37,154
Funds Held in Escrow	1,741	-	-	1,741
Unearned Revenue	9,785	21,687	-	31,472
Commercial Paper Notes	-	189,900	-	189,900
Bonds Payable-Current	124,728	63,240	-	187,968
Total Current Liabilities	238,542	333,781	-	572,323
Derivative Instrument Liability	1,508	16,039	-	17,547
Net OPEB Liability	-	-	-	-
Net Pension Liability	455,841	222,761	-	678,602
Non-Current Liabilities:				
Bonds Payable	1,842,386	1,097,664	-	2,940,050
Other Non-Current Liabilities	38,995	14,630	-	53,625
Total Non-Current Liabilities	1,881,381	1,112,294	-	2,993,675
Total Liabilities	2,577,272	1,684,875	-	4,262,147
Deferred Inflows of Resources	2,863	1,523	-	4,386
Net Position				
Net Investment in Capital Assets	523,367	800,301	-	1,323,668
Restricted For:				
Capital Projects	73,266	73,033	-	146,299
Debt Service	220,889	77,598	-	298,487
Rate Stabilization	205,761	-	-	205,761
Unrestricted	(258,179)	(84,715)	63,591	(279,303)
Total Net Position	765,104	866,217	63,591	1,694,912

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

City of Philadelphia

Exhibit VII

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

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	659,583	110,787	-	770,370
Rentals and Concessions	-	225,000	-	225,000
Operating Grants	870	-	-	870
Miscellaneous Operating Revenues	10,367	5,009	522	15,898
Total Operating Revenues	670,820	340,796	522	1,012,138
Operating Expenses:				
Personal Services	122,873	69,283	-	192,156
Purchase of Services	97,409	108,419	-	205,828
Materials and Supplies	36,376	6,945	-	43,321
Employee Benefits	117,394	57,855	-	175,249
Indemnities and Taxes	8,220	1,695	-	9,915
Depreciation	101,711	101,909	-	203,620
Total Operating Expenses	483,983	346,106	-	830,089
Operating Income (Loss)	186,837	(5,310)	522	182,049
Non-Operating Revenues (Expenses):				
Federal, State and Local Grants	250	1,621	-	1,871
Passenger and Customer Facility Charges	-	92,855	-	92,855
Interest Income	5,600	2,658	24	8,282
Debt Service - Interest	(82,659)	(54,003)	-	(136,662)
Other Revenue (Expenses)	(2,339)	(67)	-	(2,406)
Total Non-Operating Revenues (Expenses)	(79,148)	43,064	24	(36,060)
Income (Loss) Before Contributions & Transfers	107,689	37,754	546	145,989
Transfers In/(Out)	(31,622)	-	-	(31,622)
Capital Contributions	1,506	24,203	1,136	26,845
Change in Net Position	77,573	61,957	1,682	141,212
Net Position - July 1, 2015	709,579	804,260	61,909	1,575,748
Adjustment	(22,048)	-	-	(22,048)
Net Position Adjusted - July 1, 2015	687,531	804,260	61,909	1,553,700
Net Position - June 30, 2016	765,104	866,217	63,591	1,694,912

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, 2016

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	677,061	366,334	-	1,043,395
Payments to Suppliers	(143,758)	(112,151)	-	(255,909)
Payments to Employees	(230,376)	(121,821)	-	(352,197)
Internal Activity-Payments to Other Funds	-	(7,039)	-	(7,039)
Claims Paid	(5,441)	-	-	(5,441)
Other Receipts (Payments)	-	1,040	522	1,562
Net Cash Provided (Used)	297,486	126,363	522	424,371
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	1,120	1,765	-	2,885
Operating Subsidies and Transfers from Other Funds	(31,622)	-	-	(31,622)
Net Cash Provided (Used)	(30,502)	1,765	-	(28,737)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Debt Issuance	5,823	668,900	-	674,723
Capital Grants & Contributions Received	-	25,097	-	25,097
Acquisition and Construction of Capital Assets	(175,797)	(151,396)	-	(327,193)
Interest Paid on Debt Instruments	(82,250)	(52,910)	-	(135,160)
Principal Paid on Debt Instruments	(136,712)	(715,810)	-	(852,522)
Passenger Facility Charges	-	93,931	-	93,931
Other Receipts (Payments)	33	-	-	33
Net Cash Provided (Used)	(388,903)	(132,188)	-	(521,091)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale and Maturities of Investments	-	4,232	-	4,232
Interest and Dividends on Investments	3,626	1,012	19	4,657
Net Cash Provided (Used)	3,626	5,244	19	8,889
Net Increase (Decrease) in Cash and Cash Equivalents	(118,293)	1,184	541	(116,568)
Cash and Cash Equivalents, July 1 (including $668.1 mil for Water & Sewer and $336.1 mil for Aviation reported in restricted accounts)	748,113	402,141	4,540	1,154,794
Cash and Cash Equivalents, June 30 (including $550.7 mil for Water & Sewer and $287.1 mil for Aviation reported in restricted accounts)	629,820	403,325	5,081	1,038,226
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	186,837	(5,310)	522	182,049
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	101,711	101,909	-	203,620
Bad Debts, Net of Recoveries	-	-	-	-
Changes in Assets and Liabilities:				
Receivables, Net	4,220	6,503	-	10,723
Unearned Revenue	880	20,095	-	20,975
Inventories	(1,593)	(359)	-	(1,952)
Accounts and Other Payables	2,265	3,525	-	5,790
Accrued Expenses	3,166	-	-	3,166
Net Cash Provided by Operating Activities	297,486	126,363	522	424,371
Schedule of non-cash capital activities:				
Contributions of capital assets	-	-	1,135	1,135

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

City of Philadelphia **Exhibit IX**

Statement of Net Position

Fiduciary Funds

June 30, 2016

Amounts in thousands of USD

	Pension Trust Funds	Agency Funds
Assets		
Cash on Deposit and on Hand	16,987	108,456
Equity in Treasurer's Account	4,839,674	50,571
Investments	-	2,352
Securities Lending Collective Investment Pool	330,983	-
Allowance for Unrealized Loss	(315)	-
Accounts Receivable	39,062	-
Due from Brokers for Securities Sold	97,584	-
Interest and Dividends Receivable	1,084	-
Due from Other Governmental Units	9,199	-
Due from Other Funds	-	699
Total Assets	5,334,258	162,078
Liabilities		
Vouchers Payable	30	139
Accounts Payable	429	-
Salaries and Wages Payable	110	-
Payroll Taxes Payable	-	5,384
Funds Held in Escrow	-	156,555
Due on Return of Securities Loaned	330,983	-
Due to Brokers for Securities Purchased	152,922	-
Accrued Expenses	3,691	-
Other Liabilities	4,859	-
Total Liabilities	493,024	162,078
Net Position Held in Trust for Pension Benefits	4,841,234	-

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

City of Philadelphia **Exhibit X**

Statement of Changes in Net Position

Fiduciary Funds

For the Fiscal Year Ended June 30, 2016

Amounts in thousands of USD

	Pension Trust Funds
Additions:	
Contributions:	
Employers' Contributions	681,369
Employees' Contributions	67,657
Total Contributions	749,026
Investment Income:	
Interest and Dividends	113,146
Net Decline in Fair Value of Investments	(239,840)
(Less) Investments Expenses	(11,051)
Securities Lending Revenue	1,921
Securities Lending Unrealized Gain	(11,042)
(Less) Securities Lending Expenses	(313)
Net Investment Loss	(147,180)
Miscellaneous Operating Revenues	4,370
Total Additions	606,216
Deductions	
Personal Services	3,079
Purchase of Services	2,491
Materials and Supplies	44
Employee Benefits	2,861
Pension Benefits	932,438
Refunds of Members' Contributions	7,351
Administrative Expenses Paid	1,610
Other Operating Expenses	78
Total Deductions	949,953
Change in Net Position	(343,737)
Net Position - July 1, 2015	5,184,971
Net Position - June 30, 2016	4,841,234

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

City of Philadelphia
Statement of Net Position
Component Units
June 30, 2016

Exhibit XI

Amounts in thousands of USD

	Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Delaware River Waterfront Corporation	Philadelphia Authority for Industrial Development*	Total
Assets									
Cash on Deposit and on Hand	91,743	51,249	48,018	3	13,434	10,658	7,752	45,328	268,185
Equity in Pooled Cash and Investments		-	-	272,564	-	-	-	-	272,564
Investments		17,387	26,079	142,850	40,719	-	1,289	-	228,324
Due from Primary Government	-	11,057	-	-	-	74,984	-	14,837	100,878
Notes Receivable	-	25,553	-		-	-	-	-	25,553
Taxes Receivable	73,563	-	-	174,236	-	-	-	-	247,799
Accounts Receivable-Net		1,661	403	20,251	6,205	873	2,206	1,776	33,375
Interest and Dividends Receivable		19,856	182	850	36		-	-	20,924
Due from Other Governments	-	162	-	112,559	1,408	-	-	25,006	139,135
Inventories	47,891	153,354	-	1,869	-	-	-	-	203,114
Other Assets	66,318	4,770	96	5,948	-	384	190	-	77,706
Restricted Assets:									
Cash and Cash Equivalents	-	8,183	120,078	26,166	-	-	-	27,391	181,818
Other Assets	89,255	15,808	-	13,257	1,586	-	-	18,069	137,975
Capital Assets:									
Land and Other Non-Depreciated Assets	79,125	170	15,844	188,442	31,861	-	1,850	11,003	328,295
Other Capital Assets (Net of Depreciation)	1,205,684	170	164,604	1,517,539	134,682	10,459	7,620	65,082	3,105,840
Total Capital Assets	1,284,809	340	180,448	1,705,981	166,543	10,459	9,470	76,085	3,434,135
Total Assets	1,653,579	309,380	375,304	2,476,534	229,931	97,358	20,907	208,492	5,371,485
Deferred Outflows of Resources	159,981	5,700	30,287	334,248	8,020	-	367	-	538,603
Liabilities									
Notes Payable	71,000	7,197	2,100	-	-	-	-	-	80,297
Vouchers Payable	55,870	-	-	-	12,422	-	-	-	68,292
Accounts Payable		11,780	22,180	121,938	-	5,052	996	13,798	175,744
Salaries and Wages Payable	3,609	-	-	84,952	3,478	2,898	-	-	94,937
Accrued Expenses	164,645	13,407	592	-	1,160	74,221	602	-	254,627
Funds Held in Escrow		9,627	-	-	546	-	-	812	10,985
Due to Other Governments	-	-	11,949	9,116	61	-	-	12,160	33,286
Due to Primary Government	-	1,500	32,927	-	-	-	-	-	34,427
Unearned Revenue	7,881	27,188	-	62,183	2,997	2,883	9,506	91,273	203,911
Overpayment of Taxes	-	-	-	18,612	-	-	-	-	18,612
Other Current Liabilities		-	-	63,873	-	8,300	-	-	72,173
Derivative Instrument Liability		-	-	664	-	-	-	-	664
Net OPEB Liability	296,093	1,758	12,617	-	70,428	4,004	1,455	-	386,355
Net Pension Liability	-	16,133	145,554	3,038,600	-	-	-	-	3,200,287
Non-Current Liabilities:									
Due within one year	34,790	5,266	13,170	279,908	7,269	-	-	-	340,403
Due in more than one year	891,634	39,858	157,928	3,317,877	67,609	-	2,020	24,813	4,501,739
Total Liabilities	1,525,522	133,714	399,017	6,997,723	165,970	97,358	14,579	142,856	9,476,739
Deferred Inflows of Resources	-	1,057	934	452,132	184	-	-	-	454,307
Net Position									
Net Investment in Capital Assets	415,561	170	82,384	(582,931)	98,776		9,470	41,633	65,063
Restricted For:									
Capital Projects	-	-	-	-	5,381	-	-	-	5,381
Debt Service	89,255	10,996	2,493	142,049		-	-	-	244,793
Educational Programs	-	-	-	6,315	8,546	-	-		14,861
Grant Programs	-	-	-	-	-	-	-	27,033	27,033
Other	-	-	-	9,809	-	-	-	-	9,809
Unrestricted	(216,778)	169,143	(79,237)	(4,214,315)	(40,906)	-	(2,775)	(3,030)	(4,387,898)
Total Net Position	288,038	180,309	5,640	(4,639,073)	71,797	-	6,695	65,636	(4,020,958)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2016. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2015. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2016.

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, 2016

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 Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Delaware River Waterfront Corporation	Philadelphia Authority for Industrial Development*	Total
Gas Operations													
Gas Works	582,576	580,309	12,321	-	10,054								10,054
Housing													
Redevelopment Authority	72,532	6,556	59,101	-		(6,875)							(6,875)
Parking													
Parking Authority	239,572	242,855	-	-			3,283						3,283
Education													
School District	2,923,321	9,184	944,149	1,260				(1,968,728)					(1,968,728)
Community College	173,190	33,383	64,827	-					(74,980)				(74,980)
Total	3,096,511	42,567	1,008,976	1,260									
Health													
Community Behavioral Health	811,528	-	811,342	-						(186)			(186)
Economic Development													
	-	-	-	-									-
Delaware River Waterfront Corp.	22,108	12,251	9,355	-							(502)		(502)
Authority for Ind. Development	172,259	3,224	100,835	65,827								(2,373)	(2,373)
Total	194,367	15,475	110,190	65,827									
Total Component Units	4,997,086	887,762	2,001,930	67,087									(2,040,307)
General Revenues:													
Property Taxes					-	-	-	669,424	-	-	-	-	669,424
Other Taxes					-	-	-	424,507	-	-	-	-	424,507
Grants & Contributions Not Restricted to Specific Programs					-	-	-	1,072,091	65,754	-	-	-	1,137,845
Unrestricted Interest & Investment Earnings					-	3,932	3,824	8,725	838	186	34	30	17,569
Miscellaneous					-	-	-	-	3,356	-	-	-	3,356
Special Item-Gain (Loss) on Sale of Capital Assets					-	-	-	2,064	-	-	-	1,693	3,757
Total General Revenue ,Special items and Transfers					-	3,932	3,824	2,176,811	69,948	186	34	1,723	2,256,458
Change in Net Position					10,054	(2,943)	7,107	208,083	(5,032)	-	(468)	(650)	216,151
Net Position - July 1, 2015					277,984	72,550	118,072	(4,847,238)	76,720	-	7,163	66,286	(4,228,463)
Adjustment					-	110,702	(119,539)	82 -	109	-	-	-	(8,646)
Net Position Adjusted - July 1, 2015					277,984	183,252	(1,467)	(4,847,156)	76,829	-	7,163	66,286	(4,237,109)
Net Position - June 30, 2016					288,038	180,309	5,640	(4,639,073)	71,797	-	6,695	65,636	(4,020,958)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2016. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2015. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2016.

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 06/30/2016

Table of Contents

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 and No. 61. 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.

Delaware River Waterfront Corp. (DRWC) – 121 N. Columbus Blvd., Philadelphia, PA 19106
The 16-member board is headed by the Mayors’ Deputy Director for Economic Development and Planning, and is comprised of appointed City officials and private sector experts in design, finance, and real estate development. The group will focus on the development of the seven-mile stretch of water front property be-

tween Allegheny and Oregon Avenues. As stated in **DWRC**'s Articles of Incorporation, **DRWC** is organized exclusively for the benefit of the City of Philadelphia, therefore, the significance of the City's relationship with **DRWC** is such that exclusion from the City's financial report would be misleading.

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, 2015.

School District of Philadelphia (SDP) – 440 N. Broad St., Philadelphia, PA 19130
SDP was established by the Educational Supplement to the Philadelphia Home Rule Charter to provide free public education for the City's residents. A voting majority of the SDP governing board is not appointed by the City, however, the significance of the City's relationship with SDP is such that exclusion from the City's financial report would be misleading.

Community Behavioral Health (CBH) – 801 Market St., Philadelphia, PA 19107
CBH is a not-for-profit organization established by the City's Department of Public Health to provide for and administer all behavioral health services required by the Commonwealth of Pennsylvania. Its board is made up of City officials and City appointees. Any change in funding would present a financial burden to the City.

Philadelphia Authority for Industrial Development (PAID) – 2600 Centre Sq. West, Philadelphia, PA 19102
PAID was formed under the Industrial Development Authority Law to issue debt to finance eligible industrial and commercial development projects. PAID is the delegate agency responsible for administration of certain state grants and acts in the City's behalf on major development projects in the City. The City appoints a voting majority of PAID's board and is responsible for 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.

C. RELATED ORGANIZATIONS

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. PHA provides significant services to the City's residents.

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 particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

3. BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND FINANCIAL STATEMENTS

A. PRIMARY GOVERNMENT

The government wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund (except agency funds which only report assets and liabilities and cannot be said to have a measurement focus) financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Real estate taxes are recognized as revenues in the year for which they are levied. Derived tax revenues such as wage, business 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, 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 identi-fication. Unpaid accounts are referred to the City's Law Department if deemed uncollectible. Accounts are writ-ten 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 **(DRWC)** 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	86,257	17,547	14,763
Deferred Charge of Refunding	71,720	53,765	186,012
Deferred Pension Expense	720,587	87,349	337,828
Total:	878,564	158,661	538,603

(Amounts in Thousands of USD) **Deferred Inflows of Resources**	**Governmental Activities**	**Business Type Activities**	**Component Unit**
Deferred Gain of Refunding	1,510	172	31
Deferred Pension Revenue	38,179	4,214	453,342
Unavailable Government Revenue	-	-	934
Total:	39,689	4,385	454,307

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	157,370	-	213
Unavailable Agency Revenue	49,017	-	-
Unavailable Government Revenue	39,845	353,701	67,271
Total:	246,232	353,701	67,484

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 ($5.7 million) and Business Income and Receipts Tax (BIRT) ($169.5 million).

14. NEW ACCOUNTING STANDARDS

In fiscal year 2016, the City implemented **GASB Statement No. 72, Fair Value Measurement and Application, (GASB 72)**. This Statement addresses accounting and financial reporting issues related to fair value measurements and provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. As a result of the adoption of GASB 72, the City has determined and disclosed all fair value measurements.

In June 2015, GASB issued **Statement No. 73**, **Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68**. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The City's accounting and financial reporting are within the scope of Statement No 68. 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. 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 City has not completed the process of evaluating the impact of adopting this Statement.

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 State-ment 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 liabili-ties, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined bene-fit 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 de-fined 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 June 2015, GASB issued **Statement No. 76**, **The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments**. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The adoption of this Statement did not result in any significant changes to the City's financial statements.

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. The City has not completed the process of evaluating the impact of adopting this Statement.

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 City has not completed the process of evaluating the impact of adopting this Statement.

In December 2015, GASB issued **Statement No. 79**, **Certain External Investment Pools and Pool Participants, (GASB 79)**. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The requirements of this Statement are effective for reporting periods beginning after June 30, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing which are effective for reporting periods beginning after December 15, 2015. As a result of the adoption of GASB 79, the City has determined and included all applicable disclosures.

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 has not completed the process of evaluating the impact of adopting this Statement.

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 City has not completed the process of evaluating the impact of adopting this Statement.

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.

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 $621.3 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, 2016 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	$ 2,500	$ -	$ -	$ -	$ 2,500
State of PA - Invest Program	877	-	-	-	877
Short-Term Investment Pools	105,915	-	16,976	145,697	268,588
Commercial Paper	342,231	-	-	-	342,231
U.S. Government Securities	629,212	1	35,965	174,836	840,014
U.S. Government Agency Securities	540,649	-	19,659	40,428	600,736
Municipal Debt	-	-	4,038	7,404	11,442
Foreign Debt	-	-	5,815	130,923	136,738
Corporate Bonds	189,108	-	46,428	304,026	539,562
Collateralized Debt Obligations	-	-	42,851	115,240	158,091
Other Bonds and Investments	-	3,955	35	-	3,990
Corporate Equities	-	2,859	315,661	2,257,989	2,576,509
Limited Partnerships	-	-	-	412,840	412,840
Hedge Funds	-	-	-	86,390	86,390
Real Estate	-	-	-	229,875	229,875
Private Equity	-	-	-	437,908	437,908
Grand Total	$ 1,810,492	$ 6,815	$ 487,428	$ 4,343,555	$ 6,648,291

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 (34.75%) or US Government Agency obligations (29.86%) 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 (18.90%) 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 (10.45%) 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
Certificate of Deposit	2,500	-	-	-	-	2,500
Commercial Paper	312,600	29,631	-	-	-	342,231
U.S. Government Security	123,191	202,396	276,518	27,107	-	629,212
U.S. Government Agency Securities	133,482	228,185	85,632	70,551	22,800	540,649
Corporate Bonds	26,731	100,362	28,813	33,201	-	189,108
Grand Total	598,504	560,574	390,963	130,859	22,800	1,703,700

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, 2016:

- U.S. Treasury securities of $629.2 million are valued using quoted prices from active markets (Level 1)
- U.S Agency securities of $540.6 million are valued using quoted prices for identical securities traded in active markets when sufficient activity exists (Level 2)
- Corporate bond securities of $189.1 million are valued using quoted prices for similar securities in active markets and via matrix pricing models (Level 2)
- Commercial paper securities of $342.2 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 certificate of deposit of $2.5 million is valued at cost.

The City's money market and short term investment pools of $106.8 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) e. 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

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

At June 30, 2016 the carrying amount of **PICA's** deposits with financial institutions (including certificates of deposit and shares in US government money market funds) and other short-term investments was $106.1 million. Statement balances were insured or collateralized as follows:

	(Millions of USD)
Insured	5.9
Uninsured and uncollateralized	100.2
Total:	$ 106.1

PICA's deposits include bank certificates of deposit with a remaining maturity of one year or less and shares in US government money market funds. U.S. Government agency investments with a remaining maturity of one year or less are classified as short-term investments.

All of the Authority's investments are category (1) credit risk. Credit risk categories are defined as follows:

- Insured or registered securities held by the entity or its agent (bank trust department) in the entity's name.
- Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent in the entity's name.
- Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the entity's name.

The following table summarizes the investments within the fair value hierarchy at June 30, 2016:

	Fair Value Measurements Using			
Investments by fair value level	Level 1	Level 2	Level 3	Totals
Cash & Cash Equivalents	29,177,907			29,177,907
U.S. Agencies	18,228,379			18,228,379
Municipal/Public Bonds		48,759,652		48,759,652
Bond Mutual Funds	9,932,927			9,932,927
Total	$57,339,213	$48,759,652		106,098,865

Fair Value of Investments: Investments and derivatives are recorded at fair value as of June 30, 2016. 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.

Investment Derivative Instruments

As of June 30, 2016, PICA's basis caps did not meet the criteria for effectiveness as a hedging instrument. Therefore, they are reported as investment derivative instruments.

	Changes in Fair Value		Fair Value as of June 30, 2016		
Government Activities	Classification	Amount	Classification	Amount	Notional Amount
2003 Basis Cap	Investment Income	8,523	Investment	739,200	68,575,000
1999 Basis Cap	Investment Income	21,660	Investment	1,831,833	144,035,000

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, 2016, the 2003 Basis Cap had a positive fair value of $739,200. This means that **PICA** would receive this amount to terminate the 2003 basis cap. As of June 30, 2016, the 1999 Basis Cap had a positive fair value of $1,831,833. 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

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

	(thousands of USD)	
	Fair Value	**Cost**
Money Market Funds	$ 28,167	$ 28,167
	$ 28,167	$ 28,167

The Authority does not have a formally adopted investment policy related to credit risk, but generally follows the practices of the City. Investments in money market funds were not rated. Depository cash accounts consisted of $291,370 on deposit with two local banks. Amounts are insured by the FDIC up to $250,000 per bank. 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, 2016, the Authority did not have any uninsured deposits on hand.

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, 2016, **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. 2016		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Governmental activities					
Investment derivatives:					
Basis Swap	Investment Revenue	1,546	Investment	(516)	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, 2016, the notional amount on the portion of the swap that was not amended was $193.5 million.

Fair Value: As of June 30, 2016, the swap had a negative fair value of ($515,877). The fair value reflects the effect of non-performance risk, which includes the credit risk. This means that **PAID** 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.

Risks: As of June 30, 2016, **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, 2016 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 2003 School Lease Revenue Bonds	$150,000,000	$150,000,000	11/30/2006	5/15/2033	SIFMA Swap67% of USD-LIBOR Index	+.2788%	($199,210)	Wells Fargo Bank, N.A.	Aa2/AA-/AA
Series 2003 School Lease Revenue Bonds	$350,000,000	$350,000,000	11/30/2006	5/15/2033	SIFMA Swap67% of USD-LIBOR Index	+.2788%	($464,823)	JPMorgan Chase Bank, N.A.	Aa3/A+/AA-
							($664,033)		

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, 2016, the net benefit to the School District has been $15,079,433

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 fair 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, 2016, the School District has no credit risk exposure on the two basis swap contracts because the swaps under each netting agreement with each counterparty have negative fair values, meaning the counterparties are exposed to the School District in the amount of the derivatives' fair values. 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 Corri-dor 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:				
		Non major Governmental			
	General	Special Revenue	Debt Service	Other Funds	Total
Interfund Payables Due From:					
General	-	-	-	699	699
Grants Revenue Fund	41,912	-	-	-	41,912
Non major Special Revenue Funds	10,271	39	-	-	10,310
Total	**52,183**	**39**	**-**	**699**	**52,921**

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	-	-	-	-	-	82	3	-	85
Behavioral Health	-	-	38,342	-	-	-	-	-	38,342
Grants Revenue	-	-	414	3,527	-	-	-	-	3,941
Community Dev.	-	-	-	5,037	-	-	-	-	5,037
Water Fund	-	-	-	155	784	-	9	(30)	918
PPA	11,764	26,717	-	-	-	-	-	(5,554)	32,927
PAID	37,751	-	-	-	-	-	-	(37,751)	-
PRA	-	-	-	-	-	-	-	1,500	1,500
Timing Difference	-	(26,717)	36,228	2,338	14,053	(82)	(12)	-	25,808
									-
Total	49,515	-	74,984	11,057	14,837	-	-	(41,835)	108,558

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	818	11	-	829
Fine Arts	1	-	-	1
Construction In Process	36	16	(9)	43
Total capital assets not being depreciated	855	27	(9)	873
Capital assets being depreciated:				
Buildings	2,123	36	-	2,159
Other Improvements	339	9	-	348
Equipment	494	45	(24)	515
Infrastructure	1,576	93	-	1,669
Intangibles	13	9	-	22
Transit	292	-	-	292
Total capital assets being depreciated	4,837	192	(24)	5,005
Less accumulated depreciation for:				
Buildings	(1,388)	(63)	-	(1,451)
Other Improvements	(244)	(9)	-	(253)
Equipment	(384)	(27)	20	(391)
Infrastructure	(1,132)	(42)	-	(1,174)
Intangibles	(1)	(2)	-	(3)
Transit	(229)	(4)	-	(233)
Total accumulated depreciation	(3,378)	(147)	20	(3,505)
Total capital assets being depreciated, net	1,459	45	(4)	1,500
Governmental activities capital assets, net	2,314	72	(13)	2,373

* Note that the beginning balances of the accumulated depreciation for "Other Improvements" and "Equipment" have been adjusted by $18 million. This is due to an error in the prior year table.

(Amounts In Millions of USD)

Business-type activities:	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Capital assets not being depreciated:				
Land	153	3	-	156
Construction In Process	856	338	(467)	728
Total capital assets not being depreciated	1,009	341	(467)	884
Capital assets being depreciated:				
Buildings	3,150	251	(8)	3,393
Other Improvements	331	19	-	350
Equipment	133	26	(21)	138
Intangible Assets	14	1	-	15
Infrastructure	3,342	232	(95)	3,479
Total capital assets being depreciated	6,970	529	(124)	7,375
Less accumulated depreciation for:				
Buildings	(1,751)	(96)	5	(1,842)
Other Improvements	(163)	(14)	-	(177)
Equipment	(108)	(7)	2	(112)
Intangible Assets	(8)	(1)	-	(9)
Infrastructure	(1,850)	(89)	42	(1,897)
Total accumulated depreciation	(3,880)	(207)	49	(4,038)
Total capital assets being depreciated, net	3,090	322	(75)	3,338
Business-type activities capital assets, net	4,099	664	(541)	4,221

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	43
Mass Transit	4
Judiciary and Law Enforcement:	
Police	11
Prisons	6
Courts	1
Conservation of Health:	
Health Services	3
Housing and Neighborhood Development	0
Cultural and Recreational:	
Recreation	12
Parks	11
Libraries and Museums	8
Improvements to General Welfare:	
Social Services	1
Service to Property:	
Fire	7
General Management & Support	38
Total Governmental Activities	147

(Amounts in Millions of USD)

Business-Type Activities:

Water and Sewer	102
Aviation	102
Total Business Type Activities	204

B. DISCRETELY PRESENTED COMPONENT UNITS

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

(Amounts In Millions of USD)

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	130.2	0.2	(1.0)	129.4
(1) Construction In Process	20.7	44.2	(5.9)	59.0
Total capital assets not being depreciated	150.9	44.4	(6.9)	188.4
Capital assets being depreciated:				
Buildings	1,753.2	4.5	(9.0)	1,748.7
Other Improvements	1,221.8	17.3	(15.5)	1,223.6
Intangible Assets	50.3	3.3	-	53.6
(2) (3) Personal Property & Equipment	241.7	21.5	(29.9)	233.3
Total capital assets being depreciated	3,267.0	46.6	(54.4)	3,259.2
Less accumulated depreciation for:				
Buildings	(665.4)	(31.1)	8.4	(688.1)
Other Improvements	(794.0)	(51.9)	12.7	(833.2)
Intangible Property	(41.3)	(2.4)	-	(43.7)
(2) (3) Personal Property & Equipment	(187.6)	(17.3)	28.3	(176.6)
Total accumulated depreciation	(1,688.3)	(102.7)	49.4	(1,741.6)
Total capital assets being depreciated, net	1,578.7	(56.1)	(5.0)	1,517.6
Capital assets, net	1,729.6	(11.7)	(11.9)	1,706.0

(1) The beginning balance for CIP was adjusted to reflect a $0.1 million prior period adjustment to include FY 2015 capital grant expenditures.

(2) The beginning balances for Personal Property and related Accumulated Depreciation have been adjusted by ($0.6) million and $0.6 million respectively to reflect the reclassification of Print Shop Personal Property and Accumulated Depreciation from Governmental Activities to Business-Type Activities.

(3) The beginning balances for Machinery & Equipment and related Accumulated Depreciation have been adjusted by $0.8 million and ($0.8) million respectively to reflect re-establishment of items erroneously deleted in Fiscal Year 2015.

(Amounts In Millions of USD)

Business-type Activities:	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Capital assets not being depreciated:				
Land	46	2	-	48
Fine Arts	(9)	-	-	(9)
Construction In Process	91	103	(94)	100
Total capital assets not being depreciated	127	105	(94)	139
Capital assets being depreciated:				
Buildings	710	4	-	714
Other Improvements	25	1	(2)	24
Equipment	493	47	-	540
Infrastructure	1,686	73	(6)	1,753
Total capital assets being depreciated	2,914	125	(8)	3,031
Less accumulated depreciation for:				
Buildings	(317)	(16)	-	(333)
Other Improvements	(39)	(3)	1	(41)
Equipment	(209)	(18)	(1)	(228)
Infrastructure	(809)	(38)	5	(842)
Total accumulated depreciation	(1,374)	(75)	5	(1,444)
Total capital assets being depreciated, net	1,540	50	(3)	1,587
Capital assets, net	1,667	155	(97)	1,726

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 $189.9 million notes outstanding at June 30, 2016.

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 2016, $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 $262.1 million in loans to PIDC. As of June 30, 2016, there was $80.4 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, 2016 are as follows:

Calendar Year	Amount
2016	10,175,000
2017	10,820,000
2018	11,535,000
2019	3,350,000
2020	6,615,000
Thereafter	37,893,000
Total	$ 80,388,000

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, will not exceed $150 million outstanding at any one time. These notes are intended to provide additional working capital. They are supported by an irrevocable letter of credit and a subordinated security interest in the **PGW**'s revenues. There was $71.0 million in notes outstanding at year-end (August 31, 2016).

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%. The balance of the note payable at March 31, 2016 is $5,400,000.

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). The balance of the note payable at March 31, 2016 is $15,000,000.

The aggregate annual principal and sinking fund payments of debt at March 31, 2016 are as follows:

Notes Payable Year Ending March 31	Revenue Bonds Principal Amount	Revenue Bonds Interest Amount	Principal Amount	Interest Amount	Total
2017	13,170,000	6,790,140	2,100,000	178,807	22,238,947
2018	13,800,000	6,129,942	18,300,000	164,627	38,394,569
2019	14,095,000	5,475,584			19,570,584
2020	14,605,000	4,801,471			19,406,471
2021	15,210,000	4,070,640			19,280,640
2022-2026	56,485,000	13,452,522			69,937,522
2027-2030	19,590,000	3,213,229			22,803,229
Total	146,955,000	43,933,528	20,400,000	343,434	211,631,962

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, 2016 the statutory limit for the City is $5.4 billion, the General Obligation Debt, net of deductions authorized by law, is $1.8 billion; leaving a legal debt borrowing capacity of $3.6 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	681.7	28.6	(95.5)	614.8	72.8
Refunding Bonds	868.3	138.8	(163.4)	843.7	43.2
Serial Bonds	382.5	163.0	(15.2)	530.3	24.7
Add: Bond Premium	111.8	53.9	(26.8)	138.9	-
Less: Deferred Amounts					
Unamortized Insurance Expenses	(14.8)	-	2.2	(12.6)	-
Unamortized Discount	(1.8)	-	0.1	(1.7)	-
Total Bonds Payable	2,027.7	384.3	(298.6)	2,113.4	140.7
Obligations Under Lease & Service Agreements					
Pension Service Agreement	1,063.3	39.1	(104.9)	997.5	104.9
Neighborhood Transformation	190.7	-	(8.3)	182.4	7.7
One Parkway	37.0	-	(2.4)	34.6	2.5
Sports Stadium	290.0	-	(13.5)	276.5	13.7
Library	6.7	6.2	(6.7)	6.2	0.6
Cultural Corridor Bonds	108.0	89.2	(103.6)	93.6	4.4
City Service Agreement	299.8	-	-	299.8	-
PAID School District	43.3	-	(14.2)	29.1	14.4
Total Obligations Under Lease & Service Agreements	2,038.8	134.5	(253.6)	1,919.7	148.2
Other Long-term Liabilities					
Indemnity Claims	74.0	143.9	(147.5)	70.4	18.9
Worker's Compensation Claims	247.3	57.2	(60.2)	244.3	-
Termination Compensation Payable	212.2	53.5	(22.0)	243.7	31.5
Leases	12.9	-	(4.2)	8.7	4.3
Total Other Long-term Liabilities	546.4	254.6	(233.9)	567.1	54.7
Net Pension and OPEB Liability					
Net Pension Liability	5,125.3	486.6	-	5,611.9	-
OPEB Liability	266.3	30.2		296.5	-
Total Net Pension and OPEB Liability	5,391.6	516.8	-	5,908.4	-
Governmental Activity Long-term Liabilities	10,004.5	1,290.2	(786.1)	10,508.6	343.6

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	%	1,505.6	Fiscal	2017	to	2042
PMA	1.250	%	to	6.660	%	217.1	Fiscal	2017	to	2044
PICA	4.000	%	to	5.000	%	266.1	Fiscal	2017	to	2023
						1,988.8				

- In July 2015, the City issued $138.8 million of General Obligation Refunding Bonds Series 2015A. The total proceeds were $157.0 million (including a premium of $18.2 million). The proceeds of the sale were used to refund the Series 2006, 2008B, and 2011 bonds. The interest rates of the the Bonds that were refunded ranged from 4.75% to 5.875%. The interest rates of the newly issued bonds ranged from 4% to 5%. The transaction resulted in a total savings to the City of $15.6 million over the next 17 years. The difference between the present value of the debt service payments on the old debt versus the new debt (economic gain) was $13.1 million.

- In September 2015, the City issued $191.6 million of General Obligation Bonds Series 2015B. The 2015B bonds were issued for the purpose of funding the City's capital projects and paying the costs relating to the issuance of the 2015B bonds. The total proceeds of the bonds were $211.3 million (which includes a premium of $19.7 million). The interest rates for the bonds range from 2.0% to 5.0%.

- In February 2016, PAID issued $95.4 million of City Service Agreement Revenue Refunding Bonds Series 2016A and 2016B.

    a. The total proceeds of the 2016A bonds were $104.6 million (which includes a premium of $15.4 million). The 2016A Bonds were issued to partially refund $99.5 million of the Series 2006A Bonds and to pay the costs of issuing the 2016A Bonds. The interest rates for the 2016A Bonds range from 4.0% to 5.0%. The interest rates of the refunded bonds range from 4.0% to 5.0%. The transaction resulted in a total savings to the City of $13.31 million over the next 16 years. The economic gain on the transaction was $10.10 million, calculated on a present value basis.

    b. The total proceeds of the 2016B bonds were $6.8 million (which includes a premium of $0.6 million). The 2016B Bonds were issued to refund $6.7 million of the Series 2005 Bonds and to pay the costs of issuing the 2016B Bonds. The interest rates for the 2016B Bonds range from 3.0% to 4.0%. The interest rates of the refunded bonds range from 3.8% to 4.3%. The transaction resulted in a total savings to the City of $0.8 million over the next 9 years. The economic gain on the transaction was $0.7 million, calculated on a present value basis.

- The City has General Obligation Bonds authorized and un-issued at year-end of $385.7 million for Governmental Funds.

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**
2017	67.9	74.2	20.7	11.0	52.1	13.3
2018	70.8	70.8	28.0	9.8	45.4	10.7
2019	74.3	67.2	13.4	8.9	38.8	8.4
2020	76.6	63.5	4.4	8.4	40.5	6.4
2021	69.9	59.9	4.7	8.2	32.9	4.4
2022-2026	400.8	241.6	27.3	36.9	56.4	3.9
2027-2031	411.8	137.7	32.1	28.6	-	-
2032-2036	251.2	48.2	39.2	19.3	-	-
2037-2041	72.6	12.5	36.1	7.1	-	-
2042-2046	9.7	0.3	11.2	0.9	-	-
Totals	1,505.6	775.9	217.1	139.1	266.1	47.1

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

(Amounts In Millions of USD)

Lease & Service Agreements

Fiscal	**Pension Service Agreement**		**Neighborhood Transformation**		**One Parkway**		**Sports Stadium**	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2017	99.7	35.0	7.7	9.1	2.5	1.6	13.7	11.2
2018	93.4	41.3	8.1	8.7	2.6	1.5	14.1	10.7
2019	87.5	47.3	9.8	8.3	2.7	1.4	14.5	10.0
2020	81.9	52.8	10.3	7.8	2.8	1.2	15.3	9.3
2021	51.2	48.6	10.8	7.3	3.0	1.1	16.0	8.7
2022-2026	137.8	222.6	58.7	28.3	17.1	3.4	90.9	32.8
2027-2031	446.0	58.1	77.0	11.9	3.9	0.2	112.0	11.9
2032-2036	-	-	-	-	-	-	-	-
Totals	997.5	505.7	182.4	81.4	34.6	10.4	276.5	94.6

Fiscal	**Central Library**		**Cultural Corridors**		**City Service Ageement**		**PAID School District**	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2017	0.6	0.3	4.4	6.1	-	11.7	14.4	0.5
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	-	-
2022-2026	3.0	0.2	27.7	14.5	276.6	36.6	-	-
2027-2031	-	-	35.5	6.7	-	-	-	-
2032-2036	-	-	8.2	0.2	-	-	-	-
Totals	6.2	1.2	93.6	43.4	299.8	95.4	29.1	0.8

(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	3,185.1	103.6	(303.7)	2,985.0	187.9
Add: Bond Premium	151.0	10.5	(18.5)	143.0	-
Total Bonds Payable	3,336.1	114.1	(322.2)	3,128.0	187.9
Indemnity Claims	4.7	10.5	(6.7)	8.5	-
Worker's Compensation Claims	27.5	4.7	(5.1)	27.1	-
Termination Compensation Payable	17.7	4.6	(3.0)	19.3	-
Arbitrage	0.3	-	(0.3)	-	-
Business-type Activity Long-term Liabilities	3,386.3	133.9	(337.3)	3,182.9	187.9
Other long term liabilities reported on separate line in Exhibit I					
Net Pension Liability	618.9	59.7	-	678.6	-
Total	4,005.2	193.6	(337.3)	3,861.5	187.9

The Enterprise Funds have no debt that is classified on their respective balance sheets as General Obligation debt payable as of June 30, 2016.

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

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

(Amounts In Millions of USD)

	Interest Rates	Principal	Due Dates
Water Fund	0.060 % to 5.750 %	1,860.3	Fiscal 2017 to 2046
Aviation Fund	2.000 % to 5.375 %	1,124.7	Fiscal 2017 to 2040
Total Revenue Debt Payable		2,985.0	

- In September 2015, the City issued $97.8 million of Airport Revenue Bonds Series 2015A Bonds to refund all of the outstanding Series 2005A Bonds in the amount of $105.9 million and to pay the costs of issuing the Series 2015A Bonds. The total proceeds of the 2015A Bonds were $108.2 million (which includes a premium of $10.5 million). The interest rates of the bonds that were refunded ranged from 4.2% to 5.0%. The interest rates of the newly issued bonds range 4% to 5%. The transaction resulted in a total savings to the City of $12.9 million over the next 20 years The economic gain was $9.3 million.

- In July 2010, the City of Philadelphia - Water Department received approval from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for the Green Infrastructure Project (Series 2010B); bringing the total financing from PENNVEST to $214.9 million. During fiscal year 2016, PENNVEST draw-downs totaled $5.8 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 Through 6/30/2016	Current Balance Outstanding 6/30/2016	Purpose
Oct. 2009	2009B	42,886,030	29,432,930	21,464,949	Water Plant Improvements
Oct. 2009	2009C	57,268,193	46,699,887	35,528,947	Water Main Replacements
Mar. 2010	2009D	84,759,263	71,956,891	56,396,744	Sewer Projects
Jul. 2010	2010B	30,000,000	28,500,000	25,101,563	Green Infrastructure Project
	Totals:	214,913,486	176,589,708	138,492,203	

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

(Amounts In Millions of USD)

Water Fund		Aviation Fund	
Principal	**Interest**	**Principal**	**Interest**
124.8	81.4	63.2	55.4
131.4	76.6	65.6	52.1
86.7	72.1	59.6	48.7
79.5	68.4	62.7	45.6
83.4	65.0	65.9	42.5
338.7	276.6	364.6	162.9
300.9	212.8	223.4	82.6
238.5	148.9	142.3	40.8
257.2	92.5	77.4	9.0
219.2	25.1		
1,860.3	1,119.4	1,124.7	539.6

(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	288.3
Enterprise Funds:	
Water Fund Revenue Bonds	70.3
	358.5

(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 2016 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, 2015	-
Additions	175.0
Deletions	(175.0)
Balance June 30, 2016	-

(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, 2016, the Aviation Fund had recorded liabilities of $546.08

(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, 2016, 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, 2016		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	(10,247)	Debt	(32,125)	100,000
	Deferred Outflow	(5,271)	Debt	(22,826)	87,759
	Deferred Outflow	(1,756)	Debt	(7,607)	29,246
	Deferred Outflow	(5,029)	Debt	(21,616)	87,961
	Deferred Outflow	(1,675)	Debt	(7,235)	29,314
Business Type Activities:					
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	186	Debt	(16,039)	121,400
	Deferred Outflow	1,781	Debt	(1,508)	35,325
	Deferred Outflow	(9,461)	Debt	(50,611)	225,520

The following table displays the objective and terms of the City's hedging derivative instruments outstanding at June 30, 2016, along with the credit rating of the associated counterparty.

(amounts in thousands of USD)

Agency	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
City GO (a)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2009 Series B bonds	100,000	12/20/2007	8/1/2031	City pays 3.829%; receives SIFMA Municipal Swap Index	Aa3/AA-
City Lease PAID (b)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2007 Series B bonds	87,759	10/25/2007	10/1/2030	City pays 3.9713%; receives SIFMA Municipal Swap Index	Aa3/A+
City Lease PAID (e)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2014 Series A bonds	87,961	5/14/2014	10/1/2030	City pays 3.62%; receives 70% 1M LIBOR	Aa3/A+
City Lease PAID (b)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2007 Series B bonds	29,246	10/25/2007	10/1/2030	City pays 3.9713%; receives SIFMA Municipal Swap Index	Baa2/A-
City Lease PAID (e)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2014 Series A bonds	29,314	5/14/2014	10/1/2030	City pays 3.62%; receives 70% 1M LIBOR	Aa3/A+
Airport '(c)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2005 Series C bonds	121,400	6/15/2005	6/15/2025	Airport pays multiple fixed swap rates; receives SIFMA Municipal Swap Index	Aa3/A+
Water (d)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2005 Series bonds	35,325	5/4/2005	8/1/2018	City pays 4.53%; receives bond rate/68.5% 1 Month LIBOR	Baa2/A-

a. City of Philadelphia 2009B General Obligation Bond Swap

Objective: In December 2007, the City entered into a swap to synthetically refund all or a portion of several series of outstanding bonds. The swap structure was used as a means to increase the City's savings when compared with fixed-rate bonds at the time of issuance. The intention of the swap was to create a synthetic fixed-rate structure. On July 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, 2016, 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, 2016, the swap had a negative fair value of ($29.93 million). The fair value reflects the effect of non-performance risk, which includes the credit risk. 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, 2016, 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, 2016 the rates were:

Term	Rates		
Interest Rate Swap			
Fixed payment to RBC under swap	Fixed	3.82900	%
Variable rate payment from RBC under swap	SIFMA	(0.41000)	%
Net interest rate swap payments		3.41900	%
Variable rate bond coupon payments	Weekly reset	0.42000	%
Synthetic interest rate on bonds		3.83900	%

Swap payments and associated debt: As of June 30, 2016, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows:

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Interest Rate Swaps Net	Total Interest
2017	-	420,000	3,419,000	3,839,000
2018	-	420,000	3,419,000	3,839,000
2019	-	420,000	3,419,000	3,839,000
2020	-	420,000	3,419,000	3,839,000
2021	-	420,000	3,419,000	3,839,000
2022-2026	-	2,100,000	17,095,000	19,195,000
2027-2031	81,585,000	1,506,561	12,264,124	13,770,685
2032	18,415,000	77,343	629,609	706,952
Total:	100,000,000	5,783,904	47,083,733	52,867,637

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 cash-flow savings from the transaction in every fiscal year that the bonds are outstanding.

As of June 30, 2016, 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, 2016, the SIFMA-based swap with JP Morgan Chase Bank had a negative fair value of ($21.70 million), the SIFMA-based swap with Merrill Lynch Capital Services, Inc. had a negative fair value of ($7.23 million), the LIBOR-based swap with JP Morgan Chase Bank had a negative fair value of ($20.53 million) and the LIBOR-based swap with Merrill Lynch Capital Services had a negative fair value of ($6.87 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 the 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, 2016, **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, 2016, the rates for the JP Morgan SIFMA-based swap were:

Term	Rates		
Interest Rate Sw ap			
Fixed payment to JP Morgan under sw ap	Fixed	3.97130	%
Variable rate payment from JP Morgan under sw ap	SIFMA	(0.41000)	%
Net interest rate sw ap payments		3.56130	%
Variable rate bond coupon payments	Weighted Average Weekly resets	0.40762	%
Synthetic interest rate on bonds		3.96892	%

As of June 30, 2016, the rates for the Merrill Lynch SIFMA-based swap were:

Term	Rates		
Interest Rate Sw ap			
Fixed payment to JP Morgan under sw ap	Fixed	3.97130	%
Variable rate payment from JP Morgan under sw ap	SIFMA	(0.41000)	%
Net interest rate sw ap payments		3.56130	%
Variable rate bond coupon payments	Weighted Average Weekly resets	0.40762	%
Synthetic interest rate on bonds		3.96892	%

As of June 30, 2016, the rates for the JP Morgan Libor-based swap were:

Term	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	(0.32554)	%
Net interest rate swap payments		3.29447	%
Variable rate bond coupon payments	70% of 1-month LIBOR + fixed spread	0.32554	%*
Synthetic interest rate on bonds		3.62000	%

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

As of June 30, 2016, the rates for the Merrill Lynch Libor-based swap were:

Term	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	(0.32554)	%
Net interest rate swap payments		3.30647	%
Variable rate bond coupon payments	70% of 1-month LIBOR + fixed spread	0.32554	%*
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

***PAID** Swap payments and associated debt*: As of June 30, 2016, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the current interest rates remain the same, were as follows:

Fiscal Year Ending	Variable Rate Bonds		Interest Rate	
June 30	Principal	Interest	Swaps Net	Total Interest
2017	-	858,712	8,034,001	8,892,713
2018	-	858,712	8,034,001	8,892,713
2019	-	858,712	8,034,001	8,892,713
2020	15,355,000	858,712	8,034,001	8,892,713
2021	16,015,000	802,435	7,507,452	8,309,886
2022-2026	90,905,000	3,080,130	28,817,018	31,897,149
2027-2031	112,005,000	1,265,923	11,843,523	13,109,446
Total:	234,280,000	8,583,336	80,303,995	88,887,332

c. Philadelphia Airport Swap

Objective: In April 2002, the City entered into a swaption that provided the City's Aviation Division (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, 2016, the swap had a notional amount of $121.4 million and the associated variable-rate bonds had a $121.4 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, 2016, the swap had a negative fair value of ($16.04 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, 2016, 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, 2016, the rates were:

Terms	Rates		
Interest Rate Swap			
Fixed payment to JP Morgan under swap	Fixed-declining	4.11356	%
Variable rate payment from JP Morgan under sw	SIFMA	(0.41000)	%
Net interest rate swap payments		3.70356	%
Variable rate bond coupon payments	Weekly resets	0.42000	%
Synthetic interest rate on bonds		4.12356	%

Swap payments and associated debt: As of June 30, 2016, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows.

Fiscal Year Ending June 30		Variable Rate Bonds Principal	Interest	Interest Rate Swaps Net	Total Interest
2017	$	10,700,000	509,880	4,496,120	5,006,000
2018		11,400,000	464,940	3,875,380	4,340,320
2019		12,200,000	417,060	3,164,886	3,581,946
2020		13,000,000	365,820	2,457,956	2,823,776
2021		13,700,000	311,220	1,857,456	2,168,676
2022-2026		60,400,000	644,700	2,907,632	3,552,332
Total:		121,400,000	2,713,620	18,759,430	21,473,050

d. City of Philadelphia, 2005 Water & Sewer Swap

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

Terms: Citigroup exercised its option to enter into a swap May 4, 2005, and the swap commenced on that date. Under the terms of the swap, the City pays a fixed rate of 4.53% and receives a variable payment computed as the actual bond rate or alternatively, 68.5% of one month LIBOR, in the event the average rate on the Bonds as a percentage of the average of one month LIBOR has exceeded 68.5% for a period of more than 180 days. Citigroup 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, 2016, the swap had a notional amount of $35.33 million and the associated variable-rate bond had a $35.33 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, 2016, the swap had a negative fair value of ($1.51 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, 2016 the City is not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. Since the City is now receiving 68.5% of one month LIBOR, 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, 2016, the rates were:

Terms	Rates		
Interest Rate Swap			
Fixed payment to Citi under swap	Fixed	4.53000	%
Variable rate payment from Citi under sv	68.5% of 1-month LIBOR	(0.31856)	%
Net interest rate swap payments		4.21144	%
Variable rate note coupon payments	68.5% of 1-month LIBOR + fixed spreac	0.31856	%*
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 bon*

Swap payments and associated debt: As of June 30, 2016, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows:

Fiscal Year Ending	Variable Rate Bonds		Interest Rate	
June 30	Principal	Interest	Swaps Net	Total Interest
2017	$ 17,145,000.00	112,531.06	1,487,691.44	$ 1,600,222.50
2018	18,015,000.00	57,914.07	765,639.93	823,554.00
2019	165,000.00	525.62	6,948.88	7,474.50
Total:	$ 35,325,000.00	170,970.75	2,260,280.25	$ 2,431,251.00

(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 2016 Pension Funding Bonds liability of $997.5 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 2016 NTI Service Agreement liability of $182.4 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 2016, the Sports Stadium Financing Agreement liability of $276.5 million is reflected in the City's financial statements as Other Long Term Liabilities.

(10) Cultural and Commercial Corridors Program Financing Agreement

In December, 2006, **PAID** issued $135.5 million in Revenue Bonds, Series A and B. The proceeds from the bonds will be used to finance a portion of the cost of various commercial and cultural infrastructure programs and administrative and bond issuance cost. The City and **PAID** signed a service agreement, whereby **PAID** manages a portion of the funds and the City makes payments equal to the yearly debt service. **PAID** will distribute some of the proceeds and some will flow through the City's capital project fund. In accordance with GASB Interpretation #2, **PAID** treats this as conduit debt, and therefore, does not include these transactions in its statements. During fiscal year 2007, none of the proceeds were spent. In fiscal 2016 the liability of $93.6 million is reflected in the City's financial statements as Other Long Term Liabilities.

(11) 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 2016, the liability of $299.8 million is reflected in the City's financial statements as Other Long Term Liabilities.

(12) 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 2016, **PAID** School District liability of $29.1 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. The newly issued bond have a maturity date of June 30, 2018.

(13) 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 2016, the Governmental Activities' Net Pension Liabilities (NPL) increased by $484.9 million resulted in Net Pension Liability of $5.6 Billion. During FY 2016, the Business Type Activities' NPL increased by $59.6 million resulting in a Net Pension Liability of $678.6 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 $2,989 million in principal, with interest rates from 1.25% to 6.765% and have due dates from 2017 to 2040. The following schedule reflects the changes in long-term liabilities for the **SDP**:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	3,099.6	356.8	(467.1)	2,989.3	120.1
Add: Bond Premium	133.0	-	(12.3)	120.7	12.0
Less: Bond Discounts	(8.8)	-	0.6	(8.2)	(0.5)
Total Bonds Payable	3,223.8	356.8	(478.8)	3,101.8	131.6
Termination Compensation Payable (2)	192.1	12.7	(15.4)	189.4	34.2
Severance Payable	126.4	8.3	(8.1)	126.6	15.2
Other Liabilities	123.7	28.9	(37.9)	114.7	35.7
Incurred But Not Reported (IBNR) Payable (3)	15.8	2.2	-	18.0	18.0
Deferred Reimbursement	45.3	-	-	45.3	45.3
DHS Liability	1.0	-	(1.0)	-	-
OPEB Liability	1.2	0.5	-	1.7	-
Arbitrage Liability	3.4	-	(3.1)	0.3	0.3
NFS Federal Liability	0.8	-	(0.8)	-	-
PSERS Pension Liability (2)	2,980.4	239.3	(181.1)	3,038.6	-
Total	6,713.9	648.7	(726.2)	6,636.4	280.3

(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) Restated beginning balance which was previously included in Print Shop as part of Governmental Activities; Beginning in fiscal year 2016, the District reclassified the Print Shop as a Business-Type Activities.

(3) This liability was previously considered a long-term debt under Governmental Activities; beginning in fiscal year 2016, the District reclassified this liability as part of the new Self Insurance Health Care Internal Service Fund.

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

(Amounts In Thousands of USD)

Fiscal Year	Principal	Interest	Total
2017	120,063	135,968	256,031
2018	116,820	130,360	247,180
2019	140,420	124,719	265,139
2020	125,340	118,760	244,100
2021	130,330	112,746	243,076
2022-2026	750,280	470,302	1,220,582
2027-2031	941,770	310,807	1,252,577
2032-2036	559,290	99,075	658,365
2037-2040	105,020	13,682	118,702
Totals	2,989,333	1,516,419	4,505,752

(2) Business Type Debt Payable

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

(Amounts In Millions of USD)

	Interest Rates			Principal	Due Dates			
PGW	2.00 %	to	5.25 %	837.8	Fiscal	2017	to	2040
PPA	3.00 %	to	5.25 %	147.0	Fiscal	2017	to	2030
CCP	2.00 %	to	6.25 %	73.9	Fiscal	2017	to	2028
Total Revenue Debt Payable				1,058.7				

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	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2017	34.79	27.85	13.17	6.79	6.91	3.65
2018	47.77	32.16	13.80	6.13	6.81	3.26
2019	47.65	30.00	14.10	5.48	6.23	2.89
2020	48.43	27.64	14.61	4.80	6.52	2.61
2021	49.14	25.29	15.21	4.07	6.80	2.31
2022-2026	253.08	92.90	56.49	13.45	29.84	6.86
2027-2031	176.48	54.85	19.59	3.21	10.75	0.81
2032-2036	124.99	24.65	-	0.00	-	-
2037-2040	55.51	5.54	-	-	-	-
	-	-	-	-	-	-
Totals	837.8	320.9	147.0	43.9	73.9	22.4

(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 †	410.4
School District of Philadelphia	89.7
Total	500.1

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

PGW assets pledged, primarily noncallable U.S. Government securities, had a market value of $436.2 million at August 31, 2016, bearing interest on face value from 0% 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, 2016, $83.4 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, 2016, the Defeasance Accounts from the Sale of SDP Property had $6.3 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, 2016, the arbitrage rebate calculation indicates a liability totaling $308,817. Of this amount, $266,070 related to the Series A and B Bonds of 2006 issued through the State Public School Building Authority is due payable on 60 days after December 28, 2016 while the remaining $42,748 related to GOB Series 2010E, 2010F and 2010G. This year's liability is lower than last year's liability of $693,425. The School District received a final rebate calculation for the GOB Series A and B Bonds of 2006 on January 11, 2017 in the amount of $264,479 payable by February 28, 2017.

The School District has reserved as of June 30, 2016 $308,817 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, 2016, 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, 2016, the swaps had a combined negative fair value of approximately $31.8 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, 2016, 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, 2016 and 2015 is as follows (thousands of U.S. dollars):

Amount in Thousands

	Interest rate swap liability		Deferred outflow of resources	
Balance, August 31, 2015	$	39,410	$	20,948
Change in fair value through August 31, 2016	$	(7,604)	$	(7,604)
Amortization of teminated hedge	$	-	$	1,419
Balance, August 31, 2016	$	31,806	$	14,763

	Interest rate swap liability		Deferred outflow of resources	
Balance, August 31, 2014	$	38,762	$	18,879
Change in fair value through August 31, 2015	$	648	$	648
Amortization of teminated hedge	$	-	$	1,421
Balance, August 31, 2015	$	39,410	$	20,948

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, 2016, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2016 financial statements are as follows (amounts in thousands; debit (credit)):

Derivative Instruments:	Changes in Fair Value		Fair Value as of June 30, 2016		
	Classification	Amount	Classification	Amount	Notional Amount
Government Activities:					
Investment Derivatives:					
Pays-Variable Interest Rates Swaps	Investment Revenue	(8,725)	Investment	(664)	500,000

As of June 30, 2016, 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.

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, 2015. The School District adopted GASB 72 beginning Fiscal Year ended 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	115,583,032		
Federal Home Loan Bank		16,374,333	
Fedral National Mortgage Assoc		8,999,364	
SIFMA Swap		(644,033)	
Total	115,583,032	24,729,664	-

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	7,129	59,324	43,873
Additional Rentals	-	169,836	200
Sublease	10,908	-	2,712
Total Rental Income	18,037	229,160	46,785

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	
2017	13,793	27,716	3,530
2018	12,550	6,652	2,710
2019	11,545	6,668	2,051
2020	11,178	6,280	5,105
2021	11,371	4,523	614
2021-2025	47,378	18,922	1,183
2026-2030	17,833	13,768	-
2031-2035	18,018	6,559	-
2036-2040	18,315	5,841	-
Total	161,981	96,929	15,193

B. CITY AS LESSEE

1) OPERATING LEASES

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

(Amounts In Thousands of USD)	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
Minimum Rentals	183,825	46,139	5,440
Additional	-	-	73
Sublease	-	-	2,712
Total Rental Expense	183,825	46,139	8,225

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**	
2017	35,819	811	15,137
2018	29,663	352	12,584
2019	22,612	199	9,920
2020	20,860	199	9,739
2021	19,427	199	8,638
2022-2026	56,639	997	43,003
2027-2031	18,181	997	9,741
2032-2036	-	997	10,660
2037-2041	-	-	9,153
Total	203,201	4,751	128,575

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**
2017	358,836	29,067	387,903
2018	272,897	19,651	292,548
2019	242,438	10,738	253,176
2020	127,917	3,168	131,085
2021	22,758	453	23,211
	1,024,846	63,077	1,087,923

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 $0.3 million in FY2016.

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 ($3.1 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 $54.5 million at June 30, 2016. The fund balances in the following Special Revenue Funds were restricted: HealthChoices Behavioral Health ($220.1 million); Grants Revenue ($40.8 million); County Liquid Fuels ($1.9 million); Special Gasoline Tax ($35.2 million); Hotel Room Rental Tax ($12.3 million); Car Rental Tax ($6.4 million); Housing Trust ($20.8 million); Acute Care Hospital Assessment ($11.2 million); Departmental ($10.7 million); Municipal Authority Administrative ($0.2 million); PICA Administrative ($25.5 million). The Debt Service Fund had a Restricted Fund Balance of ($81.5 million) and entire fund balance of the Capital Improvement ($133.1 million) funds was restricted. The Permanent Fund had a restricted fund balance of $3.2 million at June 30, 2016.

- 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 ($2.9 million), and Departmental ($1.7 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 $78.01 million at June 30, 2016 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 $0.0 million unassigned fund balance at June 30, 2016. Within the Special Revenue Funds, the Grants Revenue fund had a negative fund balance of $322.5 million and the Community Development fund had a negative fund balance of $5.3 million at June 30, 2016.

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, 2016:

(Amounts In Thousands of USD)	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Permanent Fund (Principal)	-	-	-	3,137	3,137
Subtotal Nonspendable:	-	-	-	3,137	3,137
Restricted for:					
Neighborhood Revitalization	-	-	18	-	18
Economic Development	-	-	-	12,279	12,279
Public Safety Emergency Phone System	-	-	40,813	-	40,813
Streets & Highways	-	-	-	37,115	37,115
Housing & Neighborhood Dev	-	-	-	20,767	20,767
Health Services	-	-	-	11,195	11,195
Behavioral Health	-	220,062	-	-	220,062
Parks & Recreation	-	-	-	790	790
Libraries & Museums	-	-	-	3,041	3,041
Intergovernmental Financing (PICA)	-	-	-	25,538	25,538
Intergovernmentally Financed Programs	-	-	-	-	-
Central Library Project	1,688	-	-	-	1,688
Stadium Financing	558	-	-	6,380	6,938
Cultural & Commercial Corridor Project	7,444	-	-	-	7,444
Capitalized Interest	44,764	-	-	-	44,764
Debt Service Reserve	-	-	-	81,469	81,621
Capital Projects	-	-	-	133,091	133,091
Trust Purposes	-	-	-	10,153	10,153
Subtotal Restricted	54,454	220,062	40,831	341,970	657,317
Committed, reported in:					
Social Services	-	-	-	30	30
Prisons	-	-	-	2,851	2,851
Parks & Recreation	-	-	-	1,663	1,663
Subtotal Committed	-	-	-	4,544	4,544
Assigned, reported in:					
Encumbrances	78,014	-	-	-	78,014
Subtotal Assigned:	78,014	-	-	-	78,014
Unassigned Fund Balance:	-	-	(322,495)	(5,309)	(327,804)
Total Fund Balances	132,468	220,062	(281,664)	344,342	415,208

11. INTERFUND TRANSACTIONS

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

Transfers between fund types during the year were:

(Amounts in Thousands of USD)

	Transfers To:					
	Govermental		Non major Governmental			
Transfers From:	**General**	**Grants**	**Special Revenue**	**Debt Service**	**Capital Improvement**	**Total**
General Fund	-	-	11,376	158,558	765	170,699
Grants Revenue Fund	24,116	-	1,433	4,428	1,904	31,881
Non major Special Rev. Fds	383,434	-	211	63,752	4,557	451,954
Permanent Funds	-	-	128	-	-	128
Water Fund	1,556	-	30,066	-	-	31,622
Total	409,106	-	43,214	226,738	7,226	686,284

12. 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 of USD)

Bonds Payable	2,113.4
Service Agreements	1,919.7
Employee Related Obligations	488.0
Indemnities	70.4
Leases	8.7
Total Adjustment	4,600.2

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

A. PRIMARY GOVERNMENT

The Water Fund's Net Position decreased by ($22.0) million as a result of, (1) direct payments and cancelled projects of ($18.6) million being carried in Construction In Progress (CIP) that should have been expensed in prior fiscal years when incurred; and (2) depreciation from CIP of ($3.4) million that should have been transferred to fixed assets in previous fiscal years. The effect of the adjustment is reflected as a decrease to the Water & Sewer Net Position as of July 1, 2015 in the City's June 30, 2016 - Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds, Exhibit VII.

B. COMPONENT UNIT

Philadelphia Parking Authority (PPA), adopted the GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* for the year ending March 31, 2016.

The effect of this adoption decreased the PPA's net position at April 1, 2015 by $119,539,479 for the recording of the PPA's net pension liability, and expanded note disclosures and required supplementary information. PPA did not restate the prior period as the earliest actuarial information under GASB 67 was not available to measure the net position as of April 1, 2014 since there is a 15 month lag between the measurement date and the financial statement date.

The **Community College of Philadelphia** (**CCP)'s** Net Position increased by $109 thousand for an adjustment involving an increase to Accounts Receivable. The effect of the adjustment is reflected as an increase to **CCP's** Net Position as of July 1, 2015 in the City's June 30, 2016 Statement of Activities – Component Units, Exhibit XII.

In fiscal year 2016, the **PRA**'s land inventories were retroactively adjusted to record the historical cost of all properties owned/held by the PRA. The adjustments were a result of the PRA's valuation project, which used a real estate expert to value these properties using a Hedonic Price Analysis model. As a result, a prior period adjustment was recognized to record the estimated historical land value. The PRA restated its land inventory balance at June 2015, increasing it by $110,701,820. The restatement increased net position as of June 30, 2015 by $110,701,820., as presented in the following table:

Net position as of June 30, 2015 (previously reported)	$ 76,432,348
Prior period restatement - land inventory valuation change	110,701,820
Net Position as of June 30, 2015 (restated)	$ 187,134,168

The **SDP's** beginning net position was increased by $81,919. The capital assets adjustment involved: (1) an increase in Construction in Progress to record capital grants for Fiscal Year 2015 of $81,918 and (2) an increase in Land by $1 to record the 1967 acquisition cost of the Elverson lot.

For Fiscal Year 2016, the **SDP** changed its computation and restated its July 1, 2015 "Net Investment in Capital Assets" and "Unrestricted (Deficit)" based on a reevaluation of the accounting practices used to compute it.

"Net Investment in Capital Assets" decreased by $172.0 million which was offset by a increase of the same amount to "Unrestricted (Deficit)". This adjustment related to Net Debt Related to Disposed Capital Assets ($52.1) million and Adjustment to Cumulative Undercapitalized Expenditures for Non-Capitalized Amounts ($119.9) million.

14. NET POSITION RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net position reports $1,275.7 million of restricted net position, of which $87.9 million is restricted by enabling legislation as follows:

(Amounts in Thousands of USD)	Restricted Net Position	Restricted by Enabling Legislation
Capital Projects	254,617	
Debt Service	372,505	
Pension Oblig Bond Refunding Reserve	44,764	
Behavioral Health	220,062	
Neighborhood Revitalization	19	
Stadium Financing	558	
Central Library Project	1,688	
Cultural & Commercial Corridor Project	7,444	
Grant Programs	94,719	20,767
Rate Stabilization	205,761	
Libraries & Parks:		
Expendable	3,235	
Non-Expendable	3,137	
Educational Programs	-	
Other	67,182	67,182
Total	1,275,691	87,949

15. FUND DEFICITS

- The Grants Revenue fund, which is a Special Revenue Fund, has a Fund Balance Deficit at year-end of $281.7 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 $5.3 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, 2015, the date of the most recent actuarial valuation, pension plan membership consisted of the following:

Actives	27,951
Terminated Vested	1,334
Disabled	4,016
Retirees	22,245
Beneficiaries	8,566
DROP	1,784
Total City Members	65,896
Annual Salaries	$ 1,597,848,869
Average Salary per Active Member	$ 57,166
Annual Retirement Allowances	$ 719,580,951
Average Retirement Allowance	$ 20,662

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, 2015, members contributed at one of the following rates:

Employee Rates	Plan 67	Plan 87	Plan 10
Uniform	6.00%	5.00% or 6.00%	5.50%
Non-Uniform	3.75%, 4.25%, 5.62%, 6.00% or 6.50%	1.97%, 2.47%, 2.64%, 3.14%, 3.29%, 3.47% or 4.14%	3.16%
Elected Officials	N/A	8.48%, 9.11%, 9.48% or 10.11%	3.16%

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 2016, the City and other employers' contributions of $660.2 million was less than the actuarially determined employer contribution (ADEC) of $846.2 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 20 years.

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 2016, the City and other employers' contributions of $660.2 million exceeded the Minimum Municipal Obligation of $598.5 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, 2015, the date of the most recent actuarial valuation, there was $38,198,762 in the PAF and the Board voted to make PAF distributions of $30,004,292 during the fiscal year ended June 30, 2016.

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 accumulated in the escrow account in a lump sum payment. The balance in the DROP Plan as of June 30, 2016 is $113.9 million.

c. <u>INVESTMENTS</u>

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 7.75% over a full market cycle. It is anticipated that this return standard should enable the Fund to meet its actuarially assumed earnings projection (currently 7.75%) over a market cycle. The investment return assumption was reduced by the Board from 7.80% to 7.75%. 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 guidelines 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, 2016:

Asset Class	Target Allocation
US Equity	29.8%
Non-US Equity – Developed	16.8%
Non-US Equity – Emerging	5.2%
Fixed Income – Investment Grade	19.0%
Fixed Income – Non-Invest. Grade	7.5%
Real Assets – Private Real Estate	2.6%
Real Assets – Public Real Estate	1.4%
Real Assets – MLP's	1.9%
Private Equity	9.1%
Private Debt	1.9%
Hedge Funds	3.7%
Cash & Other	1.1%
Total	100.0%

Money-Weighted Rate of Return: For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -3.20%. 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.

New GASB Pronouncement

In February 2015, GASB issued Statement No.72, Fair Value Measurement and Application (GASB 72). This Statement addresses accounting and financial reporting issues related to fair value measurements, and provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement become effective for fiscal periods beginning after June 15, 2015.

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

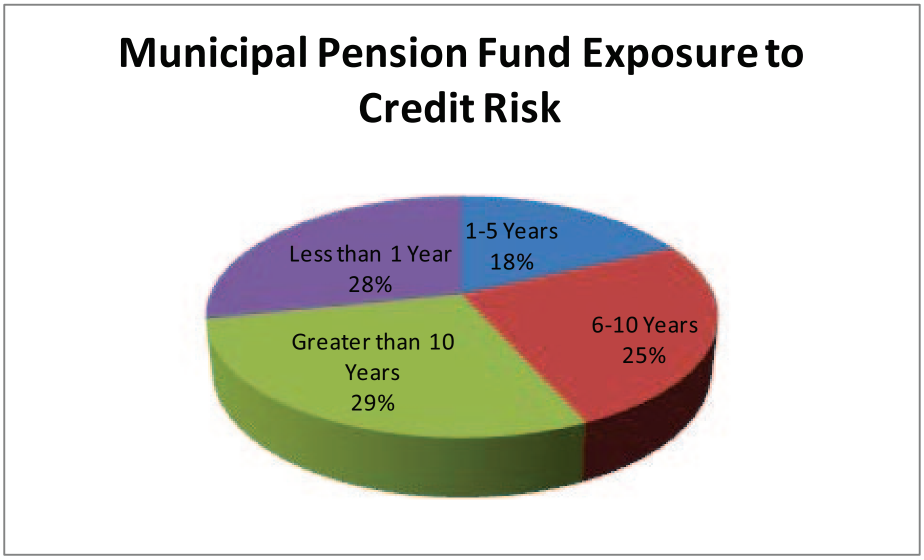
The Fund is authorized to invest in "prudent investments," including obligations of the U.S. Treasury, agencies and instrumentalities of the United States, investment grade corporate bonds, common stock, real estate, private market, etc. City ordinances contain provisions which preclude the Fund from 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:



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, 2016, 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's rated debt investments as of June 30, 2016 were rated by S&P, a nationally recognized statistical rating agency and are presented below using S&P rating scale:

2016 (in thousands)	Total Fair Value	Credit Rating AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR
Asset Backed Securities	$ 14,240	$ 5,016	$ 879	4,067	1,738	-	-	-	$ -	$ -	$ -	2,540
CMO/REMIC	3,235	64	1,871	157	235	65	226	304	-	-	214	99
Commercial Mortgage-Backed Securities	17,944	5,998	7,521	2,217	555	-	65	-	-	-	-	1,588
Corporate Bonds	303,817	488	11,072	39,918	83,895	47,006	49,177	19,658	-	651	110	51,842
Government Bonds	346,418	10,656	246,212	30,129	17,608	25,097	4,554	1,010	-	-	-	11,152
Mortgage Backed Securities	79,798	-	79,798	-	-	-	-	-	-	-	-	-
Municipal Bonds	7,404	-	4,855	2,488	61	-	-	-	-	-	-	-

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 36% of the total investment in equities.

Municipal Pension Fund - Assets subject to foreign currency risk *(in thousands)*

Currency	Cash	Fixed Income	Equities	Derivatives	Total
Euro	2,052	8,774	191,517	(345)	201,998
Japanese Yen	12,120	-	138,058	-	150,178
Pound Sterling	878	8,604	129,033	1	138,516
Hong Kong Dollar	149	-	69,215	-	69,364
Swiss Franc	349	-	65,112	-	65,461
Canadian Dollar	5,553	206	45,669	(13)	51,415
Australian Dollar	183	11,102	36,791	-	48,076
South Korean Won	-	-	42,867	-	42,867
Mexican Peso	8	24,391	8,292	(20)	32,671
Brazilian Real	9	9,611	14,855	(23)	24,452
South African Rand	-	5,310	13,870	21	19,201
Malaysian Ringgit	7	6,832	6,814	-	13,653
Indonesian Rupiah	22	7,115	5,922	-	13,059
Swedish Krona	142	-	11,929	(404)	11,667
Danish Krone	58	-	8,540	-	8,598
Singapore Dollar	578	-	6,234	-	6,812
New Zealand Dollar	28	5,578	879	-	6,485
Polish Zloty	2	3,590	2,419	-	6,011
Philippine Peso	-	919	4,824	-	5,743
Hungarian Forint	-	4,838	579	(5)	5,412
Thai Baht	2	-	5,340	-	5,342
Chilean Peso	-	-	3,298	276	3,574
All Others	2,572	4,694	11,673	(90)	18,849
	24,712	101,564	823,730	(602)	949,404

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, 2016 in addition to the fair value and change in the fair value of derivatives.

List of Derivatives Aggregated by Investment Type

	Change in Fair Value			Fair Value at June 30, 2016			Notional	
Classification								
Investment Derivatives:								
Forwards Currency Contracts	Net appreciation/(depreciation) in Investments	$	(1,280,269)	Accrued interest and other receivables	$	(588,465)	$	105,832,201
Futures	Net appreciation/(depreciation) in	$	(93,192)	Accrued expenses	$	(141,531)	$	113
Grand Totals		$	(1,373,461)		$	(729,996)	$	105,832,314

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 2016. 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 ($425,537). The fund has cash collateral of $971,025 are valued using a matrix pricing model (Level 2 inputs).

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 $944,312.

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, 2016:

		Fair Value Measurements Using		
	6/30/2016	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	$ 174,835,825	$ -	$ 174,835,825	$ -
Agency Bonds	40,428,452	-	40,428,452	-
Asset Backed Securities	14,241,090	-	14,241,085	5
Corporate Bonds	304,026,106	-	303,847,733	178,373
Government Bonds	118,483,977	-	118,483,977	-
Mortgage Backed Securities	100,998,630	-	98,931,992	2,066,638
Municipal Bonds	7,403,777	-	7,403,777	-
Sovereign Debt	12,438,505	-	12,438,505	-
Equity	2,257,989,112	2,256,503,492	-	1,485,620
Total Investments by fair value level	$ 3,030,845,474	$ 2,256,503,492	$ 770,611,346	$ 3,730,636
Investments measured at the net asset value (NAV)				
Credit Distressed Hedge Fund	65,082,999			
Equity Long/Short hedge funds	21,306,534			
Real Estate	229,875,204			
Private Equity	437,907,757			
Fixed Income Funds	337,486,107			
Equity Funds	75,354,026			
Total Investments measured at the NAV	1,167,012,627			
Total Investments measured at fair value	$ 4,197,858,101			
Investment derivative instruments				
Equity index Futures (Liabilities)	$ (141,531)	$ (141,531)	$ -	
Forward Currency Contracts (Assets)	368,133	-	368,133	
Forward Currency Contracts (Liabilities)	(956,598)	-	(956,598)	
Total Investment derivative instruments	$ (729,996)	$ (141,531)	$ (588,465)	

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.

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

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

Investments Measured at the net asset value (NAV)		Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Credit Distressed Hedge Fund	$ 65,082,999	-	Quarterly	90 days
Equity Long/Short hedge funds	21,306,534	-	Quarterly	90 days' notice
Real Estate	229,875,204	69,324,702	N/A	N/A
Private Equity	437,907,757	210,080,552	N/A	N/A
Fixed Income	337,486,107	-	Quarterly	90-120 days
Equity	75,354,026	-	Quarterly	90-120 days
Total Investments measured at the NAV	$ 1,167,012,627			

1. Equity long/short hedge funds: This Fund will typically hold 40-50 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, 2016 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, 2016, the Fund had no credit risk exposure to borrowers.

As of June 30, 2016, the fair value of securities on loan was $323.5 million. Associated collateral totaling $331.3 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, 2016, the invested cash collateral was $331.0 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, 2016 were as follows:

Total Pension Liability	$ 10,877,209,958
Plan Fiduciary Net Position	4,357,975,073
Collective Net Pension Liability	$ 6,519,234,885
Plan Fiduciary Net Postion as a Percentage of the Total Pension Liability	40.1%

Actuarial assumptions:

The total pension liability was determined by an actuarial valuation as of June 30, 2015 and was rolled forward to June 30, 2016. The June 30, 2015 used the following actuarial assumptions, applied to all periods including the measurement period:

Actuarial Cost Method:	Entry Age Normal
Investment Rate of Return:	7.75% compounded annually, net of expenses
Salary Increases:	Age based table

- The investment return assumption was changed from 7.80% from the prior year valuation to 7.75% for the current year valuation.

- To recognize the expense of the benefits payable under the Pension Adjustment Fund, the actuarial liabilities have been increased 0.54%. This estimate is based on the statistical average expected value of 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 is June 30, 2016. Measurements are based on the fair value of assets as of June 30, 2016 and the Total Pension Liability as of the valuation date, July 1, 2015 updated to June 30, 2016. The roll-forward procedure included the addition of service cost and interest cost offset by actual benefit payments. There were actuarial experience losses during the year of approximately $152 million which includes the loss due to the Pension Adjustment Fund payment of $30 million. In addition, the Board adopted recommended assumption changes, including:

- Decrease in the expected long-term return on assets from $7.80% to 7.75%
- Increase the load on valuation pay from 4% to 6% for Police participants to account for stress pay and for Fire participants to account for premium pay.

The combined effect of these assumption changes increased the TPL by approximately $85 million as a year-end value. The pension plan's fiduciary net position has been determined on the same basis used by the pension plan.

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, 2016 (see discussion of pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
US Equity	7.90%
Non-US Equity – Developed	7.60%
Non-US Equity – Emerging	7.20%
ACWI Ex-US	7.30%
Broad Fixed Income	2.80%
Global Aggregate	1.70%
Emerging Market Debt	5.80%
High Yield	5.20%
Universal	3.20%
91 Day T-bills	0.20%
Bank Loans	4.70%
Opportunistic Credit	2.05%
Real Assets – Public REITS	7.20%
Real Assets – Private Real Estate	12.70%
Real Assets – MLP's	7.80%
Private Equity	10.95%
Hedge Fund	5.50%

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 0.84% for the same time period.

Discount Rate: The discount rate used to measure the total pension liability was 7.75 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 7.75%, 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:

Sensitivity of Collective Net Pension Liability to changes in Discount Rate

	1% Decrease 6.75%	Discount Rate 7.75%	1% Increase 8.75%
Total Pension Liability	$ 11,968,855,837	$ 10,877,209,958	$ 9,946,862,734
Plan Fiduciary Net Position	4,357,975,073	4,357,975,073	4,357,975,073
Collective Net Pension Liability	$ 7,610,880,764	$ 6,519,234,885	$ 5,588,887,661
Plan Fiduciary Net Postion as a Percentage of the Total Pension Liability	36.4%	40.1%	43.8%

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 January 11, 2017 the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2016, but prior to January 11, 2017 that provided , additional evidence about conditions that existed at June 30, 2016, have been recognized in the financial statements for the year ended June 30, 2016. Events or transactions that provided evidence about conditions that did not exist at June 30, 2016, 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, 2016.

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, 2016.

Change in Collective Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2015	$ 10,578,457,204	$ 4,674,252,000	$ 5,904,205,204
Changes for the year:			
Service Cost	148,370,075		148,370,075
Interest	802,659,333		802,659,333
Changes in benefits	0		0
Differences between expected and actual experience	151,918,733		151,918,733
Changes of assumptions	85,147,737		85,147,737
Contributions - employer		660,246,511	(660,246,511)
Contributions - member		67,055,003	(67,055,003)
Net investment income		(145,681,480)	145,681,480
Benefit payments	(889,343,124)	(889,343,124)	0
Administrative expense		(8,553,837)	8,553,837
Net Changes	298,752,754	(316,276,927)	615,029,681
Balances at 6/30/2016	$ 10,877,209,958	$ 4,357,975,073	$ 6,519,234,885

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 Expense		$ 25,387,890	$ 358,942	$ 2,451,900	$ 760,854,021	$ 789,052,753
Change in Proportion		10,414,416	282,118	712,826	(11,409,360)	0
Contribution Difference		2,932,864	18,215	204,649	(3,155,728)	0
Employer Pension Expense		38,735,170	659,275	3,369,375	746,288,933	789,052,753
Net Pension Liability	6/30/15	145,684,531	1,486,220	15,315,633	5,741,718,820	5,904,205,204
Net Pension Liability	6/30/16	209,757,354	2,965,619	20,257,849	6,286,254,060	6,519,234,882
Change in Net Pension Liability		64,072,823	1,479,399	4,942,216	544,535,240	615,029,678
Deferred Outflows	6/30/15	12,276,927	106,529	1,161,645	340,540,743	354,085,844
Deferred Outflows	6/30/16	65,741,046	1,275,353	5,267,031	806,510,385	878,793,815
Change in Deferred Outflows		53,464,119	1,168,824	4,105,386	465,969,642	524,707,971
Deferred Inflows	6/30/15	-	-	-	(3,908,051)	(3,908,051)
Deferred Inflows	6/30/16	-	-	-	(42,392,584)	(42,392,584)
Change in Deferred Intflows		0	0	0	(38,484,533)	(38,484,533)
Employer Contributions		28,126,464	348,700	2,532,545	629,238,802	660,246,511
Employer Pension Expense		38,735,170	659,275	3,369,375	746,288,933	789,052,753

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	$ 6,286,254	$ -	$ 6,286,254
PPA	209,757	209,757	
PMA	2,966		2,966
PHDC (1)	20,258	20,258	
Collective Net Pension Liability	6,519,235	230,015	6,289,220
State Pension Fund			
PICA			1,236
City's Primary Government Net Pension Liability (Exhibit I)			$ 6,290,456

(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 Employers' Deferred Outflows

	PPA	PMA	PHDC	City	Total
Proportionate Shares	3.22%	0.05%	0.31%	96.43%	100%
Experience	$ 4,227,615	$ 59,771	$ 408,293	$ 126,698,103	$ 131,393,782
Assumption Changes	2,829,290	40,001	273,246	84,791,466	87,934,003
Investment Return	19,854,430	280,709	1,917,492	595,020,815	617,073,446
Proportion Change	31,243,249	846,353	2,138,476	-	34,228,078
Contribution Difference	7,586,463	48,519	529,524	-	8,164,506
	$ 65,741,047	$ 1,275,353	$ 5,267,031	$ 806,510,384	$ 878,793,815

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 Employers' Deferred Inflows

	PPA	PMA	PHDC	City	Total
Proportionate Shares	3.22%	0.05%	0.31%	96.43%	100%
Experience	$ -	$ -	$ -	$ -	$ -
Assumption Changes	-	-	-	-	0
Investment Return	-	-	-	-	0
Proportion Change	-	-	-	(34,228,078)	(34,228,078)
Contribution Difference	-	-	-	(8,164,506)	(8,164,506)
	$ -	$ -	$ -	$ (42,392,584)	$ (42,392,584)

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 Employers' Recognition of Deferred Outflows and Inflows

For Year Ending	PPA	PMA	PHDC	City	Total
2017	$ 21,464,807	$ 415,101	$ 1,701,446	$ 228,710,459	$ 252,291,813
2018	21,464,807	415,102	1,701,447	228,710,457	$ 252,291,813
2019	19,584,595	399,528	1,552,498	209,991,227	$ 231,527,848
2020	3,226,838	45,622	311,640	96,705,657	$ 100,289,757
2021	-	-	-	-	$ -
Thereafter	-	-	-	-	$ -
Total	$ 65,741,047	$ 1,275,353	$ 5,267,031	$ 764,117,800	$ 836,401,231

(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, 2016), the Plan's membership consisted of:

Active participants	1,251
Retired participants	2,192
Vested termininated participants	329
Total Plan participants	3,772

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.

Death Benefits: Before retirement, spouses of deceased active participates or of former participants are entitled to vested benefits provided such participants died after having attained age 45 and completed at least 15 years of Credited Service and whose age plus years of credited service equals at least 65 years of whom have completed at least 15 years of Credited Service regardless of age. The benefit payable is an amount for the spouse's remaining lifetime equal to the amount the beneficiary of the participant would have received had the participant retired due to a disability on the day preceding his/her death and elected the 100% contingent annuitant option.

Disability Benefits: Disability benefits are the same as the Normal Retirement Benefits and are based on Final Average Compensation and Credited Service as of the date of disability.

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 $11,166,030 for the year ended June 30, 2016. Net unrealized losses for the year ended June 30, 2016 totaled $22,208,938.

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, 2016 was 0.02 percent.

The Pension Plan utilizes both equity and fixed-income investments consistent with the Policy as described above. As of June 30, 2016, the Plan had investments of approximately $470 million, comprised of $311 million in equities and $159 million in fixed-income investments. The ratio of equities to fixed income is 66 percent to 34 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, 2016, the Commission employed the following investment managers and vendors:

Manager	Mandate	Balance (millions)
Equity Managers		
RhumbLine Asset Management	Domestic Large Cap Index	$ 102.3
Fred Alger Management, Inc	Domestic Large Cap Growth	34.0
O'Shaughnessy Asset Management	Domestic Large Cap Value	35.4
Northern Trust Company	Domestic Large Cap Index	30.5
Harding-Loevner	International Growth (fund)	24.4
Mondarian International Equity	International Value (fund)	22.8
Eagle Asset Management	Domestic Small Cap Growth	21.3
Dimensional Fund Advisors	Emerging Markets (fund)	21.6
Vaughan Nelson	Domestic Small Cap Value	19.0
		$ 311.3
Bond Managers		
Weaver Barksdale	Core	38.2
Logan Circle Partners	Core Plus	35.2
Garcia Hamilton	Intermediate	45.4
Lazard Asset Management	Intermediate Plus	40.2
		159.0
Other Assets		0.2
Total		$ 470.5

During Fiscal year 2016, the Commission changed investment managers to reduce costs and increase returns for the Plan. Accordingly, the Commission moved the funds managed by one equity manager to O'Shaughnessy Asset Management.

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, 2016 and the contribution rate as of percentage of payroll was 29.14 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, 2016 totaled $602,287.

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, 2016.

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 investments 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 $50,446,550 and $189,907 respectively for the year ended June 30, 2016.

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, 2016, and the reported amounts of revenues and expenses during the year then ended. Actual results could differ from those estimates. Significant estimate includes 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, 2016:

	Level 1	Level 2	Level 3	Total
Corporate bonds	$ -	$ 46,427,703	$ -	$ 46,427,703
Common and preferred stock	298,386,454	17,274,269	312	315,661,035
U.S. government securities	35,964,395	19,659,216	-	55,623,611
Financial Agreements	-	-	35,454	35,454
Collateralized mortgage obligations	-	42,850,766	-	42,850,766
Foreign entity's debt	-	5,594,530	220,768	5,815,298
Municipal obligations	-	4,037,644	-	4,037,644
	$ 334,350,849	$ 135,844,128	$ 256,534	$ 470,451,511

The following is a summary of activity for the year ended June 30, 2016 for investments measured at fair value based on unobservable measure criteria:

Balance, beginning of year	$ 266,735
Sales	(42,028)
Investment income received included in income	10,554
Unrealized gain included in income	21,054
Realized gain included in income	219
Balance, end of year	$ 256,534

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, 2016 of $4,577,145 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, 2016, were as follows (dollar amounts in thousands):

Total pension liability	$	779,351
Plan fiduciary net position		(483,259)
Net pension liability	$	296,092
Plan fiduciary net position as a percentage of the total pension liability		62.01%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016 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-2015.

The actuarial assumptions used for the Plan year ended June 30, 2016 were based on the results of an actuarial experience study for the period September 1, 2015 – June 30, 2016.

Change in Assumptions

Total pension liability reflects an increase of approximately $27 million as a result of change in actuarial assumptions for the Plan year ended June 30, 2016. The mortality table was changed from RP-2000 IRS PPA @ 2014 Mortality Tables for Males and Females to the RP-2014 mortality table generationally projected with Scale MP-2015 to better reflect actual and future mortality experience. The discount rate of the Plan was reduced from 7.65 to 7.30 for the year ended June 30, 2016.
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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, 2016, 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	$ 870,319	$ 779,351	$ 703,554
Plan fiduciary net position	(483,259)	(483,259)	(483,259)
Net pension liability	$ 387,060	$ 296,092	$ 220,295

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:

(in thousands of USD)

	Below 1 year	1 to 3 years	3 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	20 to 25 years	25 years and over
US Govt. Treasuries	2,287	5,971	2,191	27,178	-	-	-	1,303
US Govt. Agencies	-	18,537	633	-	490	-	-	-
Municipal Bonds	-	284	438	1,894	1,101	-	321	-
Corporate Bonds	$ 1,077	$ 7,872	$ 5,122	$ 19,657	$ 1,911	$ 2,174	$ 2,395	$ 3,480
CDO's	-	2,077	929	4,851	1,801	8,229	4,329	20,403
Foreign Debt	-	853	1,315	2,475	-	228	-	784
	$ 3,364	$ 35,594	$ 10,628	$ 56,055	$ 5,303	$ 10,631	$ 7,045	$ 25,970

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, 2016 were rated by Moody's, a nationally recognized statistical rating agency and are presented below using Moody's rating scale:

(in thousands of USD)

Moody's Credit Rating	U.S. Government Securities	U.S. Government Agency Securities	Municipal Bonds	Corporate Bonds	Collateralized Debt Obligations	Foreign Debt	Total
A1	$ -	$ -	$ -	$ 1,956	$ 671	$ 357	$ 2,984
A2	-	-	-	3,499	463	386	4,348
A3	-	-	321	9,234	91	502	10,148
AA1	-	-	749	1,093	161	-	2,004
AA2	-	-	-	2,099	-	217	2,316
AA3	-	-	2,251	2,376	-	203	4,830
AAA	38,700	17,689	-	-	2,183	334	58,905
B1	-	-	-	-	-	283	283
B2	-	-	-	135	-	-	135
B3	-	-	-	-	-	106	106
BA1	-	-	-	2,311	146	510	2,967
BA2	-	-	-	762	-	-	762
BA3	-	-	-	107	-	181	289
BAA1	-	-	438	7,942	184	224	8,786
BAA2	-	-	279	4,319	313	1,095	6,005
BAA3	-	-	-	6,209	321	533	7,062
CAA1	-	-	-	566	48	-	614
CAA2	-	-	-	110	-	-	110
N/R	231	1,970	-	973	38,039	725	41,938
	$ 38,931	$ 19,659	$ 4,038	$ 43,691	$ 42,620	$ 5,656	$ 154,592

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, 2016 no single investment, not guaranteed by the U.S. government exceeds 5 percent of the Plan's net fiduciary financial position.

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, 2016 and 2015 were measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 and June 30, 2015, respectively.

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

	2016	2015
Inflation	2.00%	2.00%
Salary increases	4.50	4.50
Investment rate of return	7.30	7.65

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

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 2016 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, 2016 and 2015 was 7.30% and 7.65%, respectively. 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, 2014	$ 677,401	$ 513,145	$ 164,256
Changes for the year:			
Service cost	4,890	-	4,890
Interest	52,377	-	52,377
Differences between expected and actual experience	17,961	-	17,961
Contributions-employer	-	21,106	(21,106)
Contributions-employee	-	393	(393)
Net investment income	-	24,472	(24,472)
Benefit payments, including refunds of employee contributions	(46,917)	(46,917)	-
Administrative expenses	-	(1,480)	1,480
Change in assumptions	44,876	-	44,876
Net changes	73,187	(2,426)	75,613
Balances at August 31, 2015	$ 750,588	$ 510,719	$ 239,869
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

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, 2016, calculated using the discount rate of 7.30%, as well as what the Company's net pension liability as of August 31, 2016 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:

	1% Decrease 6.30%	Current discount rate 7.30%	1% Increase 8.30%
Net pension liability	$ 387,060	$ 296,093	$ 220,296

(thousands of U.S. dollars)

The following presents the net pension liability of the Company at June 30, 2015, calculated using the discount rate of 7.65%, as well what the Company's net pension liability as of August 31, 2015 would have been if it were calculated using a discount rate that is 1-percentage-point lower (6.65%) or 1-percentage point higher (8.65%) than the current rate:

	1% Decrease 6.65%	Current discount rate 7.65%	1% Increase 8.65%
Net pension liability (thousands of U.S. dollars)	$ 326,719	$ 239,869	$ 167,415

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, 2016 and 2015, the Company recognized pension expense of $62.3 million and $43.7 million, respectively. At August 31, 2016 and 2015, 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, 2016		August 31, 2015	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 61,232	$ -	$ 44,377	$ -
Changes of assumptions	-	-	33,572	-
Net difference between projected and actual earnings on pension plan investments	21,278	-	-	(11,653)
Contributions made after measurement date	5,533	-	179	-
Total	$ 88,043	$ -	$ 78,128	$ (11,653)

The $5.5 million reported as deferred outflows of resources related to employer contributions made after the measurement date as of June 30, 2016 will be recognized as a reduction of the net pension liability in FY 2017. 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):

Schedule of Employer's Recognition of Net Deferred Outflows and Deferred Inflows

Fiscal year:		
2017	$	36,730
2018		24,617
2019		14,155
2020		7,007
2021		-
Thereafter		-
Total	$	82,509

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, 2016 was 25.00% 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 $216,738,487 for the year ended June 30, 2016.

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 2016 was 73.63 percent.

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

(a) At June 30, 2016, the District reported a liability of $3,038,612,001 for its proportionate share of the net pension liability of which $2,993,316,218 was recognized. The net pension liability was measured as of June 30, 2015, 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, 2014 to June 30, 2015. 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, 2015, the District's proportion was 7.0151 percent, which was a decrease of 0.5150 percent from its proportion measured as of June 30, 2014.

(b) For the year ended June 30, 2016, the District recognized pension expense of $216,738,487.

(c) At June 30, 2016, 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		12,539
Net difference between projected and actual investment earnings		6,150
Change in proportions		430,201
Difference between employer contributions and proportionate share of total contributions		3,211
Contributions subsequent to the measurement date	216,738	
Totals:	216,738	452,101

Deferred outflows of resources for contributions made subsequent to the measurement date was $216,738,487, and will be recognized as a reduction of net pension liability in the actuarially year ended June 30, 2016.

The $452,101,467 reported as deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2017	142,831,148
2018	142,831,148
2019	142,831,148
2020	23,608,023
Total	452,101,467

Actuarial assumptions

The total pension liability as of June 30, 2015 was determined by rolling forward the System's total pension liability as of June 30, 2014 actuarial valuation to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.50%, includes inflation at 3.00%
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. 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.

The actuarial assumptions used in the June 30, 2014 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Public School Employees' Retirement System (PSERs) Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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	22.50%	4.80%
Private markets (equity)	15.00%	6.60%
Private real estate	12.00%	4.50%
Global fixed income	7.50%	2.40%
U.S. long treasuries	3.00%	1.40%
TIPS	12.00%	1.10%
High yield bonds	6.00%	3.30%
Cash	3.00%	0.70%
Absolute return	10.00%	4.90%
Risk parity	10.00%	3.70%
MLPs/Infrastructure	5.00%	5.20%
Commodities	8.00%	3.10%
Financing (LIBOR)	-14.00%	1.10%
	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, 2015.

Discount rate: The discount rate used to measure the total pension liability was 7.50%. 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 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percenage point higher (8.50%) than the current rate:

(Dollars in Thousands)	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	3,745,382	3,038,612	2,444,571

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 $107.2 million for fiscal year ending June 30, 2016.

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 of USD)

Annual required contribution	136,268
Interest on net OPEB obligation	11,317
Adjustment to ARC	(10,197)
Annual OPEB cost	137,388
Payments made	(107,200)
Increase/(Decrease) in net OPEB Obligation	30,188
Net OPEB obligation - beginning of year	266,286
Net OPEB obligation - end of year	296,474

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, 2016 was as follows:

(Amounts in thousands USD)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
6/30/2016	$ 137,388	78%	$ 296,474
6/30/2015	$ 133,053	72%	$ 266,286
6/30/2014	$ 129,318	52%	$ 228,533

Funded Status and Funding Progress: As of July 1, 2015, 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 $1.77 billion. The covered annual payroll was $1.54 billion and the ratio of the UAAL to the covered payroll was 114.8%.

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

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

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

Costs were determined according to the individual entry age actuarial cost method with the attribution period ending at each decrement age. This is consistent with the cost method used for the City of Philadelphia Municipal Retirement System. The city uses a level percent open approach as its method of amortization. Unfunded liabilities are funded over a 30-year period as a level percentage of payroll which is assumed to increase at a compound annual rate of 4.25% per year. The current plan incorporates the following assumptions; a 3.30% Rate of Salary increases; and, a 4% Ultimate Rate of Medical Inflation.

B. COMPONENT UNITS

School District of Philadelphia (SDP) OPEB

From an accrual accounting perspective, the cost of postemployment life insurance benefits, like the cost of pension benefits, generally should be associated with the periods in which the costs occur, rather than in the future when they will be paid. In adopting the requirements of GASB Statement No. 45, 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 (UAAL)		913,395
Annual Required Contribution (ARC)		998,270
Interest on Net OPEB Obligation		36,658
Adjustment to the ARC		(62,342)
Annual OPEB Cost	$	972,586
Net OPEB Obligation as of June 30, 2015	$	1,221,930
Annual OPEB Cost		972,586
Employer Contributions		(539,601)
Increase/(Decrease) in net OPEB Obligation	$	432,985
Net OPEB Obligation as of June 30, 2016	$	1,654,915

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, 2016 was as follows:

Year Ended June 30	Annual OPEB Cost (APC)	Employer Contribution	Percentage of APC Contributed		Net OPEB Obligation
2014	990,364	567,888	57.30%	$	810,906
2015	981,837	570,813	58.10%	$	1,221,930
2016	$972,586	$539,601	55.50%	$	1,654,915

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	0.03%
6/30/2014	871,663,661	18,114,395	0.02%
6/30/2012	751,086,581	17,956,061	0.02%

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 2,190 participating retirees and their beneficiaries and dependents in FY 2016, in accordance with their retiree medical program. The annual covered payroll (which was substantially equal to total payroll) was $113.0 million at August 31, 2016.

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 $28.5 million in FY 2016. In addition, **PGW** expensed $18.5 million of funding for the OPEB Trust. Retirees contributed $0.3 million towards their healthcare in FY 2016. 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 $2.4 million in FY 2016 which included $2.0 million for retirees. Retirees contributed $0.2 million towards their life insurance in FY 2016.

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

The amount paid by **PGW** for retiree benefits in FY 2016 was $49.6 million, consisting of $29.3 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 $8.6 million in FY 2016, which was recorded to other non-current liabilities and expensed.

The actuarial accrued liability for benefits at August 31, 2016 was $489.7 million. The ratio of the unfunded actuarial accrued liability to the covered payroll was 316.8% as of August 31, 2016.

The assumptions used to determine the AOC for the fiscal year 2016 and the funded status of the plan include:

Actuarial cost method	Projected unit credit
Method(s) used to determine the actuarial value of 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 2015
Amortization method	Level dollar amount
Amortization period	Open period of 30 years

Healthcare cost trend rates are as follows:

	Healthcare costs trend rates			
Year	Medical (pre-65)	Medical (post-65)	Prescription	Dental
2016	7.0%	5.0%	9.5%	4.0%
2017	6.5%	4.5%	8.5%	4.0%
2018	6.0%	4.5%	7.5%	4.0%
2019	5.5%	4.5%	6.5%	4.0%
2020	5.0%	4.5%	5.5%	4.0%
2021+	4.5%	4.5%	4.5%	4.0%

The following table shows the calculation of **PGW's** OPEB liability for FY 2016. The difference between annual OPEB cost (AOC) and contributions made results as an increase or decrease to the net OPEB obligation which is recorded in other non-current liabilities and expensed.

(Amounts in Thousands of USD)

Annual required contribution	41,782
Interest on net OPEB obligation	7,156
Adj to annual required contribution	(7,958)
Annual OPEB cost	40,980
Payments made	(49,551)
Increase/(Decrease) in net OPEB obligation	(8,571)
Net OPEB obligation - beginning of year	90,014
Net OPEB obligation - end of year	81,443

PGW's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY 2016 and the preceding years is as follows:

(Amounts in Thousands of USD)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
8/31/2016	$ 40,980	120.9%	$ 81,443
8/31/2015	$ 37,073	131.8%	$ 90,014
8/31/2014	$ 37,090	119.6%	$ 101,788

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 2016 this transfer amounted to $383.6 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 $74.2 million to SEPTA.

B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments which totaled $97.62 million during the year to the following organizations:

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

6. RISK MANAGEMENT

A. PRIMARY GOVERNMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City (except for Aviation Fund operations, the Municipal Authority and PICA) is self-insured for fire damage, casualty losses, public liability, Workers' Compensation and Unemployment Compensation. The Aviation Fund is self-insured for Workers' Compensation and Unemployment Compensation and insured through insurance carriers for other coverage. The City 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 $350.3 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, 2014 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2014	356.1	244.0	(250.8)	349.3
Fiscal 2015	349.3	296.0	(291.7)	353.6
Fiscal 2016	353.6	216.2	(219.5)	350.3

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 $2.8 million for Unemployment Compensation claims and $65.3 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are $271.5 million discounted at 3.5%. On an undiscounted basis, these liabilities total $353.1 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 $245.8 million (discounted) and $321.5 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 $132.5 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.

At June 30, 2016, the amount of these liabilities totaled $146.8 million for the City's component units.
Changes in the balances of claims and liabilities during the past three (3) years are as follows:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2014	195.9	210.9	(231.6)	175.2
Fiscal 2015	175.2	209.1	(229.7)	154.6
Fiscal 2016	154.6	225.6	(233.4)	146.8

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 amount of open encumbrances for both the current and prior fiscal years were as follows:

Fund	Amounts
General fund	149,242,021
Grants Revenue fund	215,949,343
Community Behavioral Health fund	150,717,417
Water Enterprise funds	444,033,141
Aviation Enterprise funds	185,244,099
Non-Major governmental funds	223,537,427
Total	1,368,723,449

B. COMPONENT UNITS

The School District's outstanding contractual commitments at June 30, 2016 are summarized as follows:

New Construction and Land	372,881
Environmental Management	369,720
Alterations and Improvements	4,857,525
Major Renovations	1,766
Total	5,601,892

Outstanding contractual commitments in the School District's operating funds at June 30, 2016 are as follows:

Services and Supplies

General Fund	66,274,486
Intermediate Unit Fund	2,549,757
Total	68,824,243

Categorical Funds encumbrances totaled $12.5 million at June 30, 2016.

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 $331.4 million. Of this amount $35.6 million is charged to the current operations of the Enterprise Funds. The remaining $295.8 million pertaining to the General Fund is reflected in the Government Wide Statements.

In addition to the above, there are certain lawsuits against the City for which an additional loss is reasonably possible. These lawsuits relate to General Fund and Enterprise Fund operations. The aggregate estimates of the loss which could result if unfavorable legal determinations were rendered against the City with respect to those lawsuits is approximately $63.5 million to the General Fund and $9.7 million to the Enterprise Funds.

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

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 closes on May 19, 2017. The likelihood of a verdict against the City is difficult to predict at this time. However, in the event of such a verdict, damages could reach $8 million given 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 early stage of discovery. It is difficult at this point to evaluate the likelihood of success, however, the exposure should Mr. Wright 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 “Sellers”). The Petition alleges that the City effected a de facto taking of the Henderson properties (the “Property”), which Property is proximate to 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. In July 2016, the City made an offer for $70 million. The City received no response. The City will likely file its own de jure taking in the first quarter of 2017.

For the Henderson Property, the City will need the cooperation of Tinicum Township or Delaware County to take it by eminent domain. While Tinicum has agreed to not withhold its consent for the City to take certain properties, the City has not yet requested that consent. While there are various estimates, the number of acres involved, the parcel is approximately, 135+/- acres (Henderson claims in excess of 144 acres). The property was included in the City's FAA-approved Master Plan for the expansion of the Airport. It is one of several privately held properties identified in the Master Plan. The City has been successful in purchasing several of these.

The City is represented by outside counsel and the City has filed Preliminary Objections to the Petition. Henderson has responded and there will likely be a hearing on the Preliminary Objections. The parties are also embroiled in a variety of issues which will undoubtedly generate significant attorney's fees, (most significantly, massive discovery requests, which if not narrowed will require the City to produce hundreds of thousands of pages) two issues are at the core of what is in dispute: 1) when is the effective date of the taking (delay damages accrue from this date at a very high rate of interest); and 2) what is the value of the Property. The Hendersons have valued the Property at $180 M and the City's most recent appraisal (2013) values the Property at between $40 M and $50 M. An additional appraisal is being undertaken by the City.

An ordinance was introduced in to City Council on February 9, 2017 seeking authorization to acquire the Property by amicable negotiations or condemnation.

Sweetened Beverage Tax Challenge

- On 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. The City estimates that the tax, once fully implemented, will generate approximately $92 million a year in tax over the next five years. On December 19, 2016, the Philadelphia Court of Common Pleas dismissed the lawsuit in its entirety. Plaintiffs appealed the decision to the Commonwealth Court. The City immediately petitioned the Pennsylvania Supreme Court to exercise King's Bench jurisdiction over the appeal, which was denied on February 13, 2017. (The Supreme Court had previously denied plaintiffs' request for King's Bench jurisdiction.) The City has a high degree of confidence that the tax is lawful and that it will ultimately prevail in litigation, but, if the Common Pleas Court decision were reversed on appeal, all or some of the tax revenue estimate would be at risk.

Briefing is currently ongoing and oral argument is tentatively set for April 3, 2017. The tax went into effect as scheduled on January 1, 2017 and will be collected as intended.

Ciber Inc. – Contract Dispute Resolution

- The City has a $15.7 million contract with Ciber Inc. ("Ciber,") to implement and host Oracle EBS software, which will take over HR, pensions, payroll, timekeeping, and benefits functionality currently performed by legacy systems, all part of the OnePhilly project. Ciber has furnished a performance bond in the amount of $12,257,400 in order to guarantee the work.

The City and Ciber have agreed upon a revised project schedule which extends the go-live date from June 2016 to September 2017. Under the terms of the contract, substantive revisions to the project schedule are made by change order signed by both parties. Ciber is demanding that the change order adopting the revised schedule add an additional $8.9 million to the project price; the City disputes that any new or out of scope work is being added, and has asked Ciber to justify its demand for additional money.

Ciber claims that the City agreed in the contract to the use of Ciber methodologies and that the City demanded changes to the sequence or durations of tasks in the project schedule are not part of Ciber methodology. Thus, Ciber contends that the City must pay for such changes. The City disputes that Ciber methodologies require certain durations or sequences.

Ciber also claims that the City has added additional work to the project scope by requiring Ciber to include in the project schedule additional tasks and sub-tasks that were not included in the previous version of the project schedule. The City disputes that its demand for additional detail in the project schedule obligates Ciber to perform out of scope work, and claims that all new tasks and sub-tasks in the project schedule are items of work that Ciber is already obligated to perform in the statement of work.

The contract is at the dispute resolution stage and negotiations are on-going. No one has filed a lawsuit or threatened, verbally or in writing, to sue the other. However, litigation is a possibility and, with the amount in dispute being as much as $8.9 million, the Law Department believes this matter reaches the disclosure threshold. If the matter goes to litigation, the City believes that it has a strong and credible position and intends to defend vigorously.

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.
Recently, in July of 2016, the FOP began seeking new hearings before the arbitrator regarding the conditions of the police facilities. The union has not specified its concerns, for this reason, 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 those 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. The Plaintiffs have filed a motion for class certification.

The case is currently in discovery, and oral argument on the class certification motion has occurred. The Parties are waiting for a ruling on class certification from the Court. Additionally, motions for summary judgment are due on March 17, 2017, following the close of expert discovery. The City intends to oppose class certification and file a motion for summary judgment. If the Court grants class certification and then finds for plaintiffs on the merits, it is possible that the City would have to return approximately $12 million to class members and pay millions in attorneys' fees.

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.

On January 5, 2017, the District Court entered into its final order in the case, after certifying the case as a class action. The order essentially makes final the relief granted with the preliminary injunction. It prevents PGW from imposing "Covered Liens" (essentially liens relating to residential or commercial rental properties where gas service was provided to the delinquent tenant) until further order of the Court approving a revised notice and hearing procedure; bars the collection of such liens; and declares them void. The City and PGW have appealed to the Unites States Court of Appeals for the Third Circuit, and have been negotiating a partial stay of the final order pending disposition of the appeal. The amount at issue substantially exceeds $8 million, although PGW will be responsible assuming solvency.

<u>Narcotics Field Unit – District Attorney's Letter Re: Not Prosecuting Cases</u>

- 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 250 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. Six narcotics officers have been arrested and are facing federal charges in relation to these complaints. If the allegations are substantiated, City Lawyers anticipate between 350 and 500 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 250 cases which are now stayed in Federal Court, the parties have selected 10 cases to litigate (the "Bellwether cases"). Those 10 are in the middle of discovery. The City will aggressively defend the Bellwether cases.

If Federal Court juries award significant damages in any of the 10 bellwether cases, the City faces potential exposure to damages as high as $8 million dollars, although that high of a figure is unlikely. The City assesses these cases are defensible.

<u>Lower Darby Creek Area Superfund Site</u>

- In 2001, the U.S. Environmental Protection Agency (EPA) added the Lower Darby Creek Area (Site) to the National Priority List, EPA's list of the most serious uncontrolled or abandoned hazardous waste sites. The Site includes two former municipal landfills: the Folcroft Landfill and the Clearview Landfill. In 2002, EPA sent the City a letter alleging that the City is a Potentially Responsible Party (PRP) at the Clearview Landfill (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 the Clearview Landfill and alleges that there is a reasonable basis to believe there may be or has been a release or threat of release of hazardous substances, pollutants or contaminants at or from the City's property. Additionally, EPA alleges that the City "arranged" for the disposal of hazardous substances at the Clearview Landfill. The City received and responded to two separate requests from EPA for additional information. EPA completed the Remedial Investigation for the Clearview Landfill in May 2011 and a feasibility study of remedial options in October 2012. 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 is estimated to cost approximately $24 million, and has 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 will not use its Special Notice authority to force the PRPs to begin a cleanup. Instead, EPA has decided that EPA will implement the cleanup/remedial action plan. EPA is also beginning a groundwater study that is likely to result in a recommendation for additional cleanup related to groundwater.

In November 2015 EPA released 30% Design Report for Clearview. A 60% Design Report is expected in fall 2016, and a final Design Report in March 2017. At that point, EPA most likely will decide whether it will precede to implement the Remedial Action itself or force the PRPs to take on the task. Because of the broad liability scheme under the federal Superfund law, Superfund litigation generally focuses not on avoiding a finding of liability, but rather on ensuring that the remediation is cost-effective and the allocation of costs among all parties identified as bearing some degree of liability is fair and reasonable. The total costs of the removal and remedial actions for which EPA may assert cost recovery claims are estimated to be in the range of approximately $40 million to $60 million. Insufficient information is available to the City at this time to determine the exact amount of those costs that will be allocated to the City, but based on existing information the City's allocated share may exceed 20% of the total cleanup costs or approximately ($8 million - $12 million).

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, Alan Butkovitz, Controller 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 Lisa Deeley) 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. ("Lexington"), 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 Defendants in their official capacities) intend vigorously to pursue defenses and potentially counterclaims to defeat/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) 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. Through fiscal year 2016, the City has provided approximately $12.6 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 $12.36 million at March 31 2016.

(3) Single Audit

The City receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally requires compliance with terms and conditions as specified in the grant agreements, and is subject to audit. Any disallowed claims resulting from such audits and relating to the City or its component units could become a liability of the General Fund or other applicable funds. In the opinion of City Officials the only significant contingent liabilities related to matters of compliance are the unresolved and questioned costs in the City's Schedule of Financial Assistance to be issued for the year ended June 30, 2016, which accounted for $323.2 million for all open programs as of February 17, 2017. Of this amount, $322.2 million represents unresolved cost due to the inability to obtain audit reports from sub-recipients for the year ended June 30, 2016 and prior. For Fiscal Years ending June 30, 2015 and prior, $0.9 million represents questioned costs related to specific compliance requirements which have yet to be resolved.

(4) 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.

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

In previous fiscal years the Act 148 Children and Youth Program reimbursed by the Commonwealth of Pennsylvania, was accounted for in the General Fund. Starting in fiscal year 2012, the reimbursable portion of this program was accounted for in the Grants Revenue Fund, and the non-reimbursable portion continues to be accounted for in the General Fund. At June 30, 2015 the Grants Revenue Fund had a $226.5 million receivable for the Children and Youth Program. In FY 2016 the Grants Revenue Fund had expenditures totaling $480.68 million and revenue totaling $460.08 million. At June 30, 2016 the Grants Revenue Fund had a $247.11 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

Special Education and Civil Rights Claims – There are four hundred thirty-six (436) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of $3.4 million.

Of those, four hundred twenty-six (426) 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 ninety-five (195) unfavorable outcomes are deemed probable and two hundred and six (206) are considered reasonably possible, in the aggregate of $0.9 million and $0.8 million respectively.

There are four (4) lawsuits pending against the School District asserting claims in violation of §1983 of the Civil Rights Act. In the opinion of the General Counsel of the School District, unfavorable outcomes are deemed probable for these lawsuits in the aggregate amounts of approximately $0.5 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 $0.7 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 $28.7 million. In the opinion of the General Counsel of the School District, it is unlikely that final judgments or compromised settlements will approach the total potential liability, however. Nevertheless, the School District annually budgets an amount that management believes is adequate, based on past experience, to provide for these claims when they become fixed and determinable in amount. More particularly, compromised settlements or unfavorable outcomes are deemed probable or reasonably possible in the amounts of $0.6 million and $10.8 million, respectively, in connection with disputed contracts and labor and employment matters. Likewise, compromised settlements or unfavorable verdicts are deemed probable or reasonably possible in the aggregate amounts of $4.4 million and $2.6 million, respectively, arising from personal injury and property damage claims and lawsuits.

Education Audits - In the early 1990s, the School District received basic education subsidies from the Commonwealth of Pennsylvania based primarily on student enrollment. In July of 1995, the Department of Education notified the School District that an audit conducted by the Auditor General for fiscal years ending in 1991, 1992 and 1993 indicated over-reporting of student enrollment in fiscal year 1991, the year established by the Commonwealth as the base year calculation for all subsidies through fiscal year 1999. Consequently, a claim for reimbursement due was initially estimated at approximately $40 million through fiscal year 1999, and subsequently reduced by half, to approximately $20 million, as a result of additional reviews of School District documentation. In May 1999, the School District appealed the adverse determination to the Secretary of Education, as provided by law. The Secretary was to appoint a hearing officer to consider the matter further. During the pendency of the dispute over the adequacy of documentation to support 1991 student enrollment figures, an audit of reported enrollment in school years 1994-95 through 1996-97 was also undertaken. The Department of Education asserted a claim for an additional $20 million for the alleged over-reporting of enrollment during those periods. The School District has denied this additional claim and has produced supporting documentation to the Secretary of Education. As part of an agreement with the School District, the Commonwealth postponed all potential collection actions in this category while both matters remain pending. Discussions with Commonwealth representatives regarding relief from this potential liability are ongoing. Because no final determination of forgiveness has been made, however, there remains a remote likelihood in the amount of $40 million.

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.

As of June 30, 2016 and continuing until the date of this letter, in the opinion of outside counsel, the School District has potential material liability related to the OIG audit issued in January 2010. The OIG issued an audit report to the School District assessing the School District's management of federal grant funds during the 2006 fiscal year.

The U.S. Department of Education ("DOE") 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") and appeals of both are pending. DOE issued two additional PDLs (four PDLs total) on the remaining findings that required corrective actions, but did not result in monetary exposure. All of the corrective actions have already been implemented part of the corrective action plan as agreed upon with the PDE and DOE.

The first PDL demanded a recovery of $9.9 million and was appealed to the Office of Administrative Law Judge. Of that amount, DOE'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, which was denied on October 3, 2016. With no further appeals pending, DOE may demand payment from PDE, which in turn may seek to recover the liability from the District. To date, no such demands have been made. The likelihood of liability is probable.

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 DOE of the amount barred by the statute of limitations. After PDE and the School District presented documentation demonstrating the application of the statute of limitations to DOE on April 4, 2016, DOE's attorney advised that DOE will not seek recovery of this amount and that a second PDL will be issued to that effect.

Administrative Appeals in Pennsylvania Department of Education

The School District received several subsidy withholding requests filed with the Pennsylvania Department of Education ("PDE") by charter schools that have enrolled resident students from the School District. These withholding requests address whether the PDE's Form 363, used to calculate charter school tuition, contains an allowance for improper deductions in the calculation of the regular education expenditure. The issue is whether the form itself is flawed in that PDE has authorized federal funding to be deducted from the expenditure calculation in violation of the law. This is an issue in more than 200 subsidy withholding requests submitted to PDE seeking subsidy from many school districts in Pennsylvania.

Because there are more than 200 appeals pending, PDE selected four cases involving Pittsburgh School District and charter schools as example cases on the legal issues involved. PDE had assigned a Hearing Officer to hear these administrative appeals and to make a recommendation to the Secretary of Education. However, prior to the hearing, the dispute between Pittsburgh School District and the charter schools was settled.

It is expected that PDE will select a different representative case to decide the legal question involved. However, no hearing is currently scheduled. The School District of Philadelphia intends to file a Petition to Intervene in the chosen example case, so that the School District's interests can be adequately represented. It is not yet known when that Petition will be filed or if the School District will be permitted to intervene. The direct cases against the School District are stayed pending the outcome of the example case.

The School District intends to vigorously defend its position, both as an intervenor and as a party, if the direct cases against the School District ever move forward. It is the belief of the School District – and of PDE according to PDE's own form and guidance documents – that federal funding is not appropriately included in the calculation of charter school funding due to the nature of the funding itself and the fact that charter schools are equally eligible for the same federal funding as school districts. Although it is impossible to determine with any degree of certainty, based upon our evaluation of the legal claims, in the opinion of the School District's outside counsel, the likelihood of an unfavorable outcome is reasonably possible in the amount of approximately $5.7 million for the pending withholding requests of which we are aware, assuming that the charter schools successfully argue that they are entitled to a portion of the School District's federal funding. The exposure if the PDE-363 form is in-validated and all charter schools are permitted, going forward, to receive a portion of the School District's federal funding on an annual basis, is estimated to be upwards of $100 million each year.

9 SUBSEQUENT EVENTS

In preparing the accompanying financial statements, the City has reviewed events that occurred subsequent to June 30, 2016 through and including February 24, 2017. The following events are described below:

A. PRIMARY GOVERNMENT

1. In October 2016, the City issued $175 million of Tax and Revenue Anticipation Notes (TRAN), Series A of 2016-2017 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 cur-rent fiscal year and pay the costs of issuance of the Notes. The proceeds will be invested and repaid by June 30, 2017.
2. In October 2016, the City issued $192.7 million of Water and Wastewater Revenue Refunding Bonds, Se-ries 2016. The 2016 series bonds were issued with interest rates ranging from 3% to 5%. The 2016 Series Bonds were issued to provide funds to finance the advance refunding of portions of the City's outstanding (a) Water and Wastewater Revenue Refunding Bonds, Series 2007A, (b) Water and Wastewater Revenue Bonds, Series 2009A, and (c) Water and Wastewater Revenue Bonds Series 2010C, and the cost of issu-ance of the 2016 Series Bonds.
3. Through August 2016 draw-downs totaling $2.5 million represent new loans from the Pennsylvania State In-frastructure Financing Authority ("PENNVEST") for water main replacement.
4. In February 2017, the City issued $263 million of General Obligation Refunding Bonds - Series 2017. The 2017 series bonds were issued with interest rates ranging from 4% to 5%. The 2017 Series Bonds were issued to provide funds to refund: (a) the City's General Obligation Bonds, Series 2006 maturing August 1, 2028 and August 1, 2031; (b) a portion of the City's General Obligation Fixed Rate Refunding Bonds, Series 2007A maturing August 1, 2018 and August 1, 2019; (c) the City's General Obligation Refunding Bonds, Series 2008A maturing on December 15, 2019 through 2027, inclusive, and December 15, 2032; (d) a portion of the City's General Obligation Fixed Rate Refunding Bonds, Series 2009A maturing August 1, 2021 through 2031, inclusive; (e) the City's General Obligation Bonds, Series 2011 maturing on August 1, 2041, and to pay for the cost of issuing the General Obligation Refunding Bonds - Series 2017.

B. COMPONENT UNITS

1. **SDP** Subsequent Events

   a. Commonwealth of Pennsylvania Legislative Actions

   Cigarette Tax Bill – Legislation enacted by the Commonwealth State Senate in July 2016 provided for the establishment of a $58 million annual floor on the School District of Philadelphia Cigarette Tax of $2 per pack and the elimination of the 2019 sunset provision for this tax. These changes are projected to provide an additional $125 million in revenues over the period Fiscal Year 2017 to Fiscal Year 2021.

   Fiscal Code Amendments – The enactment of Act 85 in July 2016 by the Pennsylvania General As-sembly effected new state intercept provisions to be used during a Commonwealth Budget impasse de-signed to mitigate exposure to the Commonwealth's budget process. The new intercept provisions ap-propriate General Fund monies to be used to make intercept payments if no education appropriations have been enacted. This was in response to the Fiscal Year 2016 State budget impasse which left Pennsylvania School District's and other entities receiving State funding without General Fund budget appropriations and impacted bond ratings and debt service borrowing rates for short-term borrowing. The passing of Act 85 had a positive impact on the School District of Philadelphia's bond ratings for Fitch and Moody's.
   Bi-Partisan Funding Formula – Act 35 established in July 2016 a Basic Education Funding formula for school districts in Pennsylvania based upon factors including wealth of the district, the district's current tax effort and the ability of the district to raise revenue. As a result of the application of Act 35 formula in the education appropriations for Fiscal Year 2017, the District receives 23% of new funding as com-pared to 18% of existing basic education subsidies.

Ride Share Bill – On October 2016 the Commonwealth State Senate passed legislation authorizing ride-sharing in Pennsylvania. The legislation provides a long-term solution for ride sharing companies such as Lyft and Uber to operate everywhere in Pennsylvania, including in Philadelphia, PA. Two-thirds of the revenue derived from ride sharing in the City of Philadelphia will go to the School District of Philadelphia. The 66.67% of the assessment of 1.4% of the gross receipts from all fares that originate in the City will expire December 31, 2019. If an assessment is imposed after the expiration date, it may not be less than the 66.67%. The fully-approved program is anticipated to generate annual revenues of approximately $2 million.

b. Rating Agency Actions Due

In October 2016 both Fitch and Moody's upgraded the School District of Philadelphia's credit rating to "stable". Both Fitch and Moody's released a Credit Opinion that revised the credit outlook for the District from "negative" to "stable". Fitch affirmed the current rating for the School District's Bonds at BB- underlying and A+ enhanced. The upgrade was based upon improved fiscal management and revenue support from the City and Commonwealth. Moody's affirmed the current rating for the School District's Bonds at Ba3 underlying and A2 enhanced. This upgrade was based upon the Districts improved financial position and long term fiscal plan. These changes represent the first positive movement in the School District's credit outlook since 2010.

c. General Obligation Bonds, General Obligation Refunding Bonds, and State Public School Building Authority Lease Revenue Refunding Bonds

General Obligation Bonds: On October 20, 2016, the School Reform Commission authorized the issuance of General Obligation Bonds (GOB) Series D of 2016 and Series E of 2016. In November 2016, GOB Series 2016D was issued in the aggregate amount of $92.3 million while GOB Series E was issued as Federally Taxable Qualified School Construction Bonds in the aggregate amount of $147.2 million. Both series of bonds will fund the Capital Improvement Program. Bond provisions of GOB Series 2016E require the District to make periodic mandatory sinking fund installments through the maturity date of September 1, 2042.

General Obligation Refunding Bonds: On October 20, 2016, the School Reform Commission authorized the issuance of General Obligation Refunding Bonds (GOB) Series F of 2016 in the aggregate amount of $582.2 million for the purpose of refinancing General Obligation Refunding Bonds Series 2016A, 2016B and 2016C to achieve debt service savings, eliminate the related covenant, and restructure its variable rate debt by refunding all of the 2015 refunding bonds issued June 1, 2016.

State Public Building Authority Lease Rental Revenue Refunding Bonds: On October 20, 2016, the School Reform Commission authorized the issuance of General Obligation Refunding Bonds (GOB) Series A of 2016 in the aggregate amount of $570.0 million for the purpose of refinancing a portion GOB Series 2006A in the aggregate amount of $174.3 million and refinancing a portion General Obligation Refunding Bonds Series 2006B in the aggregate amount of $462.2 million.

d. Tax Anticipation Revenue Notes (TRAN)

In July 2016 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 2016-2017 which was issued as fixed and variable rate notes in the aggregate of $375 million which matures on June 30, 2017. The District maintains authority and ability, through the same School Reform Commission resolution, to issue additional notes and has access to $200 million additional capacity which totals $575 million if cash flow needs require it to do so.

On July 1, 2016, the District issued Series 2016-2017 TRAN under four separate subseries and sold them to two separate private banks. The District issued and sold (1) Series A-1 of 2016-2017 as a fixed rate mode for $125 million; Series A-2 of 2016-2017 as a variable rate mode for $125 million; Series B-1 of 2016-2017 as a fixed rate mode for $62.5 million; and Series B-2 of 2016-2017 as a variable rate mode for $62.5 million. All series were issued for the purpose of financing the current operating expenses to be received during Fiscal Year 2017.


SEAL OF THE CITY OF PHILADELPHIA
PHILADELPHIA MANETO

City of Philadelphia
PENNSYLVANIA

Required Supplementary Information

(Other than Management's Discussion and Analysis)

City of Philadelphia **Exhibit XIV**
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual*	(Negative)
Revenues				
Tax Revenue	2,912,279	2,951,425	2,966,648	15,223
Locally Generated Non-Tax Revenue	275,807	292,639	290,990	(1,649)
Revenue from Other Governments	651,815	679,722	689,076	9,354
Revenue from Other Funds	65,240	62,410	42,253	(20,157)
Total Revenues	3,905,141	3,986,196	3,988,967	2,771
Expenditures and Encumbrances				
Personal Services	1,534,426	1,578,034	1,562,628	15,406
Pension Contributions	611,701	622,113	622,113	-
Other Employee Benefits	560,481	547,481	559,152	(11,671)
Sub-Total Employee Compensation	2,706,608	2,747,628	2,743,893	3,735
Purchase of Services	832,668	858,824	822,159	36,665
Materials and Supplies	70,040	69,133	66,499	2,634
Equipment	27,042	31,044	25,587	5,457
Contributions, Indemnities and Taxes	187,631	193,126	192,729	397
Debt Service	141,398	141,398	132,089	9,309
Payments to Other Funds	32,715	32,839	32,839	-
Total Expenditures and Encumbrances	3,998,102	4,073,992	4,015,795	58,197
Operating Surplus (Deficit) for the Year	(92,961)	(87,796)	(26,828)	60,968
Fund Balance Available for Appropriation, July 1, 2015	139,401	151,531	151,531	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	24,500	24,500	23,612	(888)
Other Adjustments	(1,615)	(5,500)	-	5,500
Adjusted Fund Balance, July 1, 2015	162,286	170,531	175,143	4,612
Fund Balance Available for Appropriation, June 30, 2016	69,325	82,735	148,315	65,580

* Refer to the notes to required supplementary information.

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual*	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	1,500	1,500	2,502	1,002
Revenue from Other Governments	960,052	960,052	891,909	(68,143)
Total Revenues	961,552	961,552	894,411	(67,141)
Other Sources				
Increase in Unreimbursed Committments	-	-	16,669	16,669
Decrease in Financed Reserves	-	-	100,000	100,000
Total Revenues and Other Sources	961,552	961,552	1,011,080	49,528
Expenditures and Encumbrances				
Purchase of Services	960,002	959,992	889,795	70,197
Equipment	50	50	-	50
Payments to Other Funds	1,500	1,510	743	767
Total Expenditures and Encumbrances	961,552	961,552	890,538	71,014
Operating Surplus (Deficit) for the Year	-	-	120,542	120,542
Fund Balance Available for Appropriation, July 1, 2015	-	(3,354)	(3,354)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	1,742	1,742
Prior Period Adjustments	-	-	11,297	11,297
Other Adjustments	-	3,354	-	(3,354)
Adjusted Fund Balance, July 1, 2015	-	-	9,685	9,685
Fund Balance Available for Appropriation, June 30, 2016	-	-	130,227	130,227

* Refer to the notes to required supplementary information.

City of Philadelphia **Exhibit XVI**
Required Supplementary Information
Budgetary Comparison Schedule
Grants Revenue Fund
For the Fiscal Year Ended June 30, 2016

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual*	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	94,663	87,333	47,834	(39,499)
Revenue from Other Governments	1,463,971	1,221,033	835,133	(385,900)
Total Revenues	1,558,634	1,308,366	882,967	(425,399)
Other Sources				
Decrease in Unreimbursed Committments	-	-	(22,895)	(22,895)
Decrease in Financed Reserves	-	-	23,898	23,898
Total Revenues and Other Sources	1,558,634	1,308,366	883,970	(424,396)
Expenditures and Encumbrances				
Personal Services	178,942	199,896	138,864	61,032
Pension Contributions	15,076	38,883	34,173	4,710
Other Employee Benefits	56,433	33,366	31,713	1,653
Sub-Total Employee Compensation	250,451	272,145	204,750	67,395
Purchase of Services	1,023,005	1,010,429	763,894	246,535
Materials and Supplies	35,621	30,880	21,392	9,488
Equipment	-	22,406	10,650	11,756
Contributions, Indemnities and Taxes	110	10	-	10
Payments to Other Funds	45,646	47,396	47,254	142
Advances, Subsidies, Miscellaneous	203,801	97,478	-	97,478
Total Expenditures and Encumbrances	1,558,634	1,480,744	1,047,940	432,804
Operating Surplus (Deficit) for the Year	-	(172,378)	(163,970)	8,408
Fund Balance Available for Appropriation, July 1, 2015	-	(212,994)	(212,994)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	40,963	40,963
Revenue Adjustments - Net	-	-	14,114	14,114
Prior Period Adjustments	-	212,994	-	(212,994)
Adjusted Fund Balance, July 1, 2015	-	-	(157,917)	(157,917)
Fund Balance Available for Appropriation, June 30, 2016	-	(172,378)	(321,887)	(149,509)

* 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	114.80%

City of Philadelphia - Municipal Pension Plan - Schedule of Changes in Net Pension Liability *(Amounts of USD)*

	FYE 2016	FYE 2015	FYE 2014
Total Pension Liability			
Service Cost (MOY)	148,370,075	143,556,347	136,986,515
Interest (includes interest on service cost)	802,450,569	791,298,503	774,518,750
Changes of benefit terms	-	-	-
Differences between expected and actual experience	151,918,733	34,909,464	-
Changes of assumptions	85,147,737	48,146,352	213,156,725
Benefit payments, including refunds of member contributions	(889,343,124)	(881,464,964)	(808,597,357)
Net change in total pension liability	**298,543,990**	**136,445,702**	**316,064,633**
Total Pension liability - beginning	10,578,665,968	**10,442,220,266**	**10,126,155,633**
Total Pension liability - ending	**10,877,209,958**	**10,578,665,968**	**10,442,220,266**
Plan fiduciary net position			
Contributions - employer	660,246,511	577,195,412	553,178,927
Contributions - member	67,055,003	58,657,817	53,722,275
Net investment income	(145,681,480)	13,838,367	681,469,584
Benefit payments, including refunds of member contributions	(889,343,124)	(881,666,036)	(808,597,357)
Administrative expense	(8,553,837)	(10,478,541)	(8,291,820)
Net change in plan fiduciary net position	**(316,276,927)**	**(242,452,981)**	**471,481,609**
Plan fiduciary net position - beginning	4,674,252,416	**4,916,705,397**	**4,445,223,788**
Plan fiduciary net position - ending	**4,357,975,073**	**4,674,252,416**	**4,916,705,397**
Net pension liability - ending	**6,519,234,885**	**5,904,413,552**	**5,525,514,869**
Plan fiduciary net position as a percentage of the total pension liability	40.07%	44.19%	47.08%
Covered employee payroll	1,676,411,925	1,597,848,869	1,556,660,223
Net pension liability as a percentage of covered employee payroll	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 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011	FYE 2010	FYE 2009	FYE 2008	FYE 2007
Actuarially determined Contribution	594,975	556,030	523,368	727,604	534,039	463,375	297,446	438,522	412,449	400,256
Contributions in Relation to the Actuarially Determined Contribution	660,246	577,195	553,179	781,823	555,690	470,155	312,556	455,389	426,934	432,267
Contribution Deficiency/(Excess)	(65,271)	(21,165)	(29,811)	(54,219)	(21,651)	(6,780)	(15,110)	(16,867)	(14,485)	(32,011)
Covered-Employee Payroll	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	1,351,826
Contributions as a Percentage of Covered-Employee Payroll	39.38%	36.12%	36.99%	54.68%	40.50%	34.29%	21.99%	31.12%	29.31%	31.98%

City of Philadelphia Schedule of Collective Contributions (Based on Funding Policy)
Last 10 Fiscal Years
Amounts in Thousands

	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011	FYE 2010	FYE 2009	FYE 2008	FYE 2007
Actuarially determined Contribution	846,283	798,043	823,885	738,010	722,491	715,544	581,123	539,464	536,874	527,925
Contributions in Relation to the Actuarially Determined Contribution	660,247	577,195	553,179	781,823	555,690	470,155	312,556	455,389	426,934	432,267
Contribution Deficiency/(Excess)	186,036	220,847	270,706	(43,813)	166,801	245,389	268,567	84,075	109,940	95,658
Covered-Employee Payroll	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	1,351,826
Contributions as a Percentage of Covered-Employee Payroll	39.38%	36.12%	36.99%	54.68%	40.50%	34.29%	21.99%	31.12%	29.31%	31.98%

Notes to Schedule

Valuation Date	7/1/2014
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 15years, benefit changes for actives over 10 years, benefit changes for inactive members over 1 year, and plan changes mandated by 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	7.80%
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, 2016 can be found in the July 1, 2014 actuarial valuation report.

Philadelphia Gas Works - Schedule of Changes in Net Pension Liability *(Amounts in thousands USD)*

	FYE 2016	FYE 2015	FYE 2014
Total Pension Liability			
Service Cost	5,400	4,890	8,924
Interest Cost	55,903	52,377	47,098
Changes in Benefit Terms	0	-	-
Differences between expected and actual experience	-8,841	17,960	59,326
Changes in assumptions	26,748	44,877	-
Benefit Payments	(50,447)	(46,917)	(42,913)
Net Change in Total Pension Liability	**28,763**	**73,187**	**72,435**
Total Pension Liability (Beginning)	**750,588**	**677,401**	**604,966**
Total Pension Liability (Ending)	**779,351**	**750,588**	**677,401**
Plan Fiduciary Net Position			
Contributions-Employer	21,123	21,106	24,934
Contributions-Employee	602	393	239
Net Investment Income	2,872	24,472	75,303
Benefit Payments	(50,446)	(46,917)	(42,913)
Administrative Expense	(1,611)	(1,480)	(732)
Other	-	-	-
Net Change in Fiduciary Net Position	**(27,460)**	**(2,426)**	**56,831**
Plan Fiduciary Net Position (Beginning)	**510,719**	**513,145**	**456,314**
Plan Fiduciary Net Position (Ending)	**483,259**	**510,719**	**513,145**
Net Pension Liability (Ending)	**296,092**	**239,869**	**164,256**
Total Pension Liability	779,351	750,588	677,401
Plan Fiduciary Net Position	483,259	510,719	513,145
Net Pension Liability (Ending)	**296,092**	**239,869**	**164,256**
Net Position as a percentage of Pension Liability	62.01%	68.04%	75.75%
Covered Employee Payroll	90,860	95,187	103,530
Net Pension Liability as a percentage of Payroll	325.88%	252.00%	158.66%

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 2016	FYE 2015	FYE 2014
Actuarially Determined Contribution	26,476	21,526	24,385
Contributions Made	21,123	21,106	24,385
Contribution Deficiency/(Excess)	5,353	420	-
Covered Emplyee Payroll	90,860	95,187	103,530
Contributions as a percent of covered employee payroll	29.14%	22.61%	23.55%

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	June 30, 2016
Actuarial Cost Method	Projected Unit Credit Method
Amortization Method	Contributions based on greater of 20 year level dollar open amortization method and 30 ye 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% in 2016, &.65% in 2015, 7.95% in 2014
Cost of Living	N/A
Mortality rates	RP-2014 static mortality generationally projected with Scale MP-2014

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	3,988,967	894,411	882,967
Transfers	(409,106)	-	-
Program Income	-	-	63,407
Adjustments applicable to Prior Years Activity	-	-	-
Change in Amount Held by Fiscal Agent	(2)	-	-
Change in BPT Adjustment	9,048	-	-
Return of Loan	-	-	-
Other	-	-	14,114
Statement of Revenues, Expenditures & Changes in Fund Balance	3,588,907	894,411	960,488
Expenditures and Encumbrances			
Budgetary Comparison Schedule	4,015,795	890,538	1,047,940
Transfers	(170,698)	-	(31,881)
Bond Issuance Costs	992	-	-
Expenditures applicable to Prior Years Budgets	59,052	43,729	26,022
Program Income	-	-	63,407
Payments for Current Bond Refundings	6,693	-	-
Payment to School Board from Bond Proceeds	-	-	-
Change in Amount Held by Fiscal Agent	19,136	-	-
Current Year Encumbrances	(72,946)	(60,331)	(43,481)
Statement of Revenues, Expenditures & Changes in Fund Balance	3,858,024	873,936	1,062,007

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, 2016

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
Assets														
Cash on Deposit and on Hand	-	-	-	-	-	-	-	-	-	-	8,745	291	15,720	24,756
Equity in Treasurer's Account	1,927	38,017	8,315	-	5,801	21,850	12,263	30	3,415	-	4,155	-	-	95,773
Investments	-	-	-	-	-	-	-	-	-	-	848	-	9,933	10,781
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	39	-	-	39
Due from Component Units	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amounts Held by Fiscal Agent	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	7,541	-	598	-	15	-	-	-	-	-	5,042	13,196
Accounts Receivable	-	-	-	2,404	-	-	-	-	-	-	-	4,048	-	6,452
Due from Other Governmental Units	-	-	-	8,481	-	-	-	-	-	-	-	-	-	8,481
Allowance for Doubtful Accounts	-	-	(860)	-	(23)	-	(14)	-	-	-	-	-	-	(897)
Interest and Dividends Receivable	-	-	-	-	6	-	-	-	-	-	-	-	2	8
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	355	-	21	376
Total Assets	1,927	38,017	14,996	10,885	6,382	21,850	12,264	30	3,415	-	14,142	4,339	30,718	158,965
Liabilities														
Notes Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vouchers Payable	26	1,080	-	1,051	-	817	909	-	117	-	266	-	-	4,266
Accounts Payable	-	1,723	2,508	1,999	-	266	100	-	-	-	593	4,187	96	11,472
Salaries and Wages Payable	-	-	-	128	-	-	58	-	-	-	-	-	-	186
Payroll Taxes Payable	-	-	-	-	-	-	-	-	-	-	-	-	42	42
Accrued Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	5,229	-	-	-	-	-	-	4	-	5,042	10,275
Due to Primary Government	-	-	-	-	-	-	-	-	-	-	-		-	-
Due to Component Units	-	-	-	5,037	-	-	-	-	-	-	-	-	-	5,037
Funds Held in Escrow	-	-	-	-	-	-	-	-	447	-	867	-	-	1,314
Due to Other Governmental Units	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General Obligation Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unamortized Loss - Refunded Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unamortized Discount on Revenue Bonc	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Obligations Under Capital Leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	26	2,803	2,508	13,444	-	1,083	1,067	-	564	-	1,730	4,187	5,180	32,592
Deferred Inflows of Resources	-	-	209	2,750	2	-	2	-	-	-	-	-	-	2,963
Fund Balances														
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted	1,901	35,214	12,279	-	6,380	20,767	11,195	-	-	-	10,749	152	25,538	124,175
Committed	-	-	-	-	-	-	-	30	2,851	-	1,663	-		4,544
Assigned	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	(5,309)	-	-	-	-	-	-	-	-	-	(5,309)
Total Fund Balances	1,901	35,214	12,279	(5,309)	6,380	20,767	11,195	30	2,851	-	12,412	152	25,538	123,410
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	1,927	38,017	14,996	10,885	6,382	21,850	12,264	30	3,415	-	14,142	4,339	30,718	158,965

City of Philadelphia **Schedule I**

Combining Balance Sheet

Non-Major Governmental Funds(Continued)

June 30, 2016

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	-	-	13,457	13,457	-	-	-	348	38,561
Equity in Treasurer's Account	987	-	-	987	138,973	-	138,973	-	235,733
Investments	-	30	66,988	67,018	-	28,137	28,137	6,068	112,004
Due from Other Funds	-	-	-	-	-	-	-	-	39
Due from Component Units	-	-	-	-	-	-	-	-	-
Amounts Held by Fiscal Agent	-	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-	13,196
Accounts Receivable	-	-	-	-	-	-	-	-	6,452
Due from Other Governmental Units	-	-	-	-	75,175	-	75,175	-	83,656
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	(897)
Interest and Dividends Receivable	-	-	7	7	1	-	1	-	16
Inventories	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	1	377
Total Assets	987	30	80,452	81,469	214,149	28,137	242,286	6,417	489,137
Liabilities									
Notes Payable	-	-	-	-	-	-	-	-	-
Vouchers Payable	-	-	-	-	12,102	-	12,102	-	16,368
Accounts Payable	-	-	-	-	17,410	3,363	20,773	10	32,255
Salaries and Wages Payable	-	-	-	-	232	-	232	-	418
Payroll Taxes Payable	-	-	-	-	-	-	-	-	42
Accrued Expenses	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	35	10,310
Due to Primary Government	-	-	-	-	-	-	-	-	-
Due to Component Units	-	-	-	-	-	-	-	-	5,037
Funds Held in Escrow	-	-	-	-	2,720	-	2,720	-	4,034
Due to Other Governmental Units	-	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	8,847	-	8,847	-	8,847
General Obligation Bonds	-	-	-	-	-	-	-	-	-
Revenue Bonds	-	-	-	-	-	-	-	-	-
Unamortized Loss - Refunded Debt	-	-	-	-	-	-	-	-	-
Unamortized Discount on Revenue B	-	-	-	-	-	-	-	-	-
Obligations Under Capital Leases	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	41,311	3,363	44,674	45	77,311
Deferred Inflows of Resources	-	-	-	-	64,521	-	64,521	-	67,484
Fund Balances									
Nonspendable	-	-	-	-	-	-	-	3,137	3,137
Restricted	987	30	80,452	81,469	108,317	24,774	133,091	3,235	341,970
Committed	-	-	-	-	-	-	-	-	4,544
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	(5,309)
Total Fund Balances	987	30	80,452	81,469	108,317	24,774	133,091	6,372	344,342
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	987	30	80,452	81,469	214,149	28,137	242,286	6,417	489,137

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, 2016

mounts 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	-	-	58,500	-	5,691	-	147,054	-	-	-	-	-	446,680	657,925
Locally Generated Non-Tax Revenue	-	2	-	3,362	20	13,082	-	-	3,039	356	4,058	50	136	24,105
Revenue from Other Governments	4,593	33,423	-	44,407	-	-	-	-	-	-	-	-	-	82,423
Other Revenues	-	-	-	-	-	-	-	-	-	-	967	-	1,681	2,648
Total Revenues	4,593	33,425	58,500	47,769	5,711	13,082	147,054	-	3,039	356	5,025	50	448,497	767,101
Expenditures														
Current Operating:														
Economic Development	-	-	58,062	-	-	-	-	-	-	-	-	-	-	58,062
Transportation:														
Streets & Highways	4,959	27,822	-	-	-	-	-	-	-	-	-	-	-	32,781
Mass Transit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Judiciary and Law Enforcement:														
Prisons	-	-	-	-	-	-	-	-	2,645	-	-	-	-	2,645
Conservation of Health:														
Health Services	-	-	-	-	-	-	144,892	-	-	-	-	-	-	144,892
Housing and Neighborhood														
Development	-	-	-	45,971	-	10,855	-	-	-	-	-	-	-	56,826
Cultural and Recreational:														
Parks & Recreation	-	-	-	-	-	-	-	-	-	-	1,386	-	-	1,386
Libraries and Museums	-	-	-	-	-	-	-	-	-	-	115	-	-	115
Improvements to General Welfare:														
Service to Property:														
General Management and Support	-	-	-	-	6,000	-	-	-	772	356	2,938	42,145	1,353	53,564
Capital Outlay	-	-	-	-	-	-	-	-	-	.	-	-	2	2
Debt Service:														
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Lease Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Lease Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,959	27,822	58,062	45,971	6,000	10,855	144,892	-	3,417	356	4,439	42,145	1,355	350,273
Excess (Deficiency) of Revenues Over (Under) Expenditures	(366)	5,603	438	1,798	(289)	2,227	2,162	-	(378)	-	586	(42,095)	447,142	416,828
Other Financing Sources (Uses)														
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Refunding Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Discountor or payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from Lease & Service Agreements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment to Refunded Bonds Escrow Agent	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-	-	1,278	41,936	-	43,214
Transfers Out	-	-	-	-	-	-	(2,000)	-	-	-	-	-	(449,946)	(451,946)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	(2,000)	-	-	-	1,278	41,936	(449,946)	(408,732)
Net Change in Fund Balances	(366)	5,603	438	1,798	(289)	2,227	162	-	(378)	-	1,864	(159)	(2,804)	8,096
Fund Balance - July 1, 2015	2,267	29,611	11,841	(7,107)	6,669	18,540	11,033	30	3,229	-	10,559	311	28,342	115,325
Adjustment	-	-	-	-	-	-	-	-	-	-	(11)	-	-	(11)
Fund Balance Adjusted - July 1, 2015	2,267	29,611	11,841	(7,107)	6,669	18,540	11,033	30	3,229	-	10,548	311	28,342	115,314
Fund Balance - June 30, 2016	1,901	35,214	12,279	(5,309)	6,380	20,767	11,195	30	2,851	-	12,412	152	25,538	123,410

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds(Continued)

For the Fiscal Year Ended June 30, 2016

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	-	-	-	-	-	-	-	-	657,925
Locally Generated Non-Tax Revenue	1	-	2,294	2,295	-	49	49	(98)	26,351
Revenue from Other Governments	-	-	-	-	51,271	-	51,271	-	133,694
Other Revenues	-	-	-	-	406	-	406	-	3,054
Total Revenues	1	-	2,294	2,295	51,677	49	51,726	(98)	821,024
Expenditures									
Current Operating:									
Economic Development	-	-	-	-	-	-	-	-	58,062
Transportation:									
Streets & Highways	-	-	-	-	-	-	-	-	32,781
Mass Transit	-	-	-	-	-	-	-	-	-
Judiciary and Law Enforcement:									
Prisons	-	-	-	-	-	-	-	-	2,645
Conservation of Health:									
Health Services	-	-	-	-	-	-	-	-	144,892
Housing and Neighborhood Development	-	-	-	-	-	-	-	-	56,826
Cultural and Recreational:									
Parks & Recreation	-	-	-	-	-	-	-	102	1,488
Libraries and Museums	-	-	-	-	-	-	-	1	116
Improvements to General Welfare:									
Service to Property:									
General Management and Support	-	-	-	-	-	14	14	-	53,578
Capital Outlay	-	-	-	-	189,323	16,739	206,062	-	206,064
Debt Service:									
Principal	59,175	23,858	49,860	132,893	-	-	-	-	132,893
Interest	67,889	12,178	15,757	95,824	-	-	-	-	95,824
Bond Issuance Cost	1,080	-	-	1,080	1,273	-	1,273	-	2,353
Capital Lease Principal	-	-	-	-	-	-	-	-	-
Capital Lease Interest	-	-	-	-	-	-	-	-	-
Total Expenditures	128,144	36,036	65,617	229,797	190,596	16,753	207,349	103	787,522
Excess (Deficiency) of Revenues Over (Under) Expenditures	(128,143)	(36,036)	(63,323)	(227,502)	(138,919)	(16,704)	(155,623)	(201)	33,502
Other Financing Sources (Uses)									
Issuance of Debt	-	-	-	-	191,585	-	191,585	-	191,585
Issuance of Refunding Bonds	138,795	-	-	138,795	-	-	-	-	138,795
Bond Issuance Premium	18,201	-	-	18,201	19,696	-	19,696	-	37,897
Bond Issuance Discountor or payment	-	-	-	-	-	-	-	-	-
Proceeds from Lease & Service Agreements	-	-	-	-	-	-	-	-	-
Payment to Refunded Bonds Escrow Agent	(155,916)	-	-	(155,916)	-	-	-	-	(155,916)
Transfers In	126,970	36,016	63,752	226,738	7,226	-	7,226	-	277,178
Transfers Out	-	-	-	-	-		-	(136)	(452,082)
Total Other Financing Sources (Uses)	128,050	36,016	63,752	227,818	218,507	-	218,507	(136)	37,457
Net Change in Fund Balances	(93)	(20)	429	316	79,588	(16,704)	62,884	(337)	70,959
Fund Balance - July 1, 2015	1,080	50	80,023	81,153	28,729	41,478	70,207	6,709	273,394
Adjustment	-	-	-	-	-	-	-	-	(11)
Fund Balance Adjusted - July 1, 2015	1,080	50	80,023	81,153	28,729	41,478	70,207	6,709	273,383
Fund Balance - June 30, 2016	987	30	80,452	81,469	108,317	24,774	133,091	6,372	344,342

City of Philadelphia

Schedule III

Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2016

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Assets			
Cash on Deposit and on Hand	16,987	-	16,987
Equity in Treasurer's Account	470,452	4,369,222	4,839,674
Securities Lending Collective Investment Pool	-	330,983	330,983
Allowance for Unrealized Loss	-	(315)	(315)
Accounts Receivable	5,879	33,183	39,062
Due from Brokers for Securities Sold	-	97,584	97,584
Interest and Dividends Receivable	1,084	-	1,084
Due from Other Governmental Units	-	9,199	9,199
Total Assets	494,402	4,839,856	5,334,258
Liabilities			
Vouchers Payable	-	30	30
Accounts Payable	391	38	429
Salaries and Wages Payable	-	110	110
Due on Return of Securities Loaned	-	330,983	330,983
Due to Brokers for Securities Purchased	6,175	146,747	152,922
Accrued Expenses	-	3,691	3,691
Other Liabilities	4,577	282	4,859
Total Liabilities	11,143	481,881	493,024
Net Position Held in Trust for Pension Benefits	483,259	4,357,975	4,841,234

City of Philadelphia

Schedule IV

Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2016

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Additions			
Contributions:			
Employer's Contributions	21,122	660,247	681,369
Employees' Contributions	602	67,055	67,657
Total Contributions	21,724	727,302	749,026
Investment Income:			
Interest and Dividends	11,641	101,505	113,146
Net Gain (Decline) in Fair Value of Investments	-	(239,840)	(239,840)
(Less) Investments Expenses	(1,962)	(9,089)	(11,051)
Securities Lending Revenue	-	1,921	1,921
Unrealized Gain/Loss	(11,042)		(11,042)
(Less) Securities Lending Expenses	-	(313)	(313)
Net Investment Loss	(1,363)	(145,817)	(147,180)
Miscellaneous Operating Revenues	4,235	135	4,370
Total Additions	24,596	581,620	606,216
Deductions			
Personal Services	-	3,079	3,079
Purchase of Services	-	2,491	2,491
Materials and Supplies	-	44	44
Employee Benefits	-	2,861	2,861
Pension Benefits	50,446	881,992	932,438
Refunds of Members' Contributions	-	7,351	7,351
Administrative Expenses Paid	1,610	-	1,610
Other Operating Expenses	-	78	78
Total Deductions	52,056	897,897	949,953
Change in Net Position	(27,460)	(316,277)	(343,737)
Net Position - July 1, 2015	510,719	4,674,252	5,184,971
Net Position - June 30, 2016	483,259	4,357,975	4,841,234

City of Philadelphia

Schedule V

Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2016

Amounts in thousands of USD

	Escrow Fund	Employee Health & Welfare Fund	Departmental Custodial Accounts	Total
Assets				
Cash on Deposit and on Hand	-	-	108,456	108,456
Equity in Treasurer's Account	31,875	18,696	-	50,571
Investments	-	-	2,352	2,352
Due from Other Funds	-	-	699	699
Total Assets	31,875	18,696	111,507	162,078
Liabilities				
Vouchers Payable	138	1	-	139
Payroll Taxes Payable	-	5,384	-	5,384
Funds Held in Escrow	31,737	13,311	111,507	156,555
Total Liabilities	31,875	18,696	111,507	162,078
Net Position	-	-	-	-

City of Philadelphia

Schedule VI

Statement of Changes in Fiduciary Net Position
Agency Funds
For the Fiscal Year Ended June 30, 2016

Amounts in thousands of USD

	Balance 7-1-2015	Additions	Deductions	Balance 6-30-2016
Escrow Fund				
Assets				
Equity in Treasurer's Account	28,228	483,128	479,481	31,875
Liabilities				
Funds Held in Escrow	28,222	451,347	447,832	31,737
Vouchers Payable	6	2,614	2,482	138
Total Liabilities	28,228	453,961	450,314	31,875
Employee Health and Welfare Fund				
Assets				
Equity in Treasurer's Account	15,109	1,029,830	1,026,243	18,696
Liabilities				
Vouchers Payable	22	9,374	9,395	1
Payroll Taxes Payable	1,552	931,376	927,544	5,384
Funds Held in Escrow	13,535	98,333	98,557	13,311
Total Liabilities	15,109	1,039,083	1,035,496	18,696
Departmental Custodial Accounts				
Assets				
Cash on Deposit and on Hand	92,044	383,813	367,401	108,456
Investments	4,652	-	2,300	2,352
Due from Other Funds	699	-	-	699
Total Assets	97,395	383,813	369,701	111,507
Liabilities				
Funds Held in Escrow	97,395	383,813	369,701	111,507
Totals - Agency Funds				
Assets				
Cash on Deposit and on Hand	92,044	383,813	367,401	108,456
Equity in Treasurer's Account	43,337	1,512,958	1,505,724	50,571
Investments	4,652	-	2,300	2,352
Due from Other Funds	699	-	-	699
Total Assets	140,732	1,896,771	1,875,425	162,078
Liabilities				
Vouchers Payable	28	11,988	11,877	139
Payroll Taxes Payable	1,552	931,376	927,544	5,384
Funds Held in Escrow	139,152	933,493	916,090	156,555
Total Liabilities	140,732	1,876,857	1,855,511	162,078

City of Philadelphia **Schedule VII**

City Related Schedule of Bonded Debt Outstanding

June 30, 2016

Amounts in USD

	Date of Issuance	Issued	Fiscal 2016 Outstanding	Maturities	Interest Rates	FY 2017 Debt Service Requirements Interest	FY 2017 Debt Service Requirements Principal
Governmental Activities							
General Obligation Bonds:							
Series 2006	7/27/2006	217,590,000	48,715,000	8/2016 to 8/2031	4.75 to 5.00	2,227,950	7,035,000
Series 2007A (Refunding)	12/20/2007	188,910,000	90,505,000	8/2016 to 8/2019	5.00 to 5.25	4,038,763	23,260,000
Series 2008A (Refunding)	5/1/2008	195,170,000	178,720,000	12/2016 to 12/2032	5.00 to 5.25	9,104,487	8,500,000
Series 2008B	1/6/2009	165,000,000	2,850,000	7/2016	5.50	78,375	2,850,000
Series 2009A (Refunding)	8/13/2009	237,025,000	237,025,000	8/2019 to 8/2031	4.25 to 5.45	12,030,260	-
Series 2009B (Refunding)	8/13/2009 [1]	100,000,000	100,000,000	8/2027 to 8/2031	variable	4,239,000	-
Series 2011	4/19/2011	139,150,000	107,625,000	8/2016 to 8/2041	5.00 to 6.50	6,321,494	2,335,000
Series 2011 (Refunding)	4/19/2011	114,570,000	48,745,000	8/2016 to 8/2020	3.00 to 5.25	2,107,435	10,585,000
Series 2012A (Refunding)	5/8/2012	21,295,000	19,925,000	9/2016 to 9/2021	5.00	996,250	-
Series 2013A	7/30/2013	201,360,000	188,965,000	7/2016 to 7/2033	5.00 to 5.25	9,493,025	6,620,000
Series 2014A (Refunding)	2/6/2014	154,275,000	152,120,000	7/2016 to 7/2038	3.00 to 5.25	7,670,837	900,000
Series 2015A (Refunding)	7/8/2015	138,795,000	138,795,000	8/1/2017 8/1/2031	4.00 to 5.00	6,865,700	-
Series 2015B	9/30/2015	191,585,000	191,585,000	8/1/2016 8/1/2035	2.00 to 5.00	9,061,250	5,805,000
Total New Money Bonds		914,685,000	539,740,000			27,182,094	24,645,000
Total Refunding Bonds		1,150,040,000	965,835,000			47,052,732	43,245,000
Total General Obligation Bonds		2,064,725,000	1,505,575,000			74,234,826	67,890,000
Business Type Activities							
Revenue Bonds							
Water and Sewer Revenue Bonds:							
Series 1997B	11/25/1997 [2]	100,000,000	56,900,000	8/2016 to 8/2027	variable	32,763	3,700,000
Series 1999	4/22/1999	6,700,000	246,934	7/2016 to 4/2019	2.729	5,681	84,984
Series 2005B (Refunding)	5/4/2005 [1]	86,105,000	35,325,000	8/2016 to 8/2018	variable	1,211,888	17,145,000
Series 2007A (Refunding)	5/9/2007	191,440,000	89,655,000	8/2017 to 8/2027	4.50 to 5.00	3,947,450	9,440,000
Series 2007B (Refunding)	5/9/2007	153,595,000	151,720,000	11/2016 to 11/2031	4.00 to 5.00	6,902,675	265,000
Series 2009A	5/21/2009	140,000,000	140,000,000	1/2017 to 1/2036	4.00 to 5.75	7,294,038	4,135,000
Series 2009B	10/14/2009	29,432,930	21,464,949	7/2016 to 6/2033	1.193	244,253	2,167,088
Series 2009C	10/14/2009	46,699,887	35,528,947	7/2016 to 6/2033	1.193	408,520	2,811,482
Series 2009D	3/31/2010	71,956,891	56,396,744	7/2016 to 6/2033	1.193	649,561	4,261,715
Series 2010B	6/17/2010	28,500,000	25,101,563	7/2016 to 6/2033	1.193	291,724	1,418,144
Series 2010A (Refunding)	4/15/2010	396,460,000	102,395,000	6/2017 to 6/2019	2.00 to 5.00	4,920,498	32,515,000
Series 2010C	8/5/2010	185,000,000	185,000,000	8/2016 to 8/2040	3.00 to 5.00	8,241,125	31,755,000
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	49,855,000	11/2016 to 11/2026	5.00	2,329,625	5,635,000
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	170,000,000	1/2017 to 1/2043	4.00 to 5.125	8,471,700	3,425,000
Series 2014 (Refunding)	1/23/2014	93,170,000	93,170,000	7/2016 to 7/2027	3.00 to 5.00	4,364,500	5,970,000
Series 2014	1/23/2014	30,000,000	30,000,000	7/2041 to 7/2043	5.00	1,500,000	-

City of Philadelphia

Schedule VII

City Related Schedule of Bonded Debt Outstanding

June 30, 2016

Amounts in USD

	Date of Issuance	Issued	Fiscal 2016 Outstanding	Maturities	Interest Rates	FY 2017 Debt Service Requirements Interest	FY 2017 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	-
Total New Money Bonds		1,219,109,708	1,131,459,137			47,667,365	53,758,413
Total Refunding Bonds		1,182,735,000	728,865,000			33,736,986	70,970,000
Total Water Revenue Bonds		2,401,844,708	1,860,324,137			81,404,351	124,728,413
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	121,400,000	6/2017 to 6/2025	variable	5,478,620	10,700,000
Series 2007A	8/16/2007	172,470,000	151,010,000	6/2017 to 6/2037	5.00	7,550,500	4,230,000
Series 2007B (Refunding)	8/16/2007	82,915,000	51,160,000	6/2017 to 6/2027	5.00	2,558,000	4,375,000
Series 2009A (Refunding)	4/14/2009	45,715,000	34,965,000	6/2017 to 6/2029	4.00 to 5.375	1,710,704	2,035,000
Series 2010A	11/15/2010	273,065,000	257,100,000	6/2017 to 6/2040	3.75 to 5.25	12,878,962	5,790,000
Series 2010C (Refunding)	11/15/2010	54,730,000	17,565,000	6/2017 to 6/2018	5.00	878,250	8,570,000
Series 2010D (Refunding)	11/15/2010	272,475,000	201,795,000	6/2017 to 6/2028	4.00 to 5.25	10,364,200	16,040,000
Series 2011A (Refunding)	12/14/2011	199,040,000	168,225,000	6/2017 to 6/2028	4.625 to 5.00	8,355,656	6,985,000
Series 2011B (Refunding)	12/14/2011	34,790,000	27,820,000	6/2017 to 6/2031	3.375 to 5.00	1,214,019	1,380,000
Series 2015A (Refunding)	9/3/2015	97,780,000	93,660,000	6/2017 to 6/2035	4.00 to 5.00	4,533,550	3,135,000
Total New Money Bonds		889,235,000	408,115,000			20,429,718	10,020,000
Total Refunding Bonds		976,945,000	716,590,000			35,092,999	53,220,000
Total Aviation Revenue Bonds		1,866,180,000	1,124,705,000			55,522,717	63,240,000
Total Revenue Bonds		4,268,024,708	2,985,029,137			136,927,068	187,968,413
Total All Bonds		6,332,749,708	4,490,604,137			211,161,894	255,858,413

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, 2016

City of Philadelphia **Schedule VIII**

Budgetary Comparison Schedule

Water Operating Fund

For the Fiscal Year Ended June 30, 2016

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	630,701	630,979	643,035	12,056
Revenue from Other Governments	975	744	744	-
Revenue from Other Funds	105,638	87,233	36,756	(50,477)
Total Revenues	737,314	718,956	680,535	(38,421)
Expenditures and Encumbrances				
Personal Services	126,121	126,131	118,415	7,716
Pension Contributions	57,800	59,115	59,115	-
Other Employee Benefits	53,115	51,790	47,276	4,514
Sub-Total Employee Compensation	237,036	237,036	224,806	12,230
Purchase of Services	177,090	177,090	148,989	28,101
Materials and Supplies	49,037	48,849	42,799	6,050
Equipment	5,407	5,595	2,722	2,873
Contributions, Indemnities and Taxes	6,605	6,605	5,441	1,164
Debt Service	227,139	227,139	219,133	8,006
Payments to Other Funds	65,000	65,000	60,733	4,267
Total Expenditures and Encumbrances	767,314	767,314	704,623	62,691
Operating Surplus (Deficit) for the Year	(30,000)	(48,358)	(24,088)	24,270
Fund Balance Available for Appropriation, July 1, 2015	-	-	-	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	30,000	30,000	24,088	(5,912)
Adjusted Fund Balance, July 1, 2015	30,000	30,000	24,088	(5,912)
Fund Balance Available for Appropriation, June 30, 2016	-	(18,358)	-	18,358

Schedule IX

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	1,224	1,224	34	(1,190)
Revenue from Other Funds	33,248	33,248	32,692	(556)
Total Revenues	34,472	34,472	32,726	(1,746)
Expenditures and Encumbrances				
Payments to Other Funds	34,724	34,724	32,556	2,168
Total Expenditures and Encumbrances	34,724	34,724	32,556	2,168
Operating Surplus (Deficit) for the Year	(252)	(252)	170	422
Fund Balance Available for Appropriation, July 1, 2015	5,467	14,936	14,936	-
Fund Balance Available for Appropriation, June 30, 2016	5,215	14,684	15,106	422

City of Philadelphia **Schedule X**
Budgetary Comparison Schedule
County Liquid Fuels Tax Fund
For the Fiscal Year Ended June 30, 2016

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Revenue from Other Governments	4,950	4,950	4,593	(357)
Total Revenues	4,950	4,950	4,593	(357)
Expenditures and Encumbrances				
Personal Services	3,734	3,734	3,734	-
Purchase of Services	861	861	856	5
Materials and Supplies	336	336	235	101
Equipment	-	-	95	(95)
Payments to Other Funds	19	19	19	-
Total Expenditures and Encumbrances	4,950	4,950	4,939	11
Operating Surplus (Deficit) for the Year	-	-	(346)	(346)
Fund Balance Available for Appropriation, July 1, 2015	2,436	2,101	2,101	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	25	25	42	17
Adjusted Fund Balance, July 1, 2015	2,461	2,126	2,143	17
Fund Balance Available for Appropriation, June 30, 2016	2,461	2,126	1,797	(329)

City of Philadelphia **Schedule XI**

Budgetary Comparison Schedule

Special Gasoline Tax Fund

For the Fiscal Year Ended June 30, 2016

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	1	1	2	1
Revenue from Other Governments	30,000	30,000	33,423	3,423
Total Revenues	30,001	30,001	33,425	3,424
Expenditures and Encumbrances				
Personal Services	3,000	3,000	3,000	-
Pension Contributions	500	500	500	-
Other Employee Benefits	500	500	500	-
Sub-Total Employee Compensation	4,000	4,000	4,000	-
Purchase of Services	15,559	16,113	15,003	1,110
Materials and Supplies	9,926	9,372	9,253	119
Payments to Other Funds	15	15	15	-
Total Expenditures and Encumbrances	29,500	29,500	28,271	1,229
Operating Surplus (Deficit) for the Year	501	501	5,154	4,653
Fund Balance Available for Appropriation, July 1, 2015	23,347	25,655	25,655	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	500	500	717	217
Adjusted Fund Balance, July 1, 2015	23,847	26,155	26,372	217
Fund Balance Available for Appropriation, June 30, 2016	24,348	26,656	31,526	4,870

City of Philadelphia **Schedule XII**

Budgetary Comparison Schedule

Hotel Room Rental Tax Fund

For the Fiscal Year Ended June 30, 2016

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Taxes	62,700	62,700	58,501	(4,199)
Total Revenues	62,700	62,700	58,501	(4,199)
Expenditures and Encumbrances				
Contributions, Indemnities and Taxes	62,700	62,000	62,700	(700)
Total Expenditures and Encumbrances	62,700	62,000	62,700	(700)
Operating Surplus (Deficit) for the Year	-	700	(4,199)	(4,899)
Fund Balance Available for Appropriation, July 1, 2015	3,584	5,037	5,037	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	3,468	3,468
Adjusted Fund Balance, July 1, 2015	3,584	5,037	8,505	3,468
Fund Balance Available for Appropriation, June 30, 2016	3,584	5,737	4,306	(1,431)

City of Philadelphia **Schedule XIII**
Budgetary Comparison Schedule
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2016

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	428,816	410,956	391,660	(19,296)
Revenue from Other Governments	4,500	4,500	2,137	(2,363)
Revenue from Other Funds	2,500	2,500	1,158	(1,342)
Total Revenues	435,816	417,956	394,955	(23,001)
Expenditures and Encumbrances				
Personal Services	71,874	71,874	66,544	5,330
Pension Contributions	31,300	33,535	33,515	20
Other Employee Benefits	25,894	23,660	19,476	4,184
Sub-Total Employee Compensation	129,068	129,069	119,535	9,534
Purchase of Services	137,169	137,169	107,552	29,617
Materials and Supplies	10,361	10,346	6,714	3,632
Equipment	8,940	8,954	2,775	6,179
Contributions, Indemnities and Taxes	6,717	6,717	1,696	5,021
Debt Service	123,505	123,505	117,282	6,223
Payments to Other Funds	24,623	24,623	7,539	17,084
Total Expenditures and Encumbrances	440,383	440,383	363,093	77,290
Operating Surplus (Deficit) for the Year	(4,567)	(22,427)	31,862	54,289
Fund Balance Available for Appropriation, July 1, 2015	27,410	28,348	28,348	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	17,000	17,000	11,206	(5,794)
Adjusted Fund Balance, July 1, 2015	44,410	45,348	39,554	(5,794)
Fund Balance Available for Appropriation, June 30, 2016	39,843	22,921	71,416	48,495

City of Philadelphia **Schedule XIV**

Budgetary Comparison Schedule
Community Development Fund
For the Fiscal Year Ended June 30, 2016

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	250	250	3,362	3,112
Revenue from Other Governments	93,911	73,911	40,174	(33,737)
Total Revenues	94,161	74,161	43,536	(30,625)
Other Sources				
Decrease in Financed Reserves	-	-	8,298	8,298
Total Revenues and Other Sources	94,161	74,161	51,834	(22,327)
Expenditures and Encumbrances				
Personal Services	6,518	6,518	3,996	2,522
Pension Contributions	2,609	2,609	1,614	995
Other Employee Benefits	1,627	1,627	1,457	170
Sub-Total Employee Compensation	10,754	10,754	7,067	3,687
Purchase of Services	63,088	63,088	45,105	17,983
Materials and Supplies	234	234	127	107
Equipment	55	55	22	33
Payments to Other Funds	20,000	20,000	20	19,980
Advances, Subsidies, Miscellaneous	30	30	-	30
Total Expenditures and Encumbrances	94,161	94,161	52,341	41,820
Operating Surplus (Deficit) for the Year	-	(20,000)	(507)	19,493
Fund Balance Available for Appropriation, July 1, 2015	-	(7,107)	(7,107)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	2,305	2,305
Prior Period Adjustments	-	7,107	-	(7,107)
Adjusted Fund Balance, July 1, 2015	-	-	(4,802)	(4,802)
Fund Balance Available for Appropriation, June 30, 2016	-	(20,000)	(5,309)	14,691

City of Philadelphia **Schedule XV**
Budgetary Comparison Schedule
Car Rental Tax Fund
For the Fiscal Year Ended June 30, 2016

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	5,614	5,822	5,692	(130)
Locally Generated Non-Tax Revenue	1	1	20	19
Total Revenues	5,615	5,823	5,712	(111)
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	(385)	(177)	(288)	(111)
Fund Balance Available for Appropriation, July 1, 2015	7,273	6,669	6,669	-
Fund Balance Available for Appropriation, June 30, 2016	6,888	6,492	6,381	(111)

City of Philadelphia
Budgetary Comparison Schedule
Housing Trust Fund
For the Fiscal Year Ended June 30, 2016

Schedule XVI

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	12,510	12,510	13,082	572
Revenue from Other Funds	-	-	-	-
Total Revenues	12,510	12,510	13,082	572
Expenditures and Encumbrances				
Personal Services	1,250	1,250	775	475
Purchase of Services	23,250	25,250	17,931	7,319
Total Expenditures and Encumbrances	24,500	26,500	18,706	7,794
Operating Surplus (Deficit) for the Year	(11,990)	(13,990)	(5,624)	8,366
Fund Balance Available for Appropriation, July 1, 2015	629	6,360	6,360	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	12,000	8,000	1,480	(6,520)
Revenue Adjustments - Net	-	-	-	-
Prior Period Adjustments	-	-	-	-
Other Adjustments	-	-	-	-
Adjusted Fund Balance, July 1, 2015	12,629	14,360	7,840	(6,520)
Fund Balance Available for Appropriation, June 30, 2016	639	370	2,216	1,846

City of Philadelphia **Schedule XVII**

Budgetary Comparison Schedule

General Capital Improvement Funds

For the Fiscal Year Ended June 30, 2016

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	542,473	543,473	406	(543,067)
Revenue from Other Governments	315,476	317,476	53,830	(263,646)
Revenue from Other Funds	24,764	32,271	4,668	(27,603)
Total Revenues	882,713	893,220	58,904	(834,316)
Other Sources (Uses)				
Decrease in Unreimbursed Committments	-	-	(42,124)	(42,124)
Proceeds from Bond Sales	-	-	211,281	211,281
Total Revenues and Other Sources	882,713	893,220	228,061	(665,159)
Expenditures and Encumbrances				
Capital Outlay	882,713	893,220	150,058	743,162
Operating Surplus (Deficit) for the Year	-	-	78,003	78,003
Fund Balance Available for Appropriation, July 1, 2015	-	-	(118,437)	(118,437)
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	3,135	3,135
Adjusted Fund Balance, July 1, 2015	-	-	(115,302)	(115,302)
Fund Balance Available for Appropriation, June 30, 2016	-	-	(37,299)	(37,299)

City of Philadelphia **Schedule XVIII**

Budgetary Comparison Schedule

Acute Care Hospital Assessment Fund

For the Fiscal Year Ended June 30, 2016

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Tax Revenue	157,000	157,000	147,054	(9,946)
Total Revenues	157,000	157,000	147,054	(9,946)
Other Sources				
Decrease in Unreimbursed Committments	-	-	(1,278)	(1,278)
Total Revenues and Other Sources	157,000	157,000	145,776	(11,224)
Expenditures and Encumbrances				
Personal Services	5,163	5,163	1,432	3,731
Pension Contributions	42	42	1	41
Other Employee Benefits	226	225	5	220
Sub-Total Employee Compensation	5,431	5,430	1,438	3,992
Purchase of Services	155,639	155,639	142,582	13,057
Materials and Supplies	96	96	9	87
Equipment	-	-	64	(64)
Payments to Other Funds	2,000	2,000	2,000	-
Total Expenditures and Encumbrances	163,166	163,165	146,093	17,072
Operating Surplus (Deficit) for the Year	(6,166)	(6,165)	(317)	5,848
Fund Balance Available for Appropriation, July 1, 2015	6,460	11,033	11,033	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	479	479
Adjusted Fund Balance, July 1, 2015	6,460	11,033	11,512	479
Fund Balance Available for Appropriation, June 30, 2016	294	4,868	11,195	6,327

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, 2016 (with comparative actual amounts for the Fiscal Year Ended June 30, 2015)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2016 Actual	Positive (Negative)	FY 2015 Actual	Increase (Decrease)
Revenue						
Taxes						
Real Property Tax:						
Current	535,416	524,416	521,242	(3,174)	493,099	28,143
Prior Years	45,701	48,954	50,405	1,451	43,350	7,055
Total Real Property Tax	581,117	573,370	571,647	(1,723)	536,449	35,198
Wage and Earnings Taxes:						
Current	1,364,063	1,373,011	1,364,612	(8,399)	1,318,753	45,859
Prior Years	6,500	6,500	8,397	1,897	7,094	1,303
Total Wage and Earnings Taxes	1,370,563	1,379,511	1,373,009	(6,502)	1,325,847	47,162
Business Taxes:						
Business Income & Receipts Taxes:						
Current	411,374	412,707	427,134	14,427	402,121	25,013
Prior Years	42,500	42,500	47,037	4,537	36,114	10,923
Total Business Income & Receipts Taxes	453,874	455,207	474,171	18,964	438,235	35,936
Net Profits Tax:						
Current	15,493	19,820	23,333	3,513	14,692	8,641
Prior Years	3,000	3,000	2,056	(944)	6,464	(4,408)
Total Net Profits Tax	18,493	22,820	25,389	2,569	21,156	4,233
Total Business Taxes	472,367	478,027	499,560	21,533	459,391	40,169
Other Taxes:						
Sales Tax	149,371	167,634	169,383	1,749	149,458	19,925
Amusement Tax	19,174	19,617	19,397	(220)	19,005	392
Real Property Transfer Tax	221,850	237,527	237,347	(180)	203,370	33,977
Parking Lot Tax	88,636	91,911	92,665	754	79,706	12,959
Smokeless Tobacco	640	753	771	18	749	22
Miscellaneous Taxes	8,561	3,075	2,869	(206)	3,045	(176)
Total Other Taxes	488,232	520,517	522,432	1,915	455,333	67,099
Total Taxes	2,912,279	2,951,425	2,966,648	15,223	2,777,020	189,628
Locally Generated Non-Tax Revenue						
Rentals from Leased City Properties	6,440	6,061	6,062	1	5,894	168
Licenses and Permits	55,876	56,298	56,040	(258)	55,356	684
Fines, Forfeits, Penalties, Confiscated Money and Property	18,478	17,529	17,579	50	19,532	(1,953)
Interest Income	1,969	4,725	5,628	903	1,751	3,877
Service Charges and Fees	135,942	137,471	137,040	(431)	129,566	7,474
Other	57,102	70,555	68,641	(1,914)	82,296	(13,655)
Total Locally Generated Non-Tax Revenue	275,807	292,639	290,990	(1,649)	294,395	(3,405)
Revenue from Other Governments						
United States Government:						
Grants and Reimbursements	29,417	29,710	29,655	(55)	30,109	(454)
Commonwealth of Pennsylvania:						
Grants and Other Payments	211,667	219,328	223,651	4,323	212,727	10,924
Other Governmental Units	410,731	430,684	435,770	5,086	406,485	29,285
Total Revenue from Other Governments	651,815	679,722	689,076	9,354	649,321	39,755
Revenue from Other Funds	65,240	62,410	42,253	(20,157)	39,031	3,222
Total Revenues	3,905,141	3,986,196	3,988,967	2,771	3,759,767	229,200

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, 2016 (with comparative actual amounts for the Fiscal Year Ended June 30, 2015)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2016 Actual	Positive (Negative)	FY 2015 Actual	Increase (Decrease)
Obligations						
General Government						
City Council	41,725	17,316	15,512	(1,804)	14,635	877
Mayor's Office:						
Mayor's Office	5,032	5,414	5,327	(87)	5,001	326
Scholarships	200	200	200	-	200	-
Mural Arts Program	1,646	1,651	1,651	-	1,458	193
Labor Relations	572	572	509	(63)	667	(158)
MDO Office of Technology	83,882	87,613	68,166	(19,447)	63,874	4,292
Office of Property Assessment	13,285	13,284	12,253	(1,031)	12,569	(316)
Mayor's Office of Community Services	605	1,044	939	(105)	500	439
Transportation	734	734	691	(43)	799	(108)
Law	14,642	16,290	14,573	(1,717)	15,743	(1,170)
Board of Ethics	1,067	1,067	925	(142)	898	27
Youth Commission	143	143	101	(42)	72	29
Inspector General	1,669	1,669	1,647	(22)	1,487	160
Office of Sustainability	835	835	718	(117)	-	718
City Planning Commission	2,505	2,505	2,391	(114)	2,278	113
Commission on Human Relations	2,147	2,147	1,902	(245)	1,823	79
Zoning Code Commisssion	-	-	-	-	-	-
Arts & Culture	4,173	4,173	4,151	(22)	3,969	182
Board of Revision of Taxes	856	995	995	-	1,036	(41)
Total General Government	175,718	157,652	132,651	(25,001)	127,009	5,642
Operation of Service Departments						
Housing	3,590	3,593	3,590	(3)	2,600	990
Managing Director	78,755	81,949	81,949	-	78,029	3,920
Police	643,010	665,189	658,914	(6,275)	632,695	26,219
Streets	125,407	145,566	145,412	(154)	144,592	820
Fire	219,083	246,219	246,243	24	232,528	13,715
Public Health	116,292	122,908	121,476	(1,432)	113,480	7,996
Office-Behavioral Health/Mental Retardation	13,976	13,976	13,971	(5)	13,967	4
Parks and Recreation	57,875	60,575	59,693	(882)	56,719	2,974
Fairmount Park Commission	-	-	-	-	-	-
Atwater Kent Museum	293	292	273	(19)	231	42
Camp William Penn	-	-	-	-	-	-
Public Property	187,825	191,641	190,061	(1,580)	189,235	826
Department of Human Services	102,729	102,932	98,109	(4,823)	96,545	1,564
Philadelphia Prisons	253,792	254,873	252,998	(1,875)	246,158	6,840
Office of Supportive Housing	45,544	45,757	45,692	(65)	45,178	514
Office of Fleet Management	61,578	61,771	61,753	(18)	60,665	1,088
Licenses and Inspections	31,477	31,637	30,606	(1,031)	29,812	794
Board of L & I Review	168	168	150	(18)	138	12
Board of Building Standards	74	74	68	(6)	63	5
Zoning Board of Adjustment	372	372	361	(11)	374	(13)
Records	4,823	4,823	4,683	(140)	4,496	187
Philadelphia Historical Commission	425	425	343	(82)	384	(41)
Art Museum	2,550	2,620	2,620	-	2,585	35
Philadelphia Free Library	40,101	40,466	39,764	(702)	40,669	(905)
Total Operations of Service Departments	1,989,739	2,077,826	2,058,729	(19,097)	1,991,143	67,586
Financial Management						
Office of Director of Finance	14,431	20,264	19,638	(626)	15,748	3,890
Department of Revenue	25,771	26,212	25,031	(1,181)	23,023	2,008
Sinking Fund Commission	245,945	245,945	224,731	(21,214)	238,388	(13,657)
Procurement	4,838	5,838	5,369	(469)	4,859	510
City Treasurer	1,126	1,126	1,115	(11)	925	190
Audit of City Operations	8,295	8,615	8,412	(203)	8,272	140
Total Financial Management	300,406	308,000	284,296	(23,704)	291,215	(6,919)

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, 2016 (with comparative actual amounts for the Fiscal Year Ended June 30, 2015)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2016 Actual	Positive (Negative)	FY 2015 Actual	Increase (Decrease)
Obligations (Continued)						
City-Wide Appropriations Under the Director of Finance						
Fringe Benefits	1,172,182	1,169,594	1,181,225	11,631	1,100,141	81,084
PGW Rental Reimbursement	-	-	-	-	-	-
Community College of Philadelphia	30,309	30,309	30,309	-	26,909	3,400
Legal Services	-	-	-	-	-	-
Hero Award	25	25	18	(7)	18	-
Refunds	250	250	-	(250)	-	-
Indemnities	38,000	4	-	(4)	-	-
Office of Risk Management	3,227	3,227	3,042	(185)	5,970	(2,928)
Witness Fees	172	172	119	(53)	121	(2)
Contribution to School District	79,185	104,185	104,185	-	69,110	35,075
Total City-Wide Under Director of Finance	1,323,350	1,307,766	1,318,898	11,132	1,202,269	116,629
Promotion and Public Relations						
City Representative	1,034	1,084	1,069	(15)	1,024	45
Commerce	23,058	24,164	22,963	(1,201)	24,180	(1,217)
Total Promotion and Public Relations	24,092	25,248	24,032	(1,216)	25,204	(1,172)
Personnel						
Civic Service Commission	178	181	180	(1)	184	(4)
Personnel Director	6,434	6,435	6,229	(206)	5,938	291
Total Personnel	6,612	6,616	6,409	(207)	6,122	287
Administration of Justice						
Clerk of Quarter Sessions	-	-	-	-	-	-
Register of Wills	3,522	3,772	3,670	(102)	3,608	62
District Attorney	35,482	35,698	35,698	-	35,561	137
Sheriff	19,203	23,431	23,431	-	22,188	1,243
First Judicial District	108,773	116,657	116,657	-	116,667	(10)
Total Administration of Justice	166,980	179,558	179,456	(102)	178,024	1,432
City-Wide Appropriations Under the First Judicial District						
Juror Fees	1,542	1,229	1,229	-	1,310	(81)
Conduct of Elections						
City Commissioners	9,663	10,097	10,095	(2)	9,219	876
Total Obligations	3,998,102	4,073,992	4,015,795	(58,197)	3,831,515	184,280
Operating Surplus (Deficit) for the Year	(92,961)	(87,796)	(26,828)	(60,968)	(71,748)	44,920

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, 2016 (with comparative actual amounts for the Fiscal Year Ended June 30, 2015)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2016 Actual	Positive (Negative)	FY 2015 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Sales and Charges - Current	528,596	528,596	547,139	18,543	546,084	1,055
Sales and Charges - Prior Years	47,324	47,324	40,433	(6,891)	39,827	606
Fire Service Connections	2,284	2,284	2,737	453	2,374	363
Surcharges	6,020	6,020	7,375	1,355	3,407	3,968
Fines and Penalties	1,196	1,196	1,069	(127)	999	70
Miscellaneous Charges	2,469	2,474	1,033	(1,441)	1,536	(503)
Charges to Other Municipalities	33,500	33,773	32,389	(1,384)	33,221	(832)
Licenses and Permits	3,040	3,040	3,796	756	3,842	(46)
Interest Income	450	450	20	(430)	270	(250)
Fleet Management - Sale of Vehicles & Equipment	150	150	67	(83)	83	(16)
Contributions from Sinking Fund Reserve	-	-	-	-	424	(424)
Reimbursement of Expenditures	420	420	1,954	1,534	217	1,737
Repair Loan Program	4,352	4,352	3,518	(834)	3,218	300
Other	900	900	1,505	605	4,720	(3,215)
Total Locally Generated Non-Tax Revenue	630,701	630,979	643,035	12,056	640,222	2,813
Revenue from Other Governments						
State	775	744	744	-	839	(95)
Federal	200	-	-	-	244	(244)
Total Revenue from Other Governments	975	744	744	-	1,083	(339)
Revenue from Other Funds	105,638	87,233	36,756	(50,477)	35,541	1,215
Total Revenues	737,314	718,956	680,535	(38,421)	676,846	3,689
Obligations						
Mayor's Office of Information Services	22,997	22,997	16,222	6,775	17,069	(847)
Public Property	4,043	4,043	4,043	-	3,960	83
Office of Fleet Management	8,733	8,733	7,871	862	8,323	(452)
Water Department	367,167	372,607	333,347	39,260	347,882	(14,535)
Office of the Director of Finance	-	-	-	-	-	-
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	57,800	59,122	59,115	7	52,277	6,838
Other Employee Benefits	53,115	51,793	47,276	4,517	48,293	(1,017)
Contributions, Indemnities and Taxes	6,500	1,060	-	1,060	-	-
Advances, Subsidies, Miscellaneous	-	-	-	-	-	-
Department of Revenue	16,269	16,269	15,020	1,249	14,888	132
Sinking Fund Commission	227,139	227,139	219,133	8,006	200,799	18,334
Procurement Department	77	77	77	-	61	16
Law	3,241	3,241	2,287	954	2,455	(168)
Mayor's Office of Transportation	139	139	138	1	228	(90)
Mayor's Office of Sustainability	94	94	94	-	-	94
Total Obligations	767,314	767,314	704,623	62,691	696,235	8,388
Operating Surplus (Deficit) for the Year	(30,000)	(48,358)	(24,088)	24,270	(19,389)	(4,699)

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, 2016 (with comparative actual amounts for the Fiscal Year Ended June 30, 2015)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2016 Actual	Positive (Negative)	FY 2015 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Concessions	40,000	40,000	47,060	7,060	38,806	8,254
Space Rentals	164,771	143,771	134,797	(8,974)	118,268	16,529
Landing Fees	77,000	89,900	87,170	(2,730)	79,577	7,593
Parking	27,000	27,000	29,963	2,963	29,098	865
Car Rentals	24,000	20,365	18,766	(1,599)	18,036	730
Payment in Aid - Terminal Building	-	-	-	-	-	-
Interest Earnings	1,000	250	566	316	256	310
Sale of Utilities	5,000	4,000	3,177	(823)	3,849	(672)
Passenger Facility Charge	33,000	33,000	31,176	(1,824)	31,169	7
Overseas Terminal Facility Charges	-	-	8	8	5	3
International Terminal Charge	35,000	36,625	34,171	(2,454)	28,762	5,409
Other	22,045	16,045	4,806	(11,239)	13,081	(8,275)
Total Locally Generated Non-Tax Revenue	428,816	410,956	391,660	(19,296)	360,907	30,753
Revenue from Other Governments						
State	250	250	-	(250)	74	(74)
Federal	4,250	4,250	2,137	(2,113)	1,571	566
Total Revenue from Other Governments	4,500	4,500	2,137	(2,363)	1,645	492
Revenue from Other Funds	2,500	2,500	1,158	(1,342)	6,199	(5,041)
Total Revenue	435,816	417,956	394,955	(23,001)	368,751	26,204
Obligations						
Mayor's Office of Information Services	9,620	9,620	6,750	2,870	7,121	(371)
Managing Director	-	-	-	-	-	-
Police	15,783	15,783	15,375	408	15,208	167
Fire	6,726	6,726	5,989	737	6,808	(819)
Public Property	26,900	26,900	22,950	3,950	23,801	(851)
Office of Fleet Management	8,245	8,245	4,062	4,183	4,412	(350)
Director of Finance	-	-	-	-	-	-
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	31,300	33,535	33,515	20	29,813	3,702
Other Employee Benefits	25,894	23,659	19,476	4,183	21,738	(2,262)
Purchase of Services	4,146	4,146	2,447	1,699	2,511	(64)
Contributions, Indemnities and Taxes	2,512	1,195	-	1,195	-	-
Advances, Subsidies, Miscellaneous	-	-	-	-	-	-
Sinking Fund Commission	123,505	123,505	117,272	6,233	128,048	(10,776)
Procurement	-	-	-	-	-	-
Commerce	183,446	184,763	133,597	51,166	129,529	4,068
Law	2,021	2,021	1,455	566	1,758	(303)
Mayor's Office of Transportation	191	191	111	80	196	(85)
Mayor's Office of Sustainability	94	94	94	-	-	94
Total Obligations	440,383	440,383	363,093	77,290	370,943	(7,850)
Operating Surplus (Deficit) for the Year	(4,567)	(22,427)	31,862	54,289	(2,192)	34,054

City of Philadelphia
PENNSYLVANIA

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.

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.

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.

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.

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.

City of Philadelphia
Net Position by Component
For the Fiscal Years 2006 Through 2016

Table 1

Amounts in millions of USD

(full accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net Investment in Capital Assets	161.4	206.4	(5.8)	(59.3)	(47.5)	83.9	232.5	176.8	1,040.8	955.2
Restricted	689.7	641.0	833.8	705.1	789.5	621.8	586.8	630.3	576.5	625.1
Unrestricted	(1,220.5)	(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)
Total Governmental Activities Net Positio	(369.4)	(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)
Business-Type Activities										
Net Investment in Capital Assets	544.0	591.8	750.6	831.8	845.1	887.8	982.5	1,007.4	1,088.1	1,323.7
Restricted	635.1	644.1	511.2	489.3	550.6	591.8	628.9	685.5	766.0	650.5
Unrestricted	257.3	266.2	269.8	257.3	234.3	257.9	173.4	200.7	(278.5)	(279.3)
Total Business-Type Activities Net Positi	1,436.4	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
Primary Government										
Net Investment in Capital Assets	705.4	798.2	744.8	772.5	797.6	971.7	1,215.0	1,184.2	2,128.9	2,278.9
Restricted	1,324.8	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
Unrestricted	(963.2)	(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)
Total Primary Government Net Position	1,067.0	782.4	239.0	(197.7)	(123.5)	(35.0)	15.2	(71.1)	(4,687.7)	(4,629.2)

City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2007 Through 2016

Table 2
Amounts in millions of USD

(full accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities:										
Economic Development	92.6	116.4	116.0	145.0	92.2	96.5	94.2	95.1	97.4	115.3
Transportation:										
Streets & Highways	116.6	117.7	119.1	129.4	136.3	115.6	112.9	143.9	122.4	136.8
Mass Transit	85.1	88.3	90.5	82.7	75.2	74.0	71.0	72.1	76.2	76.1
Judiciary and Law Enforcement:										
Police	921.4	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
Prisons	293.2	311.4	339.1	343.8	340.4	336.7	342.2	371.2	353.0	381.6
Courts	304.1	321.6	318.7	312.0	315.0	326.2	318.1	338.5	323.4	339.6
Conservation of Health:										
Emergency Medical Services	36.0	37.2	36.9	47.8	53.3	48.4	49.7	69.3	66.4	66.3
Health Services	1,442.6	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
Housing and Neighborhood Development	111.2	142.1	149.1	131.3	126.1	137.7	102.9	80.3	80.9	80.1
Cultural and Recreational										
Recreation	73.4	86.2	77.3	77.0	98.7	97.3	102.3	113.1	113.1	116.6
Parks	32.6	36.6	37.7	37.9	14.0	9.0	8.6	8.2	10.6	8.4
Libraries and Museums	90.3	87.0	92.8	79.0	75.7	80.8	76.1	84.5	84.3	88.8
Improvements to General Welfare:										
Social Services	765.5	794.1	756.3	718.8	718.4	675.5	625.3	657.5	687.8	688.7
Education	64.0	65.5	67.2	65.4	64.0	74.3	94.4	167.5	126.0	134.5
Inspections and Demolitions	64.3	47.3	27.8	23.4	30.1	26.5	38.0	43.3	41.7	65.3
Service to Property:										
Sanitation	134.4	138.0	137.8	142.7	143.0	153.2	136.7	153.1	151.1	157.0
Fire	285.3	284.8	278.6	266.0	285.9	292.2	296.8	386.6	350.8	370.7
General Management and Support	568.7	636.9	684.1	683.3	561.0	678.4	743.4	538.0	605.3	648.1
Interest on Long Term Debt	149.5	95.1	214.6	174.9	136.3	112.1	161.8	159.0	166.2	158.2
Total Governmental Activities Expenses	5,630.8	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
Business-Type Activities:										
Water and Sewer	476.2	504.3	530.8	502.5	520.2	490.8	513.4	543.5	550.2	569.0
Aviation	314.3	323.1	326.2	330.1	336.0	343.1	358.9	376.5	374.3	400.2
Industrial and Commercial Development	3.7	2.1	3.0	0.1	1.9	-	0.6	-	-	-
Total Business-Type Activities Expenses	794.2	829.5	860.0	832.7	858.1	833.9	872.9	920.0	924.5	969.2
Total Primary Government Expenses	6,425.0	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
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	3.5	3.9	2.8	4.4	5.1	5.2	5.3	5.2	7.3	5.8
Mass Transit	0.6	0.5	0.4	0.5	0.6	1.3	1.9	1.9	2.1	2.2
Judiciary and Law Enforcement:										
Police	1.7	4.3	5.0	3.3	3.5	5.5	6.3	4.5	5.2	5.1
Prisons	0.3	0.3	0.4	0.5	0.5	0.9	0.7	0.4	0.4	0.3
Courts	51.5	52.7	51.8	53.4	45.6	60.6	59.9	50.3	51.6	50.3
Conservation of Health:										
Emergency Medical Services	27.7	27.6	37.5	36.8	34.7	27.5	33.3	36.3	36.2	45.7
Health Services	12.6	15.3	14.4	16.2	16.7	14.8	16.7	18.9	14.4	14.1
Housing and Neighborhood Development	45.2	25.2	31.3	20.8	23.1	28.6	23.5	16.7	20.1	18.1
Cultural and Recreational:										
Recreation	0.2	0.3	3.2	(0.1)	2.8	2.2	3.8	2.8	3.7	4.6
Parks	0.5	1.5	0.6	0.9	5.0	4.8	3.3	2.2	1.1	1.0
Libraries and Museums	0.9	0.8	1.3	0.9	1.8	1.2	1.0	2.0	1.1	1.2

City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2007 Through 2016

Table 2
Amounts in millions of USD

(full accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Improvements to General Welfare:										
Social Services	7.3	6.4	7.6	14.4	6.8	5.2	8.3	5.6	4.4	1.2
Education	-	-	1.1	-	-	-	0.1	-	-	-
Inspections and Demolitions	44.4	44.9	40.3	43.9	45.5	50.0	53.9	50.1	52.4	54.1
Service to Property:										
Sanitation	-	3.1	2.9	2.0	11.6	15.9	16.2	35.5	24.9	16.5
Fire	0.7	0.2	0.7	0.3	0.5	0.3	0.9	0.3	2.9	0.3
General Management and Support	107.5	110.6	131.9	127.9	136.6	139.7	134.2	177.7	150.2	158.3
Interest on Long Term Debt	-	-	-	-	9.2	0.3	-	0.2	0.2	0.2
Operating Grants and Contributions	2,204.9	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
Capital Grants and Contributions	15.8	10.0	35.0	46.9	32.1	43.2	48.9	35.3	60.1	61.8
Total Governmental Activities Program Revenues	2,525.3	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
Business-Type Activities:										
Charges for Services:										
Water and Sewer	493.6	503.3	499.7	552.4	558.5	598.3	608.7	638.6	675.9	670.0
Aviation	309.2	303.2	251.7	240.0	258.1	263.2	291.4	315.4	322.4	433.7
Industrial and Commercial Development	1.5	1.5	0.5	0.3	0.5	0.4	0.4	0.4	0.5	0.5
Operating Grants and Contributions	2.8	5.4	2.6	6.1	4.8	3.5	2.3	1.4	0.9	0.9
Capital Grants and Contributions	22.4	36.6	109.4	90.5	105.9	91.6	58.2	93.6	161.3	26.8
Total Business-Type Activities Program Revenues	829.5	850.0	863.9	889.3	927.8	957.0	961.0	1,049.4	1,161.0	1,131.9
Total Primary Government Revenues	3,354.8	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
Net (Expense)/Revenue										
Governmental Activities	(3,105.5)	(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)
Business-Type Activities	35.3	20.5	3.9	56.6	69.7	123.1	88.1	129.4	236.5	162.7
Total Primary Government Net Expense	(3,070.2)	(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)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	399.2	401.3	409.2	400.8	506.6	500.8	553.8	530.2	551.3	550.2
Wage & Earnings Taxes	1,498.5	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
Business Taxes	453.7	414.5	407.6	385.2	364.2	399.2	452.4	469.2	453.4	505.6
Other Taxes	460.3	457.0	435.0	578.3	645.8	663.6	706.0	735.8	666.7	733.5
Unrestricted Grants & Contributions	104.1	104.7	107.8	171.4	173.8	223.2	187.4	229.5	185.1	185.4
Interest & Investment Earnings	81.8	65.3	46.1	25.5	35.8	33.3	17.9	21.7	24.1	28.0
Special Items	-	-	-	-	-	-	-	-	-	-
Transfers	4.9	4.9	4.2	28.3	24.9	27.5	21.4	28.3	30.2	31.6
Total Governmental Activities	3,002.5	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
Business-Type Activities:										
Interest & Investment Earnings	45.7	48.7	22.9	7.7	6.9	9.0	12.7	5.3	4.1	8.3
Unrestricted Grants & Contributions	-	-	-	-	-	2.9	42.2	2.5	1.9	1.9
Transfers	(4.9)	(4.9)	(4.2)	(28.3)	(24.9)	(27.5)	(21.4)	(28.3)	(30.3)	(31.6)
Total Business-Type Activities	40.8	43.8	18.7	(20.6)	(18.0)	(15.6)	33.5	(20.5)	(24.3)	(21.4)
Total Primary Government	3,043.3	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
Change in Net Position										
Governmental Activities	(103.0)	(362.0)	(548.7)	(436.1)	22.6	(19.0)	17.6	(195.2)	121.8	(60.7)
Business-Type Activities	76.1	64.3	22.6	36.0	51.7	107.5	121.6	108.9	212.2	141.3
Total Primary Government	(26.9)	(297.7)	(526.1)	(400.1)	74.3	88.5	139.2	(86.3)	334.0	80.6

City of Philadelphia **Table 3**
Fund Balances
Governmental Funds
For the Fiscal Years 2007 Through 2016

Amounts in millions of USD

(modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Non-spendable:	-	-	-	-	-	-	-	-	-	-
Restricted for:										
Central Library Project	4.8	4.9	4.7	2.3	2.3	2.3	2.3	2.0	2.0	1.7
Stadium Financing	6.4	0.1	1.7	0.6	0.3	0.5	2.1	3.8	4.3	0.6
Cultural & Commercial Corridor Project	143.3	122.5	89.8	30.8	19.2	15.3	12.2	11.6	10.6	7.4
Long Term Loan	45.0	22.5	-	-	-	-	79.7	68.2	56.7	44.8
Committed to:										
Encumbrances	135.6	108.8	102.8	-	-	-	-	-	-	-
General Fund	-	-	-	87.9	-	-	-	-	-	-
Assigned to:	-	-	-	-	-	70.5	98.0	103.1	81.9	78.0
Unassigned:	152.7	(24.3)	(274.6)	(251.8)	(45.7)	-	90.0	23.0	-	-
Total General Fund:	487.8	234.4	(75.6)	(130.2)	(23.9)	88.6	284.4	211.7	155.5	132.5
All Other Governmental Funds										
Non-spendable:										
Permanent Fund (Principal)	-	-	-	-	2.6	2.6	2.8	3.2	3.5	3.1
Restricted for:										
Behavioral Health	192.9	177.8	188.7	171.0	250.1	230.7	233.7	188.6	199.6	220.1
Neighborhood Revitalization	99.9	77.8	74.6	73.1	61.3	51.6	34.2	30.6	29.6	0.0
Public Safety Emergency Phone System	21.7	28.7	38.8	40.4	36.9	29.6	24.5	27.5	35.2	40.8
Economic Development	-	-	-	-	6.6	10.3	7.2	6.8	11.8	12.3
Intergovernmental Financing	24.5	18.6	12.1	7.9	21.1	21.7	33.9	34.0	28.3	25.5
Intergovernmentally Financed Pgms					24.5	18.9	-	-	-	-
Streets & Highways	7.5	12.8	16.8	16.8	18.3	23.2	23.9	26.2	31.9	37.1
Housing & Neighborhood Development	-	-	-	-	10.5	10.5	15.0	16.6	18.5	20.8
Health Services	-	-	4.0	10.8	8.8	9.5	15.2	10.1	11.0	11.2
Debt Service	92.3	80.9	79.1	76.6	82.8	82.4	81.5	83.1	81.5	81.6
Capital Improvements	103.0	21.0	196.1	152.2	267.7	128.5	29.2	191.6	70.2	133.1
Trust Purposes	8.9	8.3	6.4	4.7	8.1	8.3	8.9	11.8	12.3	10.2
Parks & Recreation	-	-	-	-	0.3	0.4	0.4	0.4	0.6	0.8
Libraries & Museums	-	-	-	-	0.1	0.1	0.1	0.1	0.0	3.0
Stadium Financing	-	-	-	-	6.3	6.4	6.8	7.3	6.7	6.4
Committed to:										
Capital Improvements	56.7	61.7	62.5	37.9	-	-	-	-	-	-
Economic Development	-	-	-	6.5	-	-	-	-	-	-
Housing & Neighborhood Development	15.9	17.4	18.6	15.2	-	-	-	-	-	-
Debt Service	5.2	5.7	5.6	7.9	-	-	-	-	-	-
Trust Purposes	9.2	9.1	8.0	7.7	-	-	-	-	-	-
Intergovernmental Financing	53.3	52.2	62.6	36.2	-	-	-	-	-	-
Social Services	-	-	-	-	-	-	-	-	-	-
Prisons	-	-	-	-	3.6	4.2	4.4	3.5	3.2	2.9
Parks & Recreation	-	-	-	-	0.5	0.9	0.7	0.8	0.9	1.7
Assigned to:										
Behavioral Health	28.4	40.5	-	42.5	-	-	-	-	-	-
PICA Rebate Fund	7.0	7.4	8.0	7.5	-	-	-	-	-	-
PMA	0.2	0.2	0.2	0.2	-	-	-	-	-	-
Unassigned:										
Community Behavioral Health	-	-	(5.4)	-	-	-	-	-	-	-
Housing & Neighborhood Dev	(3.9)	(3.2)	(5.0)	(4.0)	(4.0)	(6.5)	(7.2)	(7.9)	(7.1)	(5.3)
Parks & Recreation	-	-	-	-	-	-	-	-	(0.1)	-
Grants Revenue Fund	(26.2)	(23.0)	(36.7)	(39.0)	(34.3)	(175.1)	(217.1)	(273.3)	(213.0)	(322.5)
Capital Improvement	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	696.3	594.2	734.9	672.1	771.7	458.1	298.1	360.7	324.7	282.7

[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 2007 Through 2016

Amounts in millions of USD

(modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Tax Revenue	2,805.1	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
Locally Generated Non-Tax Revenue	381.7	349.7	349.3	302.7	370.6	336.5	348.6	387.1	376.6	367.3
Revenue from Other Governments	2,376.6	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
Other Revenues	17.1	17.9	49.6	33.1	25.8	27.5	27.9	20.2	16.9	19.6
Total Revenues	5,580.5	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
Expenditures										
Current Operating:										
Economic Development	85.5	112.3	107.0	135.1	82.6	88.9	85.9	83.7	82.5	101.1
Transportation:										
Streets & Highways	89.2	89.7	89.9	91.1	87.4	75.6	81.6	98.1	96.2	105.1
Mass Transit	58.1	61.7	63.7	65.2	67.1	67.7	66.5	67.5	71.7	76.1
Judiciary and Law Enforcement:										
Police	860.2	951.9	933.9	882.7	955.9	1,020.0	1,089.4	1,164.9	1,104.6	1,162.5
Prisons	278.1	298.2	326.9	315.2	315.9	318.2	338.7	346.3	343.9	365.1
Courts	292.3	311.1	310.5	288.1	294.9	312.3	309.2	317.9	321.5	329.9
Conservation of Health:										
Emergency Medical Services	34.9	36.0	36.2	45.0	50.7	46.7	50.0	65.8	66.1	64.9
Health Services	1,436.8	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
Housing and Neighborhood Development	109.2	141.9	148.4	131.2	126.1	133.8	102.8	80.3	80.9	80.1
Cultural and Recreational:										
Recreation	62.2	74.3	65.1	58.4	82.9	85.9	90.3	98.6	103.9	104.8
Parks	26.3	28.9	31.8	26.9	5.8	6.1	3.9	1.2	1.8	1.5
Libraries and Museums	83.2	84.2	81.0	68.8	68.7	71.9	72.0	74.9	79.1	81.4
Improvements to General Welfare:										
Social Services	756.7	778.2	743.1	699.7	701.8	674.3	624.3	655.3	687.8	687.1
Education	64.0	65.5	67.2	65.4	64.0	74.3	94.4	167.5	126.0	134.5
Inspections and Demolitions	63.0	46.3	33.1	27.3	34.8	32.2	45.8	40.8	41.5	64.0
Service to Property:										
Sanitation	129.5	132.9	134.6	130.6	133.9	146.2	137.2	144.8	146.9	152.4
Fire	267.6	276.4	266.9	237.6	258.1	267.8	295.9	344.2	346.4	355.0
General Management and Support	563.7	618.4	693.8	615.0	568.5	619.1	622.8	646.7	662.3	686.4
Capital Outlay	92.3	105.8	126.9	148.9	134.9	202.0	161.1	140.1	189.7	206.1
Debt Service:										
Principal	91.5	94.1	87.6	89.7	91.4	103.2	114.1	120.3	339.8	139.5
Interest	103.4	100.0	105.7	96.7	105.6	105.2	112.2	118.0	120.7	107.5
Bond Issuance Cost	5.0	24.2	8.5	23.5	2.2	1.6	4.4	5.0	7.2	3.3
Capital Lease Principal	-	-	-	-	-	-	-	-	-	-
Capital Lease Interest	-	-	-	-	-	-	-	-	-	-
Total Expenditures	5,552.7	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
Excess of Revenues Over (Under) Expenditures	27.8	(381.8)	(487.8)	(207.1)	9.8	(243.1)	(74.2)	(345.1)	(369.5)	(316.6)
Other Financing Sources (Uses)										
Issuance of Debt	353.1	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
Bond Issuance Premium	13.8	31.1	26.7	24.3	5.0	16.6	0.8	31.4	21.3	53.9
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)
Transfers In	460.1	465.2	574.5	558.1	583.1	600.8	613.1	616.3	661.9	686.3
Transfers Out	(455.1)	(460.2)	(570.3)	(529.7)	(558.1)	(573.3)	(591.7)	(587.9)	(631.6)	(654.7)
Total Other Financing Sources (Uses)	371.9	26.2	318.7	91.7	194.2	42.0	110.0	335.0	277.3	251.7
Net Change in Fund Balances	399.7	(355.6)	(169.1)	(115.4)	204.0	(201.1)	35.8	(10.1)	(92.2)	(64.9)
Debt Service as a Percentage of Non-capital Expenditures	3.6%	3.3%	3.2%	3.4%	3.5%	3.6%	3.9%	3.9%	7.4%	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 2007 through 2016

Amounts in millions of USD

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Additions:										
Contributions:										
Employee Contributions	49.2	51.7	54.0	51.6	52.7	50.0	49.6	53.7	58.7	67.1
Employer's:										
City of Philadelphia	419.2	412.4	440.0	297.4	455.8	539.8	763.7	533.4	556.1	629.4
Quasi-Governmental Agencies	13.1	14.5	15.4	15.1	14.2	16.2	18.1	19.8	21.1	30.8
Total Employer's Contributions	432.3	426.9	455.4	312.5	470.1	556.0	781.8	553.2	577.2	660.2
Total Contributions	481.5	478.6	509.4	364.1	522.8	606.0	831.4	606.9	635.9	727.3
Interest & Dividends	80.3	97.1	75.6	70.5	79.5	86.2	122.9	102.2	98.4	101.5
Net Gain (Decline) in Fair Value of Investments	684.7	(322.0)	(945.6)	381.2	618.5	(57.7)	213.9	585.4	(76.8)	(239.8)
(Less) Investment Expenses	0.0	0.0	0.0	0.0	0.0	(13.3)	(12.2)	(10.2)	(9.8)	(9.1)
Net Securities Lending Revenue	1.1	7.4	5.7	1.9	1.5	2.1	3.0	4.2	2.2	1.9
Securities Lending Unrealized Loss	0.0	0.0	0.0	0.0	0.0	(1.9)	118.0	0.0	0.0	0.0
(Less) Securities Lending Expenses	0.0	0.0	0.0	0.0	0.0	(0.9)	(0.3)	(0.6)	(0.3)	(0.3)
Net Investment Income (Loss)	766.1	(217.5)	(864.3)	453.6	699.5	14.5	445.3	681.0	13.7	(145.8)
Miscellaneous Operating Revenue	2.1	1.1	1.0	0.7	1.4	0.0	0.5	0.5	0.1	0.1
Total Additions	1,249.7	262.2	(353.9)	818.4	1,223.7	620.5	1,277.2	1,288.4	649.7	581.6
Deductions:										
Pension Benefits	655.8	725.7	681.1	680.1	681.9	706.2	740.7	802.6	876.4	882.0
Refunds to Members	4.5	4.2	4.8	4.5	5.1	6.5	5.7	6.0	5.3	7.4
Administrative Costs	6.7	7.6	8.4	8.1	8.0	0.0	8.2	8.3	10.4	8.4
Other Operating Expenses	0.0	0.0	0.0	0.0	0.0	15.2	0.2	0.0	0.1	0.1
Total Deductions	667.0	737.5	694.3	692.7	695.0	727.9	754.8	816.9	892.1	897.9
Net Increase (Decrease)	582.7	(475.3)	(1,048.2)	125.7	528.7	(107.4)	522.4	471.5	(242.4)	(316.3)
Net Assets: Adjusted Opening	4,316.6	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
Closing	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
Ratios:										
Pension Benefits Paid as a Percent of:										
Net Members Contributions	1467.11%	1527.79%	1383.30%	1443.95%	1432.56%	1623.45%	1687.24%	1682.60%	1640.28%	1477.39%
Closing Net Assets	13.39%	16.40%	20.18%	19.42%	16.92%	18.00%	16.66%	16.32%	18.75%	20.24%
Coverage of Additions over Deductions	187.36%	35.55%	-50.97%	118.15%	176.07%	85.25%	169.21%	157.72%	72.83%	64.77%
Investment Earnings as % of Pension Benefits	116.82%	-29.97%	-126.90%	66.70%	102.58%	2.05%	60.12%	84.85%	1.56%	-16.53%

City of Philadelphia

Table 6

Wage and Earnings Tax Taxable Income
For the Calendar Years 2006 Through 2015

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
2006	20,194.0	57.85%	4.30100%	14,715.3	42.15%	3.77160%	34,909.3	4.07784%
2007	21,051.3	57.33%	4.26000%	15,670.2	42.67%	3.75570%	36,721.5	4.04480%
2008	22,013.7	57.19%	4.09950%	16,479.4	42.81%	3.63170%	38,493.1	3.89923%
2009	21,805.5	57.38%	3.92980%	16,197.3	42.62%	3.49985%	38,002.8	3.74655%
2010	22,170.8	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	24,346.9	57.57%	3.92600%	17,944.9	42.43%	3.49675%	42,291.8	3.74386%
2014	25,599.6	57.70%	3.92200%	18,770.1	42.30%	3.49325%	44,369.7	3.74062%
2015	26,851.8 [2]	58.05%	3.91510%	19,405.6 [2]	41.95%	3.48715%	46,257.4	3.73557%

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 2015 are preliminary.

City of Philadelphia **Table 7**

Direct and Overlapping Tax Rates

For the Ten Fiscal Years 2007 through 2016

Tax Classification	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Wage and Earnings Tax:										
[a] City Residents	4.2600% [b]	4.2190% [b]	3.9300% [b]	3.9296% [b]	3.9280% [b]	3.9280% [b]	3.9280% [b]	3.9240%	3.9200%	3.9102%
Non-City Residents	3.7557% [b]	3.7242% [b]	3.5000% [b]	3.4997% [b]	3.4985% [b]	3.4985% [b]	3.4985% [b]	3.4950%	3.4915%	3.4828%

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

Tax Classification	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
[d] **Real Property: (% on Assessed Valuation)**										
City	3.474%	3.305%	3.305%	3.305%	4.123%	4.123%	4.462%	0.602%	0.602%	0.632%
School District of Philadelphia	4.790%	4.959%	4.959%	4.959%	4.959%	5.309%	5.309%	0.738%	0.738%	0.768%
Total Real Property Tax	8.264%	8.264%	8.264%	8.264%	9.082%	9.432%	9.771%	1.340%	1.340%	1.400%
[e] Assessment Ratio	29.22%	28.86%	28.46%	26.73%	28.05%	28.87%	28.68%	224.40%	213.95%	NA
Effective Tax Rate (Real Property Rate x Assessment Ratio)	2.415%	2.385%	2.352%	2.209%	2.548%	2.723%	2.802%	3.007%	2.867%	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.

Tax Classification	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real Property Transfer Tax										
City	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Commonwealth of Pennsylvania	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Real Property Transfer Tax	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

Realty Transfer Tax is levied on the sale or transfer of real estate located in Philadelphia. The tax also applies to the sale or transfer of an interest in a corporation or partnership that owns real estate
Certain long term leases are also subject to this tax.

Tax Classification	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
[c] **Business Income and Receipts Taxes**										
(% on Gross Receipts)	0.1665%	0.1540%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%
[f] (% on Net Income)	6.5000%	6.5000%	6.4500%	6.4500%	6.4500%	6.4500%	6.4500%	6.4300%	6.4100%	6.3900%

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

Tax Classification	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
[c] **Net Profits Tax:**										
[a] City Residents	4.2600%	3.9800%	3.9296%	3.9280%	3.9280%	3.9280%	3.9240%	3.9200%	3.9102%	3.9004%
Non-City Residents	3.7557%	3.5392%	3.4997%	3.4985%	3.4985%	3.4985%	3.4950%	3.4915%	3.4828%	3.4741%

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 2007 through 2016

Table 7

Tax Classification	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Sales Tax										
City	1.0%	1.0%	1.0%	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%	7.0%	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%	15.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	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%	6.0%	7.2%	8.2%	8.2%	8.2%	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%	7.0%	8.2%	9.2%	9.2%	9.2%	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.

City of Philadelphia

Table 8

Principal Wage and Earnings Tax Remitters [1]

Current Calendar Year and Nine Years Ago

Amounts in millions of USD

Remittance Range	2015 # of Remitters (Employers)	2015 Total Amount Remitted	2015 Percentage of Total Remitted	2006 # of Remitters (Employers)	2006 Total Amount Remitted	2006 Percentage of Total Remitted
Greater then $10 million	16	$435.1	25.18%	14	$329.8	23.16%
Between $1 million & $10 million	169	430.6	24.92%	153	366.8	25.76%
Between $100,000 & $1 million	1,824	478.3	27.68%	1,508	387.9	27.24%
Between $10,000 & $100,000	9,724	287.0	16.61%	8,620	254.9	17.90%
Less then $10,000	41,573	97.0	5.61%	36,904	84.4	5.94%
Total	53,306	$1,728.0	100.00%	47,199	$1,423.8	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 2007 through 2016

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]	Less: 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)
2007	16,243	4,628		11,615		11,615	3.474%	29.22%	39,750	17.42%	66,676
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%	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
Principal Property Tax Payers
Current Year and Nine Years Ago

Table 10

Amounts in millions of USD

	2016			2007		
Taxpayer	Assessment [1]	Rank	Percentage of Total Assessments	Assessment [1]	Rank	Percentage of Total Assessments
HUB Properties Trust	265.7	1	0.29	48.0	4	0.41
Nine Penn Center Associates	232.6	2	0.25	54.1	2	0.47
Phila Liberty Pla E Lp	207.7	3	0.23	54.4	1	0.47
Philadelphia Market Street	203.7	4	0.22	28.8	10	0.25
Tenet Healthsystem Hahnem	192.1	5	0.21	-	-	-
Commerce Square Partners	178.2	6	0.19	33.3	7	0.29
Maguire/Thomas Partners	170.1	7	0.19	33.9	6	0.30
NNN 1818 Market St. 37	170.0	8	0.19	-	-	-
Franklin Mills Associates	163.2	9	0.18	48.4	3	0.42
Brandywine Cira LP	160.7	10	0.18	-	-	-
Bell Atlantic Properties	-	-	-	43.3	5	0.37
PRU 1901 Market LLC	-	-	-	32.9	8	0.28
Phila Shipyard Development Corp				30.3	9	0.26
	1,944.0		2.12	407.4		3.51
Taxable Assessments (before Homestead) [2]	97,909.0		100.00	11,614.9		100.00
Less Homestead Exemption [2]	6,372.5			0.0		
Total Taxable Assessments	91,536.5			11,614.9		

[1] Source: Office of Property Assessment.
- a) 2016 Assessment as of March 2015.
- b) 2007 Assessment as of November 2006.

[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 2007 through 2016
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
2007	391.7	NA	347.5	88.7%	40.4	387.9	99.0%
2008	390.2	NA	346.4	88.8%	39.1	385.5	98.8%
2009	396.5	NA	315.4	79.5%	72.6	388.0	97.9%
2010	405.8	NA	353.7	87.2%	36.4	390.1	96.1%
2011	509.1	NA	440.9	86.6%	45.0	485.9	95.4%
2012	508.6	491.1	459.2	93.5%	22.7	481.9	98.1%
2013	554.0	537.7	505.6	94.0%	22.8	528.4	98.3%
2014	553.2	515.4	482.1	93.5%	21.2	503.3	97.7%
2015	547.4	519.1	489.1	94.2%	10.9	500.0	96.3%
2016	569.9	552.7	502.6	90.9%	N/A	502.6	90.9%

**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 2016, "collections in the calendar year of levy" does not include the full 12 months; it only includes collections thru the end of June 2016.

**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 2007 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.

City of Philadelphia

Table 12

Ratios of Outstanding Debt by Type
For the Fiscal Years 2007 through 2016

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
2007	$ 1,993.7	$ -	$ 1,444.9	$ -	$ 273.9	$ 49.6	$ 334.0	$ 9.7	$ 139.6	$ -	$ 4,245.4
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	4,294.0
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

	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
2007	$ 5.8	$ 1,674.3	$ 1,141.0	$ 2,821.1	$ 7,066.5	14.86%	1,520,251	$ 4,648
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	7,521.0	11.49%	1,553,165	4,842
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

(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 2007 through 2016

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]
2007	1,993.7	11,615.0	29.22%	39,750.2	5.02%	1,303.05
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	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

Table 14

Direct and Overlapping Governmental Activities Debt

June 30, 2016

Amounts in millions of USD

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Governmental Unit			
School District of Philadelphia	2,984.5	100.00%	2,984.5
[1] **City Direct Debt**			4,041.9
Total Direct and Overlapping Debt			7,026.4

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

City of Philadelphia
Legal Debt Margin Information
For the Fiscal Years 2007 through 2016

Table 15

Amounts in Millions of USD

Legal Debt Margin Calculation for FY2016

Assessed Value	40,400.0
Debt Limit	5,454.0
Debt Applicable to Limit:[1]	
Tax Supported General Obligation Debt:	
Issued & Outstanding	1,504.7
Authorized but Unissued	336.7
Total	1,841.4
Less: Amount set aside for repayment of general obligation debt	-
Total Net Debt Applicable to Limit	1,841.4
Legal Debt Margin	3,612.6

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit (notes 2, 3, 4, and 5)	1,374.7	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
Total Net Debt Applicable to Limit	1,293.4	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
Legal Debt Margin	81.3	88.7	117.1	116.4	97.3	79.8	52.1	1,337.7	2,537.7	3,612.6
Total Net Debt Applicable to the Limit as a Percent of Total Debt	94.09%	93.74%	92.03%	92.36%	93.81%	95.08%	96.88%	55.57%	40.83%	33.76%

[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 2006-2013 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
2006	2007	12,268,019,348
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
	Ten Year average	40,400,004,727.7
	Limit per art. 9	13.50%
	Legal Debt Limit	5,454,000,638

City of Philadelphia **Table 16**

Pledged Revenue Coverage

For the Fiscal Years 2007 through 2016 *Amounts in millions of USD*

No.		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Water and Sewer Revenue Bonds										
1	Total Revenue and Beginning Fund Balance	536.2	597.8	527.5	566.7	589.7	613.3	638.4	680.4	676.8	678.9
2	Net Operating Expenses	303.2	334.7	342.6	334.0	357.7	375.1	399.3	410.8	402.9	408.6
3	Transfer To (From) Rate Stabilization Fund	26.0	(9.8)	(34.7)	(2.7)	10.9	8.5	(4.7)	22.9	21.4	(1.6)
4	Net Revenues	207.0	272.9	219.6	235.4	221.1	229.7	243.8	246.7	252.5	271.9
	Debt Service:										
5	Revenue Bonds Outstanding	172.7	173.8	183.0	195.7	184.3	191.4	201.0	201.7	205.3	219.3
6	General Obligation Bonds Outstanding	-	-	-							
7	Pennvest Loan	1.2	1.2	1.2	1.2	1.2	1.0	-	-	-	-
8	Total Debt Service	173.9	175.0	184.2	196.9	185.5	192.4	201.0	201.7	205.3	219.3
9	Net Revenue after Debt Service	33.1	97.9	35.4	38.5	35.6	37.3	42.8	45.0	47.2	52.6
10	Transfer to General Fund	5.0	5.0	4.2	2.3	-	1.1	0.6	-	-	-
11	Transfer to Capital Fund	16.9	16.9	17.1	17.3	18.1	18.9	19.4	20.2	20.7	21.5
12	Transfer to Residual Fund	11.2	76.0	14.1	18.9	17.5	17.3	22.8	24.8	26.5	31.1
13	Ending Fund Balance	-	-	-	-	-	-	-	-	-	-
	Debt Service Coverage:										
	Coverage A (Line 4/Line 5)	1.20	1.57	1.20	1.20	1.20	1.20	1.21	1.22	1.23	1.24
	Coverage B (Line 4/(Line 8 + Line 11))	1.08	1.42	1.09	1.10	1.09	1.09	1.11	1.11	1.12	1.13
	Airport Revenue Bonds										
1	Fund Balance	10.2	42.6	61.4	55.1	77.6	65.9	69.3	66.5	66.3	71.2
2	Project Revenues	211.3	250.5	255.3	246.9	260.8	269.6	291.8	316.9	322.8	341.2
3	Passenger Facility Charges	32.9	32.9	32.9	33.1	32.4	31.6	31.2	31.2	31.2	31.2
4	Total Fund Balance and Revenue	254.4	326.0	349.6	335.1	370.8	367.1	392.3	414.6	420.3	443.6
5	Net Operating Expenses	87.1	99.8	99.5	102.9	98.1	99.0	110.7	117.3	126.0	132.1
6	Interdepartmental Charges	70.6	89.1	89.0	80.7	88.6	92.7	101.9	103.9	108.7	106.8
7	Total Expenses	157.7	188.9	188.5	183.6	186.7	191.7	212.6	221.2	234.7	238.9
	Available for Debt Service:										
8	Revenue Bonds (Line 4-Line 5)	167.3	226.2	250.1	232.2	272.7	268.1	281.6	297.3	294.3	311.5
9	All Bonds (Line 4-Line 7)	96.7	137.1	161.1	151.5	184.1	175.4	179.7	193.4	185.6	204.7
	Debt Service:										
10	Revenue Bonds	85.5	84.4	95.6	94.3	102.4	103.0	109.8	125.4	125.2	120.6
11	General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
12	Total Debt Service	85.5	84.4	95.6	94.3	102.4	103.0	109.8	125.4	125.2	120.6
	Debt Service Coverage:										
	Revenue Bonds Only - Test "A" (Line 8/Line 10)	1.96	2.68	2.62	2.46	2.66	2.60	2.56	2.37	2.35	2.58
	Total Debt Service - Test "B" (Line 9/Line 12)	1.13	1.62	1.69	1.61	1.80	1.70	1.64	1.54	1.48	1.69

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.

City of Philadelphia — Table 17

Demographic and Economic Statistics

For the Calendar Years 2006 through 2015

Calendar Year	Population [1]	Personal Income [2] (thousands of USD)	Per Capita Personal Income (USD)	Unemployment Rate [3]
2006	1,520,251	47,566,075	31,288	6.2%
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%

[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

2015	2006
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	SCHOOL DIST OF PHILA
SCHOOL DIST OF PHILA	SEPTA
SEPTA	TEMPLE UNIVERSITY
TEMPLE UNIVERSITY	TENET HEALTHSYSTEM PHILADELPHIA INC
THOMAS JEFFERSON UNIVERSITY HOSPITALS	THOMAS JEFFERSON UNIVERSITY HOSPITALS
UNIVERSITY OF PENNA (college)	UNIVERSITY OF PENNA (college)
UNIVERSITY OF PENNA (hospital)	UNIVERSITY OF PENNA TRUSTEES (hospital)

City of Philadelphia
Full Time Employees by Function
For the Fiscal Years 2007 through 2016

Table 19

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
Economic Development	9	6	23	25	27	28	31	29	33	43
Transportation:										
Streets & Highways	667	584	568	515	499	524	517	525	506	512
Mass Transit	1	1	8	7	9	13	15	15	12	12
Judiciary and Law Enforcement:										
Police	8,036	7,754	7,685	7,503	7,439	7,292	7,270	7,177	7,267	7,750
Prisons	1,991	2,153	2,309	2,268	2,173	2,150	2,245	2,257	2,286	2,280
Courts	3,500	3,386	3,310	3,215	3,225	3,249	3,260	3,234	3,255	3,276
Conservation of Health:										
Emergency Medical Services	311	237	256	329	341	338	375	494	576	534
Health Services	1,236	1,140	1,163	1,135	1,139	1,143	1,117	1,097	1,084	1,062
Housing and Neighborhood Development	120	108	99	96	94	83	75	72	74	66
Cultural and Recreational:										
Recreation	589	483	462	453	601	605	596	587	628	636
Parks	217	156	152	158	1	-	-			
Libraries and Museums	829	808	723	687	682	658	651	637	674	666
Improvements to General Welfare:										
Social Services	2,218	2,232	2,107	2,079	1,989	1,924	1,832	1,809	1,801	1,779
Inspections and Demolitions	450	246	221	223	214	230	286	288	319	323
Service to Property:										
Sanitation	1,338	1,239	1,169	1,157	1,185	1,154	1,152	1,158	1,155	1,159
Fire	2,121	2,052	2,019	1,820	1,838	1,700	1,705	1,643	1,719	1,871
General Management and Support	2,494	2,414	2,393	2,276	2,225	2,454	2,384	2,456	2,497	2,601
Total Governmental Activities	26,127	24,999	24,667	23,946	23,681	23,545	23,511	23,478	23,886	24,570
Business Type Activities:										
Water and Sewer	2,415	2,291	2,256	2,196	2,116	2,228	2,218	2,302	2,347	2,358
Aviation	915	1,057	1,033	1,001	1,010	1,021	1,057	1,040	1,021	1,032
Total Business-Type Activities	3,330	3,348	3,289	3,197	3,126	3,249	3,275	3,342	3,368	3,390
Fiduciary Activities:										
Pension Trust	62	59	69	66	65	61	53	50	55	56
Total Primary Government	29,519	28,406	28,025	27,209	26,872	26,855	26,839	26,870	27,309	28,016

City of Philadelphia Table 20
Operating Indicators by Function
For the Fiscal Years 2007 through 2017

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
Transportation:										
Streets & Highways										
Street Resurfacing (miles)	107	74	119	69	36	37	51	34	40	43
Potholes Repaired	12,721	12,326	11,976	23,049	24,406	14,451	12,093	45,077	48,274	35,541
Judiciary and Law Enforcement:										
Police										
Arrests	73,606	75,805	68,922	64,465	73,310	70,971	71,109	71,650	71,661	55,693
Calls to 911	3,398,985	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
Prisons										
Average Inmate Population	8,796	9,133	9,554	8,806	7,935	8,240	8,987	8,759	8,254	7,685
Inmate Beds (city owned)	8,443	9,005	9,137	9,137	8,200	8,417	8,417	8,417	8,417	8,428
Conservation of Health:										
Emergency Medical Services										
Medic Unit Runs	216,606	215,305	217,505	222,882	227,147	273,557	280,877	239,403	243,127	263,754
First Responder Runs	68,203	60,756	53,610	54,960	66,763	60,972	57,047	60,296	49,529	48,965
Health										
Patient Visits	323,121	334,139	349,078	350,695	339,032	348,472	341,305	309,911	290,000	72,479
Cultural and Recreational:										
Parks										
Athletic Field Permits Issued	2,227	1,389	1,420	1,388	2,714	1,978	2,442	873	1,634	2,501
Libraries										
Items borrowed	6,328,706	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
Visitors to all libraries	6,422,857	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
Visitors to library website	3,285,380	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
Improvements to General Welfare:										
Social Services										
Children Receiving Services	28,898	25,893	35,685	31,416	28,572	28,939	27,391	17,761	18,982	19,697
Children in Placement	8,070	7,739	7,993	8,792	7,122	7,839	8,509	8,548	7,809	8,463
Emergency Shelter Beds (average)	2,677	2,747	2,689	2,617	2,520	2,987	2,116	2,544	2,708	2,196
Transitional Housing Units (new placements)	543	435	476	487	510	558	539	509	509	517
Service to Property:										
Sanitation										
Refuse Collected (tons per day)	2,922	2,798	2,532	2,412	2,254	2,299	2,179	2,132	2,139	2,270
Recyclables Collected (tons per day)	179	197	288	381	441	461	470	490	442	425
Fire										
Fires Handled	8,080	7,444	6,850	4,927	7,945	7,319	6,365	6,120	6,364	6,143
Fire Marshall Investigations	3,153	3,097	3,031	2,726	2,711	2,387	2,135	1,943	2,183	1,715
Business Type Activities:										
[2] **Water and Sewer**										
Millions of gallons of treated water	95,374	93,679	91,747	91,560	93,886	87,341	89,616	90,213	86,416	84,573
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	948	1,113	931	1,133	995	1,137	962	775	637	682
Water main breaks repaired	835	679	807	664	962	563	755	918	907	703
Average time to repair a water main break upon crew arrival at site (hours)	7.6	7.6	7.6	7.8	7.7	7.7	5.8	6.2	5.7	6.8
Percent of hydrants available	99.70%	99.70%	99.60%	99.58%	99.58%	99.70%	99.68%	99.68%	99.61%	99.60%
Number of storm drains cleaned	78,478	75,804	77,012	72,802	71,771	84,395	100,251	94,653	103,056	98,105
[1] **Aviation**										
Passengers Handled (PIA)	31,885,333	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
Air Cargo Tons (PIA)	571,452	575,640	475,365	440,495	449,683	416,731	388,383	395,661	402,194	414,891
Aircraft Movements (PIA and NPA)	614,720	593,757	551,191	543,462	458,832	517,842	506,261	493,272	487,096	407,968

[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 2007 through 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	2575
Streetlights	102,840	102,949	103,982	104,219	104,219	104,600	105,151	105,151	105,151	105,151
Judiciary and Law Enforcement:										
Police										
Stations and Other Facilities	34	36	35	35	31	32	37	39	40	50
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	9	8
Cultural and Recreational:										
Recreation										
[5] Recreation Centers	171	171	171	171	153	184	185	184	155	164
[2] Athletic Venues	1,117	919	915	914	1,148	1,102	1,101	1,107	1,108	1107
[4] Neighborhood Parks and Squares	232	79	79	79	-	-	-	-	-	
Parks										
Parks	63	63	63	63	150	177	177	177	209	209
Baseball/Softball Fields	109	77	79	79	407	404	404	403	403	404
Libraries										
Branch & Regional Libraries	54	54	54	54	54	54	54	54	54	54
Service to Property:										
Fire										
Stations and Other Facilities	64	64	63	63	63	68	68	68	69	63
Business Type Activities:										
Water and Sewer:										
Water System Piping (miles)	3,133	3,137	3,145	3,236	3,164	3,172	3,174	3,176	3,176	3,187
Fire Hydrants	25,195	25,181	25,208	25,234	25,353	25,321	25,355	25,364	25,364	25,398
Treated Water Storage Capacity (x 1000 gallons)	1,065,500	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
Sanitary Sewers (miles)	768	750	749	751	758	759	762	762	762	763
Stormwater Conduits (miles)	784	713	720	721	731	734	738	737	737	740
Sewage Treatment Capacity (x 1000 gallons)	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,065,400	1,044,000	1,044,000	1,044,000
[3] **Aviation**										
Passenger Gates (PIA)	120	120	120	120	126	126	126	126	126	126
Terminal Buildings (square footage) (PIA)	2,415,000	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
Runways (length in feet) (PIA & NPA)	42,460	42,460	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.

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APPENDIX C

PROPOSED FORM OF APPROVING OPINION OF CO-BOND COUNSEL

December 6, 2017

To the Purchasers of the Notes Described Herein

Re: $125,000,000 Aggregate Principal Amount
The City of Philadelphia, Pennsylvania
Tax and Revenue Anticipation Notes, Series A of 2017-2018

Ladies and Gentlemen:

We have served as Co-Bond Counsel in connection with the issuance by the City of Philadelphia, Pennsylvania (the "City") of $125,000,000 aggregate principal amount of its Tax and Revenue Anticipation Notes, Series A of 2017-2018 (the "Notes").

The Notes are issued pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, Act No. 1991-6 of the General Assembly of the Commonwealth of Pennsylvania, approved June 5, 1991, as amended (the "Act"), and pursuant to a Loan Authorization of the City, duly adopted by not less than a majority of the Loan Committee, consisting of the Mayor, the City Controller and the City Solicitor on November 29, 2017 (the "Loan Authorization"). Certain matters relating to the Notes and the security therefor are set forth in the Trust Agreement, dated the date hereof (the "Trust Agreement"), between the City and U.S. Bank National Association, as trustee (the "Trustee"). The Notes are being issued pending receipt of current taxes and revenues for the account of the City's General Fund in the current fiscal year. Capitalized terms used herein and not otherwise defined have the meanings given to those terms in the Trust Agreement.

As required by the Act and the Loan Authorization, the Notes are equally and ratably secured by a pledge of, security interest in, and a lien and charge on the taxes and revenues of the City specified in the Loan Authorization to be received for the account of the General Fund of the City from the date of issuance of the Notes until the earlier of (i) payment in full or provision for payment in full of the principal of and interest on the Notes, or (ii) June 30, 2018, as provided in the Loan Authorization. As further security for the Notes, the City has covenanted to irrevocably deposit in a trust fund established with the Trustee (the "Note Fund"), to be held in trust by the Trustee for the benefit and security of the owners of the Notes, specified amounts at specified times, which deposits will be in the aggregate sufficient to pay the principal of and interest on the Notes when due.

In our capacity as Co-Bond Counsel, we have examined the applicable provisions of the Constitution of the Commonwealth of Pennsylvania (the "Pennsylvania Constitution"), the Act and such other statutes and regulations and such records and documents as we deemed necessary to enable us to express the opinions set forth below, including, without limitation, original counterparts or certified copies of the Loan Authorization and the Trust Agreement, an opinion of the City Solicitor, a certification (the "Tax Certificate") of officials of the City having responsibility for issuing the Notes given pursuant to applicable provisions of the Internal Revenue Code of 1986, as amended, and regulations promulgated or made applicable thereunder (the "Code"), the other documents listed in the Closing Agenda in respect of the Notes filed with the Trustee, and the Notes in fully executed and authenticated form.

In rendering this opinion, we have relied upon the genuineness, accuracy and completeness of all documents, records, certifications and other instruments we have examined, including, without limitation, the authenticity of all signatures appearing thereon. We have also assumed that the Trust Agreement has been duly and validly authorized, executed and delivered by the Trustee. We have also relied upon the opinion of the City Solicitor of even date herewith as to the absence of any litigation or other challenge to any action taken by the City in connection with the authorization, issuance and sale of the Notes and other matters incident to, inter alia, the execution and the delivery by the City of the Notes and such other documentation as the City or officers thereof were required to execute and deliver in connection with the issuance of the Notes.

On the basis of the foregoing, we are of the opinion that:

1. The Notes have been authorized, issued and sold by the City in compliance with the Act; the principal amount of the Notes does not exceed the limitation on amounts of tax and revenue anticipation notes imposed by the Act; the Notes do not constitute debt of the City subject to the limitations set forth in Article IX of the Pennsylvania Constitution; as required by the Act, the Notes have been secured by a pledge of, security interest in, and a lien and charge on the taxes and revenues of the City specified in the Loan Authorization to be received for the account of the General Fund of the City from the date of issuance of the Notes until the earlier of (i) payment or provision for payment in full of the principal of and interest on the Notes, or (ii) June 30, 2018, and by the pledge of and security interest in the Note Fund granted to the Trustee for the benefit of the owners of the Notes; and the Notes are general obligations of the City, all as provided in the Act.

2. The Loan Authorization, the Trust Agreement and the Notes have been duly authorized, executed and delivered by the City and the Notes have been duly authenticated by the Trustee. The Loan Authorization, the Trust Agreement, and the Notes are valid and binding obligations of the City, enforceable in accordance with the terms and provisions thereof, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

3. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, the Notes are exempt from personal property taxes in Pennsylvania, and interest on the Notes is exempt from Pennsylvania personal income tax and corporate net income tax.

4. Interest on the Notes is excluded from the gross income of the owners of the Notes for federal income tax purposes under existing law, as currently enacted and construed. Interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations by the Code. Interest on a Note held by a corporation (other than an S corporation, regulated investment company, real estate investment trust or real estate mortgage investment conduit) may be indirectly subject to alternative minimum tax because of its inclusion in the adjusted current earnings of the corporate holder. Interest on a Note held by a foreign corporation may be subject to the branch profits tax imposed by the Code.

In providing this opinion, we advise you that it may be determined in the future that interest on the Notes, retroactive to the date of issuance thereof or prospectively, will not be excluded from the gross income of the owners of the Notes for federal income tax purposes if certain requirements of the Code are not met. The City has covenanted in the Loan Authorization and the Tax Certificate to comply with such requirements.

Purchasers of the Notes should consult their own tax advisors as to collateral state or federal income tax consequences. We express no opinion regarding state or federal tax consequences arising with respect to the Notes other than as expressly set forth in numbered paragraphs 3 and 4 hereof.

These opinions are rendered on the basis of the laws of the Commonwealth of Pennsylvania and, as to numbered paragraph 4 hereof only, federal law, in both instances as enacted and construed on the date hereof. We express no opinion as to, and we assume no responsibility for, any matter or information not set forth in the numbered paragraphs above including, without limitation, with respect to the accuracy, adequacy or completeness of, the Preliminary Official Statement or the Official Statement prepared in respect of the Notes, including, in both cases, the appendices thereto, and make no representation that we have independently verified any such matter or information.

The opinions set forth herein are given solely for the benefit of the purchasers of the Notes and may not be relied on by any other person or entity without our express prior written consent. The opinions set forth herein are given solely as of the date hereof, and we do not undertake to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") dated as of December 6, 2017, by and between the City of Philadelphia, Pennsylvania ("City") and Digital Assurance Certification, L.L.C., as dissemination agent ("Dissemination Agent") in connection with the issuance and sale by the City of $125,000,000 aggregate principal amount of its Tax and Revenue Anticipation Notes, Series A of 2017-2018 (the "Notes"). The Notes are being issued pursuant to the Act and the Loan Authorization (collectively, the "Authorizing Acts"). Article IV of this Agreement contains definitions of certain capitalized terms used herein. All other capitalized terms used in this Agreement which are not otherwise defined herein shall have the meanings given to such terms in the Official Statement.

In consideration of the mutual covenants, promises and agreements contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

The Undertaking

Section 1.1. Purpose. This Agreement is being executed and delivered by the City solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information. (a) For the Fiscal Year ending June 30, 2017, the Disclosure Representative shall deliver to the Dissemination Agent no later than February 28, 2018, Annual Financial Information with respect to such Fiscal Year of the City. The Dissemination Agent shall promptly upon receipt thereof file the Annual Financial Information with EMMA (as defined herein).

(b) The Dissemination Agent shall provide, in a timely manner, notice of any failure of the City to provide the Annual Financial Information by the date specified in subsection (a) hereof.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof, the Disclosure Representative shall provide Audited Financial Statements, when and if available, to the Dissemination Agent. The Dissemination Agent shall promptly upon receipt thereof file such Audited Financial Statements with EMMA.

Section 1.4. Notice Events. (a) If a Notice Event occurs, the Disclosure Representative shall provide through the Dissemination Agent, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to EMMA.

(b) Any notice of a defeasance of the Notes shall state whether the Notes have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) Each Notice Event notice relating to the Notes shall include the CUSIP number of the Notes to which such Notice Event notice relates or, if the Notice Event notice relates to all bond issues of the City including the Notes, such Notice Event notice need only include the CUSIP number of the City.

(d) The Dissemination Agent shall promptly advise the City whenever, in the course of performing its duties as Dissemination Agent under this Agreement, the Dissemination Agent has actual notice of an occurrence which, if material, would require the City to provide notice of a Notice Event hereunder; provided, however, that the failure of the Dissemination Agent so to advise the City shall not constitute a breach by the Dissemination Agent of any of its duties and responsibilities under this Agreement.

Section 1.5. Additional Information. Nothing in this Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Notice Event hereunder, in addition to that which is required by this Agreement. If the City chooses to do so, the City shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

Section 1.6. Additional Disclosure Obligations. The City acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the City and that, under some circumstances, compliance with this Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the City under such laws.

ARTICLE II

Operating Rules

Section 2.1. Reference to Other Filed Documents. It shall be sufficient for purposes of Section 1.2 hereof if the City provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.4 hereof.

Section 2.2. Submission of Information. Annual Financial Information may be set forth or provided in one document or a set of documents, and at one time or in part from time to time.

Section 2.3. Dissemination Agent. The City has designated the Dissemination Agent as its agent to act on its behalf in providing or filing notices, documents and information as required of the City under this Agreement. The City may revoke or modify such designation. Upon any revocation of such designation, the City shall comply with its obligation to provide or file notices, documents and information as required under this Agreement or may designate another agent to act on its behalf.

Section 2.4. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access ("EMMA") system, the current Internet Web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided on EMMA shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.5. Fiscal Year. (a) The City's current Fiscal Year begins July 1 and ends June 30, and the City shall promptly file a notification on EMMA, through the Dissemination Agent, of each change in its Fiscal Year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any Fiscal Year longer than 12 calendar months.

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date; Termination. (a) This Agreement shall be effective upon the issuance of the Notes.

(b) The City's and the Dissemination Agent's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Notes.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Notes, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the City or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the City shall have delivered to the Dissemination Agent an opinion of Counsel, addressed to the City and the Dissemination Agent, to the same effect as set forth in clause (2) above, (4) the City shall have delivered to the Dissemination Agent an opinion of Counsel or a determination by an entity, in each case unaffiliated with the City (such as bond counsel or the Dissemination Agent), addressed to the City and the Dissemination Agent, to the effect that the amendment does not materially impair the interests of the holders of the Notes, and (5) the Disclosure Representative shall have delivered copies of such opinion(s) and amendment to the Dissemination Agent. Such amendment shall be promptly filed by the Dissemination Agent on EMMA and sent to each Registered Owner.

(b) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Notes, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the City shall have delivered to the Dissemination Agent an opinion of Counsel, addressed to the City and the Dissemination Agent, to the effect that performance by the City and the Dissemination Agent under this Agreement as so amended will not result in a violation of the Rule and (3) the Disclosure Representative shall have delivered copies of such opinion and amendment to the Dissemination Agent. Such amendment shall be promptly filed by the Dissemination Agent on EMMA and sent to each Registered Owner.

(c) This Agreement may be amended by written agreement of the parties, without the consent of the holders of the Notes, if all of the following conditions are satisfied: (1) the City shall have delivered to the Dissemination Agent an opinion of Counsel, addressed to the City and the Dissemination Agent, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, of the SEC, and (2) the Disclosure Representative shall have delivered copies of such opinion and amendment to the Dissemination Agent. Such amendment shall be promptly filed by the Dissemination Agent on EMMA and sent to each Registered Owner.

(d) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial

Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the City in preparing its financial statements, the Annual Financial Information for the Fiscal Year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Notes, except that beneficial owners of Notes shall be third-party beneficiaries of this Agreement. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the City to comply with the provisions of this Agreement shall be enforceable by any holder of Outstanding Notes. The holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the City's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Notes pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Notes for purposes of this subsection (b).

(c) Any failure by the City or the Dissemination Agent to perform in accordance with this Agreement shall not constitute a default under the Authorizing Acts, and the rights and remedies provided by the Authorizing Acts upon the occurrence of a default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the Commonwealth, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the Commonwealth; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) the City's Comprehensive Annual Financial Report ("CAFR"), which contains the Audited Financial Statements, (ii) to the extent such information is not contained in the CAFR, the financial information or operating data with respect to the City, substantially similar to the type set forth in Tables 1-52 in APPENDIX A attached to the Official Statement (with the exception of Table 19 and Table 48), and (iii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(d) and (e) of this Agreement. As set forth in clause (i) above, Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

Annual Financial Information shall be delivered at least annually pursuant to Section 1.2(a) hereof. In connection with Section 4.1(1), it is the City's intention to satisfy all or a portion of the obligations set forth therein by submitting to EMMA (A) its CAFR and (B) to the extent not otherwise updated in the CAFR, (1) an APPENDIX A that includes annual updates to the Tables specified in clause (ii) above, or (2) if the City does not have such an APPENDIX A prepared, annual updates to the Tables specified in clause (ii) above. If at any time the City deletes, for purposes of a then-current APPENDIX A, certain financial information or operating data from APPENDIX A as attached to the Official Statement that is included in one of the Tables specified above, such deleted information will be submitted separately from the updated APPENDIX A.

The descriptions contained in Section 4.1(1)(ii) hereof of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in each affected Annual Financial Information filing in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) "Audited Financial Statements" means the annual financial statements, if any, of the City, audited by such auditor as shall then be required or permitted by Commonwealth law or the City Charter. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Sections 3.2(a) and (e) hereof, the City may from time to time, if required by federal or Commonwealth legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific federal or Commonwealth law a regulation describing such accounting principles, or other description thereof.

(3) "City Charter" means the Home Rule Charter authorized by the General Assembly in the First Class City Home Rule Act (Act of April 21, 1949, P.L. 665, Section 17) and adopted by the voters of the City, as amended and supplemented.

(4) "Commonwealth" means the Commonwealth of Pennsylvania.

(5) "Counsel" means any nationally recognized bond counsel or counsel expert in federal securities laws.

(6) "Disclosure Representative" means the Director of Finance of the City, the City Treasurer or such other official or employee of the City as the Director of Finance or the City Treasurer shall designate in writing to the Dissemination Agent.

(7) "GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(8) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

(9) "Notice Event" means any of the following events with respect to the Notes, whether relating to the City or otherwise:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;

(vii) modifications to rights of Noteholders, if material;

(viii) calls of the Notes, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Notes, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the City;

(xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(10) "Official Statement" means the Official Statement dated November 29, 2017 of the City relating to the Notes.

(11) "Registered Owner" or "Registered Owners" means, for so long as the Notes shall be registered in the name of the Securities Depository or its nominee, and includes, for the purposes of this Agreement, the owners of book-entry credits in the Notes evidencing an interest in the Notes; provided, however, that the Dissemination Agent shall have no obligation to provide notice hereunder to owners of book-entry credits in the Notes except those who have filed their names and addresses with the Dissemination Agent for the purposes of receiving notices or giving direction under this Agreement.

(12) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(13) "SEC" means the United States Securities and Exchange Commission.

(14) "Securities Depository" shall mean The Depository Trust Company, New York, New York, or its nominee, Cede & Co., or any successor thereto.

(15) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

(16) "Underwriters" means the financial institutions named on the cover of the Official Statement.

ARTICLE V

Miscellaneous

Section 5.1. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties under the Agreement as are specifically set forth in this Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct in the performance of its duties hereunder. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

Section 5.2. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, THE CITY OF PHILADELPHIA, PENNSYLVANIA, has caused this Disclosure Agreement to be executed by the Director of Finance and DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Dissemination Agent, has caused this Disclosure Agreement to be executed by one of its authorized officers, all as of the day and year first above written.

THE CITY OF PHILADELPHIA, PENNSYLVANIA

By:______________________________
Name: Rob Dubow
Title: Director of Finance

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Dissemination Agent

By:______________________________
Name:
Title:

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

General

The information set forth herein concerning The Depository Trust Company, New York, New York ("DTC") and the book-entry system described below has been extracted from materials provided by DTC for such purpose, is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the City, the Trustee, or the Underwriters. The websites referenced below are included for reference only and the information contained therein is not incorporated by reference in this Official Statement.

DTC will act as securities depository for the Notes under a book-entry system with no physical distribution of the Notes made to the public. The Notes will initially be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Notes and deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Notes, such as redemptions, defaults and proposed amendments to the bond documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of the notices be provided directly to them.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, and interest on, the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participants and not of DTC (or its nominee), the City, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, and interest on, the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

THE CITY, THE TRUSTEE, AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO ITS PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO BENEFICIAL OWNERS OF THE NOTES (A) PAYMENTS OF PRINCIPAL OF, OR INTEREST ON, THE NOTES, OR (B) CONFIRMATION OF OWNERSHIP INTERESTS IN THE NOTES, OR (C) NOTICES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC.

NONE OF THE CITY, THE TRUSTEE, OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR: (A) SENDING TRANSACTION STATEMENTS; (B) MAINTAINING, SUPERVISING OR REVIEWING THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (C) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF, OR INTEREST ON, THE NOTES; (D) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE OR OTHER COMMUNICATION WHICH IS REQUIRED TO BE GIVEN TO HOLDERS OR OWNERS OF THE NOTES; OR (E) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE NOTES.

Discontinuation of Book-Entry Only System

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered.

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THE CITY OF PHILADELPHIA, PENNSYLVANIA • TAX AND REVENUE ANTICIPATION NOTES, SERIES A OF 2017-2018

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