

City of Philadelphia

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

Founded 1682



Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2022



City of Philadelphia

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

Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2022



Jim Kenney
Mayor

Prepared by:

Office of the Director of Finance

Rob Dubow
Director of Finance

Josefine Arevalo
Chief Accounting Officer

Accounting Office

Kevin Barr

Jamika Baucom

Nana Boateng

Randy Boucher

Sharon Donaldson

Isaac Fowowe

Gary Hanna

Victoria Heads

Christopher Kennedy

Christal Lewis

Gladwin Mathew

Eugene McCauley

Rowaida Mohammed

Mary Powell-Civera

Shenika Ruff

Dino Sam

Rich Sensenbrenner

Amit Shah

Yashesh Shah

Girgis Shehata

Shantae Thorpe

Binex Varghese

Edward Wiler



Table of Contents

Introductory Section

Letter of Transmittal.....	1
GFOA Certificate of Achievement	7
Organizational Chart.....	8
List of Elected and Appointed Officials.....	9

Financial Section

Independent Auditor’s Report.....	12
Management’s Discussion and Analysis	17
Basic Financial Statements	
Government Wide Financial Statements	
Exhibit I Statement of Net Position	35
Exhibit II Statement of Activities	36
Fund Financial Statements	
Governmental Funds Financial Statements	
Exhibit III Balance Sheet	37
Exhibit IV Statement of Revenues, Expenditures and Changes in Fund Balances	38
Exhibit V Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	39
Proprietary Funds Financial Statements	
Exhibit VI Statement of Fund Net Position	40
Exhibit VII Statement of Revenues, Expenses and Changes in Fund Net Position	41
Exhibit VIII Statement of Cash Flows	42
Fiduciary Funds Financial Statements	
Exhibit IX Statement of Fiduciary Net Position	43
Exhibit X Statement of Changes in Fiduciary Net Position.....	44
Component Units Financial Statements	
Exhibit XI Statement of Net Position.....	45
Exhibit XII Statement of Activities	46
Exhibit XIII Notes to the Financial Statements	48

Required Supplementary Information Other than Management’s Discussion and Analysis

Budgetary Comparison Schedules-Major Funds	
Exhibit XIV General Fund.....	164
Exhibit XV HealthChoices Behavioral Health Fund	165
Exhibit XVI Grants Revenue Fund	166
Exhibit XVII Other Post Employment Benefits (OPEB) and Pension Plans	
– City of Philadelphia - Schedule of Changes in Net OPEB Liability.....	167
– Municipal Pension Plan - Schedule of Changes in Net Pension Liability	167
– Municipal Pension Plan - Schedule of Collective Contributions	168
– Philadelphia Gas Works - Schedule of Changes in Net Pension Liability	169
– Philadelphia Gas Works – Schedule of Actuarially Determined Contributions.....	169
Exhibit XVIII Notes to Required Supplementary Information.....	170

**City of Philadelphia
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022**

Financial Section (Continued)

Other Supplementary Information

Schedule I	Combining Balance Sheet - Non-Major Governmental Funds	174
Schedule II	Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds.....	176
Schedule III	Combining Statement of Fiduciary Net Position – Pension Trust Funds.....	178
Schedule IV	Combining Statement of Changes in Fiduciary Net Position–Pension Trust Funds	179
Schedule V	Combining Statement of Fiduciary Net Position - Custodial Funds.....	180
Schedule VI	Combining Statement of Changes in Fiduciary Net Position - Custodial Funds	181
Schedule VII	City Related Schedule of Bonded Debt Outstanding.....	182
Schedule VIII	Budgetary Comparison Schedule - Water Operating Fund	184
Schedule IX	Budgetary Comparison Schedule - Water Residual Fund.....	185
Schedule X	Budgetary Comparison Schedule - County Liquid Fuels Tax Fund.....	186
Schedule XI	Budgetary Comparison Schedule - Special Gasoline Tax Fund	187
Schedule XII	Budgetary Comparison Schedule - Hotel Room Rental Tax Fund	188
Schedule XIII	Budgetary Comparison Schedule - Aviation Operating Fund.....	189
Schedule XIV	Budgetary Comparison Schedule - Community Development Fund	190
Schedule XV	Budgetary Comparison Schedule - Car Rental Tax Fund	191
Schedule XVI	Budgetary Comparison Schedule - Housing Trust Fund	192
Schedule XVII	Budgetary Comparison Schedule - General Capital Improvement Funds.....	193
Schedule XVIII	Budgetary Comparison Schedule - Acute Care Hospital Assessment Fund.....	194
Schedule XIX	Schedule of Budgetary Actual and Estimated Revenues and Obligations – General Fund	195
Schedule XX	Schedule of Budgetary Actual and Estimated Revenues and Obligations – Water Operating Fund.....	198
Schedule XXI	Schedule of Budgetary Actual and Estimated Revenues and Obligations – Aviation Operating Fund.....	199
Schedule XXII	Schedule of Budgetary Actual and Estimated Revenues and Obligations – Budget Stabilization Reserve Fund.....	200

Statistical Section

Table 1	Net Position by Component	202
Table 2	Changes in Net Positions.....	203
Table 3	Fund Balances-Governmental Funds	205
Table 4	Changes in Fund Balances-Governmental Funds.....	206
Table 5	Comparative Schedule of Operations-Municipal Pension Fund	207
Table 6	Wage and Earnings Tax Taxable Income.....	208
Table 7	Direct and Overlapping Tax Rates.....	209
Table 8	Principal Wage and Earnings Tax Remitters	211
Table 9	Assessed Value and Estimated Value of Taxable Property	212
Table 10	Principal Property Taxpayers.....	213
Table 11	Real Property Taxes Levied and Collected	214
Table 12	Ratios of Outstanding Debt by Type	215
Table 13	Ratios of General Bonded Debt Outstanding	216
Table 14	Direct and Overlapping Governmental Activities Debt.....	217
Table 15	Legal Debt Margin Information.....	218
Table 16	Pledged Revenue Coverage.....	219
Table 17	Demographic and Economic Statistics	220
Table 18	Principal Employers	221
Table 19	Full Time Employees by Function.....	222
Table 20	Operating Indicators by Function	223
Table 21	Capital Assets Statistics by Function	224



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 25, 2023

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

I am pleased to present the City of Philadelphia's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022. This report must be published by February 25th of every year to fulfill the continuing disclosure requirements related to the City's outstanding bonds and as outlined in SEC Rule 15c2-12.

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

The City Controller has issued an unmodified ("clean") opinion on the City's financial statements for the year ended June 30, 2022. The City Controller is an independently elected public official¹ 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. This independent auditor's report is located at the front of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

The City of Philadelphia was founded in 1682, incorporated in 1789, and merged with the County of Philadelphia in 1854. The city occupies an area of 135 square miles of land along the Delaware River, serves a population of nearly 1.6 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. The Board of Education, which governs the District, has nine members, each of whom is appointed by the Mayor with the approval of City Council.

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.

¹ As of the publication date, following the resignation of the elected City Controller, the Controller position is held by an Interim Controller who was appointed by the Mayor but who operates as an independent official.

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. 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 City of Philadelphia provides a full range of services, including 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 residents of Philadelphia; and two airports: Philadelphia International Airport, which handles passengers and 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, which are legally separate organizations in which the primary government is financially accountable. 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 from the primary government. Blended component units included in this report are the Philadelphia Municipal Authority and Pennsylvania Intergovernmental Cooperation Authority; discretely presented component units included in this report are the Philadelphia Gas Works, Philadelphia Redevelopment Authority, Philadelphia Parking Authority, School District of Philadelphia, Community College of Philadelphia, Community Behavioral Health, Inc., Philadelphia Housing Authority, and the 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 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.

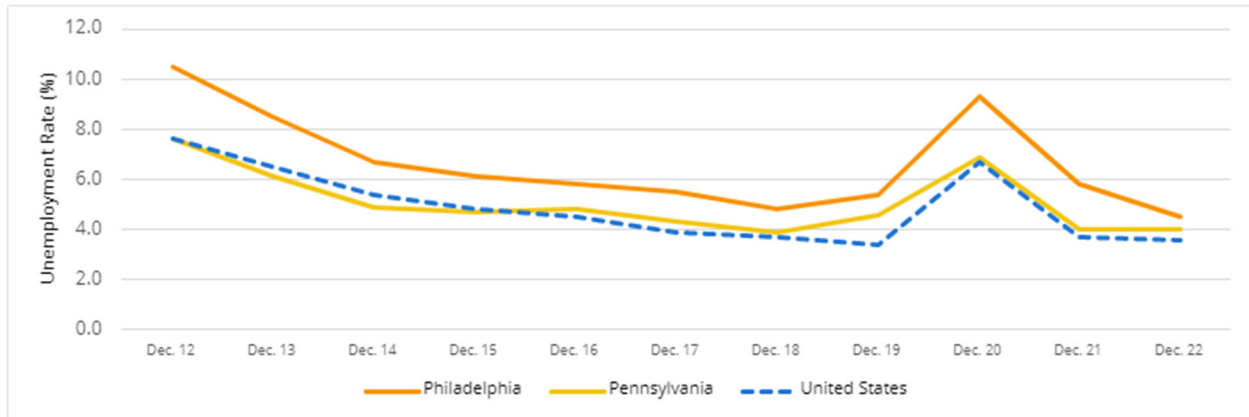
Local Economy

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 several institutions of higher education, medical and research facilities, and hospitals. The city also has a strong business and personal services economy with strengths in insurance, law, finance, and leisure and hospitality. Tourism is driven by the city's attractive historic district and array of cultural assets, including museums, theaters and entertainment venues, a vast park system, and a dynamic restaurant scene.

Philadelphia's economy was performing well in the decade before the pandemic – matching and in some years outperforming the nation in job generation. But COVID-19 halted that progress, and the city's recovery has lagged behind that of the national economy. The U.S. Bureau of Labor Statistics' monthly employment data for November 2022 showed a modest increase of 2,000 jobs in the city. Education, health care, and social services sectors continued showing gains by adding another 2,200 jobs. The sector now has more than recovered its pandemic-era job losses, having added 14,000 jobs since April 2022. Meanwhile, the leisure and hospitality sector posted another monthly decline, and has dropped over 4,000 jobs since May 2022.

As of December 2022, Philadelphia's unemployment rate has dropped below 5%, and is expected to drop further. The following chart shows the trend in Philadelphia's unemployment rate as compared to Pennsylvania's and the U.S. overall from 2012 to 2022. While Philadelphia's unemployment rate has returned to pre-pandemic levels, it continues to be high relative to other locations in the U.S. As of December 2022, the non-seasonally adjusted rate shows Philadelphia with an unemployment rate of 4.5%, Pennsylvania with an unemployment rate of 4%, and the U.S. with an unemployment rate of

3.6%. Higher unemployment means that more individuals are without wages, impacting their household stability and their purchasing power in the local economy.



The estimated 2021 median household income in Philadelphia was \$52,899, which is a \$7,600 increase since 2016, outpacing state (8%) and national (6%) growth rates. Despite the improvement, poverty and resident hardship within Philadelphia is deeply persistent. The City’s median household income remains lower than the estimated 2021 national median income of \$69,717 and the statewide figure of \$69,957. Philadelphia has the lowest median household income of the top 10 largest U.S. cities. The median home values increased by 22.7% from \$150,000 in 2009 to \$184,100 in 2021, and with median rent rising 38.6% from \$829 in 2009 to \$1,149 in 2021. Philadelphia continues to have high levels of homeownership, with homeowners occupying 52.4% of the housing stock.

Calendar Year	Population ¹	Personal Income (in thousands) ²	Per Capita Personal Income ³	Unemployment Rate
2021	1,576,251	95,944,257	60,869	9.2%
2020	1,578,487	93,038,320	58,941	12.4%
2019	1,584,064	90,711,866	57,265	5.5%
2018	1,584,138	88,311,658	55,747	5.5%
2017	1,580,683	88,081,991	55,718	6.2%

¹ US Census Bureau

² US Department of Commerce, Bureau of Economic Analysis

³ US Department of Labor, Bureau of Labor Statistics

The City has been rated in the ‘A’ category by all three rating agencies since 2013. In July 2022, Fitch Ratings upgraded the City’s rating from ‘A-’ to ‘A’.

City of Philadelphia’s General Obligation Bond Ratings

Fiscal Year End	Moody’s	Standard & Poor’s	Fitch
2022	A2	A	A-
2021	A2	A	A-
2020	A2	A	A-
2019	A2	A	A-
2018	A2	A	A-

The consistent efforts of Philadelphia’s economic development agencies and others have spurred significant economic changes throughout the city. Development in the Navy Yard has, over time, transitioned a former naval property and active military base to a growing hub for business. Over the last two decades, the efforts of Philadelphia’s economic development

agencies and others have spurred significant economic revitalization throughout the city. The adopted FY23 General Fund expenditures total \$5.84 billion, a \$503.9 million increase (9.4%) from the FY22 audited actuals. As with prior years, the largest costs to the City’s budget are to pay for City employees who design, manage, and implement programs and services for residents, businesses, and visitors. The single largest expenditure in the General Fund budget is compensation for employees. The pay-related cost for General Fund employees is budgeted to be \$2.06 billion in FY23, an 8.8% increase over FY22’s level, reflecting salary increases and new positions. Additional investments are discussed in greater detail in the major initiatives section below.

The FY23 Capital Budget provides approximately \$203 million in new, City-supported general obligation borrowing (identified as CN funds) and \$540 million of prior year, tax-supported City loans. This City commitment will help leverage \$3.1 billion from federal, state, private, City self-sustaining enterprise, operating, and revolving fund sources for a total FY23 budget of \$3.86 billion. Over six years, the FY23-28 Capital Program includes a commitment of nearly \$1.1 billion in new CN borrowing as part of a proposed \$11.06 billion in total capital investment.

Three years into the COVID-19 pandemic, the City’s General Fund revenues, primarily originating from local and regional taxpayers continue to exhibit a mix of growth and decline. For the General Fund, the City is estimated to receive a total of \$5.7 billion in FY23, a decrease of 0.7% over FY22 unaudited actuals. The largest portion of General Fund revenue comes from local taxes, with an estimated \$4 billion, or 70% of the total, coming from tax receipts in FY23. Total revenues are budgeted to grow \$212 million from the FY22 estimate.

LONG-TERM FINANCIAL PLANNING

Unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the General Fund at year-end was 13.5% of total General Fund revenues. This amount was above the City’s goal of 6-8% and below the Government Finance Officers Association (GFOA) recommendation of two months of general fund revenues, or approximately 16.7%. The fund balance is higher than the adopted FY23-27 Five Year Financial and Strategic Plan due to two main factors. The first is underspending, as the City, like many other employers, has struggled to attract and retain staff amid a complicated landscape in the labor market in the wake of the pandemic; funds had been budgeted for salaries for positions that have stayed vacant. The second significant factor was higher-than-anticipated tax collections, notably from two taxes: the volatile Business Income and Receipts Tax (BIRT) and the Wage Tax.

The table below illustrates the City’s General Fund year-end balance for the past five years, along with the projected FY23 year-end balance as noted in the City’s Quarterly City Managers Report (for the period ending December 31, 2022).

General Fund
Year End Fund Balance (Legal Basis)

Fiscal Year End	Fund Balance (in thousands)	Projection/Actual
2023	660,473	Projection
2022	779,144	Actual
2021	298,542	Actual
2020	290,672	Actual
2019	438,680	Actual

Source: Quarterly City Managers Report dated December 31, 2022

Relevant Financial Policies

PICA Act and Requirements: The Pennsylvania Intergovernmental Cooperation Authority (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 PICA remains in place, 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 budget and provide procedures to avoid fiscal emergencies. The quarterly reports must be submitted to PICA so that PICA may determine whether the City is following the then-current five-year plan. The PICA Act was renewed in 2022 and PICA will remain in place until the later of when its bonds are retired or 2047.

Fund Balance Target: Recognizing the importance of maintaining adequate fund balances, the City developed a target fund balance of approximately 6% to 8% of the budget. The GFOA recommends that general-purpose governments maintain

unrestricted budgetary fund balance in the general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. At a projected \$660.5 million for FY23, the City's fund balance is 11.2% of revenues, well short of the two months of regular government spending (16.7%) as recommended by the GFOA.

Wage and Business Tax Changes: The City's largest portion of tax revenue comes from the City's Wage and Earnings Tax. This tax is collected from all employees who 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 adopted FY23-27 Five Year Financial and Strategic Plan includes wage and business tax relief. The wage tax relief reduces the rate over the next two years to 3.79% (from the current 3.8398%), and the non-resident rate will be reduced to 3.44% (from the current 3.4481%), and the business tax relief reduces the net profit portion of the Business Income Receipts Tax (BIRT) from 6.2% to 5.99%.

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 City tax revenue. Philadelphia is unlike other cities and counties which 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 2013, the City completed the Actual Value Initiative (AVI), which involved a comprehensive reassessment of all properties in the City – approximately 579,000 parcels – to correct outdated and partial assessments. The intent of AVI was to ensure that properties are examined annually to ensure that values reflect the market.

For Tax Year 2022, OPA did not conduct a comprehensive reassessment, which meant that most properties in the city saw their Tax Year 2021 market value carried forward to Tax Year 2022. Delays related to COVID-19 forced OPA to postpone the full reassessment planned for Tax Year 2022 to Tax Year 2023. Subsequently, for Tax Year 2023, OPA conducted a comprehensive reassessment, which resulted an average residential increase of 31%. Following the Tax Year 2023 reassessment, roughly 11,500 appeals and over 19,000 first-level reviews were filed with the Board of Revision of Taxes and OPA, respectively.

Improving the Health of the Pension Fund: The City will not attain fiscal stability until it has solidified the financial condition of the Pension Fund. To address this challenge, the Kenney Administration, working with municipal employees, the Pension Board, and City Council, launched a three-pronged approach to improve the health of the Pension Fund to 80% funded by Fiscal Year 2029 and 100% funded by Fiscal Year 2032.

The first part of the Mayor's pension reform program is a commitment to increasing the City's annual contribution to the Pension Fund. In 2014, with strong local legislative support, the State Legislature required that the City dedicate a portion of local sales tax revenue to the Fund. Although the additional sales tax revenues could be counted toward satisfying the minimum municipal obligation (MMO), the amount required under state law, the City meets its MMO independent of these revenues, so that Sales Tax dollars directed to the Fund will be over and above the MMO. Over the adopted FY23-FY27 Five Year Plan, the Sales Tax revenues due to the Pension Fund are projected to be worth about \$456.9 million.

Second, as mentioned above, the City achieved pension reform with all City employees. Through a combination of collective bargaining, interest arbitration, and legislation, all City employees are contributing to pension reform. Police and firefighters are making additional contributions to the Pension Fund at varying increased rates based on date of hire. District Council 33 and 47 employees as well as employees not represented by a union, are also making additional contributions based on a progressive tier structure where those with higher annual salaries pay a higher percentage rate. Newly hired members of these groups are mandatory members of a stacked hybrid plan where the defined benefit portion is capped at \$65,000. Like the Sales Tax, the additional contributions are contributed above the City's required contribution to help improve the funding status of the plan more quickly. These additional assets, combined with the reduction in liabilities from the stacked hybrid plan, help improve the health of the Pension Fund over time.

Third, the Pensions Board has changed its investment strategy to reduce costs. The Board is making greater use of indexing, which lowered management fees by almost \$15 million a year, and has almost entirely divested from hedge funds, as the returns did not justify the fees. Reductions in earnings assumptions allow pension funds to moderate the risk of the investments, which can also reduce the likelihood of losses. In addition, the Pension Board has gradually lowered the assumed rate of return to 7.40% from 8.75% since 2008. Partially as a result of this change in assumed rate of return, the MMO has increased in recent years. Moreover, the City follows the Revenue Recognition Policy (RRP) to finance the unfunded actuarial liability. Under the RRP, the City provides contributions to the Pension Fund that are in excess of the MMO.

Managing Health Benefit Costs: Health benefit program costs are one of the largest 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 copays, and implementing wellness and disease management programs.

Major Initiatives

Violence Prevention and Public Safety: The Administration continues to work tirelessly in response to the national public health emergency that gun violence presents. On this front, the City has acted swiftly, investing in anti-violence initiatives that both address the immediate crisis and tackle the systemic, root causes of violence. In FY23, more than \$208 million is dedicated to anti-violence investments, a 34% increase over FY22. Proven programs are being expanded, like the Community Crisis Intervention Program and Gun Violence Interruption.

Pre-Kindergarten, Community Schools, and Improvements to Recreation Centers and Libraries: In June 2016, City Council passed, and the Mayor signed the Philadelphia Beverage Tax (PBT) into law. The PBT taxes the distribution of sweetened drinks at 1.5 cents per ounce and became effective January 1, 2017. The PBT provides funding for pre-kindergarten (Pre-K), community schools, and improvements to recreation centers and libraries. The Mayor's commitment to high quality pre-K, and growing community schools — made possible because of the Philadelphia Beverage Tax, will be expanded in FY23 to \$47.6 million for PHLpreK and \$12.4 million for community schools. The City is adding 300 new PHLpreK slots, for a total of 4,300; and adding funding for 20 Community Schools, an increase of 3 compared to FY22, bringing quality learning and resources to a growing number of Philadelphians. Through the Rebuild Initiative, the Capital Program includes \$34 million to improve parks, recreation centers, playgrounds, and libraries for the next generation of Philadelphians.

COVID-19 Recovery and Grants: Since 2020, the City received several large grants to support its response to, and recovery from the COVID-19 pandemic. These funding sources include Coronavirus Aid, Relief, and Economic Security (CARES) Act grants, Federal Emergency Management Agency (FEMA) Public Assistance, and American Rescue Plan Act (ARPA) relief funds. Relief from federal and state funding enables the City to continue to provide core services and pandemic responses, avoid layoffs, build back up reserves along with the fund balance to help with future disruptions, and to make strategic investments as described above to help lift Philadelphians out of poverty.

Education: Lastly, education continues to be a key area of focus and investment for this Administration. In addition to the investments in pre-K and community schools enabled by the PBT, the Administration is making significant investments in K-12 education and the Community College of Philadelphia (CCP). These investments include \$1.4 billion over the life of the FY23-27 Five Year Plan for the School District of Philadelphia, in addition to local tax revenues that support the District. Following a \$255.9 million contribution in FY22, FY23 includes \$269.9 million in funding for the District. The City is also investing \$254.0 million in CCP over the FY23-27 Five Year Plan. This includes funding for the Octavius Catto Scholarship, through which eligible Scholars receive tuition-free enrollment through a "last-dollar" tuition model that closes the gap between other financial aid and students' remaining tuition balance; enhanced staff supports; and funding for basic needs, such as books, transportation, and food.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Philadelphia for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. This was the forty-second consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government has to publish an easily readable and efficiently organized ACFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current ACFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements and we are submitting our current ACFR to the GFOA to determine its eligibility for another certificate.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2021. To qualify for the Distinguished Budget Presentation Award, the government's budget document has to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the skill, effort, and dedication 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 its 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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO

James F. Kenney
Mayor





Elected Officials

Mayor	James F. Kenney
City Council	
President, 5th District	Darrell L. Clarke
1st District	Mark Squilla
2nd District	Kenyatta Johnson
3rd District	Jamie Gauthier
4th District	Curtis Jones, Jr.
6th District	Michael Driscoll
7th District	Quetcy Lozada
8th District	Cindy Bass
9th District	Anthony Phillips
10th District	Brian J. O'Neill
At-Large.....	Kendra Brooks
At-Large.....	Sharon Vaughn
At-Large.....	Jim Harrity
At-Large.....	Katherine Gilmore Richardson
At-Large.....	David Oh
At-Large.....	Isaiah Thomas
District Attorney	Lawrence S. Krasner
Acting City Controller.....	Charles Edacheril
City Commissioners	
Chairwoman.....	Lisa M. Deeley
Commissioner	Seth Bluestein
Commissioner	Omar Sabir
Register of Wills	Tracey L. Gordon
Sheriff.....	Rochelle Bilal
First Judicial District of Pennsylvania	
President Judge, Court of Common Pleas	Idee Fox
President Judge, Municipal Court.....	Patrick F. Dugan



Appointed Cabinet Members

Managing Director	Tumar Alexander
Finance Director	Rob Dubow
Chief Administrative Officer	Stephanie Tipton
City Solicitor	Diana Cortes
Director of Planning & Development	Anne Fadullon
Chief of Staff	Christina Hernandez
Deputy Mayor for Intergovernmental Affairs	Deborah Mahler
Deputy Mayor for Children & Families	Vanessa Garrett-Harley
Deputy Mayor for Labor Relations	Basil Merenda
Chief Integrity Officer	Sarah Stevenson
Chief Diversity, Equity & Inclusion Officer	Josie Pickens
City Representative	Sheila Hess
Commerce Director	Anne Nadol
Inspector General	Alexander F. DeSantis
Phila Airport CEO	Atif Saeed





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

CHARLES EDACHERIL
Acting City Controller

INDEPENDENT AUDITOR’S REPORT

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

Opinions

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, 2022, 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.

In our opinion, based on our audit and the reports of the 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, 2022, 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.

With the exception of the School District of Philadelphia, we did not audit the financial statements of the blended component units, the discretely presented component units, and the fiduciary component units listed in Note I.1, as well as the Parks and Recreation Departmental and Permanent Funds, which represent the indicated percent of total assets, net position/fund balances, and revenues as presented in the table below. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those component units and funds, are based solely on the reports of the other auditors.

	Percent Audited by Other Auditors		
	<u>Total Assets</u>	<u>Total Net Position/Fund Balances</u>	<u>Total Revenues</u>
Governmental Activities	5%	1%	7%
Business-Type Activities	0%	0%	0%
Aggregate Discretely Presented Component Units	57%	39%	41%
Major Funds	0%	0%	0%
Aggregate Remaining Fund Information	90%	91%	71%

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Philadelphia, Pennsylvania, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Change in Accounting Principle

As discussed in Notes I.15. and III.14.A. to the financial statements, in the year ended June 30, 2022, the City of Philadelphia, Pennsylvania adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which represents a change in accounting principle. As of July 1, 2021, the City of Philadelphia, Pennsylvania recorded a prior period restatement to reflect the cumulative effect of the accounting change. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Philadelphia, Pennsylvania's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Philadelphia, Pennsylvania's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Philadelphia, Pennsylvania's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 32, 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 is the responsibility of management and, 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 GAAS, 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, 2022, 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, 2022, 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 audit of the basic financial statements for the year ended June 30, 2022, 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 GAAS 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, 2022.

We also previously audited, in accordance with GAAS, the basic financial statements of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2021 (not presented herein), and have issued our report thereon dated February 25, 2022, 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 2021 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations for the year ended June 30, 2021, 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 related directly to the underlying accounting and other records used to prepare the 2021 financial statements. The 2021 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations were subjected to the audit procedures applied in the audit of the 2021 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 GAAS. In our opinion, the 2021 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, 2021.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the Introductory Section and Statistical Section as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Charles Edacheril

CHARLES EDACHERIL, CPA
Acting City Controller
Philadelphia, Pennsylvania
February 25, 2023



City of Philadelphia

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

Management's Discussion & Analysis

Our discussion and analysis of the financial performance of the City of Philadelphia (the City), Pennsylvania, provides an overview of the City's financial activities for the fiscal year ended June 30, 2022. 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 fiscal year ended June 30, 2022, the liabilities and deferred inflows of the City of Philadelphia exceeded its assets and deferred outflows by \$3,683.5 million. Its unrestricted net position showed a deficit of \$7,754.9 million. The major underlying causes of this deficit are the net pension liability \$5,386.4 million, the net OPEB liability \$2,156.6 million, and the outstanding pension obligation bonds \$961.3 million. This deficiency will have to be funded from resources generated in future years.

The City's total June 30, 2022 year-end net position increased by \$1,350.0 million from the prior year June 30, 2021 net position. The governmental activities of the City had an increase of \$1,203.5 million, while the business type activities had an increase of \$146.5 million. The governmental activities increase in net position was largely driven by an increase in the tax revenue by \$761.0 million. Also, there was an increase of \$422.3 million in operating grants to the City which was largely driven from the American Rescue Plan Act (ARPA) and other COVID related grants.

For the fiscal year ended June 30, 2022, the City's governmental funds reported a combined ending fund balance of \$1,804.6 million, an increase of \$903.8 million from last year. The *unassigned fund balance* of the governmental funds ended the fiscal year with a deficit of \$19.2 million, a decrease in the deficit of \$357.5 million from last year.

At the end of the fiscal year ended June 30, 2022, unrestricted fund balance (the total of the *committed*, *assigned* and *unassigned* components of the fund balance) for the General Fund was \$1,069.7 million, of which, \$410.7 million was *unassigned* which represents the residual amounts that have not been assigned to other funds. The *unassigned fund balance* increased from the prior year by \$410.7 million.

On the legally enacted budgetary basis, the City's General Fund ended the fiscal year with a surplus fund balance of \$779.1 million, as compared to a \$298.5 million surplus last year. The increase of \$480.6 million was mainly due to increases in tax revenue totaling \$715.0 million. Additionally, \$250 million in ARPA funds were drawn down in fiscal year 2022. These revenue increases were partially offset by an across the board rebound in expenditures, including a \$362.7 million increase in pension obligations relative to fiscal 2021.

The City has implemented GASB Statement No. 87, Leases, in fiscal year 2022. This statement establishes new guidance for lease accounting for lessee and lessor and eliminates the classification of leases into operating or capital leases. This Statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. Lessee will recognize a lease liability and an intangible right-to-use an underlying asset. Lessor will recognize a lease receivable and a deferred inflow of resources. Prior year amounts have not been adjusted to reflect the adoption of GASB 87 Leases.

Overview of the Financial Statements

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

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

- Other supplementary information which further explains and supports the information in the financial statements.

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

The statement of net 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 position are an indicator of the City's financial position.

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 activities; streets, highways and sanitation; and the financing activities of the City's two blended component units - the Pennsylvania Intergovernmental Cooperation Authority (PICA) and Philadelphia Municipal Authority (PMA).
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 wastewater systems, airport and industrial land bank are all included as business type activities.

These two types of 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 School District of Philadelphia, Community College of Philadelphia, Community Behavioral Health, Philadelphia Gas Works, Philadelphia Parking Authority, Philadelphia Housing Authority, Philadelphia Authority for Industrial Development, and the Philadelphia 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 major funds. Data for the remaining nineteen funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is presented in the form of combining statements in the supplementary information section of this financial report.

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 wastewater operations, and industrial land bank. These enterprise funds are the same as the business-

type activities in the government-wide financial statements, but they provide more detail and additional information, such as cash flows.

- Fiduciary funds.** The City of Philadelphia is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for the Gas Works' employees' retirement reserve assets. Both of these fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. 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 fiscal year ended June 30, 2022, the City of Philadelphia's liabilities and deferred inflows exceeded its assets and deferred outflows by \$3,683.5 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, at \$2,139.2 million. Although these capital assets assist the City in providing services to its residents, they are generally not available to fund the operations of future periods.

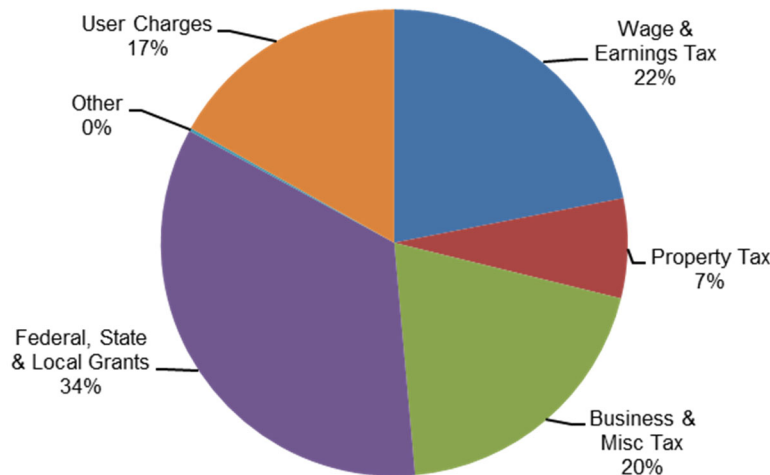
A portion of the City's net position, \$1,932.2 million, is subject to external restrictions as to how it may be used. The remaining component of net position is unrestricted. Unrestricted net position ended the fiscal year with a deficit of \$7,754.9 million. The governmental activities reported negative *unrestricted net position* of \$7,592.3 million. The business type activities reported an unrestricted net position deficit of \$162.6 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			Business-type			Total		
	Activities		%	Activities		%	Primary Government		%
	2022	2021	Change	2022	2021	Change	2022	2021	Change
Current and other assets	5,797.2	4,145.2	39.85%	2,643.4	2,175.3	21.52%	8,440.6	6,320.5	33.54%
Capital assets	3,098.6	2,692.6	15.08%	5,293.4	5,109.2	3.61%	8,392.0	7,801.8	7.56%
Total assets	8,895.8	6,837.8	30.10%	7,936.8	7,284.5	8.95%	16,832.7	14,122.3	19.19%
Deferred Outflows	802.7	452.3	77.47%	133.1	98.5	35.13%	935.7	550.8	69.88%
Long-term liabilities	5,418.5	4,912.9	10.29%	4,531.0	4,053.1	11.79%	9,949.5	8,966.0	10.97%
Other liabilities	9,847.7	8,641.8	13.95%	1,228.2	1,196.1	2.68%	11,075.9	9,837.9	12.58%
Total liabilities	15,266.2	13,554.7	12.63%	5,759.2	5,249.2	9.72%	21,025.4	18,803.9	11.81%
Deferred Inflows	286.5	793.2	-63.88%	140.0	109.6	27.74%	426.5	902.8	-52.76%
Net Position:									
Net Investment in									
capital assets	622.6	655.4	-5.00%	1,516.6	1,509.0	0.50%	2,139.2	2,164.4	-1.16%
Restricted	1,115.4	842.6	32.38%	816.8	749.3	9.01%	1,932.2	1,591.9	21.38%
Unrestricted	(7,592.3)	(8,555.8)	11.26%	(162.6)	(234.0)	30.51%	(7,754.9)	(8,789.8)	11.77%
Total Net Position	(5,854.3)	(7,057.8)	17.05%	2,170.8	2,024.3	7.24%	(3,683.5)	(5,033.5)	26.82%

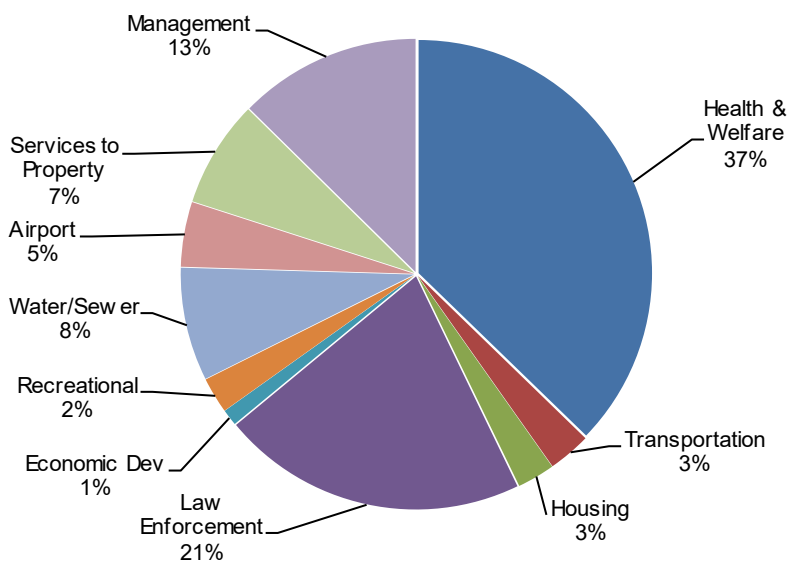
Changes in net position. The City's total revenues for the fiscal year ended June 30, 2022, at \$10,214.4 million, exceed the City's total costs of \$8,889.0 million. Approximately 49% of all revenue came from wage and earnings taxes, property taxes, and business and miscellaneous taxes. Federal, State and Local grants account for another 34%, and the remaining 17% of the revenue comes from user charges, fines, fees, and various other sources. The City's expenses cover a wide range of services, vast majority of which are related to the health, welfare, and safety of the general public (See Exhibit II for further breakdown).



- Total revenues increased by \$1,450.6 million, and total expenses increased by \$480.7 million over last year. This resulted in the Change in Net Position, before prior period adjustments, of \$1,325.4 million more than in the previous year.
- The City's Operating Grants and Contributions revenue increased by \$420.1 million. These were primarily due to drawdown of \$250 million from allocated ARPA funding, \$118.1 million in new Emergency Rental Assistance funding, and an increase of \$37.9 million in grant funding related to Epidemiology. The City's Charges for Goods and Services increased by \$259.6 million. The Governmental Activities – Charges for Goods and Services increased by \$161.6 million. Additionally, the Business Type Activities - Charges for Goods and Services increased by \$98.0 million, with an increase of \$49.9 million in charges for services in the Water & Sewer Enterprise fund, and an increase of \$56.0 million in rental, concession, customer and facility fees in the Aviation Enterprise fund.
- The City's Law Enforcement expenses increased by \$130.4 million. This was mainly due to a \$19.3 million increase in Police payroll and an overall increase in fringe benefit expenses of \$112.0 million. This is largely the result of a resumption of Pension Obligations Bonds payments that were partially deferred in fiscal 2021.
- The Conservation of Health expenses increased by \$131.8 million due to an increase in purchase of services related to health programs. The Health Choices Behavioral Health fund had an increase of \$56.5 million in purchased services. The Grants Fund had an increase of \$41.2 million due to an increase expenditure charged to a grant for Epidemiology Lab Capacity Enhancements. Additionally, fringe benefits for employees charged to the Health programs increased by \$20.4 million because of overall increases in fringe charges, driven mostly by the resumption of payments related to the Pension Obligation Bonds. The City's General Management and Support expenses decreased by \$167.2 million, mainly due to decrease in likely self-insured litigation claims of \$43.0 million. Because similar claims last year caused an increase of \$107.3 million in General Management and Support expenses, the net result was to decrease expenses \$150.3 million relative to fiscal 2021.

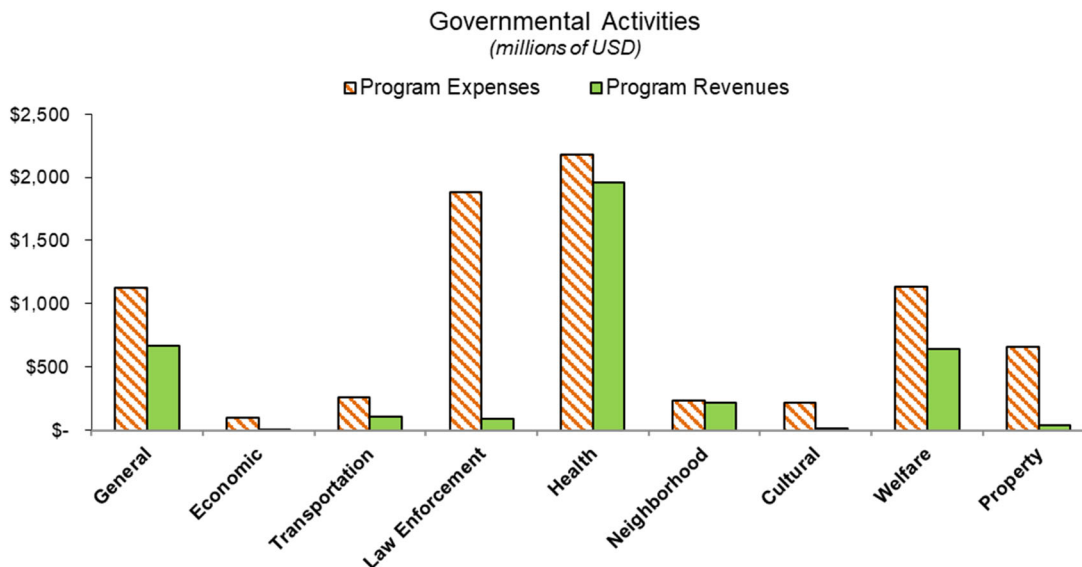
Net positions increased or decreased in the following activities, as noted below (millions of USD):

<u>Increases (Decreases) in Revenues</u>		<u>Increases (Decreases) in Expenses</u>	
Charges for Services	\$259.6	Economic Development	\$30.7
Operating Grants & Contributions	420.1	Transportation	5.7
Capital Grants & Contributions	17.7	Judicial & Law Enforcement	130.4
Wage & Earnings Taxes	242.2	Conservation of Health	131.8
Property Taxes	(16.9)	Housing & Neighborhoods	108.9
Other Taxes	535.8	Cultural & Recreational	3.5
Unrestricted Grants	(4.9)	General Welfare	58.5
Unrestricted Interest and Misc.	(3.1)	Services to Taxpayer Property	96.3
Total Revenues	<u>\$1,450.6</u>	General Management	(167.2)
		Interest on Long Term Debt	5.2
		Water and Waste Water	61.7
		Airport	21.1
		Industrial Land Bank	(5.9)
		Special Item - Impairment Loss	0.0
		Total Expenses	<u>\$480.7</u>



Governmental Activities

The governmental activities of the City resulted in a \$1,178.9 million increase in net position before prior period adjustments. The following chart reflects program expenses and program revenue. The difference (net cost) must be funded by Taxes, Grants & Contributions and Other revenues.



The following table summarizes the City's most significant governmental programs. Program costs, program revenues and net cost are shown in the table. The net cost shows the cost allocation by each of these functions.

(millions of USD)	Program Costs			Program Revenues			Net Cost		
	2022	2021	% Change	2022	2021	% Change	2022	2021	% Change
	General Welfare	\$ 1,130.8	\$ 1,072.3	5.5%	\$ 643.2	\$ 635.0	1.3%	\$ 487.6	\$ 437.3
Judiciary & Law Enforcement	1,881.8	1,751.5	7.4%	91.4	83.7	9.2%	1,790.4	1,667.8	7.4%
Public Health	2,181.4	2,049.7	6.4%	1,956.5	1,782.1	9.8%	224.9	267.6	-16.0%
General Governmental	1,122.3	1,284.3	-12.6%	671.6	418.7	60.4%	450.7	865.6	-47.9%
Services to Property	658.1	561.8	17.1%	35.1	26.3	33.5%	623.0	535.5	16.3%
Housing, Economic & Cultural	817.1	668.2	22.3%	339.4	221.9	53.0%	477.7	446.3	7.0%
	\$ 7,791.5	\$ 7,387.8	5.5%	\$ 3,737.2	\$ 3,167.7	18.0%	\$ 4,054.3	\$ 4,220.1	-3.9%

The cost of all governmental activities this year was \$7,791.5 million; the amount that taxpayers paid for these programs through tax payments was \$4,946.2 million. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of \$3,171.2 million while those who benefited from the programs paid \$565.9 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 \$287.1 million. The difference of \$1,178.9 million represents an increase in net position, as shown in the City of Philadelphia - Net Position table below.

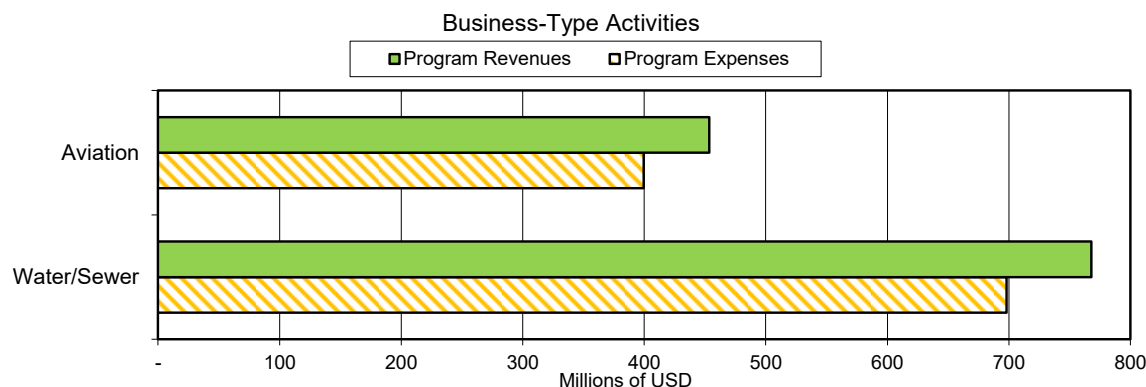
The following table shows a more detailed breakdown of program costs and related revenues for both the governmental and business-type activities of the City:

City of Philadelphia-Net Position

(millions of USD)	Governmental Activities		Business-type Activities		Total		% Change
	2022	2021	2022	2021	2022	2021	
Revenues:							
Program revenues:							
Charges for services	\$ 565.9	\$ 404.3	\$ 1,148.3	\$ 1,050.3	\$ 1,714.2	\$ 1,454.6	17.8%
Operating grants and contributions	3,136.1	2,713.8	0.5	2.7	3,136.6	2,716.5	15.5%
Capital grants and contributions	35.1	49.7	72.9	40.6	108.0	90.3	19.6%
General revenues:							
Wage and earnings taxes	2,233.4	1,991.2	-	-	2,233.4	1,991.2	12.2%
Property taxes	703.3	720.2	-	-	703.3	720.2	-2.3%
Other taxes	2,009.5	1,473.7	-	-	2,009.5	1,473.7	36.4%
Unrestricted grants and contributions	202.7	197.8	54.6	64.4	257.3	262.2	-1.9%
Unrestricted Interest and Misc.	36.0	52.1	16.0	3.0	52.0	55.1	-5.6%
Total revenues	8,922.0	7,602.8	1,292.4	1,161.0	10,214.4	8,763.8	16.6%
Expenses:							
Economic development	100.8	70.1	-	-	100.8	70.1	43.8%
Transportation	262.4	256.7	-	-	262.4	256.7	2.2%
Judiciary & law enforcement	1,881.8	1,751.4	-	-	1,881.8	1,751.4	7.4%
Conservation of health	2,181.4	2,049.6	-	-	2,181.4	2,049.6	6.4%
Housing & neighborhood development	232.9	124.0	-	-	232.9	124.0	87.8%
Cultural & recreational	221.0	217.5	-	-	221.0	217.5	1.6%
Improvement of the general welfare	1,130.8	1,072.3	-	-	1,130.8	1,072.3	5.5%
Services to taxpayer property	658.1	561.8	-	-	658.1	561.8	17.1%
General management	995.2	1,162.4	-	-	995.2	1,162.4	-14.4%
Interest on long term debt	127.1	121.9	-	-	127.1	121.9	4.3%
Water & waste water	-	-	698.1	636.4	698.1	636.4	9.7%
Airport	-	-	399.4	378.3	399.4	378.3	5.6%
Industrial land bank	-	-	-	5.9	-	5.9	N/A
Total expenses	7,791.5	7,387.7	1,097.5	1,020.6	8,889.0	8,408.3	5.7%
Increase (dec.) in net position before transfers & special items							
	1,130.5	214.9	194.9	140.4	1,325.4	355.3	273.0%
Transfers & Special Items	48.4	37.2	(48.4)	(37.2)	-	-	0.0%
Increase (dec) in Net Position	1,178.9	252.1	146.5	103.2	1,325.4	355.3	273.0%
Net Position - Beginning	(7,057.8)	(7,310.0)	2,024.3	1,927.0	(5,033.5)	(5,383.0)	-6.5%
Adjustment (1)	24.7	-	-	(5.9)	24.7	(5.9)	-518.6%
Net Position - End	\$ (5,854.2)	\$ (7,057.9)	\$ 2,170.8	\$ 2,024.3	\$ (3,683.4)	\$ (5,033.6)	-26.8%

Business-type Activities

Business-type activities resulted in a \$146.5 million increase in net position before prior period adjustments. This increase was comprised of an increase in net position for Water/Sewer of \$15.9 million, an increase to Aviation of \$101.8 million, and an increase for Industrial and Commercial Development operations of \$28.8 million. The increase was due primarily to an increase of rentals, concessions, and customer and facility charges of \$56.0 million as compared to prior year due.



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.

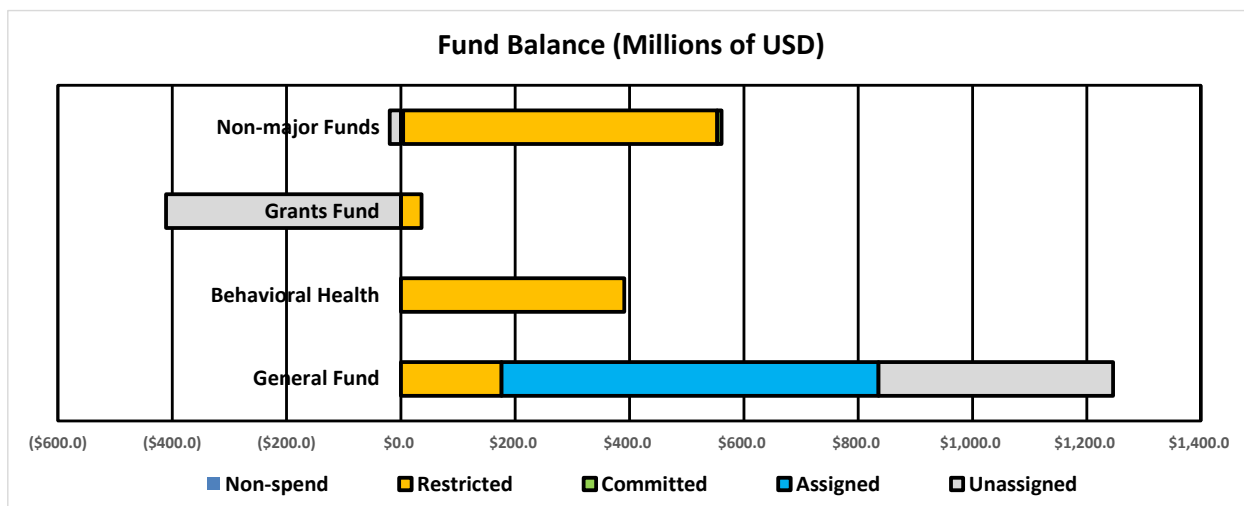
At the end of the fiscal year the City's governmental funds reported a *combined fund balance* of \$1,804.6 million, an increase of \$903.8 million over last year. Of the total fund balance, \$3.9 million represents *non-spendable fund balance*.

In addition, \$1,153.5 million represents *restricted fund balance* due to externally imposed constraints by outside parties, or law, for the following purposes:

Neighborhood Revitalization	\$ 0.3
Economic Development	9.0
Public Safety Emergency Phone System	36.1
Streets & Highways	72.5
Housing and Neighborhood Development	80.4
Health Services	22.0
Behavioral Health	390.9
Libraries & Museums	2.0
Intergovernmental Financing	20.1
Stadium Financing	8.3
Cultural & Commercial Corridor Project	0.8
Pension Obligation Bonds	3.6
Debt Service Reserve	11.4
Capital Projects	309.0
Rebuild	44.6
Home Repair Program	127.7
Trust Purposes	14.8
Total Restricted Fund Balance	\$ 1,153.5

The fund balance is further broken down as *committed fund balance* for Prisons of \$5.4 million, and Parks and Recreation of \$2.0 million. The difference between the non-spendable, restricted, committed, assigned and combined fund balance is a deficit of \$19.2 million which constitutes *unassigned fund balance*. This deficit must be funded by future budgets.

The general fund, the primary operating fund of the City, reported an *assigned fund balance* of \$659.0 million and *unassigned fund balance* of \$410.7 million at the end of the fiscal year.



Overall, the total fund balance of the General Fund increased by \$689.0 million during the FY 2022, compared to an increase of \$11.6 million in FY 2021. Some of the key factors contributing to this change are:

Revenues:

- Total current year revenues equal \$4,891.9 million. This marks a \$803.9 million (19.7%) increase from the prior fiscal year, which had \$4,088.0 million in revenue.
- This increase was due primarily to a \$679.2 million increase in Tax Revenue and \$64.2 million increase in Revenue from Other Governments. The increase in Tax Revenue was driven by large increases in receipts for Wage Taxes of \$203.1 million, Business Income and Receipt Tax (BIRT) of \$208.3 million, and Real Property Transfer Taxes of \$232.2 million. Revenue from Other Governments increased as a result of an increase in parking fines collected through the Philadelphia Parking Authority of \$19.1 million, an increase in payment for Intensive Probation-Adult of \$8.0 million, and an increase of \$8.3 million related to the City's share of local gaming revenue.

Expenditures and Other Financing Sources (Uses):

Total current year Expenditures and Other Financing Sources (Uses) total \$4,202.9 million, a \$126.5 million (3.1%) increase from the prior fiscal year \$4,076.4 million.

This increase was primarily due to \$146.3 million (8.0%) increase in expenditures related to Judiciary and Law Enforcement, partly due to increases in Law Enforcement payroll expenses of \$19.3 million and \$112.0 million increase in fringes. Additionally, there was an \$87.1 million (16.7%) increase in expenditures related to General Welfare (Social Services, Education, and Inspections and Demolitions); a \$41.7 million (15.0%) increase in expenditures related to Health and Emergency Medical Services; and \$108.7 million (14.6%) increase in expenditures related to General Management and Support. These expenditure increases were partially offset by the Transfers In of \$269.6 million which primarily driven by ARPA draw down of \$250.0 million.

The Health Choices Behavioral Health Fund ended the fiscal year with a total fund balance of \$390.8 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 \$53.8 million, mainly as a result of the City's increase in Revenue from Other Governments due to additional support from the State.

The Grants Revenue Fund has a total fund balance deficit of \$374.2 million which is comprised of a positive restricted fund balance of \$36.1 million for emergency telephone system programs, a positive restricted fund balance of \$0.3 million for Neighborhood Revitalization Programs and a deficit unassigned fund balance of \$410.6 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 \$42.7 million during the current fiscal year. Both Revenue from Other Governments and Transfers Out increased primarily due to a \$250.0 million ARPA drawdown.

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 \$146.5 million during the current fiscal year. This increase is attributable to the water/wastewater system, which had an

increase of \$15.9 million; airport operations, which had an increase of \$101.8 million; industrial and commercial land bank operations which also had an increase of \$28.8 million.

The proprietary funds reported an *unrestricted net position* deficit of \$162.6 million. The table below indicates the unrestricted net position for the water and wastewater operations, the airport, and the industrial and commercial land bank operations for the current and previous fiscal years.

(millions of USD)	Unrestricted Net Position (deficit)		
	2022	2021	Change
Water and Waste Water	(\$284.5)	(\$296.1)	\$11.6
Aviation	\$8.0	(\$23.0)	\$31.0
Land Bank	\$114.0	\$85.1	\$28.9
Total	(\$162.5)	(\$234.0)	\$71.5

General Fund Budgetary Highlights

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

General Fund at June 30	(Millions of USD)	
	Fund Balance Available for Appropriation	Increase (Decrease)
2022	\$ 779.1	\$ 480.6
2021	298.5	7.8
2020	290.7	(148.0)
2019	438.7	69.9
2018	368.8	179.6

The General Fund's budgetary fund balance surplus of \$779.1 million differs from the General Fund's fund financial statement unassigned fund balance of \$410.7 million by \$368.4 million, which represents the following:

- The unearned portion of the Business Income and Receipts Tax (BIRT prepays) of \$204.5 million and the Philadelphia Beverage Tax – Unobligated amount of \$165.1 million are received prior to being earned but have no effect on budgeted cash receipts.
- Lease Related Activities of \$1.2 million is not reported in budgetary 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)

<i>(Millions of USD)</i>					
A. Budget to GAAP Basis Reconciliation	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Budget Basis Fund Balance	\$ 779.1	\$ 298.5	\$ 290.7	\$ 438.7	\$ 368.8
1. Less: BIRT six (6) months pre-pays	(204.5)	(167.3)	(166.4)	(192.0)	(173.8)
2. Add: Encumbrances	493.9	311.5	255.9	201.4	127.0
3. Add: Reserves & Budget Stabilization Fund	176.4	114.4	165.3	167.7	78.9
4. Add: Lease Related Activities	1.2				
Modified Accrual Basis Fund Balance	<u>\$ 1,246.1</u>	<u>\$ 557.1</u>	<u>\$ 545.5</u>	<u>\$ 615.8</u>	<u>\$ 400.9</u>
B. Modified Accrual Basis Fund Balance	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Restricted & Committed	\$ 176.4	\$ 114.4	\$ 165.3	\$ 167.7	\$ 78.9
Assigned					
Encumbrances	493.9	311.5	255.9	201.4	127.0
Phila. Beverage Tax - Unobligated	165.1	154.1	138.4	120.9	-
Reclassification of Unassigned	-	(22.9)	(14.1)	-	-
Assigned	<u>659.0</u>	<u>442.7</u>	<u>380.2</u>	<u>322.3</u>	<u>127.0</u>
Unassigned	410.7	-	-	125.8	195.0
Modified Accrual Basis Fund Balance	<u>\$ 1,246.1</u>	<u>\$ 557.1</u>	<u>\$ 545.5</u>	<u>\$ 615.8</u>	<u>\$ 400.9</u>
C. Budget to GAAP Basis Reconciliation	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Budget Basis Fund Balance	\$ 779.1	\$ 298.5	\$ 290.7	\$ 438.7	\$ 368.8
1. Less: BIRT six (6) months pre-pays	(204.5)	(167.3)	(166.4)	(192.0)	(173.8)
2. Less: Reclass to Assigned Fund Balance	-	22.9	14.1	-	-
3. Less: Phila Beverage Tax - Unobligated	(165.1)	(154.1)	(138.4)	(120.9)	-
4. Add: Lease Related Activities	1.2				
Unassigned Fund Balance	<u>\$ 410.7</u>	<u>\$ (0.0)</u>	<u>\$ 0.0</u>	<u>\$ 125.8</u>	<u>\$ 195.0</u>

Differences between the original budget and the final amended budget resulted primarily from a slight increase in revenue estimates and increases to appropriations. Total appropriations increased by \$361.0 million; from an original budget of \$5,268.9 million to a final amended budget of \$5,629.9 million. The largest increases were required to support the following activities:

- \$247.9 million for the fringes
- \$57.4 million for Police operations
- \$23.3 million for Streets operations
- \$15.8 million for Fire operations
- \$15.9 million for Prisons

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 \$8.4 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 five fiscal years.

<i>(millions of USD)</i>					
	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Airport Terminal & Airfield Improvements	\$ 161.3	\$ 138.0	\$ 109.7	\$ 107.9	\$ 209.2
Water & Wastewater Improvements	237.2	268.0	271.1	314.9	231.2
Streets, Highways & Bridges Improvements	46.9	71.7	55.8	51.7	27.6
Transit System Improvements	11.4	2.9	5.6	7.3	7.3
Parks, Playgrounds, Museums & Recreational Facilities	26.4	27.9	25.2	42.6	63.6
Libraries Improvements	0.5	0.3	2.1	1.1	8.8
Police & Fire Facilities	17.0	23.3	17.7	16.7	10.9
City Hall & Municipal Buildings Improvements	9.2	10.8	8.4	7.2	12.8
Computers, Servers, Software & IT Infrastructure	21.8	18.7	43.0	18.4	16.7
Economic Development	13.0	10.4	19.2	17.4	18.3
Other and Non-Enterprise Vehicles	43.3	36.7	39.8	38.2	28.9
	<u>\$ 588.0</u>	<u>\$ 608.7</u>	<u>\$ 597.6</u>	<u>\$ 623.4</u>	<u>\$ 635.3</u>

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		
	2022	2021	Inc/(Dec)	2022	2021	Inc/(Dec)	2022	2021	Inc/(Dec)
Land	\$ 979.3	\$ 945.0	\$ 34.3	\$ 242.8	\$ 236.6	\$ 6.2	\$ 1,222.1	\$ 1,181.6	\$ 40.5
Lease Asset - Land	-	-	-	11.3	-	11.3	11.3	-	11.3
Fine Arts	1.0	1.0	-	-	-	-	1.0	1.0	-
Buildings	631.0	834.0	(203.0)	1,739.2	1,788.0	(48.8)	2,370.2	2,622.0	(251.8)
Lease Asset - Buildings	561.0	-	561.0	17.2	-	17.2	578.2	-	578.2
Improvements other than buildings	101.0	105.0	(4.0)	313.2	198.0	115.2	414.2	303.0	111.2
Machinery & equipment	206.2	201.0	5.2	35.1	47.0	(11.9)	241.3	248.0	(6.7)
Lease Asset - Equipment	2.0	-	2.0	0.4	-	0.4	2.4	-	2.4
Infrastructure	513.1	523.0	(9.9)	1,922.9	1,829.0	93.9	2,436.0	2,352.0	84.0
Construction in progress	21.0	3.0	18.0	1,002.9	1,000.0	2.9	1,023.9	1,003.0	20.9
Transit	32.0	36.0	(4.0)	-	-	-	32.0	36.0	(4.0)
Intangible Assets	51.0	45.0	6.0	10.0	10.0	-	61.0	55.0	6.0
Total	\$ 3,098.6	\$ 2,693.0	\$ 405.6	\$ 5,295.0	\$ 5,108.6	\$ 186.4	\$ 8,393.6	\$ 7,801.6	\$ 592.0

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 \$9.9 billion in long-term debt outstanding. Of this amount, \$6.6 billion represents bonds outstanding (comprised of \$2.2 billion of debt backed by the full faith and credit of the City, and \$4.4 billion of debt secured solely by specific revenue sources) while \$3.3 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	
	2022	2021	2022	2021	2022	2021
Bonds Outstanding:						
General obligation bonds	2,166.4	1,950.5	-	-	2,166.4	1,950.5
Revenue bonds	-	-	4,423.1	4,096.4	4,423.1	4,096.4
Total Bonds Outstanding	2,166.4	1,950.5	4,423.1	4,096.4	6,589.5	6,046.9
Other Long Term Obligations:						
Service agreements	1,661.7	1,677.2	-	-	1,661.7	1,677.2
Employee related obligations	866.0	865.7	74.1	73.9	940.1	939.6
Indemnities	143.8	186.0	4.8	5.2	148.6	191.2
Leases	580.6	233.4	29.0	-	609.6	233.4
Total Other Long Term Obligations	3,252.1	2,962.3	107.9	79.1	3,360.0	3,041.4
Total Long Term Debt Outstanding	5,418.5	4,912.8	4,531.0	4,175.5	9,949.5	9,088.3

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

- The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows temporary loan funds to smooth out unevenness in the City's cash flow created by the

receipt of two major sources of tax revenue – the Property Tax and the Business Income and Receipts Tax – in the second half of the year. The City did not borrow Tax Revenue Anticipation Notes in Fiscal Year 2022. In accordance with statute there are no temporary loans outstanding at year end.

- In August 2021, the City issued \$294.7 million of General Obligation Bonds Series 2021A. The total proceeds were \$367.7 million (including a premium of \$73.0 million). The proceeds of the sale were used to (i) pay all or a portion of the costs of certain projects in the City’s capital budgets and (ii) pay the costs relating to the issuance of the Series 2021A Bonds.
- In October 2021, the City issued \$231.9 million of Water and Wastewater Revenue Bonds Series 2021C. The total proceeds were \$276.6 million (which includes a premium of \$44.7 million). The proceeds of the sale were used to finance capital improvements to the City’s Water and Wastewater Systems and to pay the costs of issuing the 2021C Bonds.
- In July 2021, the City issued \$302.0 million of Airport Revenue and Refunding Bonds Series 2021 Bonds to refund the outstanding Series 2011A, and 2011B Bonds in the amount of \$149.8 million and to pay the costs of issuing the Series 2021 Bonds.

The City’s bonds, as rated by Moody’s, Standard & Poor’s and Fitch are as follows:

Bond Type	Moody’s Investor Service	Standard & Poor’s Corporation	Fitch Ratings, Inc.
General Obligation Bonds	A2	A	A-
Water Revenue Bonds	A1	A+	A+
Aviation Revenue Bonds	A2	A-	A

The City is subject to a statutory limitation established by the Commonwealth of Pennsylvania as to the amount of tax supported general obligation debt it may issue. The limitation is equal to 13.50% of the average assessed valuations of properties over the past ten years. As of June 30, 2022, the legal debt limit was \$14,163.0 million. The City has \$2,316.5 million of outstanding tax supported debt leaving a legal debt margin of \$11,846.5 million.

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

Economic Factors and Next Year’s Budgets and Rates

The following factors are key factors to consider when reviewing the City of Philadelphia’s budget for the 2022 fiscal year:

- *Fund Balance:* In FY22, the General Fund ended with a fund balance of \$779.1 million, a \$480.6 million increase from FY21. The \$779.1 million is higher than the amount included in the approved FY23-FY27 Five Year Plan primarily for two reasons. The first is underspending, as the City, like many other employers, has struggled to attract and retain staff amid a complicated landscape in the labor market in the wake of the pandemic; funds had been budgeted for salaries for positions that have stayed vacant. The second significant factor was higher than anticipated tax collections, notably from two taxes—the volatile Business Income and Receipts Tax (BIRT) and the Wage Tax.
- *Budgeted Revenue Projections for FY23:* Compared to FY22 unaudited actuals, FY23 Wage and Earnings Tax revenue is projected to increase by 3.3%, Sales Tax revenue is projected to increase by 1.0%, Real Property revenue is projected to increase by 16.2%, and Real Estate Transfer Tax revenue is projected to decline by 21.1%, while the Business Income and Receipts Tax revenue is projected to decrease by 2.7%. Under the federal American Rescue Plan Act, the City was awarded \$1.4 Billion of Coronavirus Local Fiscal Recovery Funds. The City will use the entirety of these funds to replace a portion of lost revenues through calendar year 2024 to support critical core services and policy priorities.
- *Tax Relief:* The FY23-27 Five Year Plan included property tax relief by increasing the Homestead Exemption from \$45,000 to \$80,000, wage tax reductions that will reduce the residential rate over the next two years to 3.79% (from the current 3.8398%), and the non-resident rate will be reduced to 3.44% (from the current 3.4481%), and business tax relief by reducing the net profits portion of the Business Income Receipts Tax (BIRT) from 6.2% to 5.99%.
- *Investments in Education:* As of July 1, 2018, the School District of Philadelphia is governed by a Board of Education, with all of its members appointed by the Mayor. In the FY23 Adopted Budget, the City’s direct

contribution to the School District from the General Fund is \$270 million, which is \$14 million higher than the unaudited actual amount for Fiscal Year 2022 (\$256 million).

- **Pre-Kindergarten, Community Schools and Rebuild:** In 2016, the Philadelphia Beverage Tax (PBT) was enacted to fund free, quality pre-Kindergarten (pre-K) education for children; expand community schools in high-needs neighborhoods; and launch Rebuild, a capital improvement program for the City's parks, recreation centers, and libraries. In FY22, the City collected approximately \$75.4 million in revenues from the PBT. The FY23-27 Five Year Plan, as revised in October 2022, estimates FY23 collections of \$68.1 million.
- **Contract Negotiations.** More than 84% of City employees are represented by one of the City's municipal unions.

The City works with its union partners to reach agreements that are fair to employees while also maintaining the City's fiscal health. Contracts with District Council 33, District Council 47, the Fraternal Order of Police Lodge 5, and the International Association of Firefighters, cover the term of July 1, 2021 through June 30, 2024. Uniformed employees bargain under Pennsylvania Act 111 of 1968, which provides for final and binding interest arbitration to resolve collective bargaining impasses. Uniformed employees are not permitted to strike under state law. Non-uniformed employees bargain under Act 195 of 1970, which allows for the right to strike over collective bargaining impasses. Certain employees, including employees of the Sheriff's Office and the Register of Wills, Correctional Officers (represented by DC33), and employees of the First Judicial District (represented by DC47), are not permitted to strike but may proceed to interest arbitration under Act 195.

The table below presents employee wage increases from FY20 to FY24 for each bargaining unit. The shaded cells indicate the most recent contract terms.

Fiscal Year	FOP Lodge 5	Sheriff's Office & Register of Wills (FOP Lodge 5)	IAFF LOCAL22	AFSCME DC33 (1)	Correctional Officers (DC33 LOCAL 159)	AFSCME DC47 (Local 2187)	AFSCME DC47 (Local 2186)	Local 810 Court Employees (DC47)
FY20	2.5%	2.25% - Sheriff 2% (ROW)	2.50%	2.0%	2.25%	2.0%	2.0%	2.0%
FY21(2)	2.5% + \$750 Bonus	2.25% + \$400 Bonus (Sheriff) 2% (ROW)	2.5%	2% + \$750/\$475 Bonus	2% + \$750/\$475 Bonus	2% + \$750/\$475 Bonus	2% + \$750/\$475 Bonus	2.0%
FY22	2.75% + \$1,500 Bonus	2.75% + \$1,300 Bonus (Sheriff) 2.5% + \$1,200 Bonus (ROW)	2.75% + \$1,500 Bonus	2.5% + \$1,200 Bonus	2.75% + \$1,300/\$2,000 Bonus(3)	2.5% + \$1,200 Bonus	2.5% + \$1,200 Bonus	2.5% + \$1,200 Bonus
FY23	3.5%	3.25%	3.5%	3.25%	3.25%	3.25%	3.25%	3.25%
FY24	3.5%	3.3%	3.5%	3.25%	3.25%	3.25%	3.25%	3.25%

1. District Council 33 includes school crossing guard.
2. One-year extension agreements were reached in Spring 2020 with all the City's unions and included wage increases effective May 2020.
3. Two \$1,300 retention bonuses to all employees hired as April 20, 2022 and remain employed when bonus is paid, first payment 30 days after ratification and second on June 30, 2023. A \$2,000 hiring bonus for employees hired as Correctional Officer Trainees and Juvenile Detention Counselor Trainee.

- **Pension Fund Challenges:** In FY23, pension costs are projected to represent 14.4% of General Fund expenditures. The significant share of costs attributed to pensions, combined with the Pension Fund's current funding status – it is now 54.9% funded – make it clear that the City will not attain fiscal stability until it has solidified the financial condition of the Pension Fund.

In FY23, General Fund pension payments are projected to total \$843.0 million compared to \$775.0 million in FY22. The increase in pension cost is largely due to pension obligation bond restructuring that reduced FY21 costs but requires higher costs in future years, as well as a change in the pension allocation formula among funds that resulted in a higher General Fund contribution.

- **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 Plan (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 pay an additional copay for each prescription if using a pharmacy that sells tobacco products.

Requests for information

The Annual Comprehensive 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



**Basic
Financial
Statements**

City of Philadelphia
Statement of Net Position
June 30, 2022

Exhibit I

Amounts in thousands of USD

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
Assets				
Cash on Deposit and on Hand	73,148	30	73,178	540,078
Equity in Pooled Cash and Investments	-	-	-	672,138
Equity in Treasurer's Account	3,854,940	560,850	4,415,790	
Investments	30,180	-	30,180	79,476
Due from Component Units	50,779	-	50,779	-
Due from Primary Government	-	-	-	160,278
Internal Balances	8,091	(8,091)	-	-
Amounts Held by Fiscal Agent	176,421	-	176,421	252,430
Notes Receivable - Net	-	-	-	76,671
Accounts Receivable - Net	447,826	188,835	636,661	440,461
Lease Receivable	35,143	-	35,143	
Interest and Dividends Receivable	9,819	-	9,819	31,805
Due from Other Governments - Net	1,004,955	29,066	1,034,021	567,701
Inventories	46,090	102,192	148,282	227,961
Other Assets	59,771	1,229	61,000	140,865
Restricted Assets:				
Cash and Cash Equivalents	-	1,317,783	1,317,783	421,640
Other Assets	-	449,905	449,905	462,227
Capital Assets:				
Land and Other Non-Depreciated Assets	1,001,377	1,257,073	2,258,450	3,708,487
Other Capital Assets (Net of Depreciation)	2,097,294	4,037,954	6,135,248	1,826,193
Total Capital Assets, Net	3,098,671	5,295,027	8,393,698	5,534,680
Total Assets	8,895,834	7,936,826	16,832,660	9,608,411
Deferred Outflows of Resources				
	802,653	133,085	935,738	953,105
Liabilities				
Notes Payable	56,344	128,343	184,687	33,842
Vouchers Payable	126,777	33,064	159,841	109,813
Accounts Payable	437,617	86,441	524,058	174,582
Salaries and Payroll Deductions Payable	152,125	10,149	162,274	379,962
Accrued Expenses	46,517	61,569	108,086	168,996
Due to Fiduciary	96,937	-	96,937	-
Due to Primary Government	-	-	-	31,942
Due to Component Units	159,004	6,483	165,487	-
Funds Held in Escrow	58,118	1,637	59,755	9,886
Due to Other Governments	5,458	-	5,458	45,571
Unearned Revenue	1,698,646	84,029	1,782,675	257,646
Overpayment of Taxes	272,047	-	272,047	77,767
Other Current Liabilities	-	6,915	6,915	270,652
Derivative Instrument Liability	13,481	-	13,481	-
Long-term Liabilities:				
Due within one year				
Bonds Payable & Other Long-term Liabilities	391,358	136,583	527,941	470,123
Due in more than one year				
Bonds Payable & Other Long-term Liabilities	5,027,113	4,385,564	9,412,677	8,422,896
Net OPEB Liability	1,918,498	238,151	2,156,649	366,141
Net Pension Liability	4,806,189	580,230	5,386,419	366,837
Total Liabilities	15,266,229	5,759,158	21,025,387	11,186,656
Deferred Inflows of Resources				
	286,539	139,980	426,519	810,549
Net Position				
Net Investment in Capital Assets	622,600	1,516,573	2,139,173	1,128,675
Restricted For:				
Capital Projects	308,912	313,548	622,460	10,859
Debt Service	12,508	363,553	376,061	376,520
Pension Oblig Bond Refunding Reserve	3,222	-	3,222	-
Behavioral Health	390,849	-	390,849	-
Neighborhood Revitalization	299	-	299	-
Cultural & Commercial Corridor Project	819	-	819	-
Rebuild Project	44,575	-	44,575	-
Home Repair Program	127,683	-	127,683	-
Grant Programs	104,164	-	104,164	85,619
Rate Stabilization	-	139,669	139,669	-
Libraries & Parks:				
Expendable	4,391	-	4,391	-
Non-Expendable	3,927	-	3,927	-
Educational Programs	-	-	-	21,044
Other	114,119	-	114,119	35,725
Unrestricted(Deficit)	(7,592,349)	(162,570)	(7,754,919)	(3,094,131)
Total Net Position	(5,854,281)	2,170,773	(3,683,508)	(1,435,689)

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

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business Type Activities		
Primary Government:								
Governmental Activities:								
Economic Development	100,811	131	199	32	(100,449)		(100,449)	
Transportation:								
Streets & Highways	166,328	11,581	57,949	32,730	(64,068)		(64,068)	
Mass Transit	96,076	3,040	474	-	(92,562)		(92,562)	
Judiciary and Law Enforcement:								
Police	1,219,818	8,184	9,282	-	(1,202,352)		(1,202,352)	
Prisons	313,373	79	-	-	(313,294)		(313,294)	
Courts	348,574	30,652	43,211	-	(274,711)		(274,711)	
Conservation of Health:								
Emergency Medical Services	95,527	25,638	2,847	-	(67,042)		(67,042)	
Health Services	2,085,914	77,282	1,850,721	-	(157,911)		(157,911)	
Housing and Neighborhood Development	232,914	24,389	192,405	-	(16,120)		(16,120)	
Cultural and Recreational:								
Recreation	129,775	3,110	4,721	-	(121,944)		(121,944)	
Parks	6,955	-	43	1,532	(5,380)		(5,380)	
Libraries and Museums	84,237	669	6,378	-	(77,190)		(77,190)	
Improvements to General Welfare:								
Social Services	774,498	5,648	551,021	-	(217,829)		(217,829)	
Education	297,884	-	-	-	(297,884)		(297,884)	
Inspections and Demolitions	58,447	86,525	-	-	28,078		28,078	
Service to Property:								
Sanitation	186,576	23,586	1,071	-	(161,919)		(161,919)	
Fire	471,534	5,507	4,890	-	(461,137)		(461,137)	
General Management and Support	995,151	259,844	410,874	851	(323,582)		(323,582)	
Interest on Long Term Debt	127,130	-	-	-	(127,130)		(127,130)	
Total Governmental Activities	<u>7,791,522</u>	<u>565,865</u>	<u>3,136,086</u>	<u>35,145</u>	<u>(4,054,426)</u>		<u>(4,054,426)</u>	
Business Type Activities:								
Water and Sewer	698,072	765,903	464	1,373	-	69,668	69,668	
Aviation	399,382	381,987	-	71,505	-	54,110	54,110	
Industrial and Commercial Development	-	456	-	-	-	456	456	
Total Business Type Activities	<u>1,097,454</u>	<u>1,148,346</u>	<u>464</u>	<u>72,878</u>	<u>-</u>	<u>124,234</u>	<u>124,234</u>	
Total Primary Government	<u>8,888,976</u>	<u>1,714,211</u>	<u>3,136,550</u>	<u>108,023</u>	<u>(4,054,426)</u>	<u>124,234</u>	<u>(3,930,192)</u>	
Component Units:								
Gas Operations	629,928	772,285	31,629	-			173,986	
Housing	494,753	61,630	484,363	11,613			62,853	
Parking	263,629	275,863	-	-			12,234	
Education	4,467,455	39,605	1,965,020	17,003			(2,445,827)	
Health	1,178,782	-	1,179,148	-			366	
Economic Development	150,893	815	72,991	-			(77,087)	
Total Component Units	<u>7,185,440</u>	<u>1,150,198</u>	<u>3,733,151</u>	<u>28,616</u>			<u>(2,273,475)</u>	
General Revenues:								
Taxes:								
Property Taxes					703,286	-	703,286	847,272
Wage & Earnings Taxes					2,233,390	-	2,233,390	-
Business Taxes					746,171	-	746,171	-
Other Taxes					1,263,294	-	1,263,294	487,516
Grants & Contributions Not Restricted to Specific Programs					202,729	54,629	257,358	1,561,786
Unrestricted Interest & Investment Earnings					35,968	(15,288)	20,680	(6,896)
Miscellaneous					-	31,319	31,319	(25,870)
Special Items - Gain on Sale of Capital Asset					-	-	-	1,530
Transfers					48,378	(48,378)	-	79,268
Total General Revenues, Special Items and Transfers					<u>5,233,216</u>	<u>22,282</u>	<u>5,255,498</u>	<u>2,944,606</u>
Change in Net Position					<u>1,178,790</u>	<u>146,516</u>	<u>1,325,306</u>	<u>671,131</u>
Net Position - July 1, 2021					(7,057,770)	2,024,257	(5,033,513)	(2,104,151)
Adjustment					24,699	-	24,699	(2,669)
Net Position Adjusted - July 1, 2021					<u>(7,033,071)</u>	<u>2,024,257</u>	<u>(5,008,814)</u>	<u>(2,106,820)</u>
Net Position - June 30, 2022					<u>(5,854,281)</u>	<u>2,170,773</u>	<u>(3,683,508)</u>	<u>(1,435,689)</u>

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

City of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2022

Exhibit III

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash on Deposit and on Hand	25,781	-	16,322	31,045	73,148
Equity in Treasurer's Account	1,778,876	211,066	1,269,507	595,491	3,854,940
Investments				30,180	30,180
Due from Other Funds	17,247	-	-	9,197	26,444
Due from Component Units	50,779	-	-	-	50,779
Amounts Held by Fiscal Agent	176,421	-	-	-	176,421
Taxes Receivable	608,661	-	-	35,475	644,136
Accounts Receivable	403,212	-	1,141	4,224	408,577
Lease Receivable	35,143	-	-	-	35,143
Due from Other Governmental Units	1,493	328,572	572,053	102,837	1,004,955
Allowance for Doubtful Accounts	(586,610)	-	-	(19,383)	(605,993)
Interest and Dividends Receivable	7,274	400	-	23	7,697
Other Assets				644	644
Total Assets	<u>2,518,277</u>	<u>540,038</u>	<u>1,859,023</u>	<u>789,733</u>	<u>5,707,071</u>
Liabilities					
Vouchers Payable	63,481	1,044	44,140	18,112	126,777
Accounts Payable	179,366	6,936	169,530	81,787	437,619
Salaries and Payroll Deductions Payable	141,856	2	9,482	593	151,933
Payroll Taxes Payable	-	-	-	192	192
Due to Other Funds	96,934	-	-	17,247	114,181
Due to Component Units	14,955	141,207	690	2,152	159,004
Funds Held in Escrow	24,269	-	16,197	17,652	58,118
Due to Other Governmental Units	5,458	-	-	-	5,458
Unearned Revenue	210,359	-	1,477,692	10,595	1,698,646
Overpayment of Taxes	272,047	-	-	-	272,047
Total Liabilities	<u>1,008,725</u>	<u>149,189</u>	<u>1,717,731</u>	<u>148,330</u>	<u>3,023,975</u>
Deferred Inflows of Resources	<u>263,445</u>		<u>515,471</u>	<u>99,532</u>	<u>878,448</u>
Fund Balances					
Nonspendable	-	-	-	3,927	3,927
Restricted	176,422	390,849	36,444	549,835	1,153,550
Committed	-	-	-	7,432	7,432
Assigned	658,983	-	-	-	658,983
Unassigned	410,702	-	(410,623)	(19,323)	(19,244)
Total Fund Balances	<u>1,246,107</u>	<u>390,849</u>	<u>(374,179)</u>	<u>541,871</u>	<u>1,804,648</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>2,518,277</u>	<u>540,038</u>	<u>1,859,023</u>	<u>789,733</u>	
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					3,098,671
b. Unavailable Revenue are reported as Deferred Inflows of Resources in the funds					844,471
c. Long Term Liabilities, including bonds payable are not reported in the funds					(5,418,471)
d. Derivatives and Deferred Outflows of Resources are not reported in the funds					789,172
e. Other					4,477
f. Net Pension & OPEB Liabilities are not reported in the funds					(6,724,687)
g. Deferred Inflows (with the exception of Unavailable Revenue) are not reported in the funds					(252,562)
Net Position of Governmental Activities					<u>(5,854,281)</u>

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

City of Philadelphia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2022

Exhibit IV

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Tax Revenue	4,102,236	-	-	834,190	4,936,426
Locally Generated Non-Tax Revenue	407,261	(639)	56,954	18,036	481,612
Revenue from Other Governments	365,734	1,281,180	1,521,377	152,500	3,320,791
Other Revenues	16,652	-	-	10,488	27,140
Total Revenues	4,891,883	1,280,541	1,578,331	1,015,214	8,765,969
Expenditures					
Current Operating					
Economic Development	34,717	-	330	55,751	90,798
Transportation					
Streets & Highways	92,754	-	5,163	33,853	131,770
Mass Transit	91,214	-	474	-	91,688
Judiciary and Law Enforcement					
Police	1,310,837	-	5,988	-	1,316,825
Prisons	323,327	-	-	972	324,299
Courts	345,197	-	29,537	-	374,734
Conservation of Health					
Emergency Medical Services	99,723	-	2,847	-	102,570
Health Services	220,392	1,226,779	468,549	186,353	2,102,073
Housing and Neighborhood					
Development	10,499	-	121,621	100,789	232,909
Cultural and Recreational					
Recreation	118,921	-	4,941	-	123,862
Parks	-	-	43	1,354	1,397
Libraries and Museums	80,105	-	5,787	261	86,153
Improvements to General Welfare					
Social Services	251,104	-	528,790	-	779,894
Education	297,884	-	-	-	297,884
Inspections and Demolitions	61,331	-	-	-	61,331
Service to Property					
Sanitation	190,980	-	1,071	2,733	194,784
Fire	503,288	-	5,109	-	508,397
General Management and Support	854,320	-	150,905	72,279	1,077,504
Capital Outlay				206,830	206,830
Debt Service					
Principal	17,836	-	556	146,462	164,854
Interest	11,581	-	91	94,904	106,576
Bond Issuance Cost	1,195	-	-	2,918	4,113
Total Expenditures	4,917,205	1,226,779	1,331,802	905,459	8,381,245
Excess (Deficiency) of Revenues Over (Under) Expenditures	(25,322)	53,762	246,529	109,755	384,724
Other Financing Sources (Uses)					
Issuance of Debt	98,560	-	-	294,715	393,275
Issuance of Refunding Debt	-	-	-	132,085	132,085
Bond Issuance Premium	2,635	-	-	73,042	75,677
Payment to Refunded Bonds Escrow Agent	-	-	-	(130,924)	(130,924)
Leases (as lessee)	317	-	3	35	355
Transfers In	840,157	-	-	320,074	1,160,231
Transfers Out	(227,349)	-	(289,188)	(595,082)	(1,111,619)
Total Other Financing Sources (Uses)	714,320	-	(289,185)	93,945	519,080
Net Change in Fund Balance	688,998	53,762	(42,656)	203,700	903,804
Fund Balance - July 1, 2021	557,109	337,087	(331,523)	338,171	900,844
Fund Balance Adjusted - July 1, 2021	557,109	337,087	(331,523)	338,171	900,844
Fund Balance - June 30, 2022	1,246,107	390,849	(374,179)	541,871	1,804,648

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

City of Philadelphia
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2022

Exhibit V

Amounts in thousands of USD

Net Change in Fund Balances - Total Governmental Funds.....	903,804
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 (833,773) exceeded depreciation (218,503), and lease liability (580,525) in the current period.....	34,745
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.....	160,590
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 the proceeds (601,038) exceeded repayments (382,038)	(219,000)
d. The increase in the Net Pension Liability and Net OPEB Liability reported in the statement of activities does not require the use of current financial resources and therefore is not reported as and expenditure in governmental funds.....	254,990
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.....	43,661
f. Proceeds from the disposition of capital assets is revenue in the governmental funds but decreases capital assets in the statement of net position.....	-
Change in Net Position of governmental activities.....	<u><u>1,178,790</u></u>

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

City of Philadelphia
Statement of Fund Net Position
Proprietary Funds
June 30, 2022

Exhibit VI

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			Total
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	
Assets				
Current Assets:				
Cash on Deposit and on Hand	30	-	-	30
Equity in Treasurer's Account	171,415	379,170	10,265	560,850
Due from Other Governments	-	791	28,275	29,066
Accounts Receivable	183,332	25,990	-	209,322
Allowance for Doubtful Accounts	(20,476)	(11)	-	(20,487)
Inventories	22,198	4,564	75,430	102,192
Other Assets	1,229	-	-	1,229
Total Current Assets	357,728	410,504	113,970	882,202
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	687,434	630,349	-	1,317,783
Sinking Funds and Reserves	194,543	141,579	-	336,122
Grants for Capital Purposes	-	9,743	-	9,743
Receivables	1,231	102,809	-	104,040
Total Restricted Assets	883,208	884,480	-	1,767,688
Capital Assets:				
Land	5,969	248,222	-	254,191
Infrastructure	2,941,381	1,366,762	-	4,308,143
Construction in Progress	653,757	349,125	-	1,002,882
Buildings and Equipment	2,162,013	2,933,296	-	5,095,309
Less: Accumulated Depreciation	(2,753,768)	(2,611,730)	-	(5,365,498)
Total Capital Assets, Net	3,009,352	2,285,675	-	5,295,027
Total Non-Current Assets	3,892,560	3,170,155	-	7,062,715
Total Assets	4,250,288	3,580,659	113,970	7,944,917
Deferred Outflows of Resources	106,058	27,027	-	133,085
Liabilities				
Current Liabilities:				
Vouchers Payable	11,158	21,906	-	33,064
Accounts Payable	22,211	-	-	22,211
Salaries and Payroll Deductions Payable	5,928	4,221	-	10,149
Construction Contracts Payable	41,778	22,452	-	64,230
Due to Other Funds	8,091	-	-	8,091
Due to Component Units	1,205	5,278	-	6,483
Accrued Expenses	27,697	33,872	-	61,569
Funds Held in Escrow	1,637	-	-	1,637
Unearned Revenue	15,025	69,004	-	84,029
Commercial Paper Notes	3,000	125,343	-	128,343
Bonds Payable-Current	84,343	52,240	-	136,583
Other Current Liabilities	4,074	2,841	-	6,915
Total Current Liabilities	226,147	337,157	-	563,304
Derivative Instrument Liability	-	-	-	-
Net OPEB Liability	162,826	75,325	-	238,151
Net Pension Liability	387,418	192,812	-	580,230
Non-Current Liabilities:				
Bonds Payable, net of Unamortized Premiums/Discounts	2,599,780	1,571,221	-	4,171,001
Other Non-Current Liabilities	65,945	148,618	-	214,563
Total Non-Current Liabilities	2,665,725	1,719,839	-	4,385,564
Total Liabilities	3,442,116	2,325,133	-	5,767,249
Deferred Inflows of Resources	23,225	116,755	-	139,980
Net Position				
Net Investment in Capital Assets	621,404	895,169	-	1,516,573
Restricted For:				
Capital Projects	219,605	93,943	-	313,548
Debt Service	194,835	168,718	-	363,553
Rate Stabilization	139,669	-	-	139,669
Unrestricted	(284,508)	7,968	113,970	(162,570)
Total Net Position	891,005	1,165,798	113,970	2,170,773

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

City of Philadelphia
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2022

Exhibit VII

Amounts in thousands of USD

	Business-Type Activities - Enterprise Funds			Totals
	Water and Sewer	Aviation	Other Non-Industrial & Commercial Development	
Operating Revenues				
Charges for Goods and Services	752,982	88,348	-	841,330
Rentals and Concessions	-	226,348	-	226,348
Operating Grants	464	-	-	464
Miscellaneous Operating Revenues	12,921	6,507	456	19,884
Total Operating Revenues	766,367	321,203	456	1,088,026
Operating Expenses				
Personal Services	161,893	76,876	-	238,769
Purchase of Services	137,116	105,600	-	242,716
Materials and Supplies	44,178	5,772	-	49,950
Employee Benefits	109,227	38,727	-	147,954
Indemnities and Taxes	6,036	4,890	-	10,926
Depreciation	146,603	114,217	-	260,820
Total Operating Expenses	605,053	346,082	-	951,135
Operating Income (Loss)	161,314	(24,879)	456	136,891
Non-Operating Revenues (Expenses)				
Federal, State and Local Grants	-	54,629	-	54,629
Passenger and Customer Facility Charges	-	60,784	-	60,784
Investment Earnings	(6,555)	(8,753)	20	(15,288)
Debt Service - Interest	(93,019)	(53,300)	-	(146,319)
Other Revenue (Expenses)	1,132	1,799	28,388	31,319
Total Non-Operating Revenues (Expenses)	(98,442)	55,159	28,408	(14,875)
Income (Loss) Before Contributions & Transfers	62,872	30,280	28,864	122,016
Transfers In (Out)	(48,378)	-	-	(48,378)
Capital Contributions	1,373	71,505	-	72,878
Change in Net Position	15,867	101,785	28,864	146,516
Net Position - July 1, 2021	875,138	1,064,013	85,106	2,024,257
Adjustment	-	-	-	-
Net Position Adjusted - July 1, 2021	875,138	1,064,013	85,106	2,024,257
Net Position - June 30, 2022	891,005	1,165,798	113,970	2,170,773

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

City of Philadelphia
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2022

Exhibit VIII

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	753,439	342,760	-	1,096,199
Payments to Suppliers	(172,731)	(97,258)	-	(269,989)
Payments to Employees	(293,119)	(124,082)	-	(417,201)
Internal Activity-Payments to Other Funds	-	(6,407)	-	(6,407)
Claims Paid	(6,036)	-	-	(6,036)
Other Receipts (Payments)	-	1,251	-	1,251
Net Cash Provided (Used)	<u>281,553</u>	<u>116,264</u>	<u>-</u>	<u>397,817</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	464	54,081	-	54,545
Operating Subsidies and Transfers from/(to) Other Funds	(47,803)	-	-	(47,803)
Net Cash Provided (Used)	<u>(47,339)</u>	<u>54,081</u>	<u>-</u>	<u>6,742</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Debt Issuance	289,699	858,251	-	1,147,950
Capital Grants & Contributions Received	-	31,442	-	31,442
Acquisition and Construction of Capital Assets	(226,221)	(170,296)	-	(396,517)
Interest Paid on Debt Instruments	(87,951)	(69,076)	-	(157,027)
Principal Paid on Debt Instruments	(89,042)	(646,043)	-	(735,085)
Passenger Facility Charges	-	64,292	-	64,292
Other Receipts (Payments)	279	2,439	-	2,718
Net Cash Provided (Used)	<u>(113,236)</u>	<u>71,009</u>	<u>-</u>	<u>(42,227)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale and Maturities of Investments	-	(10,466)	-	(10,466)
Interest, Dividends and Losses on Investments	(4,966)	(8,986)	20	(13,932)
Net Cash Provided (Used)	<u>(4,966)</u>	<u>(19,452)</u>	<u>20</u>	<u>(24,398)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	116,012	221,902	20	337,934
Cash and Cash Equivalents, July 1 (including \$613.9 mil for Water & Sewer and \$563.9 mil for Aviation reported in restricted accounts)	<u>742,867</u>	<u>787,617</u>	<u>10,245</u>	<u>1,540,729</u>
Cash and Cash Equivalents, June 30 (including \$687.4 mil for Water & Sewer and \$630.3 mil for Aviation reported in restricted accounts)	<u>858,879</u>	<u>1,009,519</u>	<u>10,265</u>	<u>1,878,663</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	161,315	(24,879)	456	136,892
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	146,603	114,217	-	260,820
Bad Debts, Net of Recoveries				-
Changes in Assets and Liabilities:				
Receivables, Net	(14,426)	(12,260)	(2,649)	(29,335)
Unearned Revenue	1,498	35,069	-	36,567
Inventories	(2,112)	391	2,193	472
Accounts and Other Payables	11,866	3,726	-	15,592
Accrued Expenses	(23,191)	-	-	(23,191)
Net Cash Provided by Operating Activities	<u>281,553</u>	<u>116,264</u>	<u>-</u>	<u>397,817</u>
Schedule of non-cash capital activities:				
Contributions of capital assets	-	-	-	-

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

City of Philadelphia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022

Exhibit IX

Amounts in thousands of USD

	<u>Pension Trust Funds (Fiduciary Component Units)</u>	<u>Custodial Funds</u>
<u>Assets</u>		
Cash on Deposit and on Hand	29,834	139,874
Equity in Treasurer's Account	7,353,251	1,261
Investments	-	2,471
Securities Lending Collective Investment Pool	542,211	-
Allowance for Unrealized Loss	-	-
Accounts Receivable	5,262	-
Due from Brokers for Securities Sold	232,671	-
Interest and Dividends Receivable	37,619	-
Due from Other Governmental Units	6,080	-
Due from Other Funds	95,129	699
	<u>8,302,057</u>	<u>144,305</u>
Total Assets		
<u>Liabilities</u>		
Vouchers Payable	27	43
Accounts Payable	179	-
Salaries and Wages Payable	217	-
Funds Held in Escrow	-	5,732
Due on Return of Securities Loaned	542,211	-
Due to Brokers for Securities Purchased	248,735	-
Accrued Expenses	4,763	-
Other Liabilities	343	-
	<u>796,475</u>	<u>5,775</u>
Total Liabilities		
<u>Net Position</u>		
Net Position Restricted for Pensions	7,505,582	-
Restricted for Individuals, Organizations & Other Governments	-	138,530
	<u>7,505,582</u>	<u>138,530</u>
Total Net Position		

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

City of Philadelphia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2022

Exhibit X

Amounts in thousands of USD

	Pension Trust Funds (Fiduciary Component Units)	Custodial Funds
<u>Additions:</u>		
Contributions		
Employers' Contributions	889,830	-
Employees' Contributions	112,301	-
Total Contributions	<u>1,002,131</u>	<u>-</u>
Investment Income		
Interest and Dividends	189,266	-
Net Decline in Fair Value of Investments	(740,113)	-
(Less) Investments Expenses	(10,944)	-
Securities Lending Revenue	1,101	-
Securities Lending Unrealized Gain	-	-
(Less) Securities Lending Expenses	(280)	-
Net Investment Loss	<u>(560,970)</u>	<u>-</u>
Other Income		
Collection of Human Services fees, contributions, and holdings	-	2,430
Collection of judicial charges, fees, and holdings	-	45,722
Collection of prisoner holdings	-	7,048
Collection of recording fees for other governments	-	8,167
Collection of Sheriff and Police forfeitures, seizures, and holdings	-	50,992
Collection of unclaimed monies	-	1,108
Miscellaneous Operating Revenues	218	-
Total Other Income	<u>218</u>	<u>115,467</u>
Total Additions	<u>441,379</u>	<u>115,467</u>
<u>Deductions</u>		
Personal Services	4,153	-
Purchase of Services	1,689	-
Materials and Supplies	61	-
Employee Benefits	2,943	-
Pension Benefits	1,011,794	-
Refunds of members' Contributions	13,394	-
Administrative Expenses Paid	200	-
Other Operating Expenses	88	-
Distribution of Human Service fees, contributions and holdings	-	2,430
Distribution of judicial charges, fees, and holdings	-	43,159
Distribution of prisoner holdings	-	7,048
Distribution of recording fees for other governments	-	8,167
Distribution of Sheriff and Police forfeitures, seizures, and holdings	-	43,927
Distribution of unclaimed monies	-	1,108
Total Deductions	<u>1,034,322</u>	<u>105,839</u>
Change in Net Position	(592,943)	9,628
Net Position - July 1, 2021	8,098,525	128,902
Net Position - June 30, 2022	<u>7,505,582</u>	<u>138,530</u>

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

City of Philadelphia
Statement of Net Position
Component Units
June 30, 2022

Amounts in thousands of USD

	Philadelphia Gas Works	Philadelphia Housing Authority	Philadelphia Redevelopment Authority	Philadelphia Parking Authority	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health	Philadelphia Authority for Industrial Development	Total
Assets									
Cash on Deposit and on Hand	115,637	219,421	61,632	39,593	-	23,870	33,678	46,247	540,078
Equity in Pooled Cash and Investments	-	-	-	-	672,138	-	-	-	672,138
Investments	-	-	-	22,661	-	56,815	-	-	79,476
Due from Primary Government	-	-	7,865	-	-	12,727	139,686	-	160,278
Amounts Held by Fiscal Agent	-	-	-	-	252,430	-	-	-	252,430
Notes Receivable	-	71,082	5,589	-	-	-	-	-	76,671
Taxes Receivable	-	-	-	-	161,547	-	-	-	161,547
Accounts Receivable-Net	107,001	21,905	28	81,356	24,197	39,725	1,080	4,313	279,605
Allowance for Doubtful Accounts	-	-	-	-	-	(691)	-	-	(691)
Interest and Dividends Receivable	-	15	31,621	19	150	-	-	-	31,805
Due from Other Governments	92,876	1,544	132,515	-	318,880	26,433	-	4,559	567,701
Inventories	81,557	9,728	37,749	386	1,026	-	-	-	227,961
Restricted Assets:									
Cash and Cash Equivalents	-	93,722	19,919	48,081	185,503	-	-	74,415	421,640
Other Assets	221,528	5,468	16,410	-	203,249	8,696	-	6,876	462,227
Capital Assets:									
Land and Other Non-Depreciated Assets	2,953,567	152,322	170	26,118	504,498	60,809	-	11,003	3,708,487
Other Capital Assets (Net of Depreciation)	(1,300,143)	1,055,456	82	52,601	1,769,493	128,672	5,897	114,135	1,826,193
Total Capital Assets	1,653,424	1,207,778	252	78,719	2,273,991	189,481	5,897	125,138	5,534,690
Total Assets	2,272,023	1,848,492	313,590	270,815	4,098,528	358,562	183,913	262,498	9,608,411
	154,086	4,564	-	39,036	729,767	25,147	505	-	953,105
Deferred Outflows of Resources									
Liabilities									
Notes Payable	-	-	7,897	-	-	25,945	-	-	33,842
Vouchers Payable	96,764	-	-	-	-	13,049	-	-	109,813
Accounts Payable	-	12,109	17,552	19,896	95,449	8,986	15,176	14,310	174,562
Salaries and Wages Payable	6,735	4,743	-	-	359,498	2,076	92,753	-	379,962
Accrued Expenses	46,285	13,248	14,601	33	-	536	-	-	168,996
Funds Held in Escrow	-	2,765	6,066	-	-	204	-	519	9,886
Due to Other Governments	-	307	-	16,656	28,404	-	-	22,158	45,571
Due to Primary Government	-	-	-	9,784	-	-	-	119,857	31,942
Unearned Revenue	9,604	2,752	65,978	-	52,452	3,320	3,683	-	257,646
Overpayment of Taxes	-	-	-	-	77,767	-	-	-	77,767
Other Current Liabilities	-	11,952	-	-	196,454	-	62,246	-	270,652
Non-Current Liabilities:									
Due within one year	53,770	55,271	3,794	3,337	344,551	8,334	-	1,066	470,123
Due in more than one year	1,067,408	164,915	46,212	37,028	7,023,407	62,128	-	21,798	8,422,896
Net OPEB Liability	149,231	1,447	-	17,719	-	192,064	5,680	-	366,141
Net Pension Liability	261,082	41,045	-	64,710	-	-	-	-	366,837
Total Liabilities	1,690,879	310,554	162,100	169,253	8,177,962	316,642	179,538	179,708	11,186,656
	111,191	22,226	3,418	38,843	585,098	48,604	1,169	-	810,549
Deferred Inflows of Resources									
Net Position									
Net Investment in Capital Assets	674,529	744,655	82	50,224	(559,466)	110,433	5,897	102,321	1,128,675
Restricted For:									
Capital Projects	-	-	-	-	-	10,859	-	-	10,859
Debt Service	106,188	-	14,280	4,021	252,031	-	-	-	376,520
Educational Programs	-	-	-	-	6,561	14,483	-	-	21,044
Grant Programs	-	3,425	-	-	-	-	-	82,194	85,619
Other	2,667	19,465	-	-	13,593	-	-	-	35,725
Unrestricted	(159,345)	752,731	133,700	47,510	(3,647,504)	(117,312)	(2,186)	(101,725)	(3,094,131)
Total Net Position	624,039	1,520,276	148,082	101,755	(3,934,785)	18,463	3,711	82,790	(1,435,689)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2022. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2021. The Philadelphia Parking Authority and Philadelphia Housing Authority are presented as of the close of their fiscal year, March 31, 2022.

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

Exhibit XII

Amounts in thousands of USD

City of Philadelphia
Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2022

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Position							Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Philadelphia Gas Works*	Philadelphia Housing Authority	Philadelphia Redevelopment Authority	Philadelphia Parking Authority	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	
Gas Operations Gas Works	629,928	772,285	31,629	-	173,986	-	-	-	-	-	-	173,986
Housing Housing Authority	431,043	59,893	447,718	11,613	-	88,181	-	-	-	-	-	88,181
Redevelopment Authority	63,710	1,737	36,645	-	-	(25,328)	-	-	-	-	-	(25,328)
	494,753	61,630	484,363	11,613	-	-	-	-	-	-	-	-
Parking Parking Authority	263,629	275,863	-	-	-	-	12,234	-	-	-	-	12,234
Education School District	4,272,581	14,733	1,850,322	17,003	-	-	-	-	(2,390,523)	-	-	(2,390,523)
Community College	194,874	24,872	174,698	-	-	-	-	-	(65,304)	-	-	(65,304)
Total	4,467,455	39,605	1,965,020	17,003	-	-	-	-	-	-	-	-
Health Community Behavioral Health	1,178,782	-	1,179,148	-	-	-	-	-	-	366	-	366
Economic Development Authority for Ind. Development	150,883	815	72,991	-	-	-	-	-	-	-	(77,087)	(77,087)
Total	150,883	815	72,991	-	-	-	-	-	-	-	-	-
Total Component Units	7,185,440	1,150,198	3,733,151	28,616	-	-	-	-	-	-	-	(2,273,475)
General Revenues:												
Property Taxes	-	-	-	-	-	-	-	847,272	-	-	-	847,272
Other Taxes	-	-	-	-	-	-	-	487,516	-	-	-	487,516
Grants & Contributions Not Restricted to Specific Programs	-	-	-	-	-	-	-	1,433,391	81,060	-	-	1,561,786
Unrestricted Interest & Investment Earnings	-	-	-	-	-	1,818	(125)	(395)	(6,128)	90	429	(6,896)
Miscellaneous	-	-	-	-	-	2,852	(34,482)	1,223	4,468	-	-	(26,870)
Special Item-Gain (Loss) on Sale of Capital Assets	-	-	-	-	-	-	-	-	-	0	1,530	1,530
Transfers	-	-	-	-	-	-	-	-	-	-	79,268	79,268
Total General Revenue, Special Items and Transfers	-	-	-	-	-	-	-	2,769,007	79,400	90	81,227	2,944,606
Change in Net Position	173,986	(34,607)	1,887	(23,441)	173,986	135,783	(23,441)	(22,373)	378,484	24,096	456	671,131
Net Position - July 1, 2021	450,099	1,384,493	1,711,896	171,896	450,099	1,384,493	1,384,493	124,128	(4,311,039)	(5,633)	3,255	(2,104,151)
Adjustment	(48)	-	(393)	-	(48)	-	(393)	-	(2,230)	-	-	(2,669)
Net Position Adjusted - July 1, 2021	450,053	1,384,493	1,711,503	171,503	450,053	1,384,493	1,384,493	124,128	(4,313,269)	(5,633)	3,255	(2,106,820)
Net Position - June 30, 2022	624,039	1,520,276	1,48,062	-	624,039	1,520,276	1,48,062	101,755	(3,934,765)	18,463	3,711	(1,435,689)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2022. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2021. The Philadelphia Parking Authority and the Philadelphia Housing Authority are presented as of the close of their fiscal year, March 31, 2022.

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



Notes to the Financial Statements
FYE 06/30/2022

Table of Contents

I.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	49
1.	Reporting Entity	49
2.	Government-Wide and Fund Financial Statements	50
3.	Basis of Accounting, Measurement Focus and Financial Statements	51
4.	Deposits and Investments	52
5.	Inventories	53
6.	Capital Assets.....	53
7.	Bonds and Related Premiums, Discounts and Issuance Costs	54
8.	Insurance	54
9.	Receivables and Payables	54
10.	Deferred Outflows/Inflows of Resources and Net Position	54
11.	Compensated Absences	55
12.	Claims and Judgments	56
13.	Unearned Revenue	56
14.	Leases.....	56
15.	New Accounting Standards.....	57
II.	LEGAL COMPLIANCE.....	58
1.	Budgetary Information	58
III.	DETAILED NOTES ON ALL FUNDS AND ACCOUNTS.....	59
1.	Deposits and Investments	59
2.	Securities Lending	63
3.	Amounts Held by Fiscal Agent	63
4.	Interfund Receivables and Payables.....	64
5.	Capital Asset Activity	65
6.	Notes Payable	69
7.	Debt Payable	70
8.	Leases	87
9.	Deferred Compensation Plans	90
10.	Fund Balance Policies	91
11.	Interfund Transactions.....	94
12.	Tax Abatements.....	94
13.	Reconciliation of Government-Wide and Fund Financial Statements.....	98
14.	Prior Period Adjustments and Cumulative Effect of Change in Accounting Principle	98
15.	Net Position Restricted by Enabling Legislation.....	100
16.	Fund Deficits.....	100
IV.	OTHER INFORMATION	100
1.	Pension Plans.....	100
2.	Accumulated Unpaid Sick Leave.....	131
3.	Other Post Employment Benefits (OPEB).....	132
4.	Pennsylvania Intergovernmental Cooperation Authority	151
5.	Related Party Transactions	151
6.	Risk Management.....	152
7.	Commitments	153
8.	Contingencies.....	154
9.	Subsequent Events.....	161

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. REPORTING ENTITY

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

As required by GAAP, the financial statements of the City of Philadelphia include those of the primary government and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The financial statements of these component units have been included in the City's reporting entity either as blended component units or as discretely presented component units. The criteria to determine an entity as a component unit is established by Governmental Accounting Standards Board Statement (GASBS) No. 14 which has been amended by GASB Statements No. 39, No. 61, No. 80, No. 84, No. 85, No. 90, and No. 97. Certain other organizations also met 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.

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. PGW meets the criteria for inclusion as a discretely presented component unit in accordance with GASB.

Philadelphia Housing Authority (PHA) – 2013 Ridge Ave., Philadelphia, PA 19121

PHA was established to provide low-cost housing and other social services to the residents of the City. PHA is governed by a nine-member board with all members appointed by the City. In addition, the Mayor of Philadelphia has the ability to remove a majority of PHA's board without cause during any calendar year. Since the City appoints a voting majority of PHA's board and can impose its will, due to the Mayor's ability to remove a majority of the board at will, PHA meets the criteria for inclusion as a discretely presented component unit in accordance with GASB.

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, 2021. PRA meets the criteria for inclusion as a discretely presented component unit in accordance with GASB.

Philadelphia Parking Authority (PPA) – 701 Market St., Philadelphia, PA 19106

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. PPA meets the criteria for inclusion as a discretely presented component unit in accordance with GASB.

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. As of July 1, 2018, the SDP is governed by a nine-member board appointed by the Mayor and approved by City Council. Since the Mayor appoints the governing board and there exists a financial benefit/burden relationship between the SDP and the City, the SDP meets the criteria for inclusion as a discretely presented component unit in accordance with GASB.

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 and receives substantial subsidies from the City. CCP's reported amounts include the financial activity of the Community College of Philadelphia Foundation, which is a discretely presented component unit of CCP. Since the City appoints the governing board and there exists a financial benefit/burden relationship between the CCP and the City, the CCP meets the criteria for inclusion as a discretely presented component unit in accordance with GASB.

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

CBH is a not-for-profit organization established by the City's Department of Public Health to provide for and administer all behavioral health services required by the Commonwealth of Pennsylvania. Its board is made up of City officials and City appointees. Any decrease in funding would present a financial burden to the City. CBH meets the criteria for inclusion as a discretely presented component unit in accordance with GASB.

Philadelphia Authority for Industrial Development (PAID) – 1500 Market St., 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. PAID meets the criteria for inclusion as a discretely presented component unit in accordance with GASB.

C. FIDUCIARY COMPONENT UNITS

The City reports two component units in the fiduciary statements:

- The Municipal Pension Fund accumulates resources to provide pension benefit payments to qualified employees of the City and certain 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.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from services or

privileges provided by a given program and (2) grants and contributions that are restricted to meeting operational or capital requirements of a program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

3. BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND FINANCIAL STATEMENTS

A. PRIMARY GOVERNMENT

The government wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund 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 including lease liabilities, 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. General capital asset acquisition, including entering into contracts giving the City the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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.

Generally, 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 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 component units of the City prepare their financial statements in a manner similar to that of proprietary funds, with the exception of the following:

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.

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 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 U.S. 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, common stocks, private markets, hedge funds, 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 for 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 more than 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 and Water Funds which use "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. After adoption of GASB No.89, interest cost incurred before the end of a construction period is recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset.

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. Leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

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 - 10 to 50 years; equipment and storage facilities - 3 to 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 payables 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, 2022 and 2021. Credit balance receivables have been included in unearned revenue in the statement of net position. The allowance for doubtful accounts is management's estimate of the amount of accounts receivable which will be deemed to be uncollectible and is based upon specific identification. Unpaid accounts are referred to the City's Law Department if deemed uncollectible. Accounts are written off when recommended by the Law Department.

All trade and property receivables in the governmental-wide financial statements are shown net of allowance for uncollectible. The real estate tax receivable allowance is equal to 37.37% 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

In accordance with Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the City reports deferred outflows of resources in the Statement of Financial Position in a separate section following Assets. Similarly, the City reports deferred inflows of resources in the Statement of Net Position in a separate section following Liabilities.

Deferred Outflows of resources represents consumption of net asset 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 asset that applies to future periods and will not be recognized as revenue until that time.

On the full accrual basis of accounting, the components of the deferred outflows of resources and deferred inflows of resources are as follows:

- 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.
- Deferred outflows of resources and deferred inflows of resources are related to the City's OPEB.
- Deferred inflows of resources are related to the City's leasing activities as a lessor.

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

(Amounts in Thousands of USD)

<u>Deferred Outflows of Resources</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Component Units</u>
Derivative Instrument	13,481	-	-
Deferred Charge on Refunding	91,887	48,146	52,684
Deferred Outflow s - Pension	460,456	55,739	754,317
Deferred Outflow s - OPEB	236,829	29,200	146,104
Total	802,653	133,085	953,105

(Amounts in Thousands of USD)

<u>Deferred Inflows of Resources</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Component Units</u>
Derivative Instrument	-	201	2,478
Deferred Gain on Refunding	1,906	13,938	12,550
Deferred Inflow s - Leases	33,978	96,903	3,418
Deferred Inflow s - Pension	149,958	16,876	636,604
Deferred Inflow s - OPEB	100,697	12,062	155,499
Total	286,539	139,980	810,549

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

(Amounts in Thousands of USD)

<u>Deferred Inflows of Resources</u>	<u>General Fund</u>	<u>Grants Revenue Fund</u>	<u>Other Governmental Funds</u>
Deferred Inflow s - Leases	33,978	-	-
Unavailable Tax Revenue	128,746	-	2,239
Unavailable Agency Revenue	63,673	-	-
Unavailable Government Revenue	37,048	515,471	97,293
Total	263,445	515,471	99,532

11. COMPENSATED ABSENCES

It is the City's policy to allow employees to accumulate earned but unused vacation and sick leave benefits. Vacation is accrued when earned in the government-wide financial statements and in the proprietary and fiduciary-fund financial statements. Sick leave is accrued in the government-wide financial statements and in the proprietary and fiduciary-fund financial statements based on an estimate of future payouts.

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 (\$5.9 million) and Business Income and Receipts Tax (BIRT) (\$204.5 million).

14. LEASES

The City is a lessee for various leases of land, buildings, and equipment. The City recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

The City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long- term debt on the statement of net position.

Lessor: The City is a lessor for various leases of land and buildings. The City recognizes a lease receivables and deferred inflows of resources in the government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivables and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

15. NEW ACCOUNTING STANDARDS - ADOPTED

In June 2017, **GASB issued Statement No. 87, Leases**. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For more information on the effects of this statement see notes I.14, III.8 and III.14.

In June 2018, **GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period**. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The adoption of this statement did not have a material impact on the financial statements.

In January 2020, **GASB issued Statement No. 92, Omnibus 2020**. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during the implementation and application of various GASB statements. The adoption of this statement had no effect on previously reported amounts.

In March 2020, **GASB issued Statement No. 93, Replacement of Interbank Offered Rates**. This Statement establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The adoption of this statement had no effect on previously reported amounts.

In June 2020, **GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32**. An objective of this Statement is to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. As a result of adopting this statement, additional disclosures related to the defined contribution pension plan were added to the footnote III.9.

In April 2022, **GASB issued Statement No. 99, Omnibus 2022**. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. This statement has been partially adopted as only paragraphs 26-32 were effective for the current year. All the applicable changes have been made to the financial statements.

New Accounting Standards – To Be Adopted:

In May 2019, **GASB issued Statement No. 91, Conduit Debt Obligations**. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

In March 2020, **GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements**. The primary objective of this Statement is to address and improve financial reporting issues related to public-private and public-public partnership arrangements (PPPs).

In May 2020, **GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements**. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).

In April 2022, **GASB issued Statement No. 99, Omnibus 2022**. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

In June 2022, **GASB issued Statement No. 100, Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62**. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

In June 2022, **GASB issued Statement No. 101, Compensated Absences**. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

The new standards must be adopted as follows:

GASB Statement No. 91 – Effective July 1, 2022 for financial statements for fiscal year ending June 30, 2023.

GASB Statement No. 94 – Effective July 1, 2022 for financial statements for fiscal year ending June 30, 2023.

GASB Statement No. 96 – Effective July 1, 2022 for financial statements for fiscal year ending June 30, 2023.

GASB Statement No. 99 - Effective July 1, 2022 for financial statements for fiscal year ending June 30, 2023 with the exception of (1) paragraphs 26-32 that were effective in the current fiscal year and (2) paragraphs 4-10 that are effective July 1, 2023 for financial statements for fiscal year ending June 30, 2024.

GASB Statement No. 100 - Effective July 1, 2023 for financial statements for fiscal year ending June 30, 2024.

GASB Statement No. 101 - Effective July 1, 2024 for financial statements for fiscal year ending June 30, 2025.

The effect of these statements has not yet been determined.

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, Health-Choices 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 are submitted in support of testimony with regard to the appropriation adjustments and do not need City Council approval. 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 \$435.5 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, 2022, the total investments of the City, as well as both Pension Trust Funds and the Fairmount Park and Free Library Trust Funds, consisted of:

(Amount in Thousands)

Classification	City (1)	City Trust Funds	PGW Pension Fund	Municipal Pension Fund	Grand Total
Short-Term Investment Pools	658,845	1,012	28,020	456,040	1,143,917
Commercial Paper	1,034,237	-	-	-	1,034,237
U.S. Government Securities	3,708,697	119	54,794	2,339	3,765,949
U.S. Government Agency Securities	360,761	205	29,697	24,621	415,284
Municipal/Other Debt	9,972	442	343	16,066	26,823
Foreign Debt	-	-	7,916	987	8,903
Corporate Bonds	389,385	213	62,261	325,142	777,001
Government Bonds	-	-	-	390,647	390,647
Asset Backed Securities	-	-	-	20,963	20,963
Mortgage Backed Securities	-	-	-	119,708	119,708
Other Bonds and Investments	-	2,395	779	2,533	5,707
Corporate Equities	-	3,851	381,248	3,808,972	4,194,071
Limited Partnerships	-	-	-	26,834	26,834
Hedge Funds	-	-	-	29,652	29,652
Real Estate	-	-	-	588,933	588,933
Private Equity	-	-	-	985,364	985,364
Grand Total	<u>\$ 6,161,897</u>	<u>\$ 8,237</u>	<u>\$ 565,058</u>	<u>\$ 6,798,801</u>	<u>\$ 13,533,993</u>

(1) The City's investments do not include blended component units (PMA & PICA).

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

The City's policy to limit credit risks is to limit the types 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 (60.19%) or US Government Agency obligations (5.85%) are allowable investments up to 100% of the portfolio.

The City's investment in commercial paper (16.78%) is limited to 25% of the portfolio and must be rated A1+ by S&P or P1 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 or A2 by Moody's. All commercial paper investments meet the criteria.

The City's investment in corporate bonds (6.32%) is limited to 25% of the portfolio and had a S&P rating of AAA to AA or Moody's rating of Aa2 or better. All corporate investments meet the criteria.

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

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.

Classifications	(Amounts in thousands of USD)				Total
	Less than 6 months	7 to 12 months	13 to 18 months	19 to 24 months	
Commercial Paper	\$ 989,262	\$ 44,975	\$ -	\$ -	\$ 1,034,237
U.S. Government Security	1,927,420	1,156,170	302,501	322,605	3,708,697
U.S. Government Agency Securities	194,380	97,289	52,091	17,002	360,761
Municipal Debt	8,734	256	982	-	9,972
Corporate Bonds	115,950	168,011	47,612	57,811	389,385
Grand Total	\$ 3,235,746	\$ 1,466,701	\$ 403,186	\$ 397,418	\$ 5,503,052

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, 2022:

- Commercial paper securities of \$1,034.2 million are valued using quoted prices for identical securities in markets that are not active and via matrix pricing models (Level 2).
- U.S. Treasury securities of \$3,708.7 million are valued using quoted prices from active markets (Level 1).
- U.S Agency securities of \$360.8 million are valued using quoted prices for identical securities traded in active markets when sufficient activity exists (Level 2).
- Municipal Debt/Other securities of \$10.0 million are valued using quoted prices for identical securities in markets that are not active and via matrix pricing models (Level 2).
- Corporate bond securities of \$389.4 million are valued using quoted prices for similar securities in active markets and via matrix pricing models (Level 2).

The City's money market and short-term investment pools of \$658.8 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.

The Fairmount Park Trust Fund has the following recurring fair value measurements as of June 30, 2022:

- Equity Stock securities of \$1.7 million are valued using quoted prices from active markets (Level 1).

- ETF and Mutual funds of \$3.5 million are valued using quoted prices from active markets (Level 1).
- U.S Treasury securities of \$0.1 million, U.S. Agency securities of \$0.2 million, Corporate bond securities of \$0.2 million are valued using quoted prices for identical securities traded in active markets when sufficient activity exists (Level 2).

For FY2022, the Free Library Trust Fund’s mutual funds of \$2.4 million are valued at the published 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

B. Blended Component Units

1) PICA

Deposits:

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

At June 30, 2022, PICA’s deposits consist of the following:

Cash	\$ 187,210
Certificates of Deposit	3,675,000
Total	<u>\$ 3,862,210</u>

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

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority has no policy, other than as noted above, that further limits its custodial credit risk. As of June 30, 2022, the Authority’s book balance was \$3,862,210 and the bank balance was \$3,863,015. Of the bank balance, \$3,863,015 was covered by federal depository insurance.

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

Fair Value of Investments - Investments and derivatives are recorded at fair value as of June 30, 2022. GASB Statement No. 72 – Fair Value Measurement and Application, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity’s assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets (or liabilities) in active markets that a government can access at the measurement date.

- Level 2 Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset (or liability), either directly or indirectly.
- Level 3 Investments classified as Level 3 have unobservable inputs for an asset (or liability) and may require a degree of professional judgment.

The following table summarizes PICA's investments within the fair value hierarchy at June 30, 2022:

Investment Type	Fair Value Measurements Using			Totals
	Level 1	Level 2	Level 3	
Money Market Funds	\$ 5,670,374	\$ -	\$ -	\$ 5,670,374
US Treasury & Agency Obligations	5,543,485	16,332,094	-	21,875,579
Municipal Bonds/short-term notes	-	-	-	-
Commercial Paper	-	-	-	-
Total	\$ 11,213,859	\$ 16,332,094	\$ -	\$ 27,545,953

2) PMA

INVESTMENTS AND DEPOSITS

The Philadelphia Municipal 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.

The investments of the Equipment Acquisition Fund were made in accordance with City investment policies and include money market funds, government securities, corporate bonds, and debt obligations.

A summary of the investments at June 30, 2022 is as follows:

	Fair Value	Cost	Maturity Date
Money Market Funds*	\$ 80,703	\$ 80,703	N/A
Total	\$ 80,703	\$ 80,703	

* Restricted for debt service or capital expenditures. N/A – Not applicable.

PMA, through its trustees, invested the unexpended cash from the 2017 Juvenile Justice Center Bond Issue, the 2014 Philadelphia Municipal Authority Bond Issues, and the 2012 Energy Conservation and Direct Subsidy Bond Issues in money market funds during the year. The 2014 Philadelphia Municipal Authority Bond Issues investments were expended in the year ended June 30, 2022.

PMA does not have a formally adopted investment policy related to credit risk, but it generally follows the practices of the City. Investments in money market funds were not rated.

Custodial Credit Risk

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

PMA's depository cash accounts consisted of \$12,494,645 on deposit with two local banks as of June 30, 2022. Amounts are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation (FDIC). Deposits in excess of the FDIC limit are collateralized with securities held by the pledging financial institution's trust department or agent in PMA's name. As of June 30, 2022, PMA did not have uninsured or uncollateralized deposits on hand.

Interest Rate Risk

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

Fair Value Measurement

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

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

PMA's investments qualify as Level 1 investments.

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 the Fund to participate in securities lending transactions.
- See Footnote IV. 1. PENSION PLANS A. (2) C. Cash Deposits, Investments and Securities Lending.

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

The General Fund consists of cash and investment balances related to the net proceeds of PAID's City Service Agreement Refunding Revenue Series Bond 2012, PAID's City Service Agreement – Affordable Housing Preservation 2017 Series Bonds, PAID's City Service Agreement – Museum of Art Series 2018A Revenue Bonds, PAID's City Service Agreement – One Parkway Series 2018B Revenue Refunding Bonds, PAID's City Service Agreement – Rebuild Project – Revenue Bonds Series 2018, and PRA's City Service Agreement Revenue Bonds Series 2018.

Grants Revenue Fund - There are no amounts reported for fiscal year 2022 for the Grants Revenue Fund.

B. PROPRIETARY FUNDS

There are no amounts reported for fiscal year 2022 - Proprietary Funds.

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)

<u>Interfund Receivables Due to:</u>					
<u>Interfund Payables Due From:</u>	<u>General</u>	<u>Non major Special Revenue</u>	<u>Pension Fund</u>	<u>Other Funds</u>	<u>Total</u>
General	\$ -	\$ 1,106	\$ 95,129	\$ 699	\$ 96,934
Grants Revenue Fund	-	-			-
Water & Sewer Fund	-	8,091			8,091
Non major Special Revenue Funds	17,247	-			17,247
Total	<u>\$ 17,247</u>	<u>\$ 9,197</u>	<u>\$ 95,129</u>	<u>\$ 699</u>	<u>\$ 122,272</u>

B. COMPONENT UNITS

Interfund receivables and payables between the Primary Government and its Component Units at year-end are the result of the time lag between the dates that interfund goods and services are provided, the date the transactions are recorded in the accounting system and the date payments between funds are made. All 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)

<u>Receivables Due to:</u>									
<u>Payables Due From:</u>	<u>General</u>	<u>CBH</u>	<u>PRA</u>	<u>PAID</u>	<u>PGW</u>	<u>SDP</u>	<u>CCP</u>	<u>Timing Difference</u>	<u>Total</u>
General Fund	\$ -	\$ -	\$ 31	\$ 2,541	\$ 501	\$ 991	\$ 10,891	\$ -	\$ 14,955
Behavioral Health	-	141,207	-	-	-	-	-	-	141,207
Grants Revenue	-	213	457	-	-	20	-	-	690
Community Dev.	-	-	249	-	-	-	-	-	249
Capital Improvement	-	-	92	257	-	-	-	-	349
Aviation Fund	-	-	-	5,047	231	-	-	-	5,278
Housing Trust	-	-	1,554	-	-	-	-	-	1,554
Water Fund	-	-	-	948	257	-	-	-	1,205
PPA	14,110	-	-	-	-	-	-	(4,326)	9,784
PAID	36,669	-	-	-	-	-	-	(14,511)	22,158
Timing Difference	-	(1,734)	5,482	(8,793)	(989)	(1,011)	1,836	-	(5,209)
Total	<u>\$ 50,779</u>	<u>\$ 139,686</u>	<u>\$ 7,865</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,727</u>	<u>\$ (18,837)</u>	<u>\$ 192,220</u>

5. CAPITAL ASSET ACTIVITY

A. PRIMARY GOVERNMENT

Capital Asset activity of the primary government for the year ended June 30, 2022 was as follows:

(Amounts In Millions of USD)

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	945.0	34.3	-	979.3
Fine Arts	1.0	-	-	1.0
Property Available for Sale	-	-	-	-
Construction In Progress	3.0	21.0	(3.0)	21.0
Total capital assets not being depreciated	<u>949.0</u>	<u>55.3</u>	<u>(3.0)</u>	<u>1,001.3</u>
<u>Capital assets being depreciated:</u>				
Buildings	2,397.0	61.0	(1.0)	2,457.0
Lease Asset - Buildings*	612.0	-	-	612.0
Other Improvements	405.0	6.0	-	411.0
Equipment	647.0	55.0	(24.0)	678.0
Lease Asset - Equipment*	3.0	-	-	3.0
Infrastructure	1,917.0	38.0	-	1,955.0
Intangibles	74.0	15.0	-	89.0
Transit	292.0	-	-	292.0
Total capital assets being depreciated	<u>6,347.0</u>	<u>175.0</u>	<u>(25.0)</u>	<u>6,497.0</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(1,771.0)	(57.0)	2.0	(1,826.0)
Lease Asset - Buildings	-	(51.0)	-	(51.0)
Other Improvements	(300.0)	(10.0)	-	(310.0)
Equipment	(446.0)	(42.8)	17.0	(471.8)
Lease Asset - Equipment	-	(1.0)	-	(1.0)
Infrastructure	(1,394.0)	(47.9)	-	(1,441.9)
Intangibles	(29.0)	(9.0)	-	(38.0)
Transit	(256.0)	(4.0)	-	(260.0)
Total accumulated depreciation	<u>(4,196.0)</u>	<u>(222.7)</u>	<u>19.0</u>	<u>(4,399.7)</u>
Total capital assets being depreciated, net	<u>2,151.0</u>	<u>(47.7)</u>	<u>(6.0)</u>	<u>2,097.3</u>
Governmental activities capital assets, net	<u>3,100.0</u>	<u>7.6</u>	<u>(9.0)</u>	<u>3,098.6</u>

*With the implementation of GASB 87 in the current fiscal year, it was required to restate the prior fiscal year ending balances for the lease capital assets.

Capital Asset activity of the primary government, business-type activities for the year ended June 30, 2022 was as follows:

(Amounts In Millions of USD)

Business-Type Activities - Enterprise Funds	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<u>Capital assets not being depreciated:</u>					
Land	236.6	6.2	-	-	242.8
Right to use Lease Assets -Land*	11.3	-	-	-	11.3
Construction In Progress	999.7	327.1	(323.9)	-	1,002.9
Total capital assets not being depreciated	<u>1,247.6</u>	<u>333.3</u>	<u>(323.9)</u>	<u>-</u>	<u>1,257.0</u>
<u>Capital assets being depreciated:</u>					
Buildings	4,006.4	76.3	(22.9)	-	4,059.8
Right to use Lease Assets - Building	19.0	-	-	-	19.0
Other Improvements	465.3	52.9	-	312.7	830.9
Equipment	179.9	5.6	(5.1)	4.7	185.1
Right to use Lease Assets - Equipment*	0.2	0.3	-	-	0.5
Intangible Assets	26.6	1.9	-	-	28.5
Infrastructure	4,091.9	189.9	(2.1)	-	4,279.7
Total capital assets being depreciated	<u>8,789.3</u>	<u>326.9</u>	<u>(30.1)</u>	<u>317.4</u>	<u>9,403.5</u>
<u>Less accumulated depreciation for:</u>					
Buildings	(2,218.0)	(118.8)	16.2	-	(2,320.6)
Right to use Lease Assets - Building	-	(1.8)	-	-	(1.8)
Other Improvements	(267.3)	(24.5)	-	(225.9)	(517.7)
Equipment	(133.2)	(15.8)	3.5	(4.5)	(150.0)
Right to use Lease Assets - Equipment	-	(0.1)	-	-	(0.1)
Intangible Assets	(16.8)	(1.7)	-	-	(18.5)
Infrastructure	(2,262.0)	(96.5)	1.7	-	(2,356.8)
Total accumulated depreciation	<u>(4,897.3)</u>	<u>(259.2)</u>	<u>21.4</u>	<u>(230.4)</u>	<u>(5,365.5)</u>
Total capital assets being depreciated, net	<u>3,892.0</u>	<u>67.7</u>	<u>(8.7)</u>	<u>87.0</u>	<u>4,038.0</u>
Business-type activities capital assets, net	<u><u>5,139.6</u></u>	<u><u>401.0</u></u>	<u><u>(332.6)</u></u>	<u><u>87.0</u></u>	<u><u>5,295.0</u></u>

*With the implementation of GASB 87 in the current fiscal year, it was required to restate the prior fiscal year ending balances for the lease capital assets.

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

(Amounts in Millions of USD)

<u>Governmental Activities:</u>	
Economic Development	1.8
Transportation:	
Streets & Highways	56.5
Mass Transit	4.4
Judiciary and Law Enforcement:	
Police	14.5
Prisons	5.7
Courts	0.6
Conservation of Health:	
Health Services	4.1
Cultural and Recreational:	
Recreation	14.0
Parks	12.2
Libraries and Museums	6.0
Improvements to General Welfare:	
Social Services	2.0
Inspections and Demolitions	0.1
Service to Property:	
Fire	13.0
General Management & Support	87.8
Total Governmental Activities	<u>222.7</u>

Depreciation expense was charged to the primary government, business-type activities as follows:

(Amounts in Millions of USD)

<u>Business-Type Activities:</u>	
Water and Sewer	146.6
Aviation	114.2
Total Business Type Activities	<u>260.8</u>

B. DISCRETELY PRESENTED COMPONENT UNITS

The following schedule reflects the combined activity in capital assets for the discretely presented component units for the year ended June 30, 2022:

City of Philadelphia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

Exhibit XIII

(Amounts in Millions of USD)

Governmental Activities:	Beginning Balance	Increases	Deletions	Transfers	Ending Balance
<u>Capital assets not being depreciated:</u>					
Land	130.6	-	-	-	130.6
Construction In Progress	266.7	270.8	(0.7)	(194.2)	342.6
Development In Progress (1)	21.4	9.9	-	-	31.3
Total capital assets not being depreciated	<u>418.7</u>	<u>280.7</u>	<u>(0.7)</u>	<u>(194.2)</u>	<u>504.5</u>
<u>Capital assets being depreciated:</u>					
Buildings	1,752.0	-	-	93.4	1,845.4
Right to Use-Buildings	0.9	3.5	-	-	4.4
Other Improvements	1,659.5	1.3	(1.8)	100.8	1,759.8
Intangible Assets (2)	92.5	0.7	(0.1)	-	93.1
Personal Property	113.1	14.1	(9.4)	-	117.8
Right to Use-Personal Property	16.5	-	-	-	16.5
Total capital assets - Depreciated	<u>3,634.5</u>	<u>19.6</u>	<u>(11.3)</u>	<u>194.2</u>	<u>3,837.0</u>
<u>Less accumulated depreciation for:</u>					
Buildings	(802.1)	(29.7)	-	-	(831.8)
Right to Use-Buildings	(0.4)	(1.3)	-	-	(1.7)
Other Improvements	(1,021.8)	(55.5)	-	-	(1,077.3)
Intangible Assets	(75.5)	(1.0)	0.1	-	(76.4)
Personal Property & Equipment	(74.2)	(8.5)	8.6	-	(74.1)
Right to Use-Personal Property	(7.3)	(1.7)	-	-	(9.0)
Total accumulated depreciation	<u>(1,981.3)</u>	<u>(97.7)</u>	<u>8.7</u>	<u>-</u>	<u>(2,070.3)</u>
Total capital assets being depreciated, net	<u>1,653.2</u>	<u>(78.1)</u>	<u>(2.6)</u>	<u>194.2</u>	<u>1,766.7</u>
Net	<u><u>2,071.9</u></u>	<u><u>202.6</u></u>	<u><u>(3.3)</u></u>	<u><u>-</u></u>	<u><u>2,271.2</u></u>

- (1) The beginning balance for development in progress was adjusted by \$21.4 million to reflect assets that were not placed in service as of June 30, 2021.
- (2) The beginning balance for intangible assets was adjusted \$(23.7) million. This adjustment is made up of \$21.4 million of assets transferred back to development in progress because the assets were not placed in service as of June 30, 2021 and \$2.3 million of costs previously capitalized that were subsequently found to not be capitalizable; therefore, a prior period adjustment was recorded to reduce the beginning net deficit balance.

(Amounts in Millions of USD)

Business-type Activities:	Beginning Balance	Adjustment	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>					
Land	100.4	-	1.8	-	102.2
Fine Arts	0.9	-	-	-	0.9
Construction In Progress	215.1	-	220.8	(141.5)	294.4
Total capital assets not being depreciated	<u>316.4</u>	<u>-</u>	<u>222.6</u>	<u>(141.5)</u>	<u>397.5</u>
<u>Capital assets being depreciated:</u>					
Buildings	2,754.8	-	67.1	(12.1)	2,809.8
Other Improvements	393.3	-	0.3	(312.6)	81.0
Equipment	640.0	-	30.9	(9.1)	661.8
Infrastructure	2,250.7	-	121.8	(3.6)	2,368.9
Lease Assets*	-	2.5	0.5	(1.5)	1.5
Total capital assets being depreciated	<u>6,038.8</u>	<u>2.5</u>	<u>220.6</u>	<u>(338.9)</u>	<u>5,923.0</u>
<u>Less accumulated depreciation for:</u>					
Buildings	(1,551.3)	-	(71.2)	10.1	(1,612.4)
Other Improvements	(249.1)	-	(10.2)	224.8	(34.5)
Equipment	(310.5)	-	6.9	4.0	(299.6)
Infrastructure	(1,044.7)	-	(63.0)	(1.6)	(1,109.3)
Lease Assets*	-	(1.7)	(1.0)	1.5	(1.2)
Total accumulated depreciation	<u>(3,155.6)</u>	<u>(1.7)</u>	<u>(138.5)</u>	<u>238.8</u>	<u>(3,057.0)</u>
Total capital assets being depreciated, net	<u>2,883.2</u>	<u>0.8</u>	<u>82.1</u>	<u>(100.1)</u>	<u>2,866.0</u>
Capital assets, net	<u><u>3,199.6</u></u>	<u><u>0.8</u></u>	<u><u>304.7</u></u>	<u><u>(241.6)</u></u>	<u><u>3,263.5</u></u>

* Leased assets adjustments are related to the implementation of GASB Statement No. 87 by PGW.

6. NOTES PAYABLE

The Aviation Fund established a commercial paper (CP) program, which closed on August 22, 2019, in the amount of \$350 million to provide funding for capital projects currently approved by 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 \$125.3 million notes outstanding at June 30, 2022.

As of June 30, 2022, the Aviation fund had outstanding letters of credit of \$125.3 million and unused letters of credit equal to \$224.7 million related to the CP program.

The Water Fund established a commercial paper (CP) program, which closed on July 28, 2021, in the amount of \$250 million to provide funding for capital projects. CP is a short-term financing tool with a maximum maturity of 270 days. The Philadelphia Water Department's CP Program will primarily be used to provide up-front cash to take advantage of below market rate federal and state loan programs that work on a reimbursement basis. The CP Program will also enable projects to be financed on an as-needed basis; lower the Department'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 loan reimbursements are received from the federal and state programs to pay off the outstanding commercial paper, or long-term bonds are issued to refund the outstanding commercial paper. There were \$3.0 million notes outstanding at June 30, 2022.

	Beginning			Ending
	Balance	Additions	Reductions	Balance
Water Department Commercial Paper Notes	\$ -	\$ 23,000,000	\$ 20,000,000	\$ 3,000,000
Airport Commercial Paper Notes	\$ 80,343,000	\$ 487,273,000	\$ 442,273,000	\$ 125,343,000

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 2022, \$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.

As of June 30, 2022, HUD had disbursed \$150.0 million in loans to PIDC and the amount of outstanding HUD Section 108 Notes Payable was \$56.3 million. 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. The total amount of loans made from HUD to PIDC and amount of HUD loans that are left to be repaid differ from the amounts disclosed in the PIDC 12/31/21 audit report, as PIDC's audit reports are done on a calendar year basis and the HUD Contingent Liability Report is done on a fiscal year basis.

Scheduled repayments of the HUD Section 108 Notes Payable for the next five years and thereafter as of June 30, 2022 are as follows:

HUD Section 108 Notes Payable, 5 Years and Thereafter

Fiscal Year Ending June 30,	
2023	5,249,000
2024	5,487,000
2025	3,711,000
2026	3,857,000
2027	4,153,000
Thereafter	33,887,000
Total	<u>\$ 56,344,000</u>

PGW, Pursuant to the provisions of the City of Philadelphia Note Ordinances, PGW may issue short-term notes to either support working capital requirements or pay the costs of certain capital projects and other project costs. PGW may issue short-term notes in a principal amount, which, together with interest, may not exceed \$150.0 million outstanding to support working capital requirements. PGW may also issue additional short-term notes in an aggregate principal amount, which may not exceed \$120.0 million outstanding at any time to pay the costs of certain capital projects and other project costs. All notes are supported by a Note Purchase and Credit Agreement and a security interest in PGW's revenues. Prior to that, all notes were supported by two irrevocable letters of credit and a security interest in PGW's revenues. The Note Purchase and Credit Agreement supporting PGW's combined commercial paper programs set the maximum level of outstanding notes plus interest at \$120.0 million in FY 2022 and FY 2021. The commitment amount is \$120.0 million under the current credit agreement. The expiration date of the credit agreements is June 16, 2026. There were no Gas Works Revenue Capital Project Commercial Paper Notes (Capital Project Notes) or Gas Works Revenue Notes outstanding at August 31, 2022 and 2021.

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 3.07% and matured September 1, 2021, as a result of an extension. During the year ended March 31, 2022, the note payable was fully refunded with the issuance of the series 2021B Revenue Bonds.

On January 29, 2015, 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 fixed interest rate of 3.07% and matures September 1, 2021, as a result of an extension. During the year ended March 31, 2022, the note payable was fully refunded with the issuance of the series 2021B Revenue Bonds.

The aggregate annual principal and sinking fund payments of debt at March 31, 2022, are as follows:

Fiscal Year Ending March 31,	Revenue Bonds Principal Amount	Revenue Bonds Interest Amount	Total
2023	\$ 3,336,943	\$ 1,121,202	\$ 4,458,145
2024	3,381,943	1,007,538	4,389,481
2025	3,431,943	888,137	4,320,080
2026	3,486,943	766,595	4,253,538
2027	3,546,943	642,166	4,189,109
2028-2030	16,216,433	1,202,582	17,419,015
	<u>\$ 33,401,148</u>	<u>\$ 5,628,220</u>	<u>\$ 39,029,368</u>

7. DEBT PAYABLE

A. PRIMARY GOVERNMENT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

The City is subject to a statutory limitation established by the Commonwealth of Pennsylvania for bonded indebtedness (General Obligation Bonds) payable principally from property taxes. As of June 30, 2022, the statutory limit for the City is \$14.1 billion, the General Obligation Debt, net of deductions authorized by law, is \$2.3 billion; leaving a legal debt borrowing capacity of \$11.8 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 - General Obligation Bonds					
Term Bonds	28.6	-	-	28.6	-
Refunding Bonds	953.5	132.1	(171.9)	913.7	72.4
Serial Bonds	653.7	294.7	(49.5)	898.9	36.1
Add: Bond Premium	133.0	73.0	(30.7)	175.3	-
Less: Unamortized Discount	0.0	-	0.0	0.0	-
Total Bonds Payable - General Obligation Bonds	1,768.8	499.8	(252.1)	2,016.5	108.5
Bonds Payable - Blended Component Units					
Term Bonds - PMA	143.0	-	(5.4)	137.6	5.6
Term Bonds - PICA	34.0	-	(23.2)	10.8	10.8
Add: Bond Premium	4.7	-	(3.2)	1.5	-
Total Bonds Payable - Blended Component Units	181.7	-	(31.8)	149.9	16.4
Total Bonds Payable	1,950.5	499.8	(283.9)	2,166.4	124.9
Obligations Under Lease & Service Agreements					
Pension Service Agreement	631.3	10.4	(75.0)	566.7	30.0
Neighborhood Transformation	173.0	98.6	(12.8)	258.8	16.9
One Parkway	19.5	-	(2.9)	16.6	3.0
Sports Stadium	62.8	-	(5.2)	57.6	5.4
PAID Series 2021	137.0	-	-	137.0	-
Stadium Series 2019A	137.3	-	(10.9)	126.4	11.5
Library	3.0	-	(0.7)	2.3	0.7
Cultural Corridor Bonds	71.3	-	(4.9)	66.4	5.2
City Service Agreement	257.6	-	-	257.6	64.7
Affordable Housing Preservation Project	47.4	-	(2.0)	45.4	2.1
Philadelphia Museum of Art	9.3	-	(0.4)	8.9	0.4
PAID Rebuild Project Series 2018	73.6	-	(3.1)	70.5	3.3
Add: Bond Premium	54.1	2.7	(9.3)	47.5	-
Total Obligations Under Lease & Service Agreements	1,677.2	111.7	(127.2)	1,661.7	143.2
Other Long-term Liabilities					
Legal Claims	160.1	5.1	(48.0)	117.2	-
Worker's Compensation Claims	267.3	83.0	(79.7)	270.6	-
Medical Claims	25.9	94.0	(93.3)	26.6	-
Termination Compensation Payable - Vacation Leave	289.7	22.1	(29.0)	282.8	29.4
Termination Compensation Payable - Sick Leave	308.7	34.8	(30.9)	312.6	31.3
Leases*	611.8	0.3	(31.5)	580.6	34.9
Total Other Long-term Liabilities	1,663.5	239.3	(312.4)	1,590.4	95.6
Total Bonds Payable, Obligations Under Lease & Svc Agreements, and OLTL	5,291.2	850.8	(723.5)	5,418.5	363.7
Net Pension and OPEB Liability					
Net Pension Liability	4,215.6	874.4	(283.8)	4,806.2	-
OPEB Liability	1,857.7	74.8	(14.0)	1,918.5	-
Total Net Pension and OPEB Liability	6,073.3	949.2	(297.8)	6,724.7	-
Governmental Activity Long-term Liabilities	11,364.5	1,800.0	(1,021.3)	12,143.2	363.7

*With the implementation of GASB 87 in the current fiscal year, it was required to restate the prior fiscal year ending balance for the lease liability. The restatement was for \$378.4 million.

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)

	<u>Interest Rates</u>				<u>Principal</u>	<u>Due Dates</u>				
Governmental Funds:										
City	0.380	%	to	5.000	%	1,841.2	Fiscal	2023	to	2042
PMA	3.250	%	to	5.087	%	137.6	Fiscal	2023	to	2044
PICA	5.000	%	to	5.000	%	<u>10.8</u>	Fiscal	2023	to	2023
						<u>1,989.6</u>				

- The City has General Obligation Bonds authorized and un-issued at year-end of \$524.4 million for Governmental Funds. The debt service through maturity for the Governmental GO Debt is as follows:

(Amounts in Millions of USD)

<u>Fiscal Year</u>	<u>City Fund</u>		<u>Blended Component Units</u>			
	<u>General Fund</u>		<u>PMA</u>		<u>PICA</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	108.5	80.3	5.6	6.4	10.8	0.5
2024	113.4	75.2	5.9	6.1	-	-
2025	118.6	69.7	6.2	5.8	-	-
2026	116.6	64.3	6.5	5.5	-	-
2027	121.8	58.7	6.9	5.2	-	-
2028-2032	613.2	214.1	29.4	22.0	-	-
2033-2037	430.1	96.0	40.2	14.1	-	-
2038-2042	219.0	20.9	29.2	4.8	-	-
2043-2047	-	-	7.7	0.5	-	-
Totals	<u>1,841.2</u>	<u>679.2</u>	<u>137.6</u>	<u>70.4</u>	<u>10.8</u>	<u>0.5</u>

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

(Amounts in Millions of USD)

<u>Fiscal Year</u>	<u>Lease & Service Agreements</u>							
	<u>Pension Service Agreement</u>		<u>Neighborhood Transformation</u>		<u>One Parkway</u>		<u>Sports Stadium</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	28.5	31.3	17.0	10.4	3.0	0.8	16.9	8.2
2024	31.3	33.7	17.1	9.7	3.2	0.7	17.7	7.4
2025	29.1	35.6	17.7	9.1	3.3	0.5	18.5	6.5
2026	31.8	34.3	18.4	8.4	3.5	0.4	19.4	5.7
2027	107.1	28.8	20.1	7.6	3.6	0.2	111.5	13.5
2028-2032	338.9	29.3	91.7	24.5	-	-	-	-
2033-2037	-	-	39.4	9.9	-	-	-	-
2038-2042	-	-	37.4	2.8	-	-	-	-
Totals	<u>566.7</u>	<u>193.0</u>	<u>258.8</u>	<u>82.4</u>	<u>16.6</u>	<u>2.6</u>	<u>184.0</u>	<u>41.3</u>

(Amounts in Millions of USD)

Fiscal Year	Central Library		Cultural Corridors		City Svc Agreement	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	0.7	0.1	5.2	3.2	64.7	13.4
2024	0.8	-	5.5	2.9	76.3	10.8
2025	0.8	-	5.8	2.6	79.2	8.3
2026	-	-	6.1	2.3	80.6	5.5
2027	-	-	6.4	2.0	14.8	2.6
2028-2032	-	-	37.4	4.8	15.1	10.3
2033-2037	-	-	-	-	63.9	5.0
Totals	<u>2.3</u>	<u>0.1</u>	<u>66.4</u>	<u>17.8</u>	<u>394.6</u>	<u>55.9</u>

(Amounts in Millions of USD)

Fiscal Year	Affordable Housing		Museum of Art		Rebuild Project	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	2.1	2.2	0.4	0.4	3.3	3.5
2024	2.2	2.1	0.4	0.4	3.4	3.4
2025	2.3	2.0	0.4	0.4	3.6	3.2
2026	2.4	1.9	0.4	0.4	3.8	3.0
2027	2.6	1.8	0.5	0.4	4.0	2.8
2028-2032	11.6	7.2	2.7	1.4	18.0	11.6
2033-2037	18.0	3.4	3.4	0.7	28.0	6.0
2038-2042	4.2	0.1	0.7	-	6.5	0.3
Totals	<u>45.4</u>	<u>20.7</u>	<u>8.9</u>	<u>4.1</u>	<u>70.6</u>	<u>33.8</u>

(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)

Business-Type Activity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
General Obligation Bonds	-	-	-	-	-
Revenue Bonds	3,611.1	546.4	(290.2)	3,867.3	136.6
Notes from Direct Placement & Direct Borrowing	118.1	-	(2.6)	115.5	2.6
Add: Bond Premium	367.2	113.6	(40.5)	440.3	-
Total Bonds Payable	<u>4,096.4</u>	<u>660.0</u>	<u>(333.3)</u>	<u>4,423.1</u>	<u>139.2</u>
Other Long Term Liabilities					
Indemnity Claims	5.3	6.4	(6.9)	4.8	-
Worker's Compensation Claims	29.7	7.7	(7.3)	30.1	-
Termination Compensation Payable - Vacation Leave	26.5	2.7	(2.7)	26.5	2.7
Termination Compensation Payable - Sick Leave	17.6	1.7	(1.8)	17.5	1.8
Leases	30.6	0.2	(1.8)	29.0	-
Total Other Long Term Liabilities	<u>109.7</u>	<u>18.7</u>	<u>(20.5)</u>	<u>107.9</u>	<u>4.5</u>
Total Bonds Payable & Other Long Term Liabilities	<u>4,206.1</u>	<u>678.7</u>	<u>(353.8)</u>	<u>4,531.0</u>	<u>143.7</u>
Net Pension and OPEB Liability					
Net Pension Liability	506.0	109.7	(35.5)	580.2	-
Net OPEB Liability	230.5	9.4	(1.7)	238.2	-
Total Net Pension and OPEB Liability	<u>736.5</u>	<u>119.1</u>	<u>(37.2)</u>	<u>818.4</u>	<u>-</u>
Business-Type Activity Long-term Liabilities	<u>4,942.6</u>	<u>797.8</u>	<u>(391.0)</u>	<u>5,349.4</u>	<u>143.7</u>

*With the implementation of GASB 87 in the current fiscal year, it was required to restate the prior fiscal year ending balance for the lease liability. The restatement was for \$30.6 million.

The City has Business Type Debt - General Obligation Bonds authorized and un-issued at fiscal year-end of \$352.6 million. This includes \$211.6 million for the Enterprise Funds and \$92 million for **PGW**; and \$49.0 million related to the City's Primary Government – G.O. Bonds.

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

(Amounts in Millions of USD)

	Interest				Principal	Due Dates				
	<u>Rates</u>									
Water Fund	0.247	%	to	5.000	%	2,435.1	Fiscal	2023	to	2055
Aviation Fund	1.513	%	to	5.000	%	1,547.7	Fiscal	2023	to	2052
Total Revenue Debt Payable						<u>3,982.8</u>				

- In August 2021, the City issued \$294.7 million of General Obligation Bonds Series 2021A. The total proceeds were \$367.7 million (including a premium of \$73.0 million). The proceeds of the sale were used to (i) pay all or a portion of the costs of certain projects in the City's capital budgets and (ii) pay the costs relating to the issuance of the Series 2021A Bonds. The interest rates of the newly issued Bonds ranged from 4.000% to 5.000%.
- In August 2021, the City issued \$132.1 million of General Obligation Refunding Bonds Series 2021B. The Bonds were issued without any premium. The proceeds of the sale were used to refund the Series 2014A Bonds. The interest rates of the Bonds that were refunded ranged from 5.000% to 5.250%. The interest rates of the newly issued Bonds ranged from 0.382% to 2.518%. The transaction resulted in a total savings to the City of \$24.4 million over the next 18 years. The difference between the present value of the debt service payments on the old debt versus the new debt (economic gain) was \$21.8 million.
- In October 2021, the City issued \$231.9 million of Water and Wastewater Revenue Bonds Series 2021C. The total proceeds were \$276.6 million (which includes a premium of \$44.7 million). The proceeds of the sale were used to finance capital improvements to the City's Water and Wastewater Systems and to pay the costs of issuing the 2021C Bonds. The interest rates of the newly issued Bonds ranged from 2.750% to 5.000%.
- In July 2021, the City issued \$302.0 million of Airport Revenue and Refunding Bonds Series 2021 Bonds to refund the outstanding Series 2011A, and 2011B Bonds in the amount of \$149.8 million and to pay the costs of issuing the Series 2021 Bonds. The issuance of the 2021 Bonds also deposited \$200 million to the Airport Capital Fund to finance certain capital projects. The total proceeds of the 2021 Bonds were \$371.0 million (which includes a premium of \$69.0 million). The interest rates of the bonds that were refunded ranged from 3.750% to 5.000%. The interest rates of the newly issued bonds range from 4.000% to 5.000%. The transaction resulted in a total savings to the City of \$29.3 million over the next 10 years, the economic gain was \$26.7 million.
- In November 2021, the City of Philadelphia - Water Department received approval from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for the Lawncrest Southwest - Stormwater Project (Series 2021D); bringing the total financing from PENNVEST to \$301.5 million. During fiscal year 2022, PENNVEST draw-downs totaled \$1.3 million. The funding is through low interest loans of 1.000% to 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 1.727% to 2.107% for the remaining years. Individual loan information is as follows:

<u>Date</u>	<u>Series</u>	<u>Maximum Loan Amount</u>	<u>Amount Received Through 6/30/22</u>	<u>Current Balance Outstanding 6/30/22</u>	<u>Purpose</u>
Oct 2009	2009B	42,886,030	31,216,779	14,535,463	Water Plant Improvements
Oct 2009	2009C	57,268,193	49,157,776	25,005,737	Water Main Replacements
Mar 2010	2009D	84,759,263	75,744,096	38,651,545	Sewer Projects
Jul 2010	2010B	30,000,000	30,000,000	18,214,113	Green Infrastructure Project
Apr 2021	2021A	80,821,155	11,173,671	11,173,671	Torresdale Pump Station
Nov 2021	2021D	5,794,470	1,305,609	1,305,609	Lawncrest S.W. - Stormwater
	Totals	301,529,111	198,597,931	108,886,138	

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

(Amounts in Millions of USD)

<u>Fiscal Year</u>	<u>Water Fund</u>		<u>Aviation Fund</u>		<u>Notes from Direct Placement</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	84.3	103.2	52.2	66.5	2.6	1.7
2024	73.0	99.4	54.6	64.1	2.7	1.7
2025	79.1	96.2	82.7	61.1	110.2	1.7
2026	83.4	92.8	77.6	57.2	-	-
2027	83.2	89.3	82.6	53.2	-	-
2028-2032	357.7	404.2	309.9	211.3	-	-
2033-2037	353.2	329.1	244.5	149.4	-	-
2038-2042	435.4	247.0	215.2	95.8	-	-
2043-2047	430.2	153.2	207.9	50.3	-	-
2048-2052	341.5	69.8	105.0	8.7	-	-
2053-2057	114.1	6.9	-	-	-	-
Totals	2,435.1	1,691.1	1,432.2	817.6	115.5	5.1

(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	116.7
Enterprise Funds:	
Water Fund Revenue Bonds	380.8
	<u>497.5</u>

(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 did not borrow Tax Revenue Anticipation Notes in Fiscal Year 2022. In accordance with statute, there are no temporary loans outstanding at year-end.

(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, 2022, the City had an arbitrage liability of \$1,727.80, of which \$246.22 was attributable to Water and \$1,481.58 was attributable to PGW.

(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 as of June 30, 2022, classified by type, and the changes in fair value of such derivatives are as follows:

(Amounts in thousands)

Governmental Activities	Changes in Fair Value		Fair Value at June 30, 2022		
	Classification	Amount	Classification	Amount	Notional
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	(13,046)	Debt	(9,438)	100,000
	Deferred Outflow	(4,627)	Debt	(3,032)	43,170
	Deferred Outflow	(1,542)	Debt	(1,011)	14,385
Business Type Activities:					
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	(3,173)	Debt	201	46,100

The following table displays the objective and terms of the City's hedging derivative instruments outstanding at June 30, 2022, along with the credit rating of the associated counterparty.

City Entity:	City GO	Airport
Related Bond Series	2009B ⁽¹⁾	2005C Refunding
Initial Notional Amount	\$313,505,000	\$189,500,000
Current Notional Amount	\$100,000,000	\$46,100,000
Termination Date	8/1/2031	6/15/2025
Product	Fixed Payer Swap	Fixed Payer Swap ⁽²⁾
Rate Paid by Dealer	SIFMA	SIFMA
Rate Paid by City Entity	3.829%	Multiple Fixed Rates
Dealer	Royal Bank of Canada	JP Morgan Chase Bank, N.A.
Dealer Rating (M/S)	Aa2/AA-	Aa2/A+
Fair Value ⁽³⁾	(\$9,438,282)	\$200,802

1. On 7/28/2009, the City terminated a portion of the swap in the amount of \$213,505,000 in conjunction with the refunding of its Series 2007B bond with the Series 2009A fixed rate bonds. The City made a termination payment of \$15,450,000 to RBC
2. The City received an upfront payment of \$6,536,800 for the related swaption. JPM exercised its option to enter into the swap on 6/15/2005. The swap includes a knock-out option whereby JPM has the right to terminate the swap if the 180-day SIFMA average exceeds 7.00%.
3. Fair values are shown from the City's perspective and include accrued interest.

a. City of Philadelphia 2009B General Obligation Bond Swap

Objective: In December 2007, the City entered into a swap to synthetically refund all or a portion of several series of outstanding bonds. The swap structure was used as a means to increase the City's savings when compared with fixed-rate bonds at the time of issuance. The intention of the swap was to create a synthetic fixed-rate structure. On July 28, 2009, the City terminated approximately \$213.5 million of the swap, fixed out the bonds related to that portion and kept the remaining portion of the swap, as well as the related bonds as variable rate bonds backed with a letter of credit. The City paid a swap termination payment of \$15.5 million to RBC.

Terms: The swap was originally executed with Royal Bank of Canada (RBC), commenced on December 20, 2007, and will terminate on August 1, 2031. Under the swap, the City pays a fixed rate of 3.829% and receives the SIFMA Municipal Swap Index. The payments are based on an amortizing notional schedule (with an original notional amount of \$ 313.5 million). The swap confirmation was amended and restated effective August 13, 2009 to reflect the principal amount of the 2009B bonds, with all other terms remaining the same. As of June 30, 2022, the swap had a notional amount of \$100 million and the associated variable rate bonds had a \$100 million principal amount. The bonds mature on August 1, 2031.

Fair Value: As of June 30, 2022, the swap had a negative fair value of \$9.438 million. The fair value reflects the effect of non-performance risk, which includes credit risk. The fair value of the swap was measured using the income approach and is categorized within Level 2 of the fair value hierarchy.

Risk: As of June 30, 2022, 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, 2022, the rates were:

<u>Term</u>	<u>Rates</u>	
Interest Rate Swap		
Fixed payment to RBC under swap	Fixed	3.82900%
Variable rate payment from RBC under swap	SIFMA	-0.81500%
Net interest rate swap payments		3.01400%
Variable rate bond coupon payments	Weekly reset	0.88000%
Synthetic interest rate on bonds		3.89400%

Swap payments and associated debt: As of June 30, 2022, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the above current interest rates remain the same, were as follows:

<u>Fiscal Year</u>	<u>Variable Rate Bonds</u>		<u>Interest Rate</u>	
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Swaps Net</u>	<u>Total Interest</u>
<u>June 30</u>				
2023	-	880,000	3,014,000	3,894,000
2024	-	880,000	3,014,000	3,894,000
2025	-	880,000	3,014,000	3,894,000
2026	-	880,000	3,014,000	3,894,000
2027	-	880,000	3,014,000	3,894,000
2028-2032	100,000,000	2,438,656	8,352,397	10,791,053
2033-2032	-	-	-	-
Total:	100,000,000	6,838,656	23,422,397	30,261,053

b. Philadelphia Airport Swap

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

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

The swap's variable payments are based on the SIFMA Municipal Swap Index. If the rolling 180-day average of the SIFMA Municipal Swap Index exceeds 7.00%, JP Morgan Chase has the option to terminate the swap.

As of June 30, 2022, the swap had a notional amount of \$46.1 million and the associated variable-rate bonds had a \$46.1 million principal amount. The bonds' variable-rate coupons are based on SIFMA-based index. 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, 2022, the swap had a fair value of \$0.201 million. The fair value reflects the effect of non-performance risk, which includes credit risk. The fair value of the swap was measured using the income approach and is categorized within Level 2 of the fair value hierarchy.

Risk: As of June 30, 2022, the Airport was exposed to credit risk in the amount of the swap's fair value. Because the bonds and swap both reset at a rate linked to SIFMA, the Airport is not subject to basis risk. 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. As of June 30, 2022, the rates were:

<u>Terms</u>	<u>Rates</u>	
Interest Rate Swap		
Fixed payment to JP Morgan under swap	Fixed	2.66200%
Variable rate payment from JP Morgan under swap	SIFMA	-0.72880%
Net interest rate swap payments		1.93320%
Variable rate bond coupon payments	Weekly resets	0.98000%
Synthetic interest rate on bonds		2.91320%

Swap payments and associated debt: As of June 30, 2022, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the above current interest rates remain the same, were as follows.

<u>Fiscal Year Ending</u>	<u>Variable Rate Bonds</u>		<u>Interest Rate</u>	
	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Swaps Net</u>
2023	14,900,000	4,518	1,053,596	1,058,114
2024	15,400,000	3,058	608,636	611,694
2025	15,800,000	1,548	260,138	261,686
Total:	46,100,000	9,124	1,922,370	1,931,495

City Entity:	City Lease PAID	City Lease PAID
Related Bond Series	2007B-2 (Stadium) ⁽¹⁾	2007B-2 (Stadium) ⁽²⁾
Initial Notional Amount	\$217,275,000	\$72,400,000
Current Notional Amount	\$43,170,499	\$14,384,501
Termination Date	10/1/2030	10/1/2030
Product	Fixed Payer Swap	Fixed Payer Swap
Rate Paid by Dealer	SIFMA	SIFMA
Rate Paid by City Entity	3.9713%	3.9713%
Dealer	JPMorgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.
Dealer Rating	Aa2/A+	A2/A-
Fair Value (3)	(\$3,032,155)	(\$1,010,784)

1. 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. On September 11, 2019, PAID terminated a portion of the swap in the amount of \$33,455,654 in conjunction with the refunding of a portion of its Series 2007B bonds with the Series 2019 bonds. PAID made a termination payment of \$6,051,000 to JPMorgan.
2. 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. On September 11, 2019, PAID terminated a portion of the swap in the amount of \$11,149,346 in conjunction with the refunding of a portion of its Series 2007B bonds with the Series 2019 bonds. PAID made a termination payment of \$1,998,000 to Merrill Lynch.
3. Fair values are shown from the City's perspective and include accrued interest.

c. Philadelphia Authority for Industrial Development (PAID) 2007B

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

Terms: The total original notional amount of the two swaps was \$289.7 million which matched the principal amount of the 2007B bonds issued. One swap, with a notional amount of \$217.3 million, was executed with JP Morgan Chase Bank. The other swap, with a notional amount of \$72.4 million was executed with Merrill Lynch Capital Services, Inc. Both swaps commenced on October 25, 2007 and will terminate on October 1, 2030. Under the swaps, PAID pays a fixed rate of 3.9713% and receives the SIFMA Municipal Swap Index. The payments are based on an amortizing notional schedule.

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

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

In September 2019, the 2014A swaps were fully terminated in connection with the refunding of the associated bonds. PAID made termination payments of \$14.493 million to JPM and \$4.774 million to MLCS. The 2007B swaps were partially terminated with JPM in the amount of \$33,455,654 in conjunction with the refunding of a portion of its Series 2007B bonds with the 2019 bonds. PAID made a termination payment of \$6,051,000 to JPM. PAID

terminated a portion of the swap with MLCS in the amount of \$11,149,346 in conjunction with the refunding of a portion of its Series 2007B bonds with the 2019 bonds. PAID made a termination payment of \$1,998,000 to MLCS. As of June 30, 2022, the swaps together had a notional amount of \$57.555 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, 2022, the SIFMA-based swap with JP Morgan Chase Bank had a negative fair value of \$3.032 million, the SIFMA-based swap with Merrill Lynch Capital Services, Inc. had a negative fair value of \$1.011 million. The fair values reflect the effect of non-performance risk, which includes credit risk. The fair values of the swaps were measured using the income approach and are categorized within Level 2 of the fair value hierarchy.

Risks: As of June 30, 2022, 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 Assured Guaranty Municipal Corp (formerly FGIC).

As of June 30, 2022, the rates for the JPMorgan SIFMA-based swap were:

<u>Term</u>	<u>Rates</u>	
Interest Rate Swap		
Fixed payment to JP Morgan under swap	Fixed	3.97130%
Variable rate payment from JP Morgan under swap	SIFMA	-0.81500%
Net interest rate swap payments		3.15630%
Variable rate bond coupon payments	Weekly resets	0.89000%
Synthetic interest rate on bonds		4.04630%

As of June 30, 2022, the rates for the Merrill Lynch SIFMA-based swap were:

<u>Term</u>	<u>Rates</u>	
Interest Rate Swap		
Fixed payment to MLCS under swap	Fixed	3.97130%
Variable rate payment from MLCS under swap	SIFMA	-0.81500%
Net interest rate swap payments		3.15630%
Variable rate bond coupon payments	Weekly resets	0.89000%
Synthetic interest rate on bonds		4.04630%

Swap payments and associated debt: As of June 30, 2022, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the above current interest rates remain the same, were as follows:

Fiscal Year Ending June 30	Variable Rate Bonds		Interest Rate	Total Interest
	Principal	Interest	Swaps Net	
2023	\$ 4,031,636	384,217	1,362,590	1,746,807
2024	4,204,522	348,336	1,235,340	1,583,676
2025	4,384,136	310,916	1,102,633	1,413,549
2026	4,575,773	271,897	964,256	1,236,153
2027	4,770,773	231,172	819,831	1,051,003
2028-2032	21,203,659	481,629	1,708,050	2,189,679
Total:	43,170,499	2,028,167	7,192,700	9,220,867

Fiscal Year Ending June 30	Variable Rate Bonds		Interest Rate	Total Interest
	Principal	Interest	Swaps Net	
2023	1,343,364	128,022	454,018	582,040
2024	1,400,478	116,066	411,617	527,683
2025	1,460,864	103,602	367,414	471,016
2026	1,524,227	90,600	321,305	411,905
2027	1,589,227	77,035	273,196	350,231
2028-2032	7,066,341	160,506	569,220	729,726
Total:	14,384,501	675,831	2,396,770	3,072,601

(7) Pension Service Agreement

In Fiscal 1999, the Philadelphia Authority for Industrial Development (**PAID**) 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 fiscal year 2022 Pension Funding Bonds liability of \$566.7 million is reflected in the City's financial statements as another Long-Term Obligation.

(8) Neighborhood Transformation Initiative Service Agreement

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 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. In October 2018, PRA issued \$40.0 million of City Service Agreement Revenue Bonds Series 2018. The total proceeds were \$40.0 million (and the Bonds were issued with no premium). The proceeds of the sale were used to finance the Authority's Home Repair Program and to pay the costs of issuing the 2018 Bonds. The interest rates of the newly issued Bonds range from 3.171% to 4.552%. In October 2021, PRA issued \$98.6 million of City Service Agreement Revenue Bonds Series 2021. The total proceeds were \$101.2 million (including a premium of \$2.6 million). The proceeds of the sale were used to finance the Authority's Neighborhood Preservation Initiative Program and to pay the costs of issuing the 2021 Bonds. The interest rate of the newly issued Bonds ranges from 0.468% to 5.000%. The fiscal year 2022 NTI Service Agreement liability of \$258.8 million is reflected in the City's financial statements as another Long-Term Obligation.

(9) Sports Stadium Financing Agreement

In FY 2002, PAID issued \$346.8 million in Lease Revenue Bonds Series A and B of 2001 to be used to help finance the construction of two new sports stadiums. The bonds are special limited obligations of PAID. The City entered into a series of lease agreements as lessee to the Authority. The lease agreements are known as (1) the Veterans Stadium Sublease, (2) the Phillies' Prime Lease and (3) the Eagles Prime Lease. 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 2022, the Sports Stadium Financing Agreement liability of \$57.6 million is reflected in the City's financial statements as Other Long-Term Liabilities.

(10) Philadelphia Free Library

In August of 2005, PAID issued \$10.8 million of Lease Revenue Bonds for the Philadelphia Free Library Project. These bonds were issued to provide financing for a portion of the construction costs related to the expansion and renovation of the Central library of the Free Library of Philadelphia. The bonds are non-recourse obligations of PAID, payable solely from rental payments made by the City to PAID, which will be sufficient to pay the principal and interest due. The cumulative principal repayment on the Lease Revenue Bonds as of December 31, 2016 and 2015 was \$4,125,000. Effective February 3, 2016, the Cultural and Commercial Corridors Bonds were refinanced by the Revenue Refunding Bonds – Philadelphia Central Library Project, Series 2016B. In fiscal 2022, the liability of \$2.3 million is reflected in the City's financial statements as Other Long-Term Liabilities.

(11) Cultural and Commercial Corridors Program Financing Agreement

In December 2006, PAID issued \$135.5 million in Revenue Bonds, Series A and B. The proceeds from the bonds were used to finance a portion of the cost of various commercial and cultural infrastructure programs and administrative and bond issuance cost. The City and PAID signed a service agreement, whereby PAID manages a portion of the funds and the City makes payments equal to the yearly debt service. PAID will distribute some of the proceeds and some will flow through the City's capital project fund. In accordance with GASB Interpretation #2, PAID treats this as conduit debt, and therefore, does not include these transactions in its statements. The Series A Bonds began principal repayment in 2010. The Series B Bonds were paid off during 2009. As of December 31 2016, and 2015, the cumulative principal balance repaid for the Series A Bonds was \$22,230,000. Effective February 3, 2016, the Cultural and Commercial Corridors Bonds were refinanced by the Revenue Refunding Bonds – Cultural and Commercial Corridors Program, Series 2016A. In fiscal 2022, the liability of \$66.4 million is reflected in the City's financial statements as Other Long-Term Liabilities.

(12) City Service Agreement

In December 2012, PAID issued City Service Agreement Refunding Revenue Bonds, Series 2012 in the amount of \$299.8 million. The bonds were issued as term Bonds with interest rates of 3.664% (\$42.2 million) and 3.964% (\$257.6 million). The term bonds have a maturity date of April 15, 2026. The bonds were issued to refund outstanding Pension Funding Bonds Series 1999B, fund interest on the Bonds through April 15, 2020, make a deposit to the City Retirement System and pay the cost of issuance of the Bonds. The bond is payable as set forth in the Service Agreement solely from revenues of the City. The debt service payments begin in 2021. The reacquisition price exceeded the net carrying value of the old debt by \$23.1 million. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The portion of the Series 1999B Bonds that were refunded are considered defeased and the liability for those bonds has been removed from the Statement of Net Position. In fiscal year 2022, the liability of \$257.6 million is reflected in the City's financial statements as Other Long-Term Liabilities.

(13) City Service Agreement – Affordable Housing Series 2017

In August 2017, PAID issued \$52.9 million of City Service Agreement Revenue Bonds Series 2017. The total proceeds of the 2017 Bonds were \$60.8 million (which includes a premium of \$7.9 million). The 2017 Bonds were issued to finance certain costs of the City's affordable housing preservation programs and to pay the costs of issuing the 2017 Bonds. The interest rates for the 2017 Bonds range from 3.0% to 5.0%. In fiscal year 2022, the \$45.4 million liability for the Affordable Housing Preservation Series 2017 Bonds is reflected in the City's financial statement as another Long-Term Obligation.

(14) City Service Agreement – Philadelphia Museum of Art - 2018A & One Benjamin Franklin Parkway 2018B

In April 2018, PAID issued \$37.9 million of City Service Agreement Revenue Bonds Series 2018A and Series 2018B. The total proceeds of the 2018A Bonds were \$11.6 million (which includes a premium of \$1.3 million). The Philadelphia Museum of Art - Series 2018A Bonds were issued to finance certain costs of the Energy Project of the Philadelphia Museum of Art. The interest rates for the 2018A Bonds is 5.0%. The total proceeds of the One Benjamin Franklin Parkway – Series 2018B Bonds were \$30.5 million (which includes a premium of \$2.9 million). The 2018B Bonds were issued to refund all \$29.6 million of the Series 2007C Bonds and to pay the costs of issuing the 2018B Bonds. The interest rates for the 2018B Bonds is 5.0%. The interest rates of the refunded bonds range from 4.1% to 5.3%. The transaction resulted in a total savings to the City of \$2.3 million over the next 9 years. The

difference between the present value of the debt service payments on the old debt versus the new debt (economic gain) was \$2.1 million. In fiscal year 2022, the liability of \$8.9 million for the Philadelphia Museum of Art - Series 2018A Bonds and the \$16.6 million liability for the One Benjamin Franklin Parkway – Series 2018B Bonds, is reflected in the City's financial statement as another Long-Term Obligation.

(15) City Service Agreement – City's Parks and Recreation and the Free Library System of Philadelphia

In November 2018, PAID issued \$79.5 million in City Service Agreement Revenue Bonds, Series 2018. The total proceeds were \$87.7 million (which includes a premium of \$8.2 million). The 2018 bonds were issued at an interest rate of 5%. The 2018 bonds were issued for the purpose of providing funds to (A) finance certain costs of improvements to, and construction, demolition, renovation, and equipping of, certain City parks, libraries, playgrounds, recreation centers and other related facilities (Rebuild Project), and (B) pay the costs of issuing the 2018 bonds. In fiscal year 2022, the liability of \$70.5 million for the City's Parks and Recreation and the Free Library System of Philadelphia – City Service Agreement Revenue Bonds, Series 2018, is reflected in the City's financial statement as another Long-Term Obligation.

(16) PAID, on September 2019, the City issued PAID Series 2019 Lease Revenue Refunding Bonds of \$147.6 million to (i) refund all of the outstanding 2007B-3 Bonds and the 2014A Bonds, (ii) pay certain cost of terminating the swap agreements related to the Refunded Bonds, and (iii) pay the cost of issuing the 2019 Bonds. The total proceeds were \$176.9 million (which included a premium of \$29.3 million). The interest rates of the Bonds that were refunded ranged from 3.623% to 3.971%. The interest rates of the newly issued Bonds are 5.000%. The transaction resulted in a total savings to the City of (\$2.2) million over the next 12 years. The difference between the present value of the debt service payments on the old debt versus the new debt (economic gain) was (\$2.8) million. In fiscal year 2022, the liability of \$126.4 million for the 2019 Lease Revenue Refunding Bonds is reflected in the City's financial statements as another Long-Term Obligation.

(17) PAID, on March 2021, the City issued PAID - City Service Agreement Revenue Refunding Bonds, Series 2021 of \$137.0 million. The 2021 Bonds are being issued to (i) refund to maturity \$16.4 million (issuance value) of the Authority's Pension Funding Bonds (City of Philadelphia Retirement System), Series 1999B due on April 15, 2021 (the "1999B Refunded Bonds"), including accreted amounts thereon (i.e., totaling to a maturity value of \$70.0 million), refund \$19.0 million of the April 15, 2022 maturity of the 2012 Bonds on April 7, 2021 by optional redemption and the remaining \$23.2 million balance of the April 15, 2022 maturity of the 2012 Bonds due on April 15, 2021 by mandatory redemption, together with accrued interest thereon (the "2012 Refunded Bonds," and together with the 1999B Refunded Bonds, the "Refunded Bonds"), and refund the interest due on the remaining 2012 Bonds on their interest payment dates from April 15, 2021 through and including April 15, 2022, (ii) fund interest on the 2021 Bonds until April 15, 2023, and (iii) pay the costs of issuing the 2021 Bonds. The City is undertaking such refunding to achieve budgetary savings in its Fiscal Years ending June 30, 2021 and 2022. No proceeds of the 2021 Bonds will be used to make a deposit to the City Retirement System. In fiscal year 2022, the liability of \$137.0 million for the PAID - City Service Agreement Revenue Refunding Bonds, Series 2021 is reflected in the City's financial statements as another Long-Term Obligation.

(18) Net Pension Liability

Net Pension Liabilities at June 30, 2014 were \$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 2022, the Governmental Activities' Net Pension Liabilities (NPL) increased by \$591.8 million, resulting in a Net Pension Liability of \$4.8 Billion. During FY 2022, the Business Type Activities' NPL increased by \$74.3 million, resulting in a Net Pension Liability of \$580.2 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 \$3,288.1 million in principal, with interest rates from 1.250% to 6.765% and have due dates from 2023 to 2047. The following schedule reflects the changes in long-term liabilities for the SDP:

(Dollars in Millions)

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Governmental Activities:					
General Obligation Bonds/Lease Rental					
General Obligation Bonds	2,212.6	316.8	(131.3)	2,398.1	171.4
SPSBA-Lease Rental	915.9	-	(25.9)	890.0	27.1
Bond Premium					
General Obligation Bonds	144.4	60.0	(30.9)	173.5	22.8
SPSBA-Lease Rental	55.4	-	(8.3)	47.1	6.8
Unamortized Bond Discounts	(0.7)	-	0.1	(0.6)	-
Total Bonded Debt	3,327.6	376.8	(196.3)	3,508.1	228.1
Compensated Absences	203.8	13.0	(14.1)	202.7	14.0
Lease Purchase Obligations	9.8	0.8	-	10.6	2.2
Due to Other Governments					
-Deferred Reimbursement	45.3	-	-	45.3	45.3
Other Liabilities (2)	109.5	34.0	(30.5)	113.0	30.0
Incurred but Not Received (IBNR) Payable (3)	22.4	2.5	-	24.9	24.9
OPEB Life Insurance Liability	19.8	0.7	(0.4)	20.1	-
PSERS OPEB Liability	163.9	30.4	(9.1)	185.2	-
PSERS Pension Liability	3,734.1	-	(528.2)	3,205.9	-
Governmental Activity-Long-Term Liabilities	\$ 7,636.2	\$ 458.2	\$ (778.6)	\$ 7,315.8	\$ 344.5
Business-Type Activities:					
Compensated Absences	2.2	-	(0.2)	2.0	0.1
Lease Purchase Obligations	0.2	0.3	(0.5)	-	-
PSERS OPEB Liability	2.6	0.4	-	3.0	-
PSERS Pension Liability	56.5	-	(9.3)	47.2	-
Business-Type Activity-Long-Term Liabilities	\$ 61.5	\$ 0.7	\$ (10.0)	\$ 52.2	\$ 0.1

1. Long-term obligations include compensated absences, unemployment, workers' compensation and claims and judgments liabilities are accrued to the governmental funds to which the individual fund is charged. These liabilities are then liquidated by the General Fund. In addition, OPEB and Arbitrage liabilities are fully liquidated by the General Fund.
2. Other liabilities reported on the financial statements under long-term obligations include workers compensation, unemployment liabilities, claims & judgments, and IBNR liabilities.
3. IBNR is included with the Self Insurance Health Care Internal Service Fund.

The **SDP** Debt service to maturity on general obligation bonds at June 30, 2022 is summarized as follows:
(Excludes debt issued through the State Public School Building Authority)

Governmental Activities
(Dollars in Thousands)

Year Ending June 30	Interest Rates	Principal	Interest	Total
2023	1.250 - 5.995	\$ 171,430	\$ 115,340	\$ 286,770
2024	3.000 - 6.059	117,085	109,234	226,319
2025	3.000 - 6.209	114,015	103,464	217,479
2026	3.000 - 6.615	120,260	97,603	217,863
2027	3.000 - 6.615	114,330	92,101	206,431
2028-2032	3.000 - 6.765	634,100	359,811	993,911
2033-2037	3.000 - 6.765	426,505	216,740	643,245
2038-2042	3.000 - 6.765	339,685	120,189	459,874
2043-2047	3.000 - 6.765	360,760	21,027	381,787
Total		\$ 2,398,170	\$ 1,235,509	\$ 3,633,679

(2) Business Type Debt Payable

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

(Amounts In Thousands of USD)

Entity	Interest Rates	Principal	Due Dates
PGW	2.00% to 5.00%	997,020	Fiscal 2023 to 2050
PPA	2.58% to 5.25%	33,401	Fiscal 2023 to 2029
CCP	2.00% to 5.00%	69,480	Fiscal 2023 to 2040
PHA	3.00% to 5.00%	29,695	Fiscal 2022 to 2047
Total Revenue Debt Payable		1,129,596	

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

(Amounts in Millions of USD)

Fiscal Year	Philadelphia Gas Works †		Philadelphia Parking Authority		Community College of Philadelphia		Philadelphia Housing Authority ‡	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal *	Interest
2023	53.77	42.42	3.34	1.12	7.98	3.08	2.98	1.34
2024	60.26	40.14	3.38	1.01	6.24	2.68	0.61	1.20
2025	56.48	37.77	3.43	0.89	6.55	2.37	0.64	1.17
2026	58.98	35.70	3.49	0.77	6.00	2.04	0.67	1.14
2027	59.85	33.54	3.55	0.64	6.31	1.74	0.70	1.10
2028-2032	214.90	137.31	16.22	1.20	16.62	5.20	4.01	5.00
2033-2037	194.64	92.07	-	-	13.50	2.55	4.83	4.18
2038-2042	137.23	55.81	-	-	6.29	0.37	5.92	3.10
2043-2047	124.84	27.74	-	-	-	-	7.59	1.43
2048-2052	36.10	3.67	-	-	-	-	1.76	0.04
Totals	997.05	506.17	33.41	5.63	69.49	20.03	29.71	19.70

† - Gas Works amounts are presented as of its fiscal year ended August 31, 2022

‡ - PHA amounts are presented as of March 31, 2022

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

(3) Defeased Debt

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

(Amounts In Millions)

School District of Philadelphia	0.9
Total	\$ 0.9

As in prior years, **SDP** 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 of June 30, 2022, \$0.9 million of bonds outstanding are defeased and the liability has been removed from long-term liabilities related to Sale of District property.

(4) Derivative Instruments

a. PGW Interest Rate Swap Agreement

Objective – In January 2006, the City entered into a fixed rate pay or 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 swap had an original termination date of August 1, 2031, which was subsequently amended to August 1, 2028. The swaps 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 FY2017 through FY2023 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 fund this partial termination of the swaps which is included in unamortized loss on bond refunding on the Company's balance sheet.

As of August 31, 2022, 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 \$27.2 million 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, 2022, the swaps had a combined negative fair value of approximately \$6.0 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.

Risks – As of August 31, 2022, the City is not exposed to credit risk because the swaps had a negative fair value. Should interest rates change and the fair value of the swaps become positive, the City would be exposed to credit risk in the amount of the swaps' fair value. The swaps include a termination event additional to those in the standard ISDA master agreement based on credit ratings. The swaps may be terminated by the City if the rating of the counterparty falls below A3 or A- (Moody's/S&P), unless the counterparty has: (i) assigned or transferred the swap to a party acceptable to the City; (ii) provided a credit support provider acceptable to the City whose obligations are pursuant to a credit support document acceptable to the City; or (iii) executed a credit support annex, in form and substance acceptable to the City, providing for the collateralization by the counterparty of its obligations under the swaps.

The swaps may be terminated by the counterparty if the rating on the City of Philadelphia Gas Works Revenue 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, 2022 and 2021 is as follows (thousands of U.S. dollars):

	Interest Rate Swap Liability	Deferred outflows of resources	Deferred inflows of resources
Balance at August 31, 2021	19,058	9,116	-
Change in fair value through August 31, 2022	(13,014)	(9,116)	(3,898)
Amortization of terminated hedge	-	-	1,420
Balance at August 31, 2022	<u>6,044</u>	<u>-</u>	<u>(2,478)</u>

	Interest Rate Swap Liability	Deferred outflows of resources	Deferred inflows of resources
Balance at August 31, 2020	25,250	13,888	-
Change in fair value through August 31, 2021	(6,192)	(6,192)	-
Amortization of terminated hedge	-	1,420	-
Balance at August 31, 2021	<u>19,058</u>	<u>9,116</u>	<u>-</u>

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.

8. LEASES

A. CITY AS LESSEE

A lease is defined as a contractual agreement that conveys control of the right to use another entity's nonfinancial asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction. The City leases and subleases a significant amount of nonfinancial assets such as land, buildings, equipment and infrastructure. The related obligations are presented in the amounts equal to the present value of lease payments, payable during the remaining lease term. As the lessee, a lease liability and associated lease asset is recognized on the government-wide Statement of Net Position.

The City has a variety of variable payment clauses, within its lease arrangements, which include payments dependent on indexes and rates (such as the Consumer Price Index and a market interest rates), including variable payments based on future performance and usage of the underlying asset. Components of variable payments that are fixed in substance, are included in the measurement of the lease liability presented in the table below. The City did not incur expenses related to its leasing activities related to residual value guarantees, lease termination penalties or losses due to impairment. As a lessee, there are currently no agreements that include sale-leaseback and lease-leaseback transactions.

The City also enters into lease arrangements with third parties in which the City is a sublessee.

As of June 30, 2022, the City had minimum principal and interest payment requirements for its leasing activities, with a remaining term more than one year, for its Governmental and Business-Type Activities as follows (in thousands):

Governmental Activities

Fiscal Year Ending			
June 30	Principal	Interest	Total
2023	\$ 18,187	\$ 8,791	\$ 26,978
2024	18,024	8,405	26,429
2025	18,122	8,021	26,143
2026	17,692	7,640	25,332
2027	27,960	7,208	35,168
2028-2032	161,640	25,917	187,557
2033-2037	140,504	9,150	149,654
2038-2042	12,927	1,215	14,142
2043-2047	4,959	275	5,234
2048-2052	403	3	406
Total	<u>\$ 420,418</u>	<u>\$ 76,625</u>	<u>\$ 497,043</u>

Business-Type Activities

Fiscal Year Ending			
June 30	Principal	Interest	Total
2023	\$ 1,877	\$ 598	\$ 2,475
2024	1,899	558	2,457
2025	1,838	518	2,356
2026	1,719	480	2,199
2027	1,749	443	2,192
2028-2032	10,070	1,607	11,677
2033-2037	1,351	954	2,305
2038-2042	1,124	840	1,964
2043-2047	1,251	714	1,965
2048-2052	1,391	573	1,964
2053-2057	1,547	417	1,964
2058-2062	1,721	244	1,965
2063-2066	1,398	57	1,455
Total	<u>\$ 28,935</u>	<u>\$ 8,003</u>	<u>\$ 36,938</u>

B. CITY AS LESSOR

Additionally, as the lessor, the City leases, and subleases City-owned properties such as buildings, land, terminal concessions, and advertising space. The related receivables are presented in the Statement of Net Position for the amounts equal to the present value of lease payments expected to be received during the lease term. Revenue recognized under these lease contracts including interest during the year ended June 30, 2022 was \$38.3 and \$3.3 million, for the Governmental and Business-Type Activities, respectively. These amounts include variable payments not previously included in the measurement of the lease receivable.

The City's variable payments clause within its lease arrangements as the lessor, is similar to the arrangements made as lessee. The City did not incur revenue related to residual value guarantees or lease termination penalties. It also does not currently have agreements that include sale-leaseback and lease-leaseback transactions.

The following are schedules by year of minimum payments to be received under lease contracts that are included in the measurement of the lease receivable as of June 30, 2022 (in thousands):

Governmental Activities			
Fiscal Year Ending			
June 30	Principal	Interest	Total
2023	\$ 1,867	\$ 730	\$ 2,597
2024	2,007	690	2,697
2025	2,192	645	2,837
2026	2,326	597	2,923
2027	2,356	547	2,903
2028-2032	15,018	1,868	16,886
2033-2035	9,377	263	9,640
Total	<u>\$ 35,143</u>	<u>\$ 5,340</u>	<u>\$ 40,483</u>

Business-Type Activities			
Fiscal Year Ending			
June 30	Principal	Interest	Total
2023	\$ 17,267	\$ 2,584	\$ 19,851
2024	15,773	2,107	17,880
2025	10,898	1,683	12,581
2026	6,876	1,441	8,317
2027	6,718	1,241	7,959
2028-2032	15,681	4,279	19,960
2033-2037	8,140	2,728	10,868
2038-2042	8,134	1,538	9,672
2043-2047	5,628	418	6,046
2048-2052	509	29	538
2053-2054	53	1	54
Total	<u>\$ 95,677</u>	<u>\$ 18,049</u>	<u>\$ 113,726</u>

As of June 30, 2022 the City reported lease receivable of \$35.1 million and \$95.7 million for its Governmental and Business-type Activities, respectively. The City also reported a deferred inflow of resources in the amount of \$34.0 million and \$96.9 million for its Governmental and Business-type Activities, respectively, at June 30, 2022.

C. REGULATED LEASES

The Aviation Division does not recognize a lease receivable or a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g. the U.S. Department of Transportation and the Federal Aviation Administration, between airports and air carriers and other aeronautical users. Regulated leases include the following:

Airline Use Agreements:

On July 1, 2015, the Aviation Division entered into an Airport-Airline Use and Lease Agreements (Agreements) with 15 airlines operating at PHL. These Agreements while regulated by the FAA are not within the disclosures, since they expired on June 30, 2022 and are considered short term as defined in GASB 87.

Fixed Base Operators:

The Aviation Division has entered into two contracts with Fixed Base Operators (FBO) for the lease of certain airport system property. These two FBOs are commercial enterprises that provide aeronautical services such

as fueling, aircraft parking and storage to general aviation operators, and are therefore considered to be regulated leases. These agreements are scheduled to expire in March 2023 and April 2028. Revenues for FBOs was \$4.3 million in Fiscal Year 2022.

Hangers Ground Rentals:

The Aviation Division has entered into several agreements for aircraft maintenance facilities, cargo facilities and ramps, buildings, and land, which are regulated and whose term extends beyond June 30, 2022. Revenue recognized for these leases was \$2.5 million in Fiscal Year 2022.

Other Regulated Leases:

The Aviation Division has entered into an agreement with an airline fueling consortium at PHL. As defined by GASB 87, fuel consortium agreements are considered regulated. Revenue recognized for this agreement was \$1.8 million in Fiscal Year 2022.

Expected future minimum lease payments from Regulated Leases at June 30, 2022 are as follows (in thousands):

Business-Type Activities	
Fiscal Year Ending	Future Minimum Expected Receipts
June 30	
2023	\$ 5,612
2024	5,498
2025	5,518
2026	5,449
2027	5,443
2028-2032	17,314
2033-2037	11,415
2038-2042	13,531
2043-2047	13,519
2048-2052	1,963
2053-2057	632
2058-2062	632
2063-2067	632
2068-2069	158
Total	<u>\$ 87,316</u>

9. DEFERRED COMPENSATION PLANS

A. PRIMARY GOVERNMENT

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code section 457. As required by the Code and Pennsylvania laws in effect at June 30, 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*, as amended by GASB Statement No. 84 and GASB Statement No. 97, the City does not include the assets or activity of the plan in its financial statements.

The City of Philadelphia deferred compensation plan (457 plan) is considered a defined contribution pension plan for reporting purposes. Only employees participating in Pension Plan 10 and Plan 16 are eligible for the City match; provided that any Plan 16 employees whose annual salary is greater than the Stacked Hybrid Cap of \$65,000. The City will provide a match of 50% of employees' contribution up to maximum of 1.5% of the employee's annual salary. These contributions from both the employee and employer are deposited in a trust account held and administered by a third-party. The accounts are held in the name of each employee and the employee has control over how the investments are managed (which investments to choose, and when to withdraw investments). The

City provides no guarantees on investment returns and has no liability to the plan beyond providing the match previously described. The employee contributions are immediately vested (no restrictions on withdraw). The employer contributions are vested after five years of credited service. If the employee separates from service prior to completion of five (5) years of Credited Service, the employee's City match will be forfeited. Any forfeitures of employer contributions are used to offset future employer contributions or plan costs. In FY22, the City contributed \$0.5 million to the plan, net of any forfeitures.

B. COMPONENT UNITS

PGW offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The Plan is 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, up to a maximum of \$500, that immediately vests to the employee. PGW contributed 0.4 million each in FY2022 and in FY2021. PGW's contributions are accounted for as part of administrative and general expenses on the statements of revenues and expenses and changes in net positions.

The School District of Philadelphia (**SDP**) offers its employees a 403 (b) Plan and a 457 (b) Deferred Compensation Plan. Termination pay is the accrued and unpaid amounts of vacation, personal and sick leave for a resigning or retiring employee. For employees resigning or retiring during or after the calendar year in which they attain age 55, the SDP makes an automatic and mandatory employer contribution of termination pay to the Plans up to the annual contribution limits for such Plans. Under the 403(b) Plan, termination pay contributions are treated as employer contributions to a retirement plan, and the contributions are not included in employee wages nor subject to FICA. While contributions under the 457(b) Plan are considered wages for FICA purposes. Under both plans, contributions are not subject, Pennsylvania Personal Income Tax or Philadelphia Wage Tax. For that reason, the School District does not withhold those taxes.

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 (\$3.9 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 \$176.4 million at June 30, 2022. The fund balances in the following Special Revenue Funds were restricted: Health-Choices Behavioral Health \$390.8 million; Grants Revenue \$36.4 million; County Liquid Fuels Tax \$17.7 million; Special Gasoline Tax \$54.8 million; Hotel Room Rental Tax \$9.0 million; Car Rental Tax \$8.3 million; Housing Trust \$80.4 million; Acute Care Hospital Assessment \$22.0 million; Arbitration Appeals \$0.07 million; Departmental \$13.4 million; Municipal Authority Administrative \$0.3 million; PICA Administrative \$20.1 million. The Debt Service Fund had a Restricted Fund Balance of \$11.4 million and the entire fund balance of the Capital Improvement \$308.9 million funds was restricted. The Permanent Fund had a restricted fund balance of \$3.3 million at June 30, 2022.
- **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 \$5.4 million, and Departmental \$1.9 million. The Permanent Fund had a committed fund balance of \$0.1 million at June 30, 2022.
- **Assigned Fund Balance** – Includes amounts that are constrained by a 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 \$659.0 million at June 30,

2022, which represents \$493.9 million of encumbrance balances and \$165.1 million of the unobligated Philadelphia Beverage Tax revenue 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 \$410.7 million unassigned fund balance at June 30, 2022. Within the Special Revenue Funds, the Grants Revenue Fund had a negative unassigned fund balance of (\$410.6 million) and the Community Development Fund had a negative unassigned fund balance of (\$19.3 million) at June 30, 2022.

City Council and the Mayor established a Budget Stabilization Reserve through amendment to the City's Charter. Appropriations to the Budget Stabilization Reserve shall, each year, be made in the following amounts, provided that total appropriations to the Budget Stabilization Reserve shall not exceed five percent (5%) of General Fund Appropriations: (1) Such amounts as remain unencumbered in the Budget Stabilization Reserve from the prior fiscal year, including any investment earnings certified by the Director of Finance; plus (2) When projected General Fund Balance for the end of the fiscal year to which the operating budget relates, without taking into account any deposits to the Budget Stabilization Reserve required by subsection (2), equals or exceeds three percent of General Fund appropriations for the upcoming fiscal year, an amount equal to three-quarters of one percent (.75%) of Unrestricted Local General Fund Revenues for the upcoming fiscal year; plus (3) Such additional amounts as the Council shall authorize by ordinance, no later than at the time of passage of the annual operating budget ordinance and upon recommendation of the Mayor. The Director of Finance shall allow withdrawals from the Budget Stabilization Reserve only upon (1) approval by ordinance of a transfer of appropriations from the Budget Stabilization Reserve, pursuant to Section 2-300(6) of the City Charter, and only for the purposes set forth in such transfer ordinance; and (2) either: (a) A certification by the Director of Finance that General Fund Revenues actually received by the City during the prior fiscal year were at least one percent (1%) less than the General Fund Revenues set forth in the Mayor's estimate of receipts pursuant to Section 2-300(3) of the City Charter; or (b) A certification by the Director of Finance that such withdrawal is necessary to avoid either a material disruption in City services or to fund emergency programs necessary to protect the health, safety or welfare of City residents; and that it would be fiscally imprudent to seek emergency appropriations pursuant to Section 2-301(a) of the City Charter. Such certification must be approved either by (1) a resolution adopted by two-thirds of all of the members of the Council, or (2) an agency of the Commonwealth with responsibility for ensuring the fiscal stability of the City. At June 30, 2022 the Budget Stabilization Reserve fund had a \$0 balance.

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, 2022:

City of Philadelphia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

Exhibit XIII

Amounts in Thousands

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
<u>Nonspendable:</u>					
Inventory	-	-	-	-	-
Permanent Fund (Principal)	-	-	-	3,927	3,927
Subtotal Nonspendable	-	-	-	3,927	3,927
<u>Restricted for:</u>					
Neighborhood Revitalization	-	-	299	-	299
Economic Development	-	-	-	9,043	9,043
Public Safety Emergency Phone System	-	-	36,145	-	36,145
Streets & Highways	-	-	-	72,530	72,530
Housing and Neighborhood Dev	-	-	-	80,395	80,395
Health Services	-	-	-	22,048	22,048
Behavioral Health	-	390,849	-	-	390,849
Libraries & Museums	-	-	-	2,012	2,012
Intergovernmental Financing	-	-	-	20,097	20,097
Stadium Financing	-	-	-	8,258	8,258
Cultural & Commercial Corridor Project	942	-	-	-	942
Pension Obligation Bonds	3,222	-	-	342	3,564
Debt Service Reserve	-	-	-	11,401	11,401
Capital Projects	-	-	-	308,920	308,920
Rebuild	44,575	-	-	-	44,575
Home Repair Program	127,683	-	-	-	127,683
Trust Purposes	-	-	-	14,789	14,789
Subtotal Restricted	176,422	390,849	36,444	549,835	1,153,550
<u>Committed, Reported in:</u>					
Social Services	-	-	-	30	30
Prisons	-	-	-	5,375	5,375
Parks & Recreation	-	-	-	2,027	2,027
Subtotal Committed	-	-	-	7,432	7,432
Assigned to:					
General Management & Support	365,013	-	-	-	365,013
Social Services	41,454	-	-	-	41,454
Economic Development	1,953	-	-	-	1,953
Libraries & Museums	1,807	-	-	-	1,807
Prisons	30,480	-	-	-	30,480
Health Services	22,922	-	-	-	22,922
Other	30,226	-	-	-	30,226
Phila. Beverage Tax - Unobligated	165,128	-	-	-	165,128
Subtotal Assigned	658,983	-	-	-	658,983
Unassigned Fund Balances:					
	410,702	-	(410,623)	(19,323)	(19,244)
Subtotal Unassigned	410,702	-	(410,623)	(19,323)	(19,244)
Total Fund Balances	1,246,107	390,849	(374,179)	541,871	1,804,648

11. INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds. These transactions are recorded as 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 collection of a portion of the wage tax paid by City residents and the transfer of funds that are not needed for debt service and administrative costs to the general fund. Additionally, 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 From:	Transfers To:				
	Governmental	Non Major Governmental			Total
	General	Special Revenue	Debt Service	Capital Improvement	
General Fund	\$ -	\$ 24,991	\$ 196,562	\$ 5,796	\$ 227,349
Grants Revenue Fund	284,504	1,288	3,397	-	289,189
Non major Special Rev. Fds	555,077	-	23,382	4,500	582,959
Permanent Funds	-	123	-	-	123
Capital Improvements	-	12,000	-	-	12,000
Water Fund	576	47,802	-	-	48,378
Total	\$ 840,157	\$ 86,204	\$ 223,341	\$ 10,296	\$ 1,159,998

12. TAX ABATEMENTS

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

TAX CREDIT AGREEMENTS ENTERED INTO BY THE CITY OF PHILADELPHIA

Community Development Corporation (CDC) Tax Credit:

The Program rewards local businesses that contribute to economic development efforts as sponsors in distressed parts of the city. A sponsor will receive a tax credit of \$100,000 per year against its Business Income and Receipts Tax liability for each year the sponsor contributes \$100,000 in cash to a qualifying organization.

The Philadelphia Code under Chapter § 19-2604 (6) defines the implementation of the Community Development Corporation (CDC) Tax Credit. Section 501 of the Business Income and Receipts Tax regulations provides a full description of the CDC Tax Credit, including definitions of qualifying CDCs.

The CDC tax credit is available to a maximum of 42 businesses in any given tax year. Applications are reviewed and accepted on a first-come, first-served basis. The sponsor must contribute \$100,000 in cash to a qualifying organization under the terms and conditions of the Business Income and Receipts Tax regulations and the contribution agreement. Contributions exceeding \$100,000 will not be entitled to any additional tax credit and no tax credit will be available if contributions are less than \$100,000. Sponsors must make the full contribution by December 31st of each year. A sponsor must take the credit on the tax year for which the contribution is made. Any tax credit not used in the period the contribution was made may not be carried forward or carried backward. Tax credits are non-transferable and may be used only by the sponsor.

A business as a sponsor that pledges and contributes \$100,000 annually to a currently non-participating qualifying organization for 10 consecutive years; obtains a tax credit of \$100,000 or actual BIRT tax liability per year, whichever is lower.

Under the CDC tax credit program there are currently no provisions for recapturing the past abated tax monies.

Gross dollar amount, on an accrual basis, by which the City's tax revenues were reduced as a result of the CDC Tax Credit program for fiscal year 2022 totaled, **\$2,229,034**.

Job Creation Tax Credit:

The Job Creation Tax Credit rewards businesses that increase the number of jobs available in the City of Philadelphia.

The Philadelphia Code under Chapter § 19-2604 (7) defines the implementation of the Job Creation Tax Credit. A full description of the Job Creation Tax Credit can be found under Section 502 of the BIRT regulations.

A business can attain this credit if it creates 25 new jobs or increases its number of employees by at least 20% within five years of the designated start date. Program participants must commit to maintaining business operations in the City of Philadelphia for five years.

The credit amount for jobs created is 2% of annual wages paid for each new job or \$5,000 per new job created, whichever is higher, subject to the maximum amount specified in the commitment agreement.

There are no provisions for recapture of this tax credit.

Program participants must commit to maintaining business operations in the City of Philadelphia for five years.

Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of the Job Creation Tax Credit program for fiscal year 2022 totaled, **\$1,009,463**.

For the above Tax Credit Agreements entered into by the City of Philadelphia;

- There were no forgone revenues received, or receivable from other governments.
- There were no other commitments, other than to reduce taxes.
- No tax abatement agreement has been disclosed individually.
- No required information has been omitted.

REAL ESTATE TAX ABATEMENT AGREEMENTS ENTERED INTO BY THE CITY OF PHILADELPHIA

- Development Abatement for New or Improved Residential Properties (State Act 175)
- Rehab Construction for Residential Properties (Ordinance 961)
- Rehab & New Construction for Commercial & Industrial Properties (Ordinance 1130)
- New Construction for Residential Properties (Ordinance 1456-A)

Specific taxes being abated are Real Estate taxes.

The purpose of these programs is to encourage new construction or rehabilitation of properties, to help revitalize communities, retain residents, attract home- and business-owners to the City of Philadelphia, and reduce development costs for commercial and residential projects.

To be eligible to receive these tax abatements; owners / developers rehabbing or building residential properties, and/or owners/developers rehabbing or building property to be sold or leased for commercial, industrial or business purposes that make improvements, under City issued permits, that affect the assessed value of the property.

For the State Act 175, Real Estate Taxes are abated for the first 30 months or until property is leased or sold, whichever occurs first.

For the Ordinance 961, Ordinance 1130, & Ordinance 1456-A; Real Estate Taxes are abated for 10 years, beginning January 1st, after the improvement is certified by the owner.

The amount of tax abatement is determined, such as dollar amount or percentage of taxes owed, based on the change in value due to the improvements.

There are no provisions to recapture abated taxes.

Gross dollar amounts, on an accrual basis, by which the City's tax revenues were reduced as a result of the Real Estate tax abatement programs for fiscal year 2022 were:

- **State ACT 175, \$1,140,665.**
- **Ord. 961, \$10,043,975.**
- **Ord. 1130, \$46,403,049.**
- **Ord. 1456-A, \$32,528,961.**

For the above Real Estate Tax Agreements entered into by the City of Philadelphia;

- There were no forgone revenues received, or receivable from other governments.
- There were no other commitments, other than to reduce taxes.
- No tax abatement agreement has been disclosed individually.
- No required information has been omitted.

TAX ABATEMENT AGREEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Keystone Opportunity Zone (KOZ)

For properties in the areas designated by the Pennsylvania Department of Community and Economic Development. A KOZ property is a legislatively designated parcel where little to no development has taken place. Philadelphia offers tax abatements to businesses that invest in these areas.

The specific taxes being abated are Business Income and Receipt Tax, Net Profit Tax, & Real Estate Tax.

The Philadelphia Code, Chapter § 19-3200 defines the implementation of the Keystone Opportunity Zone, Economic Development District, and Strategic Development Area Tax Credit.

To qualify for Keystone Opportunity Zone Tax Credits, a business must:

- Own or lease property in one of the designated zones; and actively conduct a trade, business, or profession in that same designated zone.
- The qualified business must receive initial certification from the Pennsylvania Department of Community and Economic Development (DCED).

Waived or reduced taxes will apply when filing the tax forms/returns listed below:

- Tax credits are applied to recipients
- State Corporate Net Income Tax
- Capital Stock & Foreign Franchise Tax
- Personal Income Tax (Partners or Sole Proprietors)
- Sales & Use Tax
- Mutual Thrift Institutions Tax
- Insurance Premiums Tax and/or to their respective
- City Business Income & Receipt Tax
- Net Profit Tax
- Real Estate Tax filings

Abatement / credit amounts are based on the recipients' tax return filings and real estate tax valuations.

If any qualified business located within the zone has received an exemption, abatement or credit under this Chapter and subsequently relocates outside of the zone before agreement period ends; that business will refund to the City or School District, the exemptions, abatements or credits attributed in accordance to the Philadelphia Codes.

Commitments made by recipients include;

- Must be up to date on all City and State taxes and in compliance with City and State laws and regulations.
- Must file KOZ application annually.
- If presently a PA business and relocated to a KOZ, they must,
 - increase employment by 20% in the first year
 - or invest the equivalent of 10% of the previous year's gross revenues in capital improvements to the KOZ Property.
 - or enter into a lease agreement for property within a KOZ for a term at least equivalent to the duration of the KOZ property and with an aggregate payment under the lease at least equivalent to 5% of the gross revenues of that business in the immediately preceding calendar or fiscal year.

Gross dollar amounts, on accrual basis, by which the City's tax revenues were reduced as a result of the KOZ Real Estate tax abatement programs for fiscal year 2022 were:

Keystone Opportunity Zone (KOZ) Real Estate Tax Credits	\$ 7,106,593
Business Income and Receipt Tax (KOZ Credit)	53,675,752
	<u>\$ 60,782,345</u>

For the above Tax Abatement Agreements entered into by Other Governments;

- o There were no forgone revenues received, or receivable from other governments.
- o There were no other commitments, other than to reduce taxes.
- o No tax abatement agreement has been disclosed individually.
- o No required information has been omitted.

The following summarizes the fiscal year 2022 tax abatement agreements, and their respective dollar totals, entered into by the City of Philadelphia and Other Governments.

Tax Credit Agreements entered into by the City of Philadelphia

Community Development Corporation Tax Credit	\$ 2,229,034
Job Creation Tax Credit	1,009,463
	<u>\$ 3,238,497</u>

Real Estate Tax Abatement Agreements entered into by the City of Philadelphia

DEVELOPMENT STATE ACT 205/175	\$ 1,140,665
ORD 961 UNCAPPED	10,043,975
ORD 1130 AS AMENDED 10 YRS	46,403,049
ORD 1456-A/983 AS AMENDED - 10 YEARS RESIDENTIAL	32,528,961
	<u>\$ 90,116,650</u>

Tax Abatement Agreements entered into by Other Governments

Keystone Opportunity Zone (KOZ) Real Estate Tax Credits	\$ 7,106,593
Business Income & Receipt Tax (KOZ Credit)	53,675,752
	<u>\$ 60,782,345</u>

As of June 30, 2022, the grand total of forgone revenues as a result of all the tax abatement programs was:	<u>\$ 154,137,492</u>
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Tax Increment Financing (TIF)

The Commonwealth of Pennsylvania has approved the Tax Increment Financing Act that authorizes the taxing bodies of the City of Philadelphia (the City and School District) to create geographic areas ("TIF Districts"), where certain increases in tax revenue may be used to finance improvements in the TIF Districts. The TIF loan is usually funded by a private lender, i.e. bank, and is paid by the incremental taxes from Real Estate, Use and Occupancy, City Sales and Business Privilege.

Philadelphia Industrial Development Corporation (PIDC), acting on behalf of Philadelphia Authority for Industrial Development (PAID), can propose any area of the City to City Council and the School District for approval as a TIF District under the terms of the Act. Any new improvements can be funded by the TIF loan.

TIF's are a financing tool that enable the City to establish a district in a blighted area, within which increases in taxes resulting from development of the district can be applied to project costs in the district or to project-related debt service.

The total gross dollar amount, on an accrual basis, by which the City's fiscal year 2022 tax revenues were redirected as result of the TIF program was **\$628,722**.

13. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

(Amounts in Millions)

Bonds Payable	\$	2,166.4
Service Agreements	\$	1,661.7
Indemnity Claims	\$	143.8
Employee Related Obligations	\$	866.0
Leases	\$	580.6
Total Adjustment:	\$	<u>5,418.5</u>

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

A. PRIMARY GOVERNMENT

The City recorded the cumulative effect of applying the provisions of GASB Statement No. 87 as a restatement of beginning net position as of July 1, 2021 (the beginning of the current financial statement period). The City previously reported a lease agreement with the Philadelphia Authority for Industrial Development, a component unit of the City, for use of certain properties at 400 North Broad Street as a capital lease. At June 30, 2021, the net book value of the assets acquired under this lease agreement was \$208.7 million, and the value of the lease liability was \$233.4. Net position as of July 1, 2021 was increased by \$24.7 million in the Governmental Activities. The effect on beginning balances for fiscal year 2022 is as follows:

(In thousands)

Description	July 1, 2021 as Previously Reported	Restatement	July 1, 2021 as Restated
Other Capital Assets (Net of Depreciation)	\$ 1,744,416	(208,754)	\$ 1,535,662
Bonds Payable & Other Long-term Liabilities			
Due within one year:	(329,963)	5,745	(324,218)
Due in more than one year:	(4,582,907)	227,708	(4,355,199)
Total	(3,168,454)	24,699	(3,143,755)
Net Investment in Capital Assets	655,433	24,699	680,132
Net Position	\$ (7,057,770)	24,699	\$ (7,033,071)

B. COMPONENT UNIT

1. The **School District of Philadelphia (SDP)**:

Governmental Activities: Net position and intangible assets decreased by \$2.2 million due to purchases related to software costs not being capitalizable. The District determined that certain costs that were capitalized in Fiscal Year 2021 did not meet the intangible asset capitalization criteria as determined under GASB 51. Therefore, the District reduced its intangible asset value and reduced its net position by \$2,229,672. This adjustment had no impact on the Governmental Fund Statements.

General Fund and Capital Projects Fund: The District determined that \$2.7 million of capital project costs that were expended in Fiscal Year 2021 from the Capital Projects fund were not eligible to be paid from the Capital

Projects fund. Therefore, in Fiscal Year 2022, the District increased the Capital Projects fund balance and decreased the General fund balance by \$2,662,802. This adjustment had no impact on the total governmental fund balance. This adjustment also had no impact on the District's Statement of Net Position.

2. Philadelphia Housing Authority (PHA)

During the fiscal year ended March 31, 2022, two solely owned PHA entities purchased the 99.99% investor limited partner interest and special limited partner interest in two L.P. entities, Lucien E. Blackwell Homes Phase III, L.P. and Mill Creek Phase I, L.P. With the acquisition of the 99.99% investor limited partnership interests, Lucien E. Blackwell Homes Phase III, L.P. and Mill Creek Phase I, L.P. are now considered blended component units of PHA. The following tables are summaries of these acquisitions:

Acquisition Details				
Entity Acquired	Acquired Date	PHA Owned Acquiring Entity	Former Investor Limited Partner	Former Special Limited Partner
Lucien E. Blackwell Homes Phase	2/1/2022	LBHLP III LLC	PNC Multifamily Capital Institutional Fund XXXI Limited Partnership	Columbia Housing SLP Corporation
Mill Creek Phase I, L.P.	2/1/2022	MCLP Phase I LLC	PNC Multifamily Capital Institutional Fund XXVI Limited Partnership	Columbia Housing SLP Corporation

Acquisition Costs			
Entity Acquired	Sales Price	Related Settlement Costs	Total Consideration
Lucien E. Blackwell Homes Phase III, L.P.	\$ 8,895	\$ 12,339	\$ 21,234
Mill Creek Phase I, L.P.	11,809	18,885	30,694
	<u>\$ 20,704</u>	<u>\$ 31,224</u>	<u>\$ 51,928</u>

The consideration paid by LBHLP III LLC and MCLP Phase I LLC for the partnership interests is recognized as a capital investment. It was determined as of March 31, 2022, that a loss of \$20,704 should be recognized.

	Loss on Investment
LBHLP III LLC	\$ 8,895
MCLP Phase I LLC	11,809
Total Loss on Investment	<u>\$ 20,704</u>

3. Philadelphia Redevelopment Authority (PRA)

Effective June 30, 2022, PRA implemented GASB Statement No. 87 Leases. The requirements of this Statement improve financial reporting by increasing the usefulness of the PRA's financial statements by requiring recognition of a lease receivable and deferred inflows of resources for the PRA's Garage Redevelopment Site and improvements lease. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. These changes were incorporated in the PRA's financial statements and had an effect on beginning net position. The implementation of GASB Statement No. 87 the following effect on net position reported as of June 30, 2020:

Net Position June 30, 2020	\$ 181,274,002
Adjustments:	
Lease Receivable	3,159,040
Deferred inflows of resources - lease revenue, net of accumulated amortization	<u>(3,649,700)</u>
Restated Net Position June 30, 2020	<u>\$ 180,783,342</u>

As PRA's FY20 net position is not reported in the City's ACFR, the FY21 net position has been adjusted by (\$393,000) to match PRA's financial statements.

4. Philadelphia Gas Works (PGW)

FY 2021 ending net position was adjusted by (\$46,000) as a result of the implementation of GASB 87.

15. NET POSITION RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net position reports \$1,932.2 million of restricted net position, of which \$194.5 million is restricted by enabling legislation as follows:

	<i>(Amounts in Thousands of USD)</i>	
	<u>Restricted Net Position</u>	<u>Restricted by Enabling Legislation</u>
Capital Projects	622,460	-
Debt Service	376,061	-
Pension Oblig Bond Refunding Reserve	3,222	-
Behavioral Health	390,849	-
Neighborhood Revitalization	299	-
Cultural & Commercial Corridor Project	819	-
Rebuild Project	44,575	-
Home Repair Program	127,683	-
Grant Programs	104,164	80,395
Rate Stabilization	139,669	-
Libraries & Parks:		
Expendable	4,391	-
Non-Expendable	3,927	-
Other	114,119	114,119
Total	<u>1,932,238</u>	<u>194,515</u>

16. FUND DEFICITS

- The Grants Revenue fund, which is a Special Revenue Fund, has a Fund Balance Deficit at year-end of \$374.2 million. The deficit was primarily caused by 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 \$19.3 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, 2021, the date of the most recent actuarial valuation, pension plan membership consisted of the following:

Actives	27,020
Terminated Vested	900
Disabled	3,796
Retirees	22,202
Beneficiaries	8,445
DROP	1,878
Total City Members	<u>64,241</u>
Annual Salaries	\$ 1,886,511,515
Average Salary per Active Member	\$ 69,819
Annual Retirement Allowances	\$ 804,906,478
Average Retirement Allowance	\$ 23,369

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, 2021, members contributed at one of the following rates:

Employee Contribution Rates
For the Period of July 1, 2021 to June 30, 2022

	Municipal (1)	Elected (2)	Police	Fire
Plan 67	7.00%	N/A	6.00%	6.00%
Plan 87	3.55%	11.56%	6.84%	6.84%
Plan 87 - 50% of Aggregate Normal Cost (3)	4.25%	N/A	N/A	N/A
Plan 87 - Accelerated Vesting (4)	4.46%	12.59%	N/A	N/A
Plan 87 Prime (5)	4.55%	12.56%	7.84%	7.84%
Plan 10	2.42%	N/A	7.34%	7.34%
Plan 10 - Accelerated Vesting	2.86%	N/A	N/A	N/A
Plan 16 (6)	4.14%	N/A	N/A	N/A
Plan 16 - Accelerated Vesting (7)	4.45%	N/A	N/A	N/A

- 1- For the Municipal Plan 67 members who participate in the Social Security System, employee contributions are 4.75% of compensation up to the social security wage base and 7% above it.
- 2- The employee contribution rate is based upon the normal cost of \$575,721 under plan 87 Elected, normal cost or \$329,131 under Plan 87 Municipal and annual payroll of \$3,271,935.
- 3- This represents 50% of aggregate Normal Cost for all members in Plan Y and applies to Deputy Sheriffs hired between 1/1/2012 and 6/20/2018.
- 4- Member rates for Municipal Plan 87 (Y5) members eligible to vest in five years and Elected Officials (L8) eligible to be vested in eight years instead of 10.
- 5- Plan 87 Prime refers to new hires who have the option to elect Plan 10 but have elected to stay in Plan 87. New hires after 7/1/2017 in Police and Fire Plan 87 Prime pay 8.50% and are not reflected above.
- 6- All Municipal groups (except elected officials) hired after January 1, 2019 participate in Plan 16.
- 7- Member rate for Municipal Plan 16 members eligible to vest in 7 years instead of 10 years.

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, three contribution amounts are determined based upon three 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.

The third method currently followed by the City, the Revenue Recognition Policy (RRP), calls for additional revenue to be contributed each year in addition to the MMO. There are three sources of additional revenue that will be received by the Fund: 1) a portion of the sales tax according to the State Legislation, 2) additional tiered member contributions based on salary level for all municipal employees, and 3) additional member contributions from the current and future uniform members in Plan 87.

Under all 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 the same under the MMO and RRP, but different under City's Funding Policy.

City's Funding Policy:

The initial July 1, 1985 unfunded actuarial liability (UAL) was amortized over 34 years ending June 30, 2019, with payments increasing at 3.3% per year, the assumed payroll growth. All future amortization periods will follow the MMO funding policy below. 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 2022, the City and other employers' contributions of \$859.8 million was more than the actuarially determined employer contribution (ADEC) of \$826.4 million. In the event that the City contributes less than the funding policy, an experience loss will be created which will be amortized in accordance with funding policy over a closed 20-year period.

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

Minimum Municipal Obligation (MMO):

For the purposes of the MMO under Act 205 reflecting the fresh start amortization schedule, the July 1, 2009 UAL was "fresh started" to be amortized over 30 years ending June 30, 2039. This is a level dollar amortization of the UAL.

In fiscal year 2022, the City and other employers' contributions of \$859.8 million exceeded the Minimum Municipal Obligation of \$678.2 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.

Revenue Recognition Policy (RRP)

Revenue Recognition Policy is similar to the MMO except that the assets used to determine the unfunded liability do not include the portion of sales tax revenue, tiered member contributions from the municipal employees, and additional uniform members' contributions. These sources of income are contributed over and above the City's contribution of the MMO and will be in addition to the MMO. Therefore, under this funding method the additional revenue amounts are separately tracked and accumulated in a notional account which is then subtracted from the assets before calculating the contribution amounts due under the MMO methodology. The Fund accumulates these amounts in a notional account and deducts them from the Actuarial Asset Value before the MMO is determined. These amounts are accumulated at the Actuarial Asset Value return rates to preserve the new funding methodology objective.

In fiscal year 2022, the City and other employers' contributions of \$859.8 million exceeded the contribution under Revenue Recognition Policy of \$727.4 million.

The Schedule of Employer Contributions (based on the RRP Funding Policy) is included as Required Supplementary 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 Fund. 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 Fund. 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 60 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, 2021, the date of the most recent actuarial valuation, there was \$76,471,047 in the PAF and the Board voted to make PAF distributions of \$37,395,128 during the fiscal year ended June 30, 2022.

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 four-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 four-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 four-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, 2022, is \$141.5 million.

c. INVESTMENTS

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

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

The Fund seeks an annual total rate of return of not less than 7.40% over a full market cycle. It is anticipated that this return standard should enable the Fund to meet its current actuarially assumed earnings projection of 7.40% over a market cycle. The investment return assumption was reduced by the Board from 7.50% to 7.40% from the prior fiscal year. The Fund's investment program will pursue its aforesaid 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 is maintained. The Investment Policy Statement is updated (and re-affirmed) each year at the January Board meeting. The following was the Board's approved asset allocation policy as of April 22, 2021:

(see pension plan's investment policy: <http://www.phila.gov/pensions/PDF/ips.pdf>)

Asset Class	Target Allocation
Broad Fixed Income	13.0 %
High Yield	1.0 %
Global Aggregate	1.0 %
Emerging Market Debt	2.0 %
U.S. Large Cap Core Equity	20.0 %
U.S. Mid Cap Core Equity	4.0 %
U.S. Small Cap Core Equity	4.0 %
Global Low Volatility Equity	10.0 %
International Developed Large Cap Equity	10.0 %
International Small Cap Equity	3.0 %
Emerging Market Equity	3.0 %
Core Real Estate	10.0 %
Public REITs	1.0 %
Opportunistic Real Estate	1.0 %
Global Infrastructure	5.0 %
Private Equity	12.0 %
Total	100.0 %

Money-Weighted Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -5.44%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

d. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Method Used to Value Investments

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

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. Some of the investment values provided in the report are estimates due to a lag in reporting for private market investments. 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. Fair market values reported for the alternative investments are net of investment expenses. Unsettled investment sales are reported as Accrued Interest and Other Receivables, 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 of America 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 impose limitations on the amounts invested in certain types of securities.

Custodial Credit Risk

Custodial credit risk for Deposits is the risk that in the event of a bank failure, the Fund's deposits may not be returned to them. The Fund's cash deposits are held in two banks as of June 30, 2022. Amounts are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation (FDIC). Deposits in excess of the FDIC limit are collateralized with securities held by the pledging financial institution's trust department or agent in the Fund's name. The Fund classifies Money Market funds held by custodian institution, Northern Trust, as cash equivalents. The Fund also classifies Treasury Bills and Commercial Papers as cash equivalent if the date of maturity is three months or less from the acquisition date.

Custodial credit risk for Investments is the risk that 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.

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 segmented time distribution, which shows the total fair value of investments maturing during a given period.

The table below details the exposure to interest rate changes based upon maturity dates of the fixed income securities at June 30, 2022:

2022 (in Thousands)	Total Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Asset Backed Securities	\$ 20,963	\$ -	\$ 7,285	\$ 2,430	\$ 11,248
Commercial Mortgage Backed Securities	23,860	-	129	2,930	20,801
Corporate Bonds	325,142	6,102	98,330	163,942	56,768
Fixed Income ETF	2,533	2,533	-	-	-
Government Agencies	24,621	395	5,639	10,905	7,682
Government Bonds	390,647	8,214	185,539	115,858	81,036
Government Mortgage Backed Securities	93,480	4,625	732	2,865	85,258
Govt-issued Commercial Mortgage Backed	1,179	-	801	273	105
Municipal Bonds	16,066	644	5,139	2,924	7,359
Non-Govt Baked C.M.O.s	1,189	-	38	-	1,151
Sukuk	987	-	278	709	-
Total Interest Rate Risk of Debt Securities	\$ 900,667	\$ 22,513	\$ 303,910	\$ 302,836	\$ 271,408

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, 2022, the Fund has no single issuer that exceeds 5% of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded.

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The fund is subject to credit risk on \$589.3 million of directly owned fixed income securities. The Fund's directly owned rated debt investments as of June 30, 2022, were rated by Standard & Poor's, a nationally recognized statistical rating agency and are presented below using Standard and Poor's rating scale:

2022 (in Thousands)	Credit Rating										
	Total Fair Value	AAA	AA	A	BBB	BB	B	CCC	CC	D	NR
Asset Backed Securities	\$ 20,453	\$ 6,692	\$ 4,986	\$ 69	\$ 1,501	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,205
Commercial Mortgage Backed Securities	23,860	8,469	997	-	828	-	3	-	-	-	13,563
Corporate Bonds	325,142	3,185	9,696	44,379	98,061	80,240	54,649	7,431	91	26	27,384
Fixed Income ETF	2,533	-	-	-	-	-	-	-	-	-	2,533
Government Agencies	19,421	1,388	10,702	-	1,810	742	-	-	-	-	4,779
Government Bonds	96,337	-	553	486	20,934	15,052	2,501	1,674	-	163	54,974
Government Mortgage Backed Securities	82,241	-	81,339	-	-	-	-	-	-	-	902
Gov't-issued Commercial Mortgage Backed	1,074	-	1,074	-	-	-	-	-	-	-	-
Municipal Bonds	16,066	-	9,757	2,646	841	678	-	-	-	-	2,144
Non-Gov't Baked C.M.O.s	1,189	470	-	13	-	-	12	-	-	-	694
Sukuk	987	-	-	-	592	-	-	-	-	-	395
Total Credit Risk of Debt Securities	<u>\$ 589,303</u>	<u>\$ 20,204</u>	<u>\$ 119,104</u>	<u>\$ 47,593</u>	<u>\$ 124,567</u>	<u>\$ 96,712</u>	<u>\$ 57,165</u>	<u>\$ 9,105</u>	<u>\$ 91</u>	<u>\$ 189</u>	<u>\$ 114,573</u>
U.S. Gov't Guaranteed*	311,364										
	<u>\$ 900,667</u>										

* U.S. government agency securities explicitly guaranteed by the U.S. government are categorized here.

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 41.83% of the total investment in equities. The Fund's exposure to foreign currency risk on June 30, 2022 was as follows (expressed in thousands):

Currency	Cash	Fixed Income	Equities	Derivatives	Total
Euro	\$ 1,882	\$ 9,540	\$ 384,860	\$ (801)	\$ 395,481
Japanese yen	2,043	-	259,372	(552)	260,863
British pound sterling	861	8,093	182,330	(432)	190,852
Canadian dollar	544	2,134	176,425	(1,417)	177,686
Hong Kong dollar	882	-	121,168	-	122,050
Australian dollar	495	6,238	97,734	(222)	104,245
Swiss franc	1,417	-	98,481	-	99,898
South Korean won	-	8,883	29,843	-	38,726
Swedish krona	239	-	36,898	-	37,137
Danish krone	170	-	29,116	-	29,286
Mexican peso	2	16,264	5,724	-	21,990
Brazilian real	10	8,818	11,169	-	19,997
South African rand	18	7,514	8,091	-	15,623
Singapore dollar	198	-	13,040	-	13,238
Norwegian krone	237	-	10,719	-	10,956
Malaysian ringgit	15	4,325	4,860	-	9,200
Indonesian rupiah	39	1,953	6,429	-	8,421
New Israeli shekel	149	-	7,445	-	7,594
Thai baht	12	1,102	6,165	-	7,279
Colombian peso	2	4,840	104	-	4,946
New Zealand dollar	204	-	3,513	-	3,717
Philippine peso	1	-	3,375	-	3,376
New Taiwan dollar	2,578	-	695	-	3,273
All Others	96	2,480	5,073	-	7,649
	<u>\$ 12,094</u>	<u>\$ 82,184</u>	<u>\$ 1,502,629</u>	<u>\$ (3,424)</u>	<u>\$ 1,593,483</u>

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 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 on June 30, 2022 in addition to the fair value and change in the fair value of derivatives.

List of Derivatives Aggregated by Investment Type					
Classification	Change in Fair Value		Fair Value at June 30, 2022		Notional
Investment Derivatives					
Forwards Currency Contracts	Net Appreciation (Depreciation) in Investments	\$ (3,978,185)	Investments	\$ (4,216,511)	\$ 216,418,984
Futures	Net Appreciation (Depreciation) in Investments	370,770	Investments	-	17,162,415
Grand Totals		<u>\$ (3,607,415)</u>		<u>\$ (4,216,511)</u>	<u>\$ 233,581,399</u>

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's, 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 a 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 no total receive fixed interest Swaps during 2022. 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 the 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 loss from Futures contracts was (\$149,287.31) and is included in the net change in fair value of investments in the statement of changes in fiduciary net position.

Forward contracts:

The Fund is exposed to basis risk on its forward contracts because of a possible mismatch between the price of the asset being hedged and the price at which the forward contract is expected to settle. The realized loss from forward contracts was (\$3,600,824.91) and is included in the net change in fair value of investments in the statement of changes in fiduciary net position.

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%. 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 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 Municipal Pension Fund has the following recurring fair value measurement as of June 30, 2022 (expressed in thousands):

	June 30, 2022	Fair Value Measurements Using		
		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				
Asset Backed Securities	\$ 20,963	\$ -	\$ 20,963	\$ -
Commercial Mortgage Backed	23,860	-	23,147	713
Corporate Bonds	325,142	-	325,130	12
Fixed Income ETF	2,533	2,533	-	-
Government Agencies	24,621	-	24,621	-
Government Bonds	390,647	-	390,647	-
Government Mortgage Backed Securities	93,480	-	93,480	-
Gov't-issued Commercial Mortgage Backed	1,179	-	1,179	-
Municipal Bonds	16,066	-	16,066	-
Non-Government Backed C.M.O.s	1,189	-	771	418
Sukuk	987	-	987	-
Equity	3,808,972	3,806,565	-	2,407
Total Investments by Fair Value Level	4,709,639	3,809,098	896,991	3,550
Investments Measured at the Net Asset Value (NAV)				
Fixed Income Hedge Funds	\$ 26,834			
Credit Distressed Hedge Fund	9			
Equity Long/Short Hedge funds	29,643			
Real Estate	588,933			
Private Equity	985,364			
Total Investments Measured at the NAV	1,630,783			
Total Investments Measured at Fair Value	\$ 6,340,422			
Investment Derivative Instruments				
Forward Currency Contracts (Assets)	1,267	-	1,267	
Forward Currency Contracts (Liabilities)	(5,484)	-	(5,484)	
Total Investment Derivative instruments	\$ (4,217)	\$ -	\$ (4,217)	

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

<u>Investment Measured at the Net Asset Value (NAV)</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>	
Fixed Income Hedge Funds	\$ 26,834	\$ -	Quarterly	90-120 days
Credit Distressed Hedge Fund	9	-	Quarterly	90 days
Equity Long/Short Hedge funds	29,643	-	Quarterly	90 days' notice
Real Estate	588,933	22,537	N/A	N/A
Private Equity	985,364	322,191	N/A	N/A
Total Investments Measured at the NAV	\$ 1,630,783			

1. Credit distressed hedge funds: This Fund seeks 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. This Fund maintains 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 Fund 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. Investments can be redeemed with a 90 days' notice. This Fund has been terminated but due to its structure and illiquid nature, investments haven't been fully liquidated yet.

2. Equity long/short hedge funds: This Fund will typically hold 0-50 long positions and 10-15 short positions in U.S. common stocks. Management can 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. Investments 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 in these funds may 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 hedge 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. Investments are generally driven by fundamental, value-oriented analysis, and specific credit events. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. Investments can be redeemed with a 90-120 days' notice. These Funds have been terminated but because of their structure and illiquid nature, the investments haven't been fully liquidated yet.

Securities Lending Program

The Fund, pursuant to a Securities Lending Authorization Agreement, has authorized Northern Trust to act as the Fund's agent in lending the Fund's securities to approved borrowers. Northern Trust, as agent, enters into Securities Loan Agreements with borrowers.

Securities are loaned versus collateral that may include cash; U.S. government and select OECD government debt securities; and domestic and international equities from major indices as defined specifically in the non-cash collateral guidelines within the Securities Lending Authorization Agreement. U.S. securities are loaned versus collateral valued at 102% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105% of the market value of the securities plus any accrued interest. Non-Cash collateral cannot be pledged or sold unless the borrower defaults.

All securities loans can be terminated on demand by either the lender or the borrower, although the average term of City of Philadelphia Board of Pensions and Retirement loans was approximately 80 days as of June 30, 2022. Cash open collateral is invested in a short-term investment pool, the NT Coll SL Core S/T Inv Fund, which had an interest sensitivity of 24 days as of this statement date.

There were no violations of legal or contractual provisions, no borrower or lending agent default losses known to the securities lending agent.

There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower and Northern Trust has failed to live up to its contractual responsibilities relating to the lending of those securities. Northern Trust's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending.

As of June 30, 2022, the fair value of securities on loan was \$483.9 million. Associated collateral totaling \$500.4 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, 2022, the invested cash collateral was \$500.4 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, 2022 were as follows:

Total Pension Liability	\$ 12,374,126,417
Plan Fiduciary Net Position	6,939,833,896
Collective Net Pension Liability	<u>\$ 5,434,292,521</u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability: 56.1%

Actuarial assumptions:

The total pension liability was determined by an actuarial valuation as of June 30, 2021 and was rolled forward to June 30, 2022. The June 30, 2021 actuarial valuation used the following actuarial assumptions, applied to all periods including the measurement period:

Actuarial Cost Method:	Entry Age Normal
Investment Rate of Return:	7.40% compounded annually, net of expenses
Salary Increases:	Age based table

The investment return assumption was changed from 7.50% from the prior year valuation to 7.40% for the current year valuation.

To recognize the expense of the benefits payable under the Pension Adjustment Fund, the actuarial liabilities have been increased by 0.54%. This estimate is based on the statistical average expected value of the benefits.

Mortality Rates: For Municipal and Elected Officials, 127% and 119% for males and females, respectively, of the RP-2014 Healthy Annuitant Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017. For Uniform, 115% of the RP-2014 Blue Collar Healthy Annuitant Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017.

The measurement date for the net pension liability (NPL) is June 30, 2022. Measurements are based on the fair value of assets as of June 30, 2022 and the total pension liability (TPL) as of the valuation date, July 1, 2021, updated to June 30, 2022. The roll-forward procedure included the addition of service cost and interest cost offset by actual benefit payments and an adjustment to reflect changes in assumptions.

There were no changes in benefits during the year. After the issuance of the June 30, 2021 GASB report, the Board adopted a reduction in the expected long-term return on assets from 7.50% to 7.45% effective July 1, 2021. Furthermore, effective July 1, 2022, the Board approved reducing the expected long-term return on assets from 7.45% to 7.40% and proposed demographic assumption changes resulting from the Experience Study completed in April 2022 which included updates to mortality rates, retirement rates, termination rates, disability rates, salary scale, and percent married for non-active members. The combined effect of these assumption changes increased the TPL by approximately \$220 million.

During the measurement year, the collective NPL increased by approximately \$641 million. The service cost and interest cost increased the collective NPL by approximately \$1.07 billion while contributions offset by

investment losses and administrative expenses decreased the collective NPL by approximately \$482 million. Additionally, there was an actuarial experience gain during the year of approximately \$201 million.

Long-term expected rate of return:

The long-term expected rate of return on pension plan investments was determined using the software simulations developed by the Fund's investment consultant, Marquette Associates, 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, 2022, are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return
Broad Fixed Income	4.1 %
High Yield	9.0 %
Global Aggregate	3.0 %
Emerging Market Debt	8.5 %
U.S. Large Cap Core Equity	6.7 %
U.S. Mid Cap Core Equity	7.0 %
U.S. Small Cap Core Equity	7.8 %
Global Low Volatility Equity	6.7 %
International Developed Large Cap Equity	7.4 %
International Small Cap Equity	7.8 %
Emerging Market Equity	7.4 %
Hedge Funds	5.2 %
Core Real Estate	6.6 %
Public REITs	5.8 %
Opportunistic Real Estate	11.0 %
Global Infrastructure	6.8 %
Private Equity	11.2 %

The above table reflects the expected real rate of return for each major asset class. The expected inflation rate is projected at 2.75% for the same period.

Discount Rate: The discount rate used to measure the total pension liability was 7.40%. 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 Fund, calculated using the discount rate of 7.40%, as well as what the Fund'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:

	Decrease 6.40%	Rate 7.40%	Increase 8.40%
Total Pension Liability	\$ 13,637,931,891	\$ 12,374,126,417	\$ 11,296,402,627
Plan Fiduciary Net Position	6,939,833,896	6,939,833,896	6,939,833,896
Collective Net Pension Liability	<u>\$ 6,698,097,995</u>	<u>\$ 5,434,292,521</u>	<u>\$ 4,356,568,731</u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	50.9%	56.1%	61.4%
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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. 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, 2022.

	Change in Collective Net Pension Liability		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2021	\$ 12,218,303,114	\$ 7,424,982,787	\$ 4,793,320,327
Changes for the year:			
Service cost	186,293,827		186,293,827
Interest	879,400,291		879,400,291
Changes of benefits	-		-
Differences between expected and actual experience	(200,733,436)		(200,733,436)
Changes of assumptions	220,153,521		220,153,521
Contributions - employer		859,786,617	(859,786,617)
Contributions - member		110,446,674	(110,446,674)
Net investment income		(479,762,783)	479,762,783
Benefit payments	(929,290,900)	(929,290,900)	-
Administrative expense		(8,933,371)	8,933,371
PAF Distributions		(37,395,128)	37,395,128
Net Changes	<u>155,823,303</u>	<u>(485,148,891)</u>	<u>640,972,194</u>
Balances at 6/30/2022	<u>\$ 12,374,126,417</u>	<u>\$ 6,939,833,896</u>	<u>\$ 5,434,292,521</u>

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

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

Schedule of Pension Amounts by Employer					
For the year ended	PPA	PMA	PHDC	City	Total
Collective pension expenses	\$ 3,950,372	\$ 207,914	\$ 727,700	\$ 514,899,745	\$ 519,785,731
Change in proportion	(17,313,398)	(38,430)	(662,246)	18,014,074	-
Contribution difference	5,668,807	112,778	638,449	(6,420,033)	-
Employer pension expense	<u>(7,694,219)</u>	<u>282,262</u>	<u>703,903</u>	<u>526,493,786</u>	<u>519,785,731</u>
Net pension liability 6/30/21	64,709,824	2,875,992	8,627,977	4,717,106,534	4,793,320,327
Net pension liability 6/30/22	<u>41,300,623</u>	<u>2,173,717</u>	<u>7,608,010</u>	<u>5,383,210,171</u>	<u>5,434,292,521</u>
Change in net pension liability	<u>(23,409,201)</u>	<u>(702,275)</u>	<u>(1,019,967)</u>	<u>666,103,637</u>	<u>640,972,194</u>
Deferred outflow s 6/30/21	13,500,230	953,570	1,422,257	103,657,135	119,533,192
Deferred outflow s 6/30/22	<u>16,462,415</u>	<u>931,252</u>	<u>2,203,465</u>	<u>514,826,917</u>	<u>534,424,049</u>
Change in deferred outflow s	<u>2,962,185</u>	<u>(22,318)</u>	<u>781,208</u>	<u>411,169,782</u>	<u>414,890,857</u>
Deferred inflow s 6/30/21	(38,103,598)	(441,599)	(1,558,863)	(738,242,319)	(778,346,379)
Deferred inflow s 6/30/22	<u>(44,177,010)</u>	<u>(878,620)</u>	<u>(1,965,472)</u>	<u>(165,243,054)</u>	<u>(212,264,156)</u>
Change in deferred inflow s	<u>(6,073,412)</u>	<u>(437,021)</u>	<u>(406,609)</u>	<u>572,999,265</u>	<u>566,082,223</u>
Employer contributions	12,603,756	525,198	2,098,468	844,559,195	859,786,617
Employer pension expense	(7,694,219)	282,262	703,903	526,493,786	519,785,731

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			
<i>(Amounts in thousands of USD)</i>			
Municipal Pension Fund	Proportionate Share of NPL	Discretely Presented Component Units	City and Blended Component Units
City	5,383,212	-	5,383,212
PPA	41,301	41,301	-
PMA	2,174	-	2,174
PHDC (1)	7,608	7,608	-
Collective Net Pension Liability	<u>5,434,295</u>	<u>48,909</u>	<u>5,385,386</u>
State Pension Fund			
PICA			1,034
City's Primary Government Net Pension Liability (Exhibit I)			<u>5,386,419</u>

(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 immateriality.

Deferred Outflows by Employer

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

Schedule of Employer's Deferred Outflows					
	PPA	PMA	PHDC	CITY	Total
Proportionate Shares	0.76%	0.04%	0.14%	99.06%	100%
Experience	\$ 45,695	\$ 2,405	\$ 8,418	\$ 5,956,043	\$ 6,012,561
Assumption changes	1,596,447	84,024	294,082	208,084,249	210,058,802
Investment return	1,961,475	103,236	361,324	255,662,791	258,088,826
Proportion change	-	468,466	-	45,123,834	45,592,300
Contribution difference	12,858,798	273,121	1,539,641	-	14,671,560
	<u>\$ 16,462,415</u>	<u>\$ 931,252</u>	<u>\$ 2,203,465</u>	<u>\$ 514,826,917</u>	<u>\$ 534,424,049</u>

Deferred Inflows by Employer

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

Schedule of Employer's Deferred Inflows					
	PPA	PMA	PHDC	CITY	Total
Proportionate Shares	0.76%	0.04%	0.14%	99.06%	100%
Experience	\$ 1,155,202	\$ 60,800	\$ 212,800	\$ 150,571,494	\$ 152,000,296
Assumption changes	-	-	-	-	-
Investment return	-	-	-	-	-
Proportion change	43,021,808	817,820	1,752,672	-	45,592,300
Contribution difference	-	-	-	14,671,560	14,671,560
	<u>\$ 44,177,010</u>	<u>\$ 878,620</u>	<u>\$ 1,965,472</u>	<u>\$ 165,243,054</u>	<u>\$ 212,264,156</u>

Recognition of Deferred Outflows and Inflows by Employer

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

Schedule of Employer's Recognition of Deferred Outflows and Inflows					
For Year ending	PPA	PMA	PHDC	CITY	Total
2023	\$ (11,002,664)	\$ 108,135	\$ 94,453	\$ 95,264,192	\$ 84,464,116
2024	(10,869,990)	(43,485)	45,037	61,651,366	50,782,928
2025	(7,411,686)	(94,636)	(190,662)	(11,935,563)	(19,632,547)
2026	1,569,745	82,618	289,164	204,603,869	206,545,396
2027	-	-	-	-	-
Thereafter	-	-	-	-	-
Total	<u>\$ (27,714,595)</u>	<u>\$ 52,632</u>	<u>\$ 237,992</u>	<u>\$ 349,583,864</u>	<u>\$ 322,159,893</u>

(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 other. 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 Annual Comprehensive Financial Report as a fiduciary 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, 2022), the Plan’s membership consisted of:

Active participants	1,062
Retired participants	2,215
Vested terminated participants	<u>312</u>
Total plan participants	3,589
Total payroll	\$ 97,434,997
Average pay	91,747

The Plan is currently open to all employees of PGW.

b. BENEFITS PROVIDED

Normal Retirement Benefits: The Plan provides retirement benefits as well as death and disability benefits. Retirement benefits are vested after 5 years of credited service. Employees who retire at or after age 65 are entitled to receive an annual retirement benefit, payable monthly, in an amount equal to the greater of:

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

Final Average Earnings are the employees’ average pay, over the highest five years of the last ten years of credited service. Employees with 15 years of credited service may retire at or after age 55 and receive a reduced retirement benefit. In addition, employees with 30 years of credited service are eligible to select early retirement with no reduction in benefits.

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% of their compensation. Such contributions are made by means of periodic payroll deductions determined by the Company. Contributing participants are 100% vested in their employee contributions. All participants in the Plan, including contributing participants, have no vested interest in their accrued benefit from the Plan sponsor until they have 5 years of credited service, at which time they become 100% vested in their accrued benefit. Contributions from contributing participants for the Plan year ended June 30, 2022 totaled \$1,853,932.

In addition, newly hired employees, 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 in these financial statements.

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, 2022 and the contribution rate as a percentage of payroll was 31.32%.

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.

Investments

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 25, 2019. 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 investment 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 any consultants. The Policy can only be revised or changed by a vote by the Commission.

For a more complete description of the Policy, see the online version at:
<http://www.phila.gov/Treasurer/Documents/PGWPP.pdf>.

The Pension Plan utilizes both equity and fixed-income investments consistent with the Policy as described above. As of June 30, 2022, the Plan had investments of approximately \$535 million, comprised of \$382 million in equities and \$153 million in fixed-income investments. The ratio of equities to fixed income is 71% to 29%, which is in line with the Policy guidelines of 45-75% equities and 25-45% fixed income.

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of investment expense was -12.77%.

The Commission employs third-party vendors to manage the assets of the Plan as well as perform other needed services. As of June 30, 2022, the Commission employed the following investment managers and vendors:

Manager	Mandate	Balance (Millions)
<u>Equity Managers</u>		
Rhumblin Asset Management	Domestic Large Cap Index	\$ 113.6
Rhumblin International	International Markets	26.4
PineBridge Investments	Domestic Large Cap Index	73.9
Northern Trust Company	Domestic Large Cap Index	34.6
Acadian Asset Management	International Markets	42.2
Earnest Partners, LLC	International Markets	37.9
Copeland Capital Management	Domestic and International	28.1
Rhumblin Small CAP	Domestic Small Cap Index	<u>25.3</u>
		382.0
<u>Bond Managers</u>		
Weaver Barksdale	Core	44.5
Met Life Inc	Investment Grade	16.8
Met Life Inc	Core	41.3
Garcia Hamilton	Intermediate	38.3
Sky Harbor Capital Management	High Yield	<u>12.3</u>
		153.2
Total		<u>\$ 535.2</u>

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 one-year extensions at the discretion of the Commission.

c. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. The pension benefits are paid monthly and recorded as paid. As a result, there are no pension benefits payable on June 30, 2022.

Method Used to Value 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 \$17,008,433 for the year ended June 30, 2022. Net unrealized gain for the year ended June 30, 2022 totaled (\$110,183,257).

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.

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 after 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 after year end.

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 relatively short maturity of these instruments.

Investment Advisors

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

Income Taxes

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

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.

Related Parties

The Sinking Fund Commission is the trustee of the Plan. The City of Philadelphia Department of Finance provides bookkeeping services for the Plan. Philadelphia Gas Works makes monthly benefit payments to retirees on behalf of the Plan and incurs administrative expenses on behalf of the Plan. Benefit payments made by PGW and administrative costs incurred by PGW on behalf of the Plan amounted to \$58,502,195 and \$199,905, respectively for the year ended June 30, 2022.

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 on June 30, 2022, and the reported amounts of revenues and expenses during the year then ended. Actual results could differ from those estimates. Significant estimates include the valuation of investments without quoted prices in an active market for identical assets and the actuarial estimates for Plan future benefit obligations.

Risks 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.

Cash Deposits, Investments, and Securities Lending

The Plan is authorized to maintain a diversified portfolio in the following types of investments: U.S. Treasury and 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 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. The Plan's fixed income investments are as follows:

	Total Fair Value	Below 1 Year	1 to 5 years	5 to 10 years	10 years and over
U.S. Govt. Treasuries	\$ 53,000,254	\$ -	\$ 29,411,120	\$ 16,251,035	\$ 7,338,099
U.S. Govt. Agencies	29,696,362	-	1,205,563	1,120,296	27,370,503
Municipal Bonds	343,381	72,256	-	-	271,125
Corporate Bonds	62,260,427	1,597,173	22,034,914	22,092,235	16,536,105
Foreign Bonds	7,916,237	44,941	2,863,048	3,045,094	1,963,154
	<u>\$ 153,216,661</u>	<u>\$ 1,714,370</u>	<u>\$ 55,514,645</u>	<u>\$ 42,508,660</u>	<u>\$ 53,478,986</u>

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 Fund's rated debt investments as of June 30, 2022 were rated by Standard and Poor's ("S&P"), a nationally recognized statistical rating agency, and are presented below using S&P's rating scale:

S&P Credit Rating	U.S. Government Treasuries	U.S. Government Agency Securities	Municipal Obligations	Corporate Bonds	Foreign Bonds	Total Fair Value
AAA	\$ -	\$ -	\$ -	\$ 2,586,166	\$ 113,904	\$ 2,700,070
AA+	53,000,254	29,696,362	\$ -	1,321,859	-	84,018,475
AA	-	-	-	1,052,335	-	1,052,335
AA-	-	-	-	1,441,084	73,135	1,514,219
A+	-	-	-	2,609,532	-	2,609,532
A	-	-	271,124	2,028,536	654,873	2,954,533
A-	-	-	-	8,401,143	1,445,208	9,846,351
BBB+	-	-	72,257	11,013,742	1,236,383	12,322,382
BBB	-	-	-	7,693,648	1,687,157	9,380,805
BBB-	-	-	-	5,659,627	905,483	6,565,110
BB+	-	-	-	2,518,424	448,559	2,966,983
B+	-	-	-	1,998,305	154,475	2,152,780
BB	-	-	-	1,867,695	207,904	2,075,599
BB-	-	-	-	1,364,818	363,262	1,728,080
B	-	-	-	1,666,490	54,262	1,720,752
B-	-	-	-	1,700,222	84,525	1,784,747
CCC+	-	-	-	407,214	184,247	591,461
CCC	-	-	-	841,350	160,860	1,002,210
CCC-	-	-	-	96,300	-	96,300
NR/NA	-	-	-	5,991,937	142,000	6,133,937
	<u>\$ 53,000,254</u>	<u>\$ 29,696,362</u>	<u>\$ 343,381</u>	<u>\$ 62,260,427</u>	<u>\$ 7,916,237</u>	<u>\$ 153,216,661</u>

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, 2022, no single investment not guaranteed by the U.S. government exceeds 5% of the Plan's net fiduciary financial position.

Securities Lending Program

The Fund, pursuant to a Securities Lending Authorization Agreement, has authorized US Bank to act as the Fund's agent in lending the Fund's securities to approved borrowers. US Bank, as agent, enters into Securities Loan Agreements with borrowers.

During the fiscal year, US Bank lent, on behalf of the Fund, certain securities of the Fund held by US Bank as custodian and received cash collateral. US Bank 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 101% of the market value of the loaned securities.

Pursuant to the Securities Lending Authorization Agreement, US Bank 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, 2022, the weighted average maturity was 5 days, and the final maturity was 397 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, 2022, the Fund had no credit risk exposure to borrowers because all borrowers were required to deliver collateral for each loan.

As of June 30, 2022, the fair value of securities on loan was \$40.4 million. Associated collateral totaling \$41.8 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, 2022, the invested cash collateral was \$41.8 million and is valued at amortized cost.

d. DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL 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.

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.

For private market 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. Some of the investment values provided in the report are estimates due to a lag in reporting for private market investments.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds	\$ -	\$ 62,260,427	\$ -	\$ 62,260,427
Common and preferred stock	381,245,771	117	2,480	381,248,368
U.S. government securities	53,000,254	29,696,362	-	82,696,616
Foreign bonds		7,916,237	-	7,916,237
Municipal obligations		343,381	-	343,381
Mutual funds	779,041	-	-	779,041
	<u>\$ 435,025,066</u>	<u>\$ 100,216,524</u>	<u>\$ 2,480</u>	<u>\$ 535,244,070</u>

e. ADVANCE FROM THE PHILADELPHIA GAS WORKS

Payments to beneficiaries are made by PGW through its payroll system. The amount due to PGW on June 30, 2022 of \$199,905 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. Such amount will be settled in the subsequent Plan year.

f. NET PENSION LIABILITY

The components of the net pension liability of the City of Philadelphia Gas Works Retirement Reserve Fund on June 30, 2022, were as follows (dollar amounts in thousands):

Total pension liability	\$ 826,830
Plan fiduciary net position	<u>565,748</u>
Net pension liability	<u>\$ 261,082</u>
 Plan fiduciary net position as a percentage of of the total pension liability	 68.42%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2022 using the following actuarial assumptions:

Salary increases:	Salaries are assumed to increase by an amount based on years of service.
General inflation:	2%
Investment rate of return:	7.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the Pri-2012 mortality table projected generationally from the central year using Scale MP-2021.

Change in Assumptions

The total pension liability reflects an increase of approximately \$15.1 million because of changes in actuarial assumptions for the Plan year ended June 30, 2022. The increase is primarily driven from the lower-than-expected investment returns and demographic changes. The mortality table was changed from the RP-2014 mortality table generationally projected with Scale MP-2018 to the Pri-2012 Mortality Table projected generationally from the central year using Scale MP-2021 to better reflect actual and future mortality experience.

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, 2022 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	7.6 %
International Equity	7.3 %
Fixed Income	3.9 %

Discount Rate

The discount rate used to measure the total pension liability was 7.00% for June 30, 2022. 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. 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.

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, 2022 is calculated using the discount rate of 7.00%, as well as the Plan’s net pension liability if it were calculated using a discount rate that is 1 % lower (6.00%) or 1% higher (8.00%) than the current rate (dollar amounts in thousands):

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
Total Pension Liability	\$ 915,152	\$ 826,830	\$ 752,108
Plan Fiduciary Net Position	565,748	565,748	565,748
Net Pension Liability	\$ 349,404	\$ 261,082	\$ 186,360

Subsequent Events

The Plan has evaluated subsequent events occurring after the statement of fiduciary net position through the date of December 21, 2022, which is the date the financial statements were available to be issued.

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

B. DISCRETELY PRESENTED COMPONENT UNITS

(1) Philadelphia Gas Works

a. Plan Description

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

b. Benefits Provided

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

c. Employees Covered by Benefit Terms

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

d. Contributions

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – b. Benefits Provided - Funding Policy and Employee Contributions

e. Net Pension Liability

PGW's net pension liability as of August 31, 2022 and 2021 was measured as of June 30, 2022 and 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 and June 30, 2021, respectively.

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

	<u>2022</u>	<u>2021</u>
Inflation	2.00 %	2.00 %
Investment rate of return	7.00	7.00
Salary increases:		
Years of service		
—	8.86	8.86
1	8.59	8.59
2	8.31	8.31
3	8.04	8.04
4	7.77	7.77
5	7.49	7.49
6	7.22	7.22
7	6.94	6.94
8	6.67	6.67
9	6.39	6.39
10	6.12	6.12
11	5.84	5.84
12	5.57	5.57
13	5.29	5.29
14	5.02	5.02
15	4.74	4.74
16	4.54	4.54
17	4.33	4.33
18	4.12	4.12
19	3.91	3.91
20 or more	3.71	3.71

Mortality rates

Mortality rates for FY 2022 were based on the Pri-2012 mortality tables projected generationally from the central year using Scale MP-2021. The mortality rates for FY 2022 reflect the Pri-2012 employees and healthy annuitants, disabled retirees, and contingent survivor mortality tables as appropriate projected generationally from the central year using Scale MP-2021 as published by the Society of Actuaries. Mortality rates for FY 2021 were based on the Pri-2012 mortality tables projected generationally from the central year using Scale MP-2020. Plan specific mortality data is not applied due to the size of the plan in producing credible mortality data.

Long-term rate of Return

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – f. Net Pension Liability - Long-Term Expected Rate of Return

Discount rate

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – f. Net Pension Liability – Discount Rate

Sensitivity of the net pension liability to changes in the discount rate

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – f. Net Pension Liability – Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Changes in Net Pension Liability: The following tables show the changes in total pension liability (TPL), the plan fiduciary net position (FNP), and the net pension liability (NPL) as of August 31, 2022 and 2021 (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, 2021	\$ 811,758	673,542	138,216
Changes for the year:			
Service cost	7,152	—	7,152
Interest	55,276	—	55,276
Differences between expected and actual experience	9,665	—	9,665
Contributions – employer	—	30,043	(30,043)
Contributions – employee	—	1,854	(1,854)
Net investment income	—	(80,989)	80,989
Benefit payments, including refunds of employee contributions	(58,502)	(58,502)	—
Administrative expenses	—	(200)	200
Change in assumptions	1,481	—	1,481
Net changes	<u>15,072</u>	<u>(107,794)</u>	<u>122,866</u>
Balances at August 31, 2022	<u>\$ 826,830</u>	<u>565,748</u>	<u>261,082</u>

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a)-(b)
Balances at September 1, 2020	\$ 780,793	543,231	237,562
Changes for the year:			
Service cost	7,178	—	7,178
Interest	55,454	—	55,454
Differences between expected and actual experience	2,057	—	2,057
Contributions – employer	—	29,728	(29,728)
Contributions – employee	—	1,607	(1,607)
Net investment income	—	155,840	(155,840)
Benefit payments, including refunds of employee contributions	(56,647)	(56,647)	—
Administrative expenses	—	(217)	217
Change in assumptions	22,923	—	22,923
Net changes	<u>30,965</u>	<u>130,311</u>	<u>(99,346)</u>
Balances at August 31, 2021	<u>\$ 811,758</u>	<u>673,542</u>	<u>138,216</u>

Pension Plan's fiduciary net position

Detailed information about the Pension Plan's fiduciary net position is available in the separately issued Pension Plan financial report. Requests for additional information should be addressed to Chief Investment Officer, Philadelphia Board of Pensions and Retirements, 1500 J.F.K. Blvd, 17th floor, Philadelphia, PA 19102.

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

For the years ended August 31, 2022 and 2021, PGW recognized pension expense of \$20.7 million and (\$3.1) million, respectively. At August 31, 2022 and 2021, PGW reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources (thousands of U.S. dollars):

	August 31, 2022		August 31, 2021	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 7,887	645	1,493	4,111
Changes of assumptions	11,429	5,292	16,643	12,230
Net difference between projected and actual earnings on pension plan investments	42,477	—	—	78,173
Contributions made after measurement date	6,396	—	6,439	—
Total	\$ 68,189	5,937	24,575	94,514

The \$6.4 million reported as deferred outflows of resources related to employer contributions made after the measurement date as of June 30, 2022 will be recognized as a reduction of the net pension liability in PGW's FY 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (thousands of U.S. dollars):

Fiscal year:	
2023	\$ 11,991
2024	14,630
2025	3,796
2026	25,439

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 (PSERS) 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. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

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 five years 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:

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
				6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 01, 2011	7.50% base rate with shared risk provision	N/A	7.50%
T-F	On or after July 01, 2011	10.30% base rate with shared risk provision	N/A	10.30%
T-G	On or after July 01, 2019	5.50% base rate with shared risk provision	2.75%	8.25%
T-H	On or after July 01, 2019	4.50% base rate with shared risk provision	3.00%	7.50%
DC	On or after July 01, 2019	N/A	7.50%	7.50%

Employer's Contributions:

The School District of Philadelphia' contractually required contribution rate for fiscal year ended June 30, 2022 was 34.14% 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. The District made a combined total of \$396.9 million to PSERS and VOYA (the sponsor of the Defined Contribution vendor) for the year ended June 30, 2022.

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 2021-2022 was 70.88%.

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

- (a) At June 30, 2022, the District reported a liability of \$3,253.1 million for its proportionate share of the net pension liability of which \$3,205.9 million was under the Governmental Activity section of the Government-wide Statements while the remaining amount was included under the Business-type Activity (Food Services and Print Shop) section of the Government-wide Statements. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Public School Employees' Retirement System (System's) total pension liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net pension liability was calculated using the employer's one-year covered payroll as it relates to the System's total one-year reported covered payroll. At June 30, 2022, the District's proportion was 7.9234 percent, which was an increase of .2251 percent from its proportion measured as of June 30, 2021.
- (b) For the year ended June 30, 2022, the District recognized net pension expense of \$69,913.0 thousand of which \$68,705.3 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of \$1,207.7 thousand was under the Business-type Activity section

of the Government-wide Statements.

- (c) At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>(Dollars in Thousands)</i>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,396.0	\$ (42,739.0)
Change in assumption	157,785.0	-
Net difference between projected and actual investment earnings	-	(517,821.0)
Change in proportions	96,557.0	(8,372.0)
Difference between employer contributions and proportionate share of total contributions	1,259.0	(83.1)
Contributions subsequent to the measurement date	396,913.9	-
	<u>\$ 654,910.9</u>	<u>\$ (569,015.1)</u>

Deferred outflows of resources for contributions made subsequent to the measurement date was \$396,913.9 thousand will be recognized as a reduction of net pension liability/collective net pension liability in the next fiscal period.

The remaining deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<i>(Dollars in Thousands)</i>		
<u>Year ended June 30</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred inflows of Resources</u>	<u>Net Deferred Outflows and Inflows of Resources</u>
2023	\$ 463,729.0	\$ (146,954.9)	\$ 316,774.1
2024	23,909.0	(51,791.7)	(27,882.7)
2025	29,692.6	(65,390.2)	(35,697.6)
2026	137,580.3	(304,878.3)	(167,298.0)
Total	<u>\$ 654,910.9</u>	<u>\$ (569,015.1)</u>	<u>\$ 85,895.8</u>

Of the \$85,895.8 thousand reported as net deferred outflows, \$85,722.1 thousand was under the Governmental-Activities column of the Government-wide statements while the remaining amount was under the Business-type Activities column (Food Service and Print Shop) at \$119.4 thousand and \$54.3 thousand, respectively.

Changes in Actuarial assumptions

The total pension liability as of June 30, 2021 was determined by rolling forward the System's total pension liability as of June 30, 2020 actuarial valuation to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return - 7.00% includes inflation at 2.50%.
- Salary growth - Effective average of 4.50% comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

Investments: 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global public equity	27.0%	5.2%
Private equity	12.0%	7.3%
Fixed income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute return	8.0%	3.1%
Infrastructure/ MLPs	8.0%	5.1%
Real estate	10.0%	4.8%
Cash	3.0%	0.1%
Financing (LIBOR)	-13.0%	0.1%
	<u>100.0%</u>	

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, 2021.

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 24.58%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate: The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	<i>(Dollars in Thousands)</i>		
	<u>1% Decrease 6.00%</u>	<u>Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
District's proportionate share of net pension liability	\$ 4,269,798	\$ 3,253,089	\$ 2,395,445

f. Pension plan fiduciary net position:

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

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 60% of unused sick time, not to exceed predetermined amounts. Employees, who separate for any reason other than indicated above, forfeit their entire sick leave.

3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. PRIMARY GOVERNMENT

Plan description

The City of Philadelphia self-administers a single employer, defined benefit plan that provides OPEB for all eligible retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided

The City of Philadelphia subsidizes health care for five years from the time of coverage election 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 \$118.3 million for fiscal year ending June 30, 2022.

Employees covered by benefit terms:

As of July 1, 2020, the date of the latest actuarial valuation, the following employees were covered by the benefit terms:

<u>Medical Coverage:</u>	
Inactive employees or beneficiaries currently receiving medical coverage	3,054
DROPS with medical coverage	1,640
Inactive employees entitled to, but not yet receiving medical coverage	423
Active employees	28,889
Total	34,006
<u>Life Insurance Coverage</u>	
Inactive employees or beneficiaries currently receiving life insurance coverage	27,416
Active employees	28,889
Total	56,305

Total OPEB Liability

The City's total OPEB liability reported as of June 30, 2022 of \$2,156,100,000, was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2020.

Actuarial assumptions and other inputs.

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Measurement Date

- June 30, 2021, for reporting date June 30, 2022
- June 30, 2020, for reporting date June 30, 2021

Discount rate

- 2.16% per annum for the valuation measured as of June 30, 2021
- 2.21% per annum for the valuation measured as of June 30, 2020

Salary Increase Rate

Age	Municipal and	
	Elected Officials	Uniformed
<20	20.00%	20.00%
20	18.00%	11.00%
25	10.00%	7.00%
30	7.00%	5.00%
35	5.75%	4.25%
40	5.00%	4.00%
45	4.60%	3.50%
50	4.35%	3.30%
55	4.10%	3.00%
60	3.85%	3.00%
65 +	3.50%	2.75%

Per Person Cost Trends

The trend rates represent the annual rate of increase in employer claim payments, employer premiums (including those paid to union-sponsored plans), and retiree contributions.

To Year	Medical		Rx		Medical /Rx Combined	
	Pre Medicare	Medicare Eligible	Pre Medicare	Medicare Eligible	Pre Medicare	Medicare Eligible
Beginning July 1						
2021	8.50%	6.00%	9.00%	8.00%	8.60%	7.20%
2022	8.00%	5.75%	8.75%	7.75%	8.15%	6.95%
2023	7.50%	5.50%	8.50%	7.50%	7.70%	6.70%
2024	7.00%	5.25%	8.25%	7.25%	7.25%	6.45%
2025	6.61%	5.15%	7.65%	6.82%	6.82%	6.15%
2026	6.22%	5.06%	7.06%	6.39%	6.39%	5.86%
2027	5.83%	4.96%	6.46%	5.96%	5.96%	5.56%
2028	5.45%	4.86%	5.86%	5.53%	5.53%	5.26%
2029	5.06%	4.77%	5.27%	5.10%	5.10%	4.97%
2030	4.67%	4.67%	4.67%	4.67%	4.67%	4.67%
2031	4.10%	4.10%	4.10%	4.10%	4.10%	4.10%
2032	3.91%	3.91%	3.91%	3.91%	3.91%	3.91%
2033	3.81%	3.81%	3.81%	3.81%	3.81%	3.81%
2034	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%
2035	3.72%	3.72%	3.72%	3.72%	3.72%	3.72%
2036	3.69%	3.69%	3.69%	3.69%	3.69%	3.69%
2037	3.67%	3.67%	3.67%	3.67%	3.67%	3.67%
2038	3.66%	3.66%	3.66%	3.66%	3.66%	3.66%
2039	3.64%	3.64%	3.64%	3.64%	3.64%	3.64%
2040	3.53%	3.53%	3.53%	3.53%	3.53%	3.53%
2041	3.53%	3.53%	3.53%	3.53%	3.53%	3.53%
2042 +	3.53%	3.53%	3.53%	3.53%	3.53%	3.53%

Dental and vision costs are assumed to increase at 3% per year.

Retirees Share of Benefit related costs

Percent of Retirees Electing Coverage

Participation rate for medical coverage

- 85% of future retirees from non-represented groups are assumed to elect post-retirement medical coverage.
- 100% of future retirees from represented groups (DC 33, DC 47, Fire, and Police) are assumed to elect post-retirement medical coverage.

- 100% of DROP participants are assumed to continue in DROP for the remainder of their DROP period (maximum four years) and then retire with a medical benefit.

Participation rate for life insurance

- 95% of current and future retired firefighters who participated in the pension plan are assumed to be covered by City-provided life insurance.
- 87% of all other current and future retired pension plan participants are assumed to be covered by City-provided life insurance.

Mortality Rates

Rates of Pre-retirement Mortality and Disability

- Municipal and elected members: 110% and 115%, for males and females, respectively, follows RP-2014 Employee Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017.
- Uniformed members: 85% of the RP-2014 Blue Collar Employee Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017.

Rate of Post-retirement and Post-Disability Mortality

- Municipal and elected members: 127% and 119% for males and females, respectively, of the RP-2014 Healthy Annuitant Table projected from base year 2006-2021 using mortality improvement scale MP-2017.
- Uniformed members: 115% of the RP-2014 Blue Collar Healthy Annuitant Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017.

Rate of Post-Disability Mortality

- Municipal and elected members: 95% of the RP-2014 Disabled Retiree Table projected from base year 2006-2021 using mortality improvement scale MP-2017.
- Uniformed members: 80% of the RP-2014 Disabled Retiree Table projected from base year 2006-2021 using mortality improvement scale MP-2017.

Change in the Total OPEB Liability

The table below shows the changes in the Total OPEB Liability (TOL), the plan fiduciary net position (i.e., the fair value of Plan assets) (FNP), and the Net OPEB Liability (NOL) during the measurement period ending on June 30, 2021.

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/2020	\$ 2,087,200,000	\$ -	\$ 2,087,200,000
Changes for the year:			
Service cost	110,900,000		110,900,000
Interest	47,500,000		47,500,000
Changes of benefits	-		-
Differences between expected/actual	-		-
Changes of assumptions	8,300,000		8,300,000
Contributions - employer		97,800,000	(97,800,000)
Contributions - non employer		-	-
Contributions - member		-	-
Net investment income		-	-
Benefit payments	(97,800,000)	(97,800,000)	-
Administrative expense			-
Net changes	68,900,000	-	68,900,000
Balances at 6/30/2021	\$ 2,156,100,000	\$ -	\$ 2,156,100,000

During the measurement year, the NOL increased by approximately \$68.9 million. The service cost and interest cost increased the NOL by approximately \$158.4 million while contributions decreased the NOL by approximately \$97.8 million. The employer contribution of \$97.8 million is based on a blend of actual contributions provided by the City of Philadelphia and estimated contributions based on the prior report. Because a portion of the contribution is estimated, this was reviewed by the City for reasonability.

The change in the 20-year bond buyer index rate decreased the discount rate assumption from 2.21% to 2.16% and resulted in a loss in the liability of \$8.3 million.

There were no benefit changes during the measurement period.

Sensitivity of the total OPEB liability to changes in the discount rate

The following represents the total OPEB liability (TOL) of the City, as well as what the City's total liability would be if it were calculated using a discount rate that is 1% lower (1.16%) or 1% higher (3.16%) than the current discount rate.

Changes in the discount rate affect the measurement of the TOL. Lower discount rates produce a higher TOL, and higher discount rates produce a lower TOL. The table below shows the sensitivity of the NOL to the discount rate.

	1% Decrease 1.16%	Discount Rate 2.16%	1% Increase 3.16%
Total OPEB Liability	\$ 2,329,000,000	\$ 2,156,100,000	\$ 1,997,400,000
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 2,329,000,000</u>	<u>\$ 2,156,100,000</u>	<u>\$ 1,997,400,000</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB liability	0.0%	0.0%	0.0%

A 1% decrease in the discount rate increases the TOL and NOL by approximately 8%. A 1% increase in the discount rate decreases the TOL and NOL by approximately 7%.

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following represents the total OPEB liability of the City, as well as what the City's total liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current discount rate:

Changes in healthcare trends affect the measurement of the TOL. Lower healthcare trends produce a lower TOL, and higher healthcare trends produce a higher TOL. The table below shows the sensitivity of the NOL to the healthcare trends.

	1% Decrease	Healthcare Trend	1% Increase
Total OPEB Liability	\$ 1,935,500,000	\$ 2,156,100,000	\$ 2,417,100,000
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 1,935,500,000</u>	<u>\$ 2,156,100,000</u>	<u>\$ 2,417,100,000</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB liability	0.0%	0.0%	0.0%

A 1% decrease in the healthcare trends decreases the TOL and NOL by approximately 10%. A 1% increase in the healthcare trend rate increases the TOL and NOL by approximately 12%.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the City recognized OPEB expense of \$150,500,000. The table below shows the development of OPEB expense.

<u>Calculation of OPEB Expense</u>		
Fiscal Year Ending		June 30, 2022
Measurement Year Ending		June 30, 2021
Change in Net OPEB Liability	\$	68,900,000
Change in Deferred Outflows		15,300,000
Change in Deferred Inflows		(31,500,000)
Non Employer Contributions		-
Employer Contributions		97,800,000
OPEB Expense	\$	150,500,000
OPEB Expense as % of Payroll		7.98%
Operating Expenses		
Service cost	\$	110,900,000
Employee contributions		-
Administrative expenses		-
Total	\$	110,900,000
Financing Expenses		
Interest cost	\$	47,500,000
Expected return on assets		-
Total	\$	47,500,000
Changes		
Benefit changes	\$	-
Recognition of assumption changes		(16,200,000)
Recognition of liability gains and losses		8,300,000
Recognition of investment gains and losses		-
Total	\$	(7,900,000)
OPEB Expense	\$	150,500,000

At June 30, 2022, the City reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

Schedule of Deferred Inflows and Outflows of Resources as of		
June 30, 2022 Projected Fiscal Year End		
June 30, 2021 Measurement Date		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 45,700,000	\$ -
Changes in assumptions	101,900,000	112,300,000
Net differences between projected and actual earnings on OPEB plan investments	-	-
Contributions subsequent to measurement date	(118,300,000)	-
Total	\$ 29,300,000	\$112,300,000
Amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows:		
Year Ended in June 30:		
	2023	(7,900,000)
	2024	(7,800,000)
	2025	7,200,000
	2026	7,200,000
	2027	7,100,000
	Thereafter	\$ 29,500,000

The subsequent contributions after the measurement date are reflected as a deferred outflow, but this is not subject to a deferred recognition period in the OPEB expense. Instead, this will be fully recognized in the OPEB expense for the Fiscal Year ending June 30, 2022.

The Plan is not currently being pre-funded, so, there is no actuarially determined contribution shown below. The actuarially determined contribution is a target or recommended contribution to the OPEB plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contributions for the reporting period was adopted. If the Plan decides to pre-fund the liabilities, we will provide an appropriate actuarially determined contribution.

B. COMPONENT UNITS

1) School District of Philadelphia (SDP) OPEB

The SDP recognized and recorded (1) the actuarially determined total OPEB liability for unfunded plans and (2) the net OPEB liability or, for multi-employer cost sharing plans, the entity's share of the net OPEB liability in the entity's financial statements. Currently, the District has two OPEB benefits (1) Life Insurance Benefits and (2) PSERS OPEB. The following schedule presents the aggregate of OPEB liabilities, deferred outflows and inflows of resources, and the current year OPEB expense for the District during Fiscal Year 2022:

	Governmental Activities	Business-type Activities	Total
OPEB Liabilities	\$ (205,402,511)	\$ (2,962,762)	\$ (208,365,273)
Deferred Outflows of Resources	45,118,041	696,304	45,814,345
Deferred Inflows of Resources	(3,649,733)	(51,098)	(3,700,831)
Current Year Expenses	6,082,731	87,882	6,170,613

Life Insurance Benefits:

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 age 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 benefits 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 the 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. Since the District is not prefunding these benefits, no actuarially determined contribution is determined.

There have been no significant changes in the number covered or the type of coverage since that date.

The numbers of eligible participants enrolled to receive such benefits as of June 30, 2020, the effective date of the biennial OPEB valuation, follows.

	Number of Employees
Active	16,790
Retirees	10,332
Total	27,122

Total OPEB Life Insurance liability:

At June 30, 2022, the District reported a liability of \$20.2 million for the total OPEB Life Insurance liability, all of which was under the Governmental Activity section of the Government-wide Statements. For the June 30, 2022, reporting date (which is the plan's and/or employer's fiscal year ending date), the "Valuation Date is June 30, 2020." This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2021. This is the date as of which the total OPEB Life Insurance liability was determined.

Our actuary determined the total OPEB Life Insurance liability for the fiscal year ending June 30, 2020 by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below and then was projected forward to the measurement date, if applicable. Covered payroll equals the annualized base pay for active members as of the valuation date.

Actuarial Methods and Assumptions:

Discount Rate: 2.21% per annum as of June 30, 2020, and 2.16% as of June 30, 2021 (Bond Buyer General Obligation 20 year-Tax Exempt Municipal Bond Index, selected by the District).

Salary Increases: 3.00 % per year (based on input from District)

Mortality: A 50/50 blend of the headcount-weighted Pub-2010 Mortality Tables for teachers (PubT.H-2010) and general employees (PubG.H-2010), projected on a generational basis with Scale MP-2020, with employee rates before retirement and healthy retiree rates after retirement. As a generational table, It reflects mortality improvements both before and after the measurement date. This blend of standard tables published by the Society of Actuaries (SOA) was selected based on the population covered.

Termination: Withdrawal rates vary by age and years of service. Illustrative 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, 2020, 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 (age 57 for Class T-G members) 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. Class T-G members are eligible for superannuation retirement at the earlier of (1) age 67 with 3 years of service or (2) any combination of age and service that totals 97 with at least 35 years of service. Class T-H members are eligible for superannuation retirement at the earlier of age 67 with 3 years of service. For purposes of this valuation, Class DC members were assumed to have the same retirement eligibility as Class T-H members. Sample rates are shown below.

Sample Early Retirement Rates		
Age	Male	Female
55	18.57%	18.59%
60	14.42%	17.05%

Sample Superannuation Retirement Rates		
Age	Male	Female
55	26.59%	10.02%
60	30.87%	35.77%
65	21.39%	22.23%
74	100.00%	100.00%

Disability: None assumed.

Life Insurance Benefits Claimed: All life insurance benefits are assumed to be claimed upon the retiree's death.

Life Insurance Coverage while Employed: Only active employees who have life insurance coverage as of the valuation date 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 minimis as only disabled retirees prior to age 65 can elect this benefit.

Special Data Adjustments: PSERS membership class was determined based on the provided date of hire with the District. Service was determined as the elapsed time from the provided date of hire with the District until the date of determination.

Actuarial Cost Method:

The Entry Age Normal cost method was used for determining service costs and the actuarial accrued liability. Costs are determined as a level percent of pay.

Changes since Prior Valuation:

The discount rate has been changed from 2.21% as of June 30, 2020, to 2.16% as of June 30, 2021.

Most Recent Measurement Date	Total OPEB Life Insurance Liability		Total OPEB Liability as a % of Covered Payroll
	Total OPEB Liability	Covered Payroll	
6/30/2021	\$ 20,164,273	\$ 932,330,112	2.16%

OPEB Life Insurance Benefits Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

Changes in the Total OPEB Life Insurance Liability:

	Increase/(Decrease) Total OPEB Life Insurance Liability
Beginning of Year Balance	\$ 19,854,225
Changes for the year (2021-2022):	
Service Cost	149,217
Interest on total OPEB Life insurance Liability	437,565
Effect of Assumption changes or inputs	133,707
Benefit Payments	(410,441)
End of Year Balance	\$ 20,164,273

Sensitivity of the District's Total OPEB Life Insurance Liability to changes in the discount rate:

The following presents the total liability, calculated using the discount rate of 2.16%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.16%) or 1-percentage point higher (3.16%) than the current rate:

	2020-21 Measurement Period (Dollars in Thousands)		
	1% Decrease 1.16%	Discount Rate 2.16%	1% Increase 3.16%
District's Total OPEB Life Insurance Liability	\$ 23,196.2	\$ 20,164.3	\$ 17,760.2

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	(Dollars in Thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 541.2	\$ -
Differences between expected and actual experience	-	(202.9)
Effect of assumptions changes or inputs	2,181.4	(64.3)
	\$ 2,722.6	\$ (267.2)

\$541.2 thousand reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of net OPEB liability in the next fiscal period. Other amounts of \$1,914.2 thousand reported as deferred outflows of resources and deferred inflows of resources related to OPEB Life Insurance will be recognized in OPEB expense per the schedule below.

OPEB Expense and Deferred Inflows of Resources Related to OPEB Life Insurance:

- For the year ended June 30, 2022, the District recognized net OPEB expense of \$1,091.0 thousand which was all under the Governmental Activity section of the Government-wide Statements.
- The other \$1,914.2 thousand reported as net deferred outflows was under the Governmental Activities column of the Government-wide statements. Amounts currently reported as deferred outflows and inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

(Dollars in Thousands)

Year Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
2022	\$ 778.9	\$ (95.4)	\$ 683.5
2023	765.2	(93.7)	671.5
2024	609.3	(74.6)	534.7
2025	28.0	(3.5)	24.5
2026	-	-	-
Thereafter	-	-	-
Total	<u>\$ 2,181.4</u>	<u>\$ (267.2)</u>	<u>\$ 1,914.2</u>

PSERS Other Postemployment Benefits

Other OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

- At June 30, 2022, the District reported a liability of \$188.2 million for its proportionate share of the net OPEB liability of which \$185.2 million was under the Governmental Activity section of the Government-wide Statements while the remaining amount was included under the Business-type Activity (Food Services and Print Shop) section of the Government-wide Statements. The net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the Public-School Employees' Retirement System (System's) total pension liability as of June 30, 2020 to June 30, 2021. 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, 2022, the District's proportion was 7.9407 percent, which was an increase of 0.2359 percent from its proportion measured as of June 30, 2021.
- For the year ended June 30, 2022, the District recognized net OPEB expense of \$5,079.4 thousand of which \$4,991.7 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of \$87.7 thousand was under the Business-type Activity section of the Government-wide Statements.
- At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(Dollars in Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,751.0	\$ -
Change in assumption	20,044.0	(2,510.0)
Net difference between projected and actual investment earnings	371.0	-
Change in proportions	11,574.0	(857.0)
Difference between employer contributions and proportionate share of total contributions	7.6	(66.7)
Contributions subsequent to the measurement date	9,344.2	-
	<u>\$ 43,091.8</u>	<u>\$ (3,433.7)</u>

\$9,344.2 thousand reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of net OPEB liability in the next fiscal period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

(Dollars in Thousands)

Year Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
2023	\$ 16,263.2	\$ (702.7)	\$ 15,560.5
2024	6,876.8	(698.6)	6,178.2
2025	7,157.9	(726.8)	6,431.1
2026	4,854.0	(496.9)	4,357.1
2027	4,385.4	(445.7)	3,939.7
Thereafter	<u>3,554.5</u>	<u>(363.0)</u>	<u>3,191.5</u>
Total	<u>\$ 43,091.8</u>	<u>\$ (3,433.7)</u>	<u>\$ 39,658.1</u>

Of the \$39,658.1 thousand reported as net deferred outflows, \$38,012.9 thousand was under the Governmental-Activities column of the Government-wide statements and \$645.2 thousand was under the Business-type Activities column.

Actuarial assumptions: The total OPEB liability as of June 30, 2021 was determined by rolling forward the System's total OPEB liability as of June 30, 2020 actuarial valuation to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return from 2.18% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, which is comprised of inflation of 2.50% and 2.00% for real wage growth, and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.

- Asset valuation method: Fair Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Investments: Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Healthcare Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

OPEB - Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	79.80%	0.1%
US Core-Fixed Income	17.50%	0.7%
Non-US Developed fixed	2.70%	-0.3%
	<u>100.00%</u>	

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, 2021.

Discount rate: The discount rate used to measure the total OPEB liability was 2.18%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a "pay-as-you-go" plan. A discount rate of 2.66%, which represents the S&P 20 year Municipal Bond Rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System Net OPEB Liability to change in healthcare cost trend rates:

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2021, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 2021, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2021, 611 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2021 as it relates to the District's proportionate share, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

System net OPEB liability	(Dollars in Thousands)		
	1% Decrease	Current Trend Rate	1% Increase
	188,179	188,201	188,218

Sensitivity of the District's proportionate share of net OPEB liability to changes in the discount rate:

The following presents the net liability, calculated using the discount rate of 2.18%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.18%) or 1-percentage point higher (3.18%) than the current rate:

	1% Decrease 1.18%	(Dollars in Thousands) Current Discount Rate 2.18%	1% Increase 3.18%
District's proportionate share of the net OPEB liability	215,984	188,201	165,317

OPEB 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.pa.gov.

2) Philadelphia Gas Works (PGW) OPEB

Plan Description:

PGW sponsors a single-employer defined-benefit healthcare plan and provided postemployment healthcare and life insurance benefits to retirees and their beneficiaries and dependents in FY 2022 and FY 2021, respectively, in accordance with their retiree medical program.

The OPEB Plan comprises (1) the PGW OPEB Trust (the Trust), which is used to receive, hold, and disburse assets accumulated to pay for some of the postemployment benefits other than pensions provided by PGW to its eligible retired employees and other eligible beneficiaries and (2) OPEB expenses paid for directly by PGW out of its general resources rather than through the Trust. The Trust was established for the exclusive benefit of PGW's retired employees and other eligible beneficiaries designated under the plan. Management believes that the OPEB Plan is in compliance with all applicable laws.

Benefits Provided

Medical Benefits: For pre-65 retirees, a choice of medical plans is offered through Independence Blue Cross including Personal Choice, Blue Cross Blue Shield with Major Medical, or Keystone HMO's. Employees who retire after December 1, 2001 are provided the Keystone 5 Plan at PGW's expense and they can buy up to a more expensive plan. Employees who retire on or after September 1, 2007 are provided the Keystone 10 Plan at PGW's expense, and they can buy up to a more expensive plan. Union employees who retire after August 31, 2011 are provided the Keystone 15 Plan at PGW's expense and can buy up to a more expensive plan. Management employees who retire after August 31, 2011 continue to receive the Keystone 10 as the base plan and can buy up to a more expensive plan.

Reinsurance provides specific stop-loss coverage of \$0.3 million on pre-65 Medical and Prescription Drug claims.

Eligible pre-65 retirees who relocate outside of the Keystone coverage area may elect to participate in the PGW Retiree Health Reimbursement Arrangement (HRA). Under the HRA, the Keystone base plan premium-equivalent will be credited to a participant's HRA account and will be available to reimburse the participant for eligible medical insurance premiums. Medicare eligible retirees are provided a fully insured Medicare Supplement Plan through Independence Blue Cross.

Opt-out benefits of \$1,500 per year for single coverage and \$3,000 per year for married coverage are available to eligible retirees. This benefit is not available to a married couple who both retired from PGW and who are eligible for Medicare benefits. Retirees can maintain prescription drug and dental coverage even if they opt out of medical coverage.

Prescription Drug Benefits: Employees who retired on or after April 15, 1976 and prior to December 1, 2001, are offered a Prescription Drug Plan that has been established specifically for retirees and is separate from the plan that is offered to active employees. The retiree Prescription plan consists of a \$2 copay for generic drugs, a \$2 copay for brand name drugs when no generic drugs are available, and a \$15 copay for brand name drugs when generic drugs are available. There are no deductibles and no lifetime maximums. Employees who retired prior to April 15, 1976 or on or after December 1, 2001 but before September 1, 2007 have a \$5 copay for generics and a \$10 copay for brand drugs. Employees who retire on or after September 1, 2007 have a \$5 copay for generics and a \$15 copay for brand drugs.

Effective, January 1, 2012, PGW moved Medicare eligible retirees into an Employee Group Waiver Plan arrangement. Covered drugs and copays remain the same. Prescription drug benefits are self-funded for all retirees.

Dental Benefits: For employees who retired after April 15, 1978, a basic dental plan is offered at no cost to the retiree. For employees who retired after June 1, 1984, an enhanced dental plan is offered. For eligible retirees who

enroll in the enhanced dental plan, the retiree must pay the difference between the basic and enhanced plans. The dental plans were fully insured through August 31, 2016. Effective September 1, 2016, the dental benefits are self-funded.

Death Benefits: Nonunion employees are offered voluntary life insurance equal to two times their salary at retirement. At age 65, the life insurance benefit decreases by 5.0% per year for 15 years until the benefit equals 25.0% of the original life insurance benefit at age 65. PGW pays the cost of the first \$75,000 of coverage. Retirees in this category pay \$0.35 per \$1,000 per month for coverage in excess of \$75,000.

Union employees are offered voluntary life insurance equal to one times their salary at retirement. At retirement, the life insurance benefit decreases by 10.0% per year for 5 years until the benefit equals 50.0% of the original life insurance benefit at retirement. Retirees in this category pay \$0.35 per \$1,000 of coverage per month, PGW pays the balance.

Upon the death of an active employee prior to satisfying the requirements for Preretirement Spouse's Death Benefits, surviving spouses and dependents are entitled to receive 2 years of health coverage paid by PGW. Upon the death of an active employee on or after satisfying the requirements for Preretirement Spouse's Death Benefits, surviving spouses and dependents are entitled to receive health coverage for life (or for 5 years if hired on or after May 21, 2011 if Union or hired on or after December 21, 2011 if Nonunion) paid by PGW.

Contributions

The OPEB Plan 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 the Keystone 5/Keystone 10/Keystone 15 plan at PGW's expense and can buy up to a more expensive plan. Retirees also contribute toward enhanced dental plan and life insurance coverage as described above. PGW pays 100.0% of the cost for the prescription drug plan after drug copays.

Participants Covered

At December 31, 2021, the date of the latest actuarial valuation, the OPEB Plan's combined membership consisted of the following:

	<u>Number</u>
Retirees	1,440
Beneficiaries	379
Active employees – Union	1,076
Active employees – Management	<u>517</u>
Total number of participants	<u><u>3,412</u></u>

Contributions to the OPEB Plan are the amounts received (additions) from PGW as sponsor of the Plan. These contributions include both amounts paid by PGW out of general resources to fund benefits on a pay-as-you-go basis, and contributions related to rate surcharges approved by the PUC in May 2010 and continued in July 2015. For the OPEB Plan year ended December 31, 2021, PGW contributed \$25.2 million on a pay-as-you-go basis, \$16.0 million resulting from rate surcharges, and \$2.5 million of its resources. For the OPEB Plan year ended December 31, 2020, PGW contributed \$27.6 million on a pay-as-you-go basis, \$16.0 million resulting from rate surcharges, and \$2.5 million of its resources.

Net OPEB Liability

PGW's net OPEB liability as of August 31, 2022 and 2021 was measured as of December 31, 2021 and 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021 and 2020, respectively. The valuation and measurement date were December 31, 2021. The September 1, 2020 actuarial valuation was rolled forward to the December 31, 2020 measurement date.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and are subject to continual revision as actual amounts are compared to past expectations and new estimates are made about the future. 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.

The total OPEB liability was determined using the entry age, level percent of pay actuarial method and the following actuarial assumptions used to value the postemployment medical liabilities can be categorized into the following three groups:

- *Benefit assumptions:* the initial per capita cost rates for medical coverage, and the face amount of employer-paid life insurance.
- *Demographic assumptions:* including the probabilities of retiring, dying, terminating (without a benefit), becoming disabled, recovery from disability, election (participation rates) and coverage levels. The demographic assumptions were updated based upon the 2020 experience study data from 2014 through 2019.
- *Economic assumptions:* the discount rate and health care cost trend rates.

Benefit Assumptions:

Per capita claims: Using actuarial standards, specifically Actuarial Standard of Practice No.6, the annual age specific per capita claims cost rate was projected at the following assumed trend rates for future years (whole U.S. dollars):

Age	Medical		
	Medical	Prescription drug	Dental
50	\$ 7,008	2,664	158
55	8,940	3,396	158
60	11,220	4,260	158
64	13,524	5,136	158
65	2,460	4,380	158
70	2,376	4,212	158
75	2,532	4,500	158

Life insurance: The claims cost for life insurance is based on the actuarial present value of projected life insurance claims.

Morbidity: The below healthcare cost for prescription drug coverage and pre-65 medical coverage reflects the following changes due to increased or decreased usage as a result of aging:

Ages	Blended Medical/Rx
50-54	5.08 %
55-59	4.86
60-64	4.65
65-69	(1.11)
70-74	1.18
75-79	1.67
80-84	1.87
85+	—

Demographic assumptions:

Mortality rates: Mortality rates for FY2022 is assumed to follow:

- Pre-retirement Mortality – Pri-2012 Total Employee Amount Weighted Table, projected with SOA Scale MP-2020.
- Post-retirement Mortality – Pri-2012 Total Retiree Amount Weighted Table, Projected with SOA Scale MP-2020.
- Disabled Retirement Mortality – Pri-2012 Total Disabled Retiree Amount Weighted Table, Projected with SOA Scale MP-2020.

Mortality rates for FY 2021 is assumed to follow sex-distinct, Pri-2012 Employee, Healthy Annuitant, and Disabled Retiree Mortality Tables projected with scale of MP-2020.

Salary Scale: Salary Scale is based on years of service as follows:

<u>Years of service</u>	<u>Annual increase</u>	<u>Years of service</u>	<u>Annual increase</u>
0	8.86 %	11	5.84 %
1	8.59	12	5.57
2	8.31	13	5.29
3	8.04	14	5.02
4	7.77	15	4.74
5	7.49	16	4.54
6	7.22	17	4.33
7	6.94	18	4.12
8	6.67	19	3.91
9	6.39	20 or more	3.71
10	6.12		

Retirement rates: Retirement rates applicable once an employee is eligible for retirement benefits vary by age and service with rates as follows:

<u>Age</u>	<u>Service < 30</u>	<u>Service > 30</u>	<u>Age</u>	<u>Service < 30</u>	<u>Service > 30</u>
50	— %	15.00 %	61	10.00 %	15.00 %
51	—	15.00	62	10.00	40.00
52	—	15.00	63	10.00	25.00
53	—	15.00	64	10.00	25.00
54	—	15.00	65	20.00	25.00
55	5.00	15.00	66	20.00	40.00
56	5.00	15.00	67	20.00	40.00
57	10.00	15.00	68	20.00	40.00
58	10.00	15.00	69	20.00	40.00
59	10.00	15.00	70+	100.00	100.00
60	10.00	15.00			

Withdrawal rates: Turnover rates applicable before an employee is eligible for retirement benefits vary by age and service with illustrative rates as follows:

<u>Age</u>	<u>Service < 1 year</u>	<u>1 year of service</u>	<u>2 years of service</u>	<u>3 years of service</u>	<u>4 years of service</u>	<u>Service > 4 years</u>
18 – 37	25.00 %	15.00 %	12.00 %	10.00 %	7.00 %	3.00 %
38	23.00	15.00	12.00	9.00	6.60	2.80
39	21.00	15.00	12.00	8.00	6.20	2.60
40	19.00	15.00	12.00	7.00	5.80	2.40
41	17.00	15.00	12.00	6.00	5.40	2.20
42	15.00	15.00	12.00	5.00	5.00	2.00
43	14.00	14.00	10.60	4.60	4.60	3.00
44	13.00	13.00	9.20	4.20	4.20	3.00
45	12.00	12.00	7.80	3.80	3.80	3.00
46	11.00	11.00	6.40	3.40	3.40	3.00
47	10.00	10.00	5.00	3.00	3.00	3.00
48	10.00	10.00	5.00	2.80	2.80	3.00
49	10.00	10.00	5.00	2.60	2.60	3.00
50	10.00	10.00	5.00	2.40	2.40	3.00
51	10.00	10.00	5.00	2.20	2.20	3.00
52+	10.00	10.00	5.00	2.00	2.00	3.00

Participation Rate: Participation assumes 100% of future retirees who meet the eligibility requirements will participate in the postemployment welfare upon retirement.

Disability rates: Disability rates vary by age with illustrative rates as follows:

Age	Males	Females	Age	Males	Females
18 – 27	0.03 %	0.03 %	47	0.23 %	0.33 %
28	0.03	0.04	48	0.28	0.37
29	0.03	0.04	49	0.31	0.40
30	0.03	0.04	50	0.37	0.45
31	0.03	0.06	51	0.43	0.49
32	0.03	0.06	52	0.51	0.55
33	0.03	0.07	53	0.59	0.60
34	0.03	0.07	54	0.68	0.66
35	0.04	0.08	55	0.77	0.71
36	0.04	0.09	56	0.86	0.77
37	0.06	0.10	57	0.96	0.83
38	0.07	0.11	58	1.06	0.89
39	0.08	0.13	59	1.17	0.95
40	0.09	0.14	60	1.28	1.00
41	0.10	0.17	61	1.40	1.07
42	0.11	0.19	62	1.54	1.13
43	0.13	0.21	63	1.68	1.17
44	0.16	0.25	64	1.83	1.22
45	0.18	0.27	65+	—	—
46	0.20	0.30			

Economic assumptions:

Long-term rate of return: The long-term expected rate of return on OPEB Plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected 10-year compound (geometric) real return plus inflation. The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions). The target allocation for each major asset class as of December 31, 2021 is summarized in the following table:

Asset class	Minimum	Maximum	Target	Expected annual return
Domestic equity large cap	27.5 %	37.5 %	34.8 %	9.5 %
Domestic equity small cap	10.0	15.0	14.7	8.3
Emerging market equity	5.0	10.0	6.5	6.9
International equity	15.0	20.0	16.0	6.5
Fixed income	20.0	40.0	28.0	2.7
Commodities/real assets	—	10.0	—	—
Cash equivalents	—	5.0	—	—
			100.0 %	

Inflation Rate: 2.0%

Healthcare cost trend:

Year	Medical (Pre-65)	Medical (Post-65)	Prescription drugs	Dental
2022 – 2023	5.50 %	4.50 %	6.00 %	4.00 %
2024 – 2029	5.20	4.50	6.20	4.00
2030 – 2049	5.20	4.50	6.00	4.00
2050 – 2059	5.20	4.50	5.50	4.00
2060 – 2069	5.20	4.50	5.00	4.00
2070+	4.50	4.50	4.50	4.00

Discount rate: The discount rate used for determining the Total OPEB Liability is the long-term expected rate of return on plan investments of 7.0% as of December 31, 2021 and 7.30% as of December 31, 2020, which represents the long-term expected rate of return on Plan investments at the applicable measurement date.

Changes in Net OPEB Liability

(Thousands of U.S. dollars)

	Increase (decrease)		
	Total OPEB liability	Plan fiduciary net position	Net OPEB liability
	(a)	(b)	(a)-(b)
Balances at September 1, 2021	\$ 507,667	306,079	201,588
Changes for the year:			
Service cost	5,762	—	5,762
Interest	36,577	—	36,577
Differences between expected and actual experience	(25,286)	—	(25,286)
Assumption changes	15,652	—	15,652
Benefit payments	(25,197)	—	(25,197)
Contributions-employer	—	43,697	(43,697)
Project investment return on year	—	23,012	(23,012)
Plan asset gain/(loss)	—	18,405	(18,405)
Benefit payments	—	(25,197)	25,197
Administrative expenses and bank fees	—	(52)	52
Net changes	<u>7,508</u>	<u>59,865</u>	<u>(52,357)</u>
Balances at August 31, 2022	<u>\$ 515,175</u>	<u>365,944</u>	<u>149,231</u>

	Increase (decrease)		
	Total OPEB liability	Plan fiduciary net position	Net OPEB liability
	(a)	(b)	(a)-(b)
Balances at September 1, 2020	\$ 493,570	245,361	248,209
Changes for the year:			
Service cost	4,999	—	4,999
Interest	35,387	—	35,387
Differences between expected and actual experience	(30,648)	—	(30,648)
Assumption changes	31,995	—	31,995
Benefit payments	(27,636)	—	(27,636)
Contributions-employer	—	46,136	(46,136)
Project investment return on year	—	18,585	(18,585)
Plan asset gain/(loss)	—	23,673	(23,673)
Benefit payments	—	(27,636)	27,636
Administrative expenses and bank fees	—	(40)	40
Net changes	<u>14,097</u>	<u>60,718</u>	<u>(46,621)</u>
Balances at August 31, 2021	<u>\$ 507,667</u>	<u>306,079</u>	<u>201,588</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the Net OPEB liability, in thousands of U.S. Dollars, of PGW at December 31, 2021, as well as what the Net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

	1% Decrease	Current discount rate	1% Increase
	6.00 %	7.00 %	8.00 %
Net OPEB liability	\$ 220,489	149,231	91,183

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the Net OPEB liability of PGW at December 31, 2021, as well as what the Net OPEB liability would be if it were calculated using healthcare cost trend rates are 1% lower or 1% higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current healthcare cost trend rates</u>	<u>1% Increase</u>
	(Thousands of U.S. dollars)		
Net OPEB liability	\$ 91,216	149,231	221,130

OPEB Plan's fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued OPEB Plan financial report. Requests for additional information should be addressed to the Administrator – PGW OPEB Trust, 800 W. Montgomery Avenue, Philadelphia, PA 19122.

OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Other Postemployment Benefits

For the years ended August 31, 2022 and 2021, PGW recognized OPEB expense of (\$1.2) million and (\$0.9) million, respectively. At August 31, 2022 and 2021, PGW reported deferred outflows of resources and deferred inflow of resources related to other postemployment benefits from the following sources (thousands of U.S. dollars):

	<u>August 31, 2022</u>		<u>August 31, 2021</u>	
	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ —	58,253	—	61,502
Changes of assumptions	33,260	9,829	40,956	14,744
Difference between projected and actual earnings on OPEB plan investments	—	34,525	—	26,639
Contributions made after measurement date	29,316	—	30,765	—
Total	<u>\$ 62,576</u>	<u>102,607</u>	<u>71,721</u>	<u>102,885</u>

The \$29.3 million and \$30.8 reported as deferred outflows of resources related to employer contributions made after the measurement date as of December 31, 2021 and 2020, respectively, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal periods. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows (thousands of U.S. dollars):

Fiscal year:	
2023	\$ (29,661)
2024	(24,006)
2025	(10,073)
2026	(5,609)
2027	—
Thereafter	—

Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of December 31, 2021, (thousands of U.S. Dollars):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic equity mutual funds	\$ 180,800	—	—	180,800
International equity mutual funds	81,417	—	—	81,417
Corporate bonds	—	519	—	519
U.S. treasuries	9,297	1,880	—	11,177
U.S. government agency	—	1,030	—	1,030
Bond mutual funds	71,412	—	—	71,412
Municipal bonds – mutual funds	17,310	—	—	17,310
	<u>\$ 360,236</u>	<u>3,429</u>	<u>—</u>	<u>363,665</u>

Mutual funds consist of open-end mutual funds that are registered with the SEC and are valued daily using quoted prices in active markets as provided by the pricing vendor for these securities (Level 1 inputs).

Fixed Income consists of corporate bonds, U.S. Government and agency securities, and mortgage/asset backed securities. The fair values of these investments are determined using third-party pricing services using quoted prices in active markets (Level 1 inputs) or prices derived from observable market inputs such as benchmark curves, broker/dealer quotes, and other industry and economic factors (Level 2 inputs).

Investment Policy

The Trust's investment policy in regard to the allocation of invested assets is defined in its Statement of Investment Guidelines (the Guidelines) developed in conjunction with the Trust's Board and its financial advisors. The long-term goals of the Guidelines are to manage the assets in a manner in the best of interest of participants, produce investment return that meets the actuarially assumed rate, and to produce consistent performance to protect against excessive volatility. There has not been any significant change in the Trust's investment policy during the reporting period.

The asset allocation strategy was as follows (as adjusted in February 2019):

	<u>Target</u>	<u>Actual</u>
Domestic equity large cap	32.5 %	34.7 %
Domestic equity small cap	12.5	14.7
Emerging market international equity	7.5	6.3
Developed market international equity	17.5	15.9
Fixed income	30.0	27.7
Cash and cash equivalents	—	0.6

Rate of Return

For the years ended December 31, 2021 and 2020, the annual money-weighted rate of return on investments, net of investment expense, was 13.15% and 16.65%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's.

Custodial Credit Risk

The assets of the Plan are held by the Trust. Custodial credit risk is the risk that in the event of a bank failure, the Trust's deposits may not be returned to the Trust. The Trust held no cash and cash equivalents at December 31, 2021 and 2020, covered by federal deposit insurance. Custodial credit risk for investments is the risk that, in the event of a failure to a counterparty to a transaction, the value of the investment or collateral securities that are in possession of an outside party may not be recovered. Investments are exposed to custodial credit risk if the securities are uninsured, are not held in the name of the Trust, or are held by either the counterparty or the counterparty's trust department or agent but not in the Trust's name. The Trust's investments are not exposed to custodial credit risk as they are held by the Trust's custodian in the name of the Trust.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income investments. The Trust's investment policy does not specifically address limitations on the maturities of investments.

Investment Concentration Risk

Investment concentration risk is the risk that the investment portfolio is disproportionately exposed to market changes in specific sectors or securities. As of December 31, 2021, the Trust held the following investments in excess of 5.0% of the fair value of the Trust's net position: DFA US Small Cap Fund, American Funds Europac Growth R6 Fund, Vanguard Total Stock Market Index Fund, and Baird Core Bond Fund. As of December 31, 2020, the Trust held the following investments in assets in excess of 5.0% of the fair value of the Trust's net position: DFA US Small Cap Fund, American Funds Europac Growth R6 Fund, Vanguard Total Stock Market Index Fund, Vanguard Total Bond Market Fund, and Baird Core Bond Fund.

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 2022 this transfer amounted to \$555.1 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 \$91.21 million to SEPTA.

B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments which totaled \$130.15 million during the year to the following organizations:

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

6. RISK MANAGEMENT

A. PRIMARY GOVERNMENT

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

The City covers all claim settlements and judgments, except for those discussed above, out of the resources of the fund associated with the claim. Claim 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, 2022 the amount of these liabilities was \$449.3 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, 2020 resulted from the following:

(Amounts in Millions of USD)

	<u>Beginning Liability</u>	<u>Current Year Claims & Changes In Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
Fiscal 2020	343.9	271.9	(224.0)	391.8
Fiscal 2021	391.8	321.2	(222.6)	490.4
Fiscal 2022	490.4	194.1	(235.2)	449.3

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 \$2.1 million for Unemployment Compensation claims and \$87.0 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are \$300.7 million discounted at 3.5%. On an undiscounted basis, these liabilities total \$390.5 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 \$269.9 million (discounted) and \$352.9 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 \$500,000. The perils of Windstorm, Flood & Earthquake are subject to a \$1.0 million deductible and a limit of \$250.0 million per occurrence with certain sub-limits as specified in the policy terms. Also, certain insurance coverages 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 \$137.9 million in the district-wide Statement of Net Position. Self-Insured Medical Benefits and Workers' Compensation coverage is funded by a pro-rata 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.

Additionally, **PGW** and **PPA** are self-insured for various risks. At June 30, 2022, the amount of these liabilities totaled \$154.2 million, which includes, \$137.9 million for **SDP**, \$8.3 million for **PGW**, and \$8 million for **PPA**.

Changes in the balances of claims and liabilities during the past two (2) years are as follows:

(Amounts in Millions)

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Current Year Claims and Changes In Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2022	\$ 146.8	\$ 237.8	\$ (230.4)	\$ 154.2
2021	\$ 136.5	\$ 234.9	\$ (224.6)	\$ 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 amounts of open encumbrances for both, the current and prior fiscal years, were as follows:

(Amounts in Thousands of USD)

<u>Fund</u>	<u>Amounts</u>
General Fund	625,967
Grants Revenue Fund	403,445
Community Behavioral Health Fund	124,878
Water Enterprise Fund	840,230
Aviation Enterprise Fund	218,802
Non-Major Governmental Funds	449,775
Total	2,663,097

B. COMPONENT UNITS

SDP

Capital Projects Fund Construction and Equipment Purchase Commitments:

The School District's outstanding contractual commitments at June 30, 2022 are summarized as follows

New Buildings and Additions	\$ 51,665,124
Environmental Management	67,750
Alterations and Improvements	42,560,768
Major/Building Renovations	37,561,091
Technology and Operations Projects	12,061,250
Total	\$ 143,915,983

Operating Fund Services and Supplies Commitments:

Outstanding contractual commitments in the School District's operating funds at June 30, 2022 are as follows:

	<u>General Fund</u>	<u>Intermediate Unit Fund</u>
Services and Supplies	\$17,362,880	\$1,254,301

Categorical Fund Commitments:

Categorical Funds encumbrances totaled \$37.2 million at June 30, 2022.

PGW

Commitments for major construction and maintenance contracts were approximately \$76.8 million and \$84.0 million, as of August 31, 2022 and 2021, respectively.

PGW has entered into long term and seasonal contracts with suppliers providing PGW with natural gas. PGW has the ability to fix the price of the purchase of natural gas with these contracts.

PGW, in the normal course of conducting business, has entered into long term contracts for the supply of natural gas, firm transportation, and long-term firm gas storage service. PGW's cumulative obligations for demand charges for all these services are approximately \$6.5 million per month in perpetuity.

PGW's FY 2023 Capital Budget was approved by City Council in the amount of \$187.4 million. Within this approval, funding was provided to continue the implementation of an 18-mile CIMR Program. The cost for this program in FY 2023 is expected to be \$28.4 million. The total six-year cost of the CIMR Program is forecasted to be \$186.3 million. In addition to the 18-mile CIMR Program, the FY 2023 Capital Budget includes funding for an accelerated CIMR Program which PGW will include in its DSIC surcharge. This incremental program in FY 2023 is expected to cost \$38.0 million. The total six-year cost of this incremental program is forecasted to be \$228.0 million. The FY 2023 Capital Budget also includes \$1.4 million for the purchase of smart point devices for the Automatic Meter Infrastructure (AMI) units, which will replace the Automatic Meter Reading (AMR) devices. The total six-year cost of this program to replace AMR units is approximately \$2.4 million.

8. CONTINGENCIES

A. PRIMARY GOVERNMENT

1) Claims and Litigation

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

Various claims have been asserted against the City and in some cases lawsuits have been instituted. Many of these claims are reduced to judgment or otherwise settled in a manner requiring payment by the City. The aggregate estimate of loss deemed to be probable is approximately \$422.7 million. Of this amount, \$34.9 million is charged to the current operations of the Enterprise Funds. The remaining \$387.8 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 a loss is reasonably possible. These lawsuits relate to General Fund and Enterprise Fund operations. The aggregate estimate of the amount of loss from these lawsuits in which some amount of loss is reasonably possible is approximately \$128.9 million from the General Fund, \$3.1 million from the Water Fund, and \$2.9 million from the Aviation Fund. This represents the best estimate of the entire current inventory of such litigation and pre-suits as of February 13, 2023.

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

Liberty Resources v. City

Two organizations and four disabled persons filed a class action complaint in Federal Court in late August 2019 alleging various violations of the Americans with Disabilities Act and other federal laws. The allegations include failures by the City to meet provisions of the laws related to the conditions of crosswalks and sidewalks in the City of Philadelphia. The plaintiffs are represented by a national legal advocacy organization, Disability Rights Advocates, and experienced local counsel.

On July 7, 2020, the Court granted the City's partial motion to dismiss as well as the plaintiffs' motion for class certification on the remaining claims. The Court's decision on the dismissal motion significantly narrowed the claims against the City and its potential liability, but several significant claims remain. The City filed its Answer to the Plaintiffs' Complaint on August 18, 2020, and the case has proceeded through fact and expert discovery. Motions for summary judgment were filed on July 22 and were argued on September 15, 2021. The Court largely granted the City's partial motion for summary judgment and denied Plaintiffs' partial motion for summary judgment. The Court's decision at summary judgment further limited Plaintiffs' claims by applying a two-year statute of limitations and requiring particularized proof of violations at specific curb ramps as opposed to City policy. Trial has been stayed as the parties attempt to reach potential settlement. On July 29, 2022, the parties notified the Court that they had reached a settlement in principle. If the case is not resolved through settlement discussions and proceeds to trial, the City could potentially face a verdict substantially in excess of \$8 million.

IBID Associates LP v. City of Philadelphia

In March 2022, the owner of a property in West Philadelphia currently being used for affordable housing sued the City and the district councilmember in federal court regarding recent zoning legislation sponsored by the councilmember that restricted the zoning of the property and several others to incentivize the inclusion of affordable housing in any new residential development. The owner brought several federal constitutional claims, including Takings, Equal Protection, and Substantive Due Process. The Court denied the owner's motions for preliminary injunctive relief on the takings claim, which is currently on appeal, and granted the City's Motion to Dismiss on all but the equal protection claim. The Court also dismissed the claims against the councilmember. The case is currently in discovery and the parties have engaged in extensive settlement discussions. The exact amount of damages sought by Plaintiff is undefined but Plaintiff has contended that its property's value was reduced from roughly \$80 million to \$15 million by the legislation. Damages are difficult to calculate at this stage of the case, but if Plaintiff is successful in its equal protection claim, damages could exceed \$8 million.

School District of Philadelphia v. City of Philadelphia, et al., No. 23-238 (E.D. Pa.)

The School District of Philadelphia filed suit against the City in federal court, alleging that Bill No. 210685-AA (approved June 1, 2022) and Philadelphia Code section 4-A-703, which the Bill amended, are illegal and should be declared void. The challenged ordinance requires public school buildings to receive a "special certificate of inspection" each year, certifying their compliance with various safety provisions, including fire, safety, electrical, lead paint, water quality, asbestos, and other property-related hazards, as identified by the Managing Director at least six months prior to the compliance date. The inspections must be completed by City-certified inspectors or City agencies.

The District alleges that the ordinance is unlawful to the extent that it conflicts with federal law governing asbestos inspection and remediation in school buildings, amounts to unlawful regulation of public schools by the City, is unlawfully vague, and violates the non-delegation doctrine, related to permissible delegation of lawmaking authority by the General Assembly. The District seeks declaratory and injunctive relief—it does not seek monetary relief save for costs of litigation and attorneys' fees, if successful.

Henderson 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, Pennsylvania, against the City by numerous Henderson related entities and trusts (the "Hendersons"). The Petition alleged that the City effected a de facto taking of the Hendersons properties (the "Property"), which Property is proximate to the Philadelphia International Airport and located in Tinicum Township, Delaware County. The City desired to acquire the Property for Airport purposes and had numerous discussions with representatives for the Hendersons over time.

The City filed Preliminary Objections to the Petition and there was a hearing on the Petition and the Preliminary Objections scheduled for January 2018. Prior to the hearing, the City filed its own Declaration of Taking in September 2017 and made an offer of just compensation. The City and the Hendersons then settled the foregoing matters. The City obtained possession of the Property and paid the Hendersons estimated just compensation of \$54.5 million. The Hendersons' de facto taking case was dismissed with prejudice.

The Board of View, which was appointed by the Court of Common Pleas in Delaware County (the "Trial Court"), issued its Report, which was filed on October 19, 2020, awarding damages to the Hendersons in the amount of \$139,120,000 as "just compensation" for the taking of the Property. The amount of \$54,500,000 referenced above is to be deducted from this amount. On November 12, 2020, the City filed an appeal to the damage award to the Trial Court raising objections, as a matter of law, to the Report. The Trial Court then asked the parties to brief the issue respecting the preliminary determination of whether the Report issued by the Board was legally erroneous. On November 9, 2021, after multiple rounds of briefing, the Trial Court issued an order overruling the City's

objections. The City filed a timely notice of appeal to the Commonwealth Court, and the Hendersons filed a Motion to Quash the appeal as interlocutory. The Commonwealth Court has ordered that the Motion to Quash be listed with merits of the appeal. The Trial Court has stayed the action pending disposition of the City's appeal in the Commonwealth Court. If the appeal is denied, there will be a trial de novo in the Trial Court. The Commonwealth Court granted the City's request for oral argument during appeal; a date for the argument has not been scheduled at this time. A payout related to this matter, if any, will be coming out of the Aviation Fund and deemed a possible loss. The City is represented by outside counsel, who was unable to provide an estimated possible loss amount since there would be a de novo damages trial before any such loss amount is determined.

Fraternal Order of Police, Lodge 5 (Deplorable Conditions) v. City of Philadelphia

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.

In July of 2018, the FOP requested hearings before the arbitrator regarding the conditions of the police facilities, but no dates were set, and there has not been any activity on this matter since July of 2018. Although the union has not specified its concerns, the City's attorneys believe that the union wishes the arbitrator to force the City to significantly renovate or replace existing facilities. The City's attorneys are unable in their professional judgment to evaluate the likely cost of an unfavorable outcome but estimate that if renovations such as the union has previously sought were necessary, it could cost the city more than \$8 million. City attorneys believe the probability of such an award being issued to be highly unlikely and would contest any such award vigorously through available appellate options. There has been no communication on this matter for over four years (last communication was in July of 2018).

James Dennis v. City of Philadelphia

Mr. Dennis has filed suit in federal court alleging that he was wrongfully incarcerated for 25 years due to the withholding and fabrication of evidence by the Philadelphia Police Department. Mr. Dennis received a new trial after his conviction, but in 2016 pled no contest to murder rather than going to trial again. This case has been stayed pending an appeal. Mr. Dennis is represented by an experienced civil rights attorney, and if liability is established, the City could potentially face an \$8 million verdict.

Garcia v. City of Philadelphia, No. 21-2884

Plaintiff alleges that he was wrongfully convicted and imprisoned for six years because detectives fabricated evidence against him. Mr. Garcia was a key witness in the criminal prosecution of a former Philadelphia police detective, who was recently found guilty by a local jury. Damages are difficult to calculate at this stage of the case, but could exceed \$8 million given the length of time Plaintiff was incarcerated and the circumstances surrounding his arrest and prosecution.

Simmons v. City of Philadelphia, No. 19-1648

Plaintiff alleges that he was wrongfully convicted and imprisoned for almost ten years because Philadelphia police detectives fabricated evidence against him. Plaintiff has made a \$15 million demand, and the case was in suspense while a detective awaits a criminal trial. The detective was convicted, and the case is now reopening. Damages are difficult to calculate at this stage of the case, but could exceed \$8 million given the length of time Plaintiff was incarcerated and the circumstances surrounding his arrest and prosecution.

Frazier v. City of Philadelphia, No. 19-1692

Plaintiff alleges that he was wrongfully convicted and imprisoned for seven years due to former police detective misconduct. The case is in suspense because criminal charges are pending against a detective. The detective was recently convicted, and the case is now reopening. Damages are difficult to calculate at this stage of the case but could exceed \$8 million given the length of time Plaintiff was incarcerated and the circumstances surrounding his arrest and prosecution.

McCoy v. City of Philadelphia (21-1458)

Sherman McCoy was convicted of murder and spent 6 years in prison before his conviction was vacated and nolle prossed. He has filed suit in Federal Court, alleging that he was wrongfully convicted. This case is in its early stages, but, given the length of time Mr. McCoy spent in custody and the circumstances leading to the vacatur of his conviction, damages – while difficult to calculate at this early stage – could exceed \$8 million.

Bennett v. City of Philadelphia, No. 19-2988

Mr. Bennett was convicted of murder and spent 12.5 years in prison before his conviction was vacated and, upon be re-tried by the Philadelphia District Attorney's Office, he was acquitted. Represented by outside counsel, he has filed suit in federal court, naming individual detectives and the City of Philadelphia as defendants. The case is in discovery. Given the length of time Mr. Bennett spent in custody, damages, while difficult to calculate at this stage, could exceed \$8 million.

Oniyah v. City of Philadelphia, No. 22-1556

Mr. Oniyah was convicted of murder and spent nearly ten years in prison before his conviction was vacated and nolle prosequi. He alleges that a Philadelphia police officer coerced his confession to that murder, and his allegations form the basis of criminal charges issued against the detective in late February 2022. The case will likely be stayed pending the criminal proceedings. Given the length of time Mr. Oniyah spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million.

Theophalis Wilson v. City of Philadelphia, 21-2057

Theophalis Wilson was convicted of murder and spent 28 years in prison before his conviction was vacated. He filed suit in Federal Court in early May 2021. Given the length of time Mr. Wilson spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million.

Ogrod v. City of Philadelphia, 21-2499

Walter Ogrod was convicted of murder and spent 23 years in prison before his conviction was vacated. A complaint was filed at the end of May 2021. Given the length of time Mr. Ogrod spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million.

Hicks v. City of Philadelphia (22-977)

Termaine Hicks was convicted of rape and spent 18 years in prison before his conviction was vacated. A complaint was filed in mid-March 2022. Though the case is in its early stages, given the length of time Mr. Hicks spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million.

Swainson v. City of Philadelphia (22-2163)

Andrew Swainson was convicted of murder and spent 32 years in prison before his conviction was vacated. A complaint was filed recently, in June 2022. Given the length of time Mr. Swainson spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million.

Martinez v. City of Philadelphia 22-3437

Antonio Martinez/Pedro Alicia was convicted of murder and spent 31 years in prison before his conviction was vacated. Plaintiff has filed suit in federal court and is represented by experienced civil rights attorneys. Given the length of time Mr. Martinez spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million.

Crosland v. City of Philadelphia 22-2416

Curtis Crosland was convicted of murder and spent 32 years in prison before his conviction was vacated. Plaintiff has filed suit in federal court, and is represented by experienced civil rights attorneys. Given the length of time Mr. Crosland spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million.

Stokes v. City of Philadelphia, 22-338

Willie Stokes was convicted of murder and spent decades in jail. His conviction was vacated and nolle prosequi. He filed suit in federal court in January 2022. Given the length of time he was incarcerated, damages, while difficult to calculate at this early stage, could exceed \$8 million.

Zilka Wage Tax Refund Exposure

In a 2015 decision by the Supreme Court of the United States (Comptroller of the Treasury of Maryland v. Wynne, 575 U.S. 542 (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 provides a credit to resident taxpayers against their respective Wage, Earnings, and Net Profits Tax liabilities for similar taxes paid to another locality, but does not provide a credit for similar taxes paid to another state. Taxpayers have challenged the City's refusal to grant a credit for taxes paid to other states and have appealed to the Pennsylvania Supreme Court on such matters. The City's position was upheld by the Tax Review Board, the Court of Common Pleas, and the Commonwealth Court. The matter has been briefed and oral argument is scheduled for March 7, 2023. The City estimates the cost of current appeals to be approximately \$10 million.

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. During fiscal year 2019, the 1999A indenture (i.e., the parking lot at 8th & Chestnut Streets) did operate at a deficit. The City was not required to cover the debt service this fiscal year due to contingent payments from a third party. As of March 31, 2021, the City of Philadelphia has provided approximately \$13.4 million in funds in its role as guarantor of these bonds. The 1999A Indenture provides for the Authority 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 parking lot, any funds received in excess of the bond principal and accrued interest will be used to repay the City. The current portion is \$940,000 as of March 31, 2022. The 1999A bonds, which mature in fiscal year 2029, had an outstanding principal balance of \$7.61 million at March 31, 2022.

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 timely filing of the City's audit report, data collection form and reporting package, detailed below and the unresolved and questioned costs in the City's Schedule of Financial Assistance to be issued for the year ended June 30, 2022, which accounted for \$996.5 million for all open programs as of November 30, 2022. Of this amount, \$822.6 million represents unresolved costs due to the inability to obtain audit reports from sub-recipients for the year ended June 30, 2021. \$160.3 million represents unresolved costs due to the inability to obtain audit reports from sub-recipients for the years ended June 30, 2020 and prior, and \$13.6 million represents questioned costs related to specific compliance requirements which have yet to be resolved.

In addition to the Single Audit contingencies noted above, Uniform Guidance §200.512 requires that the audit must be completed, and the data collection form and reporting package must be submitted within, the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. The City has regularly failed to meet this filing requirement. As a result of the City's continued failure to meet this filing requirement, there is a chance that future funding could be affected.

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 and Other Major Programs

In previous fiscal years the Act 148 and all of the Children and Youth Programs 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, 2021, the Grants Revenue Fund had a \$168.6 million receivable for the Children and Youth Programs. In FY 2022 the Grants Revenue Fund had expenditures totaling \$476.5 million and revenue totaling \$543.6 million. At June 30, 2022, the Grants Revenue Fund had a \$101.7 million receivable for the Children and Youth Programs. Due to the nature of the programs' billing polices, the city has 24 months after the current fiscal year-end 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

SDP

The following information represents the opinion and disclosures of the General Counsel of the School District concerning litigation and contingencies:

Special Education and Civil Rights Claims – There are estimated seven hundred seventy-seven (777) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of \$4.9 million.

Of those, four hundred thirty-six (436) 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, four hundred thirty-six (436) unfavorable outcomes are deemed probable in the aggregate of \$4.9 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 \$12.5 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 reasonably possible in the amount of \$2.3 million in connection with disputed contracts and labor and employment matters. Likewise, compromised settlements or unfavorable verdicts are deemed probable or reasonably possible in the aggregate amounts of \$2.3 million and \$6.9 million, respectively, arising from personal injury and property damage claims and lawsuits.

Constitutional Challenge- Duffield House Assocs., et al. v. City of Phila., et al., 445 EAL 2021. This consolidated proceeding by commercial property owners and tenants in the City alleged that the City's 2018 property tax reassessment violated the Pennsylvania Constitution's Uniformity Clause. In 2018, plaintiffs requested a preliminary injunction to compel usage of the 2017 assessment levels for all tax bills. Because that request implicated the School District's Business Use and Occupancy Tax, the School District intervened as a defendant. On July 18, 2019, the Court of Common Pleas ruled against the City and, in effect, adverse to the School District's interests. After an unsuccessful appeal to Commonwealth Court, the City and the District sought leave to appeal to the Supreme Court in October 2021, which was ultimately denied on June 8, 2022. The City will provide tax credits to plaintiffs for the 2022 tax bill due in April 2023, and the cost to the District of the tax credit will be carried as a liability from fiscal year 2022 and offset in fiscal year 2023. The likelihood of an unfavorable outcome is certain. The City will withhold \$28.7 million in revenue from the School District during the 2023 fiscal year as an overpayment.

Administrative Appeals in Pennsylvania Department of Education – Federal Funds Deduction Administrative Actions. In these administrative actions, eight brick and mortar and cyber charter schools claim that the Pennsylvania Department of Education ("PDE") impermissibly permits the School District (and all school districts) to deduct amounts constituting expenditures of federal funds from total expenditures when calculating per-pupil rates and that those deductions are not expressly permitted under the Charter School Law. These administrative matters had originated in actions brought by the charter schools against the School District and PDE in Pennsylvania Commonwealth Court. The Commonwealth Court in *Antonia Pantoja Charter School, et al. v. Pa. Dept. of Educ., et al.*, 289 M.D. 2017, related to the 2015- 16 school year, ordered the matter to proceed at PDE, and the charter schools moved their federal funds claims for the 2016-17 (*Antonia Pantoja Charter School, et al. v. Pa. Dept. of Educ., et al.*, 167 M.D. 2019) and 2017-18 (*Antonia Pantoja Charter School, et al. v. Pa. Dept. of Educ., et al.*, 431 M.D. 2019) school years to PDE. For these claims, there are twelve docketed matters before PDE related to the 2015-2016 school year, thirteen docketed matters related to the 2016-2017 school year, and twelve docketed matters related to the 2017-2018 school year. The amounts at issue are: (i) in excess of \$10.7 million for the 2015-16 school year; (ii) in excess of \$8.5 million for the 2016-17 school year; and (iii) in excess of \$6.4 million for the 2017-18 school year. These matters are assigned to a hearing officer. Hearings were held on November 9, 10, 12, and 17, 2020; January 15 and 19, 2021; and February 1, 2021. The parties submitted post-hearing briefs to the hearing officer. The matters have been referred to the Pennsylvania Secretary of Education for a decision. Although it is impossible to determine with any degree of certainty, the likelihood of an unfavorable outcome on the federal funds deduction issue in the amounts detailed above is reasonably possible.

PGW

PGW's material legal proceedings are as described below. PGW believes that it has valid defenses to these legal

proceedings and intends to defend them vigorously. PGW records reserves for estimated losses from contingencies when information available indicates that a loss is probable and the amount of the loss, or range of loss, can be reasonably estimated. Management has assessed the following matters based on current information and made a judgment concerning their potential outcomes, considering the nature of the claim, the amount and nature of damages sought, and the probability of success. PGW is unable to predict the outcome of these legal proceedings or reasonably estimate the scope or amount of any associated costs and potential liabilities.

Philadelphia Gas Works, Petitioner v. Pennsylvania Public Utility Commission and SBG Management Services, et. al., Respondents, Pennsylvania Commonwealth Court Docket Nos. 1291 CD 2018, 1405 CD 2018 and 1404 CD 2018. These are an appeal by PGW dated October 19, 2018 from the Orders of the PUC issued (a) December 8, 2016, and the related Opinions and Orders denying reconsideration that were issued on May 18, 2018 and on August 23, 2018; (b) September 20, 2018; and (c) October 4, 2018.

Eight complaints were filed by landlords and by SBG Management Services, Inc. (collectively, SBG), the property management company that manages the day-to-day operations of certain residential properties owned by the landlords. The complaints which challenged amounts owned by SBG to PGW that, inter alia, were subject to late payment charges by PGW were divided into three groups by the Commission. The Commission's Regulations and PGW's Commission approved tariff authorizes PGW to charge interest (in the form of a late payment charge) at the rate of 1.5% per month on the overdue balance of a utility bill. In addition, if a customer does not pay for natural gas services provided by PGW, a municipal lien (which is created by operation of the Pennsylvania Municipal Claim and Tax Lien Law, 53 P.S. §§ 7101, et. seq. (MCTL)) may be docketed with the appropriate local court. The Commission held that it lacks jurisdiction over unpaid amounts for natural gas service provided by PGW when a municipal lien is docketed under the MCTL. Based upon that conclusion, the Commission determined that once a lien is docketed, PGW may not apply rules set forth in its Commission approved tariff to the arrearage amount giving rise to the lien and may not show that arrearage amount on its monthly bills to nonpaying customers. The PUC assessed civil penalties in the total amount of approximately \$0.1 million against PGW, ordered PGW to refund sums totaling approximately \$1.0 million to the complainants, correct its practices in the assessment of late payment charges on unpaid balances, and modify the payment application sequence associated with partial payments. This would require PGW to make changes to PGW's billing system.

In response to the PUC's determination, PGW filed timely appeals with the Pennsylvania Commonwealth Court from the PUC's decision in each group of complaints. Oral argument took place on November 12, 2019.

On December 9, 2019, the Pennsylvania Commonwealth Court reversed the orders of the PUC related to amounts owed by SBG Management Services, Inc. to PGW that, inter alia, were subject to late payment charges by PGW.

The Commonwealth Court found that (i) the PUC committed an error of law in holding that it lacked jurisdiction over gas charges subject to docketed liens, (ii) the PUC committed an error of law in holding that PGW could not continue to impose late fees of 1.5% per month on delinquent accounts once the City docketed a lien, and (iii) the PUC erred in imposing penalties, ordering refunds of previously imposed late fees, and directing billing changes relating to charges subject to docketed liens.

On January 8, 2020, SBG petitioned the Pennsylvania Supreme Court ("PA Supreme Court") to reverse the decision of the Commonwealth Court. On June 23, 2020, the PA Supreme Court granted SBG's petition for appeal. On December 1, 2020, the parties presented oral arguments before the PA Supreme Court. On April 29, 2021, the PA Supreme Court reversed the order of the Commonwealth Court, and held that liens filed of record under Section 7106(b) of the Municipal Claims and Tax Lien Law (53 P.S. § 7106(b)) have the effect of judgments, and accordingly accrue interest at the "lawful rate" of post-judgment interest of 6% per annum. (See 42 Pa.C.S. §8101; 41 P.S. § 202)

On May 13, 2021, PGW filed an "Application for Reargument" with the PA Supreme Court. In its Application, PGW requested that the PA Supreme Court grant reargument on a number of grounds, including due to PGW's assertion that the determination of the interest rate on liens was not properly the subject of the appeal before the PA Supreme Court.

On June 15, 2021, Philadelphia Gas Works' Application for Reargument was granted in part by the PA Supreme Court. The case was remanded to the Commonwealth Court for consideration of any outstanding issues. (PGW's Application for Relief (including the request for reargument) was denied in all other respects.) On August 3, 2021, the Commonwealth Court issued an order establishing a Supplemental Briefing Schedule for the matter on remand, and also fixed the questions on remand. The parties' briefs were filed in September/October of 2021. Oral argument took place on February 7, 2022 before the Commonwealth Court, and on March 16, 2022 the Commonwealth Court held that PGW II applies retroactively only to the parties of PGW II as well as other proceeding pending at the time PGW PGW II was decided on April 28, 2021. The Commonwealth Court remanded the proceeding to the Commission for a determination of the correct amounts.

Upon remand to the Commission, PGW filed a motion to dismiss the issue related to the amounts due on docketed liens. PGW argued that the amount due on docketed liens (which are judgments according to PGW II) are outside of the Commission's jurisdiction. In response, SBG argued that it is proper for the Commission to determine how much SBG was overcharged. The motion was argued before the Administrative Law Judge (the "ALJ") on November 8, 2022. An evidentiary hearing was scheduled for January 19, 2023.

SBG Management Services, Inc. Et Al. v. City of Philadelphia c/o Philadelphia Gas Works. In a separate, but related matter to the SBG matter described above, various and several new SBG entities filed a Praecipe for Writ of Summons against "the City of Philadelphia c/o PGW" in the Philadelphia Court of Common Pleas on April 29, 2021 and docketed a complaint on August 24, 2021. The complaint sets forth a cause of action for "recoupment" (Count I), a claim for unjust enrichment (Count II), a cause of action for fraud (Count III), and a claim for violation of the UTPCPL (Count IV). Under SBG's view of the decision of the Pennsylvania Supreme Court (PGW v. PUC, 249 A.3d 963 (Pa. 2021)) in the above-described litigation, SBG is entitled to damages based on the amounts paid by them to satisfy the judgments (docketed municipal liens) against them for unpaid gas service. In their complaint, Plaintiffs allege they have incurred hundreds of millions of dollars in damages from PGW's billing practices since at least 2004 and are seeking a refund of late payment charges paid to PGW in excess of \$10.2 million, as well as other substantial (including punitive and treble) damages, interest, costs, fees and penalties based upon allegations of unjust enrichment, fraud, and unfair trade practices arising from PGW's late payment charges. PGW filed its response to the complaint in September 2021, wherein it raised objections and defenses to all the causes of action raised in the complaint. On January 20, 2022, the Court issued an order in response to PGW's Preliminary Objections, dismissing two of SBG's claim with prejudice (fraud and unfair trade practices), and dismissing a third claim (breach of contract) without prejudice, and leave to SBG to amend its complaint. SBG has subsequently filed multiple amended complaints including a Third Amended Complaint ("TAC"). The TAC asserts claim of breach of contract (Count 1) and unjust enrichment (Count II). PGW responded by filing preliminary objections to the TAC. On August 10, 2022, the Court sustained one of PGW's preliminary objections and dismissed the nine other property owners. PGW's other preliminary objections were overruled. PGW filed an answer with new matter on August 30, 2022. SBG's reply was filed on September 23, 2022. Under the Court's Revised Case Management Order, the case will be ready for trial on or after April 3, 2023.

Pennsylvania Public Utility Commission, Bureau of Investigation and Enforcement v. Philadelphia Gas Works. Docket No. C-2019-3013933. On December 19, 2019, an explosion occurred on the 1400 Block of South Eighth Street in Philadelphia that resulted in two fatalities. The Commission's Bureau of Investigation and Enforcement ("BI&E") conducted an investigation, Part of the investigation is to gather physical evidence at the scene as described in 49 CFR 190.203

On July 15, 2022, BI&E filed a formal complaint against PGW alleging violations of the Public Utility Code arising from the incident. The formal complaint seeks corrective actions and civil penalties of \$1,311,882. PGW responded to the complaint on August 23, 2022, denying the allegations. The proceeding is in the discovery phase. Evidentiary hearings are currently scheduled for April 2023.

9. SUBSEQUENT EVENTS

In preparing the accompanying financial statements, the City has reviewed events that occurred subsequent to June 30, 2022 through and including February 25, 2023. The following events are described below:

A. PRIMARY GOVERNMENT

1. In August 2022, the City issued \$294.8 million in Water and Wastewater Revenue Bonds. Series 2022 C. The Water and Wastewater Revenue Bonds, Series 2022 C bonds were issued to provide funds to finance (i) capital improvements to the System, (ii) a deposit to the Debt Reserve Account of the Sinking Fund and (iii) the costs of issuance relating to the 2022C Bonds.
2. PICA's original enabling legislation enacted in June 1991 was to expire no later than one year after the maturity of all outstanding special tax revenue bonds issued by the Authority. In July, 2022, the Commonwealth enacted legislation extending the Act. The amended act extends the existence of the Authority until the later of January 2, 2047 or one year after all of the Authority's liabilities, including any outstanding bonds, as provided in the applicable bond indenture, have been fully paid or discharged. Upon termination of the Authority, all rights and property, including funds remaining in the debt service reserve fund, will be paid to the Commonwealth to the extent the Commonwealth has contributed such rights or property, or otherwise such rights and property will pass to or be vested in the City.
3. In November 2022, voters passed a ballot amendment to the City of Philadelphia's Home Rule Charter establishing a standalone Department of Aviation to oversee Philadelphia International Airport and Northeast Philadelphia Airport. Prior to this amendment, the airports were operated by the Division of Aviation and

oversight resided with the City's Department of Commerce. The Department of Aviation, as a standalone department, reports directly to the Mayor of Philadelphia.

B. COMPONENT UNITS

1. **SDP** Subsequent Events

a. Tax Anticipation Revenue Notes (TRAN)

In July 2022, 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 (TRAN), the Board of Education, through a resolution, authorized the issuance and sale of TRAN Notes which were issued as fixed rate notes in the aggregate principal amount of up to \$500.0 million with a maturity date of June 29, 2023.

On July 21, 2022, the Board of Education authorized the issuance and sale of the Series A of Tax and Revenue Anticipation Notes of 2022-2023 in the amount of \$500.0 million. The \$500.0 million of Series A notes were purchased by a bank through a negotiated sale. The purchases of Series A1 notes were issued as fixed rate notes at a rate of 0.289% which was locked in based on rates as of July 14, 2022. Note proceeds were received on the closing date of July 21, 2022. The Notes were issued for the purpose of financing the current operating expenses incurred during Fiscal Year 2022.

b. School District of Philadelphia Complaint Filed Against The City of Philadelphia, et al

On January 20, 2023, The School District of Philadelphia filed a complaint against The City of Philadelphia, the Philadelphia Department of Public Health, and the City Managing Director, Tumar Alexander in federal court, at The School District of Philadelphia v. City of Philadelphia, et al., United States District Court for the Eastern District of Pennsylvania No. 2:23-cv-00238. The Complaint alleges that City of Philadelphia Bill No. 210685-AA is preempted by the Asbestos Hazard Emergency Response Act (AHERA), is an unconstitutional delegation of legislative authority, is unconstitutional because it deprives the School District of liberty and property without due process of law and is an impermissible exercise of the City's powers as a home rule municipality.

c. Pending State and Federal Lawsuits Filed Against the School District of Philadelphia

The School District of Philadelphia is party to four personal injury, property damage, and civil rights (Non-employee) claims and lawsuits filed during August 2022, October 2022, and November 2022. Information concerning them became available after the date of the financial statements. The District anticipates the outcome of these cases to be reasonably possible with a potential liability of over \$4.0 million.

2. **PHA** Subsequent Events:

Vehicle Lease - On April 7, 2017, PHA and Enterprise Fleet Management, Inc. (Enterprise) executed a contract whereby PHA will commence leasing vehicles from Enterprise for a term of 5 years. In fiscal 2023, Enterprise will lease an additional 72 vehicles to PHA in Phase VI for an estimated budget of \$2.3 million.

3. **PPA** Subsequent Event:

In October 2022, the City of Philadelphia – Division of Aviation extended the Authority's Provider agreement that continues Authority parking operations at the Philadelphia International Airport. The extension is valid through October 31, 2023.

City of Philadelphia
PENNSYLVANIA

**Required
Supplementary
Information**

(Other than Management's Discussion and Analysis)

Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2022

Exhibit XIV

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Tax Revenue	3,417,808	3,922,637	4,139,390	216,753
Locally Generated Non-Tax Revenue	364,391	373,199	396,364	23,165
Revenue from Other Governments	829,140	872,621	931,192	58,571
Revenue from Other Funds	645,906	322,250	300,567	(21,683)
Total Revenues	5,257,245	5,490,707	5,767,513	276,806
<u>Expenditures and Encumbrances</u>				
Personal Services	1,888,766	1,963,263	1,890,730	72,533
Pension Contributions	774,150	1,031,311	1,031,311	-
Other Employee Benefits	664,443	655,209	658,720	(3,511)
Sub-Total Employee Compensation	3,327,359	3,649,783	3,580,761	69,022
Purchase of Services	1,094,526	1,124,361	1,014,397	109,964
Materials and Supplies	74,137	86,770	77,847	8,923
Equipment	44,672	57,946	47,773	10,173
Contributions, Indemnities and Taxes	386,793	391,828	384,930	6,898
Debt Service	192,667	192,667	188,718	3,949
Payments to Other Funds	48,792	45,952	44,101	1,851
Advances, Subsidies, Miscellaneous	100,000	80,630	-	80,630
Total Expenditures and Encumbrances	5,268,946	5,629,937	5,338,527	291,410
Operating Surplus (Deficit) for the year	(11,701)	(139,230)	428,986	568,216
Fund Balance Available for Appropriation, July 1, 2021	78,748	298,542	298,542	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	24,000	27,532	51,616	24,084
Funding for Future Obligations	(4,500)	(4,500)	-	4,500
Adjusted Fund Balance, July 1, 2021	98,248	321,574	350,158	28,584
Fund Balance Available for Appropriation, June 30, 2022	86,547	182,344	779,144	596,800

Refer to the notes to required supplementary information.

City of Philadelphia
 Required Supplementary Information
 Budgetary Comparison Schedule
 HealthChoices Behavioral Health Fund
 For the Fiscal Year Ended June 30, 2022

Exhibit XV

Amounts in thousands of USD

	Budgeted Amounts		Actual	Final Budget to Actual Positive (Negative)
	Original	Final		
Revenues				
Locally Generated Non-Tax Revenue	2,000	219	(639)	(858)
Revenue from Other Governments	1,308,000	1,309,781	1,281,180	(28,601)
Total Revenues	1,310,000	1,310,000	1,280,541	(29,459)
Other Sources				
Decrease in Unreimbursed Commitments	-	-	(26,129)	(26,129)
Total Revenues and Other Sources	1,310,000	1,310,000	1,254,412	(55,588)
Expenditures and Encumbrances				
Personal Services	1,252	1,252	278	974
Purchase of Services	1,308,648	1,308,648	1,291,143	17,505
Payments to Other Funds	100	100	1	99
Total Expenditures and Encumbrances	1,310,000	1,310,000	1,291,422	18,578
Operating Surplus (Deficit) for the year	-	-	(37,010)	(37,010)
Fund Balance Available for Appropriation, July 1, 2021	-	172,630	172,630	-
Adjustments in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	(172,630)	90,772	263,402
Prior Period Adjustments	-	-	(25,377)	(25,377)
Adjusted Fund Balance, July 1, 2021	-	-	238,025	238,025
Fund Balance Available for Appropriation, June 30, 2022	-	-	201,015	201,015

Refer to the notes to required supplementary information.

City of Philadelphia
Required Supplementary Information
Budgetary Comparison Schedule
Grants Revenue Fund
For the Fiscal Year Ended June 30, 2022

Exhibit XVI

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	93,086	83,447	56,954	(26,493)
Revenue from Other Governments	3,496,909	1,977,052	1,474,292	(502,760)
Total Revenues	3,589,995	2,060,499	1,531,246	(529,253)
<u>Other Sources</u>				
Decrease in Unreimbursed Commitments	-	-	(26,808)	(26,808)
Increase in Financed Reserves	-	-	(1,213)	(1,213)
Total Revenues and Other Sources	3,589,995	2,060,499	1,503,225	(557,274)
<u>Expenditures and Encumbrances</u>				
Personal Services	265,602	224,205	160,192	64,013
Pension Contributions	46,064	21,459	9,552	11,907
Other Employee Benefits	51,779	74,717	36,406	38,311
Sub-Total Employee Compensation	363,445	320,381	206,150	114,231
Purchase of Services	1,464,165	1,495,607	1,092,523	403,084
Materials and Supplies	74,326	60,346	17,275	43,071
Equipment	52,696	37,314	4,885	32,429
Contributions, Indemnities and Taxes	1	1	23,445	(23,444)
Payments to Other Funds	635,361	676,711	341,733	334,978
Advances, Subsidies, Miscellaneous	1,000,001	613,951	-	613,951
Total Expenditures and Encumbrances	3,589,995	3,204,311	1,686,011	1,518,300
Operating Surplus (Deficit) for the Year	-	(1,143,812)	(182,786)	961,026
Fund Balance Available for Appropriation, July 1, 2021	-	(357,044)	(357,044)	-
<u>Adjustments in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	139,755	139,755
Revenue Adjustments - Net	-	-	(839)	(839)
Prior Period Adjustments	-	357,044	(9,709)	(366,753)
Adjusted Fund Balance, July 1, 2021	-	-	(227,837)	(227,837)
Fund Balance Available for Appropriation, June 30, 2022	-	(1,143,812)	(410,623)	733,189

Refer to the notes to required supplementary information.

City of Philadelphia Schedule of Changes in Net OPEB Liability and Related Ratios (Amounts in thousands USD)

	F E 2021	F E 2020	F E 2019	F E 2018	F E 2017
Total Net OPEB Liability					
Service Cost (BO)	110,900	93,900	82,400	81,800	89,300
Interest (includes interest on service cost)	47,500	69,200	71,900	67,900	56,100
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	18,100	-	56,800	-
Changes of assumptions	8,300	75,300	54,000	(147,800)	(105,600)
Benefit payments, including refunds of member contributions	(97,800)	(104,600)	(96,900)	(96,400)	(114,800)
Net change in total Net OPEB liability	7,900	51,900	70,400	(105,400)	(135,000)
Total Net OPEB liability beginning	2,087,200	1,935,300	1,823,900	1,861,600	1,936,600
Total Net OPEB liability ending	2,095,100	2,087,200	1,935,300	1,823,900	1,861,600
Plan fiduciary net position					
Contributions - employer	97,800	104,600	96,900	96,400	114,800
Contributions - non-employer	-	-	-	-	-
Contributions - member	-	-	-	-	-
Net investment income	-	-	-	-	-
Benefit payments, including refunds of member contributions	(97,800)	(104,600)	(96,900)	(96,400)	(114,800)
Administrative expense	-	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position beginning	-	-	-	-	-
Plan fiduciary net position ending	-	-	-	-	-
Net OPEB liability ending	2,095,100	2,087,200	1,935,300	1,823,900	1,861,600
Plan fiduciary net position as a percentage of the total Net OPEB liability	0.00	0.00	0.00	0.00	0.00
Covered employee payroll	1,886,500	1,921,200	1,842,600	1,805,400	1,744,700
Net OPEB liability as a percentage of covered employee payroll	114.29	108.64	105.03	101.02	106.70

Note: There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan. The schedules of changes in net OPEB liability and related ratios are intended to show information for 10 years. Additional years will be displayed as they become available.

City of Philadelphia Municipal Pension Plan Schedule of Changes in Net Pension Liability (Amounts in thousands USD)

	F E 2022	F E 2021	F E 2020	F E 2019	F E 2018	F E 2017	F E 2016	F E 2015
Total Net Pension Liability								
Service Cost (O)	186,294	187,598	190,457	183,756	164,137	157,607	148,370	143,556
Interest (includes interest on service cost)	879,400	884,099	871,381	857,349	843,172	823,959	802,450	791,299
Changes of benefit terms	-	-	-	378	4,065	-	-	-
Differences between expected and actual experience	(200,733)	(2,417)	9,483	11,098	28,937	103,879	151,919	34,910
Changes of assumptions	220,153	57,076	-	53,489	106,022	51,441	85,148	48,146
Benefit payments, including refunds of member contributions	(929,291)	(891,445)	(862,198)	(842,469)	(828,266)	(821,495)	(889,343)	(881,465)
Net change in total pension liability	156,823	136,811	126,632	103,195	110,935	161,431	167,634	145,456
Total net pension liability beginning	12,218,303	11,983,392	11,774,269	11,510,668	11,192,601	10,877,210	10,578,666	10,283,210
Total net pension liability ending	12,375,126	12,218,303	11,983,392	11,774,269	11,510,668	11,192,601	10,877,210	10,578,666
Plan fiduciary net position								
Contributions - employer	859,786	788,483	768,720	797,806	781,984	706,237	660,247	577,195
Contributions - member	110,447	111,273	111,825	99,180	83,289	73,607	67,055	58,658
Net investment income	(479,763)	1,643,490	87,151	303,736	440,327	566,625	(145,682)	13,838
Benefit payments, including refunds of member contributions	(929,291)	(891,445)	(862,198)	(842,469)	(828,266)	(821,495)	(889,343)	(881,666)
Administrative expense	(8,933)	(9,709)	(10,991)	(11,155)	(10,123)	(8,874)	(8,554)	(10,478)
PAF Distributions	(37,395)	-	-	-	-	-	-	-
Net change in plan fiduciary net position	(485,149)	1,642,092	94,507	347,098	467,211	516,100	1,000,000	1,000,000
Plan fiduciary net position beginning	7,424,983	5,782,891	5,688,384	5,341,286	4,874,075	4,357,975	4,674,252	4,174,252
Plan fiduciary net position ending	6,939,834	7,424,983	5,782,891	5,688,384	5,341,286	4,874,075	4,674,252	4,174,252
Net pension liability ending	12,375,126	12,218,303	11,983,392	11,774,269	11,510,668	11,192,601	10,877,210	10,578,666
Plan fiduciary net position as a percentage of the total pension liability	56.08	60.77	48.26	48.31	46.40	43.55	40.07	44.19
Covered payroll	1,921,335	1,878,374	1,921,217	1,842,555	1,805,400	1,744,728	1,676,549	1,597,849
Net pension liability as a percentage of covered payroll	282.84	255.18	322.74	330.30	341.72	362.15	388.85	369.52

Note: The schedules of changes in net OPEB liability and related ratios are intended to show information for 10 years. Additional years will be displayed as they become available.

**City of Philadelphia
Required Supplementary Information
Other Post Employment Benefits (OPEB) and Pension Plans**

City of Philadelphia Schedule of Collective Contributions (Based on Minimum Municipal Obligations)

	Last 10 Fiscal Years Amounts in Thousands										
	F E 2022	F E 2021	F E 2020	F E 2019	F E 2018	F E 2017	F E 2016	F E 2015	F E 2014	F E 2013	
Actuarially determined Contribution Contributions in Relation to the Actuarially Determined Contribution	678,192	673,884	675,751	668,281	661,257	629,620	594,975	556,030	523,368	727,604	
	859,787	788,483	768,721	797,806	781,984	706,237	660,247	577,195	553,179	781,823	
Contribution Deficiency (Excess)	(181,595)	(114,599)	(92,970)	(129,525)	(120,727)	(76,617)	(65,272)	(21,165)	(29,811)	(54,219)	
Covered Payroll	1,921,335	1,878,374	1,921,217	1,842,555	1,805,400	1,744,728	1,676,549	1,597,849	1,495,421	1,429,723	
Contributions as a Percentage of Covered Payroll	44.75	41.98	40.01	43.30	43.31	40.48	39.38	36.12	36.99	54.68	

City of Philadelphia Schedule of Collective Contributions (Based on Revenue Recognition Policy)

	Last 10 Fiscal Years Amounts in Thousands										
	F E 2022	F E 2021	F E 2020	F E 2019	F E 2018	F E 2017	F E 2016	F E 2015	F E 2014	F E 2013	
Actuarially determined Contribution Contributions in Relation to the Actuarially Determined Contribution	727,430	712,978	704,589	680,808	662,139	629,620	594,975	556,030	523,368	727,604	
	859,787	788,483	768,721	797,806	781,984	706,237	660,247	577,195	553,179	781,823	
Contribution Deficiency (Excess)	(132,357)	(75,505)	(64,132)	(116,998)	(119,845)	(76,617)	(65,272)	(21,165)	(29,811)	(54,219)	
Covered Payroll	1,921,335	1,878,374	1,902,161	1,842,555	1,805,400	1,744,728	1,676,549	1,597,849	1,495,421	1,429,723	
Contributions as a Percentage of Covered Payroll	44.75	41.98	40.41	43.30	43.31	40.48	39.38	36.12	36.99	54.68	

City of Philadelphia Schedule of Collective Contributions (Based on Funding Policy)

	Last 10 Fiscal Years Amounts in Thousands										
	F E 2022	F E 2021	F E 2020	F E 2019	F E 2018	F E 2017	F E 2016	F E 2015	F E 2014	F E 2013	
Actuarially determined Contribution Contributions in Relation to the Actuarially Determined Contribution	826,407	856,456	839,691	874,706	871,802	881,356	846,283	796,043	823,885	738,010	
	859,787	788,483	768,721	797,806	781,984	706,237	660,247	577,195	553,179	781,823	
Contribution Deficiency (Excess)	(33,380)	67,973	70,970	76,900	89,818	175,119	186,036	220,847	270,706	(43,813)	
Covered Payroll	1,921,335	1,878,374	1,902,161	1,842,555	1,805,400	1,744,728	1,676,549	1,597,849	1,495,421	1,429,723	
Contributions as a Percentage of Covered Payroll	44.75	41.98	40.41	43.30	43.31	40.48	39.38	36.12	36.99	54.68	

Notes to Schedule

- Valuation Date: July 1, 2020
- Timing: Actuarially determined contribution rates are calculated based on the actuarial valuation two years prior to the beginning of the plan year.
- Methods and Assumptions Used to Determine Contribution Rates:
 - Actuarial cost method: Ten-year smoothed mortality
 - Asset valuation method: Gain/Losses are amortized over closed 20-year periods, assumption changes over 15 years, benefit changes for actives over 10 year, and benefit changes for inactive members over 1 year, and plan changes mandated by state over 20 years.
 - Amortization method: Under the City's Funding Policy, the initial July 1, 1985 unfunded actuarial liability (UAL) is amortized over 34 years ending June 30, 2019. Future Amortization periods follow the O funding policy.
 - Discount rate: Under the O Funding Policy, the July 1, 2009 unfunded actuarial liability (UAL) was first started to be amortized over 30 years, ending June 30, 2039. This is level dollar amortization of the UAL.
 - Salary increases: Under the RRP Funding Policy, sales tax revenue and additional member contributions are dedicated to fund the unfunded liability instead of reducing the City's obligation such that this revenue is in addition to what the O would have been without these additional assets.
 - Actuarial cost method: 7.50
 - Amortization growth rate: Age based salary scale separated by employee classification
 - Salary increases: RP-2014 mortality Tables projected from base year of 2006 to 2021 using mortality improvement scale P-2017
 - Actuarial cost method: 3.30
 - Actuarial cost method: RP-2014 mortality Tables projected from base year of 2006 to 2021 using mortality improvement scale P-2017

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2022 can be found in the July 1, 2020 actuarial valuation.

City of Philadelphia
 Required Supplementary Information
 Other Post Employment Benefits (OPEB) and Pension Plans

Exhibit XVII

<u>Philadelphia as or s schedule of changes in et ension Liabilit</u>		<u>Amounts in thousands</u>					
	F E 2022	F E 2021	F E 2020	F E 2019	F E 2018	F E 2017	F E 2016
Total Pension Liability							
Service Cost	7,152	7,178	6,400	6,554	6,103	5,823	5,400
Interest Cost	55,276	55,454	56,893	57,240	55,718	55,443	55,903
Changes in Benefit Terms	-	-	-	-	-	-	-
Differences between expected and actual experience	9,665	2,057	(3,034)	(12,089)	15,706	2,182	(8,841)
Changes in assumptions	1,481	22,923	(24,891)	(1,834)	(3,864)	(7,952)	26,748
Benefit Payments	(58,502)	(56,646)	(55,061)	(53,893)	(52,627)	(51,376)	(50,447)
et change in Total ension Liabilit	,	,	,	,	,	,	,
Total ension Liabilit Beginning	,	,	,	,	,	,	,
Total ension Liabilit nding	,	,	,	,	,	,	,
Plan Fiduciary Net Position							
Contributions-Employer	30,042	29,728	29,414	28,570	29,143	27,918	21,123
Contributions - ember	1,854	1,607	1,519	1,249	1,078	852	602
Net Investment Income	(80,988)	155,840	14,286	34,260	44,310	61,002	2,872
Benefit Payments	(58,502)	(56,646)	(55,061)	(53,893)	(52,627)	(51,376)	(50,446)
Administrative Expense	(200)	(217)	(168)	(192)	(184)	(129)	(1,611)
Other	-	-	-	-	-	-	-
et change in Fiduciar et osition	,	,	,	,	,	,	,
lan Fiduciar et osition Beginning	,	,	,	,	,	,	,
lan Fiduciar et osition nding	,	,	,	,	,	,	,
et ension Liabilit nding	,	,	,	,	,	,	,
Total Pension Liability	826,830	811,758	780,792	800,485	804,507	783,471	779,351
Plan Fiduciary Net Position	565,748	673,542	543,230	553,240	543,246	521,526	483,259
et ension Liabilit nding	,	,	,	,	,	,	,
Net Position as a percentage of Pension Liability	68.42	82.97	69.57	69.11	67.53	66.57	62.01
Covered Payroll	97,435	97,959	95,934	98,454	101,271	94,768	90,860
Net Pension Liability as a percentage of Payroll	267.96	141.10	247.63	251.13	257.98	276.41	325.88

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Note: The schedule of changes in net pension liability and related ratios are intended to show information for 10 years. Additional years will be displayed as they become available

<u>Philadelphia as or s schedule of Actuariall Determined ontribution</u>		<u>Amounts in thousands</u>					
	F E 2022	F E 2021	F E 2020	F E 2019	F E 2018	F E 2017	F E 2016
Actuarially Determined Contribution	30,000	30,000	26,844	28,797	28,395	29,260	26,476
Contributions in Relation to the Actuarially Determined Contribution	30,043	29,728	29,414	28,570	29,143	27,918	21,123
Contribution Deficiency (Excess)	(43)	272	(2,570)	227	(748)	1,342	5,353
Covered Payroll	97,435	97,959	95,934	98,454	101,271	94,768	90,860
Contributions as a percent of covered payroll	30.83	30.35	30.66	29.02	28.78	29.46	23.25

otes to Re uired uppleментар 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	une 30, 2022
Actuarial Cost ethod	Pro ected Unit Credit
Amorti ation ethod	Contributions based on greater of 20 year level dollar open amorti ation method and 30 year level dollar closed amorti ation method.
Asset Valuation ethod	Assets smoothed over a 5 year period
Salary Increases	Varies by participant years of service.
General Inflation	2.00
Investment Rate of Return	7.00
Cost of Living	N A
ortality rates	Pri-2012 mortality table pro ected generationally from the central year using Scale P-2021

I. BA I F B D T I

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. BA I F B D T I T AA BA I R ILIATI

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund
<u>Revenues</u>			
Budgetary Comparison Schedule	5,767,513	1,280,541	1,531,246
Transfers	(840,156)	-	-
Program Income	-	-	47,924
Adjustments applicable to Prior Years Activity	-	-	(839)
Change in Amount Held by Fiscal Agent	515	-	-
Change in BIRT Adjustment	(37,152)	-	-
Return of Loan	-	-	-
Other	1,163	-	-
Statement of Revenues, Expenditures & Changes in Fund Balance	<u>4,891,883</u>	<u>1,280,541</u>	<u>1,578,331</u>
<u>Expenditures and Encumbrances</u>			
Budgetary Comparison Schedule	5,338,527	1,291,422	1,686,011
Transfers	(227,350)	-	(289,189)
Transfer to Budget Stabilization Fund	-	-	-
Bond Issuance Costs	1,195	-	-
Expenditures applicable to Prior Years Budgets	137,716	(23,740)	18,439
Program Income	-	-	47,924
Lease Activity	317	-	3
Change in Amount Held by Fiscal Agent	38,507	-	-
Current Year Encumbrances	(371,707)	(40,903)	(131,386)
Statement of Revenues, Expenditures & Changes in Fund Balance	<u>4,917,205</u>	<u>1,226,779</u>	<u>1,331,802</u>

**Other
Supplementary
Information**

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NON-MAJOR GOVERNMENTAL FUNDS (Cont'd)

DEBT SERVICE FUNDS

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

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

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

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

CAPITAL IMPROVEMENT FUNDS

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

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

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

PERMANENT FUNDS

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

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

City of Philadelphia
 Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2022

Schedule I

Amounts in thousands of USD

	Special Revenue												Total					
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative		PICA Administrative				
Assets																		
Cash on Deposit and on Hand	19,420	56,545	8,745	-	7,545	84,069	24,049	30	5,889	72	8,712	12,495	5,877	-	-	-	27,084	
Equity in Treasurer's Account	-	-	-	-	-	-	-	-	-	-	8,024	-	-	-	-	-	214,388	
Investments	-	-	-	-	-	-	-	-	-	-	1,107	9,197	14,462	-	-	-	15,569	
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,197	
Due from Component Units	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Amounts Held by Fiscal Agent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Notes Receivable	-	-	7,830	-	727	-	20,883	-	-	-	-	-	-	-	-	-	35,475	
Taxes Receivable	-	-	-	2,521	-	-	-	-	-	-	67	1,636	-	-	-	-	4,224	
Accounts Receivable	-	-	(561)	16,546	(27)	-	(18,795)	-	-	-	-	-	-	-	-	-	16,546	
Due from Other Governmental Units	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	(19,383)	
Allowance for Doubtful Accounts	-	-	-	-	16	-	-	-	-	-	-	-	-	-	-	-	18	
Interest and Dividends Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Inventories	-	-	-	-	-	-	-	-	-	-	64	564	-	-	-	-	-	
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16	644	
Total Assets	19,420	56,545	16,014	19,067	8,261	84,069	26,137	30	5,889	72	17,974	23,892	26,392	-	-	-	303,762	
Liabilities																		
Notes Payable	-	295	-	872	-	295	265	-	67	-	71	-	-	-	-	-	2,923	
Vouchers Payable	1,058	-	-	6,855	-	1,825	1,474	-	-	-	347	11,550	67	-	-	-	31,018	
Accounts Payable	614	1,463	6,823	326	-	-	262	-	-	-	-	-	-	-	-	-	593	
Salaries and Wages Payable	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	192	192	
Payroll Taxes Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Accrued Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Due to Other Funds	-	-	-	11,211	-	-	-	-	-	-	-	-	-	-	-	-	17,247	
Due to Primary Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Due to Component Units	-	-	-	249	-	1,554	-	-	447	-	2,238	12,000	-	-	-	-	1,803	
Funds Held in Escrow	-	-	-	8	-	-	-	-	-	-	-	-	-	-	-	-	14,693	
Due to Other Governmental Units	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unearned Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
General Obligation Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Revenue Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unamortized Loss - Refunded Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unamortized Discount on Revenue Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Obligations Under Capital Leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Liabilities	1,677	1,758	6,823	19,521	-	3,674	2,001	-	514	-	2,656	23,550	6,295	-	-	-	68,469	
Deferred Inflows of Resources	-	-	148	18,869	3	-	2,088	-	-	-	-	-	-	-	-	-	21,108	
Fund Balances																		
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Restricted	17,743	54,787	9,043	-	8,258	80,395	22,048	-	-	72	13,426	342	20,097	-	-	-	226,211	
Committed	-	-	-	-	-	-	-	30	5,375	-	1,892	-	-	-	-	-	7,297	
Assigned	-	-	-	(19,323)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(19,323)	
Total Fund Balances	17,743	54,787	9,043	(19,323)	8,258	80,395	22,048	30	5,375	72	15,318	342	20,097	-	-	-	214,185	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	19,420	56,545	16,014	19,067	8,261	84,069	26,137	30	5,889	72	17,974	23,892	26,392	-	-	-	303,762	

City of Philadelphia
 Combining Balance Sheet
 Non-Major Governmental Funds(Continued)
 June 30, 2022

Schedule I

Amounts in thousands of US\$

	Debt Service			Capital Improvement			Permanent		Total Non-Major Governmental Funds
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks	
Assets									
Cash on Deposit and on Hand	-	-	3,656	3,656	-	-	-	305	31,045
Equity in Treasurer's Account	253	-	-	253	-	-	380,850	-	595,491
Investments	-	73	7,414	7,487	380,850	8	8	7,116	30,180
Due from Other Funds	-	-	-	-	-	-	-	-	9,197
Due from Component Units	-	-	-	-	-	-	-	-	-
Amounts Held by Fiscal Agent	-	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-	35,475
Accounts Receivable	-	-	-	-	-	-	-	-	4,224
Due from Other Governmental Units	-	-	-	-	86,291	-	86,291	-	102,837
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	(19,383)
Interest and Dividends Receivable	-	-	5	5	-	-	-	-	23
Inventories	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	644
Total Assets	253	73	11,075	11,401	467,141	8	467,149	7,421	789,733
Liabilities									
Notes Payable	-	-	-	-	-	-	-	-	-
Vouchers Payable	-	-	-	-	15,189	-	15,189	-	18,112
Accounts Payable	-	-	-	-	50,713	-	50,713	56	81,787
Salaries and Wages Payable	-	-	-	-	-	-	-	-	593
Payroll Taxes Payable	-	-	-	-	-	-	-	-	192
Accrued Expenses	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-	17,247
Due to Primary Government	-	-	-	-	-	-	-	-	-
Due to Component Units	-	-	-	-	349	-	349	-	2,152
Funds Held in Escrow	-	-	-	-	2,959	-	2,959	-	17,652
Due to Other Governmental Units	-	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	10,595	-	10,595	-	10,595
General Obligation Bonds	-	-	-	-	-	-	-	-	-
Revenue Bonds	-	-	-	-	-	-	-	-	-
Unamortized Loss - Refunded Debt	-	-	-	-	-	-	-	-	-
Unamortized Discount on Revenue B	-	-	-	-	-	-	-	-	-
Obligations Under Capital Leases	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	79,805	-	79,805	56	148,330
Deferred Inflows of Resources	-	-	-	-	78,424	-	78,424	-	99,532
Fund Balances									
Nonspendable	-	-	-	-	-	-	-	-	3,927
Restricted	253	73	11,075	11,401	308,912	8	308,920	3,303	549,835
Committed	-	-	-	-	-	-	-	135	7,432
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	(19,323)
Total Fund Balances	253	73	11,075	11,401	308,912	8	308,920	7,365	541,871
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	253	73	11,075	11,401	467,141	8	467,149	7,421	789,733

City of Philadelphia
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Non-Major Governmental Funds
 For the Fiscal Year Ended June 30, 2022

	Special Revenue											Amounts in thousands of USD		
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Acute Care Hospital Assessment	Riverview Residants	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Revenues														
Tax Revenue	-	-	59,028	-	6,850	-	189,587	-	-	-	-	578,725	-	834,190
Locally Generated Non-Tax Revenue	9	52	7	4	11	12,324	-	2,340	164	4,819	74	(226)	-	19,578
Revenue from Other Governments	14,842	34,973	-	66,863	-	6,860	-	-	-	-	-	-	-	116,678
Other Revenues	-	-	-	-	-	6,860	-	-	-	319	-	515	-	7,694
Total Revenues	14,851	35,025	59,035	66,867	6,861	19,184	189,587	2,340	164	5,138	74	578,014	74	978,140
Expenditures														
Current Operating:														
Economic Development	-	-	55,751	-	-	-	-	-	-	-	-	-	-	55,751
Transportation:														
Streets & Highways	7,289	26,564	-	-	-	-	-	-	-	-	-	-	-	33,853
Judiciary and Law Enforcement:														
Prisons	-	-	-	-	-	-	-	972	-	-	-	-	-	972
Conservation of Health:														
Health Services	-	-	-	-	-	-	186,353	-	-	-	-	-	-	186,353
Housing and Neighborhood Development:														
Development	-	-	-	76,109	-	24,680	-	-	-	-	-	-	-	100,789
Cultural and Recreational:														
Parks & Recreation	-	-	-	-	-	-	-	-	-	1,354	-	-	-	1,354
Libraries and Museums	-	-	-	-	-	-	-	-	-	168	-	-	-	168
Service to Property:														
Sanitation	-	2,733	-	-	-	-	-	-	-	-	-	-	-	2,733
General Management and Support	-	500	-	114	7,000	-	-	708	92	2,185	60,591	1,072	-	72,272
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:														
Principal	-	-	-	-	-	-	-	-	-	38	13,206	-	-	13,242
Interest	-	-	-	-	-	-	-	-	-	1	3,253	-	-	3,254
Bond Issuance Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	7,289	29,797	55,751	76,223	7,000	24,680	186,353	1,880	92	3,754	77,050	1,072	1,072	470,741
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,562	5,228	3,284	(9,356)	(139)	(5,496)	3,234	660	72	1,384	(76,976)	577,942	(76,976)	507,399
Other Financing Sources (Uses)														
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Refunding Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Discount or payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from Lease & Service Agreements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment to Refunded Bonds Escrow Agent	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leases (as lessee)	-	-	-	-	-	-	-	-	-	35	-	-	-	35
Transfers In	-	-	-	-	-	6,860	-	-	-	2,272	77,072	-	-	86,204
Transfers Out	-	-	-	-	-	-	(4,500)	-	-	-	-	(578,459)	-	(582,959)
Total Other Financing Sources (Uses)	-	-	-	-	-	6,860	(4,500)	-	-	2,307	77,072	(578,459)	(578,459)	(496,720)
Net Change in Fund Balances	7,562	5,228	3,284	(9,356)	(139)	1,364	(1,266)	660	72	3,691	96	(517)	(76,976)	10,679
Fund Balance - July 1, 2021	10,181	49,559	5,759	(9,967)	8,397	79,031	23,314	30	4,715	-	246	20,614	-	203,506
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balance Adjusted - July 1, 2021	10,181	49,559	5,759	(9,967)	8,397	79,031	23,314	30	4,715	-	246	20,614	-	203,506
Fund Balance - June 30, 2022	17,743	54,787	9,043	(19,323)	8,258	80,395	22,048	30	5,375	15,318	342	20,087	(76,976)	214,165

Schedule II

City of Philadelphia

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds(Continued)

For the Fiscal Year Ended June 30, 2022

Amounts in thousands of USD

	Debt Service			Capital Improvement			Permanent		Total
	City	Municipal Authority	PICA	City	Municipal Authority	Total	Libraries & Parks	Non-Major Governmental Funds	
Revenues									
Tax Revenue	-	-	-	-	-	-	-	-	834,190
Locally Generated Non-Tax Revenue	68	-	(383)	116	2	118	(1,345)	-	18,036
Revenue from Other Governments	-	-	-	35,822	-	35,822	-	-	152,500
Other Revenues	-	-	-	2,794	-	2,794	-	-	10,488
Total Revenues	68	-	(383)	38,732	2	38,734	(1,345)	-	1,015,214
Expenditures									
Current Operating:									
Economic Development	-	-	-	-	-	-	-	-	55,751
Transportation:									
Streets & Highways	-	-	-	-	-	-	-	-	33,853
Judiciary and Law Enforcement:									
Prisons	-	-	-	-	-	-	-	-	972
Conservation of Health:									
Health Services	-	-	-	-	-	-	-	-	186,353
Housing and Neighborhood Development	-	-	-	-	-	-	-	-	100,789
Cultural and Recreational:									
Parks & Recreation	-	-	-	-	-	-	-	-	1,354
Libraries and Museums	-	-	-	-	-	-	93	-	261
Service to Property:									
Sanitation	-	-	-	-	-	-	-	-	2,733
General Management and Support	-	-	-	189,054	17,776	206,830	-	-	72,279
Capital Outlay	-	-	-	-	-	-	-	-	206,830
Debt Service:									
Principal	104,745	5,390	23,085	-	-	-	-	-	148,462
Interest	83,376	6,576	1,698	-	-	-	-	-	94,904
Bond Issuance Cost	1,161	-	-	1,757	-	1,757	-	-	2,918
Total Expenditures	189,282	11,966	24,790	190,811	17,776	208,587	93	-	905,459
Excess (Deficiency) of Revenues Over (Under) Expenditures	(188,214)	(11,966)	(25,173)	(152,079)	(17,774)	(169,853)	(1,438)	-	109,755
Other Financing Sources (Uses)									
Issuance of Debt	-	-	-	294,715	-	294,715	-	-	294,715
Issuance of Refunding Bonds	132,085	-	-	-	-	-	-	-	132,085
Bond Issuance Premium	-	-	-	73,042	-	73,042	-	-	73,042
Bond Issuance Discount or payment	-	-	-	-	-	-	-	-	-
Proceeds from Lease & Service Agreements	-	-	-	-	-	-	-	-	-
Payment to Refunded Bonds Escrow Agent	(130,924)	-	-	-	-	(130,924)	-	-	(130,924)
Leases (as lessee)	188,200	11,991	23,383	10,296	-	223,574	-	35	320,074
Transfers In	-	-	-	(12,000)	-	(12,000)	(123)	-	(595,082)
Transfers Out	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	188,361	11,991	23,383	366,053	-	366,053	(123)	-	93,945
Net Change in Fund Balances	147	25	(1,790)	213,974	(17,774)	196,200	(1,561)	-	203,700
Fund Balance - July 1, 2021	106	48	12,865	94,938	17,782	112,720	8,926	-	338,171
Fund Balance Adjusted - July 1, 2021	106	48	12,865	94,938	17,782	112,720	8,926	-	338,171
Fund Balance - June 30, 2022	253	73	11,075	308,912	8	308,920	7,365	-	541,871

City of Philadelphia
Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2022

Schedule III

Amounts in thousands of USD

	Gas or s Retirement Reserve Fund	unicipal Pension Fund	Total
Assets			
Cash on Deposit and on Hand	29,834	-	29,834
Equity in Treasurer's Account	535,244	6,818,007	7,353,251
Securities Lending Collective Investment Pool	41,840	500,371	542,211
Accounts Receivable	-	5,262	5,262
Due from Bro ers for Securities Sold	733	231,938	232,671
Interest and Dividends Receivable	1,796	35,823	37,619
Due from Other Governmental Units	-	6,080	6,080
Due from Other Funds	-	95,129	95,129
	<u>609,447</u>	<u>7,692,610</u>	<u>8,302,057</u>
Total Assets			
Liabilities			
Vouchers Payable	-	27	27
Accounts Payable	179	-	179
Salaries and ages Payable	-	217	217
Due on Return of Securities Loaned	41,840	500,371	542,211
Due to Bro ers for Securities Purchased	1,545	247,190	248,735
Accrued Expenses	-	4,763	4,763
Other Liabilities	135	208	343
	<u>43,699</u>	<u>752,776</u>	<u>796,475</u>
Total Liabilities			
Net Position Restricted for Pensions	<u>565,748</u>	<u>6,939,834</u>	<u>7,505,582</u>

City of Philadelphia
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2022

Schedule IV

Amounts in thousands of USD

	Gas or s Retirement Reserve Fund	Municipal Pension Fund	Total
Additions			
Contributions			
Employer's Contributions	30,043	859,787	889,830
Employees' Contributions	1,854	110,447	112,301
Total Contributions	31,897	970,234	1,002,131
Investment Income			
Interest and Dividends	14,096	175,170	189,266
Net Decline in Fair Value of Investments	(93,175)	(646,938)	(740,113)
(Less) Investments Expenses	(2,036)	(8,908)	(10,944)
Securities Lending Revenue	141	960	1,101
(Less) Securities Lending Expenses	(88)	(192)	(280)
Net Investment Loss	(81,062)	(479,908)	(560,970)
Miscellaneous Operating Revenues	73	145	218
Total Additions (Reductions)	(49,092)	490,471	441,379
Deductions			
Personal Services	-	4,153	4,153
Purchase of Services	-	1,689	1,689
Materials and Supplies	-	61	61
Employee Benefits	-	2,943	2,943
Pension Benefits	58,502	953,292	1,011,794
Refunds of Members' Contributions	-	13,394	13,394
Administrative Expenses Paid	200	-	200
Other Operating Expenses	-	88	88
Total Deductions	58,702	975,620	1,034,322
Change in Net Position	(107,794)	(485,149)	(592,943)
Net Position - July 1, 2021	673,542	7,424,983	8,098,525
Net Position - June 30, 2022	565,748	6,939,834	7,505,582

City of Philadelphia
 Combining Statement of Fiduciary Net Position
 Custodial Funds
 June 30, 2022

Schedule V

Amounts in thousands of USD

	Police	Human Services	Prisons	Homeless Services	Records	Finance	District Attorney	Sheriff	1st Judicial District	Clerk of Quarter Session	Total
Assets											
Cash on Deposit and on Hand	12,870	122	1,778	15	1,201	273	2,020	43,584	29,044	48,967	139,874
Equity in Treasurer's Account	-	-	-	-	-	1,261	-	-	-	-	1,261
Investments	2,471	-	-	-	-	-	-	-	-	-	2,471
Due from Other Funds	-	-	-	-	-	699	-	-	-	-	699
Total Assets	15,341	122	1,778	15	1,201	2,233	2,020	43,584	29,044	48,967	144,305
Liabilities											
Vouchers Payable	-	-	-	-	-	43	-	-	-	-	43
Funds Held in Escrow	60	122	1,778	15	1,201	2,190	-	67	299	-	5,732
Total Liabilities	60	122	1,778	15	1,201	2,233	-	67	299	-	5,775
Net Position Restricted for Individuals, Organizations & Other Governments	15,281	-	-	-	-	-	2,020	43,517	28,745	48,967	138,530

City of Philadelphia
 Combining Statement of Changes in Fiduciary Net Position
 Custodial Funds
 For the Fiscal Year Ended June 30, 2022

Schedule VI

Amounts in thousands of USD

	Police	Human Services	Prisons	Homeless Services	Records	Finance	District Attorney	Sheriff	1st Judicial District	Clerk of Quarter Session	Total
Additions:											
Collection of Human Services fees, contributions, and holdings	246	1,851	-	333	-	-	-	-	-	-	2,430
Collection of Judicial charges, fees, and holdings	-	-	-	-	-	-	-	-	16,836	28,886	45,722
Collection of prisoner holdings	-	-	7,048	-	-	-	-	-	-	-	7,048
Collection of recording fees for other governments	-	-	-	-	8,167	-	-	-	-	-	8,167
Collection of Sheriff and Police forfeitures, seizures, and holdings	3,615	-	-	-	-	-	70	47,307	-	-	50,992
Collection of unclaimed monies	-	-	-	-	-	1,108	-	-	-	-	1,108
Total Additions	3,861	1,851	7,048	333	8,167	1,108	70	47,307	16,836	28,886	115,467
Deductions:											
Distribution of Human Service fees, contributions and holdings	246	1,851	-	333	-	-	-	-	-	-	2,430
Distribution of Judicial charges, fees, and holdings	-	-	-	-	-	-	-	-	13,357	29,802	43,159
Distribution of prisoner holdings	-	-	7,048	-	-	-	-	-	-	-	7,048
Distribution of recording fees for other governments	-	-	-	-	8,167	-	-	-	-	-	8,167
Distribution of Sheriff and Police forfeitures, seizures, and holdings	1,553	-	-	-	-	-	640	41,734	-	-	43,927
Distribution of unclaimed monies	-	-	-	-	-	1,108	-	-	-	-	1,108
Total Deduction	1,799	1,851	7,048	333	8,167	1,108	640	41,734	13,357	29,802	105,839
Change in net position	2,062	-	-	-	-	-	(570)	5,573	3,479	(916)	9,628
Net Position - July 1, 2021	13,219	-	-	-	-	-	2,590	37,944	25,266	49,883	128,902
Net Position - June 30, 2022	15,281	-	-	-	-	-	2,020	43,517	28,745	48,967	138,530

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2022

Schedule VII

Amounts in USD

	Date of Issuance	Issued	Fiscal 2022 Outstanding	Maturities	Interest Rates	F 2023 Debt Service Requirements	
						Interest	Principal
Governmental Activities							
General Obligation Bonds:							
Series 2009B (Refunding)	8 13 2009	100,000,000	100,000,000	8 2027 to 8 2031	variable	3,839,000	-
Series 2014A (Refunding)	2 6 2014	154,275,000	15,830,000	7 2022 to 7 2024	5.00	666,125	5,015,000
Series 2015A (Refunding)	7 8 2015	138,795,000	96,830,000	8 2022 to 8 2031	5.00	4,616,625	8,995,000
Series 2015B	9 30 2015	191,585,000	152,450,000	8 2022 to 8 2035	4.00 to 5.00	7,143,575	7,725,000
Series 2017 (Refunding)	2 2 2017	262,865,000	222,200,000	8 2022 to 8 2041	4.00 to 5.00	10,508,600	14,100,000
Series 2017A	8 2 2017	250,845,000	218,460,000	8 2022 to 8 2037	5.00	10,694,000	9,140,000
Series 2017A (Refunding)	8 2 2017	80,770,000	79,620,000	8 2022 to 8 2036	5.00	3,902,250	3,150,000
Series 2019A (Refunding)	5 14 2019	188,660,000	152,645,000	8 2022 to 8 2031	5.00	6,916,000	28,650,000
Series 2019B	8 8 2019	293,360,000	273,670,000	2 2023 to 2 2039	5.00	13,683,500	10,590,000
Series 2020A (Refunding)	1 16 2020	118,030,000	115,245,000	7 2022 to 7 2033	1.72 to 3.01	2,900,723	10,225,000
Series 2021A	8 11 2021	294,715,000	282,885,000	5 2023 to 5 2042	4.00 to 5.00	13,009,200	8,645,000
Series 2021B (Refunding)	8 11 2021	132,085,000	131,325,000	7 2022 to 7 2038	0.38 to 2.52	2,391,602	2,235,000
Total New Money Bonds		1,030,505,000	927,465,000			44,530,275	36,100,000
Total Refunding Bonds		1,175,480,000	913,695,000			35,740,925	72,370,000
Total General Obligation Bonds		2,205,985,000	1,841,160,000			80,271,200	108,470,000
Business Type Activities							
Revenue Bonds							
Water and Sewer Revenue Bonds:							
Series 2009B	10 14 2009	31,216,779	14,535,463	7 2022 to 6 2033	2.107	293,909	1,284,063
Series 2009C	10 14 2009	49,157,776	25,005,737	7 2022 to 6 2033	2.107	505,029	2,270,411
Series 2009D	3 31 2010	75,744,096	38,651,545	7 2022 to 6 2033	2.107	778,998	3,678,622
Series 2010B	6 17 2010	30,000,000	18,214,113	7 2022 to 6 2033	2.107	369,821	1,450,085
Series 2021A	4 05 2021	11,173,671	11,173,671	2 2024 to 1 2044	1.000 to 1.727	111,133	-
Series 2021D	11 17 2021	1,305,609	1,305,609	5 2024 to 4 2044	1.000 to 1.727	12,898	-
Series 2013A	8 22 2013	170,000,000	24,075,000	1 2023	4.00 to 5.125	1,201,650	24,075,000
Series 2014 (Refunding)	1 23 2014	93,170,000	43,125,000	7 2022 to 7 2027	3.00 to 5.00	1,914,050	7,840,000
Series 2015B (Refunding)	4 16 2015	141,740,000	109,015,000	7 2022 to 7 2033	4.00 to 5.00	4,872,725	12,045,000
Series 2016 (Refunding)	11 3 2016	192,680,000	169,830,000	10 2022 to 10 2035	3.00 to 5.00	7,782,813	7,965,000
Series 2017A	4 13 2017	279,865,000	239,865,000	10 2022 to 10 2052	5.00 to 5.25	12,116,125	-
Series 2017B (Refunding)	8 10 2017	174,110,000	162,085,000	11 2022 to 10 2034	5.00	7,939,500	6,590,000
Series 2018A	11 28 2018	276,935,000	246,935,000	10 2022 to 10 2053	5.00	12,221,750	5,000,000
Series 2019A (Refunding)	2 27 2019	68,335,000	67,645,000	10 2022 to 10 2040	2.83 to 4.29	2,677,814	365,000
Series 2019B	8 14 2019	250,660,000	250,660,000	11 2023 to 11 2054	5.00	12,533,000	-
Series 2020 (Refunding)	10 07 2020	127,740,000	127,740,000	10 2032 to 10 2040	5.00	6,387,000	-
Series 2020A (Refunding)	8 06 2020	201,530,000	201,530,000	11 2022 to 10 2050	5.00	10,060,250	650,000
Series 2020B (Refunding)	8 06 2020	95,025,000	91,885,000	10 2022 to 10 2035	0.693 to 2.434	1,518,267	7,280,000

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2022

Schedule VII

Amounts in USD

	Date of Issuance	Issued	Fiscal 2022 Outstanding	Amortization	Interest Rates	F 2023 Debt Service Requirements
						Interest Principal
Series 2021B (Refunding)	6 30 2021	368,720,000	359,910,000	7 2023 to 07 2045	0.247 to 2.926	10,034,175 3,850,000
Series 2021C	10 07 2021	231,930,000	231,930,000	10 2023 to 10 2051	2.75 to 5.00	9,904,500 -
<u>Total New Money Bonds</u>		1,407,987,931	1,102,351,138			50,048,813 37,758,182
<u>Total Refunding Bonds</u>		1,463,050,000	1,332,765,000			53,186,594 46,585,000
<u>Total Water Revenue Bonds</u>		2,871,037,931	2,435,116,138			103,235,407 84,343,182
Aviation Revenue Bonds:						
Series 2005C (Refunding)	6 2 2005	189,500,000	46,100,000	6 2023 to 6 2025	variable	1,089,205 14,900,000
Series 2015A (Refunding)	9 3 2015	97,780,000	72,665,000	6 2023 to 6 2035	4.00 to 5.00	3,547,700 4,120,000
Series 2017	4 27 2017	125,000,000	115,535,000	7 2022 to 6 2025	1.513	1,711,915 2,605,000
Series 2017A (Refunding)	12 20 2017	138,630,000	123,365,000	7 2022 to 7 2047	3.00 to 5.00	5,625,794 4,740,000
Series 2017B (Refunding)	12 20 2017	553,900,000	512,510,000	7 2022 to 7 2047	5.00	25,232,625 15,715,000
Series 2020A (Refunding)	10 08 2020	187,140,000	187,140,000	7 2024 to 7 2040	4.00 to 5.00	8,415,950 -
Series 2020B (Refunding)	10 08 2020	43,140,000	43,135,000	7 2022 to 7 2050	3.00 to 5.00	1,609,825 5,000
Series 2020C (Refunding)	10 08 2020	158,935,000	145,220,000	7 2022 to 7 2050	4.00 to 5.00	6,571,025 12,755,000
Series 2021 (Refunding)	7 07 2021	122,405,000	122,405,000	7 2022 to 7 2031	5.00	6,257,542 -
Series 2021	7 07 2021	179,635,000	179,635,000	7 2022 to 7 2051	4.00 to 5.00	8,107,583 5,000
<u>Total New Money Bonds</u>		304,635,000	295,170,000			9,819,499 2,610,000
<u>Total Refunding Bonds</u>		1,491,430,000	1,252,540,000			58,349,665 52,235,000
<u>Total Aviation Revenue Bonds</u>		1,796,065,000	1,547,710,000			68,169,164 54,845,000
<u>Total Revenue Bonds</u>		4,667,102,931	3,982,826,138			171,404,571 139,188,182
<u>Total All Bonds</u>		6,873,087,931	5,823,986,138			251,675,771 247,658,182

NOTES:

¹ Assumes interest rate to be fixed swap rate on hedged variable rate bonds

City of Philadelphia
Budgetary Comparison Schedule
Water Operating Fund
For the Fiscal Year Ended June 30, 2022

Schedule VIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	695,087	739,308	722,532	(16,776)
Revenue from Other Governments	670	464	464	-
Revenue from Other Funds	95,798	72,616	30,585	(42,031)
Total Revenues	791,555	812,388	753,581	(58,807)
<u>Expenditures and Encumbrances</u>				
Personal Services	165,871	174,120	158,297	15,823
Pension Contributions	61,947	67,511	67,512	(1)
Other Employee Benefits	65,031	63,161	63,161	-
Sub-Total Employee Compensation	292,849	304,792	288,970	15,822
Purchase of Services	217,237	196,913	184,643	12,270
Materials and Supplies	55,293	57,941	52,763	5,178
Equipment	8,094	12,847	7,994	4,853
Contributions, Indemnities and Taxes	6,510	6,510	6,369	141
Debt Service	201,542	201,543	176,993	24,550
Payments to Other Funds	50,030	72,654	72,654	-
Total Expenditures and Encumbrances	831,555	853,200	790,386	62,814
Operating Surplus (Deficit) for the year	(40,000)	(40,812)	(36,805)	4,007
Fund Balance Available for Appropriation, July 1, 2021	-	-	-	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	40,000	40,000	36,805	(3,195)
Adjusted Fund Balance, July 1, 2021	40,000	40,000	36,805	(3,195)
Fund Balance Available for Appropriation, June 30, 2022	-	(812)	-	812

City of Philadelphia
 Budgetary Comparison Schedule
 Water Residual Fund
 For the Fiscal Year Ended June 30, 2022

Schedule IX

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	-	-	(213)	(213)
Revenue from Other Funds	28,905	28,905	22,569	(6,336)
Total Revenues	28,905	28,905	22,356	(6,549)
<u>Expenditures and Encumbrances</u>				
Payments to Other Funds	16,994	22,569	22,569	-
Advances, Subsidies, Miscellaneous	16,000	10,425	-	10,425
Total Expenditures and Encumbrances	32,994	32,994	22,569	10,425
Operating Surplus (Deficit) for the year	(4,089)	(4,089)	(213)	3,876
Fund Balance Available for Appropriation, July 1, 2021	4,089	16,321	16,321	-
Fund Balance Available for Appropriation, June 30, 2022	-	12,232	16,108	3,876

City of Philadelphia
 Budgetary Comparison Schedule
 County Liquid Fuels Tax Fund
 For the Fiscal Year Ended June 30, 2022

Schedule X

Amounts in thousands of USD

	Budgeted Amounts		Actual	Final Budget to Actual Positive (Negative)
	Original	Final		
Revenues				
Revenue from Other Governments	3,500	12,639	14,851	2,212
Total Revenues	3,500	12,639	14,851	2,212
Expenditures and Encumbrances				
Personal Services	3,734	3,734	2,710	1,024
Purchase of Services	6,920	5,064	4,421	643
Materials and Supplies	200	2,056	1,305	751
Payments to Other Funds	19	19	14	5
Total Expenditures and Encumbrances	10,873	10,873	8,450	2,423
Operating Surplus (Deficit) for the year	(7,373)	1,766	6,401	4,635
Fund Balance Available for Appropriation, July 1, 2021	7,490	9,711	9,711	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	25	25	351	326
Adjusted Fund Balance, July 1, 2021	7,515	9,736	10,062	326
Fund Balance Available for Appropriation, June 30, 2022	142	11,502	16,463	4,961

City of Philadelphia
 Budgetary Comparison Schedule
 Special Gasoline Tax Fund
 For the Fiscal Year Ended June 30, 2022

Schedule XI

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	-	43	52	9
Revenue from Other Governments	28,000	33,476	34,973	1,497
Total Revenues	28,000	33,519	35,025	1,506
<u>Expenditures and Encumbrances</u>				
Personal Services	11,294	11,294	10,511	783
Pension Contributions	500	500	500	-
Other Employee Benefits	500	500	500	-
Sub-Total Employee Compensation	12,294	12,294	11,511	783
Purchase of Services	16,689	17,389	15,020	2,369
Materials and Supplies	5,463	6,263	4,540	1,723
Equipment	6,424	4,924	1,495	3,429
Payments to Other Funds	30	30	30	-
Total Expenditures and Encumbrances	40,900	40,900	32,596	8,304
Operating Surplus (Deficit) for the year	(12,900)	(7,381)	2,429	9,810
Fund Balance Available for Appropriation, July 1, 2021	33,992	45,143	45,143	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	500	500	1,916	1,416
Adjusted Fund Balance, July 1, 2021	34,492	45,643	47,059	1,416
Fund Balance Available for Appropriation, June 30, 2022	21,592	38,262	49,488	11,226

City of Philadelphia
 Budgetary Comparison Schedule
 Hotel Room Rental Tax Fund
 For the Fiscal Year Ended June 30, 2022

Schedule XII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes	50,000	50,000	59,028	9,028
Locally Generated Non-Tax Revenue	-	-	7	7
Total Revenues	50,000	50,000	59,035	9,035
<u>Expenditures and Encumbrances</u>				
Contributions, Indemnities and Taxes	50,000	50,000	50,000	-
Total Expenditures and Encumbrances	50,000	50,000	50,000	-
Operating Surplus (Deficit) for the year	-	-	9,035	9,035
Fund Balance Available for Appropriation, July 1, 2021	-	(29,009)	(29,009)	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	29,009	-	(29,009)
Adjusted Fund Balance, July 1, 2021	-	-	(29,009)	(29,009)
Fund Balance Available for Appropriation, June 30, 2022	-	-	(19,974)	(19,974)

City of Philadelphia
Budgetary Comparison Schedule
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2022

Schedule XIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	282,448	277,497	353,889	76,392
Revenue from Other Governments	95,346	95,346	54,081	(41,265)
Revenue from Other Funds	1,300	1,300	1,357	57
Total Revenues	379,094	374,143	409,327	35,184
<u>Expenditures and Encumbrances</u>				
Personal Services	73,464	77,953	77,142	811
Pension Contributions	29,720	29,720	24,965	4,755
Other Employee Benefits	27,135	27,264	22,342	4,922
Sub-Total Employee Compensation	130,319	134,937	124,449	10,488
Purchase of Services	99,963	98,347	97,659	688
Materials and Supplies	5,828	5,706	5,574	132
Equipment	3,075	2,579	2,579	-
Contributions, Indemnities and Taxes	8,812	6,392	4,892	1,500
Debt Service	132,004	132,004	114,814	17,190
Payments to Other Funds	11,019	13,000	6,407	6,593
Total Expenditures and Encumbrances	391,020	392,965	356,374	36,591
Operating Surplus (Deficit) for the year	(11,926)	(18,822)	52,953	71,775
Fund Balance Available for Appropriation, July 1, 2021	179,649	265,704	265,704	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	15,000	15,000	12,137	(2,863)
Adjusted Fund Balance, July 1, 2021	194,649	280,704	277,841	(2,863)
Fund Balance Available for Appropriation, June 30, 2022	182,723	261,882	330,794	68,912

City of Philadelphia
Budgetary Comparison Schedule
Community Development Fund
For the Fiscal Year Ended June 30, 2022

Schedule XIV

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	500	500	4	(496)
Revenue from Other Governments	128,452	108,452	61,572	(46,880)
Total Revenues	128,952	108,952	61,576	(47,376)
<u>Other Sources</u>				
Increase in Financed Reserves	-	-	(16,019)	(16,019)
Total Revenues and Other Sources	128,952	108,952	45,557	(63,395)
<u>Expenditures and Encumbrances</u>				
Personal Services	7,549	7,506	5,156	2,350
Pension Contributions	3,603	3,329	2,367	962
Other Employee Benefits	1,976	2,294	1,673	621
Sub-Total Employee Compensation	13,128	13,129	9,196	3,933
Purchase of Services	95,543	95,543	58,020	37,523
Materials and Supplies	256	200	44	156
Equipment	-	55	-	55
Payments to Other Funds	25	25	25	-
Advances, Subsidies, Miscellaneous	20,000	20,000	-	20,000
Total Expenditures and Encumbrances	128,952	128,952	67,285	61,667
Operating Surplus (Deficit) for the Year	-	(20,000)	(21,728)	(1,728)
Fund Balance Available for Appropriation, July 1, 2021	-	(9,967)	(9,967)	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	12,372	12,372
Prior Period Adjustments	-	9,967	-	(9,967)
Adjusted Fund Balance, July 1, 2021	-	-	2,405	2,405
Fund Balance Available for Appropriation, June 30, 2022	-	(20,000)	(19,323)	677

City of Philadelphia
 Budgetary Comparison Schedule
 Car Rental Tax Fund
 For the Fiscal Year Ended June 30, 2022

Schedule XV

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes	5,348	6,315	6,850	535
Locally Generated Non-Tax Revenue	<u>25</u>	<u>25</u>	<u>11</u>	<u>(14)</u>
Total Revenues	5,373	6,340	6,861	521
<u>Expenditures and Encumbrances</u>				
Purchase of Services	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>(0)</u>
Total Expenditures and Encumbrances	7,000	7,000	7,000	(0)
Operating Surplus (Deficit) for the year	<u>(1,627)</u>	<u>(660)</u>	<u>(139)</u>	<u>521</u>
Fund Balance Available for Appropriation, July 1, 2021	<u>8,205</u>	<u>8,397</u>	<u>8,397</u>	<u>-</u>
Fund Balance Available for Appropriation, June 30, 2022	<u><u>6,578</u></u>	<u><u>7,737</u></u>	<u><u>8,258</u></u>	<u><u>521</u></u>

City of Philadelphia
 Budgetary Comparison Schedule
 Housing Trust Fund
 For the Fiscal Year Ended June 30, 2022

Schedule XVI

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	17,184	16,434	19,184	2,750
Revenue from Other Funds	6,860	6,860	6,860	-
Total Revenues	24,044	23,294	26,044	2,750
<u>Expenditures and Encumbrances</u>				
Personal Services	2,250	2,250	979	1,271
Purchase of Services	75,794	75,794	33,775	42,019
Materials and Supplies	-	-	-	-
Equipment	150	150	64	86
Total Expenditures and Encumbrances	78,194	78,194	34,818	43,376
Operating Surplus (Deficit) for the year	(54,150)	(54,900)	(8,774)	46,126
Fund Balance Available for Appropriation, July 1, 2021	26,306	27,598	27,598	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	27,844	27,844	13,626	(14,218)
Revenue Adjustments - Net	-	-	-	-
Prior Period Adjustments	-	-	-	-
Other Adjustments	-	-	-	-
Adjusted Fund Balance, July 1, 2021	54,150	55,442	41,224	(14,218)
Fund Balance Available for Appropriation, June 30, 2022	-	542	32,450	31,908

City of Philadelphia
 Budgetary Comparison Schedule
 General Capital Improvement Funds
 For the Fiscal Year Ended June 30, 2022

Schedule XVII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	677,286	674,786	100	(674,686)
Revenue from Other Governments	967,720	967,720	35,881	(931,839)
Revenue from Other Funds	187,731	189,871	13,090	(176,781)
Total Revenues	1,832,737	1,832,377	49,071	(1,783,306)
<u>Other Sources</u>				
Proceeds from Bond Sales	-	-	366,001	366,001
Total Revenues and Other Sources	1,832,737	1,832,377	415,072	(1,417,305)
<u>Expenditures and Encumbrances</u>				
Capital Outlay	1,832,737	1,832,377	279,636	1,552,741
Operating Surplus (Deficit) for the year	-	-	135,436	135,436
Fund Balance Available for Appropriation, July 1, 2021	-	-	(126,562)	(126,562)
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	1,434	1,434
Adjusted Fund Balance, July 1, 2021	-	-	(125,128)	(125,128)
Fund Balance Available for Appropriation, June 30, 2022	-	-	10,308	10,308

City of Philadelphia
 Budgetary Comparison Schedule
 Acute Care Hospital Assessment Fund
 For the Fiscal Year Ended June 30, 2022

Schedule XVIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Tax Revenue	<u>249,661</u>	<u>250,000</u>	<u>189,587</u>	<u>(60,413)</u>
Total Revenues	<u>249,661</u>	<u>250,000</u>	<u>189,587</u>	<u>(60,413)</u>
<u>Other Sources</u>				
Decrease in Unreimbursed Commitments	<u>-</u>	<u>-</u>	<u>(532)</u>	<u>(532)</u>
Total Revenues and Other Sources	<u>249,661</u>	<u>250,000</u>	<u>189,055</u>	<u>(60,945)</u>
<u>Expenditures and Encumbrances</u>				
Personal Services	9,970	9,721	4,866	4,855
Pension Contributions	42	-	-	-
Other Employee Benefits	227	269	1	268
Sub-Total Employee Compensation	<u>10,239</u>	<u>9,990</u>	<u>4,867</u>	<u>5,123</u>
Purchase of Services	306,927	306,926	181,888	125,038
Materials and Supplies	1,165	505	5	500
Equipment	-	660	45	615
Payments to Other Funds	<u>4,500</u>	<u>4,500</u>	<u>4,500</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>322,831</u>	<u>322,581</u>	<u>191,305</u>	<u>131,276</u>
Operating Surplus (Deficit) for the Year	<u>(73,170)</u>	<u>(72,581)</u>	<u>(2,250)</u>	<u>70,331</u>
Fund Balance Available for Appropriation, July 1, 2021	71,170	23,314	23,314	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>2,000</u>	<u>2,000</u>	<u>984</u>	<u>(1,016)</u>
Adjusted Fund Balance, July 1, 2021	<u>73,170</u>	<u>25,314</u>	<u>24,298</u>	<u>(1,016)</u>
Fund Balance Available for Appropriation, June 30, 2022	<u>-</u>	<u>(47,267)</u>	<u>22,048</u>	<u>69,315</u>

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2022 (with comparative actual amounts for the Fiscal Year Ended June 30, 2021)

Schedule XIX

Amounts in thousands of USD

	Budgeted Amounts		FY 2022 Actual	Final Budget to Actual	FY 2021 Actual	Increase (Decrease)
	Original	Final		Positive (Negative)		
Revenue						
Taxes						
Real Property Tax:						
Current	696,346	689,941	670,754	(19,187)	693,933	(23,179)
Prior Years	26,737	28,739	29,882	1,143	29,388	494
Total Real Property Tax	723,083	718,680	700,636	(18,044)	723,321	(22,685)
Wage and Earnings Taxes:						
Current	1,484,410	1,533,313	1,648,128	114,815	1,448,007	200,121
Prior Years	2,000	5,400	5,750	350	2,738	3,012
Total Wage and Earnings Taxes	1,486,410	1,538,713	1,653,878	115,165	1,450,745	203,133
Business Taxes:						
Business Income & Receipts Taxes:						
Current	486,199	610,242	727,175	116,933	475,662	251,513
Prior Years	35,000	23,000	22,690	(310)	65,936	(43,246)
Total Business Income & Receipts Taxes	521,199	633,242	749,865	116,623	541,598	208,267
Net Profits Tax:						
Current	25,658	29,871	21,963	(7,908)	42,514	(20,551)
Prior Years	4,700	4,700	5,323	623	1,860	3,463
Total Net Profits Tax	30,358	34,571	27,286	(7,285)	44,374	(17,088)
Total Business Taxes	551,557	667,813	777,151	109,338	585,972	191,179
Other Taxes:						
Sales Tax	216,424	268,439	277,690	9,251	230,408	47,282
Amusement Tax	12,963	21,828	26,055	4,227	2,918	23,137
Beverage Tax	72,515	76,932	75,367	(1,565)	70,155	5,212
Real Property Transfer Tax	294,859	537,670	536,894	(776)	303,989	232,905
Parking Lot Tax	56,429	88,284	86,621	(1,663)	53,212	33,409
Smokeless Tobacco	1,066	783	737	(46)	522	215
Miscellaneous Taxes	2,502	3,495	4,361	866	2,615	1,746
Total Other Taxes	656,758	997,431	1,007,725	10,294	663,819	343,906
Total Taxes	3,417,808	3,922,637	4,139,390	216,753	3,423,857	715,533
Locally Generated Non-Tax Revenue						
Rentals from Leased City Properties	3,540	2,281	3,696	1,415	2,192	1,504
Licenses and Permits	72,955	78,248	85,660	7,412	77,404	8,256
Fines, Forfeits, Penalties, Confiscated Money and Property	25,003	15,785	13,377	(2,408)	16,017	(2,640)
Interest Income	5,394	5,344	(3,048)	(8,392)	11,241	(14,289)
Service Charges and Fees	176,191	171,935	190,609	18,674	168,612	21,997
Other	81,308	99,606	106,070	6,464	68,723	37,347
Total Locally Generated Non-Tax Revenue	364,391	373,199	396,364	23,165	344,189	52,175
Revenue from Other Governments						
United States Government:						
Grants and Reimbursements	52,781	79,391	22,751	(56,640)	35,278	(12,527)
Commonwealth of Pennsylvania:						
Grants and Other Payments	221,415	219,279	235,158	15,879	230,882	4,276
Other Governmental Units	554,944	573,951	673,283	99,332	570,494	102,789
Total Revenue from Other Governments	829,140	872,621	931,192	58,571	836,654	94,538
Revenue from Other Funds	645,906	322,250	300,567	(21,683)	87,789	212,778
Total Revenues	5,257,245	5,490,707	5,767,513	276,806	4,692,489	1,075,024

City of Philadelphia
 Schedule of Budgetary Actual and Estimated Revenues and Obligations
 General Fund
 For the Fiscal Year Ended June 30, 2022 (with comparative actual amounts for the Fiscal Year Ended June 30, 2021)

Schedule XIX

Amounts in thousands of USD

	Budgeted Amounts		FY 2022 Actual	Final Budget	FY 2021 Actual	Increase (Decrease)
	Original	Final		to Actual Positive (Negative)		
Obligations						
General Government						
City Council	18,678	19,497	17,070	2,427	17,010	60
Mayor's Office:						
Mayor's Office	6,714	6,906	6,333	573	6,409	(76)
Scholarships	100	205	200	5	268	(68)
Mural Arts Program	2,652	2,664	2,470	194	2,123	347
Labor Relations	3,314	3,547	2,700	847	2,378	322
Chief Administrative Office	10,945	11,079	7,162	3,917	5,822	1,340
Community Schools & Pre-K	442	453	378	75	419	(41)
Community Services	1,509	1,509	1,509	-	45	1,464
Inspector General	1,607	1,647	1,515	132	1,369	146
Sustainability	1,575	1,593	1,549	44	1,082	467
Office of Information Technology	110,122	121,713	99,558	22,155	90,758	8,800
Office of Property Assessment	16,784	17,648	14,953	2,695	15,214	(261)
Law	18,947	22,076	21,424	652	16,220	5,204
Board of Ethics	975	999	859	140	818	41
City Planning Commission	-	-	-	-	-	-
Commission on Human Relations	2,388	2,538	2,313	225	2,285	28
Arts & Culture	-	-	-	-	-	-
Board of Revision of Taxes	1,053	1,085	1,041	44	1,050	(9)
Department of Planning & Development	17,074	17,464	13,401	4,063	14,706	(1,305)
Total General Government	214,879	232,623	194,435	38,188	177,976	16,459
Operation of Service Departments						
Housing	-	-	-	-	-	-
Managing Director	177,989	176,617	132,468	44,149	114,084	18,384
Police	729,348	786,792	774,948	11,844	759,141	15,807
Streets	173,435	196,699	189,739	6,960	170,032	19,707
Fire	361,066	376,771	370,064	6,707	344,502	25,562
Public Health	163,004	166,304	153,934	12,370	156,193	(2,259)
Office-Behavioral Health	23,547	23,665	22,325	1,340	15,477	6,848
Parks and Recreation	62,565	68,916	66,049	2,867	52,623	13,426
Atwater Kent Museum	-	-	-	-	-	-
Public Property	220,147	224,228	218,817	5,411	197,866	20,951
Department of Human Services	178,274	183,646	172,562	11,084	154,211	18,351
Philadelphia Prisons	237,651	253,570	224,170	29,400	219,173	4,997
Office of Homeless Services	55,321	56,311	55,281	1,030	44,782	10,499
Office of Fleet Management	55,093	59,964	57,722	2,242	55,269	2,453
Licenses and Inspections	38,934	41,507	38,135	3,372	37,335	800
Board of L & I Review	176	182	145	37	129	16
Board of Building Standards	82	85	77	8	85	(8)
Zoning Board of Adjustment	-	-	-	-	-	-
Records	3,913	4,171	4,056	115	3,672	384
Philadelphia Historical Commission	-	-	-	-	-	-
Art Museum	2,040	2,040	2,040	-	2,040	-
Philadelphia Free Library	42,787	45,932	41,822	4,110	40,117	1,705
Total Operations of Service Departments	2,525,372	2,667,400	2,524,354	143,046	2,366,731	157,623
Financial Management						
Office of Director of Finance	103,055	58,592	37,693	20,899	35,129	2,564
Department of Revenue	26,943	28,227	22,677	5,550	27,834	(5,157)
Sinking Fund Commission	297,228	297,228	284,469	12,759	273,785	10,684
Procurement	6,056	6,218	5,003	1,215	5,856	(853)
City Treasurer	4,741	4,801	2,617	2,184	1,715	902
Audit of City Operations	9,853	10,383	10,005	378	9,825	180
Total Financial Management	447,876	405,449	362,464	42,985	354,144	8,320

City of Philadelphia
 Schedule of Budgetary Actual and Estimated Revenues and Obligations
 General Fund
 For the Fiscal Year Ended June 30, 2022 (with comparative actual amounts for the Fiscal Year Ended June 30, 2021)

Schedule XIX

Amounts in thousands of USD

	Budgeted Amounts		FY 2022 Actual	Final Budget	FY 2021 Actual	Increase (Decrease)
	Original	Final		to Actual Positive (Negative)		
Obligations (Continued)						
City-Wide Appropriations Under the Director of Finance						
Fringe Benefits	1,438,593	1,686,521	1,686,521	-	1,264,673	421,848
Community College of Philadelphia	48,128	48,128	48,128	-	41,629	6,499
Hero Award	54	54	54	-	-	54
Refunds	250	250	52	198	14	38
Indemnities	49,217	49,237	-	49,237	-	-
Office of Risk Management	172	212	138	74	3,449	(3,311)
Witness Fees	4,005	3,855	3,861	(6)	56	3,805
Payments to Capital	4,500	4,500	153	4,347	-	153
Payments to Housing Trust	6,860	6,860	6,860	-	20,000	(13,140)
Payments to Budget Stabilization	-	-	-	-	-	-
Contribution to School District	255,953	255,953	255,953	-	252,579	3,374
Total City-Wide Under Director of Finance	1,807,732	2,055,570	2,001,720	53,850	1,582,400	419,320
Promotion and Public Relations						
City Representative	-	-	-	-	-	-
Commerce	35,655	35,752	33,995	1,757	21,290	12,705
Total Promotion and Public Relations	35,655	35,752	33,995	1,757	21,290	12,705
Personnel						
Civic Service Commission	25,208	5,842	171	5,671	170	1
Personnel Director	6,471	6,769	6,132	637	5,718	414
Total Personnel	31,679	12,611	6,303	6,308	5,888	415
Administration of Justice						
Register of Wills	4,281	4,543	4,519	24	4,479	40
District Attorney	40,432	43,777	43,732	45	42,027	1,705
Sheriff	26,796	28,781	28,897	(116)	27,637	1,260
First Judicial District	114,832	120,026	116,997	3,029	114,138	2,859
Total Administration of Justice	186,341	197,127	194,145	2,982	188,281	5,864
City-Wide Appropriations Under the First Judicial District						
Juror Fees	1,366	606	606	-	174	432
Conduct of Elections						
City Commissioners	18,046	22,799	20,505	2,294	20,871	(366)
Total Obligations	5,268,946	5,629,937	5,338,527	291,410	4,717,755	620,772
Operating Surplus (Deficit) for the Year	(11,701)	(139,230)	428,986	568,216	(25,266)	454,252

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

Schedule XX

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2022 (with comparative actual amounts for the Fiscal Year Ended June 30, 2021)

	Budgeted Amounts		FY 2022 Actual	Final Budget to Actual	FY 2021 Actual	Increase (Decrease)
	Original	Final		Positive (Negative)		
<u>Revenue</u>						
<u>Locally Generated Non-Tax Revenue</u>						
Sales and Charges - Current	588,288	623,794	610,011	(13,783)	587,898	22,113
Sales and Charges - Prior Years	40,750	40,750	51,184	10,434	44,655	6,529
Fire Service Connections	3,558	3,558	3,661	103	3,937	(276)
Surcharges	4,647	4,647	6,043	1,396	5,024	1,019
Fines and Penalties	281	421	589	168	352	237
Miscellaneous Charges	2,478	3,186	3,367	181	2,634	733
Charges to Other Municipalities	40,050	38,500	36,339	(2,161)	39,102	(2,763)
Licenses and Permits	6,598	6,660	7,230	570	7,987	(757)
Interest Income	3,100	1,000	(832)	(1,832)	(82)	(750)
Fleet Management - Sale of Vehicles & Equipment	20	1,015	458	(557)	107	351
Contributions from Sinking Fund Reserve	-	10,000	-	(10,000)	2,079	(2,079)
Reimbursement of Expenditures	40	500	112	(388)	805	(693)
Repair Loan Program	4,317	4,317	4,370	53	4,939	(569)
Other	960	960	-	(960)	4	(4)
Total Locally Generated Non-Tax Revenue	695,087	739,308	722,532	(16,776)	699,441	23,091
<u>Revenue from Other Governments</u>						
State	670	464	464	-	669	(205)
Federal	-	-	-	-	-	-
Total Revenue from Other Governments	670	464	464	-	669	(205)
<u>Revenue from Other Funds</u>						
	95,798	72,616	30,585	(42,031)	57,341	(26,756)
Total Revenues	791,555	812,388	753,581	(58,807)	757,451	(3,870)
<u>Obligations</u>						
Office of Innovation and Technology	32,225	32,525	24,329	8,196	23,630	699
Managing Director's Office	139	139	-	139	139	(139)
Public Property	4,495	4,495	4,490	5	4,369	121
Department of Fleet Management	8,899	9,058	7,763	1,295	6,677	1,086
Water Department	429,478	452,094	430,982	21,112	398,749	32,233
Office of the Director of Finance	-	-	-	-	-	-
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	61,907	67,511	67,511	-	85,716	(18,205)
Other Employee Benefits	65,071	63,161	63,161	-	58,251	4,910
Contributions, Indemnities and Taxes	6,000	131	-	131	-	-
Advances, Subsidies, Miscellaneous	-	-	-	-	-	-
Department of Revenue	16,836	17,387	10,613	6,774	14,045	(3,432)
Sinking Fund Commission	201,542	201,542	176,993	24,549	186,312	(9,319)
Procurement Department	107	115	114	1	101	13
Law	3,933	4,117	3,924	193	3,288	636
Mayor's Office of Sustainability	133	133	133	-	94	39
Water, Sewer and Stormwater Rate Board	790	792	373	419	73	300
Total Obligations	831,555	853,200	790,386	62,814	781,444	8,942
Operating Surplus (Deficit) for the Year	(40,000)	(40,812)	(36,805)	4,007	(23,993)	(12,812)

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2022 (with comparative actual amounts for the Fiscal Year Ended June 30, 2021)

Schedule XXI

Amounts in thousands of USD

	Budgeted Amounts		FY 2022 Actual	Final Budget to Actual	FY 2021 Actual	Increase (Decrease)
	Original	Final		Positive (Negative)		
Revenue						
Locally Generated Non-Tax Revenue						
Concessions	25,364	25,364	37,478	12,114	19,207	18,271
Space Rentals	130,977	130,976	140,251	9,275	160,616	(20,365)
Landing Fees	60,999	61,000	85,676	24,676	67,837	17,839
Parking	845	845	21,851	21,006	689	21,162
Car Rentals	10,000	10,000	21,542	11,542	11,496	10,046
Payment in Aid - Terminal Building	-	-	-	-	-	-
Interest Earnings	5,000	-	(1,304)	(1,304)	470	(1,774)
Sale of Utilities	2,580	2,580	2,811	231	2,153	658
Passenger Facility Charge	31,200	31,200	18,350	(12,850)	49,938	(31,588)
Overseas Terminal Facility Charges	2	2	33	31	102	(69)
International Terminal Charge	8,400	8,400	22,365	13,965	8,033	14,332
Other	7,081	7,130	4,836	(2,294)	6,618	(1,782)
Total Locally Generated Non-Tax Revenue	282,448	277,497	353,889	76,392	327,159	26,730
Revenue from Other Governments						
State	-	-	-	-	-	-
Federal	95,346	95,346	54,081	(41,265)	65,093	(11,012)
Total Revenue from Other Governments	95,346	95,346	54,081	(41,265)	65,093	(11,012)
Revenue from Other Funds						
	1,300	1,300	1,357	57	1,478	(121)
Total Revenue	379,094	374,143	409,327	35,184	393,730	15,597
Obligations						
Office of Innovation and Technology	2,739	2,761	1,780	981	1,603	177
Managing Director	-	-	-	-	-	-
Police	14,827	18,152	18,153	(1)	15,601	2,552
Fire	8,955	9,740	9,740	-	8,934	806
Public Property	14,000	14,000	14,000	-	17,000	(3,000)
Department of Fleet Management	3,586	3,666	3,193	473	2,572	621
Director of Finance	-	-	-	-	-	-
City-Wide Appropriation Under the Director of Finance:	-	-	-	-	-	-
Pension Contributions	29,704	29,705	24,966	4,739	36,597	(11,631)
Other Employee Benefits	27,150	27,279	22,342	4,937	22,200	142
Purchase of Services	3,246	3,646	3,631	15	3,038	593
Contributions, Indemnities and Taxes	2,512	1,500	-	1,500	-	-
Advances, Subsidies, Miscellaneous	-	-	-	-	-	-
Sinking Fund Commission	132,005	132,004	114,814	17,190	91,006	23,808
Procurement	-	-	-	-	-	-
Commerce	150,600	148,765	142,104	6,661	146,785	(4,681)
Law	1,585	1,636	1,540	96	1,480	60
Mayor's Office of Sustainability	111	111	111	-	88	23
Total Obligations	391,020	392,965	356,374	36,591	346,904	9,470
Operating Surplus (Deficit) for the Year	(11,926)	(18,822)	52,953	71,775	46,826	6,127

City of Philadelphia
 Budgetary Comparison Schedule
 Budget Stabilization Fund
 For the Fiscal Year Ended June 30, 2022

Schedule XXII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Tax Revenue				-
Locally Generated Non-Tax Revenue	-	-	-	-
Revenue from Other Governments	-	-	-	-
Revenue from Other Funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	-	-	-	-
<u>Expenditures and Encumbrances</u>				
Personal Services	-	-	-	-
Pension Contributions	-	-	-	-
Other Employee Benefits	-	-	-	-
Sub-Total Employee Compensation	<hr/>	<hr/>	<hr/>	<hr/>
Purchase of Services	-	-	-	-
Materials and Supplies	-	-	-	-
Equipment	-	-	-	-
Contributions, Indemnities and Taxes	-	-	-	-
Debt Service - Principal	-	-	-	-
Debt Service - Interest	-	-	-	-
Short-Term Interest	-	-	-	-
Payments to Other Funds	1	1	-	1
Advances, Subsidies, Miscellaneous	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures and Encumbrances	1	1	-	1
Operating Surplus (Deficit) for the year	<hr/>	<hr/>	<hr/>	<hr/>
	(1)	(1)	-	1
Fund Balance Available for Appropriation, July 1, 2021	-	-	-	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	-	-
Revenue Adjustments - Net	-	-	-	-
Prior Period Adjustments	-	-	-	-
Other Adjustments	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Adjusted Fund Balance, July 1, 2021	-	-	-	-
Fund Balance Available for Appropriation, June 30, 2022	<hr/>	<hr/>	<hr/>	<hr/>
	(1)	(1)	-	1

Statistical Section

Financial Trends

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

Table 1	Net Position by Component	202
Table 2	Changes in Net Positions	203
Table 3	Fund Balances-Governmental Funds	205
Table 4	Changes in Fund Balances-Governmental Funds.....	206
Table 5	Comparative Schedule of Operations-Municipal Pension Fund.....	207

Revenue Capacity

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

Table 6	Wage and Earnings Tax Taxable Income	208
Table 7	Direct and Overlapping Tax Rates	209
Table 8	Principal Wage and Earnings Tax Remitters	211
Table 9	Assessed Value and Estimated Value of Taxable Property	212
Table 10	Principal Property Tax Payers	213
Table 11	Real Property Taxes Levied and Collected	214

Debt Capacity

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

Table 12	Ratios of Outstanding Debt by Type.....	215
Table 13	Ratios of General Bonded Debt Outstanding	216
Table 14	Direct and Overlapping Governmental Activities Debt	217
Table 15	Legal Debt Margin Information	218
Table 16	Pledged Revenue Coverage.....	219

Demographic & Economic Information

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

Table 17	Demographic and Economic Statistics	220
Table 18	Principal Employers	221

Operating Information

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

Table 19	Full Time Employees by Function.....	222
Table 20	Operating Indicators by Function.....	223
Table 21	Capital Assets Statistics by Function.....	224

Table 1

City of Philadelphia
Net Position by Component
For the Fiscal Years 2013 Through 2022

Amounts in millions of USD

(full accrual basis of accounting)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<u>Governmental Activities</u>										
Net Investment in Capital Assets	232.5	176.8	1,040.8	955.2	1,006.6	645.2	738.6	538.6	655.4	622.6
Restricted	586.8	630.3	576.5	625.1	553.8	793.2	867.9	955.0	842.7	1,115.4
Unrestricted	<u>(2,588.9)</u>	<u>(2,771.8)</u>	<u>(7,880.6)</u>	<u>(7,904.4)</u>	<u>(7,767.3)</u>	<u>(8,709.9)</u>	<u>(8,516.9)</u>	<u>(8,803.6)</u>	<u>(8,555.8)</u>	<u>(7,592.3)</u>
Total Governmental Activities Net Position	<u>(1,769.6)</u>	<u>(1,964.7)</u>	<u>(6,263.3)</u>	<u>(6,324.1)</u>	<u>(6,206.9)</u>	<u>(7,271.5)</u>	<u>(6,910.4)</u>	<u>(7,310.0)</u>	<u>(7,057.7)</u>	<u>(5,854.3)</u>
<u>Business-Type Activities</u>										
Net Investment in Capital Assets	982.5	1,007.4	1,088.1	1,323.7	1,330.5	1,402.0	1,437.6	1,492.8	1,509.0	1,516.6
Restricted	628.9	685.5	766.0	650.5	692.5	762.6	835.5	825.7	749.2	816.8
Unrestricted	<u>173.4</u>	<u>200.7</u>	<u>(278.5)</u>	<u>(279.3)</u>	<u>(251.9)</u>	<u>(423.0)</u>	<u>(391.6)</u>	<u>(391.6)</u>	<u>(234.0)</u>	<u>(162.6)</u>
Total Business-Type Activities Net Position	<u>1,784.8</u>	<u>1,893.6</u>	<u>1,575.6</u>	<u>1,694.9</u>	<u>1,771.1</u>	<u>1,741.6</u>	<u>1,881.5</u>	<u>1,926.9</u>	<u>2,024.2</u>	<u>2,170.8</u>
<u>Primary Government</u>										
Net Investment in Capital Assets	1,215.0	1,184.2	2,128.9	2,278.9	2,337.1	2,047.2	2,176.2	2,031.4	2,164.4	2,139.2
Restricted	1,215.7	1,315.8	1,342.5	1,275.6	1,246.3	1,555.8	1,703.4	1,780.7	1,591.9	1,932.2
Unrestricted	<u>(2,415.5)</u>	<u>(2,571.1)</u>	<u>(8,159.1)</u>	<u>(8,183.7)</u>	<u>(8,019.2)</u>	<u>(9,132.9)</u>	<u>(8,908.5)</u>	<u>(9,195.2)</u>	<u>(8,789.8)</u>	<u>(7,754.9)</u>
Total Primary Government Net Position	<u>15.2</u>	<u>(71.1)</u>	<u>(4,687.7)</u>	<u>(4,629.2)</u>	<u>(4,435.8)</u>	<u>(5,529.9)</u>	<u>(5,028.9)</u>	<u>(5,383.1)</u>	<u>(5,033.5)</u>	<u>(3,683.5)</u>

City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2013 Through 2022

(full accrual basis of accounting)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Expenses										
Governmental Activities:										
Economic Development	94.2	95.1	97.4	115.3	111.4	113.7	109.7	118.0	70.1	100.8
Transportation:										
Streets & Highways	112.9	143.9	122.4	136.8	122.8	148.1	159.1	175.7	167.2	166.3
Mass Transit	71.0	72.1	76.2	76.1	84.3	86.4	89.3	91.0	89.5	96.1
Judiciary and Law Enforcement:										
Police	1,087.9	1,262.7	1,098.7	1,232.4	1,198.8	1,282.0	1,277.3	1,350.3	1,140.7	1,219.8
Prisons	342.2	371.2	353.0	381.6	387.6	386.4	349.2	369.8	289.1	313.4
Courts	318.1	338.5	323.4	339.6	349.7	344.8	357.8	363.0	321.7	348.6
Conservation of Health:										
Emergency Medical Services	49.7	69.3	66.4	66.3	77.2	69.7	70.0	74.2	71.0	95.5
Health Services	1,464.9	1,519.1	1,420.5	1,579.1	1,613.6	1,661.9	1,650.4	1,842.0	1,978.7	2,085.9
Housing and Neighborhood Development	102.9	80.3	80.9	80.1	81.1	94.3	106.6	132.0	124.0	232.9
Cultural and Recreational										
Recreation	102.3	113.1	113.1	116.6	120.3	125.7	131.4	122.5	117.3	129.8
Parks	8.6	8.2	10.6	8.4	9.5	6.9	5.5	10.6	10.4	7.0
Libraries and Museums	76.1	84.5	84.3	88.8	90.4	96.4	109.4	111.4	89.7	84.2
Improvements to General Welfare:										
Social Services	625.3	657.5	687.8	688.7	733.8	732.0	727.4	739.7	726.8	774.5
Education	94.4	167.5	126.0	134.5	134.2	134.7	213.3	263.2	294.2	297.9
Inspections and Demolitions	38.0	43.3	41.7	65.3	45.4	54.3	56.7	57.2	51.3	58.4
Service to Property:										
Sanitation	136.7	153.1	151.1	157.0	161.1	160.0	153.7	163.5	150.2	186.6
Fire	296.8	386.6	350.8	370.7	373.4	410.6	469.2	470.1	411.6	471.5
General Management and Support	743.4	538.0	605.3	648.1	693.3	729.1	788.5	946.5	1,162.4	995.2
Interest on Long Term Debt	161.8	159.0	166.2	158.2	151.1	155.7	148.3	158.6	121.9	127.1
Total Governmental Activities Expenses	5,927.2	6,263.0	5,975.8	6,443.6	6,539.0	6,792.7	6,972.8	7,559.3	7,387.8	7,791.5
Business-Type Activities:										
Water and Sewer	513.4	543.5	550.2	569.0	601.8	631.1	685.8	711.4	636.4	698.1
Aviation	358.9	376.5	374.3	400.2	419.9	442.9	430.7	437.2	378.3	399.4
Industrial and Commercial Development	0.6	-	-	-	16.5	0.5	2.3	4.4	5.9	-
Total Business-Type Activities Expenses	872.9	920.0	924.5	969.2	1,038.2	1,074.5	1,118.8	1,153.0	1,020.6	1,097.5
Total Primary Government Expenses	6,800.1	7,183.0	6,900.3	7,412.8	7,577.2	7,880.1	8,091.6	8,712.3	8,408.4	8,889.0
Program Revenues										
Governmental Activities:										
Charges for Services:										
Economic Development	2.6	0.1	0.1	0.1	-	-	-	-	0.1	0.1
Transportation:										
Streets & Highways	5.3	5.2	7.3	5.8	7.1	6.6	10.0	9.8	9.9	11.6
Mass Transit	1.9	1.9	2.1	2.2	2.2	2.5	2.7	2.3	1.7	3.0
Judiciary and Law Enforcement:										
Police	6.3	4.5	5.2	5.1	8.2	6.8	7.2	7.2	5.6	8.2
Prisons	0.7	0.4	0.4	0.3	0.3	0.5	1.7	1.3	0.4	0.1
Courts	59.9	50.3	51.6	50.3	53.6	56.5	55.6	39.3	31.7	30.7
Conservation of Health:										
Emergency Medical Services	33.3	36.3	36.2	45.7	65.0	51.9	16.8	11.2	-	25.6
Health Services	16.7	18.9	14.4	14.1	30.3	27.6	46.4	63.5	67.6	77.3
Housing and Neighborhood Development	23.5	16.7	20.1	18.1	27.2	21.0	23.2	18.1	25.3	24.4
Cultural and Recreational:										
Recreation	3.8	2.8	3.7	4.6	3.4	5.8	4.9	3.1	1.6	3.1
Parks	3.3	2.2	1.1	1.0	3.6	1.8	1.0	0.8	3.0	-
Libraries and Museums	1.0	2.0	1.1	1.2	1.4	1.9	1.5	1.1	1.5	0.7

City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2013 Through 2022

(full accrual basis of accounting)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Improvements to General Welfare:										
Social Services	8.3	5.6	4.4	1.2	1.4	7.3	6.2	7.0	5.7	5.6
Education	0.1	-	-	-	-	-	-	-	-	-
Inspections and Demolitions	53.9	50.1	52.4	54.1	59.4	64.8	72.8	64.7	76.2	86.5
Service to Property:										
Sanitation	16.2	35.5	24.9	16.5	13.8	14.1	14.0	14.5	17.1	23.6
Fire	0.9	0.3	2.9	0.3	0.6	0.4	40.8	44.5	3.5	5.5
General Management and Support	134.2	177.7	150.2	158.3	159.5	160.1	151.0	147.8	153.4	259.8
Interest on Long Term Debt	-	0.2	0.2	0.2	-	-	0.2	-	-	-
Operating Grants and Contributions	1,986.4	1,967.3	2,011.2	2,090.9	2,199.5	2,262.9	2,215.2	2,337.0	2,713.8	3,136.1
Capital Grants and Contributions	48.9	35.3	60.1	61.8	22.2	27.3	20.5	44.9	49.7	35.1
Total Governmental Activities Program Revenues	2,407.2	2,413.3	2,449.6	2,531.8	2,658.7	2,719.8	2,691.7	2,818.1	3,167.8	3,737.0
Business-Type Activities:										
Charges for Services:										
Water and Sewer	608.7	638.6	675.9	670.0	714.7	726.4	745.3	732.4	715.8	765.9
Aviation	291.4	315.4	322.4	433.7	431.9	471.1	486.2	366.8	329.0	382.0
Industrial and Commercial Development	0.4	0.4	0.5	0.5	19.9	0.1	2.2	7.2	5.6	0.5
Operating Grants and Contributions	2.3	1.4	0.9	0.9	1.3	0.6	0.7	0.9	2.7	0.5
Capital Grants and Contributions	58.2	93.6	161.3	26.8	10.6	29.0	22.7	34.3	40.6	72.9
Total Business-Type Activities Program Revenues	961.0	1,049.4	1,161.0	1,131.9	1,178.4	1,227.2	1,257.1	1,141.6	1,093.7	1,221.8
Total Primary Government Revenues	3,368.2	3,462.7	3,610.6	3,663.7	3,837.1	3,947.0	3,948.8	3,959.7	4,261.5	4,958.8
Net (Expense)/Revenue	(3,520.0)	(3,849.7)	(3,526.2)	(3,911.8)	(3,880.3)	(4,072.9)	(4,281.1)	(4,741.2)	(4,220.0)	(4,054.5)
Governmental Activities	88.1	129.4	236.5	162.7	140.2	152.7	138.3	(11.4)	73.1	124.3
Business-Type Activities	(3,431.9)	(3,720.3)	(3,289.7)	(3,749.1)	(3,740.1)	(3,920.2)	(4,142.8)	(4,752.6)	(4,146.9)	(3,930.2)
Total Primary Government Net Expense										
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	553.8	530.2	551.3	550.2	578.7	649.0	691.9	695.8	720.2	703.3
Wage & Earnings Taxes	1,598.7	1,639.8	1,737.2	1,816.8	1,920.7	2,027.8	2,114.7	2,115.6	1,991.2	2,233.4
Business Taxes	452.4	469.2	453.4	505.6	440.2	456.1	556.1	590.4	589.8	746.2
Other Taxes	706.0	735.8	666.7	733.5	817.6	947.7	984.1	942.8	883.9	1,263.3
Unrestricted Grants & Contributions	187.4	229.5	185.1	185.4	184.5	191.6	190.8	197.3	197.8	202.7
Interest & Investment Earnings	17.9	21.7	24.1	28.0	27.4	49.6	64.7	69.2	52.1	36.0
Special Items	-	-	-	-	-	(38.4)	-	-	-	-
Transfers	21.4	28.3	30.2	31.6	28.5	33.3	39.9	34.7	37.2	48.4
Total Governmental Activities	3,537.6	3,654.5	3,648.0	3,851.1	3,997.6	4,316.7	4,642.2	4,645.8	4,472.2	5,233.3
Business-Type Activities:										
Interest & Investment Earnings	12.7	5.3	4.1	8.3	11.4	23.6	47.8	48.7	2.7	(15.3)
Unrestricted Grants & Contributions	42.2	2.5	1.9	1.9	2.5	3.3	3.9	58.2	64.6	85.9
Transfers	(21.4)	(28.3)	(30.3)	(31.6)	(28.5)	(33.3)	(39.9)	(34.7)	(37.2)	(48.4)
Total Business-Type Activities	33.5	(20.5)	(24.3)	(21.4)	(14.6)	(6.2)	11.8	72.2	30.1	22.2
Total Primary Government	3,571.1	3,634.0	3,623.7	3,829.7	3,983.0	4,310.5	4,654.0	4,718.0	4,502.3	5,255.5
Change in Net Position										
Governmental Activities	17.6	(195.2)	121.8	(60.7)	117.3	243.8	361.1	(95.4)	252.2	1,178.8
Business-Type Activities	121.6	108.9	212.2	141.3	125.6	146.5	150.1	60.8	103.2	146.5
Total Primary Government	139.2	(86.3)	334.0	80.6	242.9	390.3	511.2	(34.6)	355.4	1,325.3

Table 3

**City of Philadelphia
Fund Balances
Governmental Funds
For the Fiscal Years 2013 Through 2022**

Amounts in millions of USD

(modified accrual basis of accounting)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Non-spendable:	-	-	-	-	-	-	-	-	-	-
Restricted for:										
Central Library Project	2.3	2.0	2.0	1.7	1.7	-	-	-	-	-
Stadium Financing	2.1	3.8	4.3	0.6	0.6	-	-	-	-	-
Cultural & Commercial Corridor Project	12.2	11.6	10.6	7.4	2.7	1.5	1.2	1.1	0.9	0.9
Long Term Loan	79.7	68.2	56.7	44.8	33.1	21.8	10.8	-	6.5	3.2
Affordable Housing Project	-	-	-	-	-	44.3	27.3	11.0	0.0	-
Art Museum Project	-	-	-	-	-	11.4	6.3	1.8	0.4	-
Rebuild Project	-	-	-	-	-	-	82.9	77.7	66.8	44.6
Home Repair Program	-	-	-	-	-	-	39.2	39.5	39.8	127.7
Committed to:										
General Fund	-	-	-	-	-	-	-	34.3	-	-
Assigned to:	98.0	103.1	81.9	78.0	128.4	127.0	322.3	-	442.7	659.0
Unassigned:	90.0	23.0	-	-	23.7	195.0	125.8	380.2	-	410.7
Total General Fund:	284.4	211.7	155.5	132.5	190.1	401.0	615.8	545.5	557.1	1,246.1
All Other Governmental Funds										
Non-spendable:	2.8	3.2	3.5	3.1	3.4	3.5	3.5	3.8	4.0	4.0
Permanent Fund (Principal)										
Restricted for:										
Behavioral Health	233.7	188.6	199.6	220.1	262.3	279.4	314.3	291.1	337.1	390.9
Neighborhood Revitalization	34.2	30.6	29.6	0.0	0.1	0.2	0.2	0.3	0.3	0.3
Public Safety Emergency Phone System	24.5	27.5	35.2	40.8	31.5	31.2	34.1	33.1	35.0	36.2
Economic Development	7.2	6.8	11.8	12.3	13.7	13.9	15.2	3.1	5.8	9.1
Intergovernmental Financing	33.9	34.0	28.3	25.5	25.2	24.9	24.3	24.1	20.9	20.1
Intergovernmentally Financed Pgms	-	-	-	-	-	-	-	-	-	-
Streets & Highways	23.9	26.2	31.9	37.1	46.0	57.1	59.2	63.2	59.7	72.5
Housing & Neighborhood Development	15.0	16.6	18.5	20.8	30.6	33.3	65.7	66.3	79.0	80.4
Health Services	15.2	10.1	11.0	11.2	17.4	17.4	20.6	22.7	23.3	22.1
Debt Service	81.5	83.1	81.5	81.6	72.4	62.9	54.7	16.0	13.0	11.4
Capital Improvements	29.2	191.6	70.2	133.1	24.8	161.0	88.1	278.5	112.7	308.9
Trust Purposes	8.9	11.8	12.3	10.2	10.2	9.4	10.0	9.7	9.5	14.8
Parks & Recreation	0.4	0.4	0.6	0.8	0.9	1.2	1.4	1.2	2.5	-
Libraries & Museums	0.1	0.1	0.0	3.0	3.3	3.1	2.5	2.5	3.0	2.0
Stadium Financing	6.8	7.3	6.7	6.4	6.0	5.8	5.0	10.5	8.4	8.3
Committed to:										
Prisons	4.4	3.5	3.2	2.9	3.4	3.5	3.4	3.3	4.7	5.4
Parks & Recreation	0.7	0.8	0.9	1.7	1.3	1.1	1.4	1.5	1.5	2.0
Assigned to:										
Behavioral Health	-	-	-	-	-	-	-	-	-	-
PICA Rebate Fund	-	-	-	-	-	-	-	-	-	-
PMA	-	-	-	-	-	-	-	-	-	-
Unassigned:										
Housing & Neighborhood Dev	(7.2)	(7.9)	(7.1)	(5.3)	(8.4)	(8.7)	(9.3)	(16.2)	(10.0)	(19.3)
Grants Revenue Fund	(217.1)	(273.3)	(213.0)	(322.5)	(294.3)	(288.5)	(317.7)	(314.2)	(366.8)	(410.6)
General Mgmt & Support	-	-	-	-	-	-	(0.3)	(0.2)	-	-
Total All Other Governmental Funds	298.1	360.7	324.7	282.7	245.9	411.6	376.2	500.4	343.7	558.5

¹ Effective April 15, 2003, the City implemented a change to the basis on which the Business Privilege Tax is collected requiring an estimated payment applicable to the next year's tax liability. A portion of these estimated tax payments are deferred in the general fund beginning in FY2003 because the underlying events had not occurred.

Table 4
City of Philadelphia
Changes in Fund Balances
Governmental Funds
For the Fiscal Years 2013 Through 2022

	Amounts in millions of USD									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Tax Revenue	3,304.4	3,370.8	3,397.1	3,632.7	3,761.3	4,112.4	4,345.2	4,359.3	4,173.5	4,936.4
Locally Generated Non-Tax Revenue	348.6	387.1	376.6	367.3	400.5	417.1	448.0	447.5	436.5	481.6
Revenue from Other Governments	2,212.0	2,169.0	2,280.2	2,245.2	2,466.1	2,440.6	2,409.2	2,552.6	2,915.2	3,320.8
Other Revenues	27.9	20.2	16.9	19.6	18.6	20.7	16.5	24.9	19.3	27.1
Total Revenues	5,892.9	5,947.1	6,070.8	6,264.8	6,646.5	6,990.8	7,218.9	7,384.3	7,544.5	8,765.9
Expenditures										
Current Operating:										
Economic Development	85.9	83.7	82.5	101.1	100.5	104.2	102.0	113.5	58.1	90.8
Transportation:										
Streets & Highways	81.6	98.1	96.2	105.1	98.7	108.4	139.8	137.2	132.4	131.8
Mass Transit	66.5	67.5	71.7	76.1	79.9	82.0	84.9	86.6	85.2	91.7
Judiciary and Law Enforcement	1,089.4	1,164.9	1,104.6	1,162.5	1,189.7	1,237.6	1,256.9	1,306.9	1,223.1	1,316.8
Police	338.7	346.3	343.9	365.1	372.6	375.1	336.9	361.1	305.6	324.3
Prisons	309.2	317.9	321.5	329.9	339.6	339.5	350.3	358.1	343.6	374.7
Courts										
Conservation of Health:										
Emergency Medical Services	50.0	65.8	66.1	64.9	75.8	68.7	70.0	74.1	79.1	102.6
Health Services	1,464.6	1,510.3	1,419.8	1,573.1	1,608.3	1,656.5	1,646.4	1,837.3	1,983.7	2,102.1
Housing and Neighborhood Development	102.8	80.3	80.9	80.1	81.4	94.3	106.7	132.0	123.9	232.8
Cultural and Recreational										
Recreation	90.3	98.6	103.9	104.8	107.1	112.3	117.9	112.8	114.2	123.9
Parks	3.9	1.2	1.8	1.5	3.4	2.9	2.7	2.2	2.5	1.4
Libraries and Museums	72.0	74.9	79.1	81.4	84.4	91.9	100.3	104.0	90.9	86.2
Improvements to General Welfare:										
Social Services	624.3	655.3	687.8	687.1	731.7	730.6	726.7	735.9	726.5	779.9
Education	94.4	167.5	126.0	134.5	134.2	134.7	213.3	263.2	294.2	297.9
Inspections and Demolitions	45.8	40.8	41.5	64.0	44.5	53.1	56.3	56.3	54.7	61.3
Service to Property:										
Sanitation	137.2	144.8	146.9	152.4	154.3	153.5	150.3	161.9	159.6	194.8
Fire	295.9	344.2	346.4	355.0	353.5	389.4	471.8	467.7	463.2	508.4
General Management and Support	622.8	646.7	662.3	686.4	718.1	799.9	810.1	929.2	1,053.8	1,077.5
Debt Service:	161.1	140.1	189.7	206.1	145.5	455.7	208.0	211.0	219.9	206.8
Capital Outlay										
Principal	114.1	120.3	339.8	139.5	145.0	152.6	139.7	198.0	214.0	164.9
Interest	112.2	118.0	120.7	107.5	106.2	112.7	114.2	107.4	114.4	106.5
Bond Issuance Cost	4.4	5.0	7.2	3.3	3.2	3.9	3.4	18.6	1.6	4.1
Total Expenditures	5,967.1	6,292.2	6,440.3	6,581.4	6,657.6	7,259.5	7,208.6	7,775.0	7,844.2	8,381.2
Excess of Revenues Over (Under) Expenditures	(74.2)	(345.1)	(369.5)	(316.6)	(11.1)	(268.7)	10.3	(390.7)	(299.7)	384.7
Other Financing Sources (Uses)										
Issuance of Debt	299.8	293.8	30.0	191.6	-	314.1	119.5	293.4	-	393.3
Issuance of Refunding Debt	231.2	363.6	195.7	234.2	346.1	108.3	188.7	326.2	137.0	132.1
Bond Issuance Premium	0.8	31.4	21.3	53.9	40.7	60.2	33.5	93.8	-	75.6
Proceeds from Lease & Service Agreements	(252.7)	-	-	-	-	-	-	-	-	-
Capital Lease Proceeds	-	-	-	-	-	252.5	-	2.2	0.4	-
Payment to Refunded Bonds Escrow Agent	(190.5)	(382.2)	-	(259.6)	(383.5)	(123.1)	(212.5)	(305.7)	(20.0)	(130.9)
Leases (as lessee)	-	-	-	-	-	-	-	-	-	-
Transfers In	613.1	616.3	661.9	686.3	731.4	802.5	925.5	819.7	864.2	1,160.2
Transfers Out	(591.7)	(587.9)	(631.6)	(654.7)	(702.9)	(769.2)	(885.6)	(785.0)	(827.0)	(1,111.6)
Total Other Financing Sources (Uses)	110.0	335.0	277.3	251.7	31.8	645.3	169.1	444.6	154.6	519.1
Net Change in Fund Balances	-35.8	(10.1)	(92.2)	(64.9)	20.7	376.6	179.4	53.9	(145.1)	903.8
Debt Service as a Percentage of Non-capital Expenditures	3.9%	3.9%	7.4%	3.9%	3.9%	3.9%	3.6%	4.0%	4.3%	3.3%

^{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 liability. \$166.9 million of these estimated tax payments were deferred in the general fund in FY2013 because the underlying events had not occurred.

**City of Philadelphia
Comparative Schedule of Operations
Municipal Pension Fund
For the Fiscal Years 2013 through 2022**

Table 5

Amounts in millions of USD

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Additions:										
Contributions:										
Employee Contributions	49.6	53.7	58.7	67.1	73.6	83.3	99.1	111.8	111.3	110.4
Employer's:										
City of Philadelphia	763.7	533.4	556.1	629.4	678.8	756.1	772.6	747.4	768.2	844.6
Quasi-Governmental Agencies	18.1	19.8	21.1	30.8	27.4	25.9	25.2	21.4	20.3	15.2
Total Employer's Contributions	781.8	553.2	577.2	660.2	706.2	782.0	797.8	768.8	788.5	859.8
Total Contributions	831.4	606.9	635.9	727.3	779.8	865.3	896.9	880.6	899.8	970.2
Interest & Dividends	122.9	102.2	98.4	101.5	108.5	127.9	132.7	130.0	127.7	175.2
Net Gain (Decline) in Fair Value of Investments	213.9	585.4	(76.8)	(239.8)	462.9	318.2	176.6	(38.1)	1,521.8	(646.9)
(Less) Investment Expenses	(12.2)	(10.2)	(9.8)	(9.1)	(8.0)	(7.5)	(7.5)	(6.7)	(7.2)	(8.9)
Net Securities Lending Revenue	3.0	4.2	2.2	1.9	1.8	1.8	2.2	2.1	1.2	1.0
Securities Lending Unrealized Loss	118.0	-	-	-	-	-	-	-	-	-
(Less) Securities Lending Expenses	(0.3)	(0.6)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)
Net Investment Income (Loss)	445.3	681.0	13.7	(145.8)	564.9	440.1	303.7	87.0	1,643.3	(479.8)
Miscellaneous Operating Revenue	0.5	0.5	0.1	0.1	1.8	0.2	0.1	0.1	0.2	0.1
Total Additions	1,277.2	1,288.4	649.7	581.6	1,346.5	1,305.6	1,200.7	967.7	2,543.3	490.5
Deductions:										
Pension Benefits	740.7	802.6	876.4	882.0	813.3	819.8	832.4	854.0	883.6	953.3
Refunds to Members	5.7	6.0	5.3	7.4	8.2	8.5	10.0	8.3	7.9	13.4
Administrative Costs	8.2	8.3	10.4	8.4	8.8	10.0	11.1	10.8	9.7	9.0
Other Operating Expenses	0.2	-	0.1	0.1	0.1	0.1	0.1	0.1	-	-
Total Deductions	754.8	816.9	892.1	897.9	830.4	838.4	853.6	873.2	901.2	975.7
Net Increase (Decrease)	522.4	471.5	(242.4)	(316.3)	516.1	467.2	347.1	94.5	1,642.1	(485.2)
Net Assets: Adjusted Opening Closing	3,922.8	4,445.2	4,916.7	4,674.3	4,358.0	4,874.1	5,341.3	5,688.4	5,782.9	7,425.0
Net Assets: Adjusted Opening Closing	4,445.2	4,916.7	4,674.3	4,358.0	4,874.1	5,341.3	5,688.4	5,782.9	7,425.0	6,939.8
Ratios:										
Pension Benefits Paid as a Percent of Net Members Contributions	1687.24%	1682.60%	1640.28%	1477.39%	1243.58%	1095.99%	934.23%	825.12%	854.55%	982.78%
Closing Net Assets	16.66%	16.32%	18.75%	20.24%	16.69%	15.35%	14.63%	14.77%	11.90%	13.74%
Coverage of Additions over Deductions	169.21%	157.72%	72.83%	64.77%	162.15%	155.73%	140.66%	110.82%	282.21%	50.27%
Investment Earnings as % of Pension Benefits	60.12%	84.85%	1.56%	-16.53%	69.46%	53.68%	36.48%	10.19%	185.98%	-50.33%

City of Philadelphia
Wage and Earnings Tax Taxable Income
For the Calendar Years 2012 Through 2021

Table 6
Amounts in millions of USD

Year	City Residents			Non-City Residents			Total	
	Taxable Income	% of Total	Direct Rate ¹	Taxable Income	% of Total	Direct Rate ¹	Taxable Income	Direct Rate
2012	23,461.6	57.26%	3.92800%	17,513.6	42.74%	3.49850%	40,975.2	3.74442%
2013	24,320.8	57.50%	3.92600%	17,974.3	42.50%	3.49675%	42,295.1	3.74358%
2014	25,602.1	57.70%	3.92200%	18,767.3	42.30%	3.49325%	44,369.4	3.74065%
2015	26,668.6	57.62%	3.91510%	19,611.3	42.38%	3.48715%	46,279.9	3.73375%
2016	28,609.5	58.69%	3.90530%	20,140.1	41.31%	3.47845%	48,749.6	3.72895%
2017	30,461.1	59.19%	3.89555%	21,005.2	40.81%	3.46975%	51,466.3	3.72177%
2018	32,170.7	59.88%	3.88580%	21,550.3	40.12%	3.46105%	53,721.0	3.71541%
2019	34,119.7	60.10%	3.87605%	22,649.7	39.90%	3.45240%	56,769.4	3.70702%
2020	34,431.6	63.67%	3.87120%	19,649.9	36.33%	3.47500%	54,081.5	3.72725%
2021	35,756.8	67.69%	3.83980%	17,065.2	32.31%	3.44810%	52,822.0	3.71325%

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 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.

**City of Philadelphia
Direct and Overlapping Tax Rates
For the Ten Fiscal Years 2013 through 2022**

Tax Classification	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Wage and Earnings Tax:										
^a City Residents	3.9280% ^b	3.9240%	3.9200%	3.9102%	3.9004%	3.8907%	3.8809%	3.8712%	3.8712%	3.8398%
Non-City Residents	3.4985% ^b	3.4950%	3.4915%	3.4828%	3.4741%	3.4654%	3.4567%	3.4481%	3.5019%	3.4481%

Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer. All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax

^d **Real Property: (% on Assessed Valuation)**

City	4.462%	0.602%	0.602%	0.632%	0.632%	0.632%	0.632%	0.632%	0.632%	0.632%
School District of Philadelphia	5.309%	0.738%	0.738%	0.768%	0.768%	0.768%	0.768%	0.768%	0.768%	0.768%
Total Real Property Tax	9.771%	1.340%	1.340%	1.400%	1.400%	1.400%	1.400%	1.400%	1.400%	1.400%
^e Assessment Ratio	28.68%	224.40%	213.95%	167.26%	167.14%	167.14%	132.88%	125.08%	124.89%	NA
Effective Tax Rate (Real Property Rate x Assessment Ratio)	2.802%	3.007%	2.867%	2.341%	2.340%	2.340%	1.860%	1.751%	1.748%	NA

The City and the School District impose a tax on all real estate in the City. Real Estate Tax bills are sent out in December and are due and payable March 31st without penalty or interest. If you pay your bill on or before the last day of February, you receive a 1% discount.

Real Property Transfer Tax

City	3.0%	3.0%	3.0%	3.0%	3.1%	3.1%	3.3%	3.3%	3.3%	3.3%
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%	4.1%	4.1%	4.3%	4.3%	4.3%	4.3%

Realty Transfer Tax is levied on the sale or transfer of real estate located in Philadelphia. The tax also applies to the sale or transfer of an interest in a corporation or partnership that owns real estate. Certain long term leases are also subject to this tax.

^c **Business Income and Receipts Taxes**

(% on Gross Receipts)	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%
^f (% on Net Income)	6.4500%	6.4300%	6.4100%	6.3900%	6.3500%	6.3000%	6.2500%	6.2000%	6.2000%	6.2000%

Every individual, partnership, association and corporation engaged in a business, profession or other activity for profit within the City of Philadelphia must file a BIRT Return.

^c **Net Profits Tax:**

^a City Residents	3.9240%	3.9200%	3.9102%	3.9004%	3.8907%	3.8809%	3.8712%	3.8712%	3.8398%	3.8398%
Non-City Residents	3.4950%	3.4915%	3.4828%	3.4741%	3.4654%	3.4567%	3.4481%	3.5019%	3.4481%	3.4481%

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 2013 through 2022**

<u>Tax Classification</u>	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Sales Tax										
City	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Commonwealth of Pennsylvania	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Total Sales Tax	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Amusement Tax	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Imposed on the admission fee charged for attending any amusement in the City. Included are concerts, movies, athletic contests, night clubs and convention shows for which admission is charged.										
Parking Lot Tax	20.0%	20.0%	20.0%	22.5%	22.5%	22.5%	22.5%	22.5%	25.0%	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	8.2%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Rate of Tourism & Marketing Tax	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
	9.2%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Imposed on the rental of a hotel room to accommodate paying guests. The term "hotel" includes an apartment, hotel, motel, inn, guest house, bed and breakfast or other building located within the City which is available to rent for overnight lodging or use of facility space to persons seeking temporary accommodations.										
Vehicle Rental Tax	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Imposed on any person acquiring the custody or possession of a rental vehicle in the City under a rental contract for money or other consideration.										

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

^b Effective January 1 of the fiscal year cited, the previous fiscal year's rate was in effect from July 1 through December 31.

^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
Principal Wage and Earnings Tax Remitters ¹
Current Calendar Year and Nine Years Ago

Table 8

Amounts in millions of USD

Remittance Range	2021			2012		
	# of Remitters (Employers)	Total Amount Remitted	Percentage of Total Remitted	# of Remitters (Employers)	Total Amount Remitted	Percentage of Total Remitted
Greater than \$10 million	17	\$508.1	25.90%	16	\$397.8	25.93%
Between \$1 million & \$10 million	191	461.7	23.54%	157	369.5	24.08%
Between \$100,000 & \$1 million	2,095	535.6	27.31%	1,636	418.6	27.28%
Between \$10,000 & \$100,000	11,654	343.3	17.50%	8,786	259.6	16.92%
Less than \$10,000	46,555	112.7	5.75%	39,166	88.7	5.79%
Total	<u>60,512</u>	<u>\$1,961.4</u>	<u>100.00%</u>	<u>49,761</u>	<u>\$1,534.2</u>	<u>100.00%</u>

¹ Wage & Earnings information for individual remitters is confidential

**City of Philadelphia
Assessed Value and Estimated Value of Taxable Property
For the Calendar Years 2013 through 2022**

Table 9

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	Adjustments between Certification Date ^{2,3} 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)
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	90.48%	104,457
2015	136,341	37,223	6,411	92,707	(1,777)	90,930	0.602%	213.95%	43,331	90.60%	102,326
2016	136,295	38,386	6,372	91,537	(1,369)	90,168	0.632%	167.26%	54,727	92.96%	98,469
2017	136,682	38,552	6,389	91,741	105	91,846	0.632%	167.14%	54,889	94.20%	97,390
2018	152,995	41,738	6,268	104,989	(811)	104,178	0.632%	167.14%	62,815	95.78%	109,615
2019	164,672	42,767	6,349	115,556	(3,313)	112,243	0.632%	132.88%	86,963	106.00%	109,015
2020	168,263	44,095	8,592	115,576	(1,225)	114,351	0.632%	125.08%	92,402	98.80%	116,980
2021	170,224	44,356	9,714	116,154	(641)	115,513	0.632%	124.89%	93,005	97.09%	119,635
2022	171,347	45,325	10,058	115,964	(56)	115,908	0.632%	NA	NA	NA	NA

¹ Real property tax bills are normally sent out in December and are payable 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 The City provides for a \$80,000 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

Taxpayer	2022			2013		
	Assessment ¹	Rank	Percentage of Total Assessments	Assessment ¹	Rank	Percentage of Total Assessments
Kim Sub Cira Square LP	370.6	1	0.32	-	-	-
Liberty Property Phila	359.0	2	0.31	-	-	-
EQC Nine Penn Center Prop.	352.1	3	0.30	54.1	3	0.14
NG 1500 Market St. LLC	349.9	4	0.30	43.8	4	0.11
Phila Liberty Pla E LP	327.0	5	0.28	54.4	2	0.14
PRU 1901 Market LLC	278.0	6	0.24	35.2	5	0.09
Commerce Square Partners	266.4	7	0.23	33.3	7	0.09
Phila Plaza Phaze II	252.7	8	0.22	33.9	6	0.09
Philadelphia Market Street	250.3	9	0.22	28.8	10	0.07
Brandywine Operating	236.4	10	0.20	33.1	8	0.09
Franklin Mills Associates	-	-	-	57.6	1	0.15
Phila Shipyard Development Corp	-	-	-	30.3	9	0.08
	<u>3,042.4</u>		<u>2.62</u>	<u>404.5</u>		<u>1.05</u>
Taxable Assessments (before Homestead)	126,030.3		100.00	38,800.6		100.00
Less Homestead Exemption ²	<u>10,957.7</u>			<u>0.0</u>		
Total Taxable Assessments	<u>115,972.6</u>			<u>38,800.6</u>		

¹ Source: Office of Property Assessment.

a) 2022 Assessment as of March 2021.

b) 2013 Assessment as of November 2012.

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 provides for a \$80,000 Homestead Exemption (amount subject to change) to all homeowners.

**City of Philadelphia
Real Property Tax Levied and Collected
For the Calendar Years 2013 through 2022
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
						Levy	Percentage	
2013	554.0	537.3	505.6	94.1%	28.6	534.2	99.4%	
2014	553.2	514.0	482.1	93.8%	30.8	512.9	99.8%	
2015	547.4	516.7	489.1	94.7%	27.9	517.0	100.1%	
2016	569.9	548.4	525.2	95.8%	22.3	547.5	99.8%	
2017	580.5	564.7	542.9	96.1%	22.0	564.9	100.0%	
2018 **6	658.1	627.5	604.4	96.3%	5.0	609.4	97.1%	
2019	709.4	681.3	660.4	96.9%	14.4	674.8	99.0%	
2020	722.7	701.6	672.3	95.8%	17.8	690.1	98.4%	
2021	729.7	717.7	692.2	96.4%	8.0	700.2	97.6%	
2022	732.2	726.1	676.3	NA	NA	676.3	NA	

**1 Taxes are levied on a calendar year basis, this column represents the initial bill. They are due on March 31st.

**2 Adjustments include assessment appeals, 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 2022, "collections in the calendar year of levy" does not include the full 12 months; it only includes collections through the end of June 2022.

**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.

**5 For calendar year 2022, data is unavailable for "percentage collected in the calendar year of levy" and

"percentage collected to date: all years", since collections in the calendar year does not include the full 12 months; it includes collections through the end of June 2022.

**6 As a result of Duffield House Assocs. v. City of Philadelphia legal case, commercial properties in Philadelphia saw reduced payments for 2018 that have not yet been reflected in the assessment data provided by OPA. Once the reduced assessments are reflected in Column B, the collection figures for 2018 will be in line with historical trends.

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.

City of Philadelphia
Ratios of Outstanding Debt by Type
For the Fiscal Years 2013 through 2022

Table 12

Amounts in millions of USD (except per capita)

Fiscal Year	Governmental Activities										Business-Type Activities			Ratios			
	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	Affordable Housing Project	Water Revenue Bonds	Airport Revenue Bonds	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income (1)	Population (1)
2013	1,968.7	28.9	1,171.3	423.3	234.1	41.8	313.0	7.7	119.9	-	-	1,830.4	1,355.4	7,494.5	11.68%	1,547,607	4,843
2014	2,139.7	16.9	1,121.4	299.8	225.5	39.6	300.6	7.2	116.0	27.3	-	1,935.3	1,291.7	7,521.0	11.49%	1,553,165	4,842
2015	1,996.0	12.9	1,063.2	299.8	216.4	37.3	291.9	6.7	111.8	43.3	-	2,110.8	1,225.3	7,415.4	11.15%	1,560,297	4,753
2016	2,073.6	8.8	997.5	299.8	205.8	34.9	277.2	6.7	108.5	29.1	-	1,967.1	1,160.9	7,169.9	9.20%	1,567,442	4,574
2017	1,953.1	4.4	927.2	299.8	195.8	32.4	263.6	6.0	102.2	14.7	-	2,152.5	1,218.5	7,170.2	8.86%	1,567,872	4,573
2018	2,078.4	249.3	852.3	299.8	185.3	30.4	248.9	5.3	96.3	-	-	1,993.2	1,625.4	7,736.3	8.78%	1,580,863	4,894
2019	1,927.2	244.2	772.3	299.8	213.3	27.1	234.3	4.6	90.4	-	-	2,175.8	1,651.1	7,796.0	8.83%	1,584,138	4,921
2020	2,091.8	239.0	687.0	299.8	199.4	24.0	241.1	3.8	84.4	-	-	2,360.3	1,573.9	7,953.7	8.77%	1,584,064	5,021
2021	1,950.5	233.4	631.2	394.6	185.2	20.8	221.6	3.1	78.3	-	-	2,500.9	1,595.5	7,957.6	8.55%	1,578,487	5,041
2022	2,166.4	227.7	566.8	394.6	271.4	17.5	201.6	2.3	72.0	-	-	2,684.1	1,739.0	8,478.9	8.84%	1,576,251	5,379

(1) See Table 17 for Personal Income and Population Amounts

City of Philadelphia
Ratios of General Bonded Debt Outstanding
For the Fiscal Years 2013 through 2022

Table 13

Amounts in millions of USD (except per capita)

Fiscal Year	General Obligation Bonds	Assessed Taxable Value of Property	Assessed Ratio	Actual Taxable Value of Property	% of Actual Taxable Value of Property	Per Capita
	¹	²				³
2013	1,968.7	12,416.0	28.68%	43,291.5	4.55%	1,267.54
2014	2,139.7	94,513.0	224.40%	42,118.1	5.08%	1,371.34
2015	1,996.0	92,707.0	213.95%	43,331.2	4.61%	1,273.41
2016	2,073.6	91,536.5	167.26%	54,727.1	3.79%	1,322.56
2017	1,953.1	91,741.2	167.14%	54,888.8	3.56%	1,235.46
2018	2078.4	104,988.9	167.14%	62,814.9	3.31%	1,312.01
2019	1927.2	115,555.5	132.88%	86,962.3	2.22%	1,216.62
2020	2091.8	115,575.8	125.08%	92,401.5	2.26%	1,325.19
2021	1950.5	116,153.8	124.89%	93,004.9	2.10%	1,237.43
2022	2166.4	115,963.6	NA	NA	NA	NA

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statement.

¹ Source: Office of Property Assessment

² The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

³ See Table 17 for Population Amounts

City of Philadelphia
Direct and Overlapping Governmental Activities Debt
June 30, 2022

Table 14

Amounts in millions of USD

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
School District of Philadelphia	<u>3,518.7</u>	<u>100.00%</u>	<u>3,518.7</u>
¹ City Direct Debt			<u>4,055.8</u>
Total Direct and Overlapping Debt			<u><u>7,574.5</u></u>

Note:

Overlapping governments are those that coincide, in least in part, with the geographic boundaries of the City. The outstanding debt of the School District of Philadelphia is supported by property taxes levied on properties within the City boundaries. This schedule attempts to show the entire debt burden borne by City residents and businesses.

¹ Refer to Table 12

**City of Philadelphia
Legal Debt Margin Information
For the Fiscal Years 2013 through 2022**

Table 15

Amounts in Millions of USD

		Legal Debt Margin Calculation for FY2022									
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt Limit (notes 2, 3, 4, and 5)		1,670.0	3,011.1	4,288.7	5,454.0	6,629.5	8,001.0	9,534.0	11,052.1	12,607.9	14,163.0
Total Net Debt Applicable to Limit		1,617.9	1,673.4	1,751.0	1,841.4	1,952.0	2,051.3	2,130.8	2,228.8	2,284.5	2,316.5
Legal Debt Margin		52.1	1,337.7	2,537.7	3,612.6	4,677.5	5,949.7	7,403.2	8,823.3	10,323.4	11,846.5
Total Net Debt Applicable to the Limit as a Percent of Total Debt		96.88%	55.57%	40.83%	33.76%	29.44%	25.64%	22.35%	20.17%	18.12%	16.36%

Assessed Value 104,911.3
Debt Limit 14,163.0

¹ Debt Applicable to Limit:
Tax Supported General Obligation Debt: 1,841.2
Issued & Outstanding 475.3
Authorized but Unissued 2,316.5
Total

Less: Amount set aside for repayment of general obligation debt -

Total Net Debt Applicable to Limit 2,316.5

Legal Debt Margin 11,846.5

¹ Refer to Purdon's Statutes 53 P.S. Section 15721

² The legal limit is based on the Pennsylvania Constitution article IX Section 12.

³ Tax Year 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 preceding 10 year average; prior to this change, the Tax Year assessed values was used.

Calendar Year of assessment	Tax Year of assessment	3,4	R.E. Assessments
2012	2013		13,755,670,566
2013	2014		107,209,023,547
2014	2015		106,062,862,977
2015	2016		96,268,051,621
2016	2017		99,343,236,214
2017	2018		114,493,661,457
2018	2019		126,865,207,235
2019	2020		125,555,031,478
2020	2021		128,770,069,988
2021	2022		128,790,111,318
Ten Year average			104,911,286,840
Limit per art. 9			13.50%
Legal Debt Limit			14,163,023,723

City of Philadelphia
Pledged Revenue Coverage
For the Fiscal Years 2013 through 2022

Table 16

Amounts in millions of USD

No.		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Water and Sewer Revenue Bonds											
1	Total Revenue and Beginning Fund Balance	638.4	680.4	-	-	-	-	-	-	-	-
1a	Total Revenue	-	-	676.8	678.9	720.6	750.1	741.6	746.7	730.5	753.6
2	Net Operating Expenses	399.3	410.8	422.3	433.0	480.3	506.2	522.4	543.7	545.1	547.2
2a	Commitments Cancelled (formally Beg. Fund Bal.)	-	-	(19.4)	(24.1)	(24.6)	(32.4)	(30.4)	(26.9)	(23.9)	(36.8)
3	Transfer To (From) Rate Stabilization Fund	(4.7)	22.9	21.4	(1.6)	(4.6)	(24.6)	(4.3)	(33.1)	(27.0)	15.0
4	Net Revenues	243.8	246.7	252.5	271.6	269.5	300.9	253.9	263.0	236.3	228.2
Debt Service:											
5	Revenue Bonds Outstanding	201.0	201.7	205.3	219.3	206.1	218.4	190.9	206.2	186.2	177.0
6	Transfer to Escrow Account to Redeem Bonds	-	-	-	-	11.0	19.0	-	-	-	-
6a	Other Adjustments	-	-	-	(0.3)	(1.2)	(0.2)	-	0.2	0.1	-
7	Pennvest Loan	-	-	-	-	-	-	-	-	-	-
8	Total Debt Service	201.0	201.7	205.3	219.0	215.9	237.2	190.9	206.4	186.3	177.0
9	Net Revenue after Debt Service	42.8	45.0	47.2	52.6	53.6	63.7	63.0	56.6	50.0	51.2
10	Transfer to General Fund	0.6	-	-	-	-	-	-	-	-	-
11	Transfer to Capital Fund	19.4	20.2	20.7	21.5	22.3	34.8	24.9	26.6	27.8	29.2
12	Transfer to Residual Fund	22.8	24.8	26.5	31.1	31.3	28.9	38.1	30.0	22.2	22.0
13	Ending Fund Balance	-	-	-	-	-	-	-	-	-	-
Debt Service Coverage:											
	Coverage A (Line 4/Line 5)	1.21	1.22	1.23	1.24	1.31	1.38	1.33	1.28	1.27	1.29
	Coverage B (Line 4/(Line 5 + Line 11))	1.11	1.11	1.12	1.13	1.18	1.19	1.18	1.13	1.10	1.11
Airport Revenue Bonds											
1	Fund Balance	69.3	66.5	66.3	71.2	87.9	107.8	126.8	144.2	160.9	173.7
2	Project Revenues	291.8	316.9	322.8	341.2	362.0	381.7	393.4	390.2	331.8	356.0
3	Passenger Facility Charges	31.2	31.2	31.2	31.2	33.7	31.2	31.2	31.2	49.6	32.0
4	Total Fund Balance and Revenue	392.3	414.6	420.3	443.6	483.6	520.7	551.4	565.6	542.3	561.7
5	Net Operating Expenses	110.7	117.3	126.0	132.1	136.5	151.0	161.2	151.7	130.1	150.0
6	Interdepartmental Charges	101.9	103.9	108.7	106.8	116.7	116.7	121.1	123.0	109.8	103.0
7	Total Expenses	212.6	221.2	234.7	238.9	253.2	267.7	282.3	274.7	239.9	253.0
Available for Debt Service:											
8	Revenue Bonds (Line 4-Line 5)	281.6	297.3	294.3	311.5	347.1	369.7	390.2	413.9	412.2	411.7
9	All Bonds (Line 4-Line 7)	179.7	193.4	185.6	204.7	230.4	253.0	269.1	290.9	302.4	308.7
Debt Service:											
10	Revenue Bonds	109.8	125.4	125.2	120.6	122.6	127.8	126.0	127.9	124.3	118.0
11	General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
12	Total Debt Service	109.8	125.4	125.2	120.6	122.6	127.8	126.0	127.9	124.3	118.0
Debt Service Coverage:											
	Revenue Bonds Only - Test "A" (Line 8/Line 10)	2.56	2.37	2.35	2.58	2.83	2.89	3.10	3.24	3.32	3.49
	Total Debt Service - Test "B" (Line 9/Line 12)	1.64	1.54	1.48	1.69	1.88	1.98	2.14	2.27	2.43	2.62

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 FY 2015, Commitments Cancelled were included as part of Total Revenue and Beginning Fund Balance. Commitments Cancelled represent the liquidation of encumbrances.

An encumbrance is an expense that is anticipated to be charged to the Water Fund. Beginning in FY 2015 these amounts were reclassified as contra-expenses and reported under Net Operating Expenses.

Prior to FY 2017, Water and Sewer Revenue Bonds Debt Service Coverage B was calculated as (Line4/(Line 8 + Line 11)).

City of Philadelphia
Demographic and Economic Statistics
For the Calendar Years 2012 through 2021

Table 17

Calendar Year	Population ¹	Personal Income ² (thousands of USD)	Per Capita Personal Income (USD)	Unemployment Rate ³
2012	1,547,607	64,151,742	41,452	10.5%
2013	1,553,165	65,473,002	42,155	10.0%
2014	1,560,297	66,495,223	42,617	8.0%
2015	1,567,442	77,903,831	49,701	6.9%
2016	1,567,872	80,973,410	51,645	6.8%
2017	1,580,863	88,081,991	55,718	6.2%
2018	1,584,138	88,311,658	55,747	5.5%
2019	1,584,064	90,711,866	57,265	5.5%
2020	1,578,487	93,038,320	58,941	12.4%
2021	1,576,251	95,944,257	60,869	9.2%

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
Principal Employers
Current Calendar Year and Nine Years Ago**

Table 18

Listed Alphabetically

2021	2012
<p>Albert Einstein Medical Children's Hospital of Philadelphia City of Philadelphia Comcast Corporation School District of Philadelphia SEPTA (Southeastern Pennsylvania Transit Authority) Temple University Thomas Jefferson University Hospitals University Of Pennsylvania Hospital of the University of Pennsylvania</p>	<p>Albert Einstein Medical Children's Hospital of Philadelphia City of Philadelphia Comcast Corporation School District of Philadelphia SEPTA (Southeastern Pennsylvania Transit Authority) Temple University Thomas Jefferson University Hospitals University Of Pennsylvania Hospital of the University of Pennsylvania</p>

City of Philadelphia
Full Time Employees by Function
 For the Fiscal Years 2013 through 2022

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Governmental Activities:										
Economic Development	31	29	33	43	39	47	69	63	40	37
Transportation:										
Streets & Highways	517	525	506	512	538	609	655	669	627	636
Mass Transit	15	15	12	12	1	1	1	2	1	3
Judiciary and Law Enforcement:										
Police	7,270	7,177	7,267	7,750	7,213	7,276	7,336	7,201	6,847	6,681
Prisons	2,245	2,257	2,286	2,280	2,257	2,208	2,084	1,882	1,556	1,319
Courts	3,260	3,234	3,255	3,276	3,367	3,317	3,364	3,428	3,301	3,109
Conservation of Health:										
Emergency Medical Services	375	494	576	534	592	416	467	533	419	414
Health Services	1,117	1,097	1,084	1,062	1,105	1,132	1,161	1,206	1,169	1,150
Housing and Neighborhood Development	75	72	74	66	67	73	71	76	75	83
Cultural and Recreational:										
Parks and Recreation	596	587	628	636	630	670	682	678	667	633
Libraries and Museums	651	637	674	666	677	659	670	688	648	619
Improvements to General Welfare:										
Social Services	1,832	1,809	1,801	1,779	1,837	1,860	1,804	1,827	1,765	1,755
Inspections and Demolitions	286	288	319	323	336	378	421	394	371	352
Service to Property:										
Sanitation	1,152	1,158	1,155	1,159	1,153	1,094	1,179	1,144	1,163	1,298
Fire	1,705	1,643	1,719	1,871	1,896	2,036	2,187	2,227	2,259	2,258
General Management and Support	2,384	2,456	2,497	2,601	2,749	2,744	3,164	2,911	2,749	2,760
Total Governmental Activities	23,511	23,478	23,886	24,570	24,457	24,520	25,315	24,929	23,657	23,107
Business Type Activities:										
Water and Sewer	2,218	2,302	2,347	2,358	2,481	2,519	2,217	2,498	2,428	2,403
Aviation	1,057	1,040	1,021	1,032	1,035	1,056	1,071	1,048	977	840
Total Business-Type Activities	3,275	3,342	3,368	3,390	3,516	3,575	3,288	3,546	3,405	3,243
Fiduciary Activities:										
Pension Trust	53	50	55	56	56	60	56	54	55	58
Total Primary Government	26,839	26,870	27,309	28,016	28,029	28,155	28,659	28,529	27,117	26,408

City of Philadelphia
Operating Indicators by Function
For the Fiscal Years 2013 through 2022

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental Activities:										
Transportation:										
Streets & Highways										
Street Resurfacing (miles)	51	34	40	43	56	77	95	65	42	49
Potholes Repaired	12,093	45,077	48,274	35,541	31,589	57,002	59,514	37,971	22,815	59,164
Judiciary and Law Enforcement:										
Police										
Arrests	71,109	71,650	71,661	55,693	46,268	45,531	42,444	40,702	30,697	27,496
Calls to 911	2,979,990	2,879,620	2,978,527	3,703,809	2,760,452	2,432,404	2,616,735	2,390,540	2,335,370	2,862,919
Prisons										
Average Inmate Population	8,987	8,759	8,254	7,685	6,925	6,158	4,815	4,190	4,709	4,396
Inmate Beds (city owned)	8,417	8,417	8,417	8,428	6,991	6,085	5,019	4,047	4,903	4,903
Conservation of Health:										
Emergency Medical Services										
Medic Unit Runs	280,877	239,403	243,127	263,754	267,266	271,450	274,659	266,090	271,494	251,501
First Responder Runs	57,047	60,296	49,529	48,965	47,456	48,797	49,526	47,864	49,321	48,440
Health										
Patient Visits	341,305	309,911	290,000	72,479	336,445	335,937	350,948	324,388	300,073	332,000
Cultural and Recreational:										
Parks										
Athletic Field Permits Issued	2,442	873	1,634	2,501	2,579	2,120	1,351	1,892	571	1,062
Libraries										
Items borrowed	6,579,054	6,502,087	6,511,582	5,926,481	5,419,516	5,293,138	6,482,481	5,207,069	4,002,577	5,241,011
Visitors to all libraries	6,116,762	5,563,015	5,891,382	5,839,145	5,128,715	4,973,288	4,915,649	3,841,395	1,76,619	1,829,104
Visitors to library website	7,301,311	8,194,626	9,907,573	7,971,946	5,029,713	6,361,655	6,689,581	6,099,144	4,071,281	4,827,886
Improvements to General Welfare:										
Social Services										
Children Receiving Services	27,391	17,761	18,982	19,697	18,955	18,798	17,002	13,369	11,533	10,465
Children in Placement	8,509	8,548	7,809	8,463	8,782	8,731	8,230	7,125	6,355	5,730
Emergency Shelter Beds (average)	2,116	2,544	2,708	2,196	2,143	2,170	3,725	3,855	2,526	2,501
Transitional Housing Units (new placements)	539	509	509	517	415	284	728	374	419	404
Service to Property:										
Sanitation										
Refuse Collected (tons per day)	2,179	2,132	2,139	2,270	2,311	2,310	2,475	2,351	2,841	2,845
Recyclables Collected (tons per day)	470	490	442	425	444	404	355	327	207	242
Fire										
Fires Handled	6,365	6,120	6,364	6,143	5,901	6,614	7,810	7,350	3,413	7,161
Fire Marshal Investigations	2,135	1,943	2,183	1,715	2,242	2,099	1,969	1,889	1,954	1,783
Business Type Activities:										
² Water and Sewer										
Millions of gallons of treated water	89,616	90,213	86,416	84,573	82,846	81,485	80,943	78,239	84,424	84,342
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	962	775	637	682	1,022	742	747	796	580	478
Water main breaks repaired	755	918	907	703	655	977	754	596	759	779
Average time to repair a water main break upon crew arrival at site (hours)	5.8	6.2	5.7	6.8	6.7	6.5	6.7	6.2	6.7	6.9
Percent of hydrants available	99.68%	99.68%	99.61%	99.60%	99.60%	99.57%	99.43%	99.15%	98.91%	98.95%
Number of storm drains cleaned	100,251	94,653	103,056	98,105	107,784	103,535	103,053	84,640	97,849	64,427
¹ Aviation										
Passengers Handled (PIA)	30,358,905	30,539,430	30,601,985	31,336,138	29,641,556	30,553,378	32,244,112	23,782,297	13,039,500	23,204,502
Air Cargo Tons (PIA)	388,383	385,661	402,194	414,891	424,009	487,086	554,606	573,499	582,468.6	575,273.7
Aircraft Movements (PIA and NPA)	506,261	493,272	487,096	456,269	434,707	427,214	455,352	385,403	287,679	380,979

¹ PIA (Philadelphia International Airport)-passenger aircraft and cargo, NPA (Northeast Philadelphia Airport)-private aircraft and cargo

² In prior year Annual Comprehensive Financial Report (ACFR), 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 2013 through 2022**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Governmental Activities:										
Transportation:										
Streets & Highways										
1 Total Miles of Streets	2,575	2,575	2,575	2,575	2,575	2,550	2,550	2,550	2,550	2,552
Streetlights	105,151	105,151	105,151	105,151	104,595	106,092	106,092	124,846	126,924	141,554
Judiciary and Law Enforcement:										
Police										
Stations and Other Facilities	37	39	40	50	48	55	55	55	58	56
Prisons										
Major Correctional Facilities	6	6	6	6	6	5	4	3	3	3
Conservation of Health:										
Health Services										
Health Care Centers	9	9	9	8	8	8	8	8	8	8
Cultural and Recreational:										
Recreation										
4 Recreation Centers	185	184	155	164	313	313	721	717	731	738
2 Athletic Venues	1,101	1,107	1,108	1,107	1030	1030	1129	1120	1118	1112
Parks										
Parks	177	177	209	209	211	211	405	409	410	414
Baseball/Softball Fields	404	403	403	404	412	404	414	411	411	410
Libraries										
Branch & Regional Libraries	54	54	54	54	54	54	54	57	57	57
Service to Property:										
Fire										
Stations and Other Facilities	68	68	69	63	69	67	73	73	73	73
Business Type Activities:										
Water and Sewer:										
Water System Piping (miles)	3,174	3,176	3,176	3,187	3,184	3,185	3,183	3,178	3,180	3,179
Fire Hydrants	25,355	25,364	25,364	25,398	25,419	25,419	25,234	25,020	25,192	25,142
Treated Water Storage Capacity (x 1000 gallons)	1,065,400	1,065,400	1,065,000	1,065,000	1,065,000	950,000	950,000	1,010,000	1,010,000	1,010,000
Sanitary Sewers (miles)	762	762	762	763	765	766	767	761	767	767
Stormwater Conduits (miles)	738	737	737	740	747	744	752	755	756	757
3 Sewage Treatment Capacity (x 1000 gallons)	1,065,400	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,059,000	1,059,000	1,059,000	1,059,000
Aviation										
Passenger Gates (PIA)	126	126	126	126	126	126	126	126	126	126
Terminal Buildings (square footage) (PIA)	3,144,000	3,254,354	3,254,354	3,254,354	3,240,537	3,240,537	3,240,537	3,240,537	3,240,537	3,254,354
Runways (length in feet) (PIA & NPA)	43,500	43,500	43,500	43,500	43,500	43,500	43,500	43,500	43,500	43,500

1 Street System-83% city streets, 2% park streets, 15% state highways
 2 Includes baseball fields, football/soccer fields, tennis, basketball and hockey courts, skating rinks and indoor and outdoor pools
 3 PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo.
 4 Includes playgrounds and spraygrounds