

City of Philadelphia

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

Founded 1682



Aerial View of City Hall & Dilworth Plaza

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2019



City of Philadelphia

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

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2019



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Mayor

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Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019

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City of Philadelphia

OFFICE OF THE DIRECTOR OF FINANCE

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ROB DUBOW

Director of Finance

February 25, 2020

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

We are pleased to present the City of Philadelphia's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. This report must be published by February 25th of every year to fulfill the continuing disclosure requirements related to the City's outstanding bonds and as outlined in SEC Rule 15c2-12.

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

The City Controller has issued an unmodified ("clean") opinion on the City's financial statements for the year ended June 30, 2019. The City Controller is an independently elected public official and is required by City Home Rule Charter (City Charter) section 6-401 to appoint a certified public accountant as the deputy in charge of auditing and complete an annual audit of all City accounts. The independent auditor's report is located at the front of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

The City of Philadelphia was founded in 1682, incorporated in 1789, and was merged with the County of Philadelphia in 1854. The City currently occupies an area of 135 square miles along the Delaware River, serves a population in excess of 1.5 million and is the hub of a five-county metropolitan area including Bucks, Chester, Delaware and Montgomery Counties in southeast Pennsylvania.

The City is governed largely under the City Charter, which was adopted by the Electors of the City of Philadelphia on April 17, 1951 and became effective on the first Monday of January 1952. However, in some matters, including the issuance of short-term and long-term debt, the City is governed by the laws of the Commonwealth of Pennsylvania.

Under the City Charter, there are two principal governmental entities in the City: (i) the City, which performs municipal and county functions; and (ii) the School District, which has boundaries coterminous with the City and responsibility for all public primary and secondary education. Under Article XII of the City Charter, the School District of Philadelphia operates as a separate and independent home rule school district. On December 21, 2001, the Pennsylvania Secretary of Education declared that the School District of Philadelphia was a "distressed" school district within the meaning of Section 691(c) of the Pennsylvania Public School Code, initiating the implementation of the School Reform Commission and effectively ending local control for

Philadelphians. The School Reform Commission assumed governance of the School District for the period of distress. On November 16, 2017, the School Reform Commission adopted a resolution stating that it was no longer distressed and recommending that the Secretary rescind the declaration of distress and return the District to local control effective June 30, 2018. The Secretary was required to make a dissolution determination at least 180 days prior to the end of the current school year, i.e. by December 31, 2017, which he did on December 27, 2017, for the School Reform Commission to dissolve on June 30, 2018. On April 4, 2018, the Mayor appointed nine members to serve on the Board of Education and they assumed their duties on July 1, 2018. As of that date, the Board of Education governs the School District.

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

The Charter provides for a strong mayoral form of government with the Mayor and the seventeen members of the City Council, ten from districts and seven from the City at-large, elected every four years. Minority representation is assured by the requirement that no more than five candidates may be elected for Council-at-large by any one party or political body. The Mayor is prohibited from serving more than two consecutive terms. The District Attorney and the City Controller are elected at the mid-point of the terms of the Mayor and City Council.

Reflected in this report is the extensive range of services provided by the City of Philadelphia. These services include police and fire protection, emergency medical services, sanitation services, streets maintenance, recreational activities and cultural events, and traditional county functions such as health and human services and prisons. The City operates water and wastewater systems that service the citizens of Philadelphia and the City operates two airports, Philadelphia International Airport which handles approximately 32.2 million passengers annually as well as cargo and Northeast Philadelphia Airport which handles private aircraft and some cargo.

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

Blended component units included in this report are:

- Philadelphia Municipal Authority
- Pennsylvania Intergovernmental Cooperation Authority

Discretely presented component units included in this report are:

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

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

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget proposed by the Mayor and approved by City Council for the fiscal year beginning July 1st. Activities of the General Fund, City Related Special Revenue Funds and the City Capital Improvement Funds are budgeted annually. The level of budgetary control (that is, the level at which expenditures cannot legally

exceed the appropriated amount) is established by major class within an individual department and fund for the operating funds and by project within department and fund for the Capital Improvement Funds. The City also maintains an encumbrance accounting system for control purposes. Encumbered amounts that have not been expended at year-end are carried forward into the succeeding year but appropriations that have not been expended or encumbered at year-end are lapsed.

FACTORS AFFECTING ECONOMIC CONDITION

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

Local Economy

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

After decades of population loss, the City has experienced about a decade of consistent population growth and new investment in its neighborhoods, spurred in part by the relative affordability of housing options and the City's array of cultural amenities. Over the past decade, both personal income and per capita income have increased by 63.4% and 59.6%, respectively. The annual average unemployment rate has returned to pre-recession levels.

Despite this progress, significant challenges still remain. At 24.5%, the City's poverty rate is the highest of the 10 largest cities in the country, and personal income levels also remain relatively low in comparison to the region. These factors create an ongoing challenge to fund public services from a weaker tax base. While the City has benefited from recent population growth, the number of parent-aged adults (age 35-54) and school age children (age 5-19 years) has declined over the past five years, which is a trend that has negative implications for the tax base.

Calendar Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (3)	Unemployment Rate
2018	1,584,138	88,311,658	55,747	5.5%
2017	1,580,863	88,081,991	55,718	6.2%
2016	1,567,872	80,973,410	51,645	6.8%
2015	1,567,442	77,903,831	49,701	6.9%
2014	1,560,297	66,495,223	42,617	8.0%
2013	1,553,165	65,473,002	42,155	10.0%
2012	1,547,607	64,151,742	41,452	10.5%
2011	1,538,567	62,632,520	40,708	10.8%
2010	1,526,006	56,970,074	37,333	10.8%
2009	1,547,297	54,061,223	34,939	9.6%

(1) US Census Bureau

(2) US Department of Commerce, Bureau of Economic Analysis

(3) US Department of Labor, Bureau of Labor Statistics

The City now has “A” category ratings for its General Obligation debt from all three major rating agencies: A2 (Moody’s), A (Standard & Poor’s), and A- (Fitch). December 2013 was the first time that the City has been rated in the “A” category by all three rating agencies. On March 23, 2018, S&P lowered its rating on Philadelphia’s General Obligation Bonds to A from A+, but on November 21, 2019 S&P changed its outlook from stable to positive. In making this change, S&P wrote “the positive outlook reflects an improved financial position, supported in part by strong revenue growth, and coupled with continued focus on pension funding, school district support, general fund reserve balance growth, and supporting its rainy day fund.” In addition, on November 27, 2019 Moody’s maintained its outlook on the City’s general obligation and tax supported debt as stable, stating that “the outlook is stable given the city’s materially improved financial position at fiscal year 2018 end and projections that show relative financial stability over the next five years. The stable outlook also reflects continued positive trends in the city’s economy, contributing to its improved financial health.”

The following table shows the City’s 10-year rating history as of June 30th.

City of Philadelphia’s General Obligation Bond Ratings			
Fiscal Year End	Moody’s	Standard & Poor’s	Fitch
2019	A2	A	A-
2018	A2	A	A-
2017	A2	A+	A-
2016	A2	A+	A-
2015	A2	A+	A-
2014	A2	A+	A-
2013	A2	A-	A-
2012	A2	BBB+	A-
2011	A2	BBB	A-
2010	A1	BBB	A-

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

As of July 2019, Philadelphia had 29 major projects recently completed or under construction concurrently, representing over \$7.4 billion in combined public and private investment. In summer 2014, Comcast Corporation broke ground on a 59-story, \$1.2 billion office tower adjacent to its headquarters building in Center City. The Comcast Tower topped out on November 27, 2017; and the first personnel began moving into the building in late July 2018. Residential and mixed-use developments represent \$2.9 billion in investment across 18 projects and throughout various neighborhoods of the City. Commercial developments represent over \$1.9 billion invested across 5 projects, the majority of which are concentrated in Center City and the Navy Yard. Public use, higher education and health care institutions represent over \$2.2 billion in investment across 5 projects, the majority of which are concentrated in the University City area.

Long-Term Financial Planning

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

One of the most important measures of the City’s financial health is its fund balance. Having a healthy fund balance gives the City financial flexibility, makes it better able to meet its cash flow needs, mitigate current and future financial risks and ensure predictability of future services. The City’s fund balance has historically been

well below the over 17% recommended by the Government Finance Officers Association and below the City's target of 6% to 8% of General Fund revenues.

In fiscal year 2019, the General Fund ended with a fund balance of \$438.7 million, a \$69.9 million increase from fiscal 2018. At 9.1% of revenues, the fund balance slightly exceeded the City's target and was the highest fund balance in the City's history, reflecting a growing economy and careful financial management. The General Fund is projected to end fiscal 2020 with a fund balance of \$352.0 million, which is 6.9% of the City's projected obligations. This is within the City's target of 6% to 8%, but below the GFOA's recommend level of 17%.

The table below illustrates the City's General Fund year-end balance for the past 5 years, and the projected Fiscal Year 2020 year-end balance as noted in the City's Quarterly City Managers Report (period ending December 31, 2019).

General Fund
Year End Fund Balance (Legal Basis)

Fiscal Year End	Fund Balance	Projected/ Actual
2020	351,967	Projected
2019	438,680	Actual
2018	368,783	Actual
2017	189,243	Actual
2016	148,315	Actual
2015	151,531	Actual

Relevant Financial Policies

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

Fund Balance Target: Recognizing the importance of maintaining adequate fund balances, the City developed a target fund balance of approximately 6% to 8%. The Government Finance Officers Association recommends 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.

Continued Wage and Business Tax Reductions: The City's largest portion of tax revenue comes from the City's Wage and Earnings Tax. This tax is collected from all employees 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 Administration is committed to ensuring job and business growth in the City and to continuing gradual reductions in the City's wage and business tax rates to make Philadelphia more competitive. The FY2020-2024 Five Year Plan includes a continuation of wage and net income cuts resumed in fiscal year 2014 after being suspended during the Great Recession.

Reassessments: The Real Property Tax is levied on the taxable assessed value of all property in the City and is the second largest source of tax revenue in the City. Philadelphia is unlike other cities and counties that rely more heavily on the property tax portion of their budget. Philadelphia's property tax is split between the City and the School District of Philadelphia. In fiscal year 2014, the City completed the Actual Value Initiative (AVI), which involved a comprehensive reassessment of all properties in the City – 579,000 parcels – to correct

outdated and partial assessments. The intent of AVI is to ensure that properties are examined annually to ensure that values reflect the market.

For tax year 2020, the OPA reassessed and revalued all properties using the ratio trend valuation method (or “trending”) while it also implements recommendations from an expert consultant on ways to further improve the quality of assessments.

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 from 44.8% to 80% in about 13 years.

The first part of the Mayor’s pension reform program is a commitment to increasing the City’s annual contribution to the Pension Fund. The General Fund contribution makes up the vast majority of the City’s annual contribution to the pension fund, totaling more than \$752.6 million in FY19 (the all funds total is \$907.5 million). In 2014, with strong local legislative support, the State Legislature required that the City dedicate a portion of local sales tax revenue to the Fund. Although the additional sales tax revenues could be counted toward satisfying minimum municipal obligation (MMO), the amount required under state law, the City will meet its MMO independent of these revenues, so that sales tax dollars directed to the Fund will be over and above the MMO. Over the FY20-FY24 Five Year Plan, the sales tax revenues are projected to be worth about \$323 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. Current police and fire fighters 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, these 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 Board of Pensions has made significant changes to its investment strategy to reduce costs while improving earnings. The Board is making greater use of indexing, which lowered management fees by almost \$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 7.55% from 8.75% since 2008. Partially as a result of this change in assumed rate of return, the minimum municipal obligation (MMO), the actuarial amount required to be paid to the pension fund under state law, has increased in recent years. Moreover, the City currently follows the Revenue Recognition Policy (RRP) to finance the unfunded actuarial liability. Under the RRP, the City provides contributions to the pension fund in excess of the amount required by 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 co-pays, and implementing wellness and disease management programs.

Major Initiatives

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

In September 2016, a lawsuit challenging the Philadelphia Beverage Tax was filed by the American Beverage Association and other co-plaintiffs in the Philadelphia Court of Common Pleas – Trial Division – Civil. The Court of Common Pleas dismissed the complaint in its entirety and that dismissal was upheld by the Commonwealth Court of Pennsylvania, which is one of the Commonwealth's intermediate appellate courts, and the Pennsylvania Supreme Court. The FY2020 Adopted Budget and FY2020-2024 Five Year Plan project that the PBT will generate \$75.9 million in FY2020.

For the FY2020-2024 Five Year Plan, the City's contribution to the School District of Philadelphia includes a funding package of \$1.285 billion over five years, providing the District with increased financial stability and helping to ensure that the District continues to build on progress achieved during recent years. The return of the School District of Philadelphia to local control allows the city and district to deepen shared partnerships and to maximize local resources. These include the work of the Community Schools initiatives, improving behavioral health supports for our students, expanding outdoor play spaces, among others.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded its prestigious Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. This was the thirty-ninth consecutive year that the City of Philadelphia has received this prestigious award. The City received this recognition by publishing a report that was well organized and readable and satisfied both generally accepted accounting principles and applicable legal requirements.

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

Sincerely,



ROB DUBOW
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

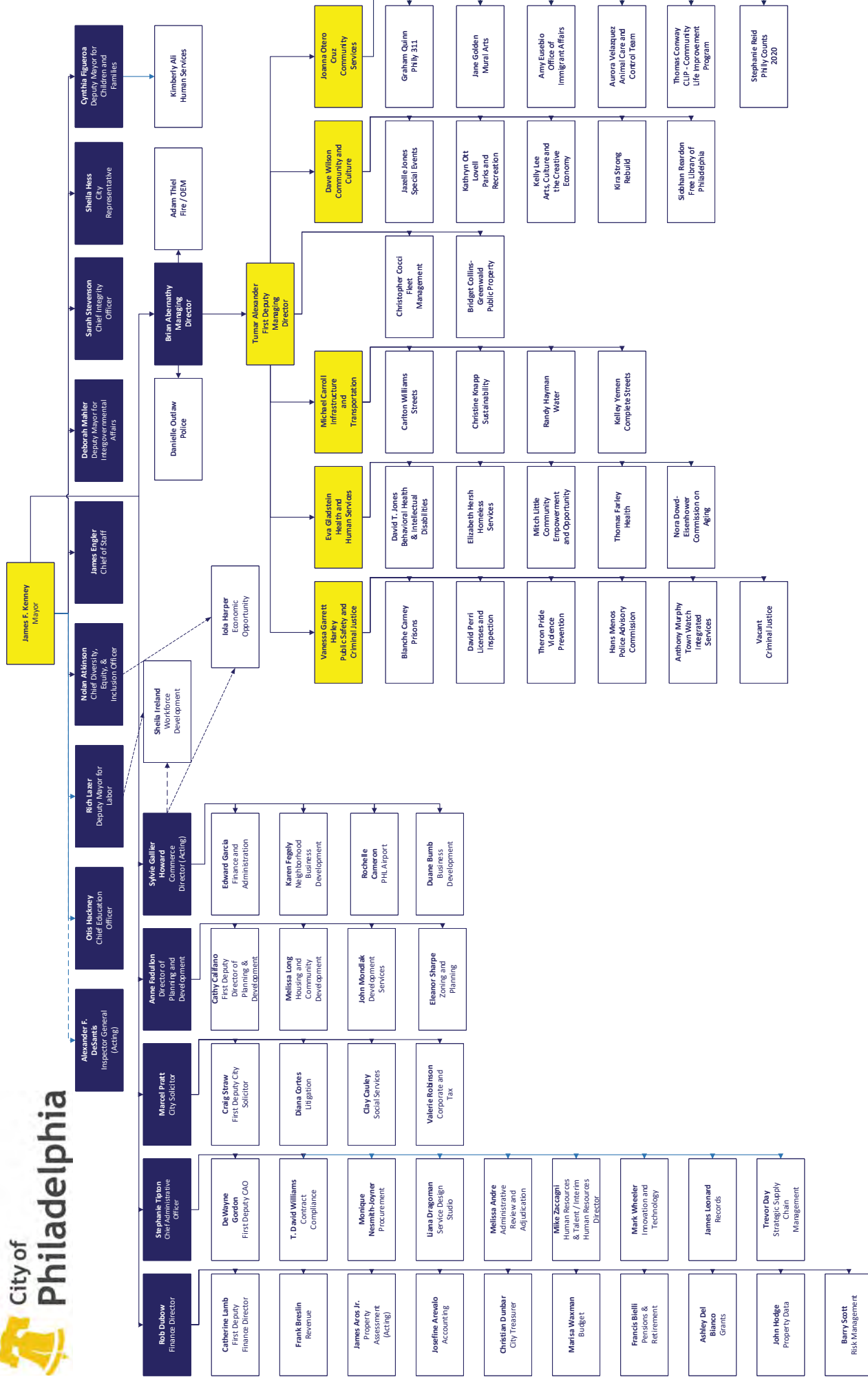
**City of Philadelphia
Pennsylvania**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO





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 Bobby Henon

7th District Maria D. Quinones-Sanchez

8th District Cindy Bass

9th District Cherelle L. Parker

10th District Brian J. O'Neill

At-Large Kendra Brooks

At-Large Derek S. Green

At-Large Katherine Gilmore Richardson

At-Large David Oh

At-Large Helen Gym

At-Large Isaiah Thomas

At-Large Allan Domb

District Attorney Lawrence S. Krasner

City Controller Rebecca Rhynhart

City Commissioners

Chairwoman Lisa M. Deeley

Commissioner Al Schmidt

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	Brian Abernathy
Finance Director	Rob Dubow
Chief Administrative Officer	Stephanie Tipton
City Solicitor	Marcel S. Pratt
Director of Planning & Development	Anne Fadullon
Commerce Director	Harold Epps
Chief of Staff	James Engler
Deputy Mayor for Intergovernmental Affairs.....	Deborah Mahler
Deputy Mayor for Labor Relations	Richard Lazer
Deputy Mayor for Children and Families	Cynthia Figueroa
Chief Integrity Officer	Sarah Stevenson
Chief Education Officer	Otis Hackney
Chief Diversity & Inclusion Officer	Nolan Atkinson
City Representative	Sheila Hess
Acting Inspector General	Alexander F. DeSantis





CITY OF PHILADELPHIA

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REBECCA RHYNHART
City Controller

CHRISTY BRADY
Deputy City Controller

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Philadelphia, Pennsylvania's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

	Percent Audited by Other Auditors		
	Total <u>Assets</u>	Total Net Position/Fund <u>Balances</u>	Total <u>Revenues</u>
Governmental Activities	4%	2%	8%
Business-Type Activities	0%	0%	0%
Aggregate Discretely Presented Component Units	63%	29%	43%
Major Funds	0%	0%	0%
Aggregate Remaining Fund Information	91%	95%	71%

C I T Y O F P H I L A D E L P H I A
OFFICE OF THE CONTROLLER

We and other auditors conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Philadelphia Parking Authority discussed in Note I.1 were not audited in accordance with *Government Auditing Standards*. Also, the reported amounts for the Philadelphia Housing Authority (PHA), discussed in Note I.1., include PHA's discretely presented component units whose financial statements (except for St. Ignatius Senior Housing I, L.P., St. Ignatius Senior Housing II, L.P., St. Francis Villa Senior Housing, L.P., 1952 Allegheny Associates Limited Partnership, Spring Garden Development Associates, L.P., Uni-Penn Housing Partnership II, and Mantua Phase II, L.P.) were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 33, and the required supplementary information other than management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit for the year ended June 30, 2019 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, 2019, 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

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

June 30, 2019, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the Other Supplementary Information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2019.

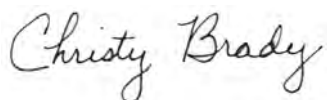
We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Philadelphia, Pennsylvania as of and for the year ended June 30, 2018 (not presented herein), and have issued our report thereon dated February 24, 2019, 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 2018 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations for the year ended June 30, 2018 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2018 financial statements. The 2018 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations have been subjected to the auditing procedures applied in the audit of the 2018 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2018 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, 2018.

Other Information

The other information, which includes the Introductory Section and Statistical Section as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2020, on our consideration of the City of Philadelphia, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Philadelphia, Pennsylvania's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Philadelphia, Pennsylvania's internal control over financial reporting and compliance.



CHRISTY BRADY, CPA
Deputy City Controller
Philadelphia, Pennsylvania
February 25, 2020



City of Philadelphia

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

Management's Discussion & Analysis

The City's management prepared this narrative overview and analysis of the financial statements of the City of Philadelphia, Pennsylvania for the fiscal year ended June 30, 2019. The information presented here should be read in conjunction with additional information contained in our letter of transmittal, which can be found beginning on page 1, and the City's financial statements immediately following this discussion and analysis.

Financial Highlights

At the end of the current fiscal year, the liabilities and deferred inflows of the City of Philadelphia exceeded its assets and deferred outflows by \$5,029.0 million. Its unrestricted net position showed a deficit of \$8,908.5 million. The major underlying causes of this deficit are the net pension liability (\$5,955.4 M), the net OPEB liability (\$1,825.1 M), and the outstanding pension obligation bonds (\$1,072.1 M). This deficiency will have to be funded from resources generated in future years.

The City's total June 30, 2019 year-end net position increased by \$500.9 million from the prior year June 30, 2018 net position. The governmental activities of the City experienced an increase of \$361.0 million, while the business type activities had a increase of \$139.9 million.

For the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$992.1 million, an increase of \$179.5 million from last year. The *unassigned fund balance* of the governmental funds ended the fiscal year with a deficit of \$201.6 million, an increase in the deficit of \$99.4 million from last year.

At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned* and *unassigned* components of the fund balance) for the general fund was \$448.1 million, of which, \$125.8 was *unassigned* which represents the residual amounts that have not been assigned to other funds. The *unassigned fund balance* for the general fund decreased (\$69.2) in comparison with the prior year.

On the legally enacted budgetary basis, the City's general fund ended the fiscal year with a surplus fund balance of \$438.7 million, as compared to a \$368.8 million surplus last year. The increase of \$69.9 million was due to an increase in revenues that resulted in an operating surplus of \$47.9 million and cancelations of prior year obligations.

Overview of the Financial Statements

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

- 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; streets, highways and sanitation; and the financing activities of the City's two blended component units - the Pennsylvania Intergovernmental Cooperation Authority and Philadelphia Municipal Authority.
2. **Business-type activities** are supported by user fees and charges which are intended to recover all or a significant portion of their costs. The City's water and wastewater systems, airport and industrial land bank are all included as business-type activities.

These two activities comprise the primary government of Philadelphia.

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

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

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

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

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

funds is presented in the form of combining statements in the supplementary information section of this financial report.

2. **Proprietary funds.** The proprietary funds are used to account for the financial activity of the City's operations for which customers are charged a user fee; they provide both a long and short-term view of financial information. The City maintains three enterprise funds which are a type of proprietary funds - the airport, water and 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.
3. **Fiduciary funds.** The City of Philadelphia is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for the Gas Works' employees' retirement reserve assets. Both of these fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. They are not reflected in the government-wide financial statements because the assets are not available to support the City's operations.

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

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

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

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

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

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

Government-wide Financial Analysis

Net position. As noted earlier, net positions are useful indicators of a government's financial position. At the close of the current fiscal year, the City of Philadelphia's liabilities & deferred inflows exceeded its assets & deferred outflows by \$5,029.0 million.

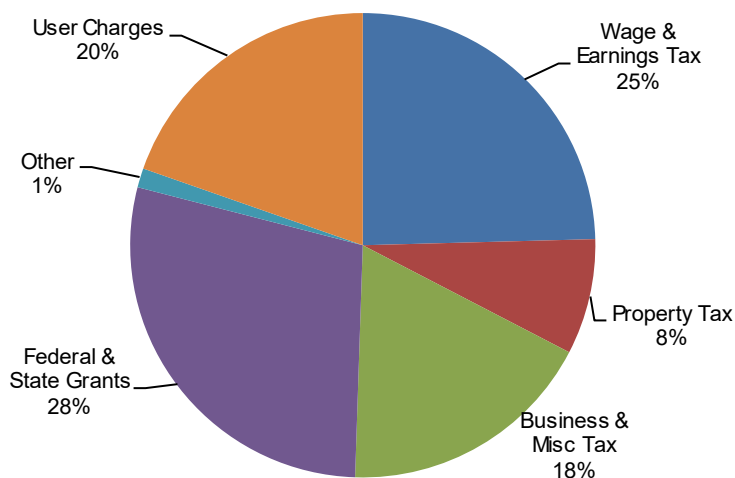
Capital assets (land, buildings, roads, bridges and equipment), less any outstanding debt issued to acquire these assets, comprise a large portion of the City of Philadelphia's net position, \$2,176.2 million. Although these capital assets assist the City in providing services to its citizens, they are generally not available to fund the operations of future periods.

A portion of the City's net position, \$1,703.3 million, is subject to external restrictions as to how they may be used. The remaining component of net position is unrestricted. Unrestricted net position ended the fiscal year with a deficit of \$8,908.5 million. The governmental activities reported negative *unrestricted net position* of \$8,516.9 million. The business type activities reported an unrestricted net position deficit of \$391.6 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:

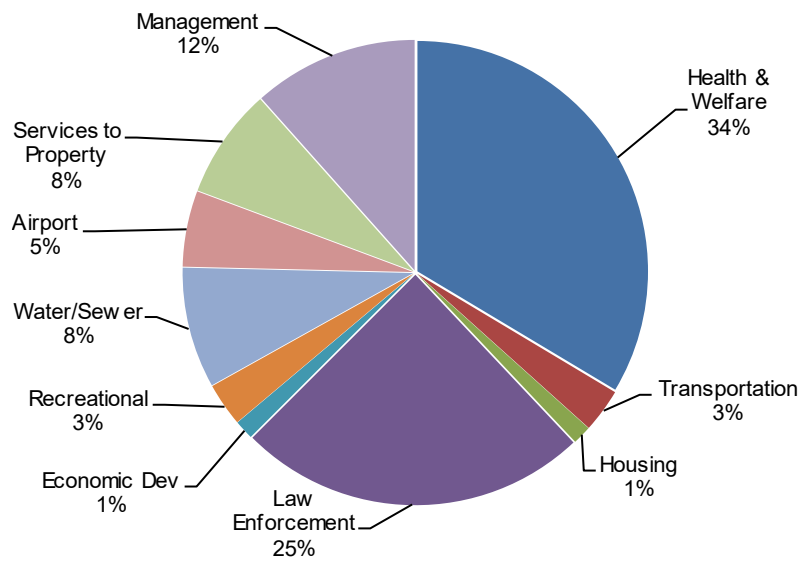
City of Philadelphia's Net Position (millions of USD)									
	Governmental Activities			Business-type Activities			Total Primary Government		
	2019	2018	% Change	2019	2018	% Change	2019	2018	% Change
Current and other assets	3,027.1	2,816.8	7.47%	2,141.0	2,033.8	5.27%	5,168.1	4,850.6	6.55%
Capital assets	2,650.4	2,607.5	1.65%	4,787.8	4,598.9	4.11%	7,438.2	7,206.4	3.22%
Total assets	5,677.5	5,424.3	4.67%	6,928.8	6,632.7	4.46%	12,606.3	12,056.9	4.56%
Deferred Outflows	487.0	533.0	-8.63%	90.7	107.7	-15.78%	577.7	640.7	-9.83%
Long-term liabilities	4,523.9	4,676.9	-3.27%	3,880.7	3,768.3	2.98%	8,404.6	8,445.2	-0.48%
Other liabilities	8,351.6	8,449.8	-1.16%	1,234.0	1,218.3	1.29%	9,585.6	9,668.1	-0.85%
Total liabilities	12,875.5	13,126.7	-1.91%	5,114.7	4,986.6	2.57%	17,990.2	18,113.3	-0.68%
Deferred Inflows	199.5	102.1	95.40%	23.5	12.1	94.21%	223.0	114.2	95.27%
Net Position:									
Net Investment in capital assets	738.6	645.2	14.48%	1,437.6	1,402.0	2.54%	2,176.2	2,047.2	6.30%
Restricted	867.8	793.2	9.40%	835.5	762.6	9.56%	1,703.3	1,555.8	9.48%
Unrestricted	(8,516.9)	(8,709.9)	2.22%	(391.6)	(423.0)	7.42%	(8,908.5)	(9,132.9)	-2.46%
Total Net Position	(6,910.5)	(7,271.5)	4.96%	1,881.5	1,741.6	8.03%	(5,029.0)	(5,529.9)	-9.06%

Changes in net position. The City's total revenues this year, \$8,602.8 million, exceeded the total costs of \$8,091.6 million by \$511.2 million. Approximately 51% of all revenue came from wage and earnings taxes, property taxes, business and miscellaneous taxes. State, Federal and local grants account for another 28%, with the remaining 21% of the revenue coming from user charges, fines, fees and various other sources. The City's expenses cover a wide range of services, of which approximately 66% are related to the health, welfare and safety of the general public (See Exhibit II for further breakdown).



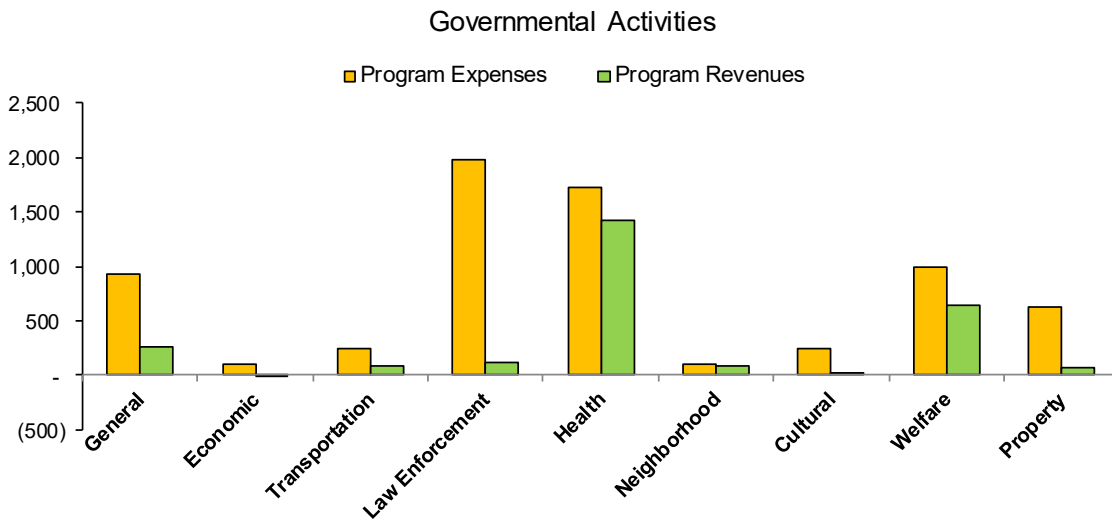
Total revenues increased by \$306.9 million, and total expenses increased by \$186.0 million over last year. This resulted in the Change in Net Position, before prior period adjustments, being \$120.9 million more than in the previous year. Net positions increased or decreased in the following activities, as noted below:

Increases (Decreases) in Revenues		Increases (Decreases) in Expenses	
Charges for Services	\$62.4	Economic Development	(\$4.0)
Operating Grants & Contributions	(47.5)	Transportation	13.9
Capital Grants & Contributions	(13.1)	Judicial & Law Enforcement	(28.9)
Wage & Earnings Taxes	86.9	Conservation of Health	(11.1)
Property Taxes	42.9	Housing & Neighborhoods	12.3
Other Taxes	136.2	Cultural & Recreational	17.3
Unrestricted Grants	(2.7)	General Welfare	76.3
Unrestricted Interest	41.7	Services to Taxpayer Property	52.3
Total Revenues	<u>\$306.9</u>	General Management	59.4
		Interest on Long Term Debt	(7.4)
		Water and Waste Water	54.7
		Airport	(12.2)
		Industrial Land Bank	1.8
		Special Item - Impairment Loss	(38.4)
		Total Expenses	<u>\$186.0</u>



Governmental Activities

The governmental activities of the City resulted in a \$361.1 million increase in net position before prior period adjustments. The following chart reflects program expenses and program revenue. The difference (net cost) must be funded by Taxes, Grants & Contributions and Other revenues.



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

(millions of USD)	Program			Program			Net		
	Costs			Revenues			Cost		
	2019	2018	% Change	2019	2018	% Change	2019	2018	% Change
General Welfare	\$ 997.3	\$ 921.0	8.3%	\$ 638.0	\$ 663.2	-3.8%	\$ 359.3	\$ 257.8	39.4%
Judiciary & Law Enforcement	1,984.4	2,013.2	-1.4%	113.8	117.8	-3.4%	1,870.6	1,895.4	-1.3%
Public Health	1,720.4	1,731.5	-0.6%	1,428.5	1,505.7	-5.1%	291.9	225.8	29.3%
General Governmental	936.7	884.8	5.9%	262.6	228.1	15.1%	674.1	656.7	2.6%
Services to Property	622.9	570.6	9.2%	62.4	22.5	177.3%	560.5	548.1	2.3%
Housing, Economic & Cultural	711.0	671.6	5.9%	186.5	182.4	2.2%	524.5	489.2	7.2%
	<u>\$ 6,972.7</u>	<u>\$ 6,792.7</u>	2.6%	<u>\$ 2,691.8</u>	<u>\$ 2,719.7</u>	-1.0%	<u>\$ 4,280.9</u>	<u>\$ 4,073.0</u>	5.1%

The cost of all governmental activities this year was \$6,972.7 million; the amount that taxpayers paid for these programs through tax payments was \$4,346.7 million. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of \$2,235.7 million while those who benefited from the programs paid \$456.0 million through fees and charges. Unrestricted grants and contributions and other general types of revenues accounted for the balance of revenues in the amount of \$295.4 million. The difference of \$361.1 million represents an increase in net position.

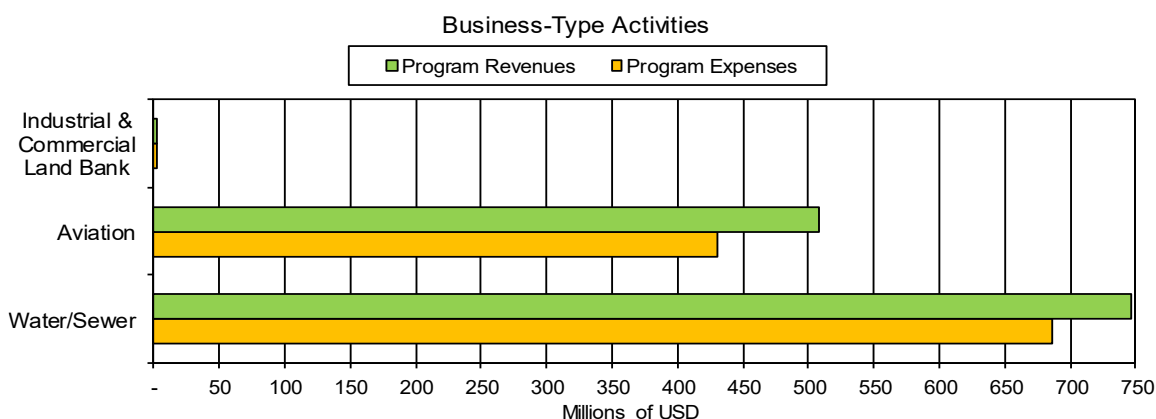
The following table shows a more detailed breakdown of program costs and related revenues for both the governmental and business-type activities of the City:

City of Philadelphia-Net Position								
<i>(millions of USD)</i>	Governmental Activities		Business-type Activities		Total		%	
	2019	2018	2019	2018	2019	2018	Change	
Revenues:								
Program revenues:								
Charges for services	\$ 456.0	\$ 429.7	\$ 1,233.7	\$ 1,197.6	\$ 1,689.7	\$ 1,627.3		3.8%
Operating grants and contributions	2,215.2	2,262.8	0.7	0.6	2,215.9	2,263.4		-2.1%
Capital grants and contributions	20.5	27.3	22.7	29.0	43.2	56.3		-23.3%
General revenues:								
Wage and earnings taxes	2,114.7	2,027.8	-	-	2,114.7	2,027.8		4.3%
Property taxes	691.9	649.0	-	-	691.9	649.0		6.6%
Other taxes	1,540.1	1,403.9	-	-	1,540.1	1,403.9		9.7%
Unrestricted grants and contributions	190.8	191.6	1.5	3.3	192.3	194.9		-1.4%
Unrestricted Interest and Misc.	64.7	49.6	50.3	23.7	115.0	73.3		56.9%
Total revenues	7,293.9	7,041.7	1,308.9	1,254.2	8,602.8	8,295.9		3.7%
Expenses:								
Economic development	109.7	113.7	-	-	109.7	113.7		-3.5%
Transportation	248.4	234.5	-	-	248.4	234.5		5.9%
Judiciary & law enforcement	1,984.4	2,013.3	-	-	1,984.4	2,013.3		-1.4%
Conservation of health	1,720.4	1,731.5	-	-	1,720.4	1,731.5		-0.6%
Housing & neighborhood development	106.6	94.3	-	-	106.6	94.3		13.0%
Cultural & recreational	246.3	229.0	-	-	246.3	229.0		7.6%
Improvement of the general welfare	997.3	921.0	-	-	997.3	921.0		8.3%
Services to taxpayer property	622.9	570.6	-	-	622.9	570.6		9.2%
General management	788.5	729.1	-	-	788.5	729.1		8.1%
Interest on long term debt	148.3	155.7	-	-	148.3	155.7		-4.8%
Water & waste water	-	-	685.8	631.1	685.8	631.1		8.7%
Airport	-	-	430.7	442.9	430.7	442.9		-2.8%
Industrial land bank	-	-	2.3	0.5	2.3	0.5		0.0%
Total expenses	6,972.8	6,792.7	1,118.8	1,074.5	8,091.6	7,867.2		2.9%
Increase (dec.) in net position before transfers & special items	321.1	249.0	190.1	179.7	511.2	428.7		
Transfers & Special Items	39.9	(5.1)	(39.9)	(33.3)	-	(38.4)		
Increase (dec) in Net Position	361.0	243.9	150.2	146.4	511.2	390.3		
Net Position - Beginning	(7,271.5)	(6,206.9)	1,741.6	1,771.1	(5,529.9)	(4,435.8)		24.7%
Adjustment (1)	-	(1,308.5)	(10.3)	(175.9)	(10.3)	(1,484.4)		
Net Position - End	\$ (6,910.4)	\$ (7,271.5)	\$ 1,881.5	\$ 1,741.6	\$ (5,029.0)	\$ (5,529.9)		-9.2%

(1) See CAFR Footnote #13 for detailed information on the City's Prior Period Adjustments

Business-type Activities

Business-type activities resulted in a \$150.2 million increase in net position before prior period adjustments. This increase was comprised of an increase in net position for water/wastewater of \$44.9 million and an increase to aviation of \$105.3 million, and an increase for industrial & commercial development operations of \$46.0 thousands.



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.

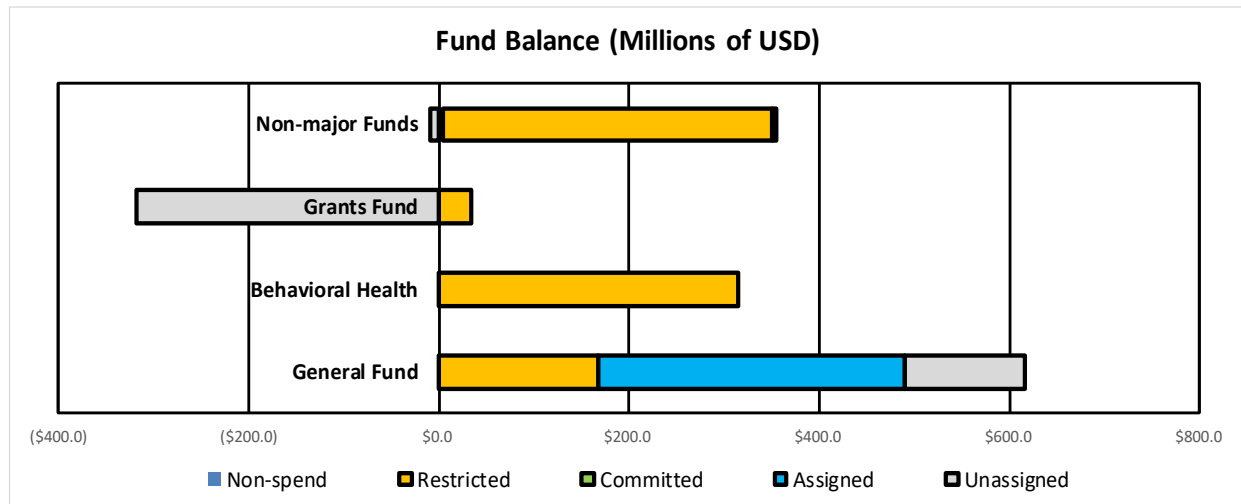
At the end of the fiscal year the City's governmental funds reported a *combined fund balance* of \$992.1 million, an increase of \$179.5 million over last year. Of the total fund balance, \$3.5 million represents *non-spendable fund balance*.

In addition, \$862.9 million represents *restricted fund balance* due to externally imposed constraints by outside parties, or law, for the following purposes:

Neighborhood Revitalization	\$	0.2
Economic Development		15.2
Public Safety Emergency Phone System		34.1
Streets & Highways		59.2
Housing and Neighborhood Development		65.7
Health Services		20.6
Behavioral Health		314.3
Parks & Recreation		1.4
Libraries & Museums		2.5
Intergovernmental Financing		24.3
Stadium Financing		5.0
Cultural & Commercial Corridor Project		1.1
Pension Obligation Bonds		10.8
Debt Service Reserve		54.7
Capital Projects		88.1
Affordable Housing Project		27.3
Art Museum Project		6.3
Rebuild		82.9
Home Repair Program		39.2
Trust Purposes		10.0
Total Restricted Fund Balance	\$	862.9

The fund balance is further broken down as *committed fund balance* for Prisons of \$3.4 million and Parks and Recreation of \$1.4 million. The difference between the non-spendable, restricted, committed, assigned and combined fund balance is a deficit of \$201.6 million which constitutes *unassigned fund balance*, this deficit must be funded by future budgets.

The general fund, the primary operating fund of the City, reported *assigned fund balance* of \$322.3 million and *unassigned fund balance* of \$125.8 million at the end of the fiscal year.



Overall, the total fund balance of the General Fund increased by \$214.9 million during the current fiscal year, compared to an increase of \$210.9 million in the prior fiscal year. Some of the key factors contributing to this change are:

Revenues:

- Total current year revenues (\$4,275.3) increased between fiscal years, with a \$221.0 million (5.5%) increase from the prior fiscal year (\$4,054.3) million.
- This increase was primarily due to \$202.9 million increase in tax revenue.
- All other revenues remained relatively flat compared to the prior fiscal year.

Expenditures and Other Financing Sources (Uses):

- Total current year Expenditures and Other Financing Sources (Uses) (\$4,060.5 million) increased between fiscal years, with a \$217.1 million (5.6%) increase from prior fiscal year (\$3,843.4 million).
- This increase was primarily due to a \$24.8 million (16.2%) increase in expenditures related to Transportation (Streets & Highways and Mass Transit) and a \$83.0 million (23.9%) increase in expenditures related to General Welfare (Social Services, Education, Licenses & Inspections and Demolitions), as well as a \$72.2 million (18.4%) increase in expenditures related to Fire.

The Health Choices Behavioral Health fund ended the fiscal year with a total fund balance of \$314.3 million, the entire amount is reserved for a contractually required equity reserve and reinvestment initiatives. The total fund balance increased during the fiscal year by \$34.9 million.

The Grants Revenue fund has a total fund balance deficit of \$283.4 million which is comprised of a positive restricted fund balance of \$34.1 million for emergency telephone system programs and a positive restricted fund balance of \$0.2 million for Neighborhood Revitalization Programs and a deficit unassigned fund balance of \$317.7 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 (\$26.2) million during the current fiscal year.

Proprietary funds. The City's proprietary funds provide the same type of financial information found in the government-wide financial statements, but in slightly more detail. The *total net position* of the proprietary funds increased by \$139.8 million during the current fiscal year. This increase is attributable to the water/wastewater system which had an increase of \$35.4 million, airport operations which experienced an increase of \$105.3 million, and industrial & commercial land bank operations which experienced a decrease of (\$0.8) million.

The proprietary funds reported an *unrestricted net position* deficit of \$391.6 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.

	Unrestricted Net Position (deficit)		
	2019	2018	Change
Water and Waste Water	(\$373.0)	(\$379.8)	\$6.8
Aviation	(\$84.5)	(\$109.9)	\$25.4
Land Bank	\$65.9	\$66.7	(\$0.8)
	<u>(\$391.6)</u>	<u>(\$423.0)</u>	<u>\$31.4</u>

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)
2019	\$ 438.7	\$ 69.9
2018	368.8	179.6
2017	189.2	40.9
2016	148.3	(3.2)
2015	151.5	(50.6)

The general fund's budgetary fund balance surplus of \$438.7 million differs from the general fund's fund financial statement unassigned fund balance of \$125.8 million by \$312.9 million, which represents the unearned portion of the business income & receipts tax of \$192.0 million and the Philadelphia Beverage Tax – Unobligated amount of \$120.9 million. Business income & receipts tax (BIRT prepaids) is received prior to being earned but has no effect on budgeted cash receipts.

The charts below illustrate:

- The reconciliation of Total Fund Balance - Budget Basis versus GAAP (Modified Accrual)
- The components of Fund Balance for GAAP (Modified Accrual) basis
- The reconciliation of Unassigned Fund Balance - Budget Basis versus GAAP (Modified Accrual)

	(Millions of USD)				
A. Budget to GAAP Basis Reconciliation	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Budget Basis Fund Balance	\$ 438.7	\$ 368.8	\$ 189.2	\$ 148.3	\$ 151.5
1. Less: BIRT six (6) months pre-pays	(192.0)	(173.8)	(165.6)	(169.5)	(178.5)
2. Add: Encumbrances &	201.4	127.0	128.4	99.2	108.9
3. Add: Reserves	167.7	78.9	38.1	54.5	73.6
Modified Accrual Basis Fund Balance	\$ 615.8	\$ 400.9	\$ 190.1	\$ 132.5	\$ 155.5
B. Modified Accrual Basis Fund Balance	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Restricted	\$ 167.7	\$ 78.9	\$ 38.1	\$ 54.5	\$ 73.6
Assigned					
Encumbrances	201.4	127.0	128.4	99.2	108.9
* Phila. Beverage Tax - Unobligated	120.9	-	-	-	-
Reclassification of Unassigned	-	-	-	(21.2)	(27.0)
Assigned	322.3	127.0	128.4	78.0	81.9
Unassigned	125.8	195.0	23.6	-	-
Modified Accrual Basis Fund Balance	\$ 615.8	\$ 400.9	\$ 190.1	\$ 132.5	\$ 155.5
C. Budget to GAAP Basis Reconciliation	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Budget Basis Fund Balance	\$ 438.7	\$ 368.8	\$ 189.2	\$ 148.3	\$ 151.5
1. Less: BIRT six (6) months pre-pays	(192.0)	(173.8)	(165.6)	(169.5)	(178.5)
2. Less: Reclass to Assigned Fund Balance	-	-	-	21.2	27.0
3. Less: Phila Beverage Tax - Unobligated	(120.9)	-	-	-	-
Unassigned Fund Balance	\$ 125.8	\$ 195.0	\$ 23.6	\$ -	\$ -

* In FY 2019, the Philadelphia Beverage Tax (PBT) unobligated amount was reclassified from unassigned fund balance to assigned fund balance. The change in classification was made to be in accordance with GASB guidelines which define assigned fund balance as amounts that are constrained by a government's intent to be used for a specific purpose. The change in treatment means that amounts from prior years are not directly comparable to the FY19 amount.

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 \$218.6 million; from an original budget of \$4,725.5 million to a final amended budget of \$4,944.1 million. The largest increases were required to support the following activities:

- \$22.9 million for Police operations
- \$19.6 million for Street maintenance and repair
- \$32.1 million for Fire operations
- \$20.2 million for Commerce operations

Capital Asset and Debt Administration

Capital assets. The City of Philadelphia's investment in capital assets for its governmental and business-type activities amounts to \$7.4 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.

(millions of USD)

	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Airport Terminal & Airfield Improvements	\$ 107.9	\$ 209.2	\$ 183.9	\$ 161.1	\$ 196.2
Water & Wastewater Improvements	314.9	231.2	239.3	176.0	175.0
Streets, Highways & Bridges Improvements	51.7	27.6	43.8	77.9	63.6
Transit System Improvements	7.3	7.3	0.8	10.6	1.3
Parks, Playgrounds, Museums & Recreational Facilities	42.6	63.6	38.1	37.9	33.6
Libraries Improvements	1.1	8.8	2.3	1.6	3.3
Police & Fire Facilities	16.7	10.9	6.7	7.7	18.9
City Hall & Municipal Buildings Improvements	7.2	12.8	2.0	2.7	5.9
Computers, Servers, Software & IT Infrastructure	18.3	16.6	15.5	11.4	19.4
Economic Development	17.4	18.3	4.5	11.2	12.7
Other and Non-Enterprise Vehicles	38.2	28.9	14.7	32.3	10.7
	<u>\$ 623.3</u>	<u>\$ 635.2</u>	<u>\$ 551.6</u>	<u>\$ 530.4</u>	<u>\$ 540.6</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		
	2019	2018	Inc/(Dec)	2019	2018	Inc/(Dec)	2019	2018	Inc/(Dec)
Land	\$ 900	\$ 872	\$ 28	\$ 236	\$ 227	\$ 10	\$ 1,136	\$ 1,099	\$ 38
Fine Arts	1	1	-	-	-	-	1	1	-
Property Available for Sale	10	11	(1)	-	-	-	10	11	(1)
Buildings	882	915	(33)	1,601	1,527	75	2,483	2,442	42
Improvements other than buildings	103	96	7	172	164	8	275	260	15
Machinery & equipment	179	146	33	47	40	7	226	186	40
Infrastructure	478	478	-	1,667	1,603	64	2,145	2,081	64
Construction in progress	13	10	3	1,056	1,031	25	1,069	1,041	28
Transit	46	50	(4)	-	-	-	46	50	(4)
Intangible Assets	38	29	9	8	7	1	46	36	10
Total	\$ 2,650	\$ 2,608	\$ 42	\$ 4,788	\$ 4,599	\$ 189	\$ 7,438	\$ 7,207	\$ 231

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

Long-term debt

At year end, the City had \$8.4 billion in long-term debt outstanding. Of this amount, \$5.8 billion represents bonds outstanding (comprised of \$1.9 billion of debt backed by the full faith and credit of the City, and \$3.8 billion of debt secured solely by specific revenue sources) while \$2.7 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	
	2019	2018	2019	2018	2019	2018
<u>Bonds Outstanding:</u>						
General obligation bonds	1,927.2	2,078.4	-	-	1,927.2	2,078.4
Revenue bonds	-	-	3,826.9	3,715.0	3,826.9	3,715.0
Total Bonds Outstanding	1,927.2	2,078.4	3,826.9	3,715.0	5,754.1	5,793.4
<u>Other Long Term Obligations:</u>						
Service agreements	1,797.6	1,790.0	-	-	1,797.6	1,790.0
Employee related obligations	479.7	477.5	51.8	49.7	531.5	527.2
Indemnities	75.2	81.7	6.6	6.9	81.8	88.6
Leases	244.2	249.3	-	-	244.2	249.3
Total Other Long Term Obligations	2,596.7	2,598.5	58.4	56.6	2,655.1	2,655.1
Total Long Term Debt Outstanding	4,523.9	4,676.9	3,885.3	3,771.6	8,409.2	8,448.5

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 and Revenue Anticipation Notes in fiscal year 2019; In accordance with statute there are no temporary loans outstanding at year end
- In November 2018, the City issued \$276.9 million of Water and Wastewater Revenue Bonds, Series 2018A. The 2018A bonds were issued for the purpose of providing funds to finance capital improvements to the City's Water and Wastewater Systems.
- In May 2019, the City issued \$188.7 million of General Obligation Refunding Bonds Series 2019A. The proceeds of the sale were used to refund the Series 2009A Bonds.
- In February 2019, the City issued \$68.3 million of Water and Wastewater Revenue Refunding Bonds Series 2019A Bonds to refund the outstanding Series 2011B, 2012 and 2010C Bonds in the amount of \$64.5 million and to pay the costs of issuing the Series 2019A Bonds.
- In July 2010, the City of Philadelphia - Water Department received approval from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for the Green Infrastructure Project (Series 2010B); bringing the total financing from PENNVEST to \$214.9 million. During fiscal year 2019, PENNVEST draw-downs totaled \$1.5 million.

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

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

The City is subject to a statutory limitation established by the Commonwealth of Pennsylvania as to the amount of tax-supported general obligation debt it may issue. The limitation is equal to 13.50% of the average assessed valuations of properties over the past ten years. As of June 30, 2019, the legal debt limit was \$9,534.0 million. There is \$2,130.8 million of outstanding tax supported debt leaving a legal debt margin of \$7,403.2 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 2020 fiscal year:

- **Fund Balance:** In fiscal year 2019, the General Fund ended with a fund balance of \$438.6 million.
- **Budgeted Revenue Projections for FY2020:** Wage and Earnings Tax revenue is budgeted to grow 5.65%, Sales Tax revenue is budgeted to grow by 3.49%, Real Estate Tax revenue is budgeted to grow by 2.61% Residential and 2.43% Commercial, and Real Estate Transfer Tax revenue is budgeted to grow by 3.00%, while the Business Income and Receipts Tax revenue is budgeted to grow by 2.98%.
- **Wage and Business Tax Cuts.** The current Five Year Plan (FY 2020 to 2024) also includes a continuation of wage and business tax cuts resumed in FY 2014 after being suspended during the Great Recession. The residential rate was 4.3010% in FY2006, is currently 3.8712% in FY2020 and is projected to continue to drop to 3.8327% by FY2024 in the FY2020-FY2024 Five Year Plan. Regarding the Business Income and Receipts Tax, the FY2020 rate for gross receipts is 0.1415% and the net income rate is 6.20%. Under current legislation, by 2023, the net income rate will fall to 6.00%.
- **Return to Local Control.** As of July 1, 2018, the School District of Philadelphia is governed by a Board of Education, with all its members of appointed by the Mayor. In the FY 2020 Adopted Budget, the City's direct contribution to the School District from the General Fund is \$222.5 million, which is \$41.6 million higher than the unaudited actual amount for Fiscal Year 2019 (\$180.9 million).
- **Philadelphia Beverage Tax.** In 2016, the Philadelphia Beverage Tax (PBT) was enacted to fund free, quality pre-Kindergarten (pre-K) education for children; implement community schools in high-needs neighborhoods; and launch Rebuild, a capital improvement program for the City's parks, recreation centers, and libraries. In September 2016, a lawsuit challenging the Philadelphia Beverage Tax was filed by the American Beverage Association and other co-plaintiffs in the Philadelphia Court of Common Pleas – Trial Division – Civil. The lawsuit was dismissed by the Common Pleas Court and that decision was upheld by both the Commonwealth Court of Pennsylvania, which is one of the Commonwealth's intermediate appellate courts, and the Pennsylvania Supreme Court. The FY2020 Adopted Budget and FY2020-2024 Five Year Plan project that the PBT will generate \$76.08 million in FY2020.
- **Contract Negotiations.** Approximately 82% of City employees are represented by one of the City's municipal unions.

The City is committed to working with its union partners to reach agreements that are fair to employees while also maintaining the City's fiscal health. All of the City's unions are currently covered by bargaining agreements through June 30, 2020.

In FY17, District Council 33 (DC33) negotiated a new, four-year contract. In FY18, the Fraternal Order of Police (FOP) and International Association of Firefighters (IAFF) received three-year arbitration awards and District Council 47 (DC47) ratified a three-year contract with the City. Each of these agreements included significant reforms to improve the health of the City's pension fund, which keeps the City on track to achieve its goal of having the City Pension Fund 80% funded by 2029. When these agreements expire at the end of FY20, the City will work with its union partners to reach agreements that are fair to employees while also maintaining the City's fiscal health.

The table below presents employee wage increases from FY17 to FY20 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 Local 22	AFSCME DC33 ¹	Correctional Officers (DC33 Local 159)	AFSCME DC47 (Local 2187)	AFSCME DC47 (Local 2186)	Local 810 Court Employees (DC47)
FY17	3.25%	3.25% (2)	3.25%	3.0% + \$500 lump sum	3.25% (\$500 lump sum)	3.0%	3.0%	3.0%
FY18	3.25%	3.0%	3.25%	3.0%	3.0%	3.0%	3.0%	3.0%
FY19	3.50%	3.25%	3.50%	2.5%	3.25%	2.5%	2.5%	2.5%
FY20	3.75%	3.25%	3.75%	3.0%	3.25%	3.0%	3.0%	3.0%

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.

- **Pension Fund Challenges.** In FY2020, pension costs are budgeted to represent 14.9% of General Fund expenditures. The significant share of costs attributed to pensions, combined with the Pension Fund's current funding status – it is now 46.8% funded – make it clear that the City will not attain fiscal stability until it has solidified the financial condition of the pension fund.

In FY20, General Fund pension costs are projected to total \$746.6 million compared to \$716.7 million in FY19. In FY19, the City made an additional payment to the pension fund in the amount of \$39.6 million, above the amount required by the City's Revenue Recognition Policy, which is already above the state-required amount to help improve the health of the fund.

Pension Reforms. To address the pension 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 from 44.8% to 80% in about 13 years.

The first part of the Mayor's pension reform program is a commitment to increasing the City's annual contribution to the Pension Fund. The General Fund contribution makes up the vast majority of the City's annual contribution to the pension fund, totaling more than \$752 million in FY19 (the all funds total is \$907.5 million). In 2014, with strong local legislative support, the State Legislature required that the City dedicate a portion of local sales tax revenue to the Fund. Although the additional sales tax revenues could be counted toward satisfying the minimum municipal obligation (MMO), the amount required under state law, the City will meet its MMO independent of these revenues, so that sales tax dollars directed to the Fund will be over and above the MMO. Over the FY20-FY24 Five Year Plan, the sales tax revenues are projected to be worth about \$323 million.

Second, as mentioned above, the City achieved pension reform with all City employees. Through a combination of collective bargaining, interest arbitration for union represented employees, and legislation for nonunion employees, all City employees are contributing to pension reform. Police and fire fighters 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, these 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.

Third, the Board of Pensions has made significant changes to its investment strategy to reduce costs while improving earnings. The Board is making greater use of indexing, which lowered management fees by almost \$15 million a year, and has almost entirely divested from hedge funds, as the returns did not justify the fees. In addition, the Pension Board has gradually lowered the assumed rate of return to 7.55% from 8.75% since 2008. Partially as a result of this change in assumed rate of return, the minimum municipal obligation (MMO), the actuarial amount required to be paid to the pension fund under state law, has increased in recent years. Reductions in earnings assumptions allow pension funds to moderate the risk of the investments, which can also reduce the likelihood of losses.

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

Requests for information

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

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



**Basic
Financial
Statements**

City of Philadelphia
Statement of Net Position
June 30, 2019

Exhibit I

Amounts in thousands of USD

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
Assets				
Cash on Deposit and on Hand	52,512	30	52,542	538,252
Equity in Pooled Cash and Investments	-	-	-	389,599
Equity in Treasurer's Account	1,491,371	365,349	1,856,720	-
Investments	67,261	-	67,261	227,702
Due from Component Units	47,414	-	47,414	-
Due from Primary Government	-	-	-	132,569
Internal Balances	4,709	(4,709)	-	-
Amounts Held by Fiscal Agent	167,714	-	167,714	-
Notes Receivable - Net	-	-	-	52,067
Accounts Receivable - Net	466,093	176,949	643,042	382,223
Interest and Dividends Receivable	1,216	-	1,216	31,019
Due from Other Governments - Net	641,038	14,320	655,358	213,570
Inventories	13,675	62,127	75,802	187,962
Other Assets	74,135	183	74,318	84,500
Restricted Assets:				
Cash and Cash Equivalents	-	1,121,118	1,121,118	307,713
Other Assets	-	405,675	405,675	286,010
Capital Assets:				
Land and Other Non-Depreciated Assets	923,020	1,291,794	2,214,814	639,914
Other Capital Assets (Net of Depreciation)	1,727,418	3,496,043	5,223,461	4,146,841
Total Capital Assets, Net	2,650,438	4,787,837	7,438,275	4,786,755
Total Assets	5,677,576	6,928,879	12,606,455	7,619,941
Deferred Outflows of Resources	486,957	90,735	577,692	1,058,636
Liabilities				
Notes Payable	68,545	140,262	208,807	974
Vouchers Payable	76,633	12,346	88,979	81,849
Accounts Payable	241,934	116,864	358,798	227,131
Salaries and Wages Payable	93,006	7,231	100,237	149,115
Accrued Expenses	44,036	54,154	98,190	201,357
Due to Fiduciary Funds	92,487	-	92,487	-
Due to Primary Government	-	-	-	51,713
Due to Component Units	74,115	423	74,538	-
Funds Held in Escrow	15,444	1,667	17,111	12,367
Due to Other Governments	3,294	-	3,294	50,013
Unearned Revenue	408,165	49,507	457,672	151,554
Overpayment of Taxes	242,408	-	242,408	21,304
Other Current Liabilities	-	3,766	3,766	119,736
Derivative Instrument Liability	54,133	4,679	58,812	-
Long-term Liabilities:				
Due within one year				
Bonds Payable & Other Long-term Liabilities	327,882	169,657	497,539	384,183
Due in more than one year				
Bonds Payable & Other Long-term Liabilities	4,196,103	3,711,014	7,907,117	4,687,948
Net OPEB Liability	1,623,591	201,461	1,825,052	712,768
Net Pension Liability	5,313,768	641,607	5,955,375	4,189,704
Total Liabilities	12,875,544	5,114,638	17,990,182	11,041,716
Deferred Inflows of Resources	199,468	23,466	222,934	335,863
Net Position				
Net Investment in Capital Assets	738,633	1,437,586	2,176,219	788,547
Restricted For:				
Capital Projects	74,486	252,964	327,450	5,307
Debt Service	54,212	402,095	456,307	319,503
Pension Oblig Bond Refunding Reserve	10,759	-	10,759	9,500
Behavioral Health	314,311	-	314,311	-
Neighborhood Revitalization	238	-	238	-
Philadelphia Art Museum Project	6,301	-	6,301	-
Affordable Housing Project	27,293	-	27,293	-
Cultural & Commercial Corridor Project	1,240	-	1,240	-
Rebuild Project	82,882	-	82,882	-
Home Repair Program	39,238	-	39,238	-
Grant Programs	149,865	-	149,865	27,275
Rate Stabilization	-	180,449	180,449	-
Libraries & Parks:				
Expendable	3,250	-	3,250	-
Non-Expendable	3,527	-	3,527	-
Educational Programs	-	-	-	18,079
Other	100,172	-	100,172	6,179
Unrestricted (Deficit)	(8,516,886)	(391,584)	(8,908,470)	(3,873,392)
Total Net Position	(6,910,479)	1,881,510	(5,028,969)	(2,699,002)

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

City of Philadelphia
Statement of Activities
For the Fiscal Year Ended June 30, 2019

Exhibit II

Amounts in thousands of USD

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
					Governmental Activities	Business Type Activities		Total
Primary Government:								
Governmental Activities:								
Economic Development	109,729	2	-	(2,971)	(112,698)		(112,698)	
Transportation:								
Streets & Highways	159,110	9,980	51,066	14,834	(83,230)		(83,230)	
Mass Transit	89,300	2,709	259	-	(86,332)		(86,332)	
Judiciary and Law Enforcement:								
Police	1,277,307	7,204	6,260	-	(1,263,843)		(1,263,843)	
Prisons	349,249	1,701	-	-	(347,548)		(347,548)	
Courts	357,826	55,649	42,942	-	(259,235)		(259,235)	
Conservation of Health:								
Emergency Medical Services	69,986	16,800	3,270	-	(49,916)		(49,916)	
Health Services	1,650,394	46,387	1,356,149	5,886	(241,972)		(241,972)	
Housing and Neighborhood Development								
	106,641	23,171	60,686	-	(22,784)		(22,784)	
Cultural and Recreational:								
Recreation	131,359	4,865	9,530	2,130	(114,834)		(114,834)	
Parks	5,551	972	-	33	(4,546)		(4,546)	
Libraries and Museums	109,353	1,456	7,714	52	(100,131)		(100,131)	
Improvements to General Welfare:								
Social Services	727,376	6,154	559,058	-	(162,164)		(162,164)	
Education	213,280	-	-	-	(213,280)		(213,280)	
Inspections and Demolitions	56,670	72,779	-	-	16,109		16,109	
Service to Property:								
Sanitation	153,712	14,046	1,369	-	(138,297)		(138,297)	
Fire	469,195	40,809	6,168	-	(422,218)		(422,218)	
General Management and Support	788,455	151,041	110,743	547	(526,124)		(526,124)	
Interest on Long Term Debt	148,279	243	-	-	(148,036)		(148,036)	
Total Governmental Activities	6,972,772	455,968	2,215,214	20,511	(4,281,079)		(4,281,079)	
Business Type Activities:								
Water and Sewer	685,778	745,374	698	481	-	60,775	60,775	
Aviation	430,731	486,184	-	22,239	-	77,692	77,692	
Industrial and Commercial Development								
	2,305	2,175	-	-	-	(130)	(130)	
Total Business Type Activities	1,118,814	1,233,733	698	22,720	-	138,337	138,337	
Total Primary Government	8,091,586	1,689,701	2,215,912	43,231	(4,281,079)	138,337	(4,142,742)	
Component Units:								
Gas Operations	599,653	671,992	23,523	-				95,862
Housing	472,859	54,250	423,408	22,427				27,226
Parking	260,594	280,525	-	-				19,931
Education	3,793,204	41,145	1,170,997	8,129				(2,572,933)
Health	977,283	-	978,061	-				778
Economic Development	207,208	1,091	104,843	100,357				(917)
Total Component Units	6,310,801	1,049,003	2,700,832	130,913				(2,430,053)
General Revenues:								
Taxes:								
Property Taxes					691,921	-	691,921	841,773
Wage & Earnings Taxes					2,114,667	-	2,114,667	-
Business Taxes					556,061	-	556,061	-
Other Taxes					984,050	-	984,050	496,014
Grants & Contributions Not Restricted to Specific Programs					190,780	1,463	192,243	1,362,948
Unrestricted Interest & Investment Earnings					64,721	47,812	112,533	20,395
Miscellaneous					-	2,529	2,529	6,162
Transfers					39,917	(39,917)	-	-
Total General Revenues, Special Items and Transfers					4,642,117	11,887	4,654,004	2,727,292
Change in Net Position					361,038	150,224	511,262	297,239
Net Position - July 1, 2018								
Adjustment					(7,271,517)	1,741,635	(5,529,882)	(3,069,200)
Net Position Adjusted - July 1, 2018					-	(10,349)	(10,349)	72,959
Net Position - June 30, 2019					(7,271,517)	1,731,286	(5,540,231)	(2,996,241)
Net Position - July 1, 2019								
Adjustment					(6,910,479)	1,881,510	(5,028,969)	(2,699,002)
Net Position - June 30, 2020								

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

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash on Deposit and on Hand	11,614	-	97	40,800	52,511
Equity in Treasurer's Account	941,701	221,026	28,147	300,497	1,491,371
Investments	-	-	-	67,261	67,261
Due from Other Funds	11,751	-	-	4,747	16,498
Due from Component Units	47,414	-	-	-	47,414
Amounts Held by Fiscal Agent	167,714	-	-	-	167,714
Taxes Receivable	527,294	-	-	24,660	551,954
Accounts Receivable	467,158	-	620	2,524	470,302
Due from Other Governmental Units	5,494	171,088	400,687	63,769	641,038
Allowance for Doubtful Accounts	(548,708)	-	-	(9,798)	(558,506)
Interest and Dividends Receivable	583	553	-	80	1,216
Other Assets	-	-	-	125	125
Total Assets	<u>1,632,015</u>	<u>392,667</u>	<u>429,551</u>	<u>494,665</u>	<u>2,948,898</u>
<u>Liabilities</u>					
Vouchers Payable	41,293	848	24,530	9,962	76,633
Accounts Payable	76,877	11,633	107,642	45,662	241,814
Salaries and Wages Payable	86,434	-	6,255	317	93,006
Payroll Taxes Payable	-	-	-	119	119
Due to Other Funds	92,449	-	-	11,805	104,254
Due to Component Units	4,694	65,875	791	2,755	74,115
Funds Held in Escrow	10,902	-	-	4,542	15,444
Due to Other Governmental Units	3,294	-	-	-	3,294
Unearned Revenue	197,698	-	198,849	11,618	408,165
Overpayment of Taxes	242,408	-	-	-	242,408
Total Liabilities	<u>756,049</u>	<u>78,356</u>	<u>338,067</u>	<u>86,780</u>	<u>1,259,252</u>
<u>Deferred Inflows of Resources</u>	<u>260,128</u>	<u>-</u>	<u>374,890</u>	<u>62,544</u>	<u>697,562</u>
<u>Fund Balances</u>					
Nonspendable	-	-	-	3,527	3,527
Restricted	167,714	314,311	34,316	346,597	862,938
Committed	-	-	-	4,865	4,865
Assigned	322,334	-	-	-	322,334
Unassigned	125,790	-	(317,722)	(9,648)	(201,580)
Total Fund Balances	<u>615,838</u>	<u>314,311</u>	<u>(283,406)</u>	<u>345,341</u>	<u>992,084</u>
<u>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</u>	<u>1,632,015</u>	<u>392,667</u>	<u>429,551</u>	<u>494,665</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	2,650,439
b. Unavailable Revenue are reported as Deferred Inflows of Resources in the funds	694,301
c. Long Term Liabilities, including bonds payable are not reported in the funds	(4,523,985)
d. Derivatives and Deferred Outflows of Resources are not reported in the funds	432,824
e. Other	(22,576)
f. Net Pension & OPEB Liabilities are not reported in the funds	(6,937,359)
g. Deferred Inflows (with the exception of Unavailable Revenue) are not reported in the funds	(196,207)
Net Position of Governmental Activities	<u>(6,910,479)</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, 2019

Exhibit IV

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>					
Tax Revenue	3,596,585	-	-	748,598	4,345,183
Locally Generated Non-Tax Revenue	351,443	9,271	57,710	29,533	447,957
Revenue from Other Governments	311,146	1,012,165	961,409	124,522	2,409,242
Other Revenues	16,154	-	-	380	16,534
Total Revenues	4,275,328	1,021,436	1,019,119	903,033	7,218,916
<u>Expenditures</u>					
Current Operating:					
Economic Development	30,161	-	-	71,946	102,107
Transportation:					
Streets & Highways	93,172	-	2,077	44,538	139,787
Mass Transit	84,608	-	304	-	84,912
Judiciary and Law Enforcement:					
Police	1,250,514	-	6,364	-	1,256,878
Prisons	335,546	-	-	1,339	336,885
Courts	311,510	-	38,681	-	350,191
Conservation of Health:					
Emergency Medical Services	66,604	-	3,378	-	69,982
Health Services	192,782	986,521	330,387	136,666	1,646,356
Housing and Neighborhood Development	25,012	-	21,331	60,316	106,659
Cultural and Recreational:					
Recreation	108,499	-	9,450	-	117,949
Parks	-	-	-	2,719	2,719
Libraries and Museums	93,006	-	7,117	178	100,301
Improvements to General Welfare:					
Social Services	161,320	-	565,398	-	726,718
Education	213,280	-	-	-	213,280
Inspections and Demolitions	56,302	-	-	-	56,302
Service to Property:					
Sanitation	148,931	-	1,417	-	150,348
Fire	465,130	-	6,675	-	471,805
General Management and Support	732,764	-	16,792	60,513	810,069
Capital Outlay	-	-	-	208,034	208,034
Debt Service:					
Principal	5,086	-	-	134,610	139,696
Interest	21,143	-	-	93,026	114,169
Bond Issuance Cost	1,978	-	-	1,426	3,404
Total Expenditures	4,397,348	986,521	1,009,371	815,311	7,208,551
Excess (Deficiency) of Revenues Over (Under) Expenditures	(122,020)	34,915	9,748	87,722	10,365
<u>Other Financing Sources (Uses)</u>					
Issuance of Debt	119,460	-	-	-	119,460
Issuance of Refunding Debt	-	-	-	188,660	188,660
Bond Issuance Premium	8,245	-	-	25,309	33,554
Payment to Refunded Bonds Escrow Agent	-	-	-	(212,499)	(212,499)
Transfers In	529,075	-	-	396,475	925,550
Transfers Out	(319,892)	-	(35,994)	(529,747)	(885,633)
Total Other Financing Sources (Uses)	336,888	-	(35,994)	(131,802)	169,092
Net Change in Fund Balance	214,868	34,915	(26,246)	(44,080)	179,457
Fund Balance - July 1, 2018	400,970	279,396	(257,160)	389,421	812,627
Adjustment	-	-	-	-	-
Fund Balance Adjusted - July 1, 2018	400,970	279,396	(257,160)	389,421	812,627
Fund Balance - June 30, 2019	615,838	314,311	(283,406)	345,341	992,084

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, 2019

Exhibit V

Amounts in thousands of USD

Net Change in Fund Balances - Total Governmental Funds.....	179,457
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 (226,528) exceeded depreciation (177,756) in the current period.....	48,772
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.....	70,898
c. Proceeds from debt obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments (491,300) exceeded proceeds (341,675).....	149,625
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.....	(55,641)
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.....	(28,269)
f. Impairment loss related to capital assets is reported in the statement of activities. However, the cost of assets is reported in the governmental funds when incurred (vs. depreciated over estimated useful lif of assets).	(3,804)
Change in Net Position of governmental activities.....	<u>361,038</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, 2019

Exhibit VI

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Total
Assets				
Current Assets:				
Cash on Deposit and on Hand	30	-	-	30
Equity in Treasurer's Account	112,784	242,480	10,085	365,349
Due from Other Governments	-	996	13,324	14,320
Accounts Receivable	167,854	22,300	-	190,154
Allowance for Doubtful Accounts	(12,378)	(827)	-	(13,205)
Inventories	15,787	3,866	42,474	62,127
Other Assets	183	-	-	183
Total Current Assets	284,260	268,815	65,883	618,958
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	545,013	576,105	-	1,121,118
Sinking Funds and Reserves	201,367	171,343	-	372,710
Grants for Capital Purposes	-	14,993	-	14,993
Receivables	2,716	15,256	-	17,972
Total Restricted Assets	749,096	777,697	-	1,526,793
Capital Assets:				
Land	5,919	230,350	-	236,269
Infrastructure	2,677,405	1,098,329	-	3,775,734
Construction in Progress	666,130	389,395	-	1,055,525
Buildings and Equipment	1,753,974	2,481,050	-	4,235,024
Less: Accumulated Depreciation	(2,448,128)	(2,066,587)	-	(4,514,715)
Total Capital Assets, Net	2,655,300	2,132,537	-	4,787,837
Total Non-Current Assets	3,404,396	2,910,234	-	6,314,630
Total Assets	3,688,656	3,179,049	65,883	6,933,588
Deferred Outflows of Resources	69,542	21,193	-	90,735
Liabilities				
Current Liabilities:				
Vouchers Payable	7,090	5,256	-	12,346
Accounts Payable	12,619	17,433	-	30,052
Salaries and Wages Payable	3,547	3,684	-	7,231
Construction Contracts Payable	58,190	28,622	-	86,812
Due to Other Funds	4,709	-	-	4,709
Due to Component Units	292	131	-	423
Accrued Expenses	34,653	19,501	-	54,154
Funds Held in Escrow	1,667	-	-	1,667
Unearned Revenue	10,738	38,769	-	49,507
Commercial Paper Notes	-	140,262	-	140,262
Bonds Payable-Current	105,372	64,285	-	169,657
Other Current Liabilities	1,446	2,320	-	3,766
Total Current Liabilities	240,323	320,263	-	560,586
Derivative Instrument Liability	-	4,679	-	4,679
Net OPEB Liability	137,036	64,425	-	201,461
Net Pension Liability	430,540	211,067	-	641,607
Non-Current Liabilities:				
Bonds Payable	2,070,390	1,584,521	-	3,654,911
Other Non-Current Liabilities	41,938	14,165	-	56,103
Total Non-Current Liabilities	2,112,328	1,598,686	-	3,711,014
Total Liabilities	2,920,227	2,199,120	-	5,119,347
Deferred Inflows of Resources	15,887	7,579	-	23,466
Net Position				
Net Investment in Capital Assets	649,536	788,050	-	1,437,586
Restricted For:				
Capital Projects	163,690	89,274	-	252,964
Debt Service	201,367	200,728	-	402,095
Rate Stabilization	180,449	-	-	180,449
Unrestricted	(372,958)	(84,509)	65,883	(391,584)
Total Net Position	822,084	993,543	65,883	1,881,510

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, 2019

Exhibit VII

Amounts in thousands of USD

	Business-Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Totals
Operating Revenues:				
Charges for Goods and Services	732,373	118,290	-	850,663
Rentals and Concessions	-	264,946	-	264,946
Operating Grants	698	-	-	698
Miscellaneous Operating Revenues	13,001	7,836	2,175	23,012
Total Operating Revenues	746,072	391,072	2,175	1,139,319
Operating Expenses:				
Personal Services	142,914	81,053	-	223,967
Purchase of Services	128,587	113,187	-	241,774
Materials and Supplies	38,709	8,202	-	46,911
Employee Benefits	141,799	64,804	-	206,603
Indemnities and Taxes	3,602	5,773	-	9,375
Depreciation	124,315	100,679	-	224,994
Cost of Goods Sold	-	-	2,305	2,305
Total Operating Expenses	579,926	373,698	2,305	955,929
Operating Income (Loss)	166,146	17,374	(130)	183,390
Non-Operating Revenues (Expenses):				
Federal, State and Local Grants	-	1,463	-	1,463
Passenger and Customer Facility Charges	-	95,112	-	95,112
Interest Income	24,054	23,582	176	47,812
Debt Service - Interest	(74,742)	(57,033)	-	(131,775)
Other Revenue (Expenses)	(31,110)	2,529	-	(28,581)
Total Non-Operating Revenues (Expenses)	(81,798)	65,653	176	(15,969)
Income (Loss) Before Contributions & Transfers	84,348	83,027	46	167,421
Transfers In/(Out)	(39,917)	-	-	(39,917)
Capital Contributions	481	22,239	-	22,720
Change in Net Position	44,912	105,266	46	150,224
Net Position - July 1, 2018	786,641	888,277	66,717	1,741,635
Adjustment	(9,469)	-	(880)	(10,349)
Net Position Adjusted - July 1, 2018	777,172	888,277	65,837	1,731,286
Net Position - June 30, 2019	822,084	993,543	65,883	1,881,510

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, 2019

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	736,722	408,684	-	1,145,406
Payments to Suppliers	(169,084)	(117,488)	-	(286,572)
Payments to Employees	(276,673)	(143,785)	-	(420,458)
Internal Activity-Payments to Other Funds	-	(7,363)	-	(7,363)
Claims Paid	(3,816)	-	-	(3,816)
Other Receipts (Payments)	-	1,242	-	1,242
Net Cash Provided (Used)	287,149	141,290	-	428,439
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	2,198	1,061	-	3,259
Operating Subsidies and Transfers from/(to) Other Funds	(37,378)	-	-	(37,378)
Net Cash Provided (Used)	(35,180)	1,061	-	(34,119)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Debt Issuance	301,500	628,386	-	929,886
Capital Grants & Contributions Received	-	21,910	-	21,910
Acquisition and Construction of Capital Assets	(309,552)	(109,719)	-	(419,271)
Interest Paid on Debt Instruments	(88,073)	(81,669)	-	(169,742)
Principal Paid on Debt Instruments	(102,554)	(690,066)	-	(792,620)
Passenger Facility Charges	-	94,517	-	94,517
Other Receipts (Payments)	663	-	-	663
Net Cash Provided (Used)	(198,016)	(136,641)	-	(334,657)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale and Maturities of Investments	-	14,755	-	14,755
Interest and Dividends on Investments	16,836	22,925	176	39,937
Net Cash Provided (Used)	16,836	37,680	176	54,692
Net Increase (Decrease) in Cash and Cash Equivalents	70,789	43,390	176	114,355
Cash and Cash Equivalents, July 1 (including \$484.0 mil for Water & Sewer and \$577.0 mil for Aviation reported in restricted accounts)	587,038	775,195	9,909	1,372,142
Cash and Cash Equivalents, June 30 (including \$545.0 mil for Water & Sewer and \$576.0 mil for Aviation reported in restricted accounts)	657,827	818,585	10,085	1,486,497
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	166,146	17,374	(130)	183,390
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	124,315	100,679	-	224,994
Bad Debts, Net of Recoveries	-	-	-	-
Changes in Assets and Liabilities:				
Receivables, Net	(8,896)	6,513	(2,815)	(5,198)
Unearned Revenue	(454)	12,342	-	11,888
Inventories	(284)	(383)	2,945	2,278
Accounts and Other Payables	(66)	4,765	-	4,699
Accrued Expenses	6,388	-	-	6,388
Net Cash Provided by Operating Activities	287,149	141,290	-	428,439
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 Net Position
Fiduciary Funds
June 30, 2019

Exhibit IX

Amounts in thousands of USD

	Pension Trust <u>Funds</u>	Agency <u>Funds</u>
<u>Assets</u>		
Cash on Deposit and on Hand	16,832	126,384
Equity in Treasurer's Account	6,110,361	113,063
Investments	-	2,439
Securities Lending Collective Investment Pool	381,431	-
Allowance for Unrealized Loss	77	-
Accounts Receivable	4,090	-
Due from Brokers for Securities Sold	175,144	-
Interest and Dividends Receivable	1,653	-
Due from Other Governmental Units	7,816	-
Due from Other Funds	91,750	699
	<hr/>	<hr/>
Total Assets	6,789,154	242,585
	<hr/>	<hr/>
<u>Liabilities</u>		
Vouchers Payable	47	964
Accounts Payable	261	-
Salaries and Wages Payable	149	-
Payroll Taxes Payable	-	23,654
Funds Held in Escrow	-	217,967
Due on Return of Securities Loaned	381,431	-
Due to Brokers for Securities Purchased	162,078	-
Accrued Expenses	3,327	-
Other Liabilities	238	-
	<hr/>	<hr/>
Total Liabilities	547,531	242,585
	<hr/>	<hr/>
Net Position Restricted for Pensions	<u>6,241,623</u>	<u>-</u>

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

City of Philadelphia
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2019

Exhibit X

Amounts in thousands of USD

	Pension Trust Funds
<u>Additions:</u>	
Contributions:	
Employers' Contributions	826,375
Employees' Contributions	<u>100,429</u>
Total Contributions	<u>926,804</u>
Investment Income:	
Interest and Dividends	146,434
Net Gain in Fair Value of Investments	198,205
(Less) Investments Expenses	(8,635)
Securities Lending Revenue	2,166
Securities Lending Unrealized Gain	-
(Less) Securities Lending Expenses	<u>(324)</u>
Net Investment Gain	<u>337,846</u>
Miscellaneous Operating Revenues	149
Total Additions	<u>1,264,799</u>
<u>Deductions</u>	
Personal Services	3,765
Purchase of Services	2,344
Materials and Supplies	131
Employee Benefits	4,846
Pension Benefits	886,360
Refunds of Members' Contributions	10,001
Administrative Expenses Paid	191
Other Operating Expenses	<u>69</u>
Total Deductions	<u>907,707</u>
Change in Net Position	357,092
Net Position - July 1, 2018	<u>5,884,531</u>
Net Position - June 30, 2019	<u><u>6,241,623</u></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, 2019

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	124,145	189,371	64,719	59,457	4	23,553	18,115	58,888	538,252
Equity in Pooled Cash and Investments	-	-	-	-	389,599	-	-	-	389,599
Investments	-	-	15,139	21,270	143,569	47,724	-	-	227,702
Due from Primary Government	-	-	6,904	-	-	-	125,665	-	132,569
Notes Receivable	-	27,397	24,670	-	-	-	-	-	52,067
Taxes Receivable	-	-	-	-	159,336	-	-	-	159,336
Accounts Receivable-Net	85,989	23,766	898	69,376	33,054	5,403	298	4,103	222,887
Interest and Dividends Receivable	-	334	25,267	85	5,261	72	-	-	31,019
Due from Other Governments	-	56,765	-	-	149,909	1,791	-	5,105	213,570
Inventories	51,691	837	134,221	-	1,213	-	-	-	187,962
Other Assets	61,557	6,192	4,844	172	11,083	-	652	-	84,500
Restricted Assets:									
Cash and Cash Equivalents	68,634	51,782	13,718	128,882	25,877	-	-	18,820	307,713
Other Assets	109,220	3,044	8,237	-	134,381	19,557	-	11,571	286,010
Capital Assets:									
Land and Other Non-Depreciated Assets	93,421	183,175	170	36,942	282,307	32,896	-	11,003	639,914
Other Capital Assets (Net of Depreciation)	1,358,049	887,937	394	152,906	1,519,301	126,230	9,928	92,096	4,146,841
Total Capital Assets	1,451,470	1,071,112	564	189,848	1,801,608	159,126	9,928	103,099	4,786,755
Total Assets	1,952,706	1,430,600	299,181	469,090	2,854,894	257,226	154,658	201,586	7,619,941
Deferred Outflows of Resources	152,704	19,073	4,272	48,676	827,282	6,629	-	-	1,068,636
Liabilities									
Notes Payable	-	-	974	-	-	-	-	-	974
Vouchers Payable	67,530	-	-	-	-	14,319	-	-	81,849
Accounts Payable	-	16,537	12,151	30,032	157,120	-	7,278	4,013	227,131
Salaries and Wages Payable	4,078	3,300	567	-	137,458	3,712	-	-	149,115
Accrued Expenses	83,367	15,505	12,887	395	-	1,400	87,803	-	201,357
Funds Held in Escrow	-	2,179	8,524	-	-	351	-	1,313	12,367
Due to Other Governments	-	426	-	18,443	4,308	4,222	-	22,614	50,013
Due to Primary Government	-	-	-	44,256	-	-	-	7,457	51,713
Unearned Revenue	9,024	902	40,167	-	31,940	2,793	4,464	62,264	151,554
Overpayment of Taxes	-	-	-	-	21,304	-	-	-	21,304
Other Current Liabilities	-	14,845	-	-	54,561	-	50,330	-	119,736
Non-Current Liabilities:									
Due within one year	52,870	38,107	3,794	15,031	266,668	7,713	-	-	384,183
Due in more than one year	1,009,550	124,097	49,934	123,359	3,270,448	70,976	-	39,584	4,687,948
Net OPEB Liability	336,079	1,684	3,611	10,560	176,565	180,264	4,005	-	712,768
Net Pension Liability	247,246	94,394	17,208	132,025	3,698,831	-	-	-	4,189,704
Total Liabilities	1,809,744	311,976	149,817	374,101	7,819,203	285,750	153,880	137,245	11,041,716
Deferred Inflows of Resources	88,104	-	425	38,505	145,304	63,525	-	-	335,863
Net Position									
Net Investment in Capital Assets	494,460	647,749	224	104,522	(616,768)	103,869	-	54,491	788,547
Restricted For:									
Capital Projects	-	-	-	-	-	5,307	-	-	5,307
Debt Service	109,220	-	11,805	3,866	194,612	-	-	-	319,503
Behavioral Health	-	-	-	-	9,500	-	-	-	9,500
Educational Programs	-	-	-	-	6,471	11,608	-	-	18,079
Grant Programs	-	-	-	-	-	-	-	27,275	27,275
Other	-	6,124	-	-	55	-	-	-	6,179
Unrestricted	(396,118)	483,824	141,182	(3,228)	(3,876,201)	(206,204)	778	(17,425)	(3,873,339)
Total Net Position	207,562	1,137,697	153,211	105,160	(4,282,331)	(85,420)	778	64,341	(2,869,002)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2018. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2018. The Philadelphia Parking Authority and Philadelphia Housing Authority are presented as of the close of their fiscal year, March 31, 2019.

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

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Position									
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Philadelphia Gas Works*	Philadelphia Housing Authority*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Delaware River Waterfront Corp.	Philadelphia Authority for Industrial Development*	Total
Gas Operations	599,653	671,992	23,523	-	95,862									95,862
Housing														
Housing Authority	434,945	51,691	392,595	22,427		31,768								31,768
Redevelopment Authority	37,914	2,559	30,813	-			(4,542)							(4,542)
	472,859	54,250	423,408	22,427										
Parking														
Parking Authority	260,594	280,525	-	-				19,931						19,931
Education														
School District	3,641,092	6,793	1,114,924	8,129					(2,511,246)					(2,511,246)
Community College	152,112	34,352	56,073	-						(61,687)				(61,687)
Total	3,793,204	41,145	1,170,997	8,129										
Health														
Community Behavioral Health	977,283	-	978,061	-							778			778
Economic Development														
Authority for Ind. Development	207,208	1,091	104,843	100,357									(917)	(917)
Total	207,208	1,091	104,843	100,357										
Total Component Units	6,310,801	1,049,003	2,700,832	130,913										(2,430,053)
General Revenues:														
Property Taxes									841,773					841,773
Other Taxes									496,014					496,014
Grants & Contributions Not Restricted to Specific Programs						6,867			1,286,915	69,166				1,362,948
Unrestricted Interest & Investment Earnings						642	141	9,866	6,848	2,253			645	20,395
Miscellaneous						4,141				2,021				6,162
Total General Revenue - Special Items and Transfers						11,650	141	9,866	2,631,550	73,440			645	2,727,292
Net Position - July 1, 2018						43,418	(4,401)	29,797	120,304	11,753	778		(272)	297,239
Adjustment						1,094,279	157,612	15,132	(4,415,363)	(97,173)			64,613	(3,069,200)
Net Position Adjusted - July 1, 2018						-	-	60,231	12,728	-				72,959
Net Position - June 30, 2019						111,700	157,612	75,363	(4,402,635)	(97,173)			64,613	(2,995,241)
						207,562	153,211	105,160	(4,282,331)	(85,420)	778		64,341	(2,899,002)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2019. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2018. The Philadelphia Parking Authority and the Philadelphia Housing Authority are presented as of the close of their fiscal year, March 31, 2019.

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



Notes to the Financial Statements
FYE 06/30/2019

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. REPORTING ENTITY

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

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

Philadelphia Housing Authority (PHA) – 12 South 23RD Street, Philadelphia, PA 19103

PHA was established to provide low cost housing and other social services to the residents of the City. 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, 2018.

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

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

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 exist 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.

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

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

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

3. BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND FINANCIAL STATEMENTS

A. PRIMARY GOVERNMENT

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

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

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

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

The City reports the following major proprietary funds:

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

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

B. COMPONENT UNITS

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

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

5. INVENTORIES

A. PRIMARY GOVERNMENT

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

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

B. COMPONENT UNITS

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

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

6. CAPITAL ASSETS

A. PRIMARY GOVERNMENT

Capital Assets, which include property, plant, equipment and infrastructure assets (e.g. bridges, curbs and gutters, streets and sidewalks and lighting systems), are reported in the applicable governmental or business-type activities columns in the government wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years (except for the Aviation Fund which uses \$10,000 for personal property and \$100,000 for fixed assets). Capital assets are recorded at cost. Costs recorded do not include interest incurred as a result of financing asset acquisition or construction. Assets acquired by gift or bequest are recorded at their acquisition price at the date of gift. Upon sale or retirement, the cost of the assets and the related accumulated depreciation, if any, are removed from the accounts. Maintenance and repair costs are charged to operations.

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

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

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

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

B. COMPONENT UNITS

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

7. BONDS AND RELATED PREMIUMS, DISCOUNTS & ISSUANCE COSTS

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

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

8. INSURANCE

The City, except for the Airport and certain other properties, is self-insured for most fire and casualty losses to its structures and equipment and provides statutory workers' compensation and unemployment benefits to its employees. The City is self-insured for medical benefits provided to employees in the Fraternal Order of Police, the city-administered health plan, the International Association of Fire Fighters and District Council 47.

9. RECEIVABLES AND PAYABLES

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

Accounts receivable included in current assets consists of billed and unbilled rentals and fees, which have been earned but not collected as of June 30, 2019 and 2018. 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 uncollectibles. The real estate tax receivable allowance is equal to 30.99% 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 position that applies to a future period(s) and will not be recognized as an expenditure/expense until that time. Deferred Inflows of resources represents an acquisition of net position that applies to future periods and will not be recognized as revenue until that time.

On the full accrual basis of accounting, the 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 related to the City's OPEB.

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

(Amounts in Thousands of USD)

Deferred Outflows of Resources	Governmental Activities	Business Type Activities	Component Units
Derivative Instrument	55,207	4,679	10,332
Deferred Charge of Refunding	87,722	45,549	135,152
Deferred Pension Expense	212,675	24,371	795,103
Deferred Outflow OPEB	131,354	16,136	118,048
Total	486,957	90,735	1,058,636

(Amounts in Thousands of USD)

Deferred Inflows of Resources	Governmental Activities	Business Type Activities	Component Units
Deferred Gain of Refunding	-	132	3,605
Deferred Pension Revenue	11,418	816	190,978
Unavailable Government Revenue	3,261	-	-
Deferred Inflow OPEB	184,789	22,517	141,280
Total	199,468	23,466	335,863

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

(Amounts in Thousands of USD)

Deferred Inflows of Resources	General Fund	Grants Revenue Fund	Other Governmental Funds
Unavailable Tax Revenue	126,464	-	1,202
Unavailable Agency Revenue	99,484	-	-
Unavailable Government Revenue	34,180	374,890	61,342
Total	260,128	374,890	62,544

11. COMPENSATED ABSENCES

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

12. CLAIMS AND JUDGMENTS

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

13. UNEARNED REVENUE

GASB Statement No.65 prohibits the usage of the term "deferred" on any line items other than deferred inflows or outflows. Therefore, the term "Deferred Revenue" has been replaced by "Unearned Revenue". Unearned Revenue as reported in all the City's fund financial statements represents revenue received in advance with the exception of the General Fund. The General Fund reports two types of unearned revenue, Revenue Received in Advance (\$5.7 million) and Business Income and Receipts Tax (BIRT) (\$192.0 million).

14. NEW ACCOUNTING STANDARDS

In November 2016, **GASB issued Statement No. 83, Certain Asset Retirement Obligations**. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The adoption of this statement did not result in any significant changes to the City's financial statements.

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

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

In March 2018, **GASB issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements**. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The City's adoption of Statement No. 88 resulted in additional disclosures related to direct borrowings, direct placements, and lines of credits.

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. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. 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 reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The City has not completed the process of evaluating the impact of adopting this Statement.

In August 2018, **GASB issued Statement No. 90, Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61**. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The City has not completed the process of evaluating the impact of adopting this Statement.

In 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. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The City has not completed the process of evaluating the impact of adopting this Statement.

II. LEGAL COMPLIANCE

1. BUDGETARY INFORMATION

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

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

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

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

During the year, classification adjustments and supplementary appropriations were necessary for City funds. Therefore, budgeted appropriation amounts presented are as originally passed and as amended by the City Council. As part of the amendment process, budget estimates of City related revenues are adjusted and submitted to City Council for review. Changes in revenue estimates 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 \$600.5 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, 2019, 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
State of PA - Invest Program	\$ 914	\$ -	\$ -	\$ -	\$ 914
Short-Term Investment Pools	545,676	717	15,525	197,317	759,235
Commercial Paper	531,419	-	-	-	531,419
U.S. Government Securities	1,352,611	59	45,227	224,764	1,622,661
U.S. Government Agency Securities	652,925	165	29,290	22,252	704,632
Municipal/Other Debt	11,322	686	2,469	12,995	27,472
Foreign Debt	-	-	-	5,859	5,859
Corporate Bonds	289,285	220	80,787	345,432	715,724
CDO's	-	-	-	483	483
Government Bonds	-	-	-	114,354	114,354
Asset Backed Securities	-	-	5,895	23,677	29,572
Mortgage Backed Securities	-	13	3,200	101,150	104,363
Other Bonds and Investments	-	2,378	-	-	2,378
Corporate Equities	-	3,566	372,080	3,264,251	3,639,897
Limited Partnerships	-	-	-	79,321	79,321
Hedge Funds	-	-	-	29,102	29,102
Real Estate	-	-	-	638,690	638,690
Private Equity	-	-	-	495,502	495,502
Grand Total	\$ 3,384,152	\$ 7,804	\$ 554,473	\$ 5,555,149	\$ 9,501,578

(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 (39.97%) or US Government Agency obligations (19.29%) are allowable investments up to 100% of the portfolio. The US Government Agency obligations must be rated AAA by Standard & Poor's Corp. (S&P) or Aaa by Moody's Investor Services. All US Government Securities meet the criteria.

The City's investment in commercial paper (15.70%) 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 Aa2 by Moody's. All commercial paper investments meet the criteria.

The City's investment in corporate bonds (8.55%) 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.

(Amounts in thousands of USD)

Classifications	Less than 6 months	7 to 12 months	13 to 18 months	19 to 24 months	Total
Commercial Paper	498,133	33,286	-	-	531,419
U.S. Government Security	917,013	227,407	201,510	6,681	1,352,611
U.S. Government Agency Securities	308,656	193,719	53,703	96,847	652,925
Municipal Debt	5,712	256	5,354	-	11,322
Corporate Bonds	77,217	93,748	62,353	55,967	289,285
Grand Total	1,806,731	548,416	322,920	159,495	2,837,562

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, 2019:

- Commercial paper securities of \$531.4 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 \$1,352.6 million are valued using quoted prices from active markets (Level 1)
- U.S. Agency securities of \$652.9 million are valued using quoted prices for identical securities traded in active markets when sufficient activity exists (Level 2)
- Municipal Debt/Other securities of \$11.3 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 \$289.3 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 \$546.6 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, 2019:

- Equity Stock securities of \$0.8 million are valued using quoted prices from active markets (Level 1)
- ETF and Mutual funds of \$4.2 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)

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, 2019, PICA's deposits consist of the following:

Cash	\$ 1,079,712
Certificates of Deposit	3,675,000
Total	<u>\$ 4,754,712</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, PICA's deposits may not be returned to it. PICA has no policy, other than noted above, that further limits its custodial risk. As of June 30, 2019, PICA's book balance was \$4,754,712 and the bank balance was \$4,774,614. Of the bank balance, \$3,925,000 was covered by federal depository insurance and \$849,614 was collateralized under Act 72.

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, 2019. 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, 2019:

Investment Type	Fair Value Measurements Using			Totals
	Level 1	Level 2	Level 3	
Money Market Funds	27,706,880	-	-	27,706,880
US Treasury & Agency Obligations	15,606,406	-	-	15,606,406
Municipal Bonds/short-term notes	-	6,315,061	-	6,315,061
Commercial Paper	-	24,035,527	-	24,035,527
Total	43,313,286	30,350,588	-	73,663,874

Investment Derivative Instruments:

As of June 30, 2019, PICA's basis caps did not meet the criteria for effectiveness as a hedging instrument. Therefore, they are reported as investment derivative instruments.

Fair Value as of June 30, 2019:					
<u>Government</u>	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
<u>Activities</u>					<u>Amount</u>
2003 Basis Cap	Investment Income	2,845	Investment	322,889	36,790,000
1999 Basis Cap	Investment Income	6,980	Investment	888,415	72,960,000

PICA Series of 2003 and 1999 Basis Cap Agreements

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

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

Fair Value - As of June 30, 2019, the 2003 basis cap had a positive fair value of \$322,889. This means that PICA would receive this amount to terminate the 2003 basis cap. As of June 30, 2019, the 1999 basis cap had a positive fair value of \$888,415. This means that PICA would receive this amount to terminate the 1999 basis cap. The fair values of these swaps were measured using the zero-coupon discount method and are categorized within Level 2 of the fair value hierarchy.

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

2) PHILADELPHIA MUNICIPAL AUTHORITY

INVESTMENTS AND DEPOSITS

The 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, 2019 is as follows:

	<u>Fair Value</u>	(In Thousands) <u>Cost</u>	<u>Maturity Date</u>
Money Market Funds*	\$ 13,621,283	\$ 13,621	N/A
Total	\$ 13,621,283	\$ 13,621	

* 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 2013 Energy Conservation and Direct Subsidy Bond Issues in money market funds during the year.

PMA does not have a formally adopted investment policy related to credit risk, but it generally follows the practices of the City. As of June 30, 2019, PMA had no investments in U.S. government securities. Investments in money market funds were not rated.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, 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 \$142,146 on deposit with two local banks as of June 30, 2019. 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, 2019, PMA did not have uninsured deposits on hand.

Interest Rate Risk

Interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. Such changes usually affect securities inversely and can be reduced by diversifying or hedging. 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.

C. Discretely Presented Component Units

1. Philadelphia Authority for Industrial Development Basis Swap

As of June 30, 2019, PAID's 2007A (Stadium) basis swap did not meet the criteria for effectiveness as a hedging instrument. Therefore, it is reported as an investment derivative instrument.

(amounts in thousands)

	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2019</u>		
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
Governmental Activities					
Investment Derivatives:					
Basis Swap	Investment Revenue	1,872	Investment	1,075	193,520

Objective: PAID entered into a basis swap that became effective on July 1, 2004, that provided PAID with ten equal payments of \$1.2 million with the first payment due on July 1, 2004. PAID executed the basis swap to create a benefit similar to entering into a synthetic refunding, using a swap based on a percentage of LIBOR, without having to issue bonds or eliminate future advance refunding opportunities. In July 2006, a portion of the existing basis swap was restructured such that the variable rate received by PAID was converted from a percentage of one-month LIBOR to a percentage of the five-year LIBOR swap rate, on a forward starting basis. This was intended to provide for potentially significant long-term savings while also providing for a diversification of the City's variable rate index on its entire swap portfolio. The restructured portion of the swap was terminated in December 2009 at a benefit.

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

A portion of the original transaction in the amount of \$105 million was amended such that the variable payments received by PAID were computed as 62.89% of five-year LIBOR + 20 basis points (replacing 67% of one month LIBOR + 20 basis points). The amendment effective date was October 1, 2006, with variable payments to be made (as described above) through October 1, 2020. On December 1, 2009, PAID terminated that portion of the swap that was subject to the amendment and received a termination payment of \$3,049,000.

As of June 30, 2019, the notional amount on the portion of the swap that was not amended was \$193.52 million.

Fair Value: As of June 30, 2019, the swap had a positive fair value of \$1.075 million. This means that PAID would have to receive this amount to terminate the swap. The fair value reflects the effect of non-performance risk, which includes credit risk. The fair value of the swap was measured using the income approach and is categorized within Level 2 of the fair value hierarchy.

Risks: As of June 30, 2019, PAID is exposed to credit risk because the swap has a positive fair value. The swap includes an additional termination event based on credit ratings. The swap may be terminated by PAID if the ratings of MLCS's guarantor (Merrill Lynch & Co.) falls below Baa3 or BBB- or the swap may be terminated by MLCS if the City's rating falls below Baa3 or BBB-. There is a 3-day cure period to these termination events.

The swap exposes PAID to basis risk, the risk that the relationship between one-month LIBOR and the SIFMA index may change from the historic pattern that existed when the swap was entered into. If SIFMA averages higher than 67% of one-month LIBOR plus 20 bps, the anticipated savings of the swap will be reduced and may not materialize.

2. School District of Philadelphia Basis Swaps

Objective, Terms, Fair Value and Accounting of Derivative Instruments:

The School District, on November 21, 2006, entered into two qualified interest rate management agreement basis swaps initially related to its 2003B School Lease Revenue Bonds. Subsequently, on December 28, 2006, the District refunded these 2003B bonds under School Lease Revenue Bonds 2006B. Further, on November 16, 2016 a portion of the 2006B bonds were refunded under the 2016A School Lease Revenue Bonds. Thus, the derivatives are following the debt.

The School District engaged an independent pricing service with no vested interest in the interest rate swap transactions to perform the valuations, and evaluation of the swaps for compliance with GASB Statement No. 53 "Accounting and Financial Reporting for Derivative Instruments". Fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps. Fair values reflect the effect of non-performance risk, which includes The School District's credit risk.

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

The table below displays the objectives, terms, and fair values of the School District's derivative instruments outstanding as of June 30, 2019 along with the counterparties and their credit ratings.

Associated Bonds	Initial Notational	Current Notational	Effective Date	Maturity Date	Rate Paid	Rate Received	Fair Value	Bank Counterparty	Counterparty Ratings
Series 2006B & 2016A School Lease Revenue Bonds	\$ 150,000,000	\$ 150,000,000	11/30/2006	5/15/2033	SIFMA Swap Index	67% of US1	\$ 144,1747	Wells Fargo Bank N.A.	Aa2/A+/AA
Series 2006B & 2016A School Lease Revenue Bonds	\$ 350,000,000	\$ 350,000,000	11/30/2006	5/15/2033	SIFMA Swap Index	67% of US1	\$ 3,364,076	JPMorgan Chase Bank, N.A.	Aa3/A+/AA
							<u>\$ 4,805,823</u>		

Basis risk/Interest rate risk.

The School District anticipated that, on average and over time, the BMA-based variable rate paid on the Basis Swaps will approximately equal (and therefore offset) the LIBOR-based variable rate received on the Basis Swaps, therefore leaving the School District as a net receiver with (i) net positive receipts from the fixed percentage spread and (ii) the up-front payment. The effect of the Basis Swaps is to compensate the School District for its assumption of tax risk in exchange for an expected interest expense reduction (i.e. the expected positive cash flows under the Basis Swaps). The School District receives a percentage of 1-Month LIBOR plus a spread of 0.2788% and pays the SIFMA tax-exempt rate, with the expectation of a 0.2788% net benefit over the life of the swap as long as tax rates remain the same. The historical average ratio of 1-Month LIBOR (short-term taxable rates) versus SIFMA Swap Rates (short-term tax-exempt rates), a direct function of income tax rates, is approximately 67%. Therefore, there needs to be a spread payable to the School District in exchange for 67% of LIBOR over the long term and this is the value of the benefit, the risk being tax rates change over the life of the basis swap. This additional receipt of 0.2788% to the School District is the expected benefit and reduction to interest cost on the associated bonds for the life of the basis swap transaction. From the date of execution of the two basis swaps through June 30, 2019, the net benefit to the School District has been \$18,012,355.

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

Credit risk:

This is the risk that the counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk, at the reporting date, is the total mark-to-market value of swaps netting, or aggregating, under a contract between the School District and each counterparty. The School District would be exposed to credit risk on derivative instruments under a netting agreement that would total to an asset position. As of June 30, 2019, the School District has no credit risk exposure on the remaining two basis swap contracts because the swaps under each netting agreement with each counterparty have negative mark-to-market values. This means the counterparties are exposed to the School District in the amount of the derivatives' mark-to-market values, a total positive mark-to-market value of \$4,894,973 as of June 30, 2019. However, should interest rates change and the fair values of the swaps become positive, the School District would be exposed to credit risk.

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

Termination risk:

Only the School District may terminate the two existing basis swaps if the counterparty fails to perform under the terms of the respective contracts. If at the time of termination, the swaps have a negative fair value, the School District would be liable to the counterparty for a payment equal to the swap's fair value.

2. SECURITIES LENDING

A. GOVERNMENTAL FUNDS:

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

B. PENSION TRUST FUNDS

1. City Plan (Municipal Pension Fund):

- The Board of Directors of the Municipal Pension Fund has authorized management of the Fund to participate in securities lending transactions.
- See Footnote IV. 1. PENSION PLANS A. (1) e. Cash Deposits, Investments and Securities Lending

2. Philadelphia Gas Works (PGW) Plan

- The Board of Directors of the Sinking Fund Commission on behalf of Philadelphia Gas Works Retirement Reserve Fund ("PGWRR") has authorized the management of these funds to participate in securities lending transactions.
- As of June 1, 2014, the Plan no longer participates in a securities lending program. In December 2011, Wells Fargo, the custodian of the Plan, with the written consent of the Plan, assigned the securities lending program to Citibank. The agreement between the parties gave both parties the right to terminate the arrangement with at least 15 days' notice. On May 9, 2014, Citibank gave written communication to the Plan that they wished to terminate the arrangement effective June 1, 2014.

3. AMOUNTS HELD BY FISCAL AGENT

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

A. GOVERNMENTAL FUNDS

The General Fund consists of cash and investment balances related to the net proceeds of PAID's Sports Stadium Financing Lease 2007 Series B Revenue Bonds, PAID's City Service Agreement Refunding Revenue Series Bond 2012, PAID's City Agreement - Cultural & Commercial Corridor Program - Revenue Refunding Series Bond 2016A, PAID's City Agreement - Philadelphia Central Library Project - Revenue Refunding Series Bond 2016B, 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, PRA's City Service Agreement Revenue Bonds Series 2018.

Grants Revenue Fund - There are no amounts reported for fiscal year 2019 for the Grants Revenue Fund.

B. PROPRIETARY FUNDS

There are no amounts reported for fiscal year 2019 - 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)

Interfund Receivables Due to:					
	General	Non major Special Revenue	Pension Fund	Other Funds	Total
Interfund Payables Due From:					
General	\$ -	\$ -	\$ 91,750	\$ 699	\$ 92,449
Grants Revenue Fund	-	-	-	-	-
Water & Sewer Fund	-	4,709	-	-	4,709
Non major Special Revenue Funds	11,752	38	-	-	11,805
Total	<u>\$ 11,752</u>	<u>\$ 4,747</u>	<u>\$ 91,750</u>	<u>\$ 699</u>	<u>\$ 108,963</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)

Receivables Due to:								
	General	Aviation	CBH	PRA	PAID	PGW	Timing Difference	Total
Payables Due From:								
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 4,409	\$ 285	\$ -	\$ 4,694
Behavioral Health	-	-	65,875	-	-	-	-	65,875
Grants Revenue	-	-	-	791	-	-	-	791
Community Dev.	-	-	-	99	-	-	-	99
Capital Improvement	-	-	-	269	2,387	-	-	2,656
Aviation Fund	-	-	-	-	-	131	-	131
Water Fund	-	-	-	-	266	26	-	292
PPA	10,441	35,297	-	-	-	-	(1,482)	44,256
PAID	36,973	-	-	-	-	-	(29,516)	7,457
Timing Difference	-	(35,297)	59,790	5,744	(7,062)	(442)	-	22,733
Total	<u>\$ 47,414</u>	<u>\$ -</u>	<u>\$ 125,665</u>	<u>\$ 6,903</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (30,998)</u>	<u>\$ 148,984</u>

5. CAPITAL ASSET ACTIVITY

A. PRIMARY GOVERNMENT

Capital Asset activity of the primary government for the year ended June 30, 2019 was as follows:

(Amounts in Millions of USD)

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	872.0	31.0	(3.0)	900.0
Fine Arts	1.0	-	-	1.0
Property Available for Sale	11.0	-	(1.0)	10.0
Construction In Process	10.0	5.0	(2.0)	13.0
Total capital assets not being depreciated	894.0	36.0	(6.0)	924.0
<u>Capital assets being depreciated:</u>				
Buildings	2,511.0	47.0	-	2,558.0
Other Improvements	370.0	17.0	-	387.0
Equipment	550.0	71.0	(33.0)	588.0
Infrastructure	1,739.0	43.0	-	1,782.0
Intangibles	38.0	14.0	-	52.0
Transit	292.0	-	-	292.0
Total capital assets being depreciated	5,500.0	192.0	(33.0)	5,659.0
<u>Less accumulated depreciation for:</u>				
Buildings	(1,596.0)	(80.0)	-	(1,676.0)
Other Improvements	(274.0)	(10.0)	-	(284.0)
Equipment	(404.0)	(36.0)	31.0	(409.0)
Infrastructure	(1,261.0)	(43.0)	-	(1,304.0)
Intangibles	(9.0)	(5.0)	-	(14.0)
Transit	(242.0)	(4.0)	-	(246.0)
Total accumulated depreciation	(3,786.0)	(178.0)	31.0	(3,933.0)
Total capital assets being depreciated, net	1,714.0	14.0	(2.0)	1,726.0
Governmental activities capital assets, net	2,608.0	50.0	(8.0)	2,650.0

Capital Asset activity of the primary government, business-type activities for the year ended June 30, 2019 was as follows:

(Amounts In Millions of USD)				
Business-Type Activities - Enterprise Funds	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	226.5	9.7		236.3
Construction In Process (1)	997.9	428.1	(370.5)	1,055.5
Total capital assets not being depreciated	1,224.4	437.8	(370.5)	1,291.8
<u>Capital assets being depreciated:</u>				
Buildings (2)	3,504.0	181.6	(36.4)	3,649.1
Other Improvements	375.9	27.0	-	402.9
Equipment	164.0	43.6	(24.6)	183.0
Intangible Assets	19.8	2.0	-	21.8
Infrastructure (3)	3,650.3	150.6	(46.8)	3,754.0
Total capital assets being depreciated	7,713.9	404.7	(107.9)	8,010.8
<u>Less accumulated depreciation for:</u>				
Buildings (4)	(1,979.6)	(94.5)	26.3	(2,047.7)
Other Improvements	(211.8)	(18.9)	-	(230.7)
Equipment	(123.6)	(13.7)	1.3	(136.0)
Intangible Assets	(12.7)	(1.3)	-	(13.9)
Infrastructure (5)	(2,021.4)	(96.7)	31.6	(2,086.4)
Total accumulated depreciation	(4,349.0)	(225.0)	59.3	(4,514.7)
Total capital assets being depreciated, net	3,364.9	179.7	(48.6)	3,496.0
Business-type activities capital assets, net	4,589.3	617.5	(419.1)	4,787.8

- (1) The beginning balance for CIP was decreased by \$32.9 million due to projects that were completed in FY18 and prior but not transferred to fixed assets until FY19.
(2) The beginning balance for Buildings was increased 2.9 million due to projects that were completed in FY18 and prior but not transferred to fixed assets until FY19.
(3) The beginning balance for Infrastructure was increased 29.7 million due to projects that were completed in FY18 and prior but not transferred to fixed assets until FY19.
(4) The beginning balance for Accumulated Depreciation - Buildings was increased \$5.2 million due to changes in estimated useful lives and calculation adjustments.
(5) The beginning balance for Accumulated Depreciation Infrastructure was increased \$4.0 million due to changes in estimated useful lives and calculation adjustments.

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

(Amounts in Millions of USD)

Governmental Activities:

Economic Development	2
Transportation:	
Streets & Highw ays	48
Mass Transit	4
Judiciary and Law Enforcement:	
Police	13
Prisons	6
Courts	1
Conservation of Health:	
Health Services	4
Cultural and Recreational:	
Recreation	14
Parks	13
Libraries and Museums	7
Improvements to General Welfare:	
Social Services	2
Service to Property:	
Fire	9
General Management & Support	55
Total Governmental Activities	<u>178</u>

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

(Amounts in Millions of USD)

Business-Type Activities:

Water and Sew er	124
Aviation	101
Total Business Type Activities	<u>225</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, 2019:

	(Amounts in Millions of USD)				
Governmental Activities:	Beginning Balance	Increases	Deletions	Transfers	Ending Balance
<u>Capital assets not being depreciated:</u>					
Land (1)	127.8	-	-	1.4	129.2
Construction In Process	81.0	109.2	(0.1)	(37.0)	153.1
Total capital assets not being depreciated	208.8	109.2	(0.1)	(35.6)	282.3
<u>Capital assets being depreciated:</u>					
Buildings (2)	1,758.1	2.9	(0.2)	5.7	1,766.5
Other Improvements	1,296.8	52.3	-	29.9	1,379.0
Intangible Assets	69.8	1.8	-	-	71.6
Personal Property & Equipment (3)	199.5	14.7	(19.5)	-	194.7
Total capital assets - Depreciated	3,324.2	71.7	(19.7)	35.6	3,411.8
<u>Less accumulated depreciation for:</u>					
Buildings (4)	(732.3)	(30.6)	0.2	-	(762.7)
Other Improvements	(889.4)	(42.6)	-	-	(932.0)
Intangible Property	(52.0)	(3.7)	-	-	(55.7)
Personal Property & Equipment	(149.3)	(14.7)	18.6	-	(145.4)
Total accumulated depreciation	(1,823.0)	(91.6)	18.8	-	(1,895.8)
Total capital assets being depreciated, net	1,501.2	(19.9)	(0.9)	35.6	1,516.0
Governmental Activity - Capital Assets, Net	1,710.0	89.3	(1.0)	-	1,798.3

- (1) The beginning balance for Land was increased \$1.0 million to properly reflect the correct value of the land.
- (2) The beginning balance for Buildings was decreased \$1.0 million to properly reflect the correct value of the buildings.
- (3) The beginning balance for Personal Property was decreased \$0.1 million to correct an asset value incorrectly recorded.
- (4) The beginning accumulated depreciation balance for Buildings was decreased \$0.5 million to adjust for the decreased asset value of Buildings

	(Amounts in Millions of USD)				
Business-type Activities:	Beginning Balance	Adjustment	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>					
Land	91.1	-	-	(0.1)	91.0
Fine Arts	0.8	-	-	-	0.8
Construction In Process	214.9	-	232.5	(181.6)	265.8
Total capital assets not being depreciated	306.8	-	232.5	(181.7)	357.6
<u>Capital assets being depreciated:</u>					
Buildings	2,433.9	-	21.0	47.6	2,502.6
Other Improvements (1)	362.4	10.7	10.7	0.3	384.0
Equipment (2)	584.0	0.1	10.5	(4.9)	589.7
Infrastructure	1,947.7	-	101.2	(5.6)	2,043.3
Total capital assets being depreciated	5,328.0	10.8	143.5	37.4	5,519.6
<u>Less accumulated depreciation for:</u>					
Buildings	(1,406.9)	-	(61.6)	26.4	(1,442.1)
Other Improvements (3)	(210.5)	(1.2)	(13.2)	-	(225.0)
Equipment (4)	(252.2)	(0.1)	(20.3)	0.7	(271.9)
Infrastructure	(903.9)	-	(42.4)	(3.7)	(950.0)
Total accumulated depreciation	(2,773.6)	(1.3)	(137.4)	23.4	(2,888.9)
Total capital assets being depreciated, net	2,554.4	9.5	6.0	60.8	2,630.7
Capital assets, net	2,861.2	9.5	238.6	(120.9)	2,988.3

- (1) PPA's beginning balance for Other Improvements was adjusted by \$10.7 million to reflect an asset that had not previously been reported.
- (2) The SDP's beginning balance for Food Service was adjusted to reflect a \$0.1 million correction to the value of donations.
- (3) PPA's beginning balance for Accumulated Depreciation - Other Improvements was adjusted by (\$1.2) million to reflect an asset that had not previously been reported.
- (4) The SDP's beginning accumulated depreciation balance for Food Service was increased \$0.1 million to reflect the increased asset value for Machinery and Equipment.

6. NOTES PAYABLE

The Aviation Fund established a commercial paper (CP) program, which closed on January 1, 2013, in the amount of \$350 million to provide funding for capital projects currently approved by the airlines. CP is a short-term financing tool with a maximum maturity of 270 days. The Philadelphia International Airport's CP Program will enable projects to be financed on an as-needed basis; lower the Airport's cost of borrowing, as amounts drawn can be closely matched to capital cash flow requirements; and limit negative arbitrage during the construction period for projects. CP Notes will be "rolled over" until long-term bonds are issued to refund the outstanding commercial paper. There were \$140.3 million notes outstanding at June 30, 2019.

As of June 30, 2019, the Aviation fund had an outstanding letter of credit of \$140.3 million and an unused letter of credit equal to \$83.8 million related to the CP program.

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 2019, \$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, 2019, HUD had disbursed \$211.6 million in loans to PIDC and the amount of outstanding HUD Section 108 Notes Payable was \$68.55 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 12/31/18 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, 2019 are as follows:

HUD Section 108 Notes Payable, 5 Years and Thereafter

Year ending June 30,	
2020	3,666,000
2021	3,766,300
2022	4,170,000
2023	4,379,000
2024	4,608,000
Thereafter	47,955,700
Total	<u>\$ 68,545,000</u>

PGW, Pursuant to the provisions of the City of Philadelphia Note Ordinances, PGW may sell 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. As of December 1, 2017, 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 2019 and FY 2018, respectively. The commitment amount is \$120.0 million under the current credit agreements. The expiration date of the credit agreements is December 31, 2021. There were no Gas Works Revenue Capital Project Commercial Paper Notes (Capital Project Notes) or Gas Works Revenue Notes outstanding at August 31, 2019 and 2018, respectively.

PPA, On January 29, 2015, The Authority borrowed \$6,000,000 for the Philadelphia Airport Parking Garage Project in anticipation of a future bond financing. The structure of the loan is a tax-exempt bond anticipation note to be paid over a two-year period at a fixed interest rate of 3.07% and matures April 1, 2020, as a result of a two-year extension. The balance of the note payable at March 31, 2019 and 2018, is \$4,793,700, respectively.

On March 30, 2016, The Authority borrowed \$15,000,000 for the Philadelphia Airport Parking Garage in anticipation of a future bond financing. The structure of the loan is a tax-exempt bond anticipation note to be paid over a two-year period at a fixed interest rate of 3.07% and matures April 1, 2020, as a result of a two-year extension. The balance of the note payable at March 31, 2019 and 2018, is \$13,488,093, respectively.

The aggregate annual principal and sinking fund payments of debt at March 31, 2019, are as follows:

Fiscal Year Ending March 31,	Revenue Bonds		Notes Payable		Total
	Principal	Interest	Principal	Interest	
2020	\$ 15,030,515	5,042,824		\$ 561,251	\$ 20,634,590
2021	15,635,515	4,295,597	\$ 18,281,793		38,212,905
2022	13,915,515	3,578,098			17,493,613
2023	14,575,515	2,879,179			17,454,694
2024	15,265,515	2,138,218			17,403,733
2025 - 2029	27,182,573	5,013,760			32,196,333
2030	13,079,227	289,992			13,369,219
	<u>\$ 114,684,375</u>	<u>\$ 23,237,668</u>	<u>\$ 18,281,793</u>	<u>\$ 561,251</u>	<u>\$ 156,765,087</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, 2019, the statutory limit for the City is \$9.5 billion, the General Obligation Debt, net of deductions authorized by law, is \$2.1 billion; leaving a legal debt borrowing capacity of \$7.4 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	950.2	188.7	(114)	947.4	59.6
Serial Bonds	630.9	-	(98.9)	532.1	24.9
Add: Bond Premium	106.9	25.3	(16.1)	116.1	-
Less: Unamortized Discount	(0.5)	-	0.5	(0.0)	-
Total Bonds Payable - General Obligation Bonds	1,716.1	214.0	(305.9)	1,624.2	84.5
Bonds Payable - Blended Component Units					
Term Bonds - PMA	166.8	-	(13.9)	153.0	4.9
Term Bonds - PICA	168.5	-	(38.8)	129.7	40.5
Add: Bond Premium	27.0	-	(6.7)	20.3	-
Total Bonds Payable - Blended Component Units	362.3	-	(59.3)	303.1	45.4
Total Bonds Payable	2,078.4	214.0	(365.1)	1,927.2	129.9
Obligations Under Lease & Service Agreements					
Pension Service Agreement	852.3	25.0	(104.9)	772.3	104.9
Neighborhood Transformation	166.5	40.0	(9.8)	196.8	116
One Parkway	27.6	-	(2.7)	24.8	2.6
Sports Stadium	131.5	-	(14.5)	117.0	7.7
Notes from Direct Placement & Direct Borrowing	117.3	-	-	117.3	7.7
Library	5.0	-	(0.6)	4.3	0.7
Cultural Corridor Bonds	85.0	-	(4.4)	80.7	4.5
City Service Agreement	299.8	-	-	299.8	-
Affordable Housing Preservation Project	52.9	-	(18)	512	18
Philadelphia Museum of Art	10.3	-	(0.4)	9.9	0.3
PAID Rebuild Project Series 2018	0.0	79.5	-	79.5	2.8
Add: Bond Premium	41.9	8.2	(6.0)	44.1	-
Total Obligations Under Lease & Service Agreements	1,790.0	152.7	(145.1)	1,797.6	144.7
Other Long-term Liabilities					
Legal Claims	58.1	39.0	(45.3)	518	-
Worker's Compensation Claims	234.7	615	(63.6)	232.6	-
Medical Claims	23.6	96.7	(96.9)	23.4	23.4
Termination Compensation Payable	242.8	27.4	(23.1)	247.1	24.7
Leases	249.3	-	(5.1)	244.2	5.3
Total Other Long-term Liabilities	808.5	224.6	(234.0)	799.1	53.4
Total Bonds Payable, Obligations Under Lease & Svc Agreements, and OLTL	4,676.9	591.2	(744.2)	4,523.9	327.9
Net Pension and OPEB Liability					
Net Pension Liability	5,377.7	40.3	(104.2)	5,313.8	-
OPEB Liability (1)	1,657.1	70.3	(103.8)	1,623.6	-
Total Net Pension and OPEB Liability	7,034.8	110.6	(208.0)	6,937.4	-
Governmental Activity Long-term Liabilities	11,711.7	701.8	(952.2)	11,461.3	327.9

(1) Beginning balance of OPEB Liability increased \$1 million to recognize PICA OPEB liability from prior year.

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

(Amounts in Millions of USD)

		Interest Rates				Principal	Due Dates			
Governmental Funds:										
City	3.829	%	to	5.250	%	1,508.1	Fiscal	2020	to	2042
PMA	2.625	%	to	5.087	%	153.0	Fiscal	2020	to	2044
PICA	4.000	%	to	5.000	%	<u>129.7</u>	Fiscal	2020	to	2023
						<u>1,790.8</u>				

- In May 2019, the City issued \$188.7 million of General Obligation Refunding Bonds Series 2019A. The total proceeds were \$214.0 million (including a premium of \$25.3 million). The proceeds of the sale were used to refund the Series 2009A Bonds. The interest rates of the Bonds that were refunded ranged from 4.500% to 5.500%. The interest rates of the newly issued Bonds are 5.000%. The transaction resulted in a total savings to the City of \$31.6 million over the next 13 years. The difference between the present value of the debt service payments on the old debt versus the new debt (economic gain) was \$28.1 million.
- The City's outstanding notes from direct placement and direct borrowings related to governmental activities of \$117.3 million contain a provision that in the event of default, the purchaser may declare the outstanding amount immediately due and payable.
- The City's GO bonds series 2007A, 2009A, 2009B, 2011, 2012A, 2013A, 2014A, 2015A, 2015B, 2017, 2017A, 2019A have certain provisions where should a Bondholder fail to receive payment of principal and interest when due and payable, a suit may be brought against the City to seek a judgement for the unpaid amount. A judgement creditor may cause the court to issue a writ commanding the City Treasurer to cause the judgement to be paid out of any unappropriated monies of the City, and if there be no such monies, out of the first monies that shall be received for the use of the City. The City's Home Rule Charter requires that, if any obligations of the City are not paid or provided for within the fiscal year in which such obligations are payable, the annual operating budget ordinance for the following fiscal year shall provide for discharging the resulting deficit.
- Philadelphia Municipal Authority (PMA) 2012A, 2012B, 2014A, 2014B, 2017 bonds have certain provisions where, upon occurrence of Event of Default, Bondholders may declare the outstanding amount immediately due and payable; however, Bondholders do not have the right to accelerate lease payments by the City under the respective Prime Leases/Service Agreements

The City has General Obligation Bonds authorized and un-issued at year-end of \$672.2 million for Governmental Funds. The debt service through maturity for the Governmental GO Debt is as follows:

(Amounts in Millions of USD)

Fiscal Year	City Fund		Blended Component Units			
	General Fund		PMA		PICA	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	84.5	69.1	4.9	7.1	40.5	6.5
2021	77.1	67.8	5.1	6.9	32.9	4.4
2022	80.7	63.9	5.4	6.7	34.4	2.8
2023	85.7	59.7	5.6	6.4	21.9	1.1
2024	89.9	55.4	5.9	6.1	-	-
2025-2029	458.5	207.8	28.9	25.9	-	-
2030-2034	422.9	97.8	35.1	19.3	-	-
2035-2039	185.0	24.8	44.1	10.3	-	-
2040-2044	23.8	1.8	18.0	2.4	-	-
Totals	<u>1,508.1</u>	<u>648.1</u>	<u>153.0</u>	<u>91.1</u>	<u>129.7</u>	<u>14.8</u>

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

(Amounts in Millions of USD)

Fiscal Year	Lease & Service Agreements									
	Pension Service Agreement		Neighborhood Transformation		One Parkway		Sports Stadium		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	99.6	35.1	11.6	9.5	2.6	1.2	7.7	4.0	7.7	3.8
2021	62.3	37.5	12.2	9.0	2.7	1.1	8.0	3.1	8.0	2.2
2022	62.5	42.3	12.8	8.4	2.9	1.0	8.3	2.9	8.4	2.0
2023	23.4	36.4	13.4	7.8	3.0	0.8	8.7	2.7	8.7	1.8
2024	25.7	39.3	12.8	7.1	3.2	0.7	9.1	2.3	9.1	1.7
2025-2029	498.8	136.1	76.8	25.4	10.4	1.1	51.4	7.3	51.6	5.2
2030-2034	-	-	43.8	6.9	-	-	23.8	0.7	23.8	0.4
2035-2039	-	-	13.4	1.5	-	-	-	-	-	-
Totals	772.3	326.7	196.8	75.6	24.8	5.9	117.0	23.0	117.3	17.1

Fiscal Year	Central Library		Cultural Corridors		City Svc Agreement	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	0.7	0.1	4.5	3.9	-	11.8
2021	0.7	0.1	4.7	3.7	23.2	11.8
2022	0.7	0.1	5.0	3.4	19.0	10.9
2023	0.7	0.1	5.2	3.2	64.7	10.2
2024	0.7	0.1	5.5	2.9	62.1	7.6
2025-2029	0.8	-	32.2	10.1	130.8	7.8
2030-2034	-	-	23.6	1.8	-	-
Totals	4.3	0.5	80.7	29.0	299.8	60.1

Fiscal Year	Affordable Housing		Museum of Art		Rebuild Project	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	1.8	2.5	0.3	0.5	2.8	4.0
2021	1.9	2.4	0.3	0.5	3.0	3.8
2022	2.0	2.3	0.4	0.5	3.1	3.7
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
2025-2029	10.0	8.9	2.3	1.8	15.6	14.0
2030-2034	15.6	5.9	2.9	1.2	24.2	9.8
2035-2039	15.6	1.6	2.9	0.4	24.1	3.1
Totals	51.2	27.9	9.9	5.7	79.5	45.3

(2) Business Type Debt Payable

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

Long Term Debt Business Changes - Business Type

(Amounts in Millions of USD)

Business-Type Activity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
General Obligation Bonds	-	-	-	-	-
Revenue Bonds	3,296.7	346.8	(225.7)	3,417.8	169.7
Notes from Direct Placement & Direct Borrowing	125.0	-	(2.2)	122.8	2.3
Add: Bond Premium	293.3	-	(7.0)	286.3	-
Total Bonds Payable	3,715.0	346.8	(234.9)	3,826.9	172.0
Other Long Term Liabilities					
Indemnity Claims (1)	7.5	4.8	(5.7)	6.6	-
Worker's Compensation Claims	29.0	6.0	(6.2)	28.8	-
Termination Compensation Payable	20.7	5.7	(3.4)	23.0	2.3
Arbitrage	-	-	-	-	-
Total Other Long Term Liabilities	57.2	16.5	(15.3)	58.4	2.3
Total Bonds Payable & Other Long Term Liabilities	3,772.2	363.3	(250.2)	3,885.3	174.3
Net Pension and OPEB Liability					
Net Pension Liability	649.4	3.6	(11.4)	641.6	-
Net OPEB Liability	205.5	3.0	(7.1)	201.5	-
Total Net Pension and OPEB Liability	854.9	6.6	(18.5)	843.1	-
Business-Type Activity Long-term Liabilities	4,627.1	369.9	(268.7)	4,728.3	174.3

(1) Beginning balance adjusted to reflect the 2017 Legal Letter changes received February 14, 2018.

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 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 Rates			Principal			Due Dates		
Water Fund	1.155	%	to	5.250	%	2,004.2	Fiscal	2020	to 2054
Aviation Fund	2.797	%	to	5.250	%	1,536.4	Fiscal	2020	to 2048
Total Revenue Debt Payable						3,540.6			

- In November 2018, the City issued \$276.9 million of Water and Wastewater Revenue Bonds, Series 2018A. The total proceeds were \$301.8 million (which includes a premium of \$24.9 million). The 2018A bonds were issued at an interest rate of 5%. The 2018A bonds were issued for the purpose of providing funds which, together with the other available funds of the City, will be used to finance (A) capital improvements to the City's Water and Wastewater Systems, and (B) the costs of issuance relating to the issuance of the 2018A bonds.
- In February 2019, the City issued \$68.3 million of Water and Wastewater Revenue Refunding Bonds Series 2019A Bonds to refund the outstanding Series 2011B, 2012 and 2010C Bonds in the amount of \$64.5 million and to pay the costs of issuing the Series 2019A Bonds. The total proceeds of the 2019A Bonds were \$68.3 million (and the bonds were issued with no premium). The interest rates of the bonds that were refunded ranged from 4.400% to 5.000%. The interest rates of the newly issued bonds range from 2.826% to 4.289%. The transaction resulted in a total savings to the City of \$3.9 million over the next 22 years, the economic gain was \$2.9 million.

- In April 2017, the City issued \$125.0 million of Airport Revenue Bonds Series 2017 (Direct Purchase Federally Taxable Loan) to fund capital improvements for the Philadelphia Airport. As of June 30, 2019, the City has outstanding bonded debt that qualify as direct placements and direct borrowing related to business-type activities of \$122.8 million for the Series 2017 bonds. The City's debt from direct placements and direct borrowing related to business-type activities contain certain provisions where (i) Purchaser has the right to cause the Bonds to be subject to optional tender in full on April 26, 2022 and each five-year anniversary thereof (ii) If there is a payment default and such payment default continues for a period of thirty (30) days, upon the request of at least 25% of the outstanding 2017 Bondholders a trustee can be appointed and after thirty (30) days prior written notice to the City, the unpaid principal of all 2017 Bonds may be declared due and payable with interest at the rates stated in the bonds until final payment, and, if all defaults shall be made good then to annul such declaration and its consequences.
- Aviation's 2005C, 2010A, 2010D, 2011A, 2011B, 2015A, 2017A, 2017B, as well as Water's 1997B, 2010A, 2010C, 2011A, 2011B, 2012, 2013A, 2014A, 2015A, 2015B, 2016, 2017A, 2017B, 2018A, 2019A, 2019B bonds have certain provisions where if there is a payment default and such payment default continues for a period of thirty (30) days, upon the request of at least 25% of the outstanding Bondholders of such series which are in default, a trustee can be appointed and after thirty (30) days prior written notice to the City, the unpaid principal of all Bonds of such series in default may be declared due and payable with interest at the rates stated in the bonds until final payment, and, if all defaults shall be made good then to annul such declaration and its consequences.
- In July 2010, the City of Philadelphia - Water Department received approval from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for the Green Infrastructure Project (Series 2010B); bringing the total financing from PENNVEST to \$214.9 million. During fiscal year 2019, PENNVEST draw-downs totaled \$1.5 million. The funding is through low interest loans of 1.193% during the construction period and for the first five years of amortization (interest only payment is due during the construction period up to three years) and 2.107% for the remaining fifteen years. Individual loan information is as follows:

<u>Date</u>	<u>Series</u>	<u>Maximum Loan Amount</u>	<u>Amount Received Through 6/30/19</u>	<u>Current Balance Outstanding 6/30/19</u>	<u>Purpose</u>
Oct 2009	2009B	42,886,030	31,216,779	18,229,377	Water Plant Improvements
Oct 2009	2009C	57,268,193	49,157,776	31,537,115	Water Main Replacements
Mar 2010	2009D	84,759,263	75,744,096	49,233,978	Sewer Projects
Jul 2010	2010B	30,000,000	30,000,000	22,385,626	Green Infrastructure Project
	Totals	214,913,486	186,118,651	121,386,096	

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>
2020	105.4	92.1	64.3	68.2	2.3	3.4
2021	87.9	87.7	68.7	65.1	2.4	3.3
2022	81.7	83.7	76.1	61.7	118.1	2.9
2023	79.2	80.1	79.9	58.0	-	-
2024	53.1	76.7	83.7	54.3	-	-
2025-2029	289.2	348.4	366.8	213.3	-	-
2030-2034	292.9	283.5	206.8	143.0	-	-
2035-2039	303.4	218.0	207.9	91.3	-	-
2040-2044	364.4	134.6	129.3	48.4	-	-
2045-2049	197.8	58.3	130.1	13.4	-	-
2050-2054	149.2	17.8	-	-	-	-
Totals	2,004.2	1,480.9	1,413.6	816.7	122.8	9.6

(3) Defeased Debt

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

(Amounts in Millions of USD)

Governmental Funds:	
General Obligation Bonds	355.7
Enterprise Funds:	
Water Fund Revenue Bonds	148.7
	<u>504.4</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 issue Tax Revenue Anticipation Notes for fiscal year 2019. 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, 2019, the City had no arbitrage liability.

(6) Derivative Instruments

Beginning in FY 2010, the City of Philadelphia adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2019, classified by type, and the changes in fair value of such derivatives are as follows:

(Amounts in thousands)

<u>Governmental Activities</u>	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2019</u>		
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
Cash Flow Hedges:					
Pay fixed interest rate sw aps	Deferred Outflow	6,504	Debt	(21,748)	100,000
	Deferred Outflow	2,459	Debt	(12,790)	87,759
	Deferred Outflow	2,747	Debt	(12,103)	87,961
	Deferred Outflow	1,070	Debt	(4,513)	29,246
	Deferred Outflow	913	Debt	(4,053)	29,314
<u>Business Type Activities:</u>					
Cash Flow Hedges:					
Pay fixed interest rate sw aps	Deferred Outflow	869	Debt	(4,580)	87,100
	Deferred Outflow	(3)	Debt	-	165

The following table displays the objective and terms of the City's hedging derivative instruments outstanding at June 30, 2019, 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	\$87,100,000
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	Aa2/AA-	Aa2/A+
Fair Value (3)	(\$21,747,949)	(\$4,579,993)

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, 2019, the swap had a notional amount of \$100 million and the associated variable rate bonds had a \$100 million principal amount. The bonds mature in August 2031.

Fair Value: As of June 30, 2019, the swap had a negative fair value of \$21.748 million. This means that the City would have to pay this amount to terminate the swap. The fair value reflects the effect of non-performance risk, which includes credit risk. The fair value of the swap was measured using the income approach and is categorized within Level 2 of the fair value hierarchy.

Risk: As of June 30, 2019, 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, 2019, 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 -1.90000%
Net interest rate swap payments	1.92900%
Variable rate bond coupon payments	Weekly reset 1.95000%
Synthetic interest rate on bonds	3.87900%

Swap payments and associated debt:

As of June 30, 2019, 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>	<u>Total Interest</u>
2020	\$0	\$1,950,000	\$1,929,000	\$3,879,000
2021	0	1,950,000	1,929,000	3,879,000
2022	0	1,950,000	1,929,000	3,879,000
2023	0	1,950,000	1,929,000	3,879,000
2024	0	1,950,000	1,929,000	3,879,000
2025-2029	46,875,000	9,154,568	9,055,980	18,210,547
2030-2032	<u>53,125,000</u>	<u>2,099,273</u>	<u>2,076,665</u>	<u>4,175,937</u>
Total:	\$100,000,000	\$21,003,840	\$20,777,645	\$41,781,485

City Entity:	City Lease PAID	City Lease PAID	City Lease PAID	City Lease PAID	City Lease PAID
Related Bond Series	2007A (Stadium)	2007B (Stadium)	2007B (Stadium)	2014A (Stadium)	2014A (Stadium)
Initial Notional Amount	\$298,485,000	\$217,275,000	\$72,400,000	\$87,961,255	\$29,313,745
Current Notional Amount	\$193,520,000	\$87,758,745	\$29,246,255	\$87,961,255	\$29,313,745
Termination Date	10/1/2030	10/1/2030	10/1/2030	10/1/2030	10/1/2030
Product	Basis Swap (1)	Fixed Payer Swap	Fixed Payer Swap	Fixed Payer Swap (2)	Fixed Payer Swap (3)
Rate Paid by Dealer	67% 1-mo LIBOR + 0.20%	SIFMA	SIFMA	70% 1-mo LIBOR	70% 1-mo LIBOR
Rate Paid by City Entity	SIFMA	3.9713%	3.9713%	3.6200%	3.6320%
Dealer	Merrill Lynch Capital Services, Inc.	JP Morgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.	JP Morgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.
Dealer Rating	A2/A- (Bank of America Corp.)	Aa2/A+	A2/A- (Bank of America Corp.)	Aa2/A+	A2/A- (Bank of America Corp.)
Fair Value (4)	\$1,074,660	(\$12,790,058)	(\$4,512,815)	(\$12,103,172)	(\$4,053,367)

(1) PAID received annual fixed payments of \$1,216,500 from 7/1/2004 through 7/1/2013. The constant maturity swap that was an amendment to this was terminated on 12/1/2009. The City received a payment of \$3,049,000.

(2) On 5/13/2014, PAID converted a portion of the 2007B SIFMA Swap with JPMorgan to a LIBOR-based swap whereby PAID pays a fixed rate of 3.62% and receives a floating rate of 70% of 1-month LIBOR.

(3) On 5/13/2014, PAID converted a portion of the 2007B SIFMA Swap with MLCS to a LIBOR-based swap whereby PAID pays a fixed rate of 3.632% and receives a floating rate of 70% of 1-month LIBOR.

(4) Fair values are shown from the City's perspective and include accrued interest.

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

Objective: In October 2007, PAID entered into two swaps to synthetically refund PAID's outstanding Series 2001B bonds. The swap structure was used 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 2014A bonds pay interest on a LIBOR-linked index. Concurrently, the two swaps were amended such that the floating rate index on the portions allocable to the 2007B-1 bonds were converted from SIFMA to the same LIBOR-based index as the 2014A bonds. One of the LIBOR-based swaps, with a notional amount of \$87.96 million, was documented under a separate trade confirmation with JP Morgan Chase Bank. The other LIBOR-based swap, with a notional amount of \$29.31 million, was documented under a separate trade confirmation with Merrill Lynch Capital Services, Inc. Under the LIBOR-based swaps, PAID pays a fixed rate of 3.62% and 3.632% (to JPMorgan and Merrill Lynch, respectively), and receives 70% of 1-month LIBOR. The payments are based on an amortizing notional schedule.

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

As of June 30, 2019, the swaps together had a notional amount of \$234.28 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, 2019, the SIFMA-based swap with JP Morgan Chase Bank had a negative fair value of \$12.79 million, the SIFMA-based swap with Merrill Lynch Capital Services, Inc. had a negative fair value of \$4.512 million, the LIBOR-based swap with JP Morgan Chase Bank had a negative fair value of \$12.103 million and the LIBOR-based swap with Merrill Lynch Capital Services had a negative fair value of \$4.053 million. This means that PAID would have to pay these amounts to terminate the swaps. The fair values reflect the effect of non-performance risk, which includes credit risk. The fair values of the swaps were measured using the income approach and are categorized within Level 2 of the fair value hierarchy.

Risks: As of June 30, 2019, PAID was not exposed to credit risk because the swaps had a negative fair value. Should interest rates change and the fair value of the swaps become positive, PAID would be exposed to credit risk in the amount of the swaps' fair value. The City is subject to traditional basis risk on the SIFMA-based swaps should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase.

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

As of June 30, 2019, the rates for the JPMorgan SIFMA-based swap were:

<u>Term</u>	<u>Rates</u>	
Interest Rate Swap		
Fixed payment to JP Morgan	Fixed	3.97130%
Variable rate payment from JP Morgan	SIFMA	-1.90000%
Net interest rate swap payments		2.07130%
Variable rate bond coupon payments	Weighted Average Weekly resets	1.90000%
Synthetic interest rate on bonds		3.97130%

As of June 30, 2019, the rates for the Merrill Lynch SIFMA-based swap were:

<u>Term</u>	<u>Rates</u>	
Interest Rate Swap		
Fixed payment to MLCS	Fixed	3.97130%
Variable rate payment from MLCS	SIFMA	-1.90000%
Net interest rate swap payments		2.07130%
Variable rate bond coupon payments	Weighted Average Weekly Resets	1.90000%
Synthetic interest rate on bonds		3.97130%

As of June 30, 2019, the rates for the JP Morgan LIBOR-based swap were:

<u>Term</u>	<u>Rates</u>	
Interest Rate Swap		
Fixed payment to JP Morgan	Fixed	3.62000%
Variable rate payment from JP Morgan	70% of 1-month LIBOR	-1.67860%
Net interest rate swap payments		1.94140%
Variable rate bond coupon payments	70% of 1-month LIBOR + fixed spread	1.67860% *
Synthetic interest rate on bonds		3.62000%

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

As of June 30, 2019, the rates for the Merrill Lynch LIBOR-based swap were:

<u>Term</u>	<u>Rates</u>	
Interest Rate Swap		
Fixed payment to MLCS	Fixed	3.63200%
Variable rate payment from MLCS	70% of 1-month LIBOR	-1.67860%
Net interest rate swap payments		1.95340%
Variable rate bond coupon payments	70% of 1-month LIBOR + fixed spread	1.67860% *
Synthetic interest rate on bonds		3.63200%

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

Swap payments and associated debt:

As of June 30, 2019, 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>	<u>Total Interest</u>
2020	\$15,355,000	\$4,191,673	\$4,703,819	\$8,895,492
2021	16,015,000	3,916,954	4,395,529	8,312,483
2022	16,695,000	3,630,425	4,073,988	7,704,413
2023	17,405,000	3,331,729	3,738,793	7,070,522
2024	18,150,000	3,020,329	3,389,343	6,409,672
2025-2029	103,035,000	9,944,851	11,159,829	21,104,680
<u>2030-2031</u>	<u>47,625,000</u>	<u>1,287,072</u>	<u>1,444,312</u>	<u>2,731,384</u>
Total:	\$234,280,000	\$29,323,033	\$32,905,614	\$62,228,647

c. Philadelphia Airport Swap

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

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

As of June 30, 2019, the swap had a notional amount of \$87.1 million and the associated variable-rate bonds had a \$87.1 million principal amount. The bonds' variable-rate coupons are not based on an index but on remarketing performance. The bonds mature on June 15, 2025. The swap will terminate on June 15, 2025 if not previously terminated by JP Morgan Chase.

Fair Value: As of June 30, 2019, the swap had a negative fair value of \$4.58 million. This means that if the swap terminated today, the Airport would have to pay this amount to JP Morgan Chase. 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, 2019, the Airport was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the Airport would be exposed to credit risk in the amount of the swap's fair value. In addition, the Airport is subject to basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable bond rate, the synthetic interest rate will be greater than anticipated. The swap includes an additional termination event based on downgrades in credit ratings. The swap may be terminated by the Airport if JP Morgan's ratings fall below A- or A3, or by JP Morgan Chase if the Airport's ratings fall below BBB or Baa2. No termination event based on the Airport's ratings can occur as long as National Public Finance Guarantee Corporation (formerly MBIA) is rated at least A- or A3.

As of June 30, 2019, the rates were:

<u>Terms</u>	<u>Rates</u>	
Interest Rate Swap		
Fixed payment to JP Morgan	Fixed-declining	3.59720%
Variable rate payment from JP Morgan	SIFMA	-1.90000%
Net interest rate swap payments		1.69720%
Variable rate bond coupon payments	Weekly resets	1.90500%
Synthetic interest rate on bonds		3.60220%

Swap payments and associated debt:

As of June 30, 2019, 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>	<u>Total Interest</u>
2020	\$13,000,000	\$1,659,255	\$1,160,166	\$2,819,421
2021	13,700,000	1,411,605	753,366	2,164,971
2022	14,300,000	1,150,620	460,226	1,610,846
2023	14,900,000	878,205	181,056	1,059,261
2024	15,400,000	594,360	18,110	612,470
2025	<u>15,800,000</u>	<u>300,990</u>	<u>-38,910</u>	<u>262,080</u>
Total:	\$87,100,000	\$5,995,035	\$2,534,014	\$8,529,049

(7) Pension Service Agreement

In Fiscal 1999, the Philadelphia Authority for Industrial Development issued \$1.3 billion in Pension Funding Bonds. These bonds were issued pursuant to the provisions of the Pennsylvania Economic Development Financing Law and the Municipal Pension Plan Funding Standard and Recovery Act (Act 205). The bonds are special and limited obligations of **PAID**. The City entered into a Service Agreement with **PAID** agreeing to make yearly payments equal to the debt service on the bonds. **PAID** assigned its interest in the service agreement to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and does not include conduit debt transactions in its financial statements. The Pension Service Agreement of \$1.4 billion is reflected in the City's financial statements in Other Long-Term Obligations. The net proceeds of the bond sale of \$1.3 Billion were deposited with the Municipal Pension Fund. The deposit of the proceeds reduced the Unfunded Actuarial Accrued Liability by that same amount. The deposit resulted in reductions to the City's actuarially determined pension plan payments. The fiscal year 2019 Pension Funding Bonds liability of \$772.3 million is reflected in the City's financial statements as another Long-Term Obligation.

(8) Neighborhood Transformation Initiative Service Agreement

In March 2005, **PRA** issued additional City of Philadelphia Neighborhood Transformation Initiative (NTI) bonds to finance a portion of the initiative previously undertaken by the Authority and the City. Taxable Revenue Bonds Series 2005A issued in the amount of \$25.5 million are term bonds with interest rates ranging from 4.150% to 4.680% maturing through 2016. Qualified Revenue Bonds Series 2005B were issued in the amount of \$44.0 million, with interest rates ranging from 4.75% through 5% and mature through 2027. Revenue Bonds Series 2005C with an interest rate of 5% were issued for \$81.3 million and mature through 2031. In Fiscal 2012, **PRA** issued \$91.3 million City of Philadelphia Neighborhood Transformation Initiative (NTI) Revenue Refunding Series 2012 Bonds. These bonds were issued to refund the City of Philadelphia Revenue Bonds, Series 2002A, originally issued in the aggregate principal amount of \$124 million. The bonds are subject to optional redemption prior to maturity. Interest on the series bonds range from 2% to 5% and is payable on April 15 and October 15 each year until maturity in 2026. In April 2015, **PRA** issued the Series 2015A, \$73.2 million and the Series 2015B, \$38.3 million - Revenue Refunding Bonds. The 2015A and 2015B Bonds were issued for the purpose of Refunding the 2005B and 2005C bonds and to pay for the cost of issuance of the 2015A & 2015B Bonds. The fiscal year 2019 NTI Service Agreement liability of \$196.8 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 2019, the Sports Stadium Financing Agreement liability of \$117.0 million and the Notes From Direct Placement & Direct Borrowing liability of \$117.3 million, totaling a liability of \$234.3 million, is reflected in the City's financial statements as Other Long-Term Liabilities.

(10) Philadelphia Free Library

In August of 2005, **PAID** issued \$10,780,000 of Lease Revenue Bonds for the Philadelphia Free Library Project. These bonds were issued to provide financing for a portion of the construction costs related to the expansion and renovation of the Central library of the Free Library of Philadelphia. The bonds are non-recourse obligations of **PAID**, payable solely from rental payments made by the City to **PAID**, which will be sufficient to pay the principal and interest due. The cumulative principal repayment on the Lease Revenue Bonds as of December 31, 2016 and 2015 was \$4,125,000. Effective February 3, 2016, the Cultural and Commercial Corridors Bonds were refinanced by the Revenue Refunding Bonds – Philadelphia Central Library Project, Series 2016B. In fiscal 2019 the liability of \$4.3 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 2019 the liability of \$80.6 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 2019, the liability of \$299.8 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 2019, the \$51.1 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 2019, the liability of \$9.9 million for the Philadelphia Museum of Art - Series 2018A Bonds and the \$24.8 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 – PRA - Home Repair Program – Series 2018

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%.

(16) 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 2019, the liability of \$79.5 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.

(17) PAID series 2007B-2, 2007B-3, 2016A, 2016B, 2017, 2018A, 2018B, 2018, 2019, and PRA series 2012, 2015A, 2015B, 2018 bonds have provisions where, upon occurrence of Event of Default, Bondholders may declare the outstanding amount immediately due and payable; however, Bondholders do not have the right to accelerate lease payments by the City under the respective Prime Leases/Service Agreements.

(18) Net Pension Liability

Net Pension Liabilities at June 30, 2014 was \$404.7 million and \$49.7 million for the Governmental and Business Type Activities, respectively. As a result of a change in accounting principle (implementation of GASB 68) the beginning FY 2015 Net Position was adjusted by \$4.7 billion and \$579.7 million for Governmental and Business Type Activities respectively. During FY 2019, the Governmental Activities' Net Pension Liabilities (NPL) decreased by \$64.6 million, resulting in a Net Pension Liability of \$5.3 Billion. During FY 2019, the Business Type Activities' NPL decreased by \$7.8 million, resulting in a Net Pension Liability of \$641.6 million.

B. COMPONENT UNIT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

The **SDP** has debt that is classified as General Obligation debt payable. The General Obligation Bonds outstanding at year-end total \$2,957.3 million in principal, with interest rates from 1.25% to 6.765% and have due dates from 2022 to 2043. The following schedule reflects the changes in long-term liabilities for the **SDP**:

	Long Term Obligations (1) (Dollars in Millions)				
	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Governmental Activities:					
General Obligation Bonds/Lease Rental Debt	\$ 3,105.4	\$ -	\$ (148.1)	\$ 2,957.3	\$ 137.0
Bond Premium	247.2	-	(20.7)	226.5	20.7
Bond Discount	(1.9)	-	0.5	(1.4)	(0.5)
Total Bonded Debt	3,350.7	-	(168.3)	3,182.4	157.2
Termination Compensation Payable	189.0	4.9	(10.6)	183.3	15.1
Due to Other Governments					
- Deferred Reimbursement	45.3	-	-	45.3	45.3
Other Liabilities	107.0	34.6	(34.7)	106.9	31.7
Incurred But Not Reported (IBNR) Payable (2)	14.0	3.2	-	17.2	17.2
OPEB Life Insurance Liability	16.4	0.6	(1.1)	15.9	-
PSERS OPEB Liability	145.1	21.6	(8.5)	158.2	-
PSERS Pension Liability	3,518.7	447.1	(322.1)	3,643.7	-
Governmental Activity - Long-Term Liabilities	<u>\$ 7,386.2</u>	<u>\$ 512.0</u>	<u>\$ (545.3)</u>	<u>\$ 7,352.9</u>	<u>\$ 266.5</u>
Business-Type Activities:					
Termination Compensation Payable	\$ 2.0	\$ 0.1	\$ (0.1)	\$ 2.0	\$ 0.2
PSERS OPEB Liability	2.3	0.3	(0.1)	2.5	-
PSERS Pension Liability	53.3	6.8	(4.9)	55.2	-
Business-Type Activities - Long-Term Liabilities	<u>\$ 57.6</u>	<u>\$ 7.2</u>	<u>\$ (5.1)</u>	<u>\$ 59.7</u>	<u>\$ 0.2</u>

The **SDP** Debt service to maturity on general obligation bonds at June 30, 2019 is summarized as follows: (Excludes debt issued through the State Public School Building Authority).

(Dollars In thousands)				
Year Ending June 30	Interest Rates	Principal	Interest ⁽¹⁾	Total
2020	1.523 - 5.995	\$ 115,435	\$ 99,610	\$ 215,045
2021	1.523 - 5.995	120,600	93,839	214,439
2022	1.523 - 5.995	122,710	87,776	210,486
2023	1.523 - 5.995	155,830	81,732	237,562
2024	1.523 - 5.995	100,730	76,376	177,106
2025 -2029	3.738 - 6.675	472,530	308,196	780,726
2030 - 2034	4.500 - 6.765	476,035	177,066	653,101
2035 - 2039	4.500 - 6.765	207,500	89,795	297,295
2040 -2044	4.000 - 6.765	238,300	35,768	274,068
Total		<u>\$ 2,009,670</u>	<u>\$ 1,050,158</u>	<u>\$ 3,059,828</u>

(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 5.25%	964,480	Fiscal 2020 to 2048
PPA	3.00% to 5.25%	114,684	Fiscal 2019 to 2030
CCP	3.00% to 6.25%	77,298	Fiscal 2020 to 2039
PHA	3.00% to 5.50%	56,600	Fiscal 2019 to 2047
Total Revenue Debt Payable		1,213,062	

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
2020	52.87	41.92	15.03	5.04	7.24	3.72	9.35	2.69
2021	53.77	39.39	15.64	4.30	7.56	3.39	9.79	2.24
2022	54.82	36.75	13.92	3.58	7.60	3.02	10.23	1.81
2023	56.69	33.96	14.58	2.88	7.98	2.64	3.66	1.34
2024	58.20	31.57	15.27	2.14	6.24	2.24	0.76	1.20
2025-2029	255.44	127.54	27.18	5.01	26.64	6.48	3.51	5.50
2030-2034	158.50	83.87	13.08	0.29	6.77	2.35	4.33	4.68
2035-2039	153.21	47.93	-	-	7.28	0.69	5.20	3.82
2040-2044	74.00	22.24	-	-	-	-	6.54	2.48
2045-2048	47.01	4.78	-	-	-	-	6.54	0.67
2048 - 2072								
Totals	964.48	469.96	114.68	23.24	77.30	24.52	59.90	26.44

† - Gas Works amounts are presented as of its fiscal year ended August 31, 2019

‡ - PHA amounts are presented as of March 31, 2019

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

* PHA Principal amounts for years 2020 through 2023 do not include the Capital Lease Obligation of \$3.3 million.

(3) Defeased Debt

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

(Amounts in Millions)

Philadelphia Gas Works †	\$ 67.1
School District of Philadelphia	0.7
Total	<u>\$ 67.8</u>

† Gas Works amounts are presented as of August 31, 2019

PGW assets pledged, primarily noncallable U.S. Government securities, had a market value of \$69.2 million at August 31, 2019, bearing interest on face value from 1.25% to 5.88%. In FY 2019, the Fiscal Agent with respect to the Gas Works Revenue Bonds (Escrow Agent with respect to the Escrow Deposit Agreement), paid the maturing principal of the Defeased Bonds in the amount of \$5.4 million in a manner consistent with the Notices of Defeasance for the 12th Series B Gas Works Revenue Bonds.

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

SDP, as in prior years, the School District defeased certain general obligation bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. As such, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements. This includes the following:

- (a) As of June 30, 2019, there were no bonds outstanding considered to be defeased and no liability has been removed from long-term liabilities.
- (b) In addition, as of June 30, 2019, the Defeasance Accounts from the Sale of SDP Property had \$735,000 of bonds outstanding considered to be defeased and the liability was removed from long-term liabilities.

(4) Arbitrage

SDP, Federal arbitrage regulations are applicable to any issuer of tax-exempt bonds. It is necessary to rebate arbitrage earnings when the investment earnings on the bond proceeds from the sale of tax-exempt securities exceed the bond yield paid to investors. As of June 30, 2019, the arbitrage rebate calculation indicates a liability totaling \$54,833.

This arbitrage liability of \$54,833 relates to GOB Series 2010E, 2010F and 2010G. The actual amount due as of the next required "Installment Rebate Payment Date" is subject to change due to bond and investment activity, if any, occurring after June 30, 2019. Pursuant to the Regulations, the next required "Installment Rebate Payment" must be paid no later than 60 days after June 30, 2020. The School District will continue to perform an annual rebate calculation until all funds have been expended.

The School District has reserved as of June 30, 2019, \$54,833 under the fund balance of the Capital Projects Fund. In addition, a contingent liability for this amount has been accounted for in the governmental activities column of the government-wide statement of net position.

(5) Derivative Instruments

a. PGW Interest Rate Swap Agreement

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

Terms – The swap was originally executed with the counterparty on January 26, 2006 and had an original termination date of August 1, 2031, which was amended to August 1, 2028 in 2011. Under the swap, the City pays a fixed rate of 3.6745% and received a variable rate computed as the lesser of (i) the actual bond rate and (ii) the SIFMA Municipal Swap Index until September 1, 2011 on which date the variable interest rate received switched to 70.0% of one-month LIBOR until maturity.

As of August 31, 2019, 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, 2019, the swaps had a combined negative fair value of approximately \$23.1 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, 2019, 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's bonds falls below Baa2 or BBB (Moody's/S&P). However, because the City's swap payments are insured by Assured Guaranty Municipal Corporation, as long as Assured Guaranty Municipal Corporation is rated at or above A2 or A (Moody's/S&P), the termination event based on the City's ratings is stayed. At the present time, the rating for Assured Guaranty Municipal Corporation is at A2/AA (Moody's/S&P).

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

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

The impact of the interest rate swaps on the financial statements for the year ended August 31, 2019 and 2018 is as follows (thousands of U.S. dollars):

	Interest Rate Swap Liability	Deferred outflows of resources
August 31, 2018 Balance	14,796	594
Change in fair value through August 31, 2019	8,318	8,318
Amortization of terminated hedge	-	1,420
August 31, 2019 Balance	<u>23,114</u>	<u>10,332</u>

	Interest Rate Swap Liability	Deferred outflows of resources
August 31, 2017 Balance	23,533	7,911
Change in fair value through August 31, 2018	(8,737)	(8,737)
Amortization of terminated hedge	-	1,420
August 31, 2018 Balance	<u>14,796</u>	<u>594</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.

b. School District of Philadelphia Swap Agreements

The School District in Fiscal Year 2010 adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments". GASBS No. 53 provided guidance for evaluating the effectiveness of derivative instruments at the end of each reporting period.

The District in Fiscal Year 2017, adopted the provisions GASBS No. 72 "Fair Value Measurement and Application." GASBS No. 72 addresses the accounting and financial reporting issues related to fair value measurements. GASBS No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between swap counterparties at the measurement date, which includes the non-performance risk.

The fair value balances, as defined by GASBS No. 72, and notional amounts of derivative instruments outstanding at June 30, 2019, classified by type, and the change in fair value per GASBS No. 72 of such derivative instruments for the year then ended as reported in the 2019 financial statements are as follows (amounts in thousands: debit (credit)):

			(Amounts in Thousands of USD)		
Changes in Fair Value			Fair Value as of June 30, 2019		
	Classification	Amount	Classification	Amount	Notional Amount
Government Activities:					
Investment Derivatives:		\$ -		\$ -	\$ -
Pays-Variable					
Interest Rates Swaps	Investment Revenue	\$ 6,848	Investment	\$ 4,806	\$ 500,000
		<u>\$ 6,848</u>		<u>\$ 4,806</u>	

As of June 30, 2019, the School District determined that the pay variable interest rate swaps listed as investment derivatives do not meet the criteria for effectiveness as a hedging instrument. It is therefore reported within the investment revenue classification.

Fair Value of Investments:

In February 2015, the GASB issued Statement No. 72 "Fair Value Measurement and Application", addressing the accounting and financial reporting issues related to fair value measurements. GASBS No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between swap counterparties at the measurement date, which includes the non-performance risk. The Statement is effective for reporting periods beginning after June 15, 2015. The School District adopted GASB Statement No. 72 beginning Fiscal Year ended 2016.

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

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

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

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

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

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

	Level 1	Level 2	Level 3
Morgan Stanley Institutional Liquidity Fund Treasury	\$ 168,909,214	\$ -	\$ -
US Treasury Bills	156,628,564	-	-
US Treasury Bond/Note	69,007,030	-	-
Commercial Paper	44,311,327	-	-
Federal Home Loan Mortgage Corporation (FHLMC) -Global Notes		929,661	
Federal Agriculture Mortgage Corporation (FAMC)	-	9,907,317	-
SIFMA Swap	-	4,805,823	-
Total	\$ 438,856,135	\$ 15,642,801	\$ -

Level 1 - fair value investment classifications are for "securities portfolios" and US Treasury Bills with observable, quoted prices for identical assets or liabilities in active markets.

Level 2 - fair value investment classifications for FHLMC and FAMC are based on the values for similar assets in an active market. Fair value investment classifications for SIFMA Swap are based on LIBOR swap rate that is observable at commonly quoted intervals for substantially the full term of the swap financial, and nonfinancial factors. In addition, Level 2 - fair value investment classifications for SIFMA Swap are based upon market-corroborated inputs such as interest rates and yield curves that are observable at common quoted intervals and valued by a pricing service that uses matrix pricing; and price or yield of a similar investment.

8. LEASE COMMITMENTS AND LEASED ASSETS

A. CITY AS LESSOR

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

(Amounts In Thousands of USD)

	<u>Primary Government</u>		<u>Component Units</u>
	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	
Minimum Rentals	4,053	69,172	3,028
Additional	-	193,513	132
Sublease	11,975	-	1,961
Total Rental Income	16,028	262,685	5,121

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

(Amounts in Thousands of USD)

Fiscal Year Ending June 30	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
2020	11,365	33,612	3,515
2021	11,517	32,357	3,215
2022	11,703	30,894	2,241
2023	9,760	18,249	3,956
2024	9,503	6,094	435
2025-2029	40,559	27,268	1,522
2030-2035	17,426	22,875	643
2036-2041	17,426	17,724	449
2042-2047	17,426	17,705	269
Total	146,685	206,778	16,245

B. CITY AS LESSEE

1) OPERATING LEASES

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

(Amounts in Thousands of USD)

	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
Minimum Rentals	175,702	47,797	17,418
Additional Rentals	-	-	83
Sublease	-	-	1,961
Total Rental Expense	175,702	47,797	19,462

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

(Amounts in Thousands of USD)

Fiscal Year Ending June 30	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
2020	33,562	557	13,527
2021	30,601	393	12,210
2022	29,554	393	15,353
2023	24,819	393	9,781
2024	23,564	393	8,962
2025-2029	75,671	1,964	34,684
2029-2033	15,327	1,964	19,157
2034-2038	-	1,964	15,516
2039-2043	-	1,964	-
Total	233,098	9,986	129,190

2) CAPITAL LEASES

Primary Government:

On December 28, 2017, the City entered into a lease agreement with the Philadelphia Authority for Industrial Development, a component unit of the City, for use of certain properties located at 400 North Broad Street. The properties will primarily be utilized by the City's police department. Under the terms of the lease agreement, the City will make quarterly rent payments in the amount of \$3.8 million through December 1, 2026 (Initial Term). If the City does not exercise its purchase option, the lease will automatically enter into the "Renewal Term", during which the quarterly rent payments will increase to \$7.1 million through the duration of the lease, ending September 1, 2036. Rent payments under the lease agreement bear an effective interest rate of 4.029% through December 1, 2026 and an effective interest rate of 6.924% for the remaining term of the lease agreement.

Under the lease the City has a purchase option beginning on the fifth anniversary (December 31, 2025) of the delivery date (December 31, 2020) and continuing through the date that is one hundred eight days prior to the scheduled expiration date (December 28, 2026), to purchase the leased property at purchase price equal to the "Purchase FMV", as defined in the lease agreement.

As a result of this lease agreement, the City recorded an initial capital asset (lease hold asset) in the amount of \$252.5 million. At June 30, 2019, the net book value of assets acquired under this lease agreement was \$233.6 million (\$252.5 million gross value, net of \$18.9 million accumulated depreciation). For the year ended June 30, 2019, the City recorded \$12.6 million in depreciation expense related to assets acquired under the lease.

Future minimum lease payments under this agreement are as follows:

<u>June 30,</u>	<i>(In Thousands)</i>	
	<u>Principal</u>	<u>Interest</u>
2020	5.3	9.9
2021	5.5	9.7
2022	5.7	9.5
2023	6.0	9.2
2024	6.2	9.0
2025 - 2029	55.6	53.2
2030 - 2034	101.4	40.3
2035 - 2037	58.5	5.2
Total	<u>\$ 244.2</u>	<u>\$ 146.0</u>

Component Unit:

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

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>			
2020	473,448	63,306	536,754
2021	468,149	38,278	506,427
2022	378,632	14,031	392,663
2023	71,483	1,121	72,604
Totals	<u>1,391,712</u>	<u>116,736</u>	<u>1,508,448</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*, the City does not include the assets or activity of the plan in its financial statements.

B. COMPONENT UNITS

PGW offers its employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Service Code Section 457. The Plan, available to all **PGW** employees with at least 30 days of service, permits them to defer a portion of their salary until future years. **PGW** provides an annual 10.0% matching contribution of applicable wages that immediately vests to the employee. **PGW** contributed \$0.4 million in both FY2019 and FY2018. PGW's contributions are accounted for as part of administrative and general expenses.

10. FUND BALANCE POLICIES

Fund Balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. GASB 54 provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

- **Non-Spendable Fund Balance** — Includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The Permanent Funds (\$3.5 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 \$167.7 million at June 30, 2019. The fund balances in the following Special Revenue Funds were restricted: HealthChoices Behavioral Health (\$314.3 million); Grants Revenue (\$34.3 million); County Liquid Fuels (\$11.1 million); Special Gasoline Tax (\$48.1 million); Hotel Room Rental Tax (\$15.2 million); Car Rental Tax (\$5.0 million); Housing Trust (\$65.7 million); Acute Care Hospital Assessment (\$20.6 million); Departmental (\$10.4 million); Municipal Authority Administrative (\$0.3 million); PICA Administrative (\$24.3 million). The Debt Service Fund had a Restricted Fund Balance of (\$54.7 million) and the entire fund balance of the Capital Improvement (\$88.1 million) funds was restricted. The Permanent Fund had a restricted fund balance of \$3.4 million at June 30, 2019.
- **Committed Fund Balance** — Includes amounts that can only be used for specific purposes pursuant to constraints imposed by an ordinance passed by Philadelphia's City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the ordinance that was employed when the funds were initially committed. The fund balances in the following Special Revenue Funds were committed: Riverview Residents \$.03 million, Philadelphia Prisons \$3.4 million, and Departmental \$1.4 million.
- **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 \$322.3 million at June 30, 2019, which represents \$201.4 million of encumbrance balances and \$120.9 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 \$125.8 million unassigned fund balance at June 30, 2019. Within the Special Revenue Funds, the Grants Revenue Fund had a negative unassigned fund balance of (\$317.7 million) and the Community Development Fund had a negative unassigned fund balance of (\$9.3 million) at June 30, 2019.

City of Philadelphia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Exhibit XIII

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, 2019:

	Amounts in Thousands				
	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
<u>Nonspendable:</u>					
Permanent Fund (Principal)	-	-	-	3,527	3,527
Subtotal Nonspendable	-	-	-	3,527	3,527
<u>Restricted for:</u>					
Neighborhood Revitalization	-	-	238	-	238
Economic Development	-	-	-	15,172	15,172
Public Safety Emergency Phone System	-	-	34,078	-	34,078
Streets & Highways	-	-	-	59,208	59,208
Housing and Neighborhood Dev	-	-	-	65,694	65,694
Health Services	-	-	-	20,604	20,604
Behavioral Health	-	314,311	-	-	314,311
Parks & Recreation	-	-	-	1,366	1,366
Libraries & Museums	-	-	-	2,485	2,485
Intergovernmental Financing	-	-	-	24,281	24,281
Stadium Financing	-	-	-	5,034	5,034
Cultural & Commercial Corridor Project	1,240	-	-	-	1,240
Pension Obligation Bonds	10,759	-	-	-	10,759
Debt Service Reserve	-	-	-	54,719	54,719
Capital Projects	-	-	-	88,060	88,060
Affordable Housing Project	27,294	-	-	-	27,294
Art Museum Project	6,301	-	-	-	6,301
Rebuild	82,882	-	-	-	82,882
Home Repair Program	39,238	-	-	-	39,238
Trust Purposes	-	-	-	9,974	9,974
Subtotal Restricted	167,714	314,311	34,316	346,597	862,938
<u>Committed, Reported in:</u>					
Social Services	-	-	-	30	30
Prisons	-	-	-	3,414	3,414
Parks & Recreation	-	-	-	1,421	1,421
Subtotal Committed	-	-	-	4,865	4,865
<u>Assigned to:</u>					
General Management & Support	77,643	-	-	-	77,643
Social Services	26,726	-	-	-	26,726
Economic Development	20,798	-	-	-	20,798
Libraries & Museums	14,129	-	-	-	14,129
Prisons	10,918	-	-	-	10,918
Health Services	12,773	-	-	-	12,773
Other	38,448	-	-	-	38,448
Phila. Beverage Tax - Unobligated	120,899	-	-	-	120,899
Subtotal Assigned	322,334	-	-	-	322,334
<u>Unassigned Fund Balances:</u>	125,790	-	(317,722)	(9,648)	(201,580)
Subtotal Unassigned	125,790	-	(317,722)	(9,648)	(201,580)
Total Fund Balances	615,838	314,311	(283,406)	345,341	992,084

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	\$ -	\$ 41,045	\$ 177,005	\$ 101,843	\$ 319,893
Grants Revenue Fund	31,429	1,171	3,394	-	35,994
Non major Special Rev. Fds	493,551	-	35,576	500	529,627
Permanent Funds	-	119	-	-	119
Water Fund	4,095	35,822	-	-	39,917
Total	\$ 529,075	\$ 78,157	\$ 215,975	\$ 102,343	\$ 925,550

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 2019 totaled, **\$3,111,690.00**

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 2019 totaled, **\$233,454.00**

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 2019 were:

- **State ACT 175, \$1,360,061.**
- **Ord. 961, \$6,969,556.**
- **Ord. 1130, \$37,246,990.**
- **Ord. 1456-A, \$25,354,885.**

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 2019 were:

Keystone Opportunity Zone (KOZ) Real Estate Tax Credits	\$ 7,595,836
Net Profit Tax (KOZ Credit)	7,117,317
Business Income & Receipt Tax (KOZ Credit)	51,323,833
Total	\$ 66,036,986

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

- 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.

The following summarizes the fiscal year 2019 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	\$ 3,111,690
Job Creation Tax Credit	233,454
Total	<u>\$ 3,345,144</u>

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

DEVELOPMENT STATE ACT 205/175	\$ 1,360,061
ORD 961 UNCAPPED	6,969,556
ORD 1130 AS AMENDED 10 YRS	37,246,990
ORD 1456-A/983 AS AMENDED - 10 YEARS RESIDENTIAL	25,354,885
Total	<u>\$ 70,931,491</u>

Tax Abatement Agreements entered into by Other Governments

Keystone Opportunity Zone (KOZ) Real Estate Tax Credits	\$ 7,595,836
Net Profit Tax (KOZ Credit)	7,117,317
Business Income & Receipt Tax (KOZ Credit)	51,323,833
Total	<u>\$ 66,036,986</u>

As of June 30, 2019, the grand total of forgone revenues as a result of all the tax abatement programs was: \$ 140,313,621

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 2019 tax revenues were redirected as result of the TIF program was **\$4,823,496**.

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	\$ 1,927.2
Service Agreements	\$ 1,797.6
Indemnity Claims	\$ 75.2
Employee Related Obligations	\$ 479.7
Leases	\$ 244.2
Total Adjustment:	<u>\$ 4,523.9</u>

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

A. PRIMARY GOVERNMENT

The **Water Fund's** Net Position decreased by \$9.5 million as a result of:

- A net effect of (\$0.9) million for projects that were completed in fiscal year 2018 and prior but not transferred to fixed assets until fiscal year 2019.
- The net effect of (\$8.6) million for adjustments to depreciation expense due to changes in estimated useful lives and calculation adjustments.
- The effect of the adjustments is reflected as a decrease to the Water Fund's Net Position as of July 1, 2018 in the June 30, 2019 Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds, Exhibit VII.

The **Industrial & Commercial Development Fund's** Net Position decreased by \$0.9 million as a result of adjustments to the FY18 Landbank's Inventory ending balance.

- The effect of the adjustments is reflected as a decrease to the Industrial & Commercial Development Fund's Net Position as of July 1, 2018 in the June 30, 2019 Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds, Exhibit VII.

B. COMPONENT UNIT

1. The **SDP** Governmental Funds:

Prior Period Adjustment:

Payroll Liabilities: During the fiscal year ended June 30, 2019, the District determined that certain payroll deductions and liabilities were over-accrued on the Payroll Liability Agency Fund as of June 30, 2018 and the amount the District reported as liabilities was too high. Therefore, an adjustment to beginning fund balance has been recorded to the General Fund to adjust the liabilities to the correct amount. The net effect of this adjustment increased fund balance by \$9,243,483. This adjustment was also recorded to the Governmental Activities on the government-wide statements, increasing the beginning net position by \$9,243,483.

Prepaid Expenses: During the fiscal year ended June 30, 2019, the District determined that some of the purchases made for consumable student workbooks are for use in fiscal years 2020 to 2022 and should have been recorded as prepaid expenses. Therefore, an adjustment to beginning net position has been recorded to the Governmental Activities on the government-wide statements, the net effect of which increased the net position by \$3,177,322. The District uses the purchases method of accounting for prepaid expenditures on its Fund Statements; therefore, there is no adjustment to beginning fund balance.

Capital Assets: District-wide net position beginning balances were increased by \$306,792. This adjustment involved: (1) an increase in Land in the amount of \$958,018 to properly record the value previously recorded in the Building account, (2) a decrease in Buildings in the amount of \$958,018 to reduce the account balance to remove the value associated with Land, (3) a reduction to the Personal Property value in the amount of \$81,935 to correct an asset value that was incorrectly recorded, (4) a reduction to Building Accumulated Depreciation in the amount of \$364,047 to remove depreciation incorrectly associated with the Building account, (5) a reduction to Personal Property Accumulated Depreciation in the amount of \$4,097 to remove depreciation associated with the decreased Personal Property asset value, (6) an increase to Food Service Machinery & Equipment in the amount of \$26,000 to record the full value of unrecorded donations, and (7) an increase to Food Service Machinery & Equipment Accumulated Depreciation in the amount of \$5,417 to record depreciation for previously unrecorded donations.

2. Philadelphia Parking Authority:

During the year ended March 31, 2018, management determined it was necessary to restate its beginning net position amounts as a result of receivable, fixed assets, liabilities and bond premium/discount balance adjustments. In concert with the City of Philadelphia, the Authority determined that recognition of accounts receivable balances for unpaid tickets was appropriate for the On-Street ticketing division and Red-Light Camera Enforcement Program. Management also determined that there were certain assets on the records that had been disposed of previously, but not removed from the financial records and other assets whose balances were incorrectly calculated. Additionally, there was an asset that had not previously been recognized and reported that is now included in the Authority's report. Management also determined that certain bond premium/discount balances were not amortized consistent with generally accepted accounting principles or were not carried at the correct balance. Certain liabilities were not accurately reported in the prior period due to the non-cash impact on pension expense by the implementation of GASB 68.

The financial impact of the prior period restatements described above can be viewed on the following schedule.

	Amount
Net position, as previously reported, at March 31, 2017	\$ 14,039,777
Prior Period Adjustments	
Adjustment to property and equipment	11,295,600
Adjustment to bond premiums and discounts	1,049,635
Adjustment to reconcile liabilities	(6,131,944)
Adjustment to recognize receivables	72,125,919
Total prior period adjustment	78,339,210
Net position, as restated, at March 31, 2017	\$ 92,378,987

During the year ending March 31, 2019, the Authority implemented GASB No. 75. Implementation of GASB 75 requires the Authority to recognize the net liability and deferred inflows and outflows of resources resulting from a valuation of its other post-employment benefits plan. Additional disclosures related to other post-employment benefits for the Authority's plan are in Note 11. Certain liabilities were restated due to changes in calculations.

The financial impact of the prior period restatement can be viewed on the following schedule.

	Amount
Net position, as previously reported, at March 31, 2018	\$ 88,336,143
Prior Period Adjustments	
Adjustment for adoption of GASB Statement No. 75	(12,984,109)
Adjustment to reconcile liabilities	11,499
Total prior period adjustment	(12,972,610)
Net position, as restated, at March 31, 2018	\$ 75,363,533

3. Philadelphia Housing Authority (PHA)

On August 31, 2018, PHA acquired the Tax Credit Investor's, John Hancock Realty Advisors, Inc., limited partnership interests in Suffolk Manor Apartments, L.P. and Cambridge Plaza L.P. of 99.99% for \$1 each, assuming responsibility for the annual Tax Credit Investor's transaction costs of \$5,000 each and any other costs of transferring the partnership interests. PHA became the sole member of the newly created entities of SMLP 1416 Clearview LLC, assignee limited partner in Suffolk Manor Apartments, L.P., and CPLPI 1100 Poplar LLC, assignee limited partner in Cambridge Plaza L.P. Prior to PHA becoming the sole member of the newly created entities, Suffolk Manor Apartments, L.P. and Cambridge Plaza L.P. were reported as discretely presented component units. With the acquisition of the 99.99% limited partnership interests, Suffolk Manor Apartments, L.P. and Cambridge Plaza L.P. are now considered blended component units of PHA.

PHA recognized the following change in beginning net position:

PHA	Total
Net Position - March 31, 2018 (previously reported)	\$ 1,036,658,536
Adjustment	<u>(1,765,450)</u>
Net Position Adjusted - March 31, 2018 (restated)	<u>\$ 1,034,893,086</u>

15. NET POSITION RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net position reports \$1,749.4 million of restricted net position, of which \$165.9 million is restricted by enabling legislation as follows:

	<i>(Amounts in Thousands of USD)</i>	
	Restricted Net Position	Restricted by Enabling Legislation
Capital Projects	327,450	
Debt Service	456,307	
Pension Oblig Bond Refunding Reserve	10,759	
Behavioral Health	314,311	
Neighborhood Revitalization	238	
Philadelphia Art Museum Project	6,301	
Affordable Housing Project	27,293	
Cultural & Commercial Corridor Project	1,240	
Rebuild Project	82,882	65,694
Home Repair Program	39,238	
Grant Programs	149,865	
Rate Stabilization	180,449	
Libraries & Parks:	-	
Expendable	3,250	
Non-Expendable	3,527	
Educational Programs	-	100,172
Other	146,310	
Total	<u>1,749,420</u>	<u>165,866</u>

16. FUND DEFICITS

- The Grants Revenue fund, which is a Special Revenue Fund, has a Fund Balance Deficit at year-end of \$283.4 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 \$9.3 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, 2018, the date of the most recent actuarial valuation, pension plan membership consisted of the following:

Actives	28,845
Terminated Vested	1,074
Disabled	3,890
Retirees	22,275
Beneficiaries	8,547
DROP	1,944
Total City Members	66,575
Annual Salaries	\$ 1,805,400,096
Average Salary per Active Member	\$ 62,590
Annual Retirement Allowances	\$ 761,946,574
Average Retirement Allowance	\$ 21,951

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, 2017, members contributed at one of the following rates:

Employee Contribution Rates
For the Period of July 1, 2018 to June 30, 2019

	Municipal (1)	Elected (2)	Police	Fire
Plan 67	7.00%	N/A	6.00%	6.00%
Plan 67 - 50% of Aggregate Normal Cost (3)	6.32%	N/A	N/A	N/A
Plan 87	3.08%	9.62%	6.84%	6.84%
Plan 87 - 50% of Aggregate Normal Cost (4)	3.47%	N/A	N/A	N/A
Plan 87 - Accelerated Vesting (5)	3.60%	11.72%	N/A	N/A
Plan 87 Prime (6)	4.08%	10.62%	7.84%	7.84%
Plan 87 Prime - Accelerated Vesting	4.60%	12.72%	N/A	N/A
Plan 10	2.21%	N/A	5.50%	5.50%
Plan 10 - Accelerated Vesting	2.51%	N/A	N/A	N/A
Plan 16 (7)	3.87%	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 6% above it.
- 2- The employee contribution rate is based upon the normal cost of \$474,193 under plan 87 Elected, normal cost of \$256,466 under Plan 87 Municipal and annual payroll of \$3,418,294.
- 3- Effective November 1, 2014, contributions are 50% of the aggregate Normal Cost for all members in Plan J.
- 4- This represents 50% of aggregate Normal Cost for all members in Plan Y.
- 5- Member rates for Municipal Plan 87 (Y5) members eligible to vest in 5 years and Elected Officials (L8) eligible to be vested in 8 years instead of 10.
- 6- Plan 87 Prime refers to new hires who have the option to elect Plan 10 but have elected to stay in Plan 87.
- 7- Beginning January 1, 2019, all Municipal groups (except elected officials) will participate in Plan 16.

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

Within the AVR, 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 to the fund in excess of 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 the City's Funding Policy.

City's Funding Policy:

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

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

In fiscal year 2019, the City and other employers' contributions of \$797.8 million was less than the actuarially determined employer contribution (ADEC) of \$874.7 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. All future amortization periods will follow the City's Funding Policies as outlined above.

In the fiscal year 2019, the City and other employers' contributions of \$797.8 million exceeded the Minimum Municipal Obligation of \$668.3 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 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 Minimum Municipal Obligation (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 the fiscal year 2019, the City and other employers' contributions of \$797.8 million exceeded the contribution under Revenue Recognition Policy of \$680.8 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 sixty days of the end of the fiscal year, by majority vote of its members, the Board of Directors of the Fund (the Board) shall consider whether sufficient funds have accumulated in the PAF to support an enhanced benefit distribution (which may include, but is not limited to, a lump sum bonus payment, monthly pension payment increases, ad-hoc cost of living adjustments, continuous cost-of-living adjustments, or some other form of increase in benefits as determined by the Board) to retirees, their beneficiaries and their survivors. As of July 1, 2018, the date of the most recent actuarial valuation, there was \$1,160,247 in the PAF and the Board voted to make PAF distributions of \$822 during the fiscal year ended June 30, 2019.

The Fund includes a Deferred Retirement Option Plan (DROP Plan). The DROP Plan allows a participant to declare that they will retire within 4 years. During the 4-year period, the City will make no further contributions for the participant. The participant would continue to work and to receive their salary; however, any increases would not be counted towards their pension benefit. During the 4-year period the individual participates in the DROP Plan, their pension benefits will be paid into an escrow account in the participant's name. After the 4-year period, the participant would begin to receive their pension benefits and the amount that has been accumulated in the escrow account in a lump sum payment. The balance in the DROP Plan as of June 30, 2019 is \$156.8 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 7.55% over a full market cycle. It is anticipated that this return standard should enable the Fund to meet its actuarially assumed earnings projection (currently 7.55%) over a market cycle. The investment return assumption was reduced by the Board from 7.60% to 7.55%. 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 June 30, 2019:

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

Money-Weighted Rate of Return: For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.48%. 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. Unsettled investment sales are reported as Accrued Interest and Other Receivable, and unsettled investment purchases are included in Accrued Expenses and Other Liabilities.

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

Income Taxes

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

Related Parties

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

Use of Estimates in Preparing Financial Statements

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

Risks and Uncertainties

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

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

Administrative Expenses

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

e. CASH DEPOSITS, INVESTMENTS AND SECURITIES LENDING

Legal Provisions

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

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, 2019. 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, JPMorgan, N.A., as cash equivalents. The Fund also classifies Treasury Bills 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, 2019:

2019 (in Thousands)	Total Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Asset Backed Securities	\$ 23,677	\$ 1,774	\$ 7,187	\$ 4,982	\$ 9,734
CDO	483	483	-	-	-
CMO/REMIC	7,992	2,317	25	239	5,411
Commercial Mortgage Backed Securities	19,779	6,376	393	1,250	11,760
Corporate Bonds	345,432	123,575	73,751	102,850	45,256
Government Bonds	364,123	78,583	82,906	127,614	75,020
Mortgage Backed Securities	73,379	482	386	6,037	66,474
Municipal Bonds	12,995	-	454	6,088	6,453
Total Credit Risk of Debt Securities	<u>\$ 847,860</u>	<u>\$ 213,590</u>	<u>\$ 165,102</u>	<u>\$ 249,060</u>	<u>\$ 220,108</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, 2019, 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 \$847.9 million of directly owned fixed income. The Fund's directly owned rated debt investments as of June 30, 2019 were rated by Standard & Poor's, a nationally recognized statistical rating agency and are presented below using Standard and Poor's rating scale:

2019 (in Thousands)	Total Fair Value	Credit Rating									
		AAA	AA	A	BBB	BB	B	CCC	C	D	NR
Asset Backed Securities	\$ 23,677	\$ 6,335	\$ 2,159	\$ 2,447	\$ 3,088	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,648
CDO	483	483	-	-	-	-	-	-	-	-	-
CMO/REMIC	7,992	853	4,485	165	45	31	333	-	-	-	2,080
Commercial Mortgage Backed Securities	19,779	6,859	11,137	437	4	-	243	-	-	91	1,008
Corporate Bonds	345,432	1,034	4,242	105,606	104,442	52,587	50,363	13,925	147	269	12,817
Government Bonds	364,123	9,230	250,385	46,054	23,780	17,774	10,109	5,307	-	891	593
Mortgage Backed Securities	73,379	-	73,379	-	-	-	-	-	-	-	-
Municipal Bonds	12,995	-	7,999	3,278	852	866	-	-	-	-	-
Total Credit Risk of Debt Securities	<u>\$ 847,860</u>	<u>\$ 24,794</u>	<u>\$ 353,786</u>	<u>\$ 157,987</u>	<u>\$ 132,211</u>	<u>\$ 71,258</u>	<u>\$ 61,048</u>	<u>\$ 19,232</u>	<u>\$ 147</u>	<u>\$ 1,251</u>	<u>\$ 26,146</u>

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 41.4% of the total investment in equities.

The Fund's exposure to foreign currency risk at June 30, 2019 was as follows (expressed in thousands):

Currency	Cash	Fixed Income	Equities	Derivatives	Total
Euro (EUR)	\$ 1,792	\$ 552	\$ 329,463	\$ 35	\$ 331,842
Japanese Yen (JPY)	677	31	257,817	7	258,532
Pound Sterling (GBP)	452	1,038	184,595	21	186,106
Canadian Dollar (CAD)	333	560	128,992	13	129,898
Hong Kong Dollar (HKD)	248	-	107,630	-	107,878
Australian Dollar (AUD)	187	7,176	78,382	(2)	85,743
Swiss Franc (CHF)	729	-	85,679	(2)	86,406
South Korean Won (KRW)	-	-	35,058	(5)	35,053
Mexican Peso (MXN)	32	21,678	6,133	(1)	27,842
South African Rand (ZAR)	-	8,335	13,094	(248)	21,181
Swedish Krona (SEK)	337	-	26,222	185	26,744
Brazilian Real (BRL)	4	9,703	16,917	6	26,630
Malaysian Ringgit (MYR)	-	8,920	5,846	-	14,766
Danish Krone (DKK)	268	-	16,347	-	16,615
Indonesian Rupiah (IDR)	12	7,828	6,017	6	13,863
Polish Zloty (PLN)	18	9,427	3,159	8	12,612
Singapore Dollar (SGD)	299	-	13,183	-	13,482
Norwegian Krone (NOK)	172	-	8,745	297	9,214
Thai Baht (THB)	2	-	7,428	-	7,430
New Turkish Lira (TRY)	6	-	1,233	-	1,239
Chilean Peso (CLP)	69	862	2,198	1	3,130
Philippine Peso (PHP)	-	-	4,210	-	4,210
All Others	2,769	11,806	13,451	135	28,161
	<u>\$ 8,406</u>	<u>\$ 87,916</u>	<u>\$ 1,351,799</u>	<u>\$ 456</u>	<u>\$ 1,448,577</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 at June 30, 2019 in addition to the fair value and change in the fair value of derivatives.

List of Derivatives Aggregated by Investment Type

List of Derivatives Aggregated by Investment Type					
Classification	Change in Fair Value	Fair Value at June 30, 2019		Notional	
Investment Derivatives					
Forwards Currency Contracts	Net Appreciation (Depreciation) in Investments	\$ 2,210,016	Investments	\$ 414,656	\$ 190,108,181
Futures	Net Appreciation (Depreciation) in Investments	559,088	Investments	400,772	231
Grand Totals		\$ 2,769,104		\$ 815,428	\$ 190,108,412

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

Credit risk:

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

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

Swap agreements:

These derivative instruments provide for periodic payments at predetermined future dates between parties based on the change in value of underlying securities, indexes or interest rates. Under fixed interest rate type swap arrangements, the Fund receives the fixed interest rate on certain equity or debt securities or indexes in exchange for a fixed charge. There were not any total receive fixed interest Swaps during 2019. 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 (\$313,449).

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 (\$5,334,716).

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 Municipal Pension Fund has the following recurring fair value measurement as of June 30, 2019 (expressed in thousands):

	June 30, 2019	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				
U.S. Treasury Securities	\$ 221,658	\$ -	\$ 221,658	\$ -
Agency Bonds	22,252	-	22,252	-
Asset Backed Securities	23,677	-	23,677	-
Collateralized Debt Obligation	483	-	483	-
Corporate Bonds	345,432	-	345,432	-
Government Bonds	114,354	-	114,354	-
Mortgage Backed Securities	101,150	-	101,150	-
Municipal Bonds	12,995	-	12,995	-
Sovereign Debt	5,859	-	5,859	-
Mutual Funds	988	988	-	-
Equity	3,263,263	3,258,778	1,577	2,908
Total Investments by Fair Value Level	4,112,111	3,259,766	849,437	2,908
Investments Measured at the Net Asset Value (NAV)				
Credit Distressed Hedge Fund	\$ 1,824			
Equity Long/Short Hedge funds	27,278			
Real Estate	638,690			
Private Equity	495,502			
Fixed Income Hedge Funds	79,321			
Total Investments Measured at the NAV	1,242,615			
Total Investments Measured at Fair Value	\$ 5,354,726			
Investment Derivative Instruments				
Equity Index Futures (Assets)	\$ 412	\$ 412	\$ -	
Currency Futures (Assets)	2	2	-	
Currency Futures (Liabilities)	(13)	(13)	-	
Forward Currency Contracts (Assets)	919	-	919	
Forward Currency Contracts (Liabilities)	(504)	-	(504)	
Total Investment Derivative instruments	\$ 816	\$ 401	\$ 415	

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

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

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table (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>
Credit Distressed Hedge Fund	\$ 1,824	\$ -	Quarterly	90 days
Equity Long/Short Hedge funds	27,278	-	Quarterly	90 days' notice
Real Estate	638,690	7,303	N/A	N/A
Private Equity	495,502	278,529	N/A	N/A
Fixed Income Hedge Funds	79,321	-	Quarterly	90-120 days
Total Investments Measured at the NAV	<u>\$ 1,242,615</u>			

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

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. Investment can be redeemed with a 90 days' notice.

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

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

5. Fixed income 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.

Securities Lending Program

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

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

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

During the fiscal year, the Fund and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested in a separately managed account based upon the investment guidelines established by the Fund. As of June 30, 2019, the weighted average maturity was 48 days and the final maturity was 351 days. Because the securities lending transactions were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral received from the borrower.

On June 30, 2019, the Fund had no credit risk exposure to borrowers because all borrowers were required to deliver collateral for each loan.

As of June 30, 2019, the fair value of securities on loan was \$356.9 million. Associated collateral totaling \$381.4 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, 2019, the invested cash collateral was \$381.4 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, 2019 were as follows:

Total Pension Liability	\$ 11,774,268,695
Plan Fiduciary Net Position	5,688,383,351
Collective Net Pension Liability	<u>\$ 6,085,885,344</u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability: 48.3%

Actuarial assumptions:

The total pension liability was determined by an actuarial valuation as of June 30, 2018 and was rolled forward to June 30, 2019. The June 30, 2018 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:	7.55% compounded annually, net of expenses
Salary Increases:	Age based table

The investment return assumption was changed from 7.60% from the prior year valuation to 7.55% 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, 2019. Measurements are based on the fair value of assets as of June 30, 2019 and the total pension liability (TPL) as of the valuation date, July 1, 2018, updated to June 30, 2019. The roll-forward procedure included the addition of service cost and interest cost offset by actual benefit payments. During the measurement year, the collective NPL decreased by approximately \$83 million. The service cost and interest cost increased the collective NPL by approximately \$1.04 billion while contributions plus investment income offset by administrative expenses decreased the collective NPL by approximately \$1.19 billion.

There was a benefit change to increase the pay cap from \$50,000 to \$65,000 for DC 33 Municipal members participating in the Stacked Hybrid Plan 16 which increased the TPL by approximately \$0.4 million. There was an actuarial experience loss during the year of approximately \$11 million.

In addition, the Board adopted an assumption change to decrease the expected long-term return on assets from 7.60% to 7.55% which increased the TPL by approximately \$53 million.

Long-term expected rate of return:

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

Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 are summarized in the following table: (see pension plan's investment policy: <http://www.phila.gov/pensions/PDF/ips.pdf>)

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

The above table reflects the expected real rate of return for each major asset class. The expected inflation rate is projected at 2.0% for the same period.

Discount Rate: The discount rate used to measure the total pension liability was 7.55%. 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 7.55%, 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:

	1% Decrease 6.55%	Discount Rate 7.55%	1% Increase 8.55%
Total Pension Liability	\$ 12,984,587,892	\$ 11,774,268,695	\$ 10,743,736,185
Plan Fiduciary Net Position	5,688,383,351	5,688,383,351	5,688,383,351
Collective Net Pension Liability	<u>\$ 7,296,204,541</u>	<u>\$ 6,085,885,344</u>	<u>\$ 5,055,352,834</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43.8%	48.3%	52.9%

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, 2019.

	Change in Collective Net Pension Liability		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2018	\$ 11,510,667,823	\$ 5,341,285,527	\$ 6,169,382,296
Changes for the year:			
Service cost	183,755,848		\$ 183,755,848
Interest	857,348,582		857,348,582
Changes of benefits	378,455		378,455
Differences between expected and actual experience	11,097,845		11,097,845
Changes of assumptions	53,488,769		53,488,769
Contributions - employer		797,805,518	(797,805,518)
Contributions - member		99,179,683	(99,179,683)
Net investment income		303,735,946	(303,735,946)
Benefit payments	(842,468,627)	(842,468,627)	0
Administrative expense		(11,154,696)	11,154,696
Net Changes	<u>263,600,872</u>	<u>347,097,824</u>	<u>(83,496,952)</u>
Balances at 6/30/2019	<u>\$ 11,774,268,695</u>	<u>\$ 5,688,383,351</u>	<u>\$ 6,085,885,344</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		\$ 16,393,565	\$ 411,899	\$ 1,482,835	\$ 805,508,932	\$ 823,797,231
Change in proportion		(6,798,067)	320,838	(1,134,625)	7,611,853	-
Contribution difference		6,372,084	67,422	488,547	(6,928,052)	-
Employer pension expense		<u>15,967,582</u>	<u>800,159</u>	<u>836,757</u>	<u>806,192,733</u>	<u>823,797,231</u>
Net pension liability	6/30/18	132,024,781	2,467,753	11,721,826	6,023,167,936	6,169,382,296
Net pension liability	6/30/19	<u>121,109,118</u>	<u>3,042,943</u>	<u>10,954,594</u>	<u>5,950,778,689</u>	<u>6,085,885,344</u>
Change in net pension liability		<u>(10,915,663)</u>	<u>575,190</u>	<u>(767,232)</u>	<u>(72,389,247)</u>	<u>(83,496,952)</u>
Deferred outflow s	6/30/18	27,191,684	511,556	2,071,464	352,592,300	382,367,004
Deferred outflow s	6/30/19	<u>14,583,914</u>	<u>712,752</u>	<u>1,237,713</u>	<u>235,767,146</u>	<u>252,301,525</u>
Change in deferred outflow s		<u>(12,607,770)</u>	<u>201,196</u>	<u>(833,751)</u>	<u>(116,825,154)</u>	<u>(130,065,479)</u>
Deferred inflow s	6/30/18	(38,017,115)	(171,458)	(4,180,348)	(22,243,931)	(64,612,852)
Deferred inflow s	6/30/19	<u>(29,582,073)</u>	<u>(93,147)</u>	<u>(2,918,062)</u>	<u>(11,442,756)</u>	<u>(44,036,038)</u>
Change in deferred inflow s		<u>8,435,042</u>	<u>78,311</u>	<u>1,262,286</u>	<u>10,801,175</u>	<u>20,576,814</u>
Employer contributions		22,710,517	504,477	2,032,524	772,558,000	797,805,518
Employer pension expense		15,967,582	800,159	836,757	806,192,733	823,797,231

Reconciliation of Net Pension Liability

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

Reconciliation of Collective Net Pension Liability to the Primary Government Net Pension Liability			
(Amounts in thousands of USD)			
Municipal Pension Fund	Proportionate Share of NPL	Discretely Presented Component Units	City and Blended Component Units
City	5,950,779	-	5,950,779
PPA	121,109	121,109	-
PMA	3,043	-	3,043
PHDC (1)	10,955	10,955	-
Collective Net Pension Liability	<u>6,085,885</u>	<u>132,064</u>	<u>5,953,822</u>
State Pension Fund			
PICA			1,553
City's Primary Government Net Pension Liability (Exhibit I)			<u>5,955,375</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	1.99%	0.05%	0.18%	97.78%	100%
Experience	\$ 981,399	\$ 24,658	\$ 88,770	\$ 48,221,693	\$ 49,316,520
Assumption changes	2,162,374	54,331	195,592	106,249,723	108,662,020
Investment return	1,000,710	25,143	90,517	49,170,578	50,286,948
Proportion change	-	468,130	-	32,125,152	32,593,282
Contribution difference	10,439,431	140,490	862,834	-	11,442,755
	<u>\$ 14,583,914</u>	<u>\$ 712,752</u>	<u>\$ 1,237,713</u>	<u>\$ 235,767,146</u>	<u>\$ 252,301,525</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	1.99%	0.05%	0.180%	97.78%	100%
Experience	\$ -	\$ -	\$ -	\$ -	\$ -
Assumption changes	-	-	-	-	-
Investment return	-	-	-	-	-
Proportion change	(29,582,073)	(93,147)	(2,918,062)	-	(32,593,282)
Contribution difference	-	-	-	(11,442,756)	(11,442,756)
	<u>\$ (29,582,073)</u>	<u>\$ (93,147)</u>	<u>\$ (2,918,062)</u>	<u>\$ (11,442,756)</u>	<u>\$ (44,036,038)</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
2020	\$ (9,642,669)	\$ 167,382	\$ (1,215,146)	\$ 157,346,952	\$ 146,656,519
2021	(5,654,225)	148,894	(567,059)	13,609,122	7,536,732
2022	17,131	148,343	38,966	20,186,609	20,391,049
2023	281,605	154,988	62,888	33,181,707	33,681,188
2024	-	-	-	-	-
Thereafter	-	-	-	-	-
Total	<u>\$ (14,998,158)</u>	<u>\$ 619,607</u>	<u>\$ (1,680,351)</u>	<u>\$ 224,324,390</u>	<u>\$ 208,265,488</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 others. In each case, the City is required by the Philadelphia Home Rule Charter to maintain an actuarially sound pension and retirement system.

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

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

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

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

As of the latest available actuarial valuation (June 30, 2019), the Plan's membership consisted of:

Active participants	\$ 1,195
Retired participants	2,178
Vested terminated participants	317
Total Plan participants	<u>3,690</u>
Total payroll	\$ 98,453,547
Average pay	\$ 82,388

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 percent of their compensation. Such contributions are made by means of periodic payroll deductions determined by the Company. Contributing participants are 100 percent 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 percent vested in their accrued benefit. Contributions from contributing participants for the Plan year ending June 30, 2019 totaled \$1,248,941.

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

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, 2018 and the contribution rate as of percentage of payroll was 29.25 percent.

Benefit and contribution provisions are established by City ordinance and may be amended only as allowed by City ordinance. Benefits under the Plan are guaranteed by statute. In the event employer contributions are not sufficient to pay required benefits, the City's General fund must provide any shortfall.

c. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 at June 30, 2019.

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 \$17,309,709 for the year ended June 30, 2019. Net unrealized gains for the year ended June 30, 2019 totaled \$4,308,228.

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

Fair Value of Financial Instruments

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

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. Benefits payments made by PGW and administrative costs incurred by PGW on behalf of the Plan amounted to \$53,892,944 and \$191,645, respectively for the year ended June 30, 2019.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at June 30, 2019, 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.

Deposits and Investments

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

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 December 2, 2016. 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, 2019, the Plan had investments of approximately \$538 million, comprised of \$372 million in equities and \$166 million in fixed-income investments. The ratio of equities to fixed income is 69 percent to 31 percent which is in line with the Policy guidelines of 60-70 percent equities and 30-40 percent fixed income.

For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of investment expense was 6.73 percent.

The Commission employs third-party vendors to manage the assets of the Plan as well as perform other needed services. As of June 30, 2019, the Commission employed the following investment managers and vendors:

Manager	Mandate	Balance (Millions)
<u>Equity Managers</u>		
RhumbLine Asset Management	Domestic Large Cap Index	\$ 134.2
RhumbLine Asset Management	International Markets	36.4
PineBridge Investments	Domestic Large Cap Index	58.1
Northern Trust Company	Domestic Large Cap Index	25.9
Eagle Asset Management	Domestic Small Cap Growth	26.5
Acadian Asset Management	International Markets	36.0
Earnest Partners, LLC	International Markets	34.6
Vaughan Nelson	Domestic Small Cap Value	<u>20.3</u>
		<u>372.0</u>
<u>Bond Managers</u>		
Weaver Barksdale	Core	39.0
Logan Circle Partners	Core Plus	35.6
Logan Circle Partners	Investment Grade	14.0
Garcia Hamilton	Intermediate	31.8
Lazard Asset Management	Intermediate Plus	31.7
Sky Harbor Capital Management	High Yield	<u>13.6</u>
		<u>165.7</u>
Total		<u>\$ 537.7</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.

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	\$ 45,227,256	\$ 1,844,246	\$ 17,205,091	\$ 21,954,808	\$ 4,223,111
U.S. govt. agencies	29,289,695	1,856,680	20,505,921	4,104,024	2,823,070
Municipal bonds	2,468,695	1,320,592	240,237	620,724	287,142
Corporate bonds	80,786,801	20,889,082	31,648,426	16,864,423	11,384,870
Asset backed securities	9,094,992	1,563,002	3,939,210	2,688,143	904,637
	<u>\$ 166,867,439</u>	<u>\$ 27,473,602</u>	<u>\$ 73,538,885</u>	<u>\$ 46,232,122</u>	<u>\$ 19,622,830</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, 2019 were rated by 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 Securities	U.S. Government Agency Securities	Municipal Bonds	Corporate Bonds	Asset-Backed Securities	Total
AAA	\$ -	\$ -	\$ -	\$ 147,355	\$ 6,140,136	\$ 6,287,491
AA+	45,227,256	26,896,672	-	870,374	393,597	73,387,899
AA	-	-	-	-	573,931	573,931
AA-	-	-	1,216,147	1,451,147	347,214	3,014,508
A+	-	-	-	4,188,093	126,933	4,315,026
A	-	-	-	7,084,267	313,013	7,397,280
A-	-	-	424,482	17,623,303	394,663	18,442,448
BBB+	-	-	300,687	15,629,755	69,473	15,999,915
BBB	-	-	-	8,899,954	292,261	9,192,215
BBB-	-	-	527,379	6,998,443	-	7,525,822
BB+	-	-	-	2,907,510	29,866	2,937,376
BB	-	-	-	1,649,130	-	1,649,130
BB-	-	-	-	2,649,983	-	2,649,983
B+	-	-	-	1,993,368	-	1,993,368
B	-	-	-	2,007,971	-	2,007,971
B-	-	-	-	4,067,867	140,410	4,208,277
CCC+	-	-	-	1,202,705	-	1,202,705
CCC	-	-	-	1,309,676	14,865	1,324,541
CCC-	-	-	-	105,900	-	105,900
CC	-	-	-	-	-	-
D	-	-	-	-	28,685	28,685
NR/NA	-	2,393,023	-	-	229,945	2,622,968
	<u>\$ 45,227,256</u>	<u>\$ 29,289,695</u>	<u>\$ 2,468,695</u>	<u>\$ 80,786,801</u>	<u>\$ 9,094,992</u>	<u>\$ 166,867,439</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, 2019, no single investment, not guaranteed by the U.S. government exceeds 5 percent of the Plan's net fiduciary financial position.

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.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ -	\$ 80,786,801	\$ -	\$ 80,786,801
Common and preferred stock	346,140,905	25,897,459	1,606	372,039,970
U.S. government securities	44,028,237	29,289,697	-	73,317,934
Financial agreements	-	-	39,848	39,848
Asset backed securities	-	9,094,992	-	9,094,992
Municipal obligations	-	2,468,695	-	2,468,695
	<u>\$ 390,169,142</u>	<u>\$ 147,537,644</u>	<u>\$ 41,454</u>	<u>\$ 537,748,240</u>

e. ADVANCE FROM THE PHILADELPHIA GAS WORKS

Payments to beneficiaries are made by PGW through its payroll system. The amount due to PGW at June 30, 2019 of \$104 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 at June 30, 2019, were as follows (dollar amounts in thousands):

Total pension liability	\$ 800,485
Plan fiduciary net position	<u>(553,240)</u>
Net pension liability	<u>\$ 247,245</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>69.11%</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions:

Salary increases	4.5 percent for the current year and for subsequent years
General inflation	2.0 percent
Investment rate of return including inflation	7.30 percent, net of pension plan investment expense,

Mortality rates were based on the RP-2014 Combined Mortality Table for Males and Females with adjustments for mortality improvements based on Scale MP-2018.

Change in Assumptions

The total pension liability reflects a decrease of approximately \$1.8 million as a result of changes actuarial assumptions for the Plan year ended June 30, 2019. The mortality table was changed from RP-2014 mortality table generationally projected with Scale MP-2017 to the RP-2014 mortality table generationally projected with Scale MP-2018 to better reflect actual and future mortality experience.

Discount Rate

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

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, 2019 is calculated using the discount rate of 7.30%, as well as the Plan's net pension liability if it were calculated using a discount rate that is 1 % lower (6.30%) or 1% higher (8.30%) than the current rate (dollar amounts in thousands):

	1% Decrease 6.30%	Current Rate 7.30%	1% Increase 8.30%
Total pension liability	\$ 891,597	\$ 800,485	\$ 724,431
Plan fiduciary net position	553,240	553,240	553,240
Net pension liability	\$ 338,357	\$ 247,245	\$ 171,191

Subsequent Events

The Plan has evaluated subsequent events occurring after the statement of fiduciary net position through the date of December 5, 2019 which is the date the financial statements were available to be issued.

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

B. DISCRETELY PRESENTED COMPONENT UNITS

(1) Philadelphia Gas Works

a. Plan Description

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

b. Benefits Provided

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

c. Employees Covered by Benefit Terms

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

d. Contributions

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

e. ADVANCE FROM THE PHILADELPHIA GAS WORKS

f. Net Pension Liability

PGW's net pension liability as of August 31, 2019 and 2018 was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and June 30, 2018, respectively.

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

	2019	2018
Inflation	2.00 %	2.00 %
Salary increases	4.50	4.50
Investment rate of return	7.30	7.30

Mortality rates. Mortality rates for FY 2018 were based on the RP-2014 mortality tables for males and females generationally projected with scale MP-2017. Mortality rates for FY 2019 were based on the RP-2014 mortality tables for males and females generationally projected with scale MP-2018.

Long-term rate of return. The long-term expected rate of return on Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for FY 2019 are summarized in the following table:

Asset class	Minimum	Maximum	Target	Expected annual return
Domestic equity	35.0 %	55.0 %	45.0 %	8.8 %
International equity	10.0	30.0	20.0	8.8
Fixed income	25.0	45.0	35.0	5.2
Cash equivalents	—	10.0	—	—
			100.0 %	

Discount rate. The discount rate used to measure the total pension liability at June 30, 2019 and 2018 was 7.3%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Company contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee contributions. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

(Thousands of U.S. dollars)

	Increase (decrease)		
	Total pension liability	Plan fiduciary net position	Net pension liability
	(a)	(b)	(a)-(b)
Balances at September 1, 2017	\$ 783,471	521,526	261,945
Changes for the year:			
Service cost	6,103	—	6,103
Interest	55,718	—	55,718
Differences between expected and actual experience	15,706	—	15,706
Contributions – employer	—	29,143	(29,143)
Contributions – employee	—	1,078	(1,078)
Net investment income	—	44,310	(44,310)
Benefit payments, including refunds of employee contributions	(52,627)	(52,627)	—
Administrative expenses	—	(184)	184
Change in assumptions	(3,864)	—	(3,864)
Net changes	21,036	21,720	(684)
Balances at August 31, 2018	\$ 804,507	543,246	261,261

Changes in Net Pension Liability

(Thousands of U.S. dollars)

		Increase (decrease)	
	Total pension liability	Plan fiduciary net position	Net pension liability
	(a)	(b)	(a)-(b)
Balances at September 1, 2018	\$ 804,507	543,246	261,261
Changes for the year:			
Service cost	6,554	—	6,554
Interest	57,241	—	57,241
Differences between expected and actual experience	(12,089)	—	(12,089)
Contributions – employer	—	28,570	(28,570)
Contributions – employee	—	1,249	(1,249)
Net investment income	—	34,260	(34,260)
Benefit payments, including refunds of employee contributions	(53,893)	(53,893)	—
Administrative expenses	—	(192)	192
Change in assumptions	(1,834)	—	(1,834)
Net changes	(4,021)	9,994	(14,015)
Balances at August 31, 2019	\$ 800,486	553,240	247,246

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

The following table presents the net pension liability of the Company at June 30, 2019, calculated using the discount rate of 7.30%, as well as what the Company's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.30%) or one-percentage point higher (8.30%) than the current rate:

	1% Decrease 6.30%	Current discount rate 7.30%	1% Increase 8.30%
	(Thousands of U.S. dollars)		
Net pension liability	\$ 338,357	247,246	171,192

The following table presents the net pension liability of the Company at June 30, 2018, calculated using the discount rate of 7.30%, as well as what the Company's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.30%) or one-percentage point higher (8.30%) than the current rate:

	1% Decrease 6.30%	Current discount rate 7.30%	1% Increase 8.30%
	(Thousands of U.S. dollars)		
Net pension liability	\$ 354,026	261,261	183,912

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

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

For the years ended August 31, 2019 and 2018, the Company recognized pension expense of \$30.3 million and \$43.2 million, respectively. At August 31, 2019 and 2018, the Company reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (thousands of U.S. dollars):

	August 31, 2019		August 31, 2018	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 8,067	8,949	12,697	2,023
Changes of assumptions	—	5,039	6,119	6,726
Net difference between projected and actual earnings on pension plan investments	—	4,242	—	4,517
Contributions made after measurement date	6,354	—	6,127	—
Total	\$ 14,421	18,230	24,943	13,266

The \$6.4 million reported as deferred outflows of resources related to employer contributions made after the measurement date as of June 30, 2019 will be recognized as a reduction of the net pension liability in the Company's FY 2020. 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:	
2020	\$ (682)
2021	(6,799)
2022	(4,127)
2023	1,445

h. Fair Value Measurements

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

(2) School District of Philadelphia

a. Plan Description

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

b. Benefits provided:

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

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

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

c. Contributions

Members Contributions:

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

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

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

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

Employer's Contributions:

The School District of Philadelphia's contractually required contribution rate for fiscal year ended June 30, 2019 was 32.60% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the PSERS pension plan from the School District were \$341.5 million for the year ended June 30, 2019.

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 2019 was 72.31 percent.

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

- (a) At June 30, 2019, the District reported a liability of \$3,698.9 million for its proportionate share of the net pension liability of which \$3,643.7 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, 2018, 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, 2017 to June 30, 2018. 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, 2018, the District's proportion was 7.7051 percent, which was an increase of .4727 percent from its proportion measured as of June 30, 2017.
- (b) For the year ended June 30, 2019, the District recognized net pension expense of \$24,278.8 thousand of which \$23,916.9 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of \$361.9 thousand was under the Business-type Activity section of the Government-wide Statements.
- (c) At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 29,775.0	\$ (57,251.9)
Change in assumption	68,918.0	
Net difference between projected and actual investment earnings	18,128.0	-
Change in proportions	252,225.0	(73,436.8)
Difference between employer contributions and proportionate share of total contributions	-	(3,593.0)
Contributions subsequent to the measurement date	341,545.8	-
	<u>\$ 710,591.8</u>	<u>\$ (134,281.7)</u>

Deferred outflows of resources for contributions made subsequent to the measurement date was \$341,545.8 thousand and will be recognized as a reduction of net pension liability/collective net pension liability in the subsequent fiscal period rather than in the current period.

The District recognized net deferred outflows of \$234,764.3 thousand reported related to pensions in pension expense as follows:

(Dollars in Thousands)

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows and Inflows of Resources
2019	\$ 146,389.4	\$ (53,458.0)	\$ 92,931.4
2020	177,510.0	(64,171.8)	113,338.2
2021	67,025.5	(24,399.8)	42,625.7
2022	(21,878.9)	7,747.9	(14,131.0)
Total	<u>\$ 369,046.0</u>	<u>\$ (134,281.7)</u>	<u>\$ 234,764.3</u>

Of the \$234,764.3 thousand reported as net deferred outflows, \$231,264.7 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 \$3,397.0 thousand and \$102.6 thousand, respectively.

Actuarial assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the System's total pension liability as of June 30, 2017 actuarial valuation to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return - 7.25% includes inflation at 2.75%.
- Salary growth - Effective average of 5.00% comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

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	20.0%	5.2%
Fixed income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	-20.0%	0.9%
	<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, 2018.

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 9.30%. 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 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	(Amounts in Thousands)		
	1% Decrease	Current Discount Rate	1% Increase
	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
District's proportionate share of the net pension liability	\$4,584,973	\$3,698,831	\$2,949,571

f. Pension plan fiduciary net position:

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

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. The City budgets for and charges the cost of sick leave as it is taken.

3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. PRIMARY GOVERNMENT

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

Benefits provided: The City of Philadelphia subsidizes health care for five years from the time of coverage elec-tion 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 Phil-adelphia.

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 \$96.9 million for fiscal year ending June 30, 2019.

Employees covered by benefit terms: At July 1, 2018, the following employees were covered by the benefit terms:

<u>Medical Coverage:</u>	
Inactive employees or beneficiaries currently receiving medical coverage	3,572
DROPS with medical coverage	1,944
Inactive employees entitled to, but not yet receiving medical coverage	444
Active employees	28,845
Total	34,805
<u>Life Insurance Coverage</u>	
Inactive employees or beneficiaries currently receiving life insurance coverage	27,798
Active employees	28,845
Total	56,643

Total OPEB Liability:

The City's total OPEB liability of \$1,823,900,000 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs.

The total OPEB liability in the June 30, 2018 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, 2017 and June 30, 2018; Reporting dates June 30, 2018 and June 30, 2019.

Discount rate: The discount rate as of June 30, 2018 is 3.87%, which is the 20-year bond buyer index rate as of June 28, 2018. The discount rate that was used for June 30, 2017 liability calculation is 3.58%, which is the 20-year bond buyer index rate as of June 29, 2017.

Salary Increase Rate:

Age	Municipal and	
	Elected Officials	Uniformed
<20	20.00%	20.00%
20 - 24	18.00%	11.00%
25 - 29	10.00%	7.00%
30 - 34	7.00%	5.00%
35 - 39	5.75%	4.25%
40 - 44	5.00%	4.00%
45 - 49	4.60%	3.50%
50 - 54	4.35%	3.30%
55 - 59	4.10%	3.00%
60 - 64	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	<u>Medical</u>		<u>Rx</u>		<u>Medical /Rx Combined</u>	
Beginning July 1	Pre Medicare	Medicare Eligible	Pre Medicare	Medicare Eligible	Pre Medicare	Medicare Eligible
2019	8.00%	6.00%	9.00%	8.00%	8.20%	6.40%
2020	7.50%	5.75%	8.75%	7.75%	7.75%	6.15%
2021	7.00%	5.50%	8.50%	7.50%	7.30%	5.90%
2022	6.50%	5.25%	8.25%	7.25%	6.85%	5.65%
2023	6.28%	5.24%	7.74%	6.91%	6.57%	5.57%
2024	6.06%	5.23%	7.23%	6.56%	6.29%	5.49%
2025	5.84%	5.22%	6.72%	6.22%	6.02%	5.42%
2026	5.62%	5.21%	6.21%	5.87%	5.74%	5.34%
2027	5.40%	5.19%	5.69%	5.53%	5.46%	5.26%
2028	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%
2029	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%
2030	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%
2031	4.87%	4.87%	4.87%	4.87%	4.87%	4.87%
2032	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%
2033	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%
2034	4.47%	4.47%	4.47%	4.47%	4.47%	4.47%
2035	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%
2036	4.35%	4.35%	4.35%	4.35%	4.35%	4.35%
2037	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%
2038	4.19%	4.19%	4.19%	4.19%	4.19%	4.19%
2039	4.06%	4.06%	4.06%	4.06%	4.06%	4.06%
2040 +	3.94%	3.94%	3.94%	3.94%	3.94%	3.94%

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 covers.
- 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:

It is assumed deaths of active 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.

It is assumed deaths of active uniformed members follow 85% of the RP-2014 Blue Collar Employee Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017.

For municipal and elected members, 127% and 119% for males and females, respectively, the rate of post-retirement and post-disability mortality follow RP-2014 Healthy Annuitant Table projected from base year 2006-2021 using mortality improvement scale MP-2017.

For uniformed members, the rate of post-retirement and post-disability mortality follow 115% of the RP-2014 Blue Collar Healthy Annuitant Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017.

For municipal and elected members, the rate of post-disability mortality follows 95% of the RP-2014 Disabled Retiree Table projected from base year 2006-2021 using mortality improvement scale MP-2017.

For uniformed members, the rate of post-disability mortality follows 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, 2018.

Change in Net OPEB Liability			
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/2017	\$ 1,861,600,000	\$ 0	\$ 1,861,600,000
Changes for the year:			
Service cost	81,800,000		81,800,000
Interest	67,900,000		67,900,000
Changes of benefits	0		0
Differences between expected/actual	56,800,000		56,800,000
Changes of assumptions	(147,800,000)		(147,800,000)
Contributions - employer		96,400,000	(96,400,000)
Contributions - non employer		0	0
Contributions - member		0	0
Net investment income		0	0
Benefit payments	(96,400,000)	(96,400,000)	0
Administrative expense		0	0
Net changes	(37,700,000)	0	(37,700,000)
Balances at 6/30/2018	\$ 1,823,900,000	\$ 0	\$ 1,823,900,000

During the measurement year, the NOL decreased by approximately \$37.7 million. The service cost and interest cost increased the NOL by approximately \$149.7 million while contributions decreased the NOL by approximately \$96.4 million. The employer contribution of \$96.4 million is based on a blend of actual contributions and estimated contributions based on the prior report. Because a portion of the contribution is estimated, this was reviewed by the City for reasonability.

There was a loss of \$56.8 million due to experience. This is due to the change in population between the June 30, 2016 valuation and the June 30, 2018 valuation.

There were assumption changes, such as the change in the 20-year bond buyer index rate, the change in the medical claims and trend assumptions, and the change in the demographic assumptions, that resulted in a gain in liability by \$147.8 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-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) 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.

Sensitivity of Net OPEB Liability to Changes in Discount Rate			
	1% Decrease 2.87%	Discount Rate 3.87%	1% Increase 4.87%
Total OPEB Liability	\$ 1,972,700,000	\$ 1,823,900,000	\$ 1,688,600,000
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 1,972,700,000</u>	<u>\$ 1,823,900,000</u>	<u>\$ 1,688,600,000</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.0%	0.0%	0.0%

A one percent decrease in the discount rate increases the TOL and NOL by approximately 8%. A one percent 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-percentage-point lower or 1-percentage-point 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.

Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Rates			
	1% Decrease	Healthcare Trend	1% Increase
Total OPEB Liability	\$ 1,659,800,000	\$ 1,823,900,000	\$ 2,016,100,000
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 1,659,800,000</u>	<u>\$ 1,823,900,000</u>	<u>\$ 2,016,100,000</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.0%	0.0%	0.0%

A one percent decrease in the healthcare trends decreases the TOL and NOL by approximately 9%. A one percent increase in the healthcare trend rate increases the TOL and NOL by approximately 11%.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.
For the year ended June 30, 2019, the City recognized OPEB expense of \$124,500,000. The table below shows the development of OPEB expense.

Calculation of OPEB Expense		
Fiscal Year Ending Measurement Year Ending	June 30, 2019 June 30, 2018	June 30, 2018 June 30, 2017
Change in Net OPEB Liability	\$ (37,700,000)	\$ (75,000,000)
Change in Deferred Outflows	(50,500,000)	0
Change in Deferred Inflows	116,300,000	90,500,000
Non Employer Contributions	-	-
Employer Contributions	96,400,000	114,800,000
OPEB Expense	\$ 124,500,000	\$ 130,300,000
OPEB Expense as % of Payroll	6.90%	7.47%
Operating Expenses		
Service cost	\$ 81,800,000	\$ 89,300,000
Employee contributions	-	-
Administrative expenses	-	-
Total	\$ 81,800,000	\$ 89,300,000
Financing Expenses		
Interest cost	\$ 67,900,000	\$ 56,100,000
Expected return on assets	-	-
Total	\$ 67,900,000	\$ 56,100,000
Changes		
Benefit changes	\$ 0	\$ 0
Recognition of assumption changes	(31,500,000)	(15,100,000)
Recognition of liability gains and losses	6,300,000	0
Recognition of investment gains and losses	-	0
Total	\$ (25,200,000)	\$ (15,100,000)
OPEB Expense	\$ 124,500,000	\$ 130,300,000

At June 30, 2019, 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, 2019 Projected Fiscal Year End June 30, 2018 Measurement Date		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 50,500,000	\$ 0
Changes in assumptions	0	206,800,000
Net difference between projected and actual earnings on OPEB plan investments	0	0
Contributions subsequent to the measurement date	96,900,000	0
Total	\$ 147,400,000	\$ 206,800,000
Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:		
Year ended June 30:		
2020	(25,200,000)	
2021	(25,200,000)	
2022	(25,200,000)	
2023	(25,200,000)	
2024	(25,100,000)	
Thereafter	\$ (30,400,000)	

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, 2020.

Required Supplementary Information: The schedule below shows the changes in NOL and related ratios required by GASB.

Schedule of Changes in Net OPEB Liability and Related Ratios		
Measurement Year Ending	6/30/2018	6/30/2017
Total OPEB Liability		
Service cost (BOY)	\$ 81,800,000	\$ 89,300,000
Interest (includes interest on service cost)	67,900,000	56,100,000
Changes of benefit terms	0	0
Differences between expected and actual experience	56,800,000	0
Changes of assumptions	(147,800,000)	(105,600,000)
Benefit payments, including refunds of member contributions	(96,400,000)	(114,800,000)
Net change in total OPEB liability	\$ (37,700,000)	\$ (75,000,000)
Total OPEB liability - beginning	1,861,600,000	1,936,600,000
Total OPEB liability - ending	\$ 1,823,900,000	\$ 1,861,600,000
Plan fiduciary net position		
Contributions - employer	\$ 96,400,000	\$ 114,800,000
Contributions - non-employer	-	-
Contributions - member	-	-
Net investment income	-	-
Benefit payments, including refunds of member contributions	(96,400,000)	(114,800,000)
Administrative expense	-	-
Net change in plan fiduciary net position	\$ -	\$ -
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	\$ -	\$ -
Net OPEB liability - ending	\$ 1,823,900,000	\$ 1,861,600,000
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
Covered payroll	\$ 1,805,400,000	\$ 1,744,700,000
Net OPEB liability as a percentage of covered payroll	101.02%	106.70%

The Plan is not currently being pre-funded and 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. The Actuarial Required Contribution (ARC) determined under GASB 45 is not a recommended contribution under Actuarial Standards of Practice, and thus is not shown below. If the Plan decides to pre-fund the liabilities, we will provide an appropriate actuarially determined contribution.

B. COMPONENT UNITS

School District of Philadelphia (SDP) OPEB

The Governmental Accounting Standards Board (GASB) released new accounting standards for public postemployment benefits other than pension (OPEB). The new standards have substantially revised the accounting requirements previously mandated under GASB Statements (GASBS) No. 43 and 45. The most notable change is the elimination of the Annual Required Contribution (ARC) with the Net OPEB liability (Total OPEB liability for unfunded plans), to be recognized on the balance sheets of participating employers. GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" governs the specifics of accounting for public OPEB plan obligations for participating employers and is required to be implemented for employer fiscal years beginning June 15, 2017.

Plan Description:

The SDP provides up to \$2,000 of life insurance coverage for retired and disabled employees. A retired employee is eligible for this benefit if covered for 10 years as an active employee and retired at age 60 with 30 years of service or aged 62 with 10 years of service or 35 years of service regardless of age. Effective November 1, 2013, active employees who become disabled (total and permanent) prior to satisfying the retirement eligibility conditions for postretirement life insurance benefits are no longer eligible for postretirement benefit provided by the District. Employees who were granted disability retirement from PSERS and were approved by the insurance company providing the coverage prior to November 1, 2013 continue to be eligible for postretirement life insurance benefits.

An unaudited copy of the single-employer life insurance benefit plan can be obtained by writing to School District of Philadelphia, 440 North Broad Street, Philadelphia, PA 19130; Attention: Employee Benefits Management.

Funding Policy:

The **SDP** is not required by law or contractual agreement to provide funding for the life insurance benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible disabled employees. The numbers of eligible participants enrolled to receive such benefits as of June 30, 2018, the effective date of the biennial OPEB valuation, follows. There have been no significant changes in the number covered or the type of coverage since that date.

	Number of Employees
Active	14,124
Retirees	10,352
Total	24,476

Total OPEB Life Insurance liability:

At June 30, 2019, the District reported a liability of \$15.9 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, 2019 reporting date (which is the plan's and/or employer's fiscal year ending date), the "Valuation Date is June 30, 2018." This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2018. 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, 2019 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: 3.87% per annum as of June 30, 2018 (Bond Buyer General Obligation 20 year-Tax Exempt Municipal Bond Yield, selected by the District)

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

Mortality: RPH-2006 Mortality Tables with white-collar adjustments, projected on a generational basis with Scale MP-2017, with employee rates before retirement and healthy annuitant rates after retirement. As a generational table, it reflects mortality improvements both before and after the measurement date. This industry standard table published by the Society of Actuaries (SOA) was selected based on the population covered and the recent SOA exposure draft on public plan mortality experience.

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	
<u>Years of Service</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
< 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, 2017 Actuarial Valuation for the Pennsylvania Public School Employees' Retirement System and vary by age, service, and gender. Members are eligible for early retirement at age 55 with 25 years of service. Class T-C and T-D members are eligible for superannuation retirement at the earlier of (1) age 62 with 3 years of service, (2) age 60 with 30 years of service, or (3) any age with 35 years of service. Class T-E and T-F members are eligible for superannuation retirement at the earlier of (1) age 65 with 3 years of service or (2) any combination of age and service that totals 92 with at least 35 years of service. Sample rates are shown below.

Sample Early Retirement Rates

<u>Age</u>	<u>Male</u>	<u>Female</u>
55	18.57%	18.59%
60	14.42%	17.05%

Sample Superannuation Retirement Rates

<u>Age</u>	<u>Male</u>	<u>Female</u>
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 June 30, 2018 are included in this valuation. This valuation assumes they will continue to have life insurance coverage until retirement or disability and be eligible for the postretirement life insurance coverage upon retirement or disability. Any current active employee without life insurance coverage is assumed not to elect to have life insurance coverage prior to retirement or disability.

Benefits Not Valued: The accelerated death benefit was not valued as the estimated liability impact was de minimus as only disabled retirees prior to age 65 can elect this benefit.

Special Data Adjustments: 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:

In accordance with GASBS No. 75, 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 Actuary used the Entry Age Normal cost method for determining service costs and the actuarial accrued liability. Costs are determined as a level percent of pay. The changes listed below reflect differences from the June 30, 2016 actuarial valuation to the actuarial valuation as of June 30, 2018.

The discount rate was change as of June 30, 2017 from 3.58% to a municipal bond index of 3.87% as of June 30, 2018.

The mortality, retirement, and disability assumptions were revised.

The Actuary updated the actuarial cost method from the level dollar version of the Entry Age Normal cost method to the level percent of pay version of the Entry Age Normal cost method for determining service costs and the actuarial accrued liability.

Total OPEB Life Insurance Liability

Most Recent Measurement Date	Total OPEB Life Insurance Liability	Active Covered Payroll	Total OPEB Life Insurance Liability as a percentage of covered payroll
6/30/2018	\$ 15,917,810	\$ 792,975,829	2.00735%

Other Postemployment Benefits (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
Total OPEB Life Insurance Benefit Liability as of July 1, 2018	\$ 16,377,232
Changes for the year (2018-2019):	
Service Cost	86,098
Interest on total OPEB Life Insurance Liability	580,316
Effect of liability gains or losses	(36,124)
Effect of Assumption changes or inputs	(578,474)
Benefit Payments	(511,238)
Total OPEB Life Insurance Benefit Liability as of June 30, 2019	\$ 15,917,810

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 3.87%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage point higher (4.87%) than the current rate:

	2017-2018 Measurement Period (Dollars in Thousands)		
	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
District's total OPEB Life Insurance Liability	18,077	15,918	14,173

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	(Dollar in Thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 461.4	\$
Effect of liability gains or losses		(28.0)
Effect of assumptions changes or inputs		(1,300.9)
	<u>\$ 461.4</u>	<u>\$ (1,328.9)</u>

Deferred outflows of resources for contributions made subsequent to the measurement date was \$0.5 million and will be recognized as a reduction of total OPEB liability in the next fiscal period rather than in the current period.

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

- For the year ended June 30, 2019, the District recognized net OPEB expense of \$159.9 thousand of which all under the Governmental Activity section of the Government-wide Statements.
- All of the (\$1,328.9) thousand reported as deferred inflows was under the Governmental-Activities column of the Government-wide statements. Amounts currently reported as deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

	(Dollars in Thousands)	
Year ended June 30:	Deferred Inflows of Resources	
2019	\$ (506.6)	
2020	(506.6)	
2021	(247.6)	
2022	(68.1)	
2023	-	
Thereafter	-	
Total	\$ (1,328.9)	

PSERS Other Postemployment Benefits:

Other Postemployment Benefits (OPEB) Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

- At June 30, 2019, the District reported a liability of \$160.7 million for its proportionate share of the net OPEB liability of which \$158.2 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, 2018 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, 2017 to June 30, 2018. 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, 2019, the District's proportion was 7.7051 percent, which was an increase of 0.4727 percent from its proportion measured as of June 30, 2018.

- For the year ended June 30, 2019, the District recognized net OPEB expense of \$1,118.8 thousand of which \$1,101.4 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of \$17.4 thousand was under the Business-type Activity section of the Government-wide Statements.
- At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>(Dollars in Thousands)</u>		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 992.0	\$ -
Change in assumption	2,540.0	(6,088.0)
Net difference between projected and actual investment earnings	271.0	-
Change in proportions	13,526.0	
Difference between employer contributions and proportionate share of total contributions	6.8	
Contributions subsequent to the measurement date	8,716.0	-
	<u>\$ 26,051.7</u>	<u>\$ (6,088.0)</u>

Deferred outflows of resources for contributions made subsequent to the measurement date was \$8.7 million and will be recognized as a reduction of net OPEB liability in the next fiscal period rather than in the current period. The District recognized \$11.2 million as deferred outflows of resources and deferred inflows of resources related to OPEB which will be recognized in OPEB expense as follows:

<u>(Dollars in Thousands)</u>			
Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows and Inflows of Resources
2019	\$ 2,879.0	\$ (1,011.0)	\$ 1,868.0
2020	2,879.0	(1,011.0)	1,868.0
2021	2,879.0	(1,011.0)	1,868.0
2022	2,815.0	(988.0)	1,827.0
2023	2,759.0	(969.0)	1,790.0
Thereafter	3,124.7	(1,098.0)	2,026.7
Total	<u>\$ 17,335.7</u>	<u>\$ (6,088.0)</u>	<u>\$ 11,247.7</u>

Of the \$11,247.7 thousands reported as net deferred outflows, \$11,073.0 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 \$170.8 thousand and \$3.9 thousand respectively.

Actuarial assumptions: The total OPEB liability as of June 30, 2018 was determined by rolling forward the System's total OPEB liability as of June 30, 2017 actuarial valuation to June 30, 2018 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 2.98% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, which comprised of inflation of 2.75% and 2.25% 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 the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- 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 actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with the age set back 7 years for males and 3 years for females disabled annuitants. (A unisex table based on the RP-2000 Combined healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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.

<u>OPEB - Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	5.9%	0.3%
US Core-Fixed Income	92.8%	1.2%
Non-US Developed fixed	1.3%	0.4%
	<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, 2018.

Discount rate: The discount rate used to measure the total OPEB liability was 2.98%. 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 2.98%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2018, 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, 2018, 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 2017, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2017, 1,077 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, 2018 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 it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	(Dollars in Thousands)		
	1% Decrease	Current Healthcare Cost Trend	1% Increase
	<hr/>	<hr/>	<hr/>
System net OPEB liability	160,616	160,647	160,673

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 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.98%) or 1-percentage point higher (3.98%) than the current rate:

	(Dollars in Thousands)		
	1% Decrease 1.98%	Current Discount Rate 2.98%	1% Increase 3.98%
	<hr/>	<hr/>	<hr/>
District's proportionate share of the net OPEB liability	182,697	160,647	142,345

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.state.pa.us.

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 2019 and FY 2018, 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, 2018, the date of the latest actuarial valuation, the OPEB Plan's combined membership consisted of the following:

	<u>Number</u>
Retirees	1,494
Beneficiaries	415
Active employees – Union	1,131
Active employees – Management	<u>524</u>
Total number of participants	<u><u>3,564</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, 2018, PGW contributed \$28.7 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, 2017, PGW contributed \$29.7million on a pay-as-you-go basis, \$16.0 million resulting from rate surcharges, and \$2.5 million of its resources.

Net OPEB Liability

The Company's net OPEB liability as of August 31, 2019 and 2018 was measured as of December 31, 2018 and 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 1, 2018 and September 1, 2017, respectively. The September 1, 2018 actuarial valuation was rolled forward to the December 31, 2018 measurement date and the September 1, 2017 actuarial valuation was rolled forward to the December 31, 2017 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 normal 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.

Economic assumptions: the discount rate and health care cost trend rates.

Benefit Assumptions:

Per capita claims: Using actuarial standards, specifically ASOP6, the annual age specific per capita claims cost rates were projected at the following assumed trend rates for future years (whole U.S. dollars):

Age	Medical		Prescription drug
	Existing retirees and dependents	Future retirees and dependents	
<50	\$ 6,622	6,602	2,804
50-54	8,050	8,025	3,099
55-59	10,070	10,040	3,877
60-64	12,130	12,094	4,670
65-69	2,219	2,108	3,446
70-74	2,535	2,408	3,936
75-79	2,826	2,684	4,387
80-84	3,058	2,905	4,748
85-90	3,182	3,022	4,941
90+	3,230	3,068	5,015

Life insurance: The claims cost for life insurance is based on the actuarial present value of projected life insurance claims increased by 15.0% to reflect the cost of the insurance funding vehicle.

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

Age	Annual Increase
55-59	4.0%
60-64	3.5%
65-69	3.0%
70-74	2.5%
75-79	2.0%
80-84	1.0%
85+	0.5%

Demographic assumptions:

Mortality rates: Mortality is assumed to follow the sex-distinct RP-2014 Employee, Healthy Annuitant and Disabled Retiree Mortality Tables (head-count weighted) projected with scale MP-2018.

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

Age	Service Less Than 30-Years	Service at Least 30-Years
55-60	10.0%	15.0%
61	10.0%	30.0%
62-64	25.0%	50.0%
65-69	50.0%	50.0%
70+	100.0%	100.0%

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

Age	Years of Service					
	0	1	2	3	4	5
20	23.2%	17.4%	14.4%	11.6%	8.8%	5.8%
25	18.8%	14.0%	11.8%	9.4%	7.0%	4.6%
30	14.8%	11.0%	9.2%	7.4%	5.6%	3.6%
35	11.2%	8.4%	7.0%	5.6%	4.2%	2.8%
40	8.8%	6.6%	5.6%	4.4%	3.4%	2.2%
45	7.2%	5.4%	4.6%	3.6%	2.8%	2.8%
50	5.2%	3.8%	3.2%	2.6%	2.0%	1.2%
55	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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

Age	Percent Expected to Become Disabled In the Next Year
30	0.06%
35	0.07%
40	0.11%
45	0.22%
50	0.46%
55	1.02%
60	1.62%

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 best estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by expected inflation. The target allocation for each major asset class as of December 31, 2018 is summarized in the following table:

Asset class	Minimum	Maximum	Target	Expected annual return
Domestic equity large cap	27.5 %	37.5 %	32.5 %	7.0 %
Domestic equity small cap	10.0	15.0	12.5	6.8
Emerging market equity	5.0	10.0	7.5	10.4
International equity	15.0	20.0	17.5	7.9
Fixed income	20.0	40.0	30.0	4.1
Commodities/Real Assets	—	10.0	—	—
Cash equivalents	—	5.0	—	—
			100.0 %	

Healthcare cost trend:

Fiscal year beginning (September 1)	Healthcare cost trend rates			
	Medical (pre-65)	Medical (post-65)	Prescription	Dental
2018	6.0 %	4.5 %	8.5 %	4.0 %
2019	5.5	4.5	8.0	4.0
2020	5.0	4.5	7.5	4.0
2021	4.5	4.5	7.0	4.0
2022	4.5	4.5	6.5	4.0
2023	4.5	4.5	6.0	4.0
2024	4.5	4.5	5.5	4.0
2025	4.5	4.5	5.0	4.0
2026	4.5	4.5	4.5	4.0

Discount rate: The discount rate used for determining the Total OPEB Liability is the long-term expected rate of return on plan investments of 7.30% as of December 31, 2018 and December 31, 2017, and 7.95% as of December 31, 2016 and 2015, 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 (a)	Plan fiduciary net position (b)	Net OPEB liability (a)-(b)
Balances at September 1, 2017	\$ 489,979	139,623	350,356
Changes for the year:			
Service cost	5,180	—	5,180
Interest	38,182	—	38,182
Differences between expected and actual experience	(5,345)	—	(5,345)
Assumption changes	61,382	—	61,382
Benefit payments	(29,747)	—	(29,747)
Contributions-employer	—	48,247	(48,247)
Project investment return on year	—	11,834	(11,834)
Plan asset gain/(loss)	—	10,835	(10,835)
Benefit payments	—	(29,747)	29,747
Administrative expenses and bank fees	—	(49)	49
Net changes	69,652	41,120	28,532
Balances at August 31, 2018	\$ 559,631	180,743	378,888

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, 2018	\$ 559,631	180,743	378,888
Changes for the year:			
Service cost	6,268	—	6,268
Interest	40,262	—	40,262
Differences between expected and actual experience	(64,606)	—	(64,606)
Assumption changes	7,707	—	7,707
Benefit Payments	(28,729)	—	(28,729)
Contributions-employer	—	47,229	(47,229)
Project investment return on year	—	13,868	(13,868)
Plan asset gain/(loss)	—	(28,622)	28,622
Benefit payments	—	(28,729)	28,729
Administrative expenses and bank fees	—	(35)	35
Net changes	(39,098)	3,711	(42,809)
Balances at August 31, 2019	\$ 520,533	184,454	336,079

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the Total OPEB liability of the Company, as well as what the Total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease	Current discount rate	1% Increase
	6.30%	7.30%	8.30%
	(Thousands of U.S. dollars)		
Net OPEB liability	\$ 281,338	336,078	402,473

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the Total OPEB liability of the Company, as well as what the Total OPEB liability would be if it were calculated using healthcare cost trend rates are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current healthcare cost trend rates	1% Increase
	6.30%	7.30%	8.30%
	(Thousands of U.S. dollars)		
Net OPEB liability	\$ 280,394	336,078	404,279

OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Other Postemployment Benefits

For the years ended August 31, 2019 and 2018, the Company recognized OPEB expense of \$28.4 million and \$32.9 million, respectively. At August 31, 2019 and 2018, the Company reported deferred outflows of resources and deferred inflow of resources related to other postemployment benefits from the following sources (thousands of U.S. dollars):

	August 31, 2019		August 31, 2018	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ —	67,281	—	22,860
Changes of assumptions	42,995	2,593	49,106	3,889
Net difference between projected and actual earnings on OPEB plan investments	15,919	—	—	9,385
Contributions made after measurement date	32,262	—	31,942	—
Total	\$ 91,176	69,874	81,048	36,134

The \$32.3 million and \$31.9 reported as deferred outflows of resources related to employer contributions made after the measurement date as of December 31, 2018 and 2017, respectively, will be recognized as a reduction of the net OPEB liability in FY 2019 and FY 2018, respectively. 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:	
2020	\$ (4,345)
2021	(4,345)
2022	3,385
2023	(5,655)

Fair Value Measurements

All investments of the OPEB Plan at both December 31, 2019 and 2018 are publicly traded mutual funds categorized in Level 1 of the fair value hierarchy.

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 2019 this transfer amounted to \$494.0 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 \$84.61 million to SEPTA.

B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments which totaled \$99.86 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, the amount of these liabilities was \$354.2 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, 2017 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims & Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2017	350.3	243.9	(229.1)	365.1
Fiscal 2018	365.1	199.3	(211.4)	353.0
Fiscal 2019	353.0	207.9	(217.0)	343.9

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 \$3.5 million for Unemployment Compensation claims and \$69.85 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are \$261.4 million discounted at 3.5%. On an undiscounted basis, these liabilities total \$344.5 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 \$239.7 million (discounted) and \$318.2 million (undiscounted).

During the last five (5) fiscal years, no claim settlements have exceeded the level of insurance coverage for operations using third party carriers. None of the City's insured losses have been settled with the purchase of annuity contracts.

B. COMPONENT UNITS

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

The School District maintains property (real and personal, valuable papers and records, fine arts, vehicles on premises and property under construction) insurance to cover losses with a deductible of \$0.5 million except for losses incurred from windstorm, fire, flood and earthquake which have a deductible of \$1.0 million and a limit of \$250.0 million per occurrence with certain sub-limits as specified in the policy terms. Also, certain insurance 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 \$124.0 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. At June 30, 2019, the amount of these liabilities totaled \$124.0 million.

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

At June 30, 2019, the amount of these liabilities totaled \$137.5 million, which includes, \$124.0 million for **SDP**, \$9.6 million for **PGW**, and \$3.9 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>
2019	\$ 140.6	\$ 219.6	\$ (222.7)	\$ 137.5
2018	\$ 141.1	\$ 220.8	\$ (221.3)	\$ 140.6

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	255,739
Grants Revenue Fund	258,744
Community Behavioral Health Fund	75,875
Water Enterprise Fund	675,917
Aviation Enterprise Fund	162,800
Non-Major Governmental Funds	337,707
Total	1,766,782

B. COMPONENT UNITS

SDP

Capital Projects Fund Construction and Equipment Purchase Commitments:

The School District's outstanding contractual commitments at June 30, 2019 are summarized as follows:

New Construction and Land	\$ 12,796,580
Environmental Management	1,072,966
Alterations and Improvements	50,622,913
Major Renovations	33,282,322
Total	<u>\$ 97,774,781</u>

Operating Fund Services and Supplies Commitments

Outstanding contractual commitments in the School District's operating funds at June 30, 2019 are as follows:

	<u>General Fund</u>	<u>Intermediate Unit Fund</u>
Services and Supplies	\$ 22,731,703	\$ 2,014,654

Categorical Fund Commitments

Categorical Funds encumbrances totaled \$11.6 million at June 30, 2019.

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 \$320.5 million. Of this amount, \$36.13 million is charged to the current operations of the Enterprise Funds. The remaining \$284.44 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 \$24.3 million from the General Fund, \$2.5 million from the Water Fund, and \$2.3 million from the Aviation Fund. This represents the best estimate of the entire current inventory of such litigation and pre-suits as of February 10, 2020.

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

2018 Tax Reassessment Cases

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

All of the cases, which in total encompass over 500 plaintiffs, were consolidated for management purposes. The School District of Philadelphia, which receives a portion of the City's real estate tax revenues and all of a separate Use and Occupancy Tax which is also based upon OPA assessment values, was added as a defendant to the lawsuits. The City filed preliminary objections contesting the legal sufficiency of the claims, as well as the failure of the plaintiffs to appeal their assessments to the Board of Revision of Taxes (the "BRT"), the administrative agency statutorily designated to hear assessment appeals, and to appeal any decision adverse to them through the Local Agency Law process. The Court overruled those preliminary objections but dismissed mandamus claims and claims against individual defendants. The City filed Answers with New Matter to each complaint.

The cases were tried in the Philadelphia Court of Common Pleas in early June 2019. On July 18, 2019, the Court issued a Decree and Findings of Fact and Conclusions of Law determining that the assessments at issue were unconstitutional and that the real estate property taxes for Tax Year 2018 for the properties at issue in the litigation shall be reset to the assessments for those properties for tax year 2017.

The real estate tax revenue associated with the increase of taxable assessed values for the properties in question currently exceeds \$36 million, with approximately 55% allocated to the School District and 45% to the City, not including the separate Use and Occupancy tax revenue for the School District. The City filed post-trial motions challenging the Court's determination. On September 25, 2019, the Court issued its Opinion and Order effectuating the decision discussed above. The City has appealed. The City is now attempting to consolidate these cases in Commonwealth Court.

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, and experienced local counsel. If the case goes to trial, the City could potentially face an \$8 million verdict.

Henderson Inverse Condemnation

- In early September 2016, a Petition for the Appointment of a Board of View pursuant to the Pennsylvania Eminent Domain Code 26 Pa. C. Section 502(c) was filed in Delaware County against the City by numerous Henderson related entities and trusts (the "Hendersons"). The Petition alleged that the City effected a de facto taking of the Hendersons properties (the "Property"), which Property is proximate to the Philadelphia International Airport and located in Tincum Township, Delaware County. The City desires to acquire the Property for Airport purposes and had numerous discussions with representatives for the Sellers.

The City filed Preliminary Objections to the Petition and there was a hearing on the Petition and the Preliminary Objections scheduled for January 2018. Prior to the hearing, the City filed its own Declaration of Taking in September 2017 and made an offer of just compensation. The City and the Hendersons then settled the foregoing matters. The City obtained possession and paid the Hendersons estimated just compensation of \$54.5 million. The Hendersons' de facto taking case was dismissed.

The Fair Market Value ("FMV") of the Property remains disputed and will be determined by a Board of View, which was appointed by the Court of Common Pleas in Delaware County on November 27, 2018. The hearing before the Board of View was held in part during the summer of 2019. The Hendersons have rested their case in chief. The City's case in chief will be completed at the end of October 2019 with the Henderson's rebuttal case to be heard thereafter. What the Board of View will determine to be FMV is unknown. Both the City and the Hendersons will have the opportunity to advocate for the value that they believe is the appropriate FMV. The City is represented by outside counsel.

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.

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. The case is in discovery. Simultaneously, the individual defendants have appealed the District Court's decision on the motions to dismiss to the Third Circuit Court of Appeals. Mr. Dennis is represented by an experienced civil rights attorney.

Simmons v. City of Philadelphia, No. 19-1648

- Plaintiff alleges that he was wrongfully convicted and imprisoned for almost ten years because detectives fabricated evidence against him. Plaintiff has made a \$15 million demand, and the case is in suspense pending a related criminal trial.

Frazier v. City of Philadelphia, No. 19-1692

- Plaintiff alleges that he was wrongfully convicted and imprisoned for seven years due to misconduct of a former Philadelphia police detective. The case is in suspense pending related criminal charge cases.

Lewis v. City of Philadelphia, No. 19-2847

- Plaintiff alleges that he was wrongfully convicted and imprisoned for 21 years because detectives withheld material evidence and fabricated evidence against him. Plaintiff recently filed his complaint. The case is in the early stages and damages are difficult to calculate but could exceed \$8 million. Plaintiff has been the subject of several pieces in the Inquirer.

Johnny Berry v. City of Philadelphia, No. 19-3699

- Plaintiff alleges that he was wrongfully incarcerated for 24 years. His case is in its early stages, with discovery just beginning. Given the time of incarceration, a jury verdict could exceed \$8 million.

Dontia Patterson v. City of Philadelphia

- Mr. Patterson is in pre-suit negotiations with the City after the District Attorney's Office agreed to release him from prison. He was arrested in 2007 and subsequently convicted of murder. His conviction has been vacated, and Mr. Patterson's lawyers are claiming that evidence was wrongfully withheld from them. Mr. Patterson is represented by counsel, and the case could result in a \$8 million verdict at trial.

Dwayne Thorpe v. City of Philadelphia

- Mr. Thorpe alleges that he was wrongfully incarcerated for 11 years. The case has not yet entered discovery but is expected to do so within the next month. Given the time duration of his incarceration, a jury verdict could exceed \$8 million.

Chester Hollman v. City of Philadelphia

- Plaintiff alleges that he was wrongfully incarcerated for 28 years. Represented by counsel, he has filed a notice of claim and a pre-suit has been opened. Given the time duration of his incarceration, a jury verdict could exceed \$8 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, 2019, 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 \$810,000 as of March 31, 2019. The 1999A bonds, which mature in fiscal year 2029, had an outstanding principal balance of \$10.16 million at March 31, 2019.

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, 2019, which accounted for \$555.7 million for all open programs as of November 30, 2019. Of this amount, \$505.0 million represents unresolved costs due to the inability to obtain audit reports from sub-recipients for the year ended June 30, 2019. For Fiscal Years ending June 30, 2019 and prior, \$8.6 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, 2018, the Grants Revenue Fund had a \$197.14 million receivable for the Children and Youth Programs. In FY 2019 the Grants Revenue Fund had expenditures totaling \$518.01 million and revenue totaling \$496.84 million. At June 30, 2019, the Grants Revenue Fund had a \$211.93 million receivable for the Children and Youth Programs. Due to the nature of the programs' billing policies, 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

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 nine hundred fifty (786) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of \$4.7 million.

Of those, four hundred fifty (450) 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 fifty (450) unfavorable outcomes are deemed probable in the aggregate of \$4.7 million.

Other Matters - The School District is a party to various claims, legal actions, arbitrations and complaints in the ordinary course of business, which aggregate to a total potential liability of 49.2 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 \$2.9 million in connection with disputed contracts and labor and employment matters. Likewise, compromised settlements or unfavorable verdicts are deemed probable or reasonably possible in the aggregate amounts of \$3.1 million and \$5.6 million, respectively, arising from personal injury and property damage claims and lawsuits.

Administrative Appeals in Pennsylvania Department of Education – The School District has received several state subsidy withholding requests filed with PDE, pursuant to Section 1725-A of the Charter School Law, by charter schools that enrolled Philadelphia resident students. These withholding requests concern the calculation of the per-pupil rates to be paid by the School District to charter schools. The issues relate to whether the charter school per-pupil rates should be calculated using a school district's allocated expenditures reflected in its initial budget, in its amended adopted budget, or in its final audited financial report for the prior fiscal year. These issues have been raised in a number of withholding requests submitted to PDE by charter schools seeking payments from many school districts in Pennsylvania.

First Phila. Prep. Charter School, et al. v. Pennsylvania Department of Education Philadelphia et al., Commonwealth Court of Pennsylvania, 159 M.D. 2017. This case was brought in 2017 by seven Philadelphia charter schools against PDE, the School District, the Superintendent, the Governor, the Attorney General, and members of the General Assembly. At issue is the validity of PDE's interpretation of 24 P.S. § 1725-A(a)(2) and (3) stated in PDE's former PDE-363 Guidelines. In accordance with PDE's Guidelines, which applied statewide, the School district made payments to charter schools based on prior-year budgeted expenditures, but toward the end of the school year, the School District adjusted the rates after calculating them based upon actual expenditures. Those rates were then applied to the entire school year. Because this adjustment caused the rates to go down in the 2015-2016 school year, the charter schools argued that the Guidelines should be disregarded or voided because they were inconsistent with the Charter School Law, specifically, 24 P.S. § 1725-A(a)(2) and (3). On February 22, 2018, a Commonwealth Court panel overruled the preliminary objections presented by the School District and by PDE, and held that PDE's Guidelines were invalid. On March 19, 2018, PDE rescinded the Guidelines by posting a notice on its website. The School District is now making per-pupil payments to charter schools based on prior year budgeted expenditures, as required by the Commonwealth Court. The case has been remanded to the Court of Common Pleas for a determination as to whether the charter schools have been paid in the correct amounts. According to outside counsel, no further substantial payment needs to be made to these schools as a result of the invalidation of the Guidelines. Although it is impossible to determine with any degree of certainty, according to outside counsel, the likelihood of an unfavorable outcome is reasonably possible but not for an amount that would meet the materiality threshold.

Antonia Pantoja Charter School, et al. v. Department of Education Philadelphia et al., Commonwealth Court of Pennsylvania, 289 M.D. 2017. This is a charter school funding case brought by eight brick and mortar and cyber charter schools against PDE and the School District. In addition to the issue raised in the First Philadelphia case described above, the charter schools raised the issue of whether they were entitled to per-pupil payments at the proper rates for the 2015-2016 school year when they made their payment requests to PDE, and not to the School District, after October 1, 2016. In July 2016, the General Assembly had amended the language of Section 1725-A(a)(5) to include a provision stating that charter schools must provide to their chartering school districts by October 1st following the end of a school year "final documentation of payment to be made" to them. In April 2017, the charter schools asked PDE to withhold funds from the School District under authority of 24 P.S. § 1725-A(a)(5), but PDE refused to make withholdings because the schools failed to show that they complied with the statutory

deadline of October 1, 2016. All parties filed motions for summary relief. On August 5, 2019, the Commonwealth Court denied the School District's motion and found that the only significance of the schools' missing the October 1st deadline was it relieved PDE of the obligation to make withholdings. The court held that, regardless of whether charter schools meet the October 1st deadline, the school District has a "duty to pay charter schools the statutory amount." The school District did not appeal the court's decision. The matters will proceed before PDE. Although it is impossible to determine with any degree of certainty, according to outside counsel, the likelihood of an unfavorable outcome is probable in the amount of \$1.8 million.

Antonia Pantoja Charter School, et al. v. Department of Education Philadelphia et al., Commonwealth Court of Pennsylvania, 167 M.D. 2019. This is a charter school funding case brought by eight brick and mortar and cyber charter schools against PDE and the School District. Initially, the School District objected to withholdings for payments made to the charter schools for the 2016-2017 school year. The Commonwealth Court in the First Philadelphia case as described above subsequently invalidated PDE's 363 Guidelines. The School District later paid these charter schools at the proper rates – rates calculated using budgeted expenditures, as required under the First Philadelphia decision. Accordingly, the School District withdrew its objections to the withholding made by ODE. The charter schools still wanted to be heard, however, on their claims that PDE permits the School District, and all school districts, to deduct amounts from total expenditures that are not expressly permitted under the Charter School Law when calculating per-pupil rates. Therefore, the charter schools brought this separate action. The School District and PDE have filed preliminary objections and briefs in mid-September 2019, which the charter schools oppose. Although it is impossible to determine with any degree of certainty, according to outside counsel, the likelihood of an unfavorable outcome is reasonably possible in the amount of approximately \$8.5 million for the pending withholding requests of which we are aware as described above.

Antonia Pantoja Charter School, et al. v. Department of Education Philadelphia et al., Commonwealth Court of Pennsylvania, 431 M.D. 2019. This is a charter school funding case brought by eight brick and mortar and cyber charter schools against PDE and the School District. Initially, the School District objected to withholdings for payments made to the charter schools for the 2017-2018 school year. The charter schools brought this action to make the same challenge to the deductions permitted by PDE that is presented in the prior case (167 M.D.2019). The School District's response to the petition for review was filed in early October 2019. Although it is impossible to determine with any degree of certainty, according to outside counsel, the likelihood of an unfavorable outcome is reasonably possible in the amount of approximately \$6.4 million for the pending withholding requests of which we are aware as described above.

Constitutional Challenge- Duffield House Assocs., et al. v. City of Phila., et al., Court of Common Pleas of Philadelphia County, September Term, 2017, Case No. 153. This consolidated proceeding by commercial property owners and tenants in the City alleges 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. The Court denied the plaintiffs' requested preliminary injunction but stayed their individually filed appeals from the Board of Revision of Taxes pending the outcome of the dispute. The Court conducted a trial on the merits in June 2019.

On July 18, 2019, the Court issued an opinion, ruling against the City and in effect, adverse to the School District's interests. If that ruling stands, it would have an estimated \$35.0 million impact on the School District. The City and School District moved for post-trial relief in July 2019, which the Court denied. The City and School District filed a notice of appeal of the Court's decision, which has been docketed with Commonwealth Court on November 4, 2019.

The parties are waiting to receive the briefing schedule from Commonwealth Court. During this appeal, the ruling of the Court of Common Pleas will be automatically stayed. Although it is impossible to determine with any certainty, based on our evaluation of the claims and defenses, the likelihood of an unfavorable outcome for the School District is reasonably possible in the amount of approximately \$35.0 million.

9 SUBSEQUENT EVENTS

In preparing the accompanying financial statements, the City has reviewed events that occurred subsequent to June 30, 2019 through and including February 25, 2020. The following events are described below:

A. PRIMARY GOVERNMENT

1. In February 2019, the City Bond Committee approved the terms and provisions of its Water and Wastewater Revenue Refunding Bonds Series 2020 (Forward Delivery) to allow for the issuance in October 2020 of \$127.7 million of the Series 2020 Bonds to refund all the outstanding Series 2011A Bonds in the amount of \$135.0 million and to pay the costs of issuing the Series 2020 Bonds. The total proceeds of the Series 2020 Bonds will be \$138.6 million (which includes a premium of \$10.9 million). The interest rates of the bonds to be refunded will range from 4.500% to 5.000%. The interest rates of the newly issued bonds will be 5.000%. The transaction will result in a total savings to the City of \$17.2 million over the next 21 years and will result in an economic gain of \$10.1 million.
2. In August 2019, the City issued \$293.4 million of General Obligation Bonds Series 2019B. The Series 2019B Bonds were issued at an interest rate of 5%. The purpose of the Series 2019B bonds is 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 2019B Bonds.
3. In August 2019, the City issued \$250.7 million Water and Wastewater Revenue Bonds Series 2019B. The 2019B bonds were issued at an interest rate of 5%. The 2019B bonds were issued for the purpose of providing funds which, together with the other available funds of the City, will be used to finance (i) capital improvements of the City's Water and Wastewater systems, (ii) a deposit to the Debt Reserve Account of the Sinking Fund, and (iii) the costs of issuance relating to the Bonds.
4. In September 2019, the Philadelphia Authority for Industrial Development issued \$147.6 million of City Service Agreement Refunding Bonds Series 2019A. The 2019A Bonds were issued at an interest rate of 5%. The 2019 bonds were issued, together with certain other available moneys, to (i) refund all of the Authority's outstanding 2007B-3 Bonds and 2014A Bonds, (collectively, the Refunded Bonds), (ii) pay certain cost of terminating the swap agreements (or applicable portion) related to the Refunded Bonds, and (iii) pay costs of issuing of the 2019 Bonds.

B. COMPONENT UNITS

1. SDP Subsequent Events

a. Tax Anticipation Revenue Notes (TRAN)

In July 2019, as part of the annual process to obtain short term financing (in anticipation of the receipt of taxes and revenues) through the issuance of tax and revenue anticipation notes (TRANS), the Board of Education, through a resolution, authorized the issuance and sale of TRAN Note Series of 2019-2020 which was issued as fixed and variable rate notes in the aggregate principal amount of \$175.0 million with a maturity date of March 31, 2020.

On July 9, 2019, the Board of Education authorized the issuance of \$175,000,000 of Tax and Revenue Anticipation Notes, Series of 2019-2020, issued in the amounts of \$87,500,000 Tax and Revenue Anticipation Notes, Series A 2019-2020 (the "Series A Notes") and \$87,500,000 Tax and Revenue Anticipation Notes, Series B 2018-2019 (the "Series B Notes"), collectively (the "Notes"). Both series were issued for the purpose of financing the current operating expenses to be received during Fiscal Year 2020. On July 11, 2019, the District directed an initial draw of \$50.0 million under each of the Series A Notes and Series B Notes. The School District had the authority to draw down the remaining \$75 million at any time before October 1, 2019 at either a fixed rate or floating rate, which would be set at the time of the draw.

On October 17, 2019, the District's Board of Education adopted a resolution, which authorized the issuance of TRAN, Series C of 2019-2020 in a principal amount of \$347.1 million. The proceeds from Series C of 2019-2020 will be used (i) to pay certain current operating budget expenses prior to the receipt of District's taxes and certain other revenues to be received during Fiscal Year 2020, (ii) currently refund the Series A Notes and Series B Notes of 2019-2020, and (iii) pay the cost of issuance of the Series C Notes.

On October 22, 2019, the District (1) redeemed the principal amount of \$100.0 million under TRAN Series A and B of 2019-2020, (2) paid interest of \$584,137, and (3) a termination fee of \$117,399. In addition, on October 22, 2019, the district also issued TRAN, Series C of 2019-2020 in a principal amount of \$347.1

million, which matures on March 31, 2020. The Series C Notes will bear interest payable at maturity, at the rate of 4.00 % per annum, calculated on the basis of actual days elapsed in a 365/366 day year.

- b. General Obligation Bonds, General Obligation Refunding Bonds, State Public School Building Authority Lease Revenue Refunding Bonds, and General Obligations Refunding Bonds Forward Delivery.

General Obligation Bonds: On October 17, 2019, the Board of Education authorized the issuance of General Obligation Bonds (GOB) Series A of 2019, Series B of 2019 and Series D of 2019. On November 20, 2019, the District closed on GOB Series A of 2019 issued in the aggregate amount of \$406.8 million, GOB Series B of 2019 issued as "Green Bonds" in the aggregate amount of \$24.8 million, and GOB Series D of 2019 issued in the aggregate amount of \$25.0 million. All three series of bonds will fund the Capital Improvement Program.

General Obligation Refunding Bonds: On October 17, 2019, the Board of Education authorized the issuance of General Obligation Refunding Bonds (GOB) Series C of 2019. On November 20, 2019, the District closed GOB Series C of 2019 in the aggregate amount of \$24.4 million for the purpose of refinancing a portion of General Obligation Bonds Series A of 2007 in the aggregate amount of \$30.0 million.

State Public Building Authority Lease Rental Refunding Bonds: On October 17, 2019, the Board of Education authorized the issuance of Lease Rental Refunding Bonds, Series A of 2019 and Series B of 2019 in the aggregate amount of \$167.5 million and \$20.8 million, respectively, for the purpose of refinancing a portion of Lease Rental Series B of 2012 in the aggregate of \$172.3 million. On November 20, 2019, the District closed the lease Rental Series A of 2019 and Series B of 2019 in the aggregate amount of \$188.3 million.

General Obligation Refunding Bonds Forward Delivery: On October 17, 2019, the Board of Education authorized the issuance of General Obligation Refunding Bonds Series of 2020 (Forward Delivery) in the aggregate amount of \$123.8 million for the purpose of refinancing a portion of General Obligation Bonds Series C of 2010, Series D of 2010, and Series E of 2010 for \$25.7 million, \$18.1 million, and \$88.1 million, respectively. The Forward Delivery bonds are scheduled to close on June 5, 2020.

- c. Termination of Certain Basis Swaps:

On October 17, 2019, the Board of Education authorized the terminations of the Wells Fargo Basis Swap and the JP Morgan Basis Swap provided that no termination shall occur unless such termination results in a net payment to the School District of not less than \$1.0 million.

- d. Joint Project between Drexel University and School District of Philadelphia:

On October 17, 2019, the School District of Philadelphia entered in to a Lease Agreement and Contribution Agreement authorized by the Board of Education on June 27, 2019. Pursuant to the Contribution Agreement, the School District paid Drexel University \$5.0 million dollars as a contribution to the construction of the Powel / SLAMS school ("PSLAMS"). Under the Contribution Agreement, the parties agreed to enter into an Escrow Agreement with U.S. Bank acting as the Escrow Agent to hold the additional \$2.0 million contribution from the School District to the construction of PSLAMS. The Escrow Agent shall release \$1.0 million to Drexel University upon receipt of the architect's certification that the building is 50% completed. The Escrow Agent shall release the final \$1.0 million of the contribution upon the issuance of a Certification of Occupancy for the building.

On October 24, 2019, the School District paid \$5.0 million directly to Drexel University and sent the \$2.0 million to be held by the Escrow Agent. The School District is paying \$12 annual rent for the 29 year 10 month term of the Lease. The School District is assuming maintenance and capital repair obligations under certain terms and conditions of the Lease. Drexel University is funding the rest of the \$40.0 million to complete construction of the building through both private and public funding sources for the 187,000 sq. ft. school.

- e. Rating Agency Action

In October 2019, Fitch upgraded the School District of Philadelphia's issuer default rating to BB+ from BB- citing positive fiscal improvements achieved after meaningful, recurring revenue commitments enacted by the City of Philadelphia and the Commonwealth of Pennsylvania. The higher Fitch mark puts the District one notch below investment grade just before it was scheduled to sell \$793.1 million of bonds in a negotiated transaction the week of Oct. 16, 2019.

f. Audits and Grantback by U.S. Department of Education:

U.S. Department of Education ("DOE")'s Office of the Inspector General ("OIG") conducted an audit of the School District's controls over federal expenditures for the period commencing July 1, 2005 through June 30, 2006. The OIG issued various draft and final audit reports in 2009 and 2010. DOE issued two program determination letters (PDLs) related to the 2010 audit report seeking a recovery of funds. The School District responded to and/or took various appeals regarding the reports and PDLs, which were reviewed by the Office of Administrative Law Judges, the DOE Secretary, and the U.S. Court of Appeals for the Third Circuit, through 2017. The OIG audits and related recovery actions are fully resolved. After remitting payment of \$7.2 million in February 2017, the School District applied for a grantback in May 2017, in accordance with 20 U.S.C. 1234h, requesting return of 75 percent of the remitted funds for the School District to use for specified federal program purposes. By Grant award Notification dated April 1, 2019, DOE approved the grantback application for \$5.4 million. Due to a delay from the initial application to the award by DOE, the School District was asked to provide an amended application and budget related to the \$5.4 million. DOE approved this amendment on August 13, 2019. The School District anticipates these grantback funds to be available during Fiscal Year 2020.

2. PHA Subsequent Events:

PHA and Enterprise executed a lease agreement whereby Enterprise will lease additional 66 vehicles to PHA during the year ending March 31, 2020. PHA will pay Enterprise approximately \$2.1 million for the vehicles.

On October 4, 2019, PHA acquired the partnership interest of the limited partner investor in Richard Allen Phase III, L.P., a discrete component unit of PHA. Pursuant to the terms of the Purchase and Sale agreement, the partnership interest was purchased by PHA's affiliate for an aggregate purchase price of approximately \$1.1 million.

3. PRA Subsequent Event:

Effective January 1, 2019, PRA started consolidation efforts with the Philadelphia Housing Development Corporation (PHDC). At the time of the issuance of this audit report, the consolidation only affects the staff of the Authority who will eventually become PHDC staff. A memo of understanding is being drafted that will highlight the extent of the inter-agency agreement.

4. PHDC Subsequent Event:

During fiscal year 2019, PHDC and Local 1971 (District Council 33) agreed to a new labor agreement that will expire June 30, 2020. Effective January 1, 2019, PHDC started consolidation efforts with the PRA. At the time of the issuance of this audit report, the consolidation only affects the staff of PRA who will eventually become PHDC staff. A memo of understanding is being drafted that will highlight the extent of the inter-agency agreement. This would increase the number of PHDC employees from 91 to 123, an approximate 25% increase. Significant administrative cost savings are expected for the City and should be evident in the fiscal year 2021 financial report.

5. PAID Subsequent Event:

PAID evaluated its December 31, 2018 financial statements for subsequent events through September 30, 2019, the date the financial statements were available to be issued. PAID is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

6. PICA Subsequent Event:

In October 2019, the Pennsylvania Intergovernmental Cooperation Authority issued \$31.1 million in Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2019 and \$25.0 million in Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2020 (Forward Delivery). Both bonds were issued with an interest rate of 5%. The 2019 bonds were issued to (A) refund all of the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2009 and (B) pay the costs of issuing the 2019 bonds. The 2020 bonds were issued to (A) refund the Authority's Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2010 maturing after June 15, 2020 and (B) pay the costs of issuing the 2020 bonds.



Required Supplementary Information

(Other than Management's Discussion and Analysis)

City of Philadelphia
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2019

Exhibit XIV

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
<u>Revenues</u>				
Tax Revenue	3,445,678	3,552,256	3,614,840	62,584
Locally Generated Non-Tax Revenue	291,684	325,585	349,062	23,477
Revenue from Other Governments	806,439	791,352	804,698	13,346
Revenue from Other Funds	73,108	72,916	51,677	(21,239)
Total Revenues	4,616,909	4,742,109	4,820,277	78,168
<u>Expenditures and Encumbrances</u>				
Personal Services	1,738,440	1,778,079	1,749,789	28,290
Pension Contributions	719,758	752,552	752,549	3
Other Employee Benefits	640,480	626,098	618,517	7,581
Sub-Total Employee Compensation	3,098,678	3,156,729	3,120,855	35,874
Purchase of Services	951,665	991,061	915,529	75,532
Materials and Supplies	72,911	71,845	70,314	1,531
Equipment	41,445	51,163	42,953	8,210
Contributions, Indemnities and Taxes	282,185	286,985	279,769	7,216
Debt Service	169,496	169,496	159,787	9,709
Payments to Other Funds	38,096	163,248	183,182	(19,934)
Advances, Subsidies, Miscellaneous	71,020	53,573	-	53,573
Total Expenditures and Encumbrances	4,725,496	4,944,100	4,772,389	171,711
Operating Surplus (Deficit) for the Year	(108,587)	(201,991)	47,888	249,879
Fund Balance Available for Appropriation, July 1, 2018	228,545	368,783	368,783	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	24,000	24,000	22,009	(1,991)
Other Adjustments	(4,500)	(2,300)	-	2,300
Adjusted Fund Balance, July 1, 2018	248,045	390,483	390,792	309
Fund Balance Available for Appropriation, June 30, 2019	139,458	188,492	438,680	250,188

* 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, 2019

Exhibit XV

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	2,000	2,800	9,271	6,471
Revenue from Other Governments	<u>1,298,000</u>	<u>1,197,200</u>	<u>1,012,165</u>	<u>(185,035)</u>
Total Revenues	1,300,000	1,200,000	1,021,436	(178,564)
<u>Other Sources</u>				
Increase in Unreimbursed Commitments	<u>-</u>	<u>-</u>	<u>2,134</u>	<u>2,134</u>
Total Revenues and Other Sources	<u>1,300,000</u>	<u>1,200,000</u>	<u>1,023,570</u>	<u>(176,430)</u>
<u>Expenditures and Encumbrances</u>				
Personal Services	800	800	542	258
Purchase of Services	1,299,100	1,299,100	990,481	308,619
Payments to Other Funds	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
Total Expenditures and Encumbrances	<u>1,300,000</u>	<u>1,300,000</u>	<u>991,023</u>	<u>308,977</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>(100,000)</u>	<u>32,547</u>	<u>132,547</u>
Fund Balance Available for Appropriation, July 1, 2018	-	89,562	89,562	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	2,367	2,367
Other Adjustments	<u>-</u>	<u>(68,076)</u>	<u>-</u>	<u>68,076</u>
Adjusted Fund Balance, July 1, 2018	<u>-</u>	<u>21,486</u>	<u>91,929</u>	<u>70,443</u>
Fund Balance Available for Appropriation, June 30, 2019	<u>-</u>	<u>(78,514)</u>	<u>124,476</u>	<u>202,990</u>

* 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, 2019

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	110,461	102,680	57,710	(44,970)
Revenue from Other Governments	1,549,765	1,785,632	931,976	(853,656)
Total Revenues	1,660,226	1,888,312	989,686	(898,626)
<u>Other Sources</u>				
Increase in Unreimbursed Commitments	-	-	41,413	41,413
Increase in Financed Reserves	-	-	(2,990)	(2,990)
Total Revenues and Other Sources	1,660,226	1,888,312	1,028,109	(860,203)
<u>Expenditures and Encumbrances</u>				
Personal Services	186,045	200,564	155,232	45,332
Pension Contributions	32,604	34,157	31,608	2,549
Other Employee Benefits	36,375	36,916	31,309	5,607
Sub-Total Employee Compensation	255,024	271,637	218,149	53,488
Purchase of Services	1,039,495	1,025,129	827,889	197,240
Materials and Supplies	37,310	36,126	11,969	24,157
Equipment	22,393	20,927	5,463	15,464
Contributions, Indemnities and Taxes	1	1,112	-	1,112
Payments to Other Funds	56,003	56,163	32,821	23,342
Advances, Subsidies, Miscellaneous	250,000	34	-	34
Total Expenditures and Encumbrances	1,660,226	1,411,128	1,096,291	314,837
Operating Surplus (Deficit) for the Year	-	477,184	(68,182)	(545,366)
Fund Balance Available for Appropriation, July 1, 2018	-	(287,099)	(288,485)	(1,386)
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	55,654	55,654
Revenue Adjustments - Net	-	-	(16,709)	(16,709)
Prior Period Adjustments	-	287,099	-	(287,099)
Adjusted Fund Balance, July 1, 2018	-	-	(249,540)	(249,540)
Fund Balance Available for Appropriation, June 30, 2019	-	477,184	(317,722)	(794,906)

* Refer to the notes to required supplementary information.

City of Philadelphia - Schedule of Changes in Net OPEB Liability and Related Ratios (Amounts of USD)

	<u>FYE 2018</u>	<u>FYE 2017</u>
Total OPEB Liability		
Service Cost (BOY)	81,800,000	89,300,000
Interest (includes interest on service cost)	67,900,000	56,100,000
Changes of benefit terms	0	-
Differences between expected and actual experience	56,800,000	-
Changes of assumptions	(147,800,000)	(105,600,000)
Benefit payments, including refunds of member contributions	<u>(96,400,000)</u>	<u>(114,800,000)</u>
Net change in total OPEB liability	(37,700,000)	(75,000,000)
Total OPEB liability - beginning	1,861,600,000	1,936,600,000
Total OPEB liability - ending	<u>1,823,900,000</u>	<u>1,861,600,000</u>
Plan fiduciary net position		
Contributions - employer	96,400,000	114,800,000
Contributions - non-employer	-	-
Contributions - member	-	-
Net investment income	-	-
Benefit payments, including refunds of member contributions	(96,400,000)	(114,800,000)
Administrative expense	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	<u>-</u>	<u>-</u>
Net OPEB liability - ending	<u>1,823,900,000</u>	<u>1,861,600,000</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
Covered-employee payroll	1,805,400,000	1,864,800,000
Net OPEB liability as a percentage of covered-employee payroll	101.02%	99.83%

City of Philadelphia - Municipal Pension Plan - Schedule of Changes in Net Pension Liability (Amounts of USD)

	<u>FYE 2019</u>	<u>FYE 2018</u>	<u>FYE 2017</u>	<u>FYE 2016</u>	<u>FYE 2015</u>
Total Pension Liability					
Service Cost (MOY)	183,755,848	164,137,303	157,607,110	148,370,075	143,556,347
Interest (includes interest on service cost)	857,348,582	843,171,926	823,959,345	802,450,569	791,298,503
Changes of benefit terms	378,455	4,064,886	-	-	-
Differences between expected and actual experience	11,097,845	28,937,167	103,878,650	151,918,733	34,909,464
Changes of assumptions	53,488,769	106,021,273	51,441,475	85,147,737	48,146,352
Benefit payments, including refunds of member contributions	<u>(842,468,627)</u>	<u>(828,266,043)</u>	<u>(821,495,227)</u>	<u>(889,343,124)</u>	<u>(881,464,964)</u>
Net change in total pension liability	263,600,872	318,066,512	315,391,353	298,543,990	136,445,702
Total Pension liability - beginning	11,510,667,823	11,192,601,311	10,877,209,958	10,578,665,968	10,442,220,266
Total Pension liability - ending	<u>11,774,268,695</u>	<u>11,510,667,823</u>	<u>11,192,601,311</u>	<u>10,877,209,958</u>	<u>10,578,665,968</u>
Plan fiduciary net position					
Contributions - employer	797,805,518	781,984,326	706,236,698	660,246,511	577,195,412
Contributions - member	99,179,683	83,288,635	73,607,359	67,055,003	58,657,817
Net investment income	303,735,946	440,326,787	566,624,580	(145,681,480)	13,838,367
Benefit payments, including refunds of member contributions	(842,468,627)	(828,266,043)	(821,495,227)	(889,343,124)	(881,666,036)
Administrative expense	<u>(11,154,696)</u>	<u>(10,123,004)</u>	<u>(8,873,657)</u>	<u>(8,553,837)</u>	<u>(10,478,541)</u>
Net change in plan fiduciary net position	347,097,824	467,210,701	516,099,753	(316,276,927)	(242,452,981)
Plan fiduciary net position - beginning	5,341,285,527	4,874,074,826	4,357,975,073	4,674,252,416	4,916,705,397
Plan fiduciary net position - ending	<u>5,688,383,351</u>	<u>5,341,285,527</u>	<u>4,874,074,826</u>	<u>4,357,975,073</u>	<u>4,674,252,416</u>
Net pension liability - ending	<u>6,085,885,344</u>	<u>6,169,382,296</u>	<u>6,318,526,485</u>	<u>6,519,234,885</u>	<u>5,904,413,552</u>
Plan fiduciary net position as a percentage of the total pension liability	48.31%	46.40%	43.55%	40.07%	44.19%
Covered payroll	1,816,114,249	1,805,400,096	1,744,728,288	1,676,548,962	1,597,848,869
Net pension liability as a percentage of covered payroll	335.10%	341.72%	362.15%	388.85%	369.52%

**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									
	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011	FYE 2010
Actuarially determined Contribution	668,281	661,257	629,620	594,975	556,030	523,368	727,604	534,039	463,375	297,446
Contributions in Relation to the Actuarially Determined Contribution	797,806	781,984	706,237	660,247	577,195	553,179	781,823	555,690	470,155	312,556
Contribution Deficiency/(Excess)	(129,525)	(120,727)	(76,617)	(65,272)	(21,165)	(29,811)	(54,219)	(21,651)	(6,780)	(15,110)
Covered Payroll	1,816,114	1,805,400	1,744,728	1,676,549	1,597,849	1,495,421	1,429,723	1,372,174	1,371,274	1,421,151
Contributions as a Percentage of Covered Payroll	43.93%	43.31%	40.48%	39.38%	36.12%	36.99%	54.68%	40.50%	34.29%	21.99%

City of Philadelphia Schedule of Collective Contributions (Based on Revenue Recognition Policy)

	Last 10 Fiscal Years Amounts in Thousands									
	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011	FYE 2010
Actuarially determined Contribution	680,808	662,139	629,620	594,975	556,030	523,368	727,604	534,039	463,375	297,446
Contributions in Relation to the Actuarially Determined Contribution	797,806	781,984	706,237	660,247	577,195	553,179	781,823	555,690	470,155	312,556
Contribution Deficiency/(Excess)	(116,998)	(119,845)	(76,617)	(65,272)	(21,165)	(29,811)	(54,219)	(21,651)	(6,780)	(15,110)
Covered Payroll	1,816,114	1,805,400	1,744,728	1,676,549	1,597,849	1,495,421	1,429,723	1,372,174	1,371,274	1,421,151
Contributions as a Percentage of Covered Payroll	43.93%	43.31%	40.48%	39.38%	36.12%	36.99%	54.68%	40.50%	34.29%	21.99%

City of Philadelphia Schedule of Collective Contributions (Based on Funding Policy)

	Last 10 Fiscal Years Amounts in Thousands									
	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011	FYE 2010
Actuarially determined Contribution	874,706	871,802	881,356	846,283	798,043	823,895	738,010	722,491	715,544	581,123
Contributions in Relation to the Actuarially Determined Contribution	797,806	781,984	706,237	660,247	577,195	553,179	781,823	555,690	470,155	312,556
Contribution Deficiency/(Excess)	76,900	89,818	175,119	186,036	220,847	270,706	(43,813)	166,801	245,389	268,567
Covered Payroll	1,816,114	1,805,400	1,744,728	1,676,549	1,597,849	1,495,421	1,429,723	1,372,174	1,371,274	1,421,151
Contributions as a Percentage of Covered Payroll	43.93%	43.31%	40.48%	39.38%	36.12%	36.99%	54.68%	40.50%	34.29%	21.99%

Notes to Schedule

Valuation Date	7/1/2017
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation two years prior to the beginning of the plan year.
Key Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial cost method	Entry Age
Asset valuation method	Ten-year smoothed market
Amortization method	Gain/Losses are amortized over closed 20-year periods, assumption changes over 15 years, benefit changes for inactive members over 1 year, and plan changes mandated by state over 20 years.
	Under the City's Funding policy, the initial July 1, 1985 unfunded actuarial liability (UAL) is amortized over 34 years ending June 30, 2019, with payments increasing 3.3% per year, the assumed payroll growth.
	Under the MMO Funding Policy, the July 1, 2009 unfunded actuarial liability (UAL) was "fresh started", to be amortized over 30 years, ending June 30, 2039. This is level dollar amortization of the UAL.
	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 the MMO would be without these additional assets.
Discount rate	7.65%
Amortization growth rate	3.30%
Salary increases	Age based salary scale
Mortality	Sex distinct RP-2000 Combined Mortality with adjustments and improvements using Scale AA
A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2019 can be found in the July 1, 2017 actuarial valuation.	

City of Philadelphia
Required Supplementary Information
Other Post Employment Benefits (OPEB) and Pension Plans

Exhibit XVII

Philadelphia Gas Works - Schedule of Changes in Net Pension Liability *(Amounts in thousands USD)*

	FYE 2019	FYE 2018	FYE 2017	FYE 2016
Total Pension Liability				
Service Cost	6,554	6,103	5,823	5,400
Interest Cost	57,240	55,718	55,443	55,903
Changes in Benefit Terms	-	-	-	-
Differences between expected and actual experience	(12,089)	15,706	2,182	(8,841)
Changes in assumptions	(1,834)	(3,864)	(7,952)	26,748
Benefit Payments	(53,893)	(52,627)	(51,376)	(50,447)
Net Change in Total Pension Liability	(4,022)	21,036	4,120	28,763
Total Pension Liability (Beginning)	804,507	783,471	779,351	750,588
Total Pension Liability (Ending)	800,485	804,507	783,471	779,351
Plan Fiduciary Net Position				
Contributions-Employer	28,570	29,143	27,918	21,123
Contributions - Member	1,249	1,078	852	602
Net Investment Income	34,260	44,310	61,002	2,872
Benefit Payments	(53,893)	(52,627)	(51,376)	(50,446)
Administrative Expense	(192)	(184)	(129)	(1,611)
Other	-	-	-	-
Net Change in Fiduciary Net Position	9,994	21,720	38,267	(27,460)
Plan Fiduciary Net Position (Beginning)	543,246	521,526	483,259	510,719
Plan Fiduciary Net Position (Ending)	553,240	543,246	521,526	483,259
Net Pension Liability (Ending)	247,245	261,261	261,945	296,092
Total Pension Liability	800,485	804,507	783,471	779,351
Plan Fiduciary Net Position	553,240	543,246	521,526	483,259
Net Pension Liability (Ending)	247,245	261,261	261,945	296,092
Net Position as a percentage of Pension Liability	69.11%	67.53%	66.57%	62.01%
Covered Payroll	98,454	101,271	94,768	90,860
Net Pension Liability as a percentage of Payroll	251.13%	257.98%	276.41%	325.88%

Valuation Date: actuarial liabilities and assets are calculated as of the Fiscal Year end date.

Philadelphia Gas Works - Schedule of Actuarially Determined Contribution *(Amounts in thousands USD)*

	FYE 2019	FYE 2018	FYE 2017	FYE 2016
Actuarially Determined Contribution	28,797	28,395	29,260	26,476
Contributions Made	28,570	29,143	27,918	21,123
Contribution Deficiency/(Excess)	227	(748)	1,342	5,353
Covered Payroll	98,454	101,271	94,768	90,860
Contributions as a percent of covered payroll	29.25%	28.04%	30.88%	29.14%

Notes to Required Supplementary Information:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2019
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Contributions based on greater of 20 year level dollar open amortization method and 30 year level dollar closed amortization method.
Asset Valuation Method	Assets smoothed over 5 year period
Salary Increases	4.5% for current and subsequent years
General Inflation	2.00%
Investment Rate of Return	7.30%
Cost of Living	N/A
Mortality rates	RP-2014 static mortality generationally projected with Scale MP-2018

I. BASIS OF BUDGETING

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

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

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

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

II. BASIS OF BUDGETING TO GAAP BASIS RECONCILIATION

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund
<u>Revenues</u>			
Budgetary Comparison Schedule	4,820,277	1,021,436	989,686
Transfers	(529,075)	-	-
Program Income	-	-	46,142
Adjustments applicable to Prior Years Activity	-	-	-
Change in Amount Held by Fiscal Agent	2,381	-	-
Change in BPT Adjustment	(18,255)	-	-
Return of Loan	-	-	-
Other	-	-	(16,709)
Statement of Revenues, Expenditures & Changes in Fund Balance	<u>4,275,328</u>	<u>1,021,436</u>	<u>1,019,119</u>
<u>Expenditures and Encumbrances</u>			
Budgetary Comparison Schedule	4,772,389	991,023	1,096,291
Transfers	(319,891)	-	(35,994)
Bond Issuance Costs	1,977	-	-
Expenditures applicable to Prior Years Budgets	66,013	24,785	(14,963)
Program Income	-	-	46,142
Payments for Current Bond Refundings	-	-	-
Capital Outlay for New Police Headquarters	-	-	-
Change in Amount Held by Fiscal Agent	39,318	-	-
Current Year Encumbrances	<u>(162,458)</u>	<u>(29,287)</u>	<u>(82,105)</u>
Statement of Revenues, Expenditures & Changes in Fund Balance	<u>4,397,348</u>	<u>986,521</u>	<u>1,009,371</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, 2019

Schedule I

Amounts in thousands of USD

	Special Revenue												
	County Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Assets													
Cash on Deposit and on Hand	-	-	-	-	-	-	-	-	-	7,858	142	24,431	32,431
Equity in Treasurer's Account	11,551	51,917	10,160	-	4,386	67,575	22,990	30	3,934	4,248	-	-	176,791
Investments	-	-	-	-	-	-	-	-	-	1,064	-	-	1,064
Due from Other Funds	-	-	-	-	-	-	-	-	-	38	-	-	-
Due from Component Units	-	-	-	-	-	-	-	-	-	-	-	-	-
Amounts Held by Fiscal Agent	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	8,322	-	-	-	10,479	-	-	-	-	-	-
Accounts Receivable	-	-	-	2,500	-	-	-	-	-	-	24	5,212	24,660
Due from Other Governmental Units	-	-	-	9,185	-	-	-	-	-	-	-	-	2,524
Allowance for Doubtful Accounts	-	-	(366)	-	(1)	-	(9,431)	-	-	-	-	-	9,185
Interest and Dividends Receivable	-	-	-	-	2	-	-	-	-	-	-	12	(9,798)
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	14
Other Assets	-	-	-	-	-	-	-	-	-	104	-	21	125
Total Assets	11,551	51,917	18,116	11,685	5,034	67,575	24,038	30	3,934	13,312	4,875	29,676	241,743
Liabilities													
Notes Payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Vouchers Payable	154	789	-	533	-	216	2,172	-	73	185	-	-	4,122
Accounts Payable	336	2,981	2,790	4,401	-	1,665	74	-	-	131	5,188	64	17,630
Salaries and Wages Payable	-	-	-	177	-	-	140	-	-	-	-	-	317
Payroll Taxes Payable	-	-	-	-	-	-	-	-	-	-	-	119	119
Accrued Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	6,540	-	-	-	-	-	15	-	5,212	11,767
Due to Primary Government	-	-	-	-	-	-	-	-	-	-	-	-	99
Due to Component Units	-	-	-	99	-	-	-	-	-	-	-	-	1,575
Funds Held in Escrow	-	-	-	-	-	-	-	-	447	1,128	-	-	-
Due to Other Governmental Units	-	-	-	-	-	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
General Obligation Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Unamortized Loss - Refunded Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Unamortized Discount on Revenue Bond	-	-	-	-	-	-	-	-	-	-	-	-	-
Obligations Under Capital Leases	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	490	3,770	2,790	11,750	-	1,881	2,386	-	520	1,459	5,188	5,395	35,629
Deferred Inflows of Resources	-	-	154	9,270	-	-	1,048	-	-	-	-	-	10,472
Fund Balances													
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted	11,061	48,147	15,172	-	5,034	65,694	20,604	-	-	10,432	-	24,281	200,425
Committed	-	-	-	-	-	-	-	30	3,414	1,421	-	-	4,865
Assigned	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	(9,335)	-	-	-	-	-	-	(313)	-	(9,648)
Total Fund Balances	11,061	48,147	15,172	(9,335)	5,034	65,694	20,604	30	3,414	11,853	(313)	24,281	195,642
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	11,551	51,917	18,116	11,685	5,034	67,575	24,038	30	3,934	13,312	4,875	29,676	241,743

City of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds(Continued)
June 30, 2019

Schedule I

Amounts in thousands of USD

	Debt Service			Capital Improvement			Permanent	Total
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Non-Major Governmental Funds
Assets								
Cash on Deposit and on Hand	-	-	8,030	8,030	-	-	-	40,800
Equity in Treasurer's Account	628	-	-	628	123,078	-	123,078	300,497
Investments	-	48	45,957	46,005	-	13,573	13,573	67,261
Due from Other Funds	-	-	-	-	-	-	-	4,747
Due from Component Units	-	-	-	-	-	-	-	-
Amounts Held by Fiscal Agent	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	-	24,660
Due from Other Governmental Units	-	-	-	-	54,584	-	54,584	2,524
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	63,769
Interest and Dividends Receivable	1	-	55	56	10	-	10	(9,798)
Inventories	-	-	-	-	-	-	-	80
Other Assets	-	-	-	-	-	-	-	-
								125
Total Assets	629	48	54,042	54,719	177,672	13,573	191,245	494,665
Liabilities								
Notes Payable	-	-	-	-	-	-	-	-
Vouchers Payable	-	-	-	-	5,840	-	5,840	9,962
Accounts Payable	-	-	-	-	28,032	-	28,032	45,662
Salaries and Wages Payable	-	-	-	-	-	-	-	317
Payroll Taxes Payable	-	-	-	-	-	-	-	119
Accrued Expenses	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	11,805
Due to Primary Government	-	-	-	-	-	-	-	-
Due to Component Units	-	-	-	-	2,656	-	2,656	2,755
Funds Held in Escrow	-	-	-	-	2,967	-	2,967	4,542
Due to Other Governmental Units	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	11,618	-	11,618	11,618
General Obligation Bonds	-	-	-	-	-	-	-	-
Revenue Bonds	-	-	-	-	-	-	-	-
Unamortized Loss - Refunded Debt	-	-	-	-	-	-	-	-
Unamortized Discount on Revenue B	-	-	-	-	-	-	-	-
Obligations Under Capital Leases	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	51,113	-	51,113	86,780
Deferred Inflows of Resources	-	-	-	-	52,072	-	52,072	62,544
Fund Balances								
Nonspendable	-	-	-	-	-	-	-	3,527
Restricted	629	48	54,042	54,719	74,487	13,573	88,060	346,597
Committed	-	-	-	-	-	-	-	4,865
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	(9,648)
Total Fund Balances	629	48	54,042	54,719	74,487	13,573	88,060	345,341
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	629	48	54,042	54,719	177,672	13,573	191,245	494,665

City of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2019

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	
Revenues												
Tax Revenue	-	-	73,229	-	6,220	-	140,386	-	-	-	-	748,598
Locally Generated Non-Tax Revenue	62	626	-	2,459	46	14,383	-	-	2,130	289	4,774	25,650
Revenue from Other Governments	8,311	37,660	-	46,131	-	-	-	-	-	-	-	92,102
Other Revenues	-	-	-	-	-	-	-	-	-	-	212	344
Total Revenues	8,373	38,286	73,229	48,590	6,266	14,383	140,386	-	2,130	289	4,986	866,694
Expenditures												
Current Operating:												
Economic Development	-	-	71,946	-	-	-	-	-	-	-	-	71,946
Transportation:												
Streets & Highways	7,209	37,329	-	-	-	-	-	-	-	-	-	44,538
Judiciary and Law Enforcement:												
Prisons	-	-	-	-	-	-	-	-	1,339	-	-	1,339
Conservation of Health:												
Health Services	-	-	-	-	-	-	136,666	-	-	-	-	136,666
Housing and Neighborhood Development	-	-	-	49,218	-	11,098	-	-	-	-	-	60,316
Cultural and Recreational:												
Parks & Recreation	-	-	-	-	-	-	-	-	-	-	2,031	2,031
Libraries and Museums	-	-	-	-	-	-	-	-	-	-	177	177
Improvements to General Welfare:												
Service to Property:												
General Management and Support	-	-	-	(14)	7,000	-	-	-	855	289	3,187	60,513
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:												
Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	7,209	37,329	71,946	49,204	7,000	11,098	136,666	-	2,194	289	5,395	377,526
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,164	957	1,283	(614)	(734)	3,285	3,720	-	(64)	-	(409)	489,168
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	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	29,131	(500)	-	-	-	1,269	78,157
Transfers Out	-	-	-	-	-	-	(500)	-	-	-	-	(529,628)
Total Other Financing Sources (Uses)	-	-	-	-	-	29,131	(500)	-	-	-	1,269	(451,471)
Net Change in Fund Balances	1,164	957	1,283	(614)	(734)	32,416	3,220	-	(64)	-	860	37,697
Fund Balance - July 1, 2018	9,897	47,190	13,889	(8,721)	5,768	33,278	17,384	30	3,478	-	10,983	157,945
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balance Adjusted - July 1, 2018	9,897	47,190	13,889	(8,721)	5,768	33,278	17,384	30	3,478	-	10,983	157,945
Fund Balance - June 30, 2019	11,061	48,147	15,172	(9,335)	5,034	65,694	20,604	30	3,414	-	11,853	195,642

City of Philadelphia

Schedule II

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds(Continued)

For the Fiscal Year Ended June 30, 2019

	Debt Service				Capital Improvement				Amounts in thousands of USD	
	Municipal Authority		PICA		City	Municipal Authority		Total	Permanent Libraries & Parks	Total Non-Major Governmental Funds
	City									
Revenues										
Tax Revenue	-	-	-	-	-	-	-	-	-	748,598
Locally Generated Non-Tax Revenue	9	65	3,210	3,284	-	275	275	275	324	29,533
Revenue from Other Governments	-	-	-	-	32,420	-	-	32,420	-	124,522
Other Revenues	-	-	-	-	36	-	-	36	-	380
Total Revenues	9	65	3,210	3,284	32,456	275	275	32,731	324	903,033
Expenditures										
Current Operating:										
Economic Development	-	-	-	-	-	-	-	-	-	71,946
Transportation:										
Streets & Highways	-	-	-	-	-	-	-	-	-	44,538
Judiciary and Law Enforcement:										
Prisons	-	-	-	-	-	-	-	-	-	1,339
Conservation of Health:										
Health Services	-	-	-	-	-	-	-	-	-	136,666
Housing and Neighborhood Development	-	-	-	-	-	-	-	-	-	60,316
Cultural and Recreational:										
Parks & Recreation	-	-	-	-	-	-	-	-	688	2,719
Libraries and Museums	-	-	-	-	-	-	-	-	1	178
Improvements to General Welfare:										
Service to Property:										
General Management and Support	-	-	-	-	-	-	-	-	-	60,513
Capital Outlay	-	-	-	-	208,241	(207)	(207)	208,034	-	208,034
Debt Service:										
Principal	82,000	13,850	38,760	134,610	-	-	-	-	-	134,610
Interest	77,240	7,378	8,408	93,026	-	-	-	-	-	93,026
Bond Issuance Cost	1,470	(44)	-	1,426	-	-	-	-	-	1,426
Total Expenditures	160,710	21,184	47,168	229,062	208,241	(207)	(207)	208,034	689	815,311
Excess (Deficiency) of Revenues Over (Under) Expenditures	(160,701)	(21,119)	(43,958)	(225,778)	(175,785)	482	482	(175,303)	(365)	87,722
Other Financing Sources (Uses)										
Issuance of Debt										
Issuance of Refunding Bonds	-	-	-	-	-	-	-	-	-	-
Bond Issuance Premium	188,660	-	-	188,660	-	-	-	-	-	188,660
Bond Issuance Discount or payment	25,309	-	-	25,309	-	-	-	-	-	25,309
Proceeds from Lease & Service Agreements	-	-	-	-	-	-	-	-	-	-
Payment to Refunded Bonds Escrow Agent	(212,499)	-	-	(212,499)	-	-	-	-	-	(212,499)
Transfers In	159,232	21,167	35,576	215,975	102,343	-	-	102,343	-	396,475
Transfers Out	-	-	-	-	-	-	-	-	(119)	(529,747)
Total Other Financing Sources (Uses)	160,702	21,167	35,576	217,445	102,343	-	-	102,343	(119)	(131,802)
Net Change in Fund Balances	1	48	(8,382)	(8,333)	(73,442)	482	482	(72,960)	(484)	(44,080)
Fund Balance - July 1, 2018	628	-	62,424	63,052	147,929	13,091	13,091	161,020	7,404	389,421
Adjustment	-	-	-	-	-	-	-	-	-	-
Fund Balance Adjusted - July 1, 2018	628	-	62,424	63,052	147,929	13,091	13,091	161,020	7,404	389,421
Fund Balance - June 30, 2019	629	48	54,042	54,719	74,487	13,573	13,573	88,060	6,920	345,341

City of Philadelphia
Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2019

Schedule III

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
<u>Assets</u>			
Cash on Deposit and on Hand	16,832	-	16,832
Equity in Treasurer's Account	537,748	5,572,613	6,110,361
Securities Lending Collective Investment Pool	-	381,431	381,431
Allowance for Unrealized Loss	-	77	77
Accounts Receivable	-	4,090	4,090
Due from Brokers for Securities Sold	10,364	164,780	175,144
Interest and Dividends Receivable	1,653	-	1,653
Due from Other Governmental Units	-	7,816	7,816
Due from Other Funds	-	91,750	91,750
	<hr/>	<hr/>	<hr/>
Total Assets	566,597	6,222,557	6,789,154
	<hr/>	<hr/>	<hr/>
<u>Liabilities</u>			
Vouchers Payable	-	47	47
Accounts Payable	209	52	261
Salaries and Wages Payable	-	149	149
Due on Return of Securities Loaned	-	381,431	381,431
Due to Brokers for Securities Purchased	13,148	148,930	162,078
Accrued Expenses	-	3,327	3,327
Other Liabilities	-	238	238
	<hr/>	<hr/>	<hr/>
Total Liabilities	13,357	534,174	547,531
	<hr/>	<hr/>	<hr/>
Net Position Restricted for Pensions	553,240	5,688,383	6,241,623
	<hr/>	<hr/>	<hr/>

City of Philadelphia
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2019

Schedule IV

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
<u>Additions</u>			
Contributions:			
Employer's Contributions	28,570	797,805	826,375
Employees' Contributions	1,249	99,180	100,429
Total Contributions	29,819	896,985	926,804
Investment Income:			
Interest and Dividends	13,779	132,655	146,434
Net Gain in Fair Value of Investments	21,618	176,587	198,205
(Less) Investments Expenses	(1,142)	(7,493)	(8,635)
Securities Lending Revenue	-	2,166	2,166
(Less) Securities Lending Expenses	-	(324)	(324)
Net Investment Gain	34,255	303,591	337,846
Miscellaneous Operating Revenues	4	145	149
Total Additions	64,078	1,200,721	1,264,799
<u>Deductions</u>			
Personal Services	-	3,765	3,765
Purchase of Services	-	2,344	2,344
Materials and Supplies	-	131	131
Employee Benefits	-	4,846	4,846
Pension Benefits	53,893	832,467	886,360
Refunds of Members' Contributions	-	10,001	10,001
Administrative Expenses Paid	191	-	191
Other Operating Expenses	-	69	69
Total Deductions	54,084	853,623	907,707
Change in Net Position	9,994	347,098	357,092
Net Position - July 1, 2018	543,246	5,341,285	5,884,531
Net Position - June 30, 2019	553,240	5,688,383	6,241,623

City of Philadelphia
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2019

Schedule V

Amounts in thousands of USD

	<u>Escrow Fund</u>	<u>Employee Health & Welfare Fund</u>	<u>Departmental Custodial Accounts</u>	<u>Total</u>
<u>Assets</u>				
Cash on Deposit and on Hand	-	-	126,384	126,384
Equity in Treasurer's Account	75,378	37,685	-	113,063
Investments	-	-	2,439	2,439
Due from Other Funds	-	-	699	699
	<u>-</u>	<u>-</u>	<u>699</u>	<u>699</u>
Total Assets	<u>75,378</u>	<u>37,685</u>	<u>129,522</u>	<u>242,585</u>
<u>Liabilities</u>				
Vouchers Payable	963	1	-	964
Payroll Taxes Payable	-	23,654	-	23,654
Funds Held in Escrow	74,415	14,030	129,522	217,967
	<u>74,415</u>	<u>14,030</u>	<u>129,522</u>	<u>217,967</u>
Total Liabilities	<u>75,378</u>	<u>37,685</u>	<u>129,522</u>	<u>242,585</u>
Net Position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

City of Philadelphia
Statement of Changes in Fiduciary Net Position
Agency Funds
For the Fiscal Year Ended June 30, 2019

Schedule VI

Amounts in thousands of USD

	Balance 7-1-2018	Additions	Deductions	Balance 6-30-2019
<u>Escrow Fund</u>				
<u>Assets</u>				
Equity in Treasurer's Account	55,478	589,890	569,990	75,378
<u>Liabilities</u>				
Funds Held in Escrow	55,421	1,088,512	1,069,518	74,415
Vouchers Payable	57	5,811	4,905	963
Total Liabilities	55,478	1,094,323	1,074,423	75,378
<u>Employee Health and Welfare Fund</u>				
<u>Assets</u>				
Equity in Treasurer's Account	28,761	1,072,117	1,063,193	37,685
<u>Liabilities</u>				
Vouchers Payable	1	9	9	1
Payroll Taxes Payable	15,291	984,588	976,225	23,654
Funds Held in Escrow	13,469	100,949	100,388	14,030
Total Liabilities	28,761	1,085,546	1,076,622	37,685
<u>Departmental Custodial Accounts</u>				
<u>Assets</u>				
Cash on Deposit and on Hand	128,138	410,714	412,468	126,384
Investments	2,388	51	-	2,439
Due from Other Funds	699	-	-	699
Total Assets	131,225	410,765	412,468	129,522
<u>Liabilities</u>				
Funds Held in Escrow	131,225	410,765	412,468	129,522
<u>Totals - Agency Funds</u>				
<u>Assets</u>				
Cash on Deposit and on Hand	128,138	410,714	412,468	126,384
Equity in Treasurer's Account	84,239	1,662,007	1,633,183	113,063
Investments	2,388	51	-	2,439
Due from Other Funds	699	-	-	699
Total Assets	215,464	2,072,772	2,045,651	242,585
<u>Liabilities</u>				
Vouchers Payable	58	5,820	4,914	964
Payroll Taxes Payable	15,291	984,588	976,225	23,654
Funds Held in Escrow	200,115	1,600,226	1,582,374	217,967
Total Liabilities	215,464	2,590,634	2,563,513	242,585

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2019

Schedule VII

Amounts in USD

	Date of Issuance	Issued	Fiscal 2019 Outstanding	Maturities	Interest Rates	FY 2020 Debt Service Requirements	
						Interest	Principal
Governmental Activities							
General Obligation Bonds:							
Series 2007A (Refunding)	12/20/2007	188,910,000	9,865,000	8/2019	5.00	246,625	9,865,000
Series 2009A (Refunding)	8/13/2009	237,025,000	5,755,000	8/2019	4.25	122,294	5,755,000
Series 2009B (Refunding)	8/13/2009	100,000,000	100,000,000	8/2027 to 8/2031	variable	3,712,589	-
Series 2011	4/19/2011	139,150,000	8,600,000	8/2019 to 8/2021	5.00 to 6.50	357,425	2,730,000
Series 2011 (Refunding)	4/19/2011	114,570,000	19,210,000	8/2019 to 8/2020	3.00 to 5.25	663,825	9,385,000
Series 2012A (Refunding)	5/8/2012	21,295,000	19,925,000	9/2019 to 9/2021	5.00	749,125	9,885,000
Series 2013A	7/30/2013	201,360,000	135,320,000	7/2019 to 7/2033	4.13 to 5.25	6,702,150	7,690,000
Series 2014A (Refunding)	2/6/2014	154,275,000	146,170,000	7/2019 to 7/2038	5.00 to 5.25	7,356,588	4,320,000
Series 2015A (Refunding)	7/8/2015	138,795,000	121,265,000	8/2019 to 8/2031	5.00	5,869,750	7,740,000
Series 2015B	9/30/2015	191,585,000	173,440,000	8/2019 to 8/2035	4.00 to 5.00	8,219,950	6,650,000
Series 2017 (Refunding)	2/2/2017	262,865,000	255,825,000	8/2019 to 8/2041	4.00 to 5.00	12,226,725	12,625,000
Series 2017A	8/2/2017	250,845,000	243,290,000	8/2019 to 8/2037	5.00	11,967,875	7,865,000
Series 2017A (Refunding)	8/2/2017	80,770,000	80,770,000	8/2021 to 8/2036	5.00	4,038,500	-
Series 2019A (Refunding)	5/14/2019	188,660,000	188,660,000	8/2020 to 8/2031	5.00	6,734,114	-
Total New Money Bonds		782,940,000	560,650,000			27,247,400	24,935,000
Total Refunding Bonds		1,487,165,000	947,445,000			41,720,134	59,575,000
Total General Obligation Bonds		2,270,105,000	1,508,095,000			68,967,534	84,510,000

Business Type Activities

Revenue Bonds

Water and Sewer Revenue Bonds:

Series 1997B	11/25/1997	100,000,000	45,400,000	8/2019 to 8/2027	variable	519,490	4,200,000
Series 2009B	10/14/2009	29,432,930	18,229,377	7/2019 to 6/2033	1.193	372,496	1,205,477
Series 2009C	10/14/2009	46,699,887	31,537,115	7/2019 to 6/2033	1.193	643,982	2,131,458
Series 2009D	3/31/2010	71,956,891	49,233,978	7/2019 to 6/2033	1.193	1,004,136	3,453,485
Series 2010B	6/17/2010	28,500,000	22,385,626	7/2019 to 6/2033	1.193	458,569	1,361,337
Series 2010C	8/5/2010	185,000,000	7,350,000	8/2019 to 8/2035	3.00 to 5.00	286,013	3,075,000
Series 2011A	11/16/2011	135,000,000	135,000,000	1/2033 to 1/2041	5.00	6,737,000	-
Series 2011B (Refunding)	11/16/2011	49,855,000	20,750,000	11/2019 to 11/2026	5.00	833,750	8,150,000
Series 2012 (Refunding)	11/1/2012	70,370,000	34,400,000	11/2028	5.00	1,720,000	-
Series 2013A	8/22/2013	170,000,000	159,725,000	1/2020 to 1/2043	4.00 to 5.125	7,992,200	30,845,000
Series 2014 (Refunding)	1/23/2014	93,170,000	74,500,000	7/2019 to 7/2027	3.00 to 5.00	3,470,250	6,800,000
Series 2014	1/23/2014	30,000,000	30,000,000	7/2041 to 7/2043	5.00	1,500,000	-
Series 2015A	4/16/2015	275,820,000	275,820,000	7/2036 to 7/2045	5.00	13,791,000	-
Series 2015B (Refunding)	4/16/2015	141,740,000	141,740,000	7/2019 to 7/2033	4.00 to 5.00	6,550,975	10,365,000
Series 2016 (Refunding)	11/3/2016	192,680,000	181,770,000	10/2019 to 10/2035	3.00 to 5.00	8,484,313	3,785,000
Series 2017A	4/13/2017	279,865,000	259,865,000	10/2019 to 10/2052	5.00 to 5.25	12,616,125	20,000,000

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2019

Schedule VII

Amounts in USD

	<u>Date of Issuance</u>	<u>Issued</u>	<u>Fiscal 2019 Outstanding</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>FY 2020 Debt Service Requirements</u>	<u>Principal</u>
Series 2017B (Refunding)	8/10/2017	174,110,000	171,205,000	11/2020 to 10/2034	5.00	8,560,250	-
Series 2018A	11/28/2018	276,935,000	276,935,000	10/2019 to 10/2053	5.00	13,596,750	10,000,000
Series 2019A (Refunding)	2/27/2019	68,335,000	68,335,000	10/2020 to 10/2040	2.83 to 4.29	2,702,898	-
<u>Total New Money Bonds</u>		<u>1,629,209,708</u>	<u>1,311,481,096</u>			<u>59,517,760</u>	<u>76,271,757</u>
<u>Total Refunding Bonds</u>		<u>790,260,000</u>	<u>692,700,000</u>			<u>32,322,435</u>	<u>29,100,000</u>
<u>Total Water Revenue Bonds</u>		<u>2,419,469,708</u>	<u>2,004,181,096</u>			<u>91,840,195</u>	<u>105,371,757</u>
Aviation Revenue Bonds:							
Series 2005C (Refunding)	6/2/2005	189,500,000	87,100,000	6/2020 to 6/2025	variable	2,801,541	13,000,000
Series 2010A	11/15/2010	273,065,000	238,905,000	6/2020 to 6/2040	3.75 to 5.25	11,996,463	6,670,000
Series 2010D (Refunding)	11/15/2010	272,475,000	151,255,000	6/2020 to 6/2028	4.00 to 5.25	7,837,200	18,550,000
Series 2011A (Refunding)	12/14/2011	199,040,000	146,185,000	6/2020 to 6/2028	4.625 to 5.00	7,253,656	8,110,000
Series 2011B (Refunding)	12/14/2011	34,790,000	23,480,000	6/2020 to 6/2031	3.375 to 5.00	1,027,319	1,565,000
Series 2015A (Refunding)	9/3/2015	97,780,000	83,880,000	6/2020 to 6/2035	4.00 to 5.00	4,108,950	3,560,000
Series 2017	4/27/2017	125,000,000	122,770,000	7/2019 to 4/2022	2.797	3,374,394	2,320,000
Series 2017A (Refunding)	12/20/2017	138,630,000	135,960,000	7/2019 to 7/2047	3.00 to 5.00	6,278,919	3,805,000
Series 2017B (Refunding)	12/20/2017	553,900,000	546,855,000	7/2019 to 7/2047	5.00	27,117,125	9,025,000
<u>Total New Money Bonds</u>		<u>398,065,000</u>	<u>361,675,000</u>			<u>15,370,857</u>	<u>8,990,000</u>
<u>Total Refunding Bonds</u>		<u>1,486,115,000</u>	<u>1,174,715,000</u>			<u>56,424,710</u>	<u>57,615,000</u>
<u>Total Aviation Revenue Bonds</u>		<u>1,884,180,000</u>	<u>1,536,390,000</u>			<u>71,795,567</u>	<u>66,605,000</u>
<u>Total Revenue Bonds</u>		<u>4,303,649,708</u>	<u>3,540,571,096</u>			<u>163,635,762</u>	<u>171,976,757</u>
<u>Total All Bonds</u>		<u>6,573,754,708</u>	<u>5,048,666,096</u>			<u>232,603,296</u>	<u>256,486,757</u>

NOTES:

¹ Assumes interest rate to be fixed swap rate on hedged variable rate bonds

² Based on latest available estimated rates at June 30, 2019

City of Philadelphia
Budgetary Comparison Schedule
Water Operating Fund
For the Fiscal Year Ended June 30, 2019

Schedule VIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	700,211	693,623	705,202	11,579
Revenue from Other Governments	1,000	1,000	698	(302)
Revenue from Other Funds	113,497	121,057	39,967	(81,090)
Total Revenues	814,708	815,680	745,867	(69,813)
<u>Expenditures and Encumbrances</u>				
Personal Services	143,902	146,108	137,277	8,831
Pension Contributions	77,985	78,877	78,876	1
Other Employee Benefits	60,156	60,212	54,893	5,319
Sub-Total Employee Compensation	282,043	285,197	271,046	14,151
Purchase of Services	206,610	201,429	186,892	14,537
Materials and Supplies	52,367	52,293	45,542	6,751
Equipment	10,520	10,595	7,366	3,229
Contributions, Indemnities and Taxes	9,176	9,176	3,816	5,360
Debt Service	212,992	212,992	190,909	22,083
Payments to Other Funds	71,000	71,000	70,717	283
Total Expenditures and Encumbrances	844,708	842,682	776,288	66,394
Operating Surplus (Deficit) for the Year	(30,000)	(27,002)	(30,421)	(3,419)
Fund Balance Available for Appropriation, July 1, 2018	-	-	-	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	30,000	30,000	30,421	421
Adjusted Fund Balance, July 1, 2018	30,000	30,000	30,421	421
Fund Balance Available for Appropriation, June 30, 2019	-	2,998	-	(2,998)

City of Philadelphia
 Budgetary Comparison Schedule
 Water Residual Fund
 For the Fiscal Year Ended June 30, 2019

Schedule IX

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	50	50	282	232
Revenue from Other Funds	<u>37,000</u>	<u>37,000</u>	<u>42,181</u>	<u>5,181</u>
Total Revenues	37,050	37,050	42,463	5,413
<u>Expenditures and Encumbrances</u>				
Payments to Other Funds	<u>37,000</u>	<u>42,181</u>	<u>42,181</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>37,000</u>	<u>42,181</u>	<u>42,181</u>	<u>-</u>
Operating Surplus (Deficit) for the Year	<u>50</u>	<u>(5,131)</u>	<u>282</u>	<u>5,413</u>
Fund Balance Available for Appropriation, July 1, 2018	15,294	15,294	15,383	89
Fund Balance Available for Appropriation, June 30, 2019	<u>15,344</u>	<u>10,163</u>	<u>15,665</u>	<u>5,502</u>

City of Philadelphia
Budgetary Comparison Schedule
County Liquid Fuels Tax Fund
For the Fiscal Year Ended June 30, 2019

Schedule X

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Revenue from Other Governments	<u>8,570</u>	<u>8,533</u>	<u>8,372</u>	<u>(161)</u>
Total Revenues	<u>8,570</u>	<u>8,533</u>	<u>8,372</u>	<u>(161)</u>
<u>Expenditures and Encumbrances</u>				
Personal Services	3,734	3,734	3,693	41
Purchase of Services	3,320	3,684	2,443	1,241
Materials and Supplies	200	1,836	1,631	205
Payments to Other Funds	<u>19</u>	<u>19</u>	<u>18</u>	<u>1</u>
Total Expenditures and Encumbrances	<u>7,273</u>	<u>9,273</u>	<u>7,785</u>	<u>1,488</u>
Operating Surplus (Deficit) for the Year	<u>1,297</u>	<u>(740)</u>	<u>587</u>	<u>1,327</u>
Fund Balance Available for Appropriation, July 1, 2018	7,380	9,433	9,433	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>25</u>	<u>25</u>	<u>-</u>	<u>(25)</u>
Adjusted Fund Balance, July 1, 2018	<u>7,405</u>	<u>9,458</u>	<u>9,433</u>	<u>(25)</u>
Fund Balance Available for Appropriation, June 30, 2019	<u>8,702</u>	<u>8,718</u>	<u>10,020</u>	<u>1,302</u>

City of Philadelphia
 Budgetary Comparison Schedule
 Special Gasoline Tax Fund
 For the Fiscal Year Ended June 30, 2019

Schedule XI

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	-	-	626	626
Revenue from Other Governments	34,214	36,639	37,660	1,021
Total Revenues	34,214	36,639	38,286	1,647
<u>Expenditures and Encumbrances</u>				
Personal Services	6,795	7,320	7,320	-
Pension Contributions	500	500	500	-
Other Employee Benefits	500	500	500	-
Sub-Total Employee Compensation	7,795	8,320	8,320	-
Purchase of Services	16,729	15,239	14,621	618
Materials and Supplies	5,962	4,203	3,576	627
Equipment	6,424	13,548	8,826	4,722
Payments to Other Funds	30	30	29	1
Total Expenditures and Encumbrances	36,940	41,340	35,372	5,968
Operating Surplus (Deficit) for the Year	(2,726)	(4,701)	2,914	7,615
Fund Balance Available for Appropriation, July 1, 2018	33,731	37,105	37,105	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	500	500	1,593	1,093
Adjusted Fund Balance, July 1, 2018	34,231	37,605	38,698	1,093
Fund Balance Available for Appropriation, June 30, 2019	31,505	32,904	41,612	8,708

City of Philadelphia
Budgetary Comparison Schedule
Hotel Room Rental Tax Fund
For the Fiscal Year Ended June 30, 2019

Schedule XII

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>				
Taxes	<u>73,868</u>	<u>73,868</u>	<u>73,229</u>	<u>(639)</u>
Total Revenues	<u>73,868</u>	<u>73,868</u>	<u>73,229</u>	<u>(639)</u>
<u>Expenditures and Encumbrances</u>				
Contributions, Indemnities and Taxes	<u>73,868</u>	<u>73,868</u>	<u>73,868</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>73,868</u>	<u>73,868</u>	<u>73,868</u>	<u>-</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>-</u>	<u>(639)</u>	<u>(639)</u>
Fund Balance Available for Appropriation, July 1, 2018	<u>7,565</u>	<u>7,390</u>	<u>7,390</u>	<u>-</u>
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>-</u>	<u>-</u>	<u>1,469</u>	<u>1,469</u>
Adjusted Fund Balance, July 1, 2018	<u>7,565</u>	<u>7,390</u>	<u>8,859</u>	<u>1,469</u>
Fund Balance Available for Appropriation, June 30, 2019	<u><u>7,565</u></u>	<u><u>7,390</u></u>	<u><u>8,220</u></u>	<u><u>830</u></u>

City of Philadelphia
 Budgetary Comparison Schedule
 Aviation Operating Fund
 For the Fiscal Year Ended June 30, 2019

Schedule XIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	459,565	459,560	455,643	(3,917)
Revenue from Other Governments	2,695	2,695	1,061	(1,634)
Revenue from Other Funds	1,320	1,420	1,409	(11)
Total Revenues	463,580	463,675	458,113	(5,562)
<u>Expenditures and Encumbrances</u>				
Personal Services	80,205	81,780	81,075	705
Pension Contributions	37,717	38,258	38,236	22
Other Employee Benefits	26,233	26,057	24,797	1,260
Sub-Total Employee Compensation	144,155	146,095	144,108	1,987
Purchase of Services	139,980	139,849	120,075	19,774
Materials and Supplies	9,635	9,634	7,843	1,791
Equipment	8,407	8,408	7,374	1,034
Contributions, Indemnities and Taxes	8,812	8,812	5,452	3,360
Debt Service	163,802	163,802	133,410	30,392
Payments to Other Funds	24,023	24,023	18,598	5,425
Total Expenditures and Encumbrances	498,814	500,623	436,860	63,763
Operating Surplus (Deficit) for the Year	(35,234)	(36,948)	21,253	58,201
Fund Balance Available for Appropriation, July 1, 2018	54,976	143,069	143,069	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	15,000	15,000	14,795	(205)
Adjusted Fund Balance, July 1, 2018	69,976	158,069	157,864	(205)
Fund Balance Available for Appropriation, June 30, 2019	34,742	121,121	179,117	57,996

City of Philadelphia
 Budgetary Comparison Schedule
 Community Development Fund
 For the Fiscal Year Ended June 30, 2019

Schedule 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>				
Locally Generated Non-Tax Revenue	500	500	2,459	1,959
Revenue from Other Governments	95,481	75,481	38,869	(36,612)
Total Revenues	95,981	75,981	41,328	(34,653)
<u>Other Sources</u>				
Decrease in Financed Reserves	-	-	2,201	2,201
Total Revenues and Other Sources	95,981	75,981	43,529	(32,452)
<u>Expenditures and Encumbrances</u>				
Personal Services	3,559	6,839	4,274	2,565
Pension Contributions	2,261	2,557	2,185	372
Other Employee Benefits	1,892	1,778	1,270	508
Sub-Total Employee Compensation	7,712	11,174	7,729	3,445
Purchase of Services	64,985	61,038	40,657	20,381
Materials and Supplies	259	204	76	128
Equipment	25	55	35	20
Payments to Other Funds	25	25	21	4
Advances, Subsidies, Miscellaneous	20,000	20,000	-	20,000
Total Expenditures and Encumbrances	93,006	92,496	48,518	43,978
Operating Surplus (Deficit) for the Year	2,975	(16,515)	(4,989)	11,526
Fund Balance Available for Appropriation, July 1, 2018	-	(8,386)	(8,721)	(335)
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	4,375	4,375
Prior Period Adjustments	-	8,386	-	(8,386)
Adjusted Fund Balance, July 1, 2018	-	-	(4,346)	(4,346)
Fund Balance Available for Appropriation, June 30, 2019	2,975	(16,515)	(9,335)	7,180

City of Philadelphia
 Budgetary Comparison Schedule
 Car Rental Tax Fund
 For the Fiscal Year Ended June 30, 2019

Schedule XV

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
<u>Revenues</u>	<u>Original</u>	<u>Final</u>		
Taxes	5,641	5,934	6,220	286
Locally Generated Non-Tax Revenue	<u>10</u>	<u>25</u>	<u>46</u>	<u>21</u>
Total Revenues	5,651	5,959	6,266	307
<u>Expenditures and Encumbrances</u>				
Purchase of Services	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>-</u>
Total Expenditures and Encumbrances	7,000	7,000	7,000	-
Operating Surplus (Deficit) for the Year	<u>(1,349)</u>	<u>(1,041)</u>	<u>(734)</u>	<u>307</u>
Fund Balance Available for Appropriation, July 1, 2018	<u>4,622</u>	<u>5,768</u>	<u>5,768</u>	<u>-</u>
Fund Balance Available for Appropriation, June 30, 2019	<u><u>3,273</u></u>	<u><u>4,727</u></u>	<u><u>5,034</u></u>	<u><u>307</u></u>

City of Philadelphia
 Budgetary Comparison Schedule
 Housing Trust Fund
 For the Fiscal Year Ended June 30, 2019

Schedule XVI

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
<u>Revenues</u>	<u>Original</u>	<u>Final</u>		
Locally Generated Non-Tax Revenue	14,140	14,399	14,383	(16)
Revenue from Other Funds	-	19,131	29,131	10,000
Total Revenues	14,140	33,530	43,514	9,984
<u>Expenditures and Encumbrances</u>				
Personal Services	1,250	1,750	775	975
Purchase of Services	38,750	57,381	30,711	26,670
Total Expenditures and Encumbrances	40,000	59,131	31,486	27,645
Operating Surplus (Deficit) for the Year	(25,860)	(25,601)	12,028	37,629
Fund Balance Available for Appropriation, July 1, 2018	16,633	15,301	15,301	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	12,000	12,000	7,122	(4,878)
Revenue Adjustments - Net	-	-	-	-
Prior Period Adjustments	-	-	-	-
Other Adjustments	-	-	-	-
Adjusted Fund Balance, July 1, 2018	28,633	27,301	22,423	(4,878)
Fund Balance Available for Appropriation, June 30, 2019	2,773	1,700	34,451	32,751

City of Philadelphia
 Budgetary Comparison Schedule
 General Capital Improvement Funds
 For the Fiscal Year Ended June 30, 2019

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	776,196	775,459	36	(775,423)
Revenue from Other Governments	559,366	603,366	32,419	(570,947)
Revenue from Other Funds	45,436	77,336	82,409	5,073
Total Revenues	1,380,998	1,456,161	114,864	(1,341,297)
<u>Other Sources (Uses)</u>				
Decrease in Unreimbursed Commitments	-	-	(43,902)	(43,902)
Total Revenues and Other Sources	1,380,998	1,456,161	70,962	(1,385,199)
<u>Expenditures and Encumbrances</u>				
Capital Outlay	1,380,998	1,456,161	224,961	1,231,200
Operating Surplus (Deficit) for the Year	-	-	(153,999)	(153,999)
Fund Balance Available for Appropriation, July 1, 2018	-	-	(40,860)	(40,860)
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	3,640	3,640
Adjusted Fund Balance, July 1, 2018	-	-	(37,220)	(37,220)
Fund Balance Available for Appropriation, June 30, 2019	-	-	(191,219)	(191,219)

City of Philadelphia
 Budgetary Comparison Schedule
 Acute Care Hospital Assessment Fund
 For the Fiscal Year Ended June 30, 2019

Schedule XVIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Tax Revenue	<u>160,000</u>	<u>142,595</u>	<u>140,386</u>	<u>(2,209)</u>
Total Revenues	<u>160,000</u>	<u>142,595</u>	<u>140,386</u>	<u>(2,209)</u>
<u>Other Sources</u>				
Decrease in Unreimbursed Commitments	<u>-</u>	<u>-</u>	<u>(53)</u>	<u>(53)</u>
Total Revenues and Other Sources	<u>160,000</u>	<u>142,595</u>	<u>140,333</u>	<u>(2,262)</u>
<u>Expenditures and Encumbrances</u>				
Personal Services	<u>5,499</u>	<u>5,498</u>	<u>3,008</u>	<u>2,490</u>
Pension Contributions	<u>42</u>	<u>42</u>	<u>-</u>	<u>42</u>
Other Employee Benefits	<u>225</u>	<u>225</u>	<u>-</u>	<u>225</u>
Sub-Total Employee Compensation	<u>5,766</u>	<u>5,765</u>	<u>3,008</u>	<u>2,757</u>
Purchase of Services	<u>154,980</u>	<u>154,980</u>	<u>134,104</u>	<u>20,876</u>
Materials and Supplies	<u>1,354</u>	<u>1,354</u>	<u>6</u>	<u>1,348</u>
Equipment	<u>-</u>	<u>-</u>	<u>47</u>	<u>(47)</u>
Payments to Other Funds	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>162,600</u>	<u>162,599</u>	<u>137,665</u>	<u>24,934</u>
Operating Surplus (Deficit) for the Year	<u>(2,600)</u>	<u>(20,004)</u>	<u>2,668</u>	<u>22,672</u>
Fund Balance Available for Appropriation, July 1, 2018	<u>2,799</u>	<u>17,384</u>	<u>17,384</u>	<u>-</u>
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>2,000</u>	<u>2,000</u>	<u>552</u>	<u>(1,448)</u>
Adjusted Fund Balance, July 1, 2018	<u>4,799</u>	<u>19,384</u>	<u>17,936</u>	<u>(1,448)</u>
Fund Balance Available for Appropriation, June 30, 2019	<u>2,199</u>	<u>(620)</u>	<u>20,604</u>	<u>21,224</u>

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2019 (with comparative actual amounts for the Fiscal Year Ended June 30, 2018)

Schedule XIX

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2019 Actual	Positive (Negative)	FY 2018 Actual	Increase (Decrease)
Revenue						
Taxes						
Real Property Tax:						
Current	630,748	651,115	658,208	7,093	611,346	46,862
Prior Years	38,332	38,332	38,395	63	39,090	(695)
Total Real Property Tax	669,080	689,447	696,603	7,156	650,436	46,167
Wage and Earnings Taxes:						
Current	1,580,313	1,566,260	1,577,549	11,289	1,536,868	40,681
Prior Years	8,250	-	4,350	4,350	5,389	(1,039)
Total Wage and Earnings Taxes	1,588,563	1,566,260	1,581,899	15,639	1,542,257	39,642
Business Taxes:						
Business Income & Receipts Taxes:						
Current	390,192	468,293	506,653	38,360	428,861	77,792
Prior Years	35,000	35,000	34,220	(780)	17,210	17,010
Total Business Income & Receipts Taxes	425,192	503,293	540,873	37,580	446,071	94,802
Net Profits Tax:						
Current	28,670	31,869	29,455	(2,414)	27,608	1,847
Prior Years	2,500	4,700	6,353	1,653	4,689	1,664
Total Net Profits Tax	31,170	36,569	35,808	(761)	32,297	3,511
Total Business Taxes	456,362	539,862	576,681	36,819	478,368	98,313
Other Taxes:						
Sales Tax	216,524	215,156	224,199	9,043	198,405	25,794
Amusement Tax	22,213	27,895	26,406	(1,489)	22,970	3,436
Beverage Tax	78,038	76,647	76,855	208	77,421	(566)
Real Property Transfer Tax	310,498	334,686	328,446	(6,240)	331,517	(3,071)
Parking Lot Tax	100,673	98,141	99,312	1,171	96,473	2,839
Smokeless Tobacco	783	981	957	(24)	976	(19)
Miscellaneous Taxes	2,944	3,181	3,482	301	3,006	476
Total Other Taxes	731,673	756,687	759,657	2,970	730,768	28,889
Total Taxes	3,445,678	3,552,256	3,614,840	62,584	3,401,829	213,011
Locally Generated Non-Tax Revenue						
Rentals from Leased City Properties	3,532	3,532	3,182	(350)	3,108	74
Licenses and Permits	62,496	70,948	71,993	1,045	64,382	7,611
Fines, Forfeits, Penalties, Confiscated						
Money and Property	18,299	19,045	18,814	(231)	15,344	3,470
Interest Income	2,769	10,147	18,573	8,426	12,471	6,102
Service Charges and Fees	149,343	158,739	169,834	11,095	154,955	14,879
Other	55,245	63,174	66,666	3,492	70,384	(3,718)
Total Locally Generated Non-Tax Revenue	291,684	325,585	349,062	23,477	320,644	28,418
Revenue from Other Governments						
United States Government:						
Grants and Reimbursements	43,079	32,765	21,961	(10,804)	30,380	(8,419)
Commonwealth of Pennsylvania:						
Grants and Other Payments	231,056	221,522	214,802	(6,720)	225,714	(10,912)
Other Governmental Units	532,304	537,065	567,935	30,870	522,059	45,876
Total Revenue from Other Governments	806,439	791,352	804,698	13,346	778,153	26,545
Revenue from Other Funds	73,108	72,916	51,677	(21,239)	55,436	(3,759)
Total Revenues	4,616,909	4,742,109	4,820,277	78,168	4,556,062	264,215

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2019 (with comparative actual amounts for the Fiscal Year Ended June 30, 2018)

Schedule XIX

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2019 Actual	Positive (Negative)	FY 2018 Actual	Increase (Decrease)
Obligations						
General Government						
City Council	17,226	17,810	16,537	1,273	16,959	(422)
Mayor's Office:						
Mayor's Office	5,316	5,523	5,460	63	4,098	1,362
Scholarships	200	206	157	49	171	(14)
Mural Arts Program	2,034	2,085	2,367	(282)	1,921	446
Labor Relations	1,747	2,014	1,770	244	1,446	324
Chief Administrativie Office	6,619	6,669	5,996	673	5,894	102
Community Schools & Pre-K	24,950	29,537	26,141	3,396	23,073	3,068
Community Services	90	90	88	2	2,147	(2,059)
Inspector General	1,636	1,680	1,514	166	1,487	27
Sustainability	949	963	956	7	908	48
Office of Information Technology	100,872	101,601	78,605	22,996	76,346	2,259
Office of Property Assessment	14,216	14,714	13,935	779	13,435	500
Law	15,835	16,066	15,463	603	14,801	662
Board of Ethics	1,075	1,099	926	173	974	(48)
City Planning Commission	-	-	-	-	-	-
Commission on Human Relations	2,202	2,297	2,127	170	2,080	47
Arts & Culture	4,173	4,336	4,310	26	4,133	177
Board of Revision of Taxes	1,047	1,071	978	93	953	25
Department of Planning & Development	12,812	12,974	12,482	492	8,216	4,266
Total General Government	212,999	220,735	189,812	30,923	179,042	10,770
Operation of Service Departments						
Housing	-	-	-	-	-	-
Managing Director	97,009	103,423	96,879	6,544	92,087	4,792
Police	709,493	732,395	727,905	4,490	712,745	15,160
Streets	141,981	161,609	159,471	2,138	152,551	6,920
Fire	277,613	309,672	309,672	-	268,563	41,109
Public Health	156,634	158,740	142,684	16,056	135,237	7,447
Office-Behavioral Health/Mental Retardation	14,202	17,561	17,115	446	14,684	2,431
Parks and Recreation	66,062	68,937	67,144	1,793	64,066	3,078
Atwater Kent Museum	250	250	250	-	307	(57)
Public Property	199,956	201,315	202,181	(866)	191,157	11,024
Department of Human Services	112,074	112,267	107,447	4,820	108,623	(1,176)
Philadelphia Prisons	249,372	250,978	237,043	13,935	258,968	(21,925)
Office of Supportive Housing	52,761	56,842	56,770	72	48,017	8,753
Office of Fleet Management	63,860	64,636	64,304	332	64,424	(120)
Licenses and Inspections	37,508	38,278	38,312	(34)	35,400	2,912
Board of L & I Review	173	173	140	33	153	(13)
Board of Building Standards	75	84	84	-	67	17
Zoning Board of Adjustment	-	-	-	-	-	-
Records	4,768	4,827	4,382	445	4,430	(48)
Philadelphia Historical Commission	-	-	-	-	-	-
Art Museum	2,550	2,550	2,550	-	2,551	(1)
Philadelphia Free Library	41,287	42,596	42,596	-	41,795	801
Total Operations of Service Departments	2,227,628	2,327,133	2,276,929	50,204	2,195,825	81,104
Financial Management						
Office of Director of Finance	71,368	74,061	38,298	35,763	43,766	(5,468)
Department of Revenue	30,708	31,580	31,623	(43)	29,308	2,315
Sinking Fund Commission	295,032	295,032	256,996	38,036	265,504	(8,508)
Procurement	4,939	5,014	5,026	(12)	4,790	236
City Treasurer	1,692	1,726	1,652	74	1,177	475
Audit of City Operations	8,893	9,210	9,051	159	8,762	289
Total Financial Management	412,632	416,623	342,646	73,977	353,307	(10,661)

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2019 (with comparative actual amounts for the Fiscal Year Ended June 30, 2018)

Schedule XIX

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2019 Actual	Positive (Negative)	FY 2018 Actual	Increase (Decrease)
Obligations (Continued)						
City-Wide Appropriations Under the Director of Finance						
Fringe Benefits	1,360,238	1,378,648	1,371,075	7,573	1,313,982	57,093
Community College of Philadelphia	30,409	30,409	30,409	-	30,409	-
Hero Award	25	25	-	25	2	(2)
Refunds	250	250	19	231	10	9
Indemnities	48,780	64	-	64	-	-
Office of Risk Management	3,278	3,308	3,230	78	3,094	136
Witness Fees	172	172	99	73	86	13
Payments to Capital	8,367	72,129	72,129	-	-	72,129
Payments to Housing Trust	-	29,131	29,131	-	-	29,131
Payments to Budget Stabilization	-	20,000	20,000	-	-	20,000
Contribution to School District	180,871	185,771	180,871	4,900	104,348	76,523
Total City-Wide Under Director of Finance	1,632,390	1,719,907	1,706,963	12,944	1,451,931	255,032
Promotion and Public Relations						
City Representative	1,158	1,223	1,034	189	1,117	(83)
Commerce	23,411	43,659	43,583	76	23,436	20,147
Total Promotion and Public Relations	24,569	44,882	44,617	265	24,553	20,064
Personnel						
Civic Service Commission	16,645	202	199	3	193	6
Personnel Director	6,344	6,559	5,695	864	5,627	68
Total Personnel	22,989	6,761	5,894	867	5,820	74
Administration of Justice						
Register of Wills	4,439	4,483	4,369	114	4,127	242
District Attorney	41,792	44,694	42,281	2,413	35,520	6,761
Sheriff	26,151	29,153	29,153	-	28,432	721
First Judicial District	108,189	111,870	112,102	(232)	113,018	(916)
Total Administration of Justice	180,571	190,200	187,905	2,295	181,097	6,808
City-Wide Appropriations Under the First Judicial District						
Juror Fees	1,367	1,367	1,136	231	1,154	(18)
Conduct of Elections						
City Commissioners	10,351	16,492	16,487	5	10,125	6,362
Total Obligations	4,725,496	4,944,100	4,772,389	171,711	4,402,854	369,535
Operating Surplus (Deficit) for the Year	(108,587)	(201,991)	47,888	249,879	153,208	(105,320)

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, 2019 (with comparative actual amounts for the Fiscal Year Ended June 30, 2018)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2019 Actual	Positive (Negative)	FY 2018 Actual	Increase (Decrease)
<u>Revenue</u>						
<u>Locally Generated Non-Tax Revenue</u>						
Sales and Charges - Current	598,242	588,943	600,287	11,344	595,768	4,519
Sales and Charges - Prior Years	34,796	34,796	38,949	4,153	39,426	(477)
Fire Service Connections	3,474	3,474	3,598	124	3,169	429
Surcharges	4,101	4,101	4,699	598	5,628	(929)
Fines and Penalties	234	234	279	45	312	(33)
Miscellaneous Charges	2,009	2,009	2,113	104	2,103	10
Charges to Other Municipalities	37,445	38,498	39,515	1,017	37,428	2,087
Licenses and Permits	2,520	4,640	6,500	1,860	5,525	975
Interest Income	450	450	3,724	3,274	1,509	2,215
Fleet Management - Sale of Vehicles & Equipment	300	80	18	(62)	85	(67)
Contributions from Sinking Fund Reserve	12,000	12,000	-	(12,000)	19,000	(19,000)
Reimbursement of Expenditures	438	197	200	3	789	(589)
Repair Loan Program	3,300	3,300	4,365	1,065	4,040	325
Other	902	902	955	53	859	96
Total Locally Generated Non-Tax Revenue	700,211	693,624	705,202	11,578	715,641	(10,439)
<u>Revenue from Other Governments</u>						
State	1,000	1,000	698	(302)	569	129
Federal	-	-	-	-	-	-
Total Revenue from Other Governments	1,000	1,000	698	(302)	569	129
<u>Revenue from Other Funds</u>						
	113,497	121,057	39,967	(81,090)	58,490	(18,523)
Total Revenues	814,708	815,681	745,867	(69,814)	774,700	(28,833)
<u>Obligations</u>						
Mayor's Office of Information Services	31,967	32,204	23,718	8,486	22,069	1,649
Managing Director's Office	139	139	139	-	138	1
Public Property	4,266	4,266	4,266	-	4,257	9
Office of Fleet Management	8,826	8,847	7,434	1,413	7,414	20
Water Department	419,221	419,044	396,581	22,463	383,132	13,449
Office of the Director of Finance	-	-	-	-	-	-
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	75,970	78,857	78,857	-	76,957	1,900
Other Employee Benefits	62,170	60,232	54,912	5,320	56,887	(1,975)
Contributions, Indemnities and Taxes	8,500	5,194	-	5,194	-	-
Advances, Subsidies, Miscellaneous	-	-	-	-	-	-
Department of Revenue	16,665	16,852	15,816	1,036	15,469	347
Sinking Fund Commission	212,991	212,992	190,908	22,084	237,248	(46,340)
Procurement Department	93	93	90	3	84	6
Law	3,241	3,304	3,303	1	2,879	424
Mayor's Office of Sustainability	94	94	94	-	94	-
Water, Sewer and Stormwater Rate Board	565	565	170	395	485	(315)
Total Obligations	844,708	842,683	776,288	66,395	807,113	(30,825)
Operating Surplus (Deficit) for the Year	(30,000)	(27,002)	(30,421)	(3,419)	(32,413)	1,992

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2019 (with comparative actual amounts for the Fiscal Year Ended June 30, 2018)

Schedule XXI

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2019 Actual	Positive (Negative)	FY 2018 Actual	Increase (Decrease)
<u>Revenue</u>						
<u>Locally Generated Non-Tax Revenue</u>						
Concessions	55,032	55,032	62,350	7,318	51,848	10,502
Space Rentals	161,362	162,050	143,837	(18,213)	146,369	(2,532)
Landing Fees	97,531	97,531	91,839	(5,692)	77,218	14,621
Parking	42,000	42,000	37,426	(4,574)	66,211	(28,785)
Car Rentals	23,646	23,646	19,761	(3,885)	18,985	776
Payment in Aid - Terminal Building	-	-	-	-	-	-
Interest Earnings	1,000	1,000	3,334	2,334	2,197	1,137
Sale of Utilities	4,342	4,342	2,773	(1,569)	2,543	230
Passenger Facility Charge	33,075	33,075	31,189	(1,886)	31,201	(12)
Overseas Terminal Facility Charges	25	25	9	(16)	13	(4)
International Terminal Charge	36,615	36,615	40,941	4,326	35,115	5,826
Other	4,937	4,244	22,184	17,940	3,445	18,739
Total Locally Generated Non-Tax Revenue	459,565	459,560	455,643	(3,917)	435,145	20,498
<u>Revenue from Other Governments</u>						
State	-	-	-	-	-	-
Federal	2,695	2,695	1,061	(1,634)	2,220	(1,159)
Total Revenue from Other Governments	2,695	2,695	1,061	(1,634)	2,220	(1,159)
<u>Revenue from Other Funds</u>						
	1,320	1,420	1,409	(11)	1,442	(33)
Total Revenue	463,580	463,675	458,113	(5,562)	438,807	19,306
<u>Obligations</u>						
Mayor's Office of Information Services	2,163	2,173	1,368	805	1,122	246
Managing Director	-	-	-	-	-	-
Police	17,132	17,132	16,998	134	16,592	406
Fire	8,355	8,952	8,929	23	7,790	1,139
Public Property	26,900	26,900	19,808	7,092	19,640	168
Office of Fleet Management	8,396	8,401	7,218	1,183	6,151	1,067
Director of Finance	-	-	-	-	-	-
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	37,710	38,251	38,229	22	35,103	3,126
Other Employee Benefits	26,240	26,064	24,483	1,581	22,724	1,759
Purchase of Services	4,146	4,146	2,672	1,474	2,507	165
Contributions, Indemnities and Taxes	2,512	2,512	-	2,512	-	-
Advances, Subsidies, Miscellaneous	-	-	-	-	-	-
Sinking Fund Commission	163,802	163,802	133,410	30,392	109,055	24,355
Procurement	-	-	-	-	-	-
Commerce	199,800	200,589	182,047	18,542	158,275	23,772
Law	1,564	1,607	1,604	3	1,474	130
Mayor's Office of Transportation	-	-	-	-	-	-
Mayor's Office of Sustainability	94	94	94	-	94	-
Total Obligations	498,814	500,623	436,860	63,763	380,527	56,333
Operating Surplus (Deficit) for the Year	(35,234)	(36,948)	21,253	58,201	58,280	(37,027)



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.

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City of Philadelphia
Net Position by Component
For the Fiscal Years 2010 Through 2019

Table 1

Amounts in millions of USD

(full accrual basis of accounting)

Governmental Activities

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net Investment in Capital Assets	(59.3)	(47.5)	83.9	232.5	176.8	1,040.8	955.2	1,006.6	645.2	738.6
Restricted	705.1	789.5	621.8	586.8	630.3	576.5	625.1	553.8	793.2	867.9
Unrestricted	(2,421.9)	(2,495.5)	(2,478.2)	(2,588.9)	(2,771.8)	(7,880.6)	(7,904.4)	(7,767.3)	(8,709.9)	(8,516.9)
Total Governmental Activities Net Position	<u>(1,776.1)</u>	<u>(1,753.5)</u>	<u>(1,772.5)</u>	<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>

Business-Type Activities

Net Investment in Capital Assets	831.8	845.1	887.8	982.5	1,007.4	1,088.1	1,323.7	1,330.5	1,402.0	1,437.6
Restricted	489.3	550.6	591.8	628.9	685.5	766.0	650.5	692.5	762.6	835.5
Unrestricted	257.3	234.3	257.9	173.4	200.7	(278.5)	(279.3)	(251.9)	(423.0)	(391.6)
Total Business-Type Activities Net Position	<u>1,578.4</u>	<u>1,630.0</u>	<u>1,737.5</u>	<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>

Primary Government

Net Investment in Capital Assets	772.5	797.6	971.7	1,215.0	1,184.2	2,128.9	2,278.9	2,337.1	2,047.2	2,176.2
Restricted	1,194.4	1,340.1	1,213.6	1,215.7	1,315.8	1,342.5	1,275.6	1,246.3	1,555.8	1,703.4
Unrestricted	(2,164.6)	(2,261.2)	(2,220.3)	(2,415.5)	(2,571.1)	(8,159.1)	(8,183.7)	(8,019.2)	(9,132.9)	(8,908.5)
Total Primary Government Net Position	<u>(197.7)</u>	<u>(123.5)</u>	<u>(35.0)</u>	<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>

City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2010 Through 2019

Table 2
Amounts in millions of USD

<i>(full accrual basis of accounting)</i>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Expenses										
Governmental Activities:										
Economic Development	145.0	92.2	96.5	94.2	95.1	97.4	115.3	111.4	113.7	109.7
Transportation:										
Streets & Highways	129.4	136.3	115.6	112.9	143.9	122.4	136.8	122.8	148.1	159.1
Mass Transit	82.7	75.2	74.0	71.0	72.1	76.2	76.1	84.3	86.4	89.3
Judiciary and Law Enforcement:										
Police	990.5	1,048.1	1,094.2	1,087.9	1,262.7	1,098.7	1,232.4	1,198.8	1,282.0	1,277.3
Prisons	343.8	340.4	336.7	342.2	371.2	353.0	381.6	387.6	386.4	349.2
Courts	312.0	315.0	326.2	318.1	338.5	323.4	339.6	349.7	344.8	357.8
Conservation of Health:										
Emergency Medical Services	47.8	53.3	48.4	49.7	69.3	66.4	66.3	77.2	69.7	70.0
Health Services	1,446.7	1,524.6	1,500.1	1,464.9	1,519.1	1,420.5	1,579.1	1,613.6	1,661.9	1,650.4
Housing and Neighborhood Development	131.3	126.1	137.7	102.9	80.3	80.9	80.1	81.1	94.3	106.6
Cultural and Recreational										
Recreation	77.0	98.7	97.3	102.3	113.1	113.1	116.6	120.3	125.7	131.4
Parks	37.9	14.0	9.0	8.6	8.2	10.6	8.4	9.5	6.9	5.0
Libraries and Museums	79.0	75.7	80.8	76.1	84.5	84.3	88.8	90.4	96.4	109.4
Improvements to General Welfare:										
Social Services	718.8	718.4	675.5	625.3	657.5	687.8	688.7	733.8	732.0	727.4
Education	65.4	64.0	74.3	94.4	167.5	126.0	134.5	134.2	134.7	213.3
Inspections and Demolitions	23.4	30.1	26.5	38.0	43.3	41.7	65.3	45.4	54.3	56.7
Service to Property:										
Sanitation	142.7	143.0	153.2	136.7	153.1	151.1	157.0	161.1	160.0	153.7
Fire	266.0	285.9	292.2	296.8	386.6	350.8	370.7	373.4	410.6	469.2
General Management and Support	683.3	561.0	678.4	743.4	538.0	605.3	648.1	693.3	729.1	788.5
Interest on Long Term Debt	174.9	136.3	112.1	161.8	159.0	166.2	158.2	151.1	155.7	148.3
Total Governmental Activities Expenses	5,897.6	5,838.3	5,928.7	5,927.2	6,263.0	5,975.8	6,443.6	6,539.0	6,792.7	6,972.7
Business-Type Activities:										
Water and Sewer	502.5	520.2	490.8	513.4	543.5	550.2	569.0	601.8	631.1	685.8
Aviation	330.1	336.0	343.1	358.9	376.5	374.3	400.2	419.9	442.9	430.7
Industrial and Commercial Development	0.1	1.9	-	0.6	-	-	-	16.5	0.5	2.3
Total Business-Type Activities Expenses	832.7	858.1	833.9	872.9	920.0	924.5	969.2	1,038.2	1,074.5	1,118.8
Total Primary Government Expenses	6,730.3	6,696.4	6,762.6	6,800.1	7,183.0	6,900.3	7,412.8	7,577.2	7,867.2	8,091.6
Program Revenues										
Governmental Activities:										
Charges for Services:										
Economic Development	0.1	-	1.1	2.6	0.1	0.1	0.1	-	-	-
Transportation:										
Streets & Highways	4.4	5.1	5.2	5.3	5.2	7.3	5.8	7.1	6.6	10.0
Mass Transit	0.5	0.6	1.3	1.9	1.9	2.1	2.2	2.2	2.5	2.7
Judiciary and Law Enforcement:										
Police	3.3	3.5	5.5	6.3	4.5	5.2	5.1	8.2	6.8	7.2
Prisons	0.5	0.5	0.9	0.7	0.4	0.4	0.3	0.3	0.5	1.7
Courts	53.4	45.6	60.6	59.9	50.3	51.6	50.3	53.6	56.5	55.6
Conservation of Health:										
Emergency Medical Services	36.8	34.7	27.5	33.3	36.3	36.2	45.7	65.0	51.9	16.8
Health Services	16.2	16.7	14.8	16.7	18.9	14.4	14.1	30.3	27.6	46.4
Housing and Neighborhood Development	20.8	23.1	28.6	23.5	16.7	20.1	18.1	27.2	21.0	23.2
Cultural and Recreational:										
Recreation	(0.1)	2.8	2.2	3.8	2.8	3.7	4.6	3.4	5.8	4.9
Parks	0.9	5.0	4.8	3.3	2.2	1.1	1.0	3.6	1.8	1.0
Libraries and Museums	0.9	1.8	1.2	1.0	2.0	1.1	1.2	1.4	1.9	1.5

City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2010 Through 2019

Table 2

Amounts in millions of USD

<i>(full accrual basis of accounting)</i>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Improvements to General Welfare:										
Social Services	14.4	6.8	5.2	8.3	5.6	4.4	1.2	1.4	7.3	6.2
Education	-	-	-	0.1	-	-	-	-	-	-
Inspections and Demolitions	43.9	45.5	50.0	53.9	50.1	52.4	54.1	59.4	64.8	72.8
Service to Property:										
Sanitation										
Fire	2.0	11.6	15.9	16.2	35.5	24.9	16.5	13.8	14.1	14.0
General Management and Support	0.3	0.5	0.3	0.9	0.3	2.9	0.3	0.6	0.4	40.8
Interest on Long Term Debt	127.9	136.6	139.7	134.2	177.7	150.2	158.3	159.5	160.1	151.0
Operating Grants and Contributions	-	9.2	0.3	-	0.2	0.2	0.2	-	-	0.2
Capital Grants and Contributions	2,050.4	2,223.5	2,102.1	1,986.4	1,967.3	2,011.2	2,090.9	2,199.5	2,262.9	2,215.2
Total Governmental Activities Program Revenues	46.9	32.1	43.2	48.9	35.3	60.1	61.8	22.2	27.3	20.5
	<u>2,423.5</u>	<u>2,605.2</u>	<u>2,510.4</u>	<u>2,407.2</u>	<u>2,413.3</u>	<u>2,449.6</u>	<u>2,531.8</u>	<u>2,658.7</u>	<u>2,719.8</u>	<u>2,691.7</u>
Business-Type Activities:										
Charges for Services:										
Water and Sewer	552.4	558.5	598.3	608.7	638.6	675.9	670.0	714.7	726.4	745.3
Aviation	240.0	258.1	263.2	291.4	315.4	322.4	433.7	431.9	471.1	486.2
Industrial and Commercial Development	0.3	0.5	0.4	0.4	0.4	0.5	0.5	19.9	0.1	2.2
Operating Grants and Contributions	6.1	4.8	3.5	2.3	1.4	0.9	0.9	1.3	0.6	0.7
Capital Grants and Contributions	90.5	105.9	91.6	58.2	93.6	161.3	26.8	10.6	29.0	22.7
Total Business-Type Activities Program Revenues	889.3	927.8	957.0	961.0	1,049.4	1,161.0	1,131.9	1,178.4	1,227.2	1,257.1
Total Primary Government Revenues	<u>3,312.8</u>	<u>3,533.0</u>	<u>3,467.4</u>	<u>3,368.2</u>	<u>3,462.7</u>	<u>3,610.6</u>	<u>3,663.7</u>	<u>3,837.1</u>	<u>3,947.0</u>	<u>3,948.8</u>
Net (Expense)/Revenue	(3,474.1)	(3,233.1)	(3,418.3)	(3,520.0)	(3,849.7)	(3,526.2)	(3,911.8)	(3,880.3)	(4,072.9)	(4,281.0)
Governmental Activities	56.6	69.7	123.1	88.1	129.4	236.5	162.7	140.2	152.7	138.3
Business-Type Activities	<u>(3,417.5)</u>	<u>(3,163.4)</u>	<u>(3,295.2)</u>	<u>(3,431.9)</u>	<u>(3,720.3)</u>	<u>(3,289.7)</u>	<u>(3,749.1)</u>	<u>(3,740.1)</u>	<u>(3,920.2)</u>	<u>(4,142.7)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	400.8	506.6	500.8	553.8	530.2	551.3	550.2	578.7	649.0	691.9
Wage & Earnings Taxes	1,448.5	1,504.6	1,551.7	1,598.7	1,639.8	1,737.2	1,816.8	1,920.7	2,027.8	2,114.7
Business Taxes	385.2	364.2	399.2	452.4	469.2	453.4	505.6	440.2	456.1	556.1
Other Taxes	578.3	645.8	663.6	706.0	735.8	666.7	733.5	817.6	947.7	984.1
Unrestricted Grants & Contributions	171.4	173.8	223.2	187.4	229.5	185.1	185.4	184.5	191.6	190.8
Interest & Investment Earnings	25.5	35.8	33.3	17.9	21.7	24.1	28.0	27.4	49.6	64.7
Special Items	-	-	-	-	-	-	-	-	(38.4)	-
Transfers	28.3	24.9	27.5	21.4	28.3	30.2	31.6	28.5	33.3	39.9
Total Governmental Activities	<u>3,038.0</u>	<u>3,255.7</u>	<u>3,399.3</u>	<u>3,537.6</u>	<u>3,654.5</u>	<u>3,648.0</u>	<u>3,851.1</u>	<u>3,997.6</u>	<u>4,316.7</u>	<u>4,642.2</u>
Business-Type Activities:										
Interest & Investment Earnings	7.7	6.9	9.0	12.7	5.3	4.1	8.3	11.4	23.6	47.8
Unrestricted Grants & Contributions	-	-	2.9	42.2	2.5	1.9	1.9	2.5	3.3	3.9
Transfers	(28.3)	(24.9)	(27.5)	(21.4)	(28.3)	(30.3)	(31.6)	(28.5)	(33.3)	(39.9)
Total Business-Type Activities	<u>(20.6)</u>	<u>(18.0)</u>	<u>(15.6)</u>	<u>33.5</u>	<u>(20.5)</u>	<u>(24.3)</u>	<u>(21.4)</u>	<u>(14.6)</u>	<u>(6.2)</u>	<u>11.8</u>
Total Primary Government	<u>3,017.4</u>	<u>3,237.7</u>	<u>3,383.7</u>	<u>3,571.1</u>	<u>3,634.0</u>	<u>3,623.7</u>	<u>3,829.7</u>	<u>3,983.0</u>	<u>4,310.5</u>	<u>4,654.0</u>
Change in Net Position										
Governmental Activities	(436.1)	22.6	(19.0)	17.6	(195.2)	121.8	(60.7)	117.3	243.8	361.0
Business-Type Activities	36.0	51.7	107.5	121.6	108.9	212.2	141.3	125.6	146.5	150.2
Total Primary Government	<u>(400.1)</u>	<u>74.3</u>	<u>88.5</u>	<u>139.2</u>	<u>(86.3)</u>	<u>334.0</u>	<u>80.6</u>	<u>242.9</u>	<u>390.3</u>	<u>511.2</u>

**City of Philadelphia
Fund Balances
Governmental Funds
For the Fiscal Years 2010 Through 2019**

Table 3

Amounts in millions of USD

(modified accrual basis of accounting)

General Fund

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Non-spendable:	-	-	-	-	-	-	-	-	-	-
Restricted for:										
Central Library Project	2.3	2.3	2.3	2.3	2.0	2.0	1.7	1.7	-	-
Stadium Financing	0.6	0.3	0.5	2.1	3.8	4.3	0.6	0.6	-	-
Cultural & Commercial Corridor Project	30.8	19.2	15.3	12.2	11.6	10.6	7.4	2.7	1.5	1.2
Long Term Loan	-	-	-	79.7	68.2	56.7	44.8	33.1	21.8	10.8
Affordable Housing Project	-	-	-	-	-	-	-	-	44.3	27.3
Art Museum Project	-	-	-	-	-	-	-	-	11.4	6.3
Rebuild Project	-	-	-	-	-	-	-	-	-	82.9
Home Repair Program	-	-	-	-	-	-	-	-	-	39.2
Committed to:										
General Fund	87.9	-	-	-	-	-	-	-	-	-
Assigned to:	-	-	70.5	98.0	103.1	81.9	78.0	128.4	127.0	322.3
Unassigned:	(251.8)	(45.7)	-	90.0	23.0	-	-	23.7	195.0	125.8
Total General Fund:	(130.2)	(23.9)	88.6	284.4	211.7	155.5	132.5	190.1	401.0	615.8

All Other Governmental Funds

Non-spendable:	-	2.6	2.6	2.8	3.2	3.5	3.1	3.4	3.5	3.5
Permanent Fund (Principal)										
Restricted for:										
Behavioral Health	171.0	250.1	230.7	233.7	188.6	199.6	220.1	262.3	279.4	314.3
Neighborhood Revitalization	73.1	61.3	51.6	34.2	30.6	29.6	0.0	0.1	0.2	0.2
Public Safety Emergency Phone System	40.4	36.9	29.6	24.5	27.5	35.2	40.8	31.5	31.2	34.1
Economic Development	-	6.6	10.3	7.2	6.8	11.8	12.3	13.7	13.9	15.2
Intergovernmental Financing	7.9	21.1	21.7	33.9	34.0	28.3	25.5	25.2	24.9	24.3
Intergovernmentally Financed Pgms										
Streets & Highways	16.8	18.3	18.9	-	26.2	31.9	37.1	46.0	57.1	59.2
Housing & Neighborhood Development	-	10.5	10.5	15.0	16.6	18.5	20.8	30.6	33.3	65.7
Health Services	10.8	8.8	9.5	15.2	10.1	11.0	11.2	13.4	17.4	20.6
Debt Service	76.6	82.8	82.4	81.5	83.1	81.5	81.6	72.4	62.9	54.7
Capital Improvements	152.2	267.7	128.5	29.2	191.6	24.8	133.1	24.8	161.0	88.1
Trust Purposes	4.7	8.1	8.3	8.9	11.8	12.3	10.2	10.2	9.4	10.0
Parks & Recreation	-	0.3	0.4	0.4	0.4	0.6	0.8	0.9	1.2	1.4
Libraries & Museums	-	0.1	0.1	0.1	0.1	0.0	3.0	3.3	3.1	2.5
Stadium Financing	-	6.3	6.4	6.8	7.3	6.7	6.4	6.0	5.8	5.0
Committed to:										
Capital Improvements	37.9	-	-	-	-	-	-	-	-	-
Economic Development	6.5	-	-	-	-	-	-	-	-	-
Housing & Neighborhood Development	15.2	-	-	-	-	-	-	-	-	-
Debt Service	7.9	-	-	-	-	-	-	-	-	-
Trust Purposes	7.7	-	-	-	-	-	-	-	-	-
Intergovernmental Financing	36.2	-	-	-	-	-	-	-	-	-
Social Services	-	-	-	-	-	-	-	-	-	-
Prisons	-	-	-	-	-	-	-	-	-	-
Parks & Recreation	-	3.6	4.2	4.4	3.5	3.2	2.9	3.4	3.5	3.4
Assigned to:										
Behavioral Health	42.5	-	-	-	-	-	-	-	-	-
PICA Rebate Fund	7.5	-	-	-	-	-	-	-	-	-
PMA	0.2	-	-	-	-	-	-	-	-	-
Unassigned:										
Housing & Neighborhood Dev	(4.0)	(4.0)	(6.5)	(7.2)	(7.9)	(7.1)	(5.3)	(8.4)	(8.7)	(9.3)
Grants Revenue Fund	(39.0)	(34.3)	(175.1)	(217.1)	(273.3)	(213.0)	(322.5)	(294.3)	(288.5)	(317.7)
General Mgmt & Support	-	-	-	-	-	-	-	-	-	(0.3)
Total All Other Governmental Funds	672.1	771.7	458.1	298.1	360.7	324.7	282.7	245.9	411.6	376.2

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.

City of Philadelphia
Changes in Fund Balances
Governmental Funds
For the Fiscal Years 2010 Through 2019

Table 4

Amounts in millions of USD

(modified accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Tax Revenue	2,812.3	2,995.0	3,112.5	3,304.4	3,370.8	3,397.1	3,632.7	3,761.3	4,112.4	4,345.2
Locally Generated Non-Tax Revenue	302.7	370.6	336.5	348.6	387.1	376.6	367.3	400.5	417.1	448.0
Revenue from Other Governments	2,323.4	2,366.4	2,226.1	2,212.0	2,169.0	2,280.2	2,245.2	2,466.1	2,440.6	2,409.2
Other Revenues	33.1	25.8	27.5	27.9	20.2	16.9	19.6	18.6	20.7	16.5
Total Revenues	5,471.5	5,757.8	5,702.6	5,892.9	5,947.1	6,070.8	6,264.8	6,646.5	6,990.8	7,218.9
Expenditures										
Current Operating:										
Economic Development	135.1	82.6	88.9	85.9	83.7	82.5	101.1	100.5	104.2	102.0
Transportation:										
Streets & Highways	91.1	87.4	75.6	81.6	98.1	96.2	105.1	98.7	108.4	139.8
Mass Transit	65.2	67.1	67.7	66.5	67.5	71.7	76.1	79.9	82.0	84.9
Judiciary and Law Enforcement										
Police	882.7	955.9	1,020.0	1,089.4	1,164.9	1,104.6	1,162.5	1,169.7	1,237.6	1,256.9
Prisons	315.2	315.9	318.2	338.7	346.3	343.9	365.1	372.6	375.1	336.9
Courts	288.1	294.9	312.3	309.2	317.9	321.5	329.9	339.6	339.5	350.3
Conservation of Health:										
Emergency Medical Services	45.0	50.7	46.7	50.0	65.8	66.1	64.9	75.8	68.7	70.0
Health Services	1,436.5	1,514.8	1,492.7	1,464.6	1,510.3	1,419.8	1,573.1	1,608.3	1,656.5	1,646.4
Housing and Neighborhood Development	131.2	126.1	133.8	102.8	80.3	80.9	80.1	81.4	94.3	106.7
Cultural and Recreational										
Recreation	58.4	82.9	85.9	90.3	98.6	103.9	104.8	107.1	112.3	117.9
Parks	26.9	5.8	6.1	3.9	1.2	1.8	1.5	3.4	2.9	2.7
Libraries and Museums	68.8	68.7	71.9	72.0	74.9	79.1	81.4	84.4	91.9	100.3
Improvements to General Welfare:										
Social Services	699.7	701.8	674.3	624.3	655.3	687.8	687.1	731.7	730.6	726.7
Education	65.4	64.0	74.3	94.4	167.5	126.0	134.5	134.2	134.7	213.3
Inspections and Demolitions	27.3	34.8	32.2	45.8	40.8	41.5	64.0	44.5	53.1	56.3
Service to Property:										
Sanitation	130.6	133.9	146.2	137.2	144.8	146.9	152.4	154.3	153.5	150.3
Fire	237.6	258.1	267.8	295.9	344.2	346.4	355.0	353.5	399.4	471.8
General Management and Support	615.0	568.5	619.1	622.8	646.7	662.3	686.4	718.1	789.9	810.1
Capital Outlay	148.9	134.9	202.0	161.1	140.1	189.7	206.1	145.5	455.7	208.0
Debt Service:										
Principal	89.7	91.4	103.2	114.1	120.3	339.8	139.5	145.0	152.6	139.7
Interest	96.7	105.6	105.2	112.2	118.0	120.7	107.5	106.2	112.7	114.2
Bond Issuance Cost	23.5	2.2	1.6	4.4	5.0	7.2	3.3	3.2	3.9	3.4
Total Expenditures	5,678.6	5,748.0	5,945.7	5,967.1	6,292.2	6,440.3	6,581.4	6,657.6	7,259.5	7,208.6
Excess of Revenues Over (Under) Expenditures	(207.1)	9.8	(243.1)	(74.2)	(345.1)	(369.5)	(316.6)	(11.1)	(268.7)	10.3
Other Financing Sources (Uses)										
Issuance of Debt	207.0	139.1	12.6	299.8	293.8	30.0	191.6	-	314.1	119.5
Issuance of Refunding Debt	337.0	114.6	112.6	231.2	363.6	195.7	234.2	346.1	108.3	188.7
Bond Issuance Premium	24.3	5.0	16.6	0.8	31.4	21.3	53.9	40.7	60.2	33.5
Proceeds from Lease & Service Agreements	(1.0)	28.1	-	(252.7)	-	-	-	-	-	-
Capital Lease Proceeds	-	-	-	-	-	-	-	-	252.5	-
Payment to Refunded Bonds Escrow Agent	(504.0)	(117.6)	(127.3)	(190.5)	(382.2)	-	(259.6)	(383.5)	(123.1)	(212.5)
Transfers In	558.1	583.1	600.8	613.1	616.3	661.9	686.3	731.4	802.5	925.5
Transfers Out	(529.7)	(558.1)	(573.3)	(591.7)	(587.9)	(631.6)	(654.7)	(702.9)	(769.2)	(885.6)
Total Other Financing Sources (Uses)	91.7	194.2	42.0	110.0	335.0	277.3	251.7	31.8	645.3	169.1
Net Change in Fund Balances	(115.4)	204.0	(201.1)	35.8	(10.1)	(92.2)	(64.9)	20.7	376.6	179.4
Debt Service as a Percentage of Non-capital Expenditures	3.4%	3.5%	3.6%	3.9%	3.9%	7.4%	3.9%	3.9%	3.9%	3.6%

1.0 Effective April 15, 2013, the City implemented a change to the basis on which the Business Income and Receipts Tax is collected requiring an estimated payment applicable to the next year's tax liability. \$166.9 million of these estimated tax payments were deferred in the general fund in FY2013 because the underlying events had not occurred.

City of Philadelphia **Table 5**

Comparative Schedule of Operations
Municipal Pension Fund
For the Fiscal Years 2010 through 2019

Amounts in millions of USD

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Additions:										
Contributions:										
Employee Contributions	51.6	52.7	50.0	49.6	53.7	58.7	67.1	73.6	83.3	99.1
Employer's:										
City of Philadelphia	297.4	455.8	539.8	763.7	533.4	556.1	629.4	678.8	756.1	772.6
Quasi-Governmental Agencies	15.1	14.2	16.2	18.1	19.8	21.1	30.8	27.4	25.9	25.2
Total Employer's Contributions	312.5	470.1	556.0	781.8	553.2	577.2	660.2	706.2	782.0	797.8
Total Contributions	364.1	522.8	606.0	831.4	606.9	635.9	727.3	779.8	865.3	896.9
Interest & Dividends	70.5	79.5	86.2	122.9	102.2	98.4	101.5	108.5	127.9	132.7
Net Gain (Decline) in Fair Value of Investments	381.2	618.5	(57.7)	213.9	585.4	(76.8)	(239.8)	462.9	318.2	176.6
(Less) Investment Expenses	0.0	0.0	(13.3)	(12.2)	(10.2)	(9.8)	(9.1)	(8.0)	(7.5)	(7.5)
Net Securities Lending Revenue	1.9	1.5	2.1	3.0	4.2	2.2	1.9	1.8	1.8	2.2
Securities Lending Unrealized Loss	0.0	0.0	(1.9)	118.0	0.0	0.0	0.0	0.0	0.0	0.0
(Less) Securities Lending Expenses	0.0	0.0	(0.9)	(0.3)	(0.6)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Net Investment Income (Loss)	453.6	699.5	14.5	445.3	681.0	13.7	(145.8)	564.9	440.1	303.7
Miscellaneous Operating Revenue	0.7	1.4	0.0	0.5	0.5	0.1	0.1	1.8	0.2	0.1
Total Additions	818.4	1,223.7	620.5	1,277.2	1,288.4	649.7	581.6	1,346.5	1,305.6	1,200.7
Deductions:										
Pension Benefits	680.1	681.9	706.2	740.7	802.6	876.4	882.0	813.3	819.8	832.4
Refunds to Members	4.5	5.1	6.5	5.7	6.0	5.3	7.4	8.2	8.5	10.0
Administrative Costs	8.1	8.0	0.0	8.2	8.3	10.4	8.4	8.8	10.0	11.1
Other Operating Expenses	0.0	0.0	15.2	0.2	0.0	0.1	0.1	0.1	0.1	0.1
Total Deductions	692.7	695.0	727.9	754.8	816.9	892.1	897.9	830.4	838.4	853.6
Net Increase (Decrease)	125.7	528.7	(107.4)	522.4	471.5	(242.4)	(316.3)	516.1	467.2	347.1
Net Assets: Adjusted Opening Closing	3,375.9 3,501.6	3,501.6 4,030.2	4,030.2 3,922.8	3,922.8 4,445.2	4,445.2 4,916.7	4,916.7 4,674.3	4,674.3 4,358.0	4,358.0 4,874.1	4,874.1 5,341.3	5,341.3 5,688.4
Ratios:										
Pension Benefits Paid as a Percent of										
Net Members Contributions	1443.95%	1432.56%	1623.45%	1687.24%	1682.60%	1640.28%	1477.39%	1243.58%	1095.99%	934.23%
Closing Net Assets	19.42%	16.92%	18.00%	16.66%	16.32%	18.75%	20.24%	16.69%	15.35%	14.63%
Coverage of Additions over Deductions	118.15%	176.07%	85.25%	169.21%	157.72%	72.83%	64.77%	162.15%	155.73%	140.66%
Investment Earnings as % of Pension Benefits	66.70%	102.58%	2.05%	60.12%	84.85%	1.56%	-16.53%	69.46%	53.68%	36.48%

City of Philadelphia
Wage and Earnings Tax Taxable Income
For the Calendar Years 2009 Through 2018

Table 6

Amounts in millions of USD

Year	City Residents			Non-City Residents			Total Taxable Income	Total Direct Rate
	Taxable Income	% of Total	Direct Rate ¹	Taxable Income	% of Total	Direct Rate ¹		
2009	21,805.5	57.38%	3.92980%	16,197.3	42.62%	3.49985%	38,002.8	3.74655%
2010	22,170.8	57.02%	3.92880%	16,713.5	42.98%	3.49910%	38,884.3	3.74410%
2011	22,726.3	57.06%	3.92800%	17,102.2	42.94%	3.49850%	39,828.5	3.74357%
2012	23,461.6	57.26%	3.92800%	17,513.6	42.74%	3.49850%	40,975.2	3.74442%
2013	24,320.8	57.50%	3.92600%	17,974.3	42.50%	3.49675%	42,295.1	3.74358%
2014	25,602.1	57.70%	3.92200%	18,767.3	42.30%	3.49325%	44,369.4	3.74065%
2015	26,668.6	57.62%	3.91510%	19,611.3	42.38%	3.48715%	46,279.9	3.73375%
2016	28,609.5	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	32,160.1	59.87%	3.88580%	21,555.7	40.13%	3.46105%	53,715.8	3.71535%

Note:

The Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer. All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax.

¹ From 2009 to 2010, the rate changed on January 1st & July 1st. Also, in 2013 to 2015, the rate changed on July 1st. The direct rate is an average of the two rates involved during that calendar year.

City of Philadelphia
Direct and Overlapping Tax Rates
For the Ten Fiscal Years 2010 through 2019

Table 7

<u>Tax Classification</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Wage and Earnings Tax:										
^a City Residents	3.9296% ^b	3.9280% ^b	3.9280% ^b	3.9280% ^b	3.9240%	3.9200%	3.9102%	3.9004%	3.8907%	3.8809%
Non-City Residents	3.4997% ^b	3.4985% ^b	3.4985% ^b	3.4985% ^b	3.4950%	3.4915%	3.4828%	3.4741%	3.4654%	3.4567%
Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer. All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax.										
^d Real Property: (% on Assessed Valuation)										
City	3.305%	4.123%	4.123%	4.462%	0.602%	0.602%	0.632%	0.632%	0.632%	0.632%
School District of Philadelphia	4.959%	4.959%	5.309%	5.309%	0.738%	0.738%	0.768%	0.768%	0.768%	0.768%
Total Real Property Tax	8.264%	9.082%	9.432%	9.771%	1.340%	1.340%	1.400%	1.400%	1.400%	1.400%
^e Assessment Ratio	26.73%	28.05%	28.87%	28.68%	224.40%	213.95%	167.26%	167.14%	167.14%	NA
Effective Tax Rate (Real Property Rate x Assessment Ratio)	2.209%	2.548%	2.723%	2.802%	3.007%	2.867%	2.341%	2.340%	2.340%	NA
The City and the School District impose a tax on all real estate in the City. Real Estate Tax bills are sent out in December and are due and payable March 31st without penalty or interest if you pay your bill on or before the last day of February, you receive a 1% discount.										
Real Property Transfer Tax										
City	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.1%	3.1%	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%	4.0%	4.0%	4.0%	4.1%	4.1%	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%	6.4500%	6.4500%	6.4500%	6.4300%	6.4100%	6.3900%	6.3500%	6.3000%	6.2500%
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	3.9280%	3.9280%	3.9280%	3.9240%	3.9200%	3.9102%	3.9004%	3.8907%	3.8809%	3.8712%
Non-City Residents	3.4985%	3.4985%	3.4985%	3.4950%	3.4915%	3.4828%	3.4741%	3.4654%	3.4567%	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 2010 through 2019

Table 7

<u>Tax Classification</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
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%	20.0%	20.0%	20.0%	22.5%	22.5%	22.5%	22.5%
Parking Tax is levied on the gross receipts from all financial transactions involving the parking or storing of automobiles or other motor vehicles in outdoor or indoor parking lots and garages in the City										
Hotel Room Rental Tax	7.2%	8.2%	8.2%	8.2%	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%
	8.2%	9.2%	9.2%	9.2%	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. For FY 2011, from July 1 through December 31, 2010 the rates were 3.928 % and 3.4985%.

^c Rates apply to the tax year (previous calendar year) and the tax is due April 15th in the fiscal year cited.

^d Rates apply to the tax year (current calendar year) and the tax is due March 31st in the fiscal year cited.

^e The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the

Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

^f 60% of the Net Income portion of the Business Income and Receipts Tax is allowed to be credited against the Net Profits Tax.

City of Philadelphia
Principal Wage and Earnings Tax Remitters ¹
Current Calendar Year and Nine Years Ago

Table 8

Amounts in millions of USD

Remittance Range	2018			2009		
	# of Remitters (Employers)	Total Amount Remitted	Percentage of Total Remitted	# of Remitters (Employers)	Total Amount Remitted	Percentage of Total Remitted
Greater than \$10 million	19	\$538.2	26.97%	13	\$330.8	23.23%
Between \$1 million & \$10 million	207	495.1	24.81%	150	384.2	26.99%
Between \$100,000 & \$1 million	2,029	528.9	26.50%	1,471	380.0	26.69%
Between \$10,000 & \$100,000	11,000	327.8	16.43%	8,302	244.5	17.17%
Less than \$10,000	44,040	105.7	5.29%	36,555	84.3	5.92%
Total	<u>57,295</u>	<u>\$1,995.7</u>	<u>100.00%</u>	<u>46,491</u>	<u>\$1,423.8</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 2010 through 2019

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 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)
2010	17,615	5,339		12,276		12,276	3.305%	26.73%	45,926	24.64%	49,821
2011	17,940	5,593		12,347		12,347	4.123%	28.05%	44,018	13.35%	92,487
2012	18,022	5,685		12,337		12,337	4.123%	28.87%	42,733	13.13%	93,960
2013	18,181	5,765		12,416		12,416	4.462%	28.68%	43,291	11.88%	104,512
2014	137,404	37,462	5,429	94,513	(2,590)	91,923	0.602%	224.40%	42,118	NA	NA
2015	136,341	37,223	6,411	92,707	(1,777)	90,930	0.602%	213.95%	43,331	NA	NA
2016	136,295	38,386	6,372	91,537	(1,369)	90,168	0.632%	167.26%	54,727	NA	NA
2017	136,682	38,552	6,389	91,741	105	91,846	0.632%	167.14%	54,889	NA	NA
2018	152,995	41,738	6,268	104,989	(811)	104,178	0.632%	167.14%	62,815	NA	NA
2019	164,672	42,767	6,349	115,556	(3,313)	112,243	0.632%	NA	NA	NA	NA

¹ Real property tax bills are normally sent out in December and are payable at one percent (1%) discount until February 28th, otherwise the face amount is due by March 31 without penalty or interest.

² Bill #1130, approved February 8, 1978, provides relief from real estate taxes on improvements to deteriorated industrial, commercial or other business property for a period of five years. Bill #982, approved July 9, 1990, changed the exemption period from five years to three years. Bill #225, approved October 4, 2000, extended the exemption period from three years to ten years.

Bill #1456A, approved January 28, 1983, provides for a maximum three year tax abatement for owner-occupants of newly constructed residential property. Bill #226, approved September 12, 2000, extended the exemption period from three years to ten years.

Legislative Act #5020-205 as amended, approved October 11, 1984, provides for a maximum thirty month tax abatement to developers of residential property.

Bill #274, approved July 1, 1997, provides a maximum ten year tax abatement for conversion of eligible deteriorated commercial or other business property to commercial non-owner occupied residential property.

Bill #788A, approved December 30, 1998, provides a maximum twelve year tax exemption, abatement or credit of certain taxes within the geographical area designated as the Philadelphia Keystone Opportunity Zone.

³ Source: Office of Property Assessment. Beginning in 2014:

- a) the Assessed Value Certification Date was moved up to 3/31/2013; in prior years, the Certification Date occurred on or slightly before the Billing Date (in November)
- b) the City re-evaluated all real property at its current market value, based upon the Actual Value Initiative (AVI).

⁴ Total Direct Tax Rate is City portion only and excludes the School District portion (see statistical table #7 for breakdown).

⁵ The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. See Table 13.

⁶ This ratio is compiled by the Office of Property Assessment based on sales of property during the year.

⁷ Starting in 2014, the City provided for a \$30,000 Homestead Exemption (amount subject to change) to all homeowners.

City of Philadelphia
Principal Property Tax Payers
Current Year and Nine Years Ago

Table 10

Amounts in millions of USD

Taxpayer	2019			2010		
	Assessment ¹	Rank	Percentage of Total Assessments	Assessment ¹	Rank	Percentage of Total Assessments
Liberty Property Phila	347.7	1	0.30	-	-	-
EQC Nine Penn Center Prop.	341.1	2	0.30	54.1	3	0.44
NG 1500 Market St. LLC	339.7	3	0.29	48.0	4	0.39
Phila Liberty Pla E Lp	305.1	4	0.26	54.4	2	0.44
Park Towne Place Assoc.	302.6	5	0.26	-	-	-
Commerce Square Partners	258.0	6	0.22	33.3	8	0.27
Maguire/Thomas Partners	244.7	7	0.21	33.9	7	0.28
Philadelphia Market Street	244.2	8	0.21	28.8	10	0.23
Brandywine Operating	229.0	9	0.20	40.6	5	0.33
401 North Broad Fee Inter.	223.1	10	0.19	-	-	-
Franklin Mills Associates	-	-	-	57.6	1	0.47
PRU 1901 Market LLC	-	-	-	35.2	6	0.29
Phila Shipyard Development Corp	-	-	-	30.3	9	0.25
	2,835.2		2.45	416.2		3.39
Taxable Assessments (before Homestead) ²	121,904.6		100.00	12,276.3		100.00
Less Homestead Exemption ²	6,349.1			0.0		
Total Taxable Assessments	115,555.5			12,276.3		

¹ Source: Office of Property Assessment.

a) 2019 Assessment as of March 2018.

b) 2010 Assessment as of November 2009.

² In calendar year 2014,

a) the City re-evaluated all real property at its current market value, based upon the Actual Value Initiative (AVI).

b) the City initiated a new \$30,000 Homestead Exemption to all homeowners.

**City of Philadelphia
Real Property Tax Levied and Collected
For the Calendar Years 2010 through 2019
General Fund**

Table 11

Amounts in millions of USD

Calendar Year	Taxes Levied for the Year **1	Taxes Levied Based on		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 **5	
		Adjusted Assessment **2					Date: All Years	Percentage Collected to Date: All Years
2010	405.8	NA		353.7	87.2%	38.0	391.7	96.5%
2011	509.1	NA		440.9	86.6%	47.3	488.2	95.9%
2012	508.6	490.9		459.2	93.5%	25.8	485.0	98.8%
2013	554.0	537.3		505.6	94.1%	27.3	532.9	99.2%
2014	553.2	514.3		482.1	93.7%	29.1	511.2	99.4%
2015	547.4	516.7		489.1	94.7%	25.9	515.0	99.7%
2016	569.9	548.8		525.2	95.7%	19.5	544.7	99.3%
2017	580.5	564.7		542.9	96.1%	16.5	559.4	99.1%
2018	658.1	629.2		604.4	96.1%	8.7	613.2	97.5%
2019	709.4	690.8		636.5	NA	NA	636.5	NA

**1 Taxes are levied on a calendar year basis, this column represents the initial bill. They are due on March 31st.

**2 Adjustments include assessment appeals, a 1% discount for payment in full by the end of February, the senior citizen tax freeze, and the tax increment financing (TIF) return of tax paid.

For 2014, adjustment include the Longtime Owner Occupants Program (LOOP), since the program was implemented after the initial bills were sent.

**3 For 2019, "collections in the calendar year of levy" does not include the full 12 months; it only includes collections through the end of June 2019.

**4 Includes payments from capitalized interest. This capitalization occurs only after the first year of the levy on any amount that remains unpaid at that time.

Note that all amounts in this table pertain to the General Fund only and do not include amounts levied and collected for the school district.

The collection percentages for the school district are the same as for the General Fund.

**5 For calendar years 2010 to 2011, "percentage collected in the calendar year of levy" and "percentage collected to date: all years" are based on "taxes levied for the year", since

"taxes levied based on adjusted assessment" data is unavailable for these years. For calendar year 2019, 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 2019.

City of Philadelphia
Ratios of Outstanding Debt by Type
For the Fiscal Years 2010 through 2019

Table 12

Amounts in millions of USD (except per capita)

Governmental Activities

Fiscal Year	General Obligation Bonds	Capital Leases	Pension Service Agreement	City Service Agreement	Neighborhood Transformation Initiative	One Parkway Agreement	Sports Stadia Agreement	Central Library Project	Cultural & Commercial Corridor	PAID School District	Affordable Housing Project
2010	2,085.1	31.1	1,428.3	-	254.8	44.9	319.6	8.5	129.9	-	-
2011	2,135.0	51.7	1,407.3	-	247.8	43.4	314.9	8.1	126.4	-	-
2012	2,041.1	40.6	1,379.3	-	240.3	41.9	310.0	7.7	122.8	-	-
2013	1,968.7	28.9	1,171.3	423.3	234.1	41.8	313.0	7.7	119.9	-	-
2014	2,139.7	16.9	1,121.4	299.8	225.5	39.6	300.6	7.2	116.0	27.3	-
2015	1,996.0	12.9	1,063.2	299.8	216.4	37.3	291.9	6.7	111.8	43.3	-
2016	2,073.6	8.8	997.5	299.8	205.8	34.9	277.2	6.7	108.5	29.1	-
2017	1,953.1	4.4	927.2	299.8	195.8	32.4	263.6	6.0	102.2	14.7	-
2018	2,078.4	249.3	852.3	299.8	185.3	30.4	248.9	5.3	96.3	-	60.2
2019	1,927.2	244.2	772.3	299.8	213.3	27.1	234.3	4.6	90.4	-	57.7

Governmental Activities

Fiscal Year	Museum of Arts	PAID Rebuild Project	Total Governmental Activities	General Obligation Bonds	Water Revenue Bonds	Airport Revenue Bonds	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income (1)	Population (1)	Per Capita
2010	-	-	4,302.2	2.2	1,574.9	1,213.9	2,791.0	7,093.2	13.12%	1,547,297	4,584
2011	-	-	4,334.6	1.0	1,738.2	1,450.8	3,190.0	7,524.6	13.21%	1,526,006	4,931
2012	-	-	4,183.7	-	1,819.9	1,383.1	3,203.0	7,386.7	11.79%	1,538,567	4,801
2013	-	-	4,308.7	-	1,830.4	1,355.4	3,185.8	7,494.5	11.68%	1,547,607	4,843
2014	-	-	4,294.0	-	1,935.3	1,291.7	3,227.0	7,521.0	11.49%	1,553,165	4,842
2015	-	-	4,079.3	-	2,110.8	1,225.3	3,336.1	7,415.4	11.15%	1,560,297	4,753
2016	-	-	4,041.9	-	1,967.1	1,160.9	3,128.0	7,169.9	9.20%	1,567,442	4,574
2017	-	-	3,799.2	-	2,152.5	1,218.5	3,371.0	7,170.2	8.86%	1,567,872	4,573
2018	11.5	-	4,117.7	-	1,993.2	1,625.4	3,618.6	7,736.3	8.78%	1,580,863	4,894
2019	11.0	87.2	3,969.1	-	2,175.8	1,651.1	3,826.9	7,796.0	8.83%	1,584,138	4,921

(1) See Table 17 for Personal Income and Population Amounts

City of Philadelphia

Ratios of General Bonded Debt Outstanding
For the Fiscal Years 2010 through 2019

Table 13

Amounts in millions of USD (except per capita)

Fiscal Year	General Obligation Bonds	Assessed Taxable Value of Property	¹	Assessed Ratio	²	Actual Taxable Value of Property	% of Actual Taxable Value of Property	Per Capita	³
2010	2,085.1	12,276.3		26.73%		45,927.0	4.54%	1,366.38	
2011	2,135.0	12,347.1		28.05%		44,018.2	4.85%	1,387.65	
2012	2,041.1	12,337.0		28.87%		42,732.9	4.78%	1,318.87	
2013	1,968.7	12,416.0		28.68%		43,291.5	4.55%	1,267.54	
2014	2,139.7	94,513.0		224.40%		42,118.1	5.08%	1,371.34	
2015	1,996.0	92,707.0		213.95%		43,331.2	4.61%	1,273.41	
2016	2,073.6	91,536.5		167.26%		54,727.1	3.79%	1,322.56	
2017	1,953.1	91,741.2		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		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, 2019

Table 14

Amounts in millions of USD

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<u>Governmental Unit</u>			
School District of Philadelphia	<u>3,182.4</u>	<u>100.00%</u>	<u>3,182.4</u>
¹ City Direct Debt			<u>3,969.1</u>
Total Direct and Overlapping Debt			<u><u>7,151.5</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 2010 through 2019

Table 15

Amounts in Millions of USD

Legal Debt Margin Calculation for FY2019										

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 Years 2010-2013 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	4	Tax Year of	3.4
of assessment	assessment	assessments	
2009	2010	13,102,186,291	
2010	2011	13,522,847,116	
2011	2012	13,602,484,741	
2012	2013	13,755,670,566	
2013	2014	107,209,023,547	
2014	2015	106,062,882,977	
2015	2016	98,268,051,621	
2016	2017	99,343,238,214	
2017	2018	114,493,561,457	
2018	2019	126,865,207,235	
Ten Year average		70,622,517,377	
Limit per art. 9		13.50%	
Legal Debt Limit		9,534,039,846	

City of Philadelphia
Pledged Revenue Coverage
For the Fiscal Years 2010 through 2019

Table 16

Amounts in millions of USD

No.		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<u>Water and Sewer Revenue Bonds</u>											
1	Total Revenue and Beginning Fund Balance	566.7	589.7	613.3	638.4	680.4	-	-	-	-	-
1a	Total Revenue	-	-	-	-	-	676.8	678.9	720.6	750.1	741.6
2	Net Operating Expenses	334.0	357.7	375.1	399.3	410.8	422.3	433.0	480.3	506.2	522.4
2a	Commitments Cancelled (formally Beg. Fund Bal.)	-	-	-	-	-	(19.4)	(24.1)	(24.6)	(32.4)	(30.4)
3	Transfer To (From) Rate Stabilization Fund	(2.7)	10.9	8.5	(4.7)	22.9	21.4	(1.6)	(4.6)	(24.6)	(4.3)
4	Net Revenues	235.4	221.1	229.7	243.8	246.7	252.5	271.6	269.5	300.9	253.9
Debt Service:											
5	Revenue Bonds Outstanding	195.7	184.3	191.4	201.0	201.7	205.3	219.3	206.1	218.4	190.9
6	Transfer to Escrow Account to Redeem Bonds	-	-	-	-	-	-	-	11.0	19.0	-
6a	Other Adjustments	-	-	-	-	-	-	(0.3)	(1.2)	(0.2)	-
7	Pennvest Loan	1.2	1.2	1.0	-	-	-	-	-	-	-
8	Total Debt Service	196.9	185.5	192.4	201.0	201.7	205.3	219.0	215.9	237.2	190.9
9	Net Revenue after Debt Service	38.5	35.6	37.3	42.8	45.0	47.2	52.6	53.6	63.7	63.0
10	Transfer to General Fund	2.3	-	1.1	0.6	-	-	-	-	-	-
11	Transfer to Capital Fund	17.3	18.1	18.9	19.4	20.2	20.7	21.5	22.3	34.8	24.9
12	Transfer to Residual Fund	18.9	17.5	17.3	22.8	24.8	26.5	31.1	31.3	28.9	38.1
13	Ending Fund Balance	-	-	-	-	-	-	-	-	-	-
Debt Service Coverage:											
	Coverage A (Line 4/Line 5)	1.20	1.20	1.20	1.21	1.22	1.23	1.24	1.31	1.38	1.33
	Coverage B (Line 4/(Line 5 + Line 11))	1.10	1.09	1.09	1.11	1.11	1.12	1.13	1.18	1.19	1.18
<u>Airport Revenue Bonds</u>											
1	Fund Balance	55.1	77.6	65.9	69.3	66.5	66.3	71.2	87.9	107.8	126.8
2	Project Revenues	246.9	260.8	269.6	291.8	316.9	322.8	341.2	362.0	381.7	393.4
3	Passenger Facility Charges	33.1	32.4	31.6	31.2	31.2	31.2	31.2	33.7	31.2	31.2
4	Total Fund Balance and Revenue	335.1	370.8	367.1	392.3	414.6	420.3	443.6	483.6	520.7	551.4
5	Net Operating Expenses	102.9	98.1	99.0	110.7	117.3	126.0	132.1	136.5	151.0	161.2
6	Interdepartmental Charges	80.7	88.6	92.7	101.9	103.9	108.7	106.8	116.7	116.7	121.1
7	Total Expenses	183.6	186.7	191.7	212.6	221.2	234.7	238.9	253.2	267.7	282.3
Available for Debt Service:											
8	Revenue Bonds (Line 4-Line 5)	232.2	272.7	268.1	281.6	297.3	294.3	311.5	347.1	369.7	390.2
9	All Bonds (Line 4-Line 7)	151.5	184.1	175.4	179.7	193.4	185.6	204.7	230.4	253.0	269.1
Debt Service:											
10	Revenue Bonds	94.3	102.4	103.0	109.8	125.4	125.2	120.6	122.6	127.8	126.0
11	General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
12	Total Debt Service	94.3	102.4	103.0	109.8	125.4	125.2	120.6	122.6	127.8	126.0
Debt Service Coverage:											
	Revenue Bonds Only - Test "A" (Line 8/Line 10)	2.46	2.66	2.60	2.56	2.37	2.35	2.58	2.83	2.89	3.10
	Total Debt Service - Test "B" (Line 9/Line 12)	1.61	1.80	1.70	1.64	1.54	1.48	1.69	1.88	1.98	2.14

Note:

The rate covenant of the Aviation issues permit inclusion of Fund Balance at the beginning of the period with project revenues for the period to determine adequacy of coverage.

Coverage "A" requires that Net Revenues equal at least 120% of the Debt Service Requirements while Coverage "B" requires that Net Revenues equal at least 100% of the Debt Service Requirements plus Required Capital Account Transfers. Test "A" requires that Project Resources be equal to Net Operating Expenses plus 150% of Revenue Bond Debt Service for the year. Test "B" requires Project Resources be equal to Operating Expenses for the year plus all debt service requirements for the year except any General Obligation Debt Service not applicable to the project.

Amounts in the above statement have been extracted from reports submitted to the respective Fiscal Agents in accordance with the reporting requirements of the General Ordinance and Supplemental Ordinance relative to rate covenants. Water and Sewer Coverage is calculated on the modified accrual basis; Aviation Fund on the accrual basis. Prior to FY2008 Airport Revenues and Expenses were reduced by amounts applicable to the Outside Terminal Area and the Overseas Terminal as prescribed by the indenture.

Prior to FY 2015, Commitments Cancelled were included as part of Total Revenue and Beginning Fund Balance. Commitments Cancelled represent the liquidation of encumbrances.

An encumbrance is an expense that is anticipated to be charged to the Water Fund. Beginning in FY 2015 these amounts were reclassified as contra-expenses and reported under Net Operating Expenses.

Prior to FY 2017, Water and Sewer Revenue Bonds Debt Service Coverage B was calculated as (Line4/(Line 8 + Line 11)).

City of Philadelphia
Demographic and Economic Statistics
For the Calendar Years 2009 through 2018

Table 17

Calendar Year	Population ¹	Personal Income ² (thousands of USD)	Per Capita Personal Income (USD)	Unemployment Rate ³
2009	1,547,297	54,061,223	34,939	9.6%
2010	1,526,006	56,970,074	37,333	10.8%
2011	1,538,567	62,632,520	40,708	10.8%
2012	1,547,607	64,151,742	41,452	10.5%
2013	1,553,165	65,473,002	42,155	10.0%
2014	1,560,297	66,495,223	42,617	8.0%
2015	1,567,442	77,903,831	49,701	6.9%
2016	1,567,872	80,973,410	51,645	6.8%
2017	1,580,863	88,081,991	55,718	6.2%
2018	1,584,138	88,311,658	55,747	5.5%

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

2018	2009
ALBERT EINSTEIN MEDICAL	ALBERT EINSTEIN MEDICAL
CHILDRENS' HOSPITAL OF PH	CHILDRENS' HOSPITAL OF PH
CITY OF PHILA	CITY OF PHILA
COMCAST CABLEVISION OF WILLOW GROVE INC	HOSPITAL OF THE UNIVERSITY OF PENNSYLVAN
UNIVERSITY OF PENNA (hospital)	SCHOOL DIST OF PHILA
SCHOOL DIST OF PHILA	SEPTA
SEPTA	TEMPLE UNIVERSITY
TEMPLE UNIVERSITY	THOMAS JEFFERSON UNIVERSITY HOSPITALS
THOMAS JEFFERSON UNIVERSITY HOSPITALS	UNITED STATES POSTAL SERVICE
UNIVERSITY OF PENNA (college)	UNIVERSITY OF PENNSYLVANIA

Table 19

City of Philadelphia
Full Time Employees by Function
For the Fiscal Years 2010 through 2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities:										
Economic Development	25	27	28	31	29	33	43	39	47	69
Transportation:										
Streets & Highways	515	499	524	517	525	506	512	538	609	655
Mass Transit	7	9	13	15	15	12	12	1	1	1
Judiciary and Law Enforcement:										
Police	7,503	7,439	7,292	7,270	7,177	7,267	7,750	7,213	7,276	7,336
Prisons	2,268	2,173	2,150	2,245	2,257	2,286	2,280	2,257	2,208	2,084
Courts	3,215	3,225	3,249	3,260	3,234	3,255	3,276	3,367	3,317	3,364
Conservation of Health:										
Emergency Medical Services	329	341	338	375	494	576	534	592	416	467
Health Services	1,135	1,139	1,143	1,117	1,097	1,084	1,062	1,105	1,132	1,161
Housing and Neighborhood Development	96	94	83	75	72	74	66	67	73	71
Cultural and Recreational:										
Recreation	453	601	605	596	587	628	636	630	670	682
Parks	158	1	-	-						
Libraries and Museums	687	682	658	651	637	674	666	677	659	670
Improvements to General Welfare:										
Social Services	2,079	1,989	1,924	1,832	1,809	1,801	1,779	1,837	1,860	1,804
Inspections and Demolitions	223	214	230	286	288	319	323	336	378	421
Service to Property:										
Sanitation	1,157	1,185	1,154	1,152	1,158	1,155	1,159	1,153	1,094	1,179
Fire	1,820	1,838	1,700	1,705	1,643	1,719	1,871	1,896	2,036	2,187
General Management and Support	2,276	2,225	2,454	2,384	2,456	2,497	2,601	2,749	2,744	3,164
Total Governmental Activities	23,946	23,681	23,545	23,511	23,478	23,886	24,570	24,457	24,520	25,315
Business Type Activities:										
Water and Sewer	2,196	2,116	2,228	2,218	2,302	2,347	2,358	2,481	2,519	2,217
Aviation	1,001	1,010	1,021	1,057	1,040	1,021	1,032	1,035	1,056	1,071
Total Business-Type Activities	3,197	3,126	3,249	3,275	3,342	3,368	3,390	3,516	3,575	3,288
Fiduciary Activities:										
Pension Trust	66	65	61	53	50	55	56	56	60	56
Total Primary Government	27,209	26,872	26,855	26,839	26,870	27,309	28,016	28,029	28,155	28,659

City of Philadelphia
Operating Indicators by Function
For the Fiscal Years 2010 through 2019

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Governmental Activities:										
Transportation:										
Streets & Highways										
Street Resurfacing (miles)	69	36	37	51	34	40	43	56	77	95
Potholes Repaired	23,049	24,406	14,451	12,093	45,077	48,274	35,541	31,589	57,002	59,514
Judiciary and Law Enforcement:										
Police										
Arrests	64,465	73,310	70,971	71,109	71,650	71,661	55,693	46,268	45,531	42,444
Calls to 911	3,064,973	2,949,231	3,118,648	2,979,990	2,879,620	2,978,527	3,703,809	2,760,452	2,432,404	2,616,735
Prisons										
Average Inmate Population	8,806	7,935	8,240	8,987	8,759	8,254	7,685	6,925	6,158	4,815
Inmate Beds (city owned)	9,137	8,200	8,417	8,417	8,417	8,417	8,428	6,991	6,085	5,019
Conservation of Health:										
Emergency Medical Services										
Medic Unit Runs	222,882	227,147	273,557	280,877	239,403	243,127	263,754	267,266	271,450	274,659
First Responder Runs	54,960	66,763	60,972	57,047	60,296	49,529	48,965	47,456	48,797	49,526
Health										
Patient Visits	350,695	339,032	348,472	341,305	309,911	290,000	72,479	336,445	335,937	350,948
Cultural and Recreational:										
Parks										
Athletic Field Permits Issued	1,388	2,714	1,978	2,442	873	1,634	2,501	2,579	2,120	1,351
Libraries										
Items borrowed	6,530,662	7,210,217	7,503,031	6,579,054	6,502,087	6,511,582	5,926,481	5,419,516	5,293,138	6,482,481
Visitors to all libraries	5,615,201	6,103,528	6,020,321	6,116,762	5,563,015	5,891,382	5,839,145	5,128,715	4,973,288	4,915,649
Visitors to library website	5,256,928	6,131,726	6,886,339	7,301,311	8,194,626	9,907,573	7,971,946	5,029,713	6,361,655	6,699,581
Improvements to General Welfare:										
Social Services										
Children Receiving Services	31,416	28,572	28,939	27,391	17,761	18,982	19,697	18,955	18,798	17,002
Children in Placement	8,792	7,122	7,839	8,509	8,548	7,809	8,463	8,782	8,731	8,230
Emergency Shelter Beds (average)	2,617	2,520	2,987	2,116	2,544	2,708	2,196	2,143	2,170	3,725
Transitional Housing Units (new placements)	487	510	558	539	509	509	517	415	284	728
Service to Property:										
Sanitation										
Refuse Collected (tons per day)	2,412	2,254	2,299	2,179	2,132	2,139	2,270	2,311	2,310	2,475
Recyclables Collected (tons per day)	381	441	461	470	490	442	425	444	404	355
Fire										
Fires Handled	4,927	7,945	7,319	6,365	6,120	6,364	6,143	5,901	6,614	7,810
Fire Marshall Investigations	2,726	2,711	2,387	2,135	1,943	2,183	1,715	2,242	2,099	1,969
Business Type Activities:										
² Water and Sewer										
Millions of gallons of treated water	91,560	93,886	87,341	89,616	90,213	86,416	84,573	82,846	81,485	80,943
Percent of time Philadelphia's drinking water met or surpassed state & federal standards	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Miles of pipeline surveyed for leakage	1,133	995	1,137	962	775	637	682	1,022	742	747
Water main breaks repaired	664	962	563	755	918	907	703	655	977	754
Average time to repair a water main break upon crew arrival at site (hours)	7.8	7.7	7.7	5.8	6.2	5.7	6.8	6.7	6.5	6.7
Percent of hydrants available	99.58%	99.58%	99.70%	99.68%	99.68%	99.61%	99.60%	99.60%	99.57%	99.43%
Number of storm drains cleaned	72,802	71,771	84,395	100,251	94,653	103,056	98,105	107,784	103,535	103,053
¹ Aviation										
Passengers Handled (PIA)	30,469,899	31,225,470	30,612,150	30,358,905	30,539,430	30,601,985	31,336,138	29,641,556	30,553,378	32,244,112
Air Cargo Tons (PIA)	440,495	449,683	416,731	388,383	395,661	402,194	414,891	424,009	487,086	554,606
Aircraft Movements (PIA and NPA)	543,462	458,832	517,842	506,261	493,272	487,096	407,968	378,334	371,397	386,112

¹ PIA (Philadelphia International Airport)-passenger aircraft and cargo, NPA (Northeast Philadelphia Airport)-private aircraft and cargo

² In prior year Comprehensive Annual Financial Report (CAFR), Philadelphia Water Department (PWD) reported the following metrics: new connections, the number of water main breaks, average and peak daily treated water delivered, average daily water sewage treatment

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Governmental Activities:										
Transportation:										
Streets & Highways										
¹ Total Miles of Streets	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,550	2,550
Streetlights	104,219	104,219	104,600	105,151	105,151	105,151	105,151	104,595	106,092	106,092
Judiciary and Law Enforcement:										
Police										
Stations and Other Facilities	35	31	32	37	39	40	50	48	55	55
Prisons										
Major Correctional Facilities	6	6	6	6	6	6	6	6	5	4
Conservation of Health:										
Health Services										
Health Care Centers	9	9	9	9	9	9	8	8	8	8
Cultural and Recreational:										
Recreation										
⁵ Recreation Centers	171	153	184	185	184	155	164	313	313	721
² Athletic Venues	914	1,148	1,102	1,101	1,107	1,108	1,107	1,030	1,030	1,129
⁴ Neighborhood Parks and Squares	79	-	-	-	-	-	-	-	-	-
Parks										
Parks	63	150	177	177	177	209	209	211	211	405
Baseball/Softball Fields	79	407	404	404	403	404	404	412	404	414
Libraries										
Branch & Regional Libraries	54	54	54	54	54	54	54	54	54	54
Service to Property:										
Fire										
Stations and Other Facilities	63	63	68	68	68	69	63	69	67	73
Business Type Activities:										
Water and Sewer:										
Water System Piping (miles)	3,236	3,164	3,172	3,174	3,176	3,176	3,187	3,184	3,185	3,183
Fire Hydrants	25,234	25,353	25,321	25,355	25,364	25,364	25,398	25,419	25,419	25,234
Treated Water Storage Capacity (x 1000 gallons)	1,065,400	1,065,400	1,065,400	1,065,400	1,065,400	1,065,000	1,065,000	1,065,000	950,000	950,000
Sanitary Sewers (miles)	751	758	759	762	762	762	763	765	766	767
Stormwater Conduits (miles)	721	731	734	738	737	737	740	747	744	752
Sewage Treatment Capacity (x 1000 gallons)	1,044,000	1,044,000	1,044,000	1,065,400	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,059,000
³ Aviation										
Passenger Gates (PIA)	120	126	126	126	126	126	126	126	126	126
Terminal Buildings (square footage) (PIA)	3,144,000	3,144,000	3,144,000	3,144,000	3,254,354	3,254,354	3,254,354	3,240,537	3,240,537	3,240,537
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 FPC and Recreation Dept were merged in FY2011, hence the category of Neighborhood Parks and Squares was eliminated.
⁵ Includes playgrounds and spraygrounds

City of Philadelphia, Pennsylvania



**Schedule of Financial Assistance
Fiscal Year Ended
June 30, 2019
Office of the Director of Finance**



**City of Philadelphia,
Pennsylvania**

**Schedule of
Financial Assistance**

Fiscal Year Ended June 30, 2019

**CITY OF PHILADELPHIA
SCHEDULE OF FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**CITY OF PHILADELPHIA
SCHEDULE OF FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**CITY OF PHILADELPHIA
SCHEDULE OF FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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INTRODUCTORY SECTION

Letter of Transmittal



CITY OF PHILADELPHIA

OFFICE OF THE DIRECTOR OF FINANCE

Room 1330 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102
(215) 686-6140
FAX (215) 568-1947

ROB DUBOW
Director of Finance

December 23, 2020

Honorable James F. Kenney
Mayor, City of Philadelphia
Room 215 City Hall
Philadelphia, PA 19102

Dear Mayor Kenney:

The Schedule of Financial Assistance (SFA) of the City of Philadelphia (City) for the fiscal year ended June 30, 2019, comprised of the Schedule of Expenditures of Federal Awards (SEFA), the Schedule of Expenditures of Pennsylvania Department of Human Services (PaDHS) Awards and associated Supplemental Financial Schedules, and the Schedule of Federal Cash Receipts passed through the Pennsylvania Department of Community and Economic Development (PaDCED), is submitted herewith. I believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the Federal, PaDHS and PaDCED financial activity of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial assistance have been included.

THE FEDERAL SINGLE AUDIT REQUIREMENT

The United States Congress enacted the Single Audit Act Amendments of 1996 (the Act), which the President signed into law on July 5, 1996. The Office of Management and Budget (OMB) issued Circular A-133, in accordance with the Act, to clarify and establish audit requirements for States, Local Governments, and Non-Profit Organizations. On December 26, 2013, OMB Circular A-133 was superseded by the issuance of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). In fiscal year 2016, OMB's new Uniform Guidance became effective for the City. The City is required by the Act to have an annual audit performed on its entire operations, including a separate reporting on its Federal financial activity, the SEFA. The SEFA is presented in accordance with the requirements contained in the Uniform Guidance.

The City's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019, presents the entire operations of the City. The CAFR was issued under separate cover on February 25, 2020. The SFA is issued in conjunction with the CAFR in order to comply

with the reporting provisions of the Act. The report of the independent auditor on the SEFA, dated December 23, 2020 is reported in conjunction with the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance, and the PaDHS Single Audit Supplement. The financial presentations in each report are derived from the same financial activity in the City's various funds. Copies of the reporting package (CAFR and SFA) and Data Collection Form must be forwarded to the Federal Audit Clearinghouse (The U.S. Bureau of the Census). In addition, a reporting package must be issued to each grantor agency (federal, state or other government) affected by an audit finding on the Schedule of Findings and Questioned Costs or the Summary Schedule of Prior Year Findings. The report must be forwarded within 30 days of our receipt, but no later than nine months after our fiscal year end of June 30, 2019. In accordance with the Act, the SEFA will be made available for public inspection. The Federal financial activity of the City of Philadelphia is presented in the Financial Section of the SFA.

AGREED-UPON PROCEDURES REPORTS

In July 2019, the PaDHS reissued the Single Audit Supplement as an aid to local government entities and their independent auditors in the specific auditing and performance of the Single Audit. This supplement provides program specific auditing and reporting requirements which are applied in conjunction with the Single Audit Act's required standards and guidelines for programs funded through the PaDHS.

The Schedule of Expenditures of Pennsylvania Department of Human Services Awards, and associated Supplemental Financial Schedules, are presented in the Supplementary Financial Information Section.

On January 3, 2003, the PaDCED requested specific auditing and reporting requirements for all federal cash receipts passing through the department. The Schedule of Federal Cash Receipts Passed through PaDCED is presented in the Supplementary Financial Information Section.

OTHER REPORTING ENTITIES

For Single Audit purposes, other quasi-governmental organizations included in the CAFR, as required by the Governmental Accounting Standards Board, are treated as subrecipients of the City. Only those Federal funds passed on to these agencies by the City are included in the SEFA. Each quasi-governmental agency is required to perform its own Single Audit, which would include Federal financial assistance received directly by the agency from all sources.

COGNIZANT AGENCY

The OMB, in accordance with the Act, assigned the U.S. Department of Housing and Urban Development as the City's Cognizant Agency.

INDEPENDENT AUDITOR

The Philadelphia Home Rule Charter establishes the City Controller, a separately elected official, as the independent auditor of the City of Philadelphia. Our Cognizant Agency has recognized the independence of the City Controller, and the Single Audit was conducted through her appointed Certified Public Accountant in charge of auditing, in accordance with the Home Rule Charter.

AUDITOR REPORTS

The Single Audit Act Amendments of 1996, in conjunction with the American Institute of Certified Public Accountants, requires that the auditor issue four reports in connection with the examination of the SEFA: The Independent Auditor's Report on (1) the Schedule of Expenditures of Federal Awards; (2) Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards; (3) Compliance with Requirements Applicable to Each Major Program; and (4) Internal Control Over Compliance. Additionally, the Pennsylvania state departments of Human Services and Community and Economic Development require that the Auditor issue a report on the application of certain agreed-upon procedures. These Federal and State requirements have been met and the reports are included herein.

PLAN FOR CORRECTIVE ACTION

The Act requires that the City submit its Plan for Corrective Action to eliminate such cases of material non-compliance cited in the Independent Auditor's Report on Compliance and Internal Controls. The City's Plan for Corrective Action to eliminate those cases of non-compliances and material weaknesses and or significant deficiencies in the systems of internal control, is presented in the Corrective Action Plan.

ACKNOWLEDGMENTS

The preparation of this report has been accomplished with the efficient and dedicated service of the Office of the Director of Finance. I would like to express my appreciation to all the members of the Grants Accounting and Administration Unit, and to the City Agencies involved in the management of Federal assistance funds, who assisted and contributed to the report's preparation, and enabled the City to successfully complete this Single Audit. I would also like to thank the Mayor, who continues to support our efforts to establish strong, centralized accounting and administrative internal control systems for the effective and efficient management of grant-funded programs City-wide.

Respectfully submitted,



Rob Dubow,
Director of Finance

FINANCIAL SECTION

Schedule of Expenditures of Federal Awards

City of Philadelphia
Schedule of Expenditures of Federal Awards
July 1, 2018 to June 30, 2019

Grantor Agency Project Title	City ID Number	CFDA	Contract Number	Federal Award	Federal Expenditure	Subrecipient Expenditures
<u>U.S. Department of Agriculture</u>						
Child Nutrition Cluster- PA Department of Education:						
School Lunch Breakfast and Milk FY19	221934	10.555	Receipts	210,210	148,105	0
Subtotal CFDA # 10.555 National School Lunch Program				210,210	148,105	0
Summer Food Program - Gen FY19	143978	10.559	Receipts	52,038	52,038	0
Summer Food Program FY18	160658	10.559	300-51-726-0	5,306,459	3,708,522	0
Summer Food Program FY19	160659	10.559	300-51-726-0	5,037,751	1,509,293	0
Subtotal CFDA # 10.559 Summer Food Service Program for Children				10,396,248	5,269,853	0
Subtotal: Child Nutrition Cluster PA Department of Education				10,606,458	5,417,958	0
Pass- Through- PA Department of Education:						
After School Snack Program FY18	160693	10.558	300-51-726-0	1,957,744	86,407	0
After School Snack Program FY19	160694	10.558	300-51-726-0	2,279,343	1,172,228	0
Child & Adult Care Food Program	240900	10.558	Agreement #300-51-6	1,085,652	261,426	239,708
Subtotal CFDA # 10.558 Child and Adult Care Food Program				5,322,739	1,520,061	239,708
Subtotal: Pass-Through PA Department of Education				5,322,739	1,520,061	239,708
Pass- Through- PA Department of Human Services:						
Supported Work Prog (Workwise) SNAP 9 months	80325	10.561	4100065378	281,250	60,991	60,890
Supported Work Program (Workwise) - SNAP FY18	80321	10.561	4100065378	375,000	123,779	87,447
Supported Work Program (Workwise) - SNAP FY19	80323	10.561	4100065378	93,750	61,854	57,877
Subtotal: Pass-Through PA Department of Human Services				750,000	246,624	206,214
Total U.S. Department of Agriculture				16,679,197	7,184,643	445,922
<u>U.S. Department of Housing & Urban Development</u>						
Direct- U.S. Department of Housing & Urban Development:						
HUD Homes Inspection Services FY17	143483	14.000	Receipts	136,952	195	0
HUD Homes Inspection Services FY18	143484	14.000	Receipts	92,554	91,015	0
HUD Homes Inspection Services FY19	143530	14.000	Receipts	2,452	2,452	0
Subtotal CFDA # 14.000 HUD Home Inspection Services				231,958	93,662	0
CDBG Prior Year	H720PY	14.218	B-18-MC-42-0012	5,772,183	5,772,183	5,772,183
CDBG Year 36	H72036	14.218	B-10-MC-42-0012	55,325,903	593,258	593,258
CDBG Year 37	H72037	14.218	B-11-MC-42-0012	46,186,638	202,338	202,338
CDBG Year 38	H72038	14.218	B-12-MC-42-0012	38,344,629	341,885	341,885
CDBG Year 39	H72039	14.218	B-13-MC-42-0012	40,049,151	844,196	445,565
CDBG Year 40	H72040	14.218	B-14-MC-42-0012	39,308,769	202,047	202,047
CDBG Year 41	H72041	14.218	B-15-MC-42-0012	39,046,238	1,559,194	1,559,194
CDBG Year 42	H72042	14.218	B-16-MC-42-0012	38,807,206	1,168,810	1,168,810
CDBG Year 43	H72043	14.218	B-17-MC-42-0012	38,700,839	3,493,240	3,486,082
CDBG Year 44	H72044	14.218	B-18-MC-42-0012	42,828,109	27,624,087	19,734,863
CDBG Year 44 Program Income	H72044	14.218	B-18-MC-42-0012	7,262,774	7,262,774	7,262,774
NSP 2 Program Income	729988	14.218	Program Income	880,088	880,088	880,088
Subtotal CFDA # 14.218 Community Development Block Grant Program				392,512,527	49,944,100	41,649,087
McKinney Shelter Program (S-11) FY18	241420	14.231	E-17-MC-42-0012	2,767,109	673,968	536,334
McKinney Shelter Program (S-11) FY19	241422	14.231	E-18-MC-42-0012	913,691	1,139,754	1,139,754
McKinney Shelter Program (S-11) FY19	241423	14.231	E-18-MC-42-0012	934,259	986,612	886,612
McKinney Shelter Program (S-11) FY19	241421	14.231	E-18-MC-42-0012	179,723	182,230	179,651
Subtotal CFDA # 14.231 Emergency Solutions Grant Program				4,794,782	2,982,564	2,742,351
Home Investment Partnership	72HM11	14.239	M-17MC-42-0203	21,541	21,541	21,541
Home Investment Partnership	72HM13	14.239	M-17MC-42-0203	49,425	49,425	49,425
Home Investment Partnership	72HM18	14.239	M-17MC-42-0203	7,896,797	259,001	259,001
Home Investment Partnership	72HM14	14.239	M-17MC-42-0203	1,187,235	1,187,235	1,187,235
Home Investment Partnership	72HM12	14.239	M-17MC-42-0203	748,715	748,715	748,715
Home Investment Partnership	72HM15	14.239	M-14MC-42-0203	693,152	693,152	693,152
Home Investment Partnership	72HM16	14.239	M-15MC-42-0203	1,155,772	1,555,772	1,555,772
Home Investment Partnership	72HM17	14.239	M-16MC-42-0203	431,595	431,595	381,009
Home Investment Partnerships	06HM16	14.239	M-15-MC-42-0203	7,800,365	248,982	248,982
Home Investment Partnerships	72HM19	14.239	M-15-MC-42-0203	545,428	545,428	545,428
Home-Payroll-FY19	723113	14.239	PA H 10-F-001	244,000	244,000	0
Subtotal CFDA # 14.239 Home Investment Partnerships Program				20,774,025	5,984,846	5,690,260
HOPWA - Payroll FY19	723114	14.241	PA H 18 F001	213,000	213,000	0
HOPWA- Housing for Persons with AIDS	72HW15	14.241	PA-H15-F-001	9,256,519	13,719	13,719
HOPWA- Housing for Persons with AIDS	72HW17	14.241	PA-H16-F-001	7,157,610	160,077	160,077

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HOPWA- Housing for Persons with AIDS	72HW16	14.241	PA-H16-F-001	7,223,295	44,640	44,640
HOPWA- Housing for Persons with AIDS	72HW18	14.241	PA-H17-F-001	7,157,610	483,748	483,748
HOPWA- Housing for Persons with AIDS	2HW172	14.241	PA-H17-F-001	1,345,600	343	343
HOPWA- Housing for Persons with AIDS	2HW192	14.241	PA-H18-F-001	613,129	613,129	613,129
HOPWA- Housing for Persons with AIDS	72HW19	14.241	PA-H18-F-001	7,343,330	6,320,644	6,320,644
Subtotal CFDA # 14.241 Housing Opportunities for Persons with AIDS				40,310,093	7,849,300	7,636,300
CoC- 1260 Housing Develop Corp Hopin I	242363	14.267	PA0040L3T001710	817,728	419,806	419,806
CoC- 1260 Housing Development Corp - CTT	242341	14.267	PA0468L3T001708	193,920	193,565	193,565
CoC- 1260 Housing Development Corp - Hopkin IV	242337	14.267	PA0336L3T001709	421,008	349,717	349,717
CoC- 1260 Housing Development Corp Hopin	242316	14.267	PA 0040 L3 T00 1609	817,728	315,033	315,033
CoC- 1260 Housing Development Corp -Hopin II	242329	14.267	PA0041L3T001710	733,872	582,678	582,678
CoC- Action AIDS Back on Track	242369	14.267	PA0868L3T001700	193,488	78,927	72,361
CoC- APM - Escalera	242357	14.267	PA0023L3T001710	72,720	51,471	51,471
CoC- APM Escalera	242311	14.267	PA-0023 L3 T00 1609	72,720	18,180	18,180
CoC- APM-Esperanza	242332	14.267	PA0466L3T001708	104,280	104,280	104,280
CoC- Bethesda - Bainbridge	242333	14.267	PA0013L3T001710	144,816	144,816	144,816
CoC- Bethesda - Bainbridge Consolidated	242377	14.267	PA0013L3T001811	151,344	37,626	37,626
CoC- Calcutta House - Independence Place	242331	14.267	PA0050L3T001710	118,919	112,073	112,073
CoC- Calcutta House Apartments	242325	14.267	PA0002L3T001704	42,296	25,248	25,248
CoC- Calcutta House Apartments	242373	14.267	PA0002L3T001805	45,312	13,476	13,476
CoC- Calcutta House Independence Place FY18	242320	14.267	PA0786L3T001600	156,422	33,253	33,253
CoC- Calcutta House Independence Place FY19	242359	14.267	PA0786L3T001701	158,006	50,820	46,080
CoC- Catch Patriot House	242336	14.267	PA0434L3T001705	62,393	62,392	62,392
CoC- CEA BHRS	242371	14.267	PA0863L3T001700	184,800	28,970	28,970
CoC- CES HMIS	242350	14.267	PA0789L3T001701	214,200	125,250	0
CoC- DePaul ST Raymond's House	242352	14.267	PA0569L3T001703	328,179	246,504	246,504
CoC- DePaul St. Raymonds House	242308	14.267	PA-0569L3T001602	328,179	54,687	54,687
CoC- DOEH Housing First Project	242315	14.267	PA 0681 L3 T00 1603	361,080	89,966	89,966
CoC- DOEH Housing First Project	242361	14.267	PA0619L3T001704	310,529	178,776	178,776
CoC- Edison 64	242388	14.267	PA0865L3T001700	360,100	2,728	0
CoC- Family Rapid Re Housing	241310	14.267	PA0757L3T001500	2,552,751	376,532	376,532
CoC- First Foundation	242368	14.267	PA0866L3T001700	508,825	45,826	28,572
CoC- FIT Rapid ReHousing	242370	14.267	PA0869L3T001700	364,270	141,541	128,187
CoC- Friends Rehabilitation Program - Assisted Living	242306	14.267	PA-0012-L3T001609	323,748	25,738	25,738
CoC- Gaudenzia Shelton Court	242318	14.267	PA-0568L3T001601	108,755	26,302	26,302
CoC- Gaudenzia Shelton Court	242353	14.267	PA0568L3T001702	102,230	56,043	56,043
CoC- Gaudenzia Tioga Arms	242349	14.267	PA0690L3T001704	310,243	261,838	261,838
CoC- Help Help RRH	242365	14.267	PA0788L3T001701	511,600	161,651	150,136
CoC- Help-Help RRH	242322	14.267	PA0788L3T001600	510,580	203,468	180,439
CoC- HMIS	242327	14.267	PA0036L3T001710	247,196	56,158	0
CoC- HMIS	242372	14.267	PA0036L3T001811	461,396	11,539	0
CoC- Housing First & Community Integration	241323	14.267	PA 0758L3T001601	975,269	117,662	117,662
CoC- Housing First & Community Intergration	242351	14.267	PA0758L3T001702	975,269	600,000	600,000
CoC- Methodist (Bridge Hope)	242338	14.267	PA0672L3T001702	218,950	214,398	214,398
CoC- Northern Home for Children - Generations	242307	14.267	PA0566L3T001603	80,943	44,677	44,677
CoC- Northern Home for Children Generation	242354	14.267	PA0566L3T001704	80,943	46,711	46,711
CoC- Pathways Bonus Project	242326	14.267	PA0004L3T001704	528,260	467,225	467,225
CoC- Philadelphia Rapid Re-Housing	242345	14.267	PA0619L3T001704	192,335	158,610	158,610
CoC- Planning Grant	242319	14.267	PA0784L3T001600	978,951	140,675	23,046
CoC- Planning Grant	242366	14.267	PA0864L3T001700	979,975	749,000	91,928
CoC- Project Home - Fairmount	242364	14.267	PA0007L3T001710	42,387	16,686	16,686
CoC- Project Home - Hope Haven I	242356	14.267	PA0038L3T001710	149,520	93,279	93,279
CoC- Project Home - Integrated Supportive	242358	14.267	PA0501L3T001702	266,430	170,263	170,263
CoC- Project Home - Kate's Place	242334	14.267	PA0469L3T001708	268,920	268,920	268,920
CoC- Project Home - Rowan Diamond	242362	14.267	PA0470L3T001708	139,356	74,947	74,947
CoC- Project Home Fairmount (1523)	242317	14.267	PA-0007 L3 T001609	44,856	17,990	17,990
CoC- Project Home Hope Haven I	242309	14.267	PA-0038 L3 T001609	149,520	27,069	27,069
CoC- Project Home in Community/The Cross	242346	14.267	PA0049L3T001710	393,588	300,000	300,000
CoC- Project Home Integrated Supportive Housing	242310	14.267	PA-0501L3T001601	266,430	51,081	51,081
CoC- Project Home Kairos House	242304	14.267	PA-0055 L3 T00 1608	248,400	15,025	15,025
CoC- Project Home Kairos House	242347	14.267	PA0055L3T001709	234,576	188,235	188,235
CoC- Project Home Rowan Diamond	242314	14.267	PA-0470 L3 T00 1607	139,356	62,085	62,085
CoC- Project Home Rowan Judson	242303	14.267	PA-0338 L3-T00 1608	488,160	39,861	39,681
CoC- Project Home Rowan Judson	242348	14.267	PA0338L3T001709	488,160	441,171	441,171

The accompanying notes are an integral part of this schedules

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CoC- Project Home ST. John the Evangelist	242340	14.267	PA0607L3T001706	606,256	558,482	558,482
CoC- Raise of Hope Belfield Ave Townhouse	242312	14.267	PA-0546 L3 T00 1606	84,048	29,045	29,045
CoC- Rapid Re-housing	242313	14.267	PA0759L3T001601	629,026	227,188	207,298
CoC- Rapid Re-Housing FY18	242328	14.267	PA0691L3T001400	101,800	79,762	79,762
CoC- Rapid Re-housing FY19	242355	14.267	PA0759L3T001702	631,390	342,090	327,172
CoC- Rapid Re-Housing FY19	242375	14.267	PA0691L3T001802	106,720	32,952	32,952
CoC- Reunification	242330	14.267	PA0072L3T001710	3,011,904	2,611,623	2,611,623
CoC- Reunification	242379	14.267	PA0072L3T001811	3,086,332	210,627	210,627
CoC- Salvation Army Apartments	242339	14.267	PA0059L3T001710	351,216	321,215	321,215
CoC- Valley Youth - RAP 4 Youth	242360	14.267	PA0787L3T001701	728,915	346,791	324,709
CoC- Valley Youth Rap 4 Youth	242323	14.267	PA0787L3T001600	728,711	136,878	125,835
CoC- Volunteers of America(VOA)	241208	14.267	PA0673L3T001300	352,323	71,229	71,229
CoC- WAA-Safe at Home	242367	14.267	PA0867L3T001700	244,490	21,404	13,997
CoC-Gaudenzia-Tioga Arms	242305	14.267	PA 0690 L3 T00 1603	364,992	75,536	75,536
SPC - Project Home - St. John II (06C3T000800)	240953	14.267	PA0006C3T000800	441,600	35,549	35,549
Subtotal CFDA # 14.267 Continuum of Care Program				<u>32,195,910</u>	<u>14,092,819</u>	<u>12,970,465</u>
Choice Neighborhoods	722250	14.889	PA3A518CNG113	30,000,000	6,400,363	6,082,683
Choice Neighborhoods Grant	622250	14.889	PA3A518CNG113	30,000,000	51,170	0
Subtotal CFDA # 14.889 Choice Neighborhoods Implementation Grants				<u>60,000,000</u>	<u>6,451,533</u>	<u>6,082,683</u>
HUD Healthy Homes Supplement	143562	14.905	PALHD0284-15	325,000	151,172	151,172
HUD Lead Hazard Demo	143561	14.905	PALHD0284-15	3,389,272	1,114,475	787,511
HUD Lead Hazard Demo - Part 7	147151	14.905	PALHB0702-18	3,500,000	17,268	0
Subtotal CFDA # 14.905 Lead Hazard Reduction Demonstration				<u>7,214,272</u>	<u>1,282,915</u>	<u>938,683</u>
Subtotal: Direct U.S. Department of Housing & Urban Development				<u>558,033,567</u>	<u>88,681,739</u>	<u>77,709,829</u>
Pass- Through- PA Department of Community and Economic Development:						
Emergency Solutions Grant Program	241424	14.231	C000070339	200,000	50,581	50,581
Subtotal CFDA # 14.231 Emergency Solutions Grant Program				<u>200,000</u>	<u>50,581</u>	<u>50,581</u>
Subtotal: Pass- Through- PA Department of Community and Economic Development:				<u>200,000</u>	<u>50,581</u>	<u>50,581</u>
Pass- Through- Delaware Valley Regional Planning Commission:						
Short Range Planning	724102	14.218	#19-63-006	119,758	10,000	10,000
Short Range Planning	724103	14.218	#19-63-006	119,758	118,366	0
Subtotal CFDA # 14.218 Community Development Block Grant Program				<u>239,516</u>	<u>128,366</u>	<u>10,000</u>
Subtotal: Pass- Through- Delaware Valley Regional Planning Commission:				<u>239,516</u>	<u>128,366</u>	<u>10,000</u>
Pass- Through- PA Department of Health:						
HUD Lead Based Paint Hazard Control FY 18	144601	14.900	4100077833	873,112	251,039	0
Subtotal CFDA # 14.900 Lead-Based Paint Hazard Control in Privately-Owned Housing				<u>873,112</u>	<u>251,039</u>	<u>0</u>
Subtotal: Pass-Thorough PA Department of Health				<u>873,112</u>	<u>251,039</u>	<u>0</u>
Total U.S. Department of Housing & Urban Development				<u>559,346,195</u>	<u>89,111,725</u>	<u>77,770,410</u>
<u>U.S. Department of the Interior</u>						
Direct- U.S. Department of the Interior:						
Tinicum Wildlife Preserve	360143	15.608	Receipts	5,138	5,138	0
Subtotal CFDA # 15.608 Fish and Wildlife Management Assistance				<u>5,138</u>	<u>5,138</u>	<u>0</u>
Subtotal: Direct U.S. Department of the Interior				<u>5,138</u>	<u>5,138</u>	<u>0</u>
Total U.S. Department of the Interior				<u>5,138</u>	<u>5,138</u>	<u>0</u>
<u>U.S. Department of Justice</u>						
Direct- U.S. Department of Justice:						
2015 Human Trafficking Grant	111095	16.320	2015-VT-BX-K044	730,691	340,675	0
Subtotal CFDA # 16.320 Services for Trafficking Victims				<u>730,691</u>	<u>340,675</u>	<u>0</u>
Improv Criminal Justice Resp - Arrest Program	100684	16.590	2017-WE-AX-0015	899,666	294,953	294,953
Subtotal CFDA # 16.590 Grants to Encourage Arrest Policies and Enf. Of Protection Orders				<u>899,666</u>	<u>294,953</u>	<u>294,953</u>
Implementation of the IBR/NIBRS	110980	16.734	2016-FU-CX-K056	3,872,621	1,068,554	0
Subtotal CFDA # 16.734 Special Data Collections and Statistical Studies				<u>3,872,621</u>	<u>1,068,554</u>	<u>0</u>
Edward Byrne Justice Assistance Grant (JAG) - Phase IX	111054	16.738	2013-DJ-BX-1040	1,522,507	270,719	0
Edward Byrne Justice Assistance Grant (JAG) - Phase X	111071	16.738	2014-DJ-BX-1025	1,099,995	6,258	0
JAG - XI	111073	16.738	2015-DJ-BX-0752	1,140,839	243,297	0
JAG - XII	111077	16.738	2016-DJ-BX-0949	1,226,155	232,043	0
JAG - XIII	111083	16.738	2017-DJ-BX-0727	1,598,674	418	0
JAG VIII - Interest	111042	16.738	2012-DJ-BX-0175	2,014	3,655	0
JAG XI Mentor Program	840747	16.738	2015-DJ-BX-0752	349,507	82,356	44,269
Subtotal CFDA # 16.738 Edward Byrne Memorial Justice Assistance Grant Program				<u>6,939,691</u>	<u>838,746</u>	<u>44,269</u>
Forensic Casework Backlog Reduction	111191	16.741	2017-DN-BX-0074	823,553	300,291	211,639
Forensic casework DNA Backlog Reduction Program 2016	111190	16.741	2016-DN-BX-0098	824,458	539,940	341,964

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Subtotal CFDA # 16.741 DNA Backlog Reduction Program				1,648,011	840,231	553,603
SMART Probation	840716	16.745	2013-SM-BX-0004	749,972	50,068	44,441
Subtotal CFDA # 16.745 Criminal and Juvenile Justice and Mental Health Coll.				749,972	50,068	44,441
Philadelphia School Diversion Program	841050	16.829	2014-JZ-FX-K003	600,000	218,100	218,100
Subtotal CFDA # 16.829 Juvenile Justice Education Collaboration Assistance				600,000	218,100	218,100
2017 SAKI Backlog Elimination Program	111192	16.833	2017-AK-BX-0026	910,945	208,693	205,199
Subtotal CFDA # 16.833 National Sexual Assault Kit Initiative				910,945	208,693	205,199
2018 JLEO FBI Program	111193	16.922	MOU	450,085	9,085	0
Federal Forfeiture Funds - DOJ	690310	16.922	Receipts	712,523	79,891	0
Subtotal CFDA # 16.922 Equitable Sharing Program				1,162,608	88,976	0
Subtotal: Direct U.S. Department of Justice				17,514,205	3,948,996	1,360,565
Pass-Through- PA Commission on Crime and Delinquency						
Addressing Root Causes (ARC)	100726	16.738	2015/2016-JG-LS-287	149,985	25,084	0
Subtotal CFDA # 16.738 Edward Byrne Memorial Justice Assistance Grant Program				149,985	25,084	0
Victim Witness (RASA) FY19	840794	16.523	2018-VS-ST-29242	6,558	6,558	0
Victim Witness (RASA) FY19	840806	16.523	2018-VS-ST-29242	184,674	104,017	0
Subtotal CFDA # 16.523 Juvenile Accountability Block Grants				191,232	110,575	0
Basic Service-Victim of Juvenile Offenders FY19	690519	16.575	2016/2017/2018-VF-0	439,125	144,308	0
Basic Service-Victim of Juvenile Offenders FY17	690517	16.575	2016-VF 06/07 27275	877,472	400,692	0
Philadelphia Cares	690801	16.575	2016-VF-05-28259	1,009,178	197,269	61,240
RASA Victim Witness FY17	690447	16.575	2016-VF-06/07-27275	2,166,262	877,593	0
Victim Witness (RASA) FY15	840790	16.575	2015-VS-ST-25664	0	0	0
Victim Witness FY19	690463	16.575	2016/2017/2018-VF-0	2,258,835	400,783	0
Victims of Juvenile Offenders (VOJO)	840523	16.575	2015-VF-05-26067	256,052	87,614	0
Victims of Juvenile Offenders (VOJO)	690511	16.575	2014-VA-GX-0061; st	274,550	70,767	0
VOJO - Victims of Juvenile Offenders FY19	840527	16.575	2018-VF-05-29244	432,155	99,704	0
RASA Victim Witness FY14	690431	16.575	25535	1,368,746	1,368,746	0
Subtotal CFDA # 16.575 Crime Victim Assistance				9,082,375	3,647,476	61,240
PCCD Stop FY18	690146	16.588	2016/2017-VA-03/01/1	40,000	40,000	0
Subtotal CFDA # 16.588 Violence Against Women Formula Grant				40,000	40,000	0
Cross System Data & Information Sharing	150725	16.738	2016-JG-LS-28576	149,932	60,961	60,961
JAG XI Interest	111074	16.738	Interest	9,202	6,658	0
Subtotal CFDA # 16.738 Edward Byrne Memorial Justice Assistance Grant Program				159,134	67,619	60,961
Phila County Vocational Coordinators	841101	16.812	2016-SR-04 / ST-2752	333,169	28,360	28,360
Subtotal CFDA # 16.812 Second Chance Act Reentry Initiative				333,169	28,360	28,360
Subtotal: Pass-Through- PA Commission on Crime and Delinquency				9,955,895	3,919,114	150,561
Total U.S. Department of Justice				27,470,100	7,868,110	1,511,126
<u>U.S. Department of Labor</u>						
Pass- Through- PA Department of Labor and Industry:						
Program Partnerships Project	100727	17.258	090-18-301-1	191,200	7,673	0
Subtotal CFDA # 17.258 WIA Adult Program				191,200	7,673	0
Subtotal: Pass-Through- PA Department of Labor and Industry				191,200	7,673	0
Pass- Through- Private Industry Council (PIC):						
Phil-A-Job II - Work Experience Additional	160654	17.225	18129/S126	15,555	9,749	0
Phil-A-Job II - Work Experience Additional	160653	17.225	18129/S126	20,570	19,473	0
Phil-A-Job II - Work Experience FY18	160651	17.225	18145/S124	164,700	0	0
Phil-A-Job II - Work Experience FY19	160652	17.225	18145/S124	217,800	221,366	0
Phil-A-Job II - Work Experience FY19	160665	17.225	19145/S124	284,700	188,909	0
Subtotal CFDA # 17.225 Unemployment Insurance				703,325	439,497	0
PYN - Slip Summer Program 2019	160701	17.278		11,571	5,719	0
Subtotal CFDA # 17.278 WIA Dislocated Worker Formula Grants				11,571	5,719	0
Subtotal: Pass-Through- Private Industry Council (PIC)				714,896	445,216	0
Pass- Through- Philadelphia Corporation for the Aging (PCA) :						
Comm on Aging - PCA FY18	50312	17.235	1-0301-00	820,161	880	0
Comm on Aging - PCA FY19	50314	17.235	1030100	832,108	832,108	0
Subtotal CFDA # 17.235 Senior Community Service Employment Program				1,652,269	832,988	0
Subtotal: Pass-Through- Philadelphia Corporation for the Aging (PCA)				1,652,269	832,988	0
Pass- Through- Free Library of Philadelphia Foundation:						
Finanta Year 3	80441	17.235	LG-80-16-0061-16	25,000	11,048	0
Subtotal CFDA # 17.235 Senior Community Service Employment Program				25,000	11,048	0
Subtotal: Pass-Through- Free Library of Philadelphia Foundation:				25,000	11,048	0
Total U.S. Department of Labor				2,583,365	1,296,925	0

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U.S. Department of Transportation

Direct- U.S. Department of Transportation:

Extend RW 9L/27R-Design Phase	C42605	20.106	3-42-0076-111-2017	16,686,735	7,302,196	0
Reconstruct Runway	C42611	20.106	3-42-0074-021-2018	1,684,631	208,672	0
Reconstruction of N&S Aprons & Taxiways	C42612	20.106	3-42-0076-113-2018	18,182,302	6,998,879	0
Rehabilitate Airfield Signs/Approach Aid	C42610	20.106	3-42-0074-020-2017	930,980	573,228	0
Subtotal CFDA # 20.106 Airport Improvement Program				37,484,648	15,082,975	0
Subtotal: Direct U.S. Department of Transportation				37,484,648	15,082,975	0

Pass- Through- Delaware Valley Regional Planning Commission:

Regional GIS Implement & Coordination	120467	20.205	18-53-305	25,000	5,234	0
Regional GIS Implement & Coordination FY19	120471	20.205		25,000	17,273	0
SHRPP-DVRPC - PY	120233	20.205	Receipts	53,092	53,092	0
Supportive Regional Highway Planning Program DVRPC	120472	20.205	#19-60-050	163,649	149,901	0
Wissahickon Gateway - Study	720219	20.205	Contract No. 17-67-17	100,000	41,203	0
Subtotal CFDA # 20.205 Highway Planning and Construction				366,741	266,703	0
Measures on Connectivity	100721	20.505	17-67-190	80,000	77,368	0
Sidewalk Repair Prioritization	100722	20.505	17-67-180	100,000	98,621	0
Transit Planning and Programming FY19	104624	20.505	19-63-005	98,535	98,535	0
Vision Zero & Traffic Safety	100720	20.505	17-67-200	30,000	29,535	0
Subtotal CFDA # 20.505 Metropolitan Transportation Planning and State and Non-Metr. Pl.				308,535	304,059	0
Subtotal: Pass-Through- Delaware Valley Regional Planning Commission				675,276	570,762	0

Pass- Through- PA Department of Transportation:

ADA Ramp Reserve List	C12267	20.205	068593A	467,200	9,611	0
American Street	C12209	20.205	066526C; 0651145A	22,109,097	5,554,214	0
Bridge Design/Inspection - PY	120253	20.205	Receipts	205,143	205,143	0
Cherokee Street Bridge over Valley Green	C12309	20.205	R18060032	100,000	82,514	0
City ADA Ramps	C12304	20.205	R17060012	6,951,670	2,126,270	0
City ADA Ramps 2	C12305	20.205	R17060010	503,200	269,937	0
Citywide Resurfacing 104	C12282	20.205	0651059A; R1706000	12,210,134	5,117,186	0
Citywide Resurfacing 105	C12283	20.205	0651062A	1,159,200	92,655	0
Delaware Ave (Lewis-Orthodox)	C12169	20.205	065697B	5,141,600	30,234	0
Delaware Ave (Lewis-Orthodox)	C12169	20.205	068581A	9,579,037	56,044	0
FEDERAL HIGHWAYS - CY	120241	20.205	Receipts	458	458	0
Federal Highways - PY	120243	20.205	Receipts	113,218	103,333	0
Frankford Creek Greenway	C16066	20.205	BRC-PRD-20-84	1,283,023	44,626	0
Island Avenue Signals/Transit 1st II	C12140	20.205	065699C	1,460,400	81,096	0
Lincoln Drive	C12194	20.205	065695C	348,880	5,155,280	0
Montgomery Avenue/Amtrak	C12182	20.205	065595D	2,275,200	126,220	0
Schuylkill River Swing Bridge	C12298	20.205	0651147	4,900,000	160,149	0
South Philadelphia Neighborhood Bikeway	C12288	20.205	651030	147,500	35,000	0
Swanson Street	C12281	20.205	0651048	600,000	93,010	0
Traffic Operations Center	C12249	20.205	68553	280,000	45,813	0
Traffic Operations Center - ITS	C12268	20.205	069541A	2,002,636	20,345	0
Subtotal CFDA # 20.205 Highway Planning and Construction				71,837,596	19,409,138	0
Comprehensive Highway Safety Program FY18	150514	20.600	CTSP-G-2018	296,565	114,563	114,563
Subtotal CFDA # 20.600 State and Community Highway Safety				296,565	114,563	114,563
Schuylkill River Swing Bridge (TIGER)	C12298	20.933	0651147	3,265,000	2,552,657	0
Westmoreland Street over Conrail	C12297	20.933	0651146	890,999	10,123	0
Subtotal CFDA # 20.933 National Infrastructure Investments				4,155,999	2,562,780	0
Subtotal: Pass-Through- PA Department of Transportation				76,290,160	22,086,481	114,563
Total U.S. Department of Transportation				114,450,084	37,740,218	114,563

U.S. Department of Treasury

Direct- U.S. Department of Treasury:

Federal Forfeiture Funds - DOT	690311	21.016	Receipts	554,090	107,282	0
Federal Forfeiture - DOT - All Years	110994	21.016	Receipts	2,474,065	761,259	0
Subtotal CFDA # 21.016 Equitable Sharing				3,028,155	868,541	0
Subtotal: Direct U.S. Department of Treasury				3,028,155	868,541	0
Total U.S. Department of Treasury				3,028,155	868,541	0

U.S. Equal Employment Opportunity Commission

Direct- U.S. Equal Employment Opportunity Commission:

Deferred Cases - EEOC	540034	30.002	Receipts	65,600	65,600	0
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Subtotal CFDA # 30.002 Equal Employment Opportunity Commission				65,600	65,600	0
Subtotal: Direct U.S. Equal Employment Opportunity Commission				65,600	65,600	0
Total U.S. Equal Employment Opportunity Commission				65,600	65,600	0

U.S. Library of Congress

Direct- U.S. Library of Congress:

National Library Service Material	520998	42.001	Donated Books	104,631	104,631	0
Subtotal CFDA # 42.001 Books for the Blind and Physically Handicapped				104,631	104,631	0
Subtotal: Direct U.S. Library of Congress				104,631	104,631	0
Total U.S. Library of Congress				104,631	104,631	0

U.S. Environmental Protection Agency

Direct- U.S. Environmental Protection Agency:

Air Pollution Control Program (F) FY19	143832	66.001	A-00304517-8	1,784,066	1,060,759	0
Air Pollution Control Program FY17	143837	66.001	A-00304517-0	1,855,120	68,406	0
Air Pollution Control Program FY18	143843	66.001	A-00304517-5	1,941,691	587,166	76,743
Subtotal CFDA # 66.001 Air Pollution Control Program Support				5,580,877	1,716,331	76,743
Ambient Air Monitoring Network FY17	143502	66.034	PM-97311804-2	214,426	86,237	0
Ambient Air Monitoring Network FY18	143504	66.034	PM-97311804-4	163,387	122,016	0
Ambient Air Monitoring Network FY19	143512	66.034	PM-97311805-0	163,387	10,828	0
National Air Toxics Trends Site FY18	143753	66.034	#XA-97333004-02	39,000	494	0
National Air Toxics Trends Site FY19	143944	66.034	XA-97333004-04	38,615	38,582	0
Subtotal CFDA # 66.034 Surveys, Studies, Research, Investig. Clean Air Act				618,815	258,157	0
Phila Air Quality Survey Project	143498	66.204	AA-96346101-1	100,000	76,056	0
Subtotal CFDA # 66.204 Multipurpose Grants to States and Tribes				100,000	76,056	0
Watershed Security Initiative Contamination Warning	W28044	66.478	H1-83413701-5	3,484,803	6,879	0
Subtotal CFDA # 66.478 Water Security Initiative Contamination Warning System				3,484,803	6,879	0
Subtotal: Direct U.S. Environmental Protection Agency				9,784,495	2,057,423	76,743
Pass- Through- Phila Redevelopment Authority:						
Brownfields Site Assessment Grant	492011	66.818	BF-963374-01	168,673	62,659	42,659
Subtotal CFDA # 66.818 Brownfield Assesment and Clean Up Grant Program				168,673	62,659	42,659
Subtotal: Pass- Through- Phila Redevelopment Authority:				168,673	62,659	42,659
Pass- Through- PENNVEST:						
Green Infrastructure Tree Planting	C17056	66.458	51001021005-CN	1,825,375	93,440	0
Subtotal CFDA # 66.458 Capitalization Grants for Clean Water State Revolving Funds				1,825,375	93,440	0
Subtotal: Pass- Through- PENNVEST:				1,825,375	93,440	0
Total U.S. Environmental Protection Agency				11,778,543	2,213,522	119,402

U.S. Department of Education

Pass- Through- PA Department of Human Services:

ID - Early Intervention (70170) FY19	150877	84.181	Allocation Letter	6,009,536	6,009,536	6,009,536
Subtotal CFDA # 84.181 Special Education Grants for Infants and Families				6,009,536	6,009,536	6,009,536
Subtotal: Pass-Through- PA Department of Human Services:				6,009,536	6,009,536	6,009,536
Total U.S. Department of Education				6,009,536	6,009,536	6,009,536

U.S. Election Assistance Commission

Pass- Through- PA Department of State:

HAVA - Title II - Section 251 Polling Places	730028	90.401	4100029051	1,457,878	53,477	0
Subtotal CFDA # 90.401 Help America Vote Act Requirements Payments				1,457,878	53,477	0
Subtotal: Pass-Through- PA Department of State:				1,457,878	53,477	0
Total U.S. Election Assistance Commission				1,457,878	53,477	0

U.S. Department of Health & Human Services

Direct- U.S. Department of Health & Human Services:

Surveillance, intervention, and referral to services activitis for infants with Zika	143816	93.073	NU50DD000042-01-0	522,278	215,933	215,933
Subtotal CFDA # 93.073 Birth Defects and Developmental Prevention & Surveill.				522,278	215,933	215,933
Get Healthy Philly Sodium Reduction in Communities Program	143497	93.082	5 NU58DP000012-02-	489,381	296,327	189,952
GHP-Sodium Reduction FY19	143509	93.082	5 NU58DP000012-03-	395,000	234,632	142,754
Subtotal CFDA # 93.082 Sodium Reduction in Communities				884,381	530,959	332,706
Federal Tuberculosis Control FY18	143748	93.116	6 NU52PS004713-04-	650,734	301,870	70,288
Federal Tuberculosis Control FY19	143778	93.116	5 NU52PS004713-05-	591,378	277,166	55,267
Subtotal CFDA # 93.116 Project Grants and Cooperative Agreements for Tuberculosis Cntr				1,242,112	579,036	125,555
WICY (Women, Infant, Children and Youth) HIV Services FY18	146634	93.153	2H12HA24868-06-00	365,529	38,535	19,421

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WICY (Women, Infant, Children and Youth) HIV Services FY19	146635	93.153	5 H12HA24868-07-00	365,529	310,630	247,240
Subtotal CFDA # 93.153 Coordinated Services for Women, Infants, Children				<u>731,058</u>	<u>349,165</u>	<u>266,661</u>
(HCQIS) Health Center Dental Yr3	143803	93.224	3 H80CS29024-03-00	322,437	23,590	0
HRSA Health Care Quality Improvement	143876	93.224	2 H80CS29024-03-00	23,894	52,262	52,149
HRSA Health Center #10 FQHC New Access Point	143889	93.224	6 H80CS29024-04-01	650,020	608,261	278,716
HRSA Health Center #10 FQHC New Access Point	144410	93.224	5 H80CS29024-05-00	651,152	27,268	0
HRSA Health Center Dental Component	143877	93.224	6 H80CS29024-04-01	349,981	302,657	24,570
HRSA Health Center Dental Component	144412	93.224	6 H80CS29024-04-01	21,428	21,428	0
HRSA Health Center Outreach & Enrollment	143892	93.224	6 H80CS29024-04-01	503,123	497,822	497,123
NAP HC#10 SUD - MH Supplement	143894	93.224	3 H80CS29024-04-07	285,000	94,848	47,192
Subtotal CFDA # 93.224 Health Center Program				<u>2,807,035</u>	<u>1,628,136</u>	<u>899,750</u>
Comprehensive Addiction/Recovery Service	144570	93.243	1H79SP080336-01	999,658	87,044	0
Health Strategies to Prevent Diabetes	144510	93.243	1 NU58DP006628-01-	1,200,000	518,916	486,784
Subtotal CFDA # 93.243 Substance Abuse and Mental Health Services Projects of Reg. Sgn.				<u>2,199,658</u>	<u>605,960</u>	<u>486,784</u>
Immunization Program - Donated Vaccines	149999	93.268	Direct Assistance in Fc	26,936,053	27,582,103	0
Childhood Immunization Program FY17	143518	93.268	5NH23IP0000735-05-	3,151,238	1,685,470	1,302,638
Childhood Immunization Program PPHF	143513	93.268	5NH23IP0007350500	1,794,442	55,008	54,055
FED Immunization & Vaccines PPHF	143522	93.268	6NH23UIP000735-05-	1,279,132	1,211,819	1,159,869
Subtotal CFDA # 93.268 Immunization Cooperative Agreements				<u>33,160,865</u>	<u>30,534,400</u>	<u>2,516,562</u>
Hepatitis B United Grant	144091	93.270	NU51PS005069-02-00	8,000	7,183	7,183
Perinatal Hepatitis B Prevention Program-Auxiliary Prevention Projects	143794	93.270	5 NU51PS005057-00	40,000	22,125	21,562
Philadelphia Improving Hepatitis B&C Care CASCA	143726	93.270	5NU51PS00519-02-03-	139,389	94,630	94,630
Subtotal CFDA # 93.270 Viral Hepatitis Prevention and Control				<u>187,389</u>	<u>123,938</u>	<u>123,375</u>
ELC Ebola Bio Safety non PPHF FY 2017	143788	93.323	NU50CK000430-03-0	4,794	4,794	4,794
ELC Zika Pregnancy Registry (Non-PPHF)	143790	93.323	6 NU50K000430-03-0	452,619	47,406	42,534
Enhanced Epidemiology & Lab Cap FY18	143791	93.323	NU50CK000430-04-0	2,099,154	471,959	353,113
Enhanced Epidemiology & Lab Cap FY19	143808	93.323	6 NU50CK000430-05-	2,083,788	1,438,606	1,218,451
PPHF Building EPID Lab Capacity (ELC) FY18	143789	93.323	NU50CK000430-04-0	633,284	60,394	60,394
Subtotal CFDA # 93.323 Epidemiology and Lab Capacity for Infectious Diseases				<u>5,273,639</u>	<u>2,023,159</u>	<u>1,679,286</u>
Adult Immunization Practice	144128	93.733	1H23IP000990-01	1,061,309	92,080	88,288
Subtotal CFDA # 93.733 Capacity Building Assistance for Public Health Immunization				<u>1,061,309</u>	<u>92,080</u>	<u>88,288</u>
Connections for BCC Diabetes Component 2	144037	93.757	6NU58DP005526-04-0	1,392,796	663,260	631,185
Connections for BCC Heart Disease Comp 1	144036	93.757	6NU58DP005526-04-0	1,392,796	562,030	555,106
Connections for Better Chronic Care	144033	93.757	5NU58DP005526-03-0	1,392,796	150,953	150,953
Connections for Better Chronic Care Diabetes Component 2	144034	93.757	5NU58DP005526-03-0	1,392,796	54,157	47,739
Subtotal CFDA # 93.757 State and Local Public Action to Prevent Obesity, Diabetes				<u>5,571,184</u>	<u>1,430,400</u>	<u>1,384,983</u>
Enhanced Epidemiology & Lab Capacity ELC - Ebola	143782	93.815	3U50CK000430-01S2	1,277,029	262,441	171,765
Subtotal CFDA # 93.815 Domestic Ebola Supplement to Eidemiology and Lab Capacity Inf.Dis				<u>1,277,029</u>	<u>262,441</u>	<u>171,765</u>
HIV Emergency Relief FY19	144056	93.914	2H89HA000013-29-00	1,443,087	296,963	14,318
HIV Emergency Relief FY18	144049	93.914	2 H89HA00013-28-03	1,428,630	1,283,089	68,776
HIV Emergency Relief Project - CQI FY19	144059	93.914	2H89HA000013-29-00	446,803	75,966	68,251
HIV Emergency Relief Project - UA/CMI FY19	144057	93.914	2H89HA000013-29-00	371,145	135,790	0
HIV Emergency Relief Project FY18	144051	93.914	2 H89HA00013-28-03	20,309,345	14,905,113	14,362,487
HIV Emergency Relief Project FY19	144058	93.914	2H89HA000013-29-00	20,514,879	4,536,799	4,310,363
HIV Emergency Relief UA/CMI FY17	144045	93.914	H89HA00013-27-00	255,796	10,386	0
HIV Emergency Relief UA/CMI FY18	144050	93.914	2 H89HA00013-28-03	389,304	370,440	0
HIV Emergency Relief-CQI FY18	144052	93.914	2 H89HA00013-28-03	442,327	233,420	201,998
Subtotal CFDA # 93.914 HIV Emergency Relief Project Grants				<u>45,601,316</u>	<u>21,847,966</u>	<u>19,026,193</u>
Outpatient HIV Early Intervention FY18	143496	93.918	2 H76HA00077-27-00	538,002	348,284	250,076
Outpatient HIV Early Intervention FY19	143546	93.918	5 H76HA00077-28-00	789,009	314,225	205,498
Subtotal CFDA # 93.918 Grants to Provide Outpatient Early Intervention Services				<u>1,327,011</u>	<u>662,509</u>	<u>455,574</u>
Healthy Start Initiative (West) FY18	143499	93.926	H49MC00135-18-00	1,813,453	1,564,706	1,541,292
Healthy Start Initiative (West) FY 2019	143510	93.926	6 H49MC00135-19-02-	1,455,979	161,807	161,807
Subtotal CFDA # 93.926 Healthy Start Initiative				<u>3,269,432</u>	<u>1,726,513</u>	<u>1,703,099</u>
SPNS HCV FY18	144231	93.928	5 u90ha30518-03-00	643,930	149,127	149,127
SPNS HCV FY19	144232	93.928	5 u90ha30518-03-00	643,930	425,931	416,931
Subtotal CFDA # 93.928 Special Projects of National Significance				<u>1,287,860</u>	<u>575,058</u>	<u>566,058</u>
AIDS Prevention Project Navigation FY18	144217	93.940	5 NU62PS005039-03-0	2,798,766	557,178	524,437
AIDS Prevention Project Navigation FY19	144218	93.940	6NU62PS005039-04-0	3,806,823	1,408,231	1,233,941
CSP Component B FY18	144150	93.940	6 NU62PS924545-01-	707,941	62,416	0
CSP Component B FY19	144157	93.940	6 NU62PS924545-02	707,941	28,498	0
CSP HIV Surveillance FY18	144152	93.940	1 NU62PS924545-01-	150,000	515,859	160,501
CSP HIV Surveillance FY19	144155	93.940	6NU62PS924545-02	989,160	402,599	130,066
CSP Prevention Project FY18	144153	93.940	1 NU62PS924545-01-	3,174,782	3,174,782	2,335,616

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CSP Prevention Project FY19	144156	93.940	6NU62PS924545-02	4,748,990	1,601,543	1,134,068
CSP Project FY18	144151	93.940	1 NU62PS924545-01-	1,186,845	279,322	0
CSP Project FY19	144154	93.940	6NU62PS924545-02	598,386	296,080	0
National HIV Behavioral Surveillance FY18	143374	93.940	5NU62PS005088-03-C	693,136	168,982	158,112
National HIV Transgender FY18	143379	93.940	5NU62PS005088-03-C	206,800	118,278	103,775
Subtotal CFDA # 93.940 HIV Prevention Activities Health Department Based				19,769,570	8,613,768	5,780,516
Philadelphia Cooperative Agreement Controlled Trial	144035	93.943	5U01PS004505-04	645,540	212,269	202,301
Philadelphia Cooperative Reengage Controlled Trial	144060	93.943	6U01PS00S004505-01-	317,494	149,523	130,003
Subtotal CFDA # 93.943 Epidemiologic Research, Studies, of Acquired Immunodeficiency				963,034	361,792	332,304
Medical Monitoring Project (MMP) FY18	143856	93.944	NU62PS004960-04	483,212	394,718	287,895
National Hepatitis C FY18	143387	93.944	6 NU62PS005088-03-	132,580	91,139	83,869
National HIV Behavioral Surveillance FY19	143378	93.944	5NU62PS005088-04-C	412,837	108,893	66,319
National HIV Transgender FY19	143386	93.944	5NU62PS005088-04-C	300,000	71,429	35,464
Subtotal CFDA # 93.944 Human Immunodeficiency Virus (HIV)/Acq. Immunodef.				1,328,629	666,179	473,547
Sexually Transmitted Disease FY18	143817	93.977	NH25S004355-05-02	4,430,370	1,561,599	1,079,943
STD - Program Income FY16	143812	93.977	Program Income	96,215	55,561	48,777
STD - Program Income FY17	143815	93.977	Program Income	146,207	7,522	0
STD Surveillance Network FY18	143821	93.977	NH25PS004248-05-0	718,494	129,036	25,670
Strengthening STD Prevention & Control	143823	93.977	1 NH25PS005145-01-	1,843,711	834,567	659,619
Subtotal CFDA # 93.977 Sexually Transmitted Diseases (STD) Preventive and Control Grant				7,234,997	2,588,285	1,814,009
Subtotal: Direct U.S. Department of Health and Human Services				135,699,786	75,417,677	38,442,948

Pass- Through- PA Department of Drug and Alcohol Programs:

Homeless 2 Home Behavioral Health Project FY19	150610	93.243	Allocation Letter	731,874	1,164,663	1,164,663
Philadelphia Alliance for Child Trauma Services (PACTS) FY18	150608	93.243	5U79SM063192-02	400,000	74,049	74,049
Philadelphia Alliance for Child Trauma Services (PACTS) FY19	150609	93.243	3U79SM063192-03S1	707,692	364,664	358,331
Subtotal CFDA # 93.243 Substance Abuse and Mental Health Services Projects of Reg. Sgn.				1,839,566	1,603,376	1,597,043
Navig & Hous SVCS- Indiv w/ Opioid Use	150621	93.788	4100083253	1,015,805	423,427	423,427
Opioid STR - Treatment Drug Court	150943	93.788	4100070849	688,126	153,427	153,427
State Opioid Response (SOR) Prevention (App 71-084)	150949	93.788	4100070849	81,719	110,000	110,000
State Opioid Response (SOR) Treatment (App 71-084)	150950	93.788	4100070849	478,500	820,207	520,207
Subtotal CFDA # 93.788 Opioid STR				2,264,150	1,507,061	1,207,061
Opioid State Targeted Response Treatment	150942	93.959	Allocation Letter	11,979	957,807	957,807
Opioid State Targeted Response-Prevent	150941	93.959	Grant Agreement	11,979	11,979	11,979
SAPT - Alcohol Intervention/ Treatment Service Fee FY19	150940	93.959	Grant Agreement	95,638	212,186	212,186
SAPT - Alcohol Intervention/ Treatment FY19	150939	93.959	Allocation Letter	2,080,512	2,126,618	2,126,618
SAPT - Drug Intervention/ Treatment FY19	150937	93.959	Allocation Letter	4,996,858	4,927,399	4,927,399
SAPT- Drug Intvn/Trmt Service Fee	150919	93.959	Allocation Letter	1,052,554	32,287	32,287
SAPT-Drug Intervention/Treatment Service Fee FY19	150938	93.959	Allocation Letter	1,382,060	1,614,154	1,614,154
Substance Abuse Prevention (SAPT) FY16	150910	93.959	Allocation Letter	2,500,913	118,509	118,509
Substance Abuse Prevention (SAPT) FY19	150936	93.959	Allocation Letter	3,173,607	3,173,607	3,173,607
Subtotal CFDA # 93.959 Block Grants for Prevention and Treatment of Substance Abuse				15,306,100	13,174,546	13,174,546
Subtotal: Pass- Through- PA Department of Drug and Alcohol Programs:				19,409,816	16,284,983	15,978,650

Pass- Through- PA Department of Human Services:

Title IV-E Legal Custodianship (SPLC) FY18	222219	93.090	Award Letter	5,910,095	11,563	11,345
Title IV-E Legal Custodian FY19	222224	93.090	Award Letter	5,423,723	3,983,559	0
Subtotal CFDA # 93.090 Guardianship Assistance				11,333,818	3,995,122	11,345
MH - Homeless Grant (70154) FY19	150864	93.150	Allocation Letter	438,674	438,674	438,674
Subtotal CFDA # 93.150 Project for Assistance in Transition from Homelessness				438,674	438,674	438,674
Caseworker Visitation Grant FY18	221483	93.556	Award Letter	213,594	2,101	0
Caseworker Visitation Grant FY19	221485	93.556	Award Letter	216,590	216,590	0
Subtotal CFDA # 93.556 Promoting Safe and Stable Families				430,184	218,691	0
Supported Work Program (Workwise) - FY18	80320	93.558	4100065378	7,546,034	2,757,468	2,549,458
Supported Work Program (Workwise) FY19	80324	93.558	4100065378	5,659,525	3,271,471	3,147,889
Supported Workwise Program (F) FY19	80322	93.558	4100065378	1,886,509	1,729,685	1,640,731
Temporary Assistance for Needy Families (TANF) FY15	221409	93.558	Children & Youth Proj	26,033,804	340	340
Temporary Assistance for Needy Families (TANF) FY16	221653	93.558	Children & Youth Proj	26,033,804	5,931	5,794
Temporary Assistance for Needy Families (TANF) FY17	221656	93.558	Children & Youth Proj	26,033,804	5,513	5,513
Temporary Assistance for Needy Families (TANF) FY18	221659	93.558	Children & Youth Proj	26,033,804	225,785	225,785
Temporary Assistance for Needy Families (TANF) FY19	221662	93.558	Children & Youth Proj	26,033,804	22,185,584	22,185,584
Subtotal CFDA # 93.558 Temporary Assistance for Needy Families				145,261,088	30,181,777	29,761,094
Child Support Enforcement FY19	690484	93.563	Title IV-D Program	1,699,698	1,699,698	0
Child Support Program FY19	841028	93.563	Revenue Based	23,892,492	18,951,671	0

City of Philadelphia
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Subtotal CFDA # 93.563 Child Support Enforcement				25,592,190	20,651,369	0
Title IV-B FY19	221683	93.645	Award Letter	2,575,773	2,151,210	2,151,210
Subtotal CFDA # 93.645 Steph Tubbs Jones Child Welfare Service Program				2,575,773	2,151,210	2,151,210
Title IV-E Demonstration Project	221439	93.648	Award Letter	64,843,211	11,886	11,886
Title IV-E Demonstration Project	221443	93.648	Award Letter	62,432,121	16,073	16,073
Title IV-E Demonstration Project	221447	93.648	Award Letter	60,298,449	249,047	249,047
Title IV-E Demonstration Project FY18	221490	93.648	Award Letter	59,836,117	959,985	953,253
Subtotal CFDA # 93.648 Child Welfare Training or Demonstration				247,409,898	1,236,991	1,230,259
Information Technology Grant (ITG) FY 19	222255	93.658	Award Letter	3,196,501	507,389	0
Title IV-E Foster Care FY15	221410	93.658	Award Letter	23,525,340	424	424
Title IV-E Foster Care FY16	222007	93.658	Award Letter	3,264,912	9,231	0
Title IV-E Foster Care FY17	222014	93.658	Award Letter	3,946,026	19,460	0
Title IV-E Foster Care FY18	222025	93.658	Award Letter	2,861,878	918,743	918,743
Title IV-E Foster Care FY19	222030	93.658	Award Letter	88,495,964	79,236,935	53,536,368
Title IV-E Program Income	229995	93.658	Child Support SSI	176,914	176,914	0
Subtotal CFDA # 93.658 Foster Care Title IV-E				125,467,535	80,869,096	54,455,535
Title IV-E Adoption Assistance FY18	222058	93.659	Award Letter	16,984,368	36,397	35,779
Title IV-E Adoption Assistance FY19	222066	93.659	Award Letter	24,725,111	28,322,941	0
Subtotal CFDA # 93.659 Adoption Assistance				41,709,479	28,359,338	35,779
Family Preservation Funds -Title XX FY19	150499	93.667	Award Letter	605,304	605,304	605,304
HAP - Bridge Housing (F)FY19	241268	93.667	Allocation Letter	2,717,027	2,717,027	2,717,027
HAP - Bridge Housing FY18	241182	93.667	Allocation Letter	2,583,144	188,274	188,274
HAP - Case Management (F) FY19	241271	93.667	Allocation Letter	300,704	300,704	300,704
HAP - Case Management (F) FY19	241266	93.667	Allocation Letter	1,463,520	873,636	873,636
HAP - Case Management FY18	241185	93.667	Allocation Letter	864,802	66,870	66,870
HAP - Case Management FY18	241180	93.667	Allocation Letter	1,463,520	45,367	45,367
HAP - Program Income FY19	241274	93.667	Allocation Letter	19,865	8,009	8,009
HAP - Program Income FY18	241188	93.667	Allocation Letter	11,859	7,052	7,052
ID - SSBG (70177) FY19	150878	93.667	Allocation Letter	1,422,353	1,422,353	1,422,353
MH - SSBG (70135) FY19	150863	93.667	Allocation Letter	5,532,135	5,532,135	5,532,135
Title XX - Child Protective Services FY19	221779	93.667	Award Letter	2,888,308	2,888,308	0
Subtotal CFDA # 93.667 Social Services Block Grant				19,872,541	14,655,039	11,766,731
Title IV-E Independent Living FY19	222023	93.674	Award Letter	1,044,895	938,066	938,066
Subtotal CFDA # 93.674 Chafee Foster Care Independence Program				1,044,895	938,066	938,066
ID - Program Income	150999	93.778	Allocation Letter	652,282	652,282	0
ID - TSM Admin Federal (70175) FY19	150881	93.778	Grant Agreement	612,998	612,998	612,998
ID - Waiver Admin (70175) FY19	150879	93.778	Allocation Letter	6,915,552	6,915,552	6,915,552
ID - Waiver EI (70184) FY19	150880	93.778	Allocation Letter	478,452	309,624	309,624
Medicare Part D - Retirees	350438	93.778	Receipts	26,934	26,934	0
Title IV-E Medical Assistance FY18	222148	93.778	Award Letter	264,476	8,730	0
Subtotal CFDA # 93.778 Medical Assistance Program				8,950,694	8,526,120	7,838,174
Temp Money Follows the Person MFP FY19	150886	93.791	Allocation Letter	180,000	180,000	0
Subtotal CFDA # 93.791 Money Follows the Person Rebalancing Demonstration				180,000	180,000	0
MH - CMHSBG (70167) FY19	150865	93.958	Allocation Letter	3,148,881	3,079,748	3,079,748
Subtotal CFDA # 93.958 Block Grants for Community Mental Health Services				3,148,881	3,079,748	3,079,748
HAP - Bridge Housing (PENNFREE)FY19	241269	93.959	Allocation Letter	1,251,804	1,238,013	1,238,013
HAP- Program Income - PennFree FY18	241187	93.959	Allocation Letter	3,839	2,590	2,590
Subtotal CFDA # 93.959 Block Grants for Prevention and Treatment of Substance Abuse				1,255,643	1,240,603	1,240,603
Subtotal: Pass- Through- PA Department of Human Services:				634,671,293	196,721,844	112,947,218
Pass- Through- PA Department of Community and Economic Development:						
Community Services Block Grant - Lead FY18	143763	93.569	MOU	405,000	199,880	0
Community Services Block Grant - Lead FY19	143777	93.569	MOU	405,000	186,451	0
Community Services Block Grant CY18	160716	93.569	18DPR0001	207,000	202,074	0
Community Services Block Grant CY19	160715	93.569	19-6076	207,000	203,711	0
CSBG - Adminstration FY17	80330	93.569	C000057053	5,226,164	166,457	166,457
CSBG - Adminstration FY18	80331	93.569	C000066926	5,647,334	2,703,987	1,601,327
CSBG - Adminstration FY19	80332	93.569	C000066926	5,330,531	724,456	237,049
CSBG - Discretionary Funds FY19	80333	93.569	C000066926-3	30,000	27,409	0
CSBG - Emergency Assistance Access Mgr	241353	93.569	MOU	13,338	10,462	0
CSBG - Emergency Assistance FY19	241352	93.569		405,936	405,936	0
Serve Philadelphia	50315	93.569	MOU Agreement 19SI	218,578	131,047	0
Subtotal CFDA # 93.569 Community Services Block Grants				18,095,881	4,961,870	2,004,833

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Subtotal: Pass- Through- PA Department of Community and Economic Development:				18,095,881	4,961,870	2,004,833
Pass- Through- Family Planning Council:						
Family Planning Services FY18	143528	93.217	180301	616,502	73,805	0
Family Planning Services FY19	143531	93.217	190301	348,346	348,288	241,219
Family Planning Supplemental FY17	143524	93.217	#170301	106,054	199,750	0
Subtotal CFDA # 93.217 Family Planning Services				1,070,902	621,843	241,219
C & B Cancer Prevention (F) FY16	143383	93.919	170304	975,393	615,634	207,074
C & B Cancer Prevention FY18	143384	93.919		952,181	98,251	98,251
Subtotal CFDA # 93.919 Cooperative Agr. St. Based Compr.Breast & Cerv, Cncer Erly Det.				1,927,574	713,885	305,325
Subtotal: Pass- Through- Family Planning Council:				2,998,476	1,335,728	546,544
Pass- Through- Philadelphia Corporation for the Aging (PCA) :						
Older Adult Program FY18	160684	93.044	1-0119-00-3117	776,100	241	0
Older Adult Program FY19	160685	93.044	1-0119-00-3117	776,101	746,330	0
Subtotal CFDA # 93.044 Spec. Programs for the Aging Title III, Part B Supp. Ser				1,552,201	746,571	0
Med Improvement for Patients and Prov (MIPP)	50303	93.071	H80CS00016	10,957	13,134	0
Subtotal CFDA # 93.071 Medicare Enrollment Assistance				10,957	13,134	0
Comm on Aging - Apprise FY18	50311	93.324	Agreement No 10-301	36,739	3,090	0
Comm on Aging - Apprise FY19	50313	93.324	Agreement No 10-301	36,739	38,791	0
Subtotal CFDA # 93.324 State Health Insurance Assistance Program				73,478	41,881	0
Subtotal: Pass- Through- Philadelphia Corporation for the Aging (PCA) :				1,636,636	801,586	0
Pass- Through- PA Department of Health:						
Bioterrorism Grant - Cities Readiness Initiative	144401	93.069	SAP#4100080549	626,112	533,592	526,946
Bioterrorism Grant - Core (PREV B) FY19	144400	93.069	SAP#4100080549	574,938	574,886	567,015
Subtotal CFDA # 93.069 Public Health Emergency Preparedness				1,201,050	1,108,478	1,093,961
Philadelphia Integrated System of Care Expansion (PISCE) FY18	150079	93.104	SU79SM062463-02	1,000,000	326,670	326,670
Philadelphia Integrated System of Care Expansion (PISCE) FY19	150080	93.104	SU79SM062463-02	700,086	700,086	691,516
Subtotal CFDA # 93.104 Comprh. Comm. Mental Serv. Children SED				1,700,086	1,026,756	1,018,186
Opioid Involved Mortality	144197	93.136	SAP 4100075927 SAF	25,000	25,000	25,000
Opioid Involved Mortality Surveillance	144194	93.136	SAP 4100075927 SA	18,037	17,619	0
Opioid Involved Mortality Surveillance Part 2 FY18	144193	93.136	SAP 4100075927	90,446	13,783	13,783
Opioid Involved Mortality Surveillance Part 2 FY19	144195	93.136	SAP 4100075927 SA	90,446	85,726	85,720
Subtotal CFDA # 93.136 Injury Prevention & Control Research and St. Com. Based				223,929	142,128	124,503
Citywide Opioid Overdose Surveillance FY18	144198	93.324	SU38OT000143-05	50,000	30,045	0
Citywide Opioid Overdose Surveillance FY19	144199	93.324	NU38OT000297-01-0	50,000	516	0
Subtotal CFDA # 93.324 State Insurance Assistance Program				100,000	30,561	0
MSA Tobacco FY19	143798	93.520	SAP#4000020370-SA	244,698	140,370	140,370
Subtotal CFDA # 93.520 Centers for Disease Control and Prevention ACA				244,698	140,370	140,370
SPAN	144820	93.539	SAP#4100081965	120,000	90,189	90,189
Subtotal CFDA # 93.539 PPHF Capacity Building Assistance to Strengthen Pub. Health Immun.				120,000	90,189	90,189
Phila Project to End Lead Poisoning	143919	93.753	6 NUE2EH001400-01	394,162	89,502	0
Philadelphia Project to End Lead Poisoning Supplemental Funding	144020	93.753	6 NUE1E001280-03-0	291,972	122,799	0
Subtotal CFDA # 93.753 Child Lead Poisoning Prevention Surveillance Program				686,134	212,301	0
A Large Scale Long Term Trial of Nutrition	144775	93.847	574745	15,088	15,088	15,088
Subtotal CFDA # 93.847 Diabetes, Digestive, and Kidney Diseases Extramural Research				15,088	15,088	15,088
Bioterrorism Hosp Prepare Program MRC FY19	144402	93.889	SAP#4100080549	10,343	10,343	10,343
Community Preparedness for Opioid Crisis	144403	93.889	SAP#4100080549	211,096	211,096	211,096
Subtotal CFDA # 93.889 National Bioterrorism Hospital Preparedness				221,439	221,439	221,439
Ryan White Title II - Fed (RW Part B) FY18	143948	93.917	SAP 4100062912-EA	1,295,326	65,242	65,242
Ryan White Title II (F) FY19	143953	93.917	SAP 4100080127	7,034,000	6,168,539	5,792,121
Subtotal CFDA # 93.917 HIV Care Formula Grants				8,329,326	6,233,781	5,857,363
Children with Special Healthcare Needs FY19	143831	93.994	SAP#4100073279	630,431	502,917	487,111
Fed Sudden Death in Young Fed FY19	143844	93.994	SAP#4100073279	58,890	30,161	30,161
MIC Primary Services FY19	143829	93.994	SAP#4100073279	760,674	738,486	691,558
Services for Children FY19	143830	93.994	SAP#4100073279	909,130	783,212	723,985
Title V : Children with Special Healthcare Needs	143747	93.994	SAP3 4100073279	276,877	55,032	55,032
Title V : Federal Services for Children	143746	93.994	SAP3 4100073279	295,772	219,525	219,525
Subtotal CFDA # 93.994 Maternal and Child Health Services Block Grant to the States				2,931,774	2,329,333	2,207,372
Subtotal: Pass- Through- PA Department of Health:				15,773,524	11,550,424	10,768,471

Pass- Through- PA Commission on Crime and Delinquency:

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Philadelphia Treatment Court and DUI	840850	93.788	2018-CU-01-28766	13,043	13,043	8,420
Subtotal CFDA # 93.788 State Targeted Response to the Opioid Crisis Grants				13,043	13,043	8,420
Subtotal: Pass- Through- PA Commission on Crime and Delinquency:				13,043	13,043	8,420
Total U.S. Department of Health and Human Services				828,298,455	307,087,155	180,697,084

U.S. Corporation for National & Community Service

Direct- U.S. Corporation for National & Community Service:						
Youth Policy Institute (YPI) FY18	80819	94.006	53284	51,690	18,932	0
Youth Policy Institute (YPI) FY19	80821	94.006	18NDHCA001	216,793	104,230	273
Subtotal CFDA # 94.006 AmeriCorps				268,483	123,162	273
Foster Grandparent Program	100659	94.011	17FAPA002	463,166	467,368	0
Subtotal CFDA # 94.011 Foster Grandparent Program				463,166	467,368	0
Subtotal: Direct- U.S. Corporation for National & Community Service:				731,649	590,530	273

Pass- Through- PA Department of Labor & Industry:

2018-2019 Americorps Competitive Award	100714	94.006	SAP # 4100080858	1,060,064	1,060,064	1,060,064
Americorps Competitive Award	80535	94.006	SAP # 4100078372	1,060,064	600,311	600,311
Subtotal CFDA # 94.006 AmeriCorps				2,120,128	1,660,375	1,660,375
Subtotal: Pass- Through- PA Department of Labor & Industry				2,120,128	1,660,375	1,660,375
Total U.S. Corporation for National & Community Service				2,851,777	2,250,905	1,660,648

U.S. Executive Office of the President

Direct- U.S. Executive Office of the President:						
Drug Violence Intelligence Initiative - HIDTA 2017	111067	95.001	G17PC0003A	133,450	25,472	0
Drug Violence Intelligence Initiative - HIDTA 2018	111068	95.001	G18PC0003A	133,450	116,690	0
Subtotal CFDA # 95.001 High Intensity Drug Trafficking Areas Program				266,900	142,162	0
Subtotal: Direct- U.S. Executive Office of the President:				266,900	142,162	0
Total U.S. Executive Office of the President				266,900	142,162	0

U.S. Social Security Administration

Direct- U.S. Social Security Administration:						
SSA - Prisoners Incentive Payments	230057	96.006	Receipts	162,400	162,400	0
Subtotal CFDA # 96.006 Supplemental Security Income				162,400	162,400	0
Subtotal: Direct- U.S. Social Security Administration:				162,400	162,400	0
Total U.S. Social Security Administration				162,400	162,400	0

U.S. Department of Homeland Security

Direct- U.S. Department of Homeland Security:						
PA Task Force I - 2015 Grant	130171	97.025	EMW-2015-CA-0018-	1,268,733	46,246	0
PA Task Force I - 2016 Grant	130172	97.025	EMW-2016-CA-00010	1,339,493	35,749	0
PA Task Force I - 2017 Grant	130173	97.025	EMW-2017-CA-00070	1,265,013	562,889	0
PA Task Force I - 2018 Grant	130174	97.025	EMW-2018-CA-0003'	1,255,990	376,675	0
Response Cooperative Agreement	130320	97.025	EMW-2013-CA-USR-	4,661,063	3,456,367	0
Subtotal CFDA # 97.025 National Urban Search and Rescue Response				9,790,292	4,477,926	0
FY 2016 Assistance to Firefighters Grant (FPS)	130157	97.044	EMW-2016-FP-00764	952,381	462,528	0
FY 2017 Assistance to Firefighters Grant (FPS)	130159	97.044	EMW-2017-FO-06396	2,733,636	1,346,009	0
Subtotal CFDA # 97.044 Assistance to Firefighters Grant				3,686,017	1,808,537	0
Port Security Grant Fast Boat 1 FY16	C25002	97.056	EMW2016PU00319S	383,475	263,745	0
Subtotal CFDA # 97.056 Port Security Grant Program				383,475	263,745	0
National Explosives Detection Canine Team	A42026	97.072	HSTS0216-H-NCP465	3,623,033	555,500	0
Subtotal CFDA # 97.072 National Explosives Detection Canine Team Program				3,623,033	555,500	0
SAFER - FEMA Grant FY19	130354	97.083	EMW-2017-FH-00595	16,669,092	2,755,905	0
Subtotal CFDA # 97.083 Staffing for Adequate Fire & Emergency Response				16,669,092	2,755,905	0
TSA Threat Assessment & Sector Network	A42214	97.090	HSTST02-16-H-SLR7	0	0	0
Subtotal CFDA # 97.090 Law Enforcement Reimbursement Agreement Program				0	0	0
Homeland Security Bio-Watch Program FY19	143464	97.091	06OHBIO000006-13-0	410,823	410,823	0
Subtotal CFDA # 97.091 Homeland Security Biowatch				410,823	410,823	0
Subtotal: Direct- U.S. Department of Homeland Security:				34,562,732	10,272,436	0
Pass- Through- PA Emergency Management Agency:						
Emergency Management Performance Grant	100376	97.042	Receipts	114,976	114,976	0
Subtotal CFDA # 97.042 Emergency Management Performance Grants				114,976	114,976	0
Subtotal: Pass- Through- PA Emergency Management Agency:				114,976	114,976	0

City of Philadelphia
Schedule of Expenditures of Federal Awards
July 1, 2018 to June 30, 2019

Pass- Through- Southeastern PA Regional Taskforce:

2016 Homeland Security Grant	100676	97.067	EMW-2016-SS-00048	2,210,661	27,745	0
2017 Homeland Security Grant	100678	97.067	EMW-2017-SS-00062	1,300,000	2,400,913	0
2018 Homeland Security Grant	100679	97.067	EMW-2018-SS-00046	2,946,000	248,955	0
Subtotal CFDA # 97.067 Homeland Security Grant Program				<u>6,456,661</u>	<u>2,677,613</u>	<u>0</u>
Subtotal: Pass- Through- Southeastern PA Regional Taskforce:				<u>6,456,661</u>	<u>2,677,613</u>	<u>0</u>

Pass- Through- Maritime Exchange For Delaware River & Bay:

2016 Port Security Program - FEMA	110960	97.056	EMW2016-PU-00270	176,643	138,634	0
Port Security (Boat) FY17	130153	97.056	EMW-2017-PU-00253	219,000	145,307	0
Subtotal CFDA # 97.056 Port Security Grant Program				<u>395,643</u>	<u>283,941</u>	<u>0</u>
Subtotal: Pass- Through- Maritime Exchange For Delaware River & Bay:				<u>395,643</u>	<u>283,941</u>	<u>0</u>
Total U.S. Department of Homeland Security				<u>41,530,012</u>	<u>13,348,966</u>	<u>0</u>

U.S. Army Corps of Engineers

Direct- U.S. Army Corps of Engineers:

Homeless Alcoholic Men FY 19	150683	14.235	DACA-31-1-15-468	90,000	90,000	0
Subtotal CFDA #14.235 Supportive Housing Program				<u>90,000</u>	<u>90,000</u>	<u>0</u>
Subtotal: Direct U.S. Army Corps of Engineers				<u>90,000</u>	<u>90,000</u>	<u>0</u>
Total U.S. Army Corps of Engineers				<u>90,000</u>	<u>90,000</u>	<u>0</u>

Total Schedule of Expenditures of Federal Awards

<u>1,616,177,966</u>	<u>475,603,654</u>	<u>268,328,691</u>
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**CITY OF PHILADELPHIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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CITY OF PHILADELPHIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal financial assistance programs of the City of Philadelphia (City). The City's reporting entity is defined in Note I.1. to the City's annual financial statements. All federal financial assistance received directly by the primary government from federal agencies as well as federal financial assistance passed through other governmental agencies is included on this schedule. Federal financial assistance, if any, relating to the City's component units is reported separately by other auditors. Except for the programs listed in note 3 below, federal program expenditures included in the accompanying schedule are presented on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. The U.S. Department of Housing and Urban Development has been designated the cognizant agency for the City's single audit. The information in this schedule is presented in accordance with the requirements contained in the Uniform Guidance.

2. COMPONENT UNITS

The City's annual financial statements include the operations of the following entities and their expenditures of federal awards. Amounts listed include funds provided directly by the federal government and, in some cases, significant funds received first by the City and passed on to the respective entities. Only funds received first by the City, and then passed on, have been included in the accompanying SEFA. These entities have had separately performed financial statement audits conducted in accordance with the requirements of Uniform Guidance:

<u>Entity</u>	<u>Expenditures of Federal Awards</u>
School District of Philadelphia	\$ 377,216,435
Community College of Philadelphia	\$ 70,272,362
Philadelphia Redevelopment Authority	\$ 13,656,293
Philadelphia Authority for Industrial Development	\$ 994,630
Philadelphia Housing Authority	\$ 414,843,806

CITY OF PHILADELPHIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

3. NOTES TO SPECIFIC PROGRAMS

The following explanatory notes relate to specific grant programs of the City, as indicated by CFDA Number.

HUD Section 108 Loans (14.218) – The Federal Department of Housing and Urban Development (HUD) awards Section 108 Loans to the City for the purposes of Housing and Economic Development. The Housing portion is received by the primary government and disclosed on the SEFA under CFDA 14.218 (City ID Numbers: 06986). The Economic Development portion is received by the Philadelphia Industrial Development Corporation (PIDC), a quasi-governmental agency. During fiscal year 2019 the City, through PIDC, did not make any loans under the HUD 108 Loan program (CFDA 14.248). Through PIDC, the City had direct federal loan balances outstanding at June 30, 2019, under the HUD 108 Loan Program (CFDA 14.248), in the amount of \$68,545,000. Loan repayments and investment proceeds from unloaned funds are used to repay HUD. As reported in the SEFA, there were no HUD Section 108 loan repayments made in fiscal year 2019.

4. MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

5. CITY ID NUMBER

Number used by the Grants Accounting and Administration Unit (GAAU) to track grant activity in the City's accounting system.

6. INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate per 2 CFR 200.510(b)(6).

CITY OF PHILADELPHIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

7. FEDERAL AWARDS PASSED THROUGH THE PA DEPARTMENT OF HEALTH

The Pennsylvania Department of Health (PA-DOH) has requested additional information regarding federal program funding. The table below provides the additional information requested to assist the PA-DOH in monitoring the various programs. The accrued or deferred revenues in the beginning, and end of year columns in the table below are reported on a net basis. Refer to the SEFA for the corresponding contract numbers.

Project Title	City ID Number	CFDA Number	Federal Funding Received during the Year	Accrued or (Deferred) at the beginning of the Year	Federal Revenue Recognized during the Year	Accrued or (Deferred) at end of the Year
Bioterrorism Grant Cities	144401	93.069	238,037.56	0.00	260,441.57	22,404.01
Bioterrorism Grant Core	144400	93.069	174,976.86	0.00	423,182.23	248,205.37
Philadelphia Integrated System	150079	93.104	472,072.00	(102,933.98)	472,072.00	(248,336.13)
Philadelphia Integrated System	150080	93.104	384,277.00	0.00	575,188	190,911.00
Opioid Involved Mortality	144197	93.136	0.00	0.00	0.00	0.00
Opioid Involved Mortality	144194	93.136	35,984.76	0.00	35,984.76	(18,365.35)
Opioid Involved Mortality	144193	93.136	32,015.10	19,938.82	12,076.28	0.00
Opioid Involved Mortality	144195	93.136	0.00	0.00	0.00	0.00
Citywide Opioid Overdose	144198	93.324	25,000.00	(5,413.00)	25,000.00	(367.52)
Citywide Opioid Overdose	144199	93.324	33,332.00	0.00	33,332.00	(32,816.21)
MSA FDA State Tobacco	143798	93.520	0.00	0.00	0.00	0.00
SPAN	144820	93.539	28,457.62	0.00	43,272.28	14,814.66
Phila. Project to End Lead	143919	93.753	70,482.00	0.00	71,205.00	723.00
Phila. Project to End Lead	144020	93.753	141,323.95	1,827.00	139,496.95	(10,070.30)
A Large Scale Long Term	144775	93.847	0.00	0.00	15,088.00	15,088.00
Bioterrorism Hospital	144402	93.889	10,342.59	0.00	10,342.59	0.00
Community Preparedness for Opioid	144403	93.889	0.00	0.00	45,564.00	45,564.00
Ryan White Title II - FED	143948	93.917	1,596,458.16	749,276.13	1,596,458.16	(778,585.32)
Ryan White Title II - FED	143953	93.917	4,131,472.42	0.00	5,882,764.70	1,751,292.28
Title V Children w spec care	143831	93.994	223,173.75	0.00	300,289.58	77,115.83
Title V: Fed Sudden Death in Young	143844	93.994	0.00	0.00	9,370.00	9,370.00
Title V: MIC Primary Svs	143829	93.994	617,891.47	0.00	669,392.92	51,501.45
Title V: Service for Children	143830	93.994	303,268.86	0.00	456,399.24	153,130.38
Title V Children w spec care	143747	93.994	91,449.08	91,449.08	0.00	0.00
Title V: Fed Service for Children	143746	93.994	157,727.61	157,727.61	0.00	0.00

CITY OF PHILADELPHIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

8. FEDERAL AWARDS PASSED THROUGH THE PA DEPARTMENT OF DRUG AND ALCOHOL PROGRAMS

The Pennsylvania Department of Drug and Alcohol Programs (PA-DDAP) has requested additional information regarding federal program funding. The table below provides the additional information requested to assist the PA-DDAP in monitoring the various programs. The accrued or deferred revenues in the beginning, and end of year columns in the table below are reported on a net basis. Refer to the SEFA for the corresponding contract numbers.

Project Title	City ID Number	CFDA Number	Federal Funding Received during Year	Accrued or (Deferred) at Beg Year	Federal Revenue Recognized during Year	Accrued or (Deferred) at End Year
Homeless 2 Home	150610	93.243	607,313.00	0.00	962,113.00	354,800.00
Philadelphia Alliance	150608	93.243	236,744.00	84,754.00	151,990.00	(11,090.43)
Philadelphia Alliance	150609	93.243	177,192.00	0.00	290,600.00	113,408.00
Navig & House SVCS	150621	93.788	0.00	0.00	14,790.80	14,790.80
Opioid STR-Treatment	150943	93.788	0.00	0.00	0.00	0.00
State Opioid Response Prevention	150949	93.788	0.00	0.00	0.00	0.00
State Opioid Response Treatment	150950	93.788	0.00	0.00	0.00	0.00
Opioid State Targeted	150942	93.959	565,928.00	0.00	565,928.00	0.00
Opioid State Targeted	150941	93.959	0.00	0.00	11,979.00	11,979.00
SAPT- Alcohol	150940	93.959	32,395.00	0.00	60,333.00	27,938.00
SAPT- Alcohol	150939	93.959	688,987.00	0.00	1,123,305.00	434,318.00
SAPT-Drug	150937	93.959	1,466,034.00	0.00	2,337,636.00	871,602.00
SAPT-Drug	150919	93.959	0.00	0.00	0.00	0.00
SAPT-Drug	150938	93.959	713,199.00	0.00	1,253,544.00	540,345.00
Substance Abuse	150910	93.959	0.00	0.00	0.00	0.00
Substance Abuse	150936	93.959	1,856,137.00	0.00	2,687,514.00	831,377.00

9. FEDERAL AWARDS PASSED THROUGH PA COMMISSION ON CRIME AND DELINQUENCY

The Pennsylvania Commission on Crime and Delinquency (“PCCD”) provided funding under CFDA 16.575 Crime Victim Assistance. Federal expenditures reported in the SEFA for contract number 27275 include \$385,788 of expenditures for City ID number 690447 RASA VW incurred in fiscal year 2017. Federal expenditures reported for contract 27275 include \$89,760 of expenditures incurred in fiscal year 2017 and \$197,176 of expenditures incurred in fiscal year 2018 for City ID number 690517 VOJO.

These prior year expenditure omissions in the SEFA were resolved as of April 16, 2020 with PCCD as a result of Management Letters dated March, 4 2020 for the Single Audit Reports for fiscal years 2017 and 2018.

INDEPENDENT AUDITOR'S SECTION

Auditor's Reports

Schedule of Findings and Questioned Costs

Summary Schedule of Prior Audit Findings



CITY OF PHILADELPHIA

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REBECCA RHYNHART
City Controller

CHRISTY BRADY
Deputy City Controller

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Philadelphia, Pennsylvania's basic financial statements, and have issued our report thereon dated February 25, 2020. Our report on the basic financial statements includes an emphasis-of-matter paragraph describing a change in accounting principle, discussed in Notes I.14. and III.14.A. to the basic financial statements. Our report also includes a reference to other auditors. Other auditors audited the financial statements of the following entities, as described in our report on the City of Philadelphia, Pennsylvania's financial statements.

Primary Government

Municipal Pension Fund
Philadelphia Gas Works Retirement Reserve Fund
Parks and Recreation Departmental and Permanent Funds
Philadelphia Municipal Authority
Pennsylvania Intergovernmental Cooperation Authority

Component Units

Community College of Philadelphia
Philadelphia Parking Authority
Philadelphia Redevelopment Authority
Community Behavioral Health
Philadelphia Authority for Industrial Development
Philadelphia Gas Works
Philadelphia Housing Authority

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This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Philadelphia Parking Authority were not audited in accordance with *Government Auditing Standards*. Also, the reported amounts for the Philadelphia Housing Authority (PHA) include PHA's discretely presented component units whose financial statements (except for St. Ignatius Senior Housing I, L.P., St. Ignatius Senior Housing II, L.P., St. Francis Villa Senior Housing, L.P., 1952 Allegheny Associates, L.P., Spring Garden Development Associates, L.P., Uni-Penn Housing Partnership II, and Mantua Phase II, L.P.) were not audited in accordance with *Government Auditing Standards*.

We have also audited the basic financial statements of the School District of Philadelphia, a component unit of the City of Philadelphia, in accordance with *Government Auditing Standards* and issued a separate report on the School District's internal control over financial reporting and on compliance and other matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Philadelphia, Pennsylvania's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Philadelphia, Pennsylvania's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Philadelphia, Pennsylvania's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001, 2019-002, and 2019-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2019-004 to 2019-010 to be significant deficiencies.

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Compliance and Other Matters

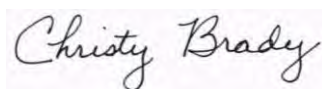
As part of obtaining reasonable assurance about whether the City of Philadelphia, Pennsylvania's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards*.

City of Philadelphia, Pennsylvania's Response to Findings

The City of Philadelphia, Pennsylvania's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City of Philadelphia, Pennsylvania's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it. We have also included our comments to the City of Philadelphia, Pennsylvania's responses that we believe do not adequately address our findings and recommendations.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CHRISTY BRADY, CPA
Deputy City Controller
Philadelphia, Pennsylvania
February 25, 2020



CITY OF PHILADELPHIA

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REBECCA RHYNHART
City Controller

CHRISTY BRADY
Deputy City Controller

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE AND THE PENNSYLVANIA DEPARTMENT OF HUMAN SERVICES SINGLE AUDIT SUPPLEMENT

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

Report on Compliance for Each Major Federal Program

We have audited the City of Philadelphia, Pennsylvania's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Pennsylvania Department of Human Services (DHS) Single Audit Supplement* that could have a direct and material effect on each of the City of Philadelphia, Pennsylvania's major federal and DHS programs for the year ended June 30, 2019. The City of Philadelphia, Pennsylvania's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

The City of Philadelphia, Pennsylvania's basic financial statements include the operations of the School District of Philadelphia, Community College of Philadelphia, Philadelphia Redevelopment Authority, Philadelphia Authority for Industrial Development, and Philadelphia Housing Authority, which expended a total of \$876,983,526 in federal awards which is not included in the City of Philadelphia, Pennsylvania's Schedule of Expenditures of Federal Awards for the year ended June 30, 2019. Our audit, described below, did not include the operations of these component units because they had separate audits performed in accordance with the *Uniform Guidance*.

Management's Responsibility

Management is responsible for compliance with federal and DHS statutes, regulations, and the terms and conditions of its federal and DHS awards applicable to its federal and DHS programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Philadelphia, Pennsylvania's major federal and DHS programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the DHS Single Audit Supplement. Those standards, the Uniform Guidance, and the DHS Single Audit Supplement require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or DHS program occurred. An audit includes examining, on a test basis, evidence about the City of Philadelphia, Pennsylvania's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for major federal and DHS programs. However, our audit does not provide a legal determination of the City of Philadelphia, Pennsylvania's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Philadelphia, Pennsylvania complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and DHS programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and the DHS Single Audit Supplement and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-011, 2019-012, 2019-013, and 2019-014. Our opinion on each major federal and DHS program is not modified with respect to these matters.

The City of Philadelphia, Pennsylvania's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City of Philadelphia, Pennsylvania's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City of Philadelphia, Pennsylvania is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Philadelphia, Pennsylvania's

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internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and DHS program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and DHS program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the DHS Single Audit Supplement, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Philadelphia, Pennsylvania's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or DHS program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or DHS program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or DHS program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-011, that we consider to be a significant deficiency.

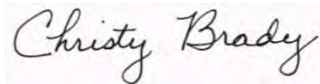
The City of Philadelphia, Pennsylvania's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City of Philadelphia, Pennsylvania's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the DHS Single Audit Supplement. Accordingly, this report is not suitable for any other purpose.

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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Philadelphia, Pennsylvania's basic financial statements. We issued our report thereon dated February 25, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CHRISTY BRADY, CPA
Deputy City Controller
Philadelphia, Pennsylvania
December 23, 2020

Schedule of Findings and Questioned Costs

Section I – Summary of Auditor’s Results

Section I – Summary of Auditor’s Results:

Financial Statements:

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ☒ yes ☐ no

Significant deficiency(ies) identified? ☒ yes ☐ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency(ies) identified? ☒ yes ☐ none reported

Type of auditor’s report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) ☒ yes ☐ no

Identification of major federal programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Crime Victim Assistance	16.575
Airport Improvement Program	20.106
Highway Planning and Construction	20.205
Special Education-Grants for Infants and Families	84.181
Guardianship Assistance	93.090
Temporary Assistance for Needy Families	93.558
Foster Care Title IV-E	93.658
Adoption Assistance	93.659
Medical Assistance Program	93.778
Block Grants for Community Mental Health Services	93.958

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

CITY OF PHILADELPHIA
Schedule of Findings and Questioned Costs- June 30, 2019

<u>Finding No.</u>		<u>Page</u>	<u>Questioned Cost</u>
<u>Section II - Financial Audit Material Weaknesses:</u>			
2019-001	Inadequate Staffing Levels, Lack of Technological Investment and Insufficient Oversight Led to Undetected Material Misstatements	36-43	
2019-002	Untimely and Inaccurate Preparation of Schedule of Expenditures of Federal Awards Resulted in Late Submission of the Single Audit Reporting Package to the Federal Audit Clearinghouse	43-46	
2019-003	Breakdowns in the Functionality and Application IT Controls of the OnePhilly System Increase the Risk for Material Payroll Errors	46-51	
<u>Section III - Financial Audit Significant Deficiencies</u>			
2019-004	Deficiencies in OnePhilly System's IT General Controls Require Improvement to Minimize Vulnerabilities	53-57	
2019-005	OIT's IT General Controls Require Strengthening	57-59	
2019-006	Treasurer's Bank Reconciliation Procedures Still Require Improvement.	59-63	
2019-007	Failure of Departments to Properly Approve Biweekly Payrolls Increases Risk for Improprieties	63-65	
2019-008	Accounts Payable Reporting Needs Improvement	65-68	
2019-009	Capital Asset Control Deficiencies Increase Risk of Reporting Errors	68-70	
2019-010	SAPs Require Updating to Ensure Accurate and Consistent Application of Accounting Rules and Regulations	70-71	
<u>Section IV – Federal and PA. Department of Human Services Findings and Questioned Costs</u>			
2019-011	Subrecipient Monitoring - Significant Deficiency and Compliance Finding Special Education – Grants for Infants and Families (EI) – CFDA #84.181 Temporary Assistance for Needy Families (TANF) – CFDA #93.558 Medical Assistance Program – (MH/ID/EI) CFDA 93.778 Block Grants for Community Mental Health Services (MH) – CFDA #93.958	73-74	
2019-012	Special Tests - Compliance Finding	75	\$366,449

CITY OF PHILADELPHIA

Schedule of Findings and Questioned Costs- June 30, 2019

<u>Finding</u> <u>No.</u>		<u>Page</u>	<u>Questioned</u> <u>Cost</u>
2019-12 continued	Guardianship Assistance (SPLC) – CFDA #93.090 Stephanie Tubbs Jones Child Welfare Services Program – CFDA#93.645 Foster Care Title IV-E – CFDA #93.658 Adoption Assistance – CFDA #93.659 Medical Assistance Program – CFDA #93.778 Act 148 Pennsylvania Department of Human Services		
2019-013	Reporting - Compliance Finding	76	\$2,602,006
2019-014	Reporting - Compliance Finding Act 148 Pennsylvania Department of Human Services	77	\$1,201,065

Schedule of Findings and Questioned Costs

Section II - Financial Audit Material Weaknesses

2019-001 INADEQUATE STAFFING LEVELS, LACK OF TECHNOLOGICAL INVESTMENT AND INSUFFICIENT OVERSIGHT LED TO UNDETECTED MATERIAL MISSTATEMENTS

Philadelphia's Home Rule Charter places responsibility for the City of Philadelphia's (city's) accounting and financial reporting functions with the Office of the Director of Finance (Finance Office). In that capacity, the Finance Office prepares the city's Comprehensive Annual Financial Report (CAFR). To complete these tasks, Finance Office accountants collect, analyze, and summarize enormous amounts of financial and grant- related data, as well as other information obtained from the city's accounting system (FAMIS¹), numerous city agencies, and assorted quasi-government units, such as the Philadelphia Gas Works and the Philadelphia Redevelopment Authority.² Our current audit again disclosed a number of conditions, which collectively we consider to be a material weakness, that impede the ability of Finance Office accountants to prepare a timely, accurate, and completed CAFR without significant adjustments recommended by the City Controller's audit staff. More specifically, we observed that:

- Staff reductions in the Finance Office, as well as a lack of a comprehensive financial reporting system, have compromised the timely and accurate preparation of the CAFR;
- While the accuracy of the Aviation Fund financial statements was improved, the Division of Aviation's (DOA's) late submission of its financial statements and compilation delayed preparation and audit of the CAFR; and
- Late receipt of component unit financial reports hampered CAFR preparation.

Each of these conditions is discussed in more detail below.

Staff Shortages Along with the Lack of a Comprehensive Financial Reporting System Have Contributed to Significant Financial Statement Errors

Condition: Errors totaling \$213 million were not detected by Finance Office accountants during preparation of the city's fiscal year 2019 CAFR.

Criteria: Financial statements should be prepared to communicate relevant and reliable information. Accordingly, the statements should be free of all errors that might affect a reader's ability to make confident and informed decisions.

Effect: Because Finance Office accountants corrected the most significant of the errors we identified, the city's publicly issued fiscal year 2019 CAFR can be relied upon for informative decision making.

¹Financial Accounting and Management Information System

²These quasi-government units are considered component units for purposes of the city's CAFR.

Cause: Ongoing inadequate staffing, along with the lack of a comprehensive financial reporting system, have hindered the ability of the Finance Office to produce a timely and accurate CAFR for audit. More specifically:

- The Finance Office has continued to operate with a reduced staff size. Since fiscal year 2000, the number of Finance Office accountants has declined by over 23 percent (from 64 full-time employees in fiscal year 2000 to 49 in fiscal year 2019). While the number of accountants increased by three in comparison to the fiscal year 2018 amount, the current staff size is still not the level of hiring needed to address this problem. Inadequate staff size has resulted in significant and complex parts of the CAFR, such as the preparation of the full accrual government-wide financial statements, being performed by Finance Office accounting management. These factors have made the task of completing the CAFR more difficult and compromised the ability of Finance Office management to perform adequate reviews of the financial statements and related financial disclosures.
- Accountants in the Finance Office lacked a comprehensive financial reporting system to prepare the CAFR. Instead, accountants produce the CAFR using numerous Excel, Lotus 1-2-3 (a program that has been discontinued and unsupported since 2014), and Word files with various links between the files. Using multiple linked files creates a cumbersome process which can adversely affect the accuracy and completeness of the CAFR. While several Lotus 1-2-3 files previously used for CAFR preparation were converted to Excel for the fiscal 2019 CAFR, the Finance Office still used Lotus 1-2-3 to produce certain capital asset amounts.

During the current audit, we observed that the Finance Office continued to work with the accounting firm they hired in the prior year to help with the preparation and review of the CAFR. Although the initial plan (as it had also been for the fiscal year 2017 and 2018 CAFR) was for the accounting firm to assist with the preparation of a compilation package with detailed documentation supporting the financial statements, the Finance Office was again unable to implement that plan for the fiscal year 2019 CAFR. However, the accounting firm assisted the Finance Office with the preparation of a new CAFR review checklist which provided accountants with detailed instructions for verifying the accuracy and completeness of the fund financial statements. We noted the checklist did not yet include guidelines for review of the full accrual government-wide financial statements. Also, the accounting firm researched the potential impact recent Government Accounting Standards Board (GASB) Statements would have on the city's CAFR.

Despite the improvement noted, we still found that the Finance Office failed to detect significant errors in the CAFR submitted for audit and did not provide finalized footnotes until very late in the audit process. Examples of undetected errors included:

- The General Fund's unassigned fund balance was overstated by \$120.9 million because the Finance Office misclassified the unobligated Philadelphia Beverage Tax (PBT) monies, for which the city administration has clearly expressed intent that those funds be used for the expansion of Pre-K programming, Community Schools, and debt service on Rebuild bonds. According to GASB guidelines, funds constrained by a government's intent to use them for a specific purpose should be classified as assigned fund balance. After we raised concerns that the

unobligated PBT monies met the GASB guidelines for assigned fund balance, Finance Office accountants reclassified the \$120.9 million of unobligated PBT monies as assigned fund balance.

- Our audit testing found a total of \$30.2 million of unrecorded accounts payable for the General Fund, HealthChoices Behavioral Health Fund, Grants Revenue Fund, and Water Fund, which was not detected because of weaknesses in the payables identification and recording process, discussed in more detail below in finding 2019-008 of this report.

An example of an untimely provided footnote was the disclosure for enterprise funds capital asset activity, for which we did not receive a substantially completed version for audit until February 6, 2020, less than three weeks before we issued the audit opinion.

Recommendations: Without sufficient accounting staff and a comprehensive financial reporting system to prepare and review information needed for the CAFR, the risk increases that significant errors can occur and not be timely discovered and corrected. We continue to recommend that Finance Office management either hire more accountants, or invest in a new comprehensive financial reporting system that will reduce the current labor-intensive procedures needed to prepare the city's CAFR [50107.01]. The Finance Office, in conjunction with the Office of the Chief Administrative Officer and Office of Innovation and Technology (OIT), have begun a project which is expected to modernize core financial, grants, procurement, and supply chain business processes, known as the Optimize Procurement and Accounting Logistics Enterprise Resource Planning (OPAL ERP) project. The OPAL ERP project is expected to replace financial accounting systems such as FAMIS. As part of the OPAL ERP project, Finance Office management should include a comprehensive financial reporting system for CAFR preparation.

In the meantime, we recommend that, for the fiscal year 2020 CAFR, management follow through with its plan to use the accounting firm to assist with the preparation of a compilation package with detailed documentation supporting the CAFR [500118.01]. Additionally, Finance Office accountants should utilize the accounting firm to assist with developing a CAFR review checklist for the full accrual government-wide financial statements [500119.01]. While we support the Finance Office's hiring of the accounting firm as a short-term remedy to improve the CAFR preparation and review process, we believe the appropriate long-term solution is to either hire more accountants or invest in a comprehensive financial reporting system, as recommended above.

Views of the Responsible Officials: The Accounting Bureau (Accounting) is committed to continuing to produce an accurate and well-prepared CAFR and to continuously improving the City's financial reporting. As previously communicated, we believe that the loss of institutional knowledge over time has presented a greater challenge than the reduction in the quantity of staff. Notwithstanding, we have actively worked with the Office of Human Resources and implemented staff retention and training strategies. Since FY15, we have worked to increase the Accounting office workforce. We added 4 employees in 2016 and during FY2019, we hired a Director of Compliance and Internal Controls, who will continue to work with the Office of the City Controller to address city-wide policies, procedures and practices, identify areas of weakness, develop new procedures, and ensure all departments adhere to

established policies and internal control measures. Moreover, we have already started the process of adding employees to the Finance Office for FY20.

We continue to focus on training, with an emphasis on the CAFR preparation process. Our senior management accountants continue to attend the National Government Finance Officers Association (GFOA) conference so that management stays informed of current industry trends, regulatory updates, and best practices in government financial management. For FY20, we hope to source virtual trainings for our non-supervisory staff within budget constraints. We will continue to look for additional effective training opportunities for our staff.

Thank you for acknowledging the improvements in our CAFR preparation and review due to the retention of an external accounting firm and the strides made towards developing a comprehensive checklist for accountants. We will maintain the services of the outside accounting firm to continue to assist in the CAFR compilation efforts. Finance continues to focus on enhancing our reporting processes and we continue to increase efficiencies. Nonetheless, we would like to point out that your statement that the “General Fund’s unassigned balance was overstated” is misleading, because there is no financial impact to the General Fund. The use of the “assigned” classification does not represent a notable constraint as in the case of the “committed” or “restricted” classifications, and therefore including this item as a material weakness consideration is unreasonable. Further, the treatment of the audited unobligated Philadelphia Beverage Tax (PBT) monies in prior years underscores the immateriality of the assignment of these funds for FY2019.

We acknowledge that a new comprehensive financial reporting system will improve the CAFR preparation process, and we have begun planning for the implementation of such system through our OPAL project. We continue to evaluate the timing of implementation as we move forward with our planning efforts to replace FAMIS.

Accounting has received the GFOA Certificate of Achievement for Excellence in Financial Reporting for 39 consecutive years and has successfully addressed all GFOA recommendations presented in that process. As always, Accounting will continue to critique the errors in the drafts sent to the Controller’s Office and the adjustments resulting from the most recent (FY2019) CAFR audit with the entire accounting staff as a learning tool to produce improved financial statements going forward.

Auditor’s Comments on Agency’s Response: In above response, management states “General Fund’s unassigned balance was overstated” is misleading, because there is no financial impact to the General Fund. The use of the “assigned” classification does not represent a notable constraint as in the case of the “committed” or “restricted” classifications, and therefore including this item as a material weakness consideration is unreasonable. Further, the treatment of the audited unobligated Philadelphia Beverage Tax (PBT) monies in prior years underscores the immateriality of the assignment of these funds for FY2019.

We disagree with management’s above statements. According to GASB standards, unassigned fund balance should represent fund balance not restricted, committed, or assigned to specific purposes. The unobligated PBT monies, which totaled \$120.9 million at June 30, 2019, meet the GASB guidelines for

assigned fund balance (i.e. funds constrained by a government's intent to use them for a specific purpose) since the city administration has clearly expressed intent that the PBT monies be used for the expansion of Pre-K programming, Community Schools, and debt service on the Rebuild bonds. In fact, when we asked the GASB for its feedback on this issue, the assigned GASB senior research manager agreed with our assessment. Therefore, in the CAFR presented for audit, the General Fund's unassigned fund balance (which totaled \$246.7 million) was overstated by \$120.9 million because it included the unobligated PBT monies, which comprised nearly half of the reported unassigned fund balance.

Management also states, "As always, Accounting will continue to critique the errors in the drafts sent to the Controller's Office and the adjustments resulting from the most recent (FY2019) CAFR audit with the entire accounting staff as a learning tool to produce improved financial statements going forward." We disagree with management's use of the term "drafts" when describing the financial statements submitted to us for audit. Effective internal control requires that, before the Finance Office submits the CAFR to us for audit, accounting management should perform a review of those financial statements for accuracy and completeness. The \$213 million of CAFR errors cited on page 1 of the report occurred because the city's controls over the financial reporting process failed to prevent or detect and timely correct the misstatements. In fact, we found most of the \$213 million of CAFR errors very late in the audit process, proposing most of our audit adjustments within the one-month period prior to the issuance of the audit opinion, when the Finance Office should have already completed its financial statement review procedures and finalized the statements.

In above response, management also states, "Since FY15, we have worked to increase the Accounting office workforce. We added 4 employees in 2016 and during FY2019, we hired a Director of Compliance and Internal Controls...Moreover, we have already started the process of adding employees to the Finance Office for FY20." Management's statement does not address the decrease in the total staff size of the Finance Office's accounting division from fiscal year 2016 to fiscal year 2018. As noted in previous reports, the total staff size in the accounting division was 49 in fiscal year 2016, 47 in fiscal year 2017, and 46 in fiscal year 2018. Also, as we stated in the cause of finding 2019-001 above of the report, while the number of accountants increased by three in fiscal year 2019 (bringing the staff size back up to the fiscal year 2016 level), the current staff size is still not the level of hiring needed to address the ongoing staff shortages that have hindered the ability of the Finance Office to produce a timely and accurate CAFR for audit.

While Improvement Was Noted, Late Submission of Aviation Fund Financial Statements Delayed Preparation and Audit of CAFR

Condition: In the prior audit, we reported that the DOA's management did not perform an adequate review of the Aviation Fund financial statements before submitting them to the Finance Office for inclusion in the city's CAFR. Consequently, management failed to detect material errors totaling \$122.4 million in the Aviation Fund financial statements, \$66.1 million of which involved calculation errors on the Statement of Cash Flows. During the current audit, we found significant improvement in this condition as a result of the DOA's corrective actions. DOA management hired a new consultant to assist with preparation of the financial statements and supporting compilation package. The new consultant was an accounting firm with experience in preparing the Water Fund financial statements. We observed that the compilation package provided detailed support for the statements and included a financial statement

review checklist that documented the procedures performed and contained evidence of review by the DOA's deputy chief financial officer (CFO). While the review checklist did not include procedures for the Statement of Cash Flows, we noted that the compilation contained a more detailed supporting calculation for this statement. The compilation also included a certification signed by the deputy CFO, who affirmed that she had reviewed the financial statements and was satisfied that they met acceptable standards of presentation and disclosure. Our testing of the fiscal year 2019 Aviation Fund financial statements found no material misstatements. Therefore, we believe that sufficient improvement has been made to consider this condition resolved [500118.02, 500118.03].

Despite this improvement, the Aviation Fund financial statements and supporting compilation were again completed very late. Although the DOA provided us with various revenue, accounts payable, and capital asset data during November and December 2019 so audit testing could proceed, the DOA did not submit its completed financial statements and compilation to the Finance Office until January 6, 2020, which was 11 days later than the previous year. While the DOA submitted a draft version of the financial statements to the Finance Office on October 17, 2019, those statements were very preliminary with various open items. The DOA made significant financial statement changes between the October 17, 2019 and January 6, 2020 versions.

Criteria: In preparing the city's CAFR, Finance Office accountants must collect, analyze, and summarize financial information from numerous sources, including the DOA. It is essential that the DOA complete and submit the Aviation Fund financial statements and compilation to the Finance Office at an earlier date, so they have adequate time to review and incorporate those statements into the CAFR.

Effect: The DOA's failure to provide the Aviation Fund financial statements and compilation on time can result in delays in timely completing the financial reporting and auditing processes for the city's CAFR. It also increases the risk for CAFR errors, as Finance Office accountants have less time to adequately review the statements.

Cause: The delay in the DOA's submission of the Aviation Fund financial statements and compilation, according to DOA management, was the result of turnover in their accounting personnel as well as the hiring of a new consultant to assist with preparation of the statements and compilation.

Recommendation: To improve the timeliness of its financial reporting, we continue to recommend that DOA management work with the Finance Office to facilitate an earlier deadline for the completion of the Aviation Fund financial statements and compilation, which includes the review checklist [500118.04].

Views of the Responsible Officials: Thank you for acknowledging that your testing of the fiscal year 2019 Aviation Fund financial statements found no material errors. Thank you for also highlighting our enhanced financial statement preparation with supporting compilation package that included detailed support and a review checklist. Thank you also for acknowledging that we provided key financial statement data during November and December 2019 to enable audit testing to timely proceed. While the turnover of key finance members in addition to having a new consultant contributed to the delay in issuing the FY 19 financial reports, we are pleased that that we made tremendous improvements and our prior year finding has been resolved. We would also like to note that during FY2020 there has been no

additional personnel turnover and we have retained our consultant. This provides continuity and familiarity with preparing the reports along with the reporting process. Though it is recommended that DOA work with the Finance Office to facilitate an earlier deadline, with the continuity mentioned above, it is anticipated that DOA will meet all required deadlines.

Late Receipt of Component Unit Financial Reports Still Delayed Preparation and Audit of CAFR

Condition: As we have reported for the last several years, late receipt of component unit financial reports continued to delay preparation and audit of the city's CAFR. As shown in Table 1 below, six of the city's ten component units still did not submit their final reports by the due dates requested by Finance Office accountants.

The greatest challenge to the timely completion of the CAFR came from the Philadelphia Municipal Authority, the Philadelphia Redevelopment Authority, and the School District of Philadelphia. These three agencies submitted their reports very late (January 27, 2020, January 29, 2020, and February 7, 2020, respectively), leaving the Finance Office accountants and the Controller's Office auditors very little time to ensure that they were accurately included in the city's CAFR before it was issued on February 25, 2020.

Table 1: Late Submission of Component Unit Financial Reports

<u>COMPONENT UNIT</u>	<u>DUE DATE</u>	<u>DATE RECEIVED</u>	<u>DAYS LATE</u>
Philadelphia Gas Works	12/2/2019	1/6/2020	35
Philadelphia Housing Authority	7/31/2019	10/29/2019	90
Philadelphia Municipal Authority	12/31/2019	1/27/2020	27
Philadelphia Parking Authority	7/31/2019	1/6/2020	159
Philadelphia Redevelopment Authority	12/31/2019	1/29/2020	29
School District of Philadelphia	11/1/2019	2/7/2020	98

Note: Community Behavioral Health, Community College of Philadelphia, Pennsylvania Intergovernmental Cooperation Authority, and Philadelphia Authority for Industrial Development submitted their financial reports timely.

Source: Prepared by the Office of the Controller

Criteria: An essential element of timely financial reporting is that it promotes management accountability and communicates information early enough to allow users of the financial statements to make informed decisions.

Effect: The failure of component units to submit their financial statements on time increases the risk for errors or omissions, as Finance Office accountants become limited in the amount of time available to adequately review the reports. The risk of error also increases as accountants must make significant changes to the financial statements and footnote disclosures each time a component unit's financial information is added to the report. Additionally, each series of changes requires considerable audit time to ensure that accountants have correctly changed previous amounts and footnotes presented for audit. During the current

year audit, we identified, and the Finance Office corrected, a misclassification error relating to the component units totaling \$2.4 million.³

Cause: There is no incentive for component units to submit their final financial statements timely to the city and no consequences for those who do not meet the required deadline.

Recommendation: We again recommend that, early in the CAFR preparation process, Finance Office accountants solicit the assistance of the director of finance to secure the cooperation of all component unit management in the timely submission of their respective final financial reports to the city's Finance Office [50102.01].

Views of the Responsible Officials: We agree that the timely submission of all component unit reports is critical to the timely issuance and accuracy of the City's CAFR. We will continue to meet with management and auditors of various component units concerning timely submission of financial reports, as well as have additional meetings to provide guidance and assist with problems in component units that experience issues that delay the preparation of their financial reports. Finance continues to send initial requests for component unit financial statements and data in as early as May for all entities with March 31FYE, with required responses no later than June 30. We also continue to send requests for all other Component Units by end of June, with responses required by August 31. Follow-up requests are sent out to component units, with an emphasis on the importance of timely submission of financial data highlighted in all communications. The three component units called out for very late submissions, PMA, PPA and SDP, provided valid reasons for their delay or showed evidence of improvement. PMA (Philadelphia Municipal Authority) was late due the transfer of \$300M of capital assets from PMA to the City. This transfer was required due to the maturity of the underlying PMA bonds, and required additional coordination between the City and PMA. PRA (Philadelphia Redevelopment Authority) indicated their audited financial statements were help up pending the completion of their single audit report. The SDP (School District of Philadelphia) actually improved from FY2018 (submitted 2/12/2019) to FY2019 (submitted 2/7/2020). We will continue to work with the Component Units to ensure timely submission of audited financial statements; as well as continuing to engage the City's Director of Finance, as needed.

2019-002 UNTIMELY PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RESULTED IN LATE SUBMISSION OF THE SINGLE AUDIT REPORTING PACKAGE TO THE FEDERAL AUDIT CLEARINGHOUSE

Condition: Because the city expends more than \$750,000 of federal awards, Office of Management and Budget's (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires a single audit of grant activities to be performed each year. The Finance Office's Grants Accounting and Administrative Unit (GAAU) is responsible for preparing the Schedule of Expenditures of Federal Awards (SEFA). GAAU personnel employ a manual process to enter grant expenditures from the city's accounting system into the SEFA through a fund schedule, which is adjusted based on mandatory grant reconciliations provided by the city departments responsible for

³ This \$2.4 million error was a misclassification between asset categories and had no effect on net position. It was not included in the \$213 million error total discussed on page 1 of the report.

grants (departments). For fiscal year ending June 30, 2019, a preliminary SEFA was not prepared and provided for audit until March 28th of the following calendar year, which was 3 days prior to the required deadline of March 31st, to submit the reporting package⁴.

Also, for the past several years, we have reported that GAAU has provided an inaccurate SEFA for audit. Due to the late receipt of the SEFA, we were unable to determine its accuracy for the reporting purpose.

Criteria: OMB's Uniform Guidance, Title 2, Part 200, Subpart F Audit Requirements, paragraph .512 requires the single audit to be completed and the data collection form and reporting package to 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.

Effect: GAAU's untimely preparation and submission of the SEFA, caused delays in planning the audit and subsequent testing of the SEFA and major programs. As a result, the city did not submit a Single Audit reporting package to the Federal Audit Clearinghouse by the federally required deadline. Non-compliance with the reporting requirements is a violation of federal grants terms and conditions. The city's continued failure to meet this filing requirement could affect future federal funding.

Cause: GAAU uses reconciliations of expenditures recorded in the city's FAMIS accounting system and amounts reported to grantor agencies, prepared by various city departments, to verify the accuracy of the SEFA and make necessary adjustments. For fiscal year 2019, GAAU sent requests for these reconciliations in November 2019. Second and third requests were sent to departments who did not meet the initial deadline on December 23, 2019 and January 17, 2020, respectively. Untimely responses from the departments and multiple follow-ups further delayed in the preparation and submission of a SEFA for audit.

Recommendations: We recommend that GAAU allocate adequate resources to ensure timely preparation and submission of the SEFA for audit purposes [500118.05]. We also recommend the proactive enforcement of the existing policies and procedures requiring departments to complete the FAMIS expenditure reconciliations by the due date [500114.12].

Views of the Responsible Officials: Finance recognizes the importance of submitting a timely and accurate federal awards and major programs schedule (SEFA) to our auditors. More importantly, there is a crucial need for the timely completion of our audits, and the timely submission of an accurate Single Audit Reporting pack to the Federal Audit Clearing House to prevent a violation of federal grant terms and conditions and to prevent the elimination of federal funding for the City's grants and programs. While we acknowledge GAAU needs to continue all efforts to improve the SEFA submission timeline, we must also point out that the Controller's Office needs to ensure its audits are completed on time, as late audits contribute to further delays in the submission to the Federal Audit Clearing House.

⁴ On March 19, 2020 the OMB issued memorandum M-20-17, "Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly Impacted by the Novel Coronavirus (COVID-19) due to Loss of Operations," allowing recipients and subrecipients that have not filed their single audits with the Federal Audit Clearinghouse as of the date of the issuance of this memorandum that have fiscal year ends through June 30, 2020, to delay the completion and submission of the Single Audit reporting package, as required under Subpart F of 2 CFR § 200.501 – *Audit Requirements*, to six months beyond the normal due date.

GAAU staff undergo a meticulous process involving numerous departments and requiring multiple follow-ups to produce a complete and accurate SEFA. We communicate the importance of providing complete and accurate information to the departments and we emphasize the need to provide timely data. GAAU provides guidance to departments and conducts numerous collaborative meetings with departments whenever necessary throughout the audit period to discuss issues and assist with resolutions. Our department continues to explore additional ways to provide a completed SEFA to our auditors in a timelier fashion. We agree that additional resources will aid in expediting the SEFA preparation.

Another step to accelerate the preparation of the SEFA, would involve fast-tracking the FAMIS Reconciliation process. GAAU will attempt to begin FAMIS reconciliations early, with Q3 FY2020 FAMIS reconciliations conducted in May 2020 and Q4 FY2020 reconciliations performed by August 2020. Our goal will be to accelerate departmental revenue validations so that these are completed no later than early September and we hope to complete AP accrual validations starting early September. GAAU is committed to working very closely with departments that have late expense and revenue transfers due to Grantor related issues on final award amounts. Further, our goal is to complete the reconciliation of Grant Fund Schedules by end of October 2020 and to provide you with the fully reconciled fund schedules and the SFA version A in November. We are hopeful that an accelerated timeline would result in a timely preparation of the SEFA and we hope to continue working with departments to ensure the requirements of SAP G 3-1 are followed.

We maintain that certain best practices will also enable a timely submission of the Single Audit Reporting Package, including 1) The provision of a “provided by client list” with a detailed schedule of all required support for the audit with target due dates and dates of receipt from Finance for tracking purposes 2) The establishment of multiple planning meetings, including an entrance conference to iron out expectations for all parties and discuss considerations for the upcoming audit and any takeaways from the previous audit, 3) Regular audit status update meetings to identify any constraints and issues and to monitor audit progress 4) The completion of audit testing for the CAFR and Single Audit at the same time and 5) The acceleration of the audit testing timeline, including cross-cutting procedures, where applicable, to ensure that the audits are completed in an accelerated timeline and reporting packages are submitted ahead of time.

Auditor’s Comments on Agency’s Response: In above response, management states, “While we acknowledge GAAU needs to continue all efforts to improve the SEFA submission timeline, we must also point out that the Controller’s Office needs to ensure its audits are completed on time, as late audits contribute to further delays in the submission to the Federal Audit Clearing House.”

To perform a timely audit, it is important that we receive the SEFA in a timely manner. Without a SEFA, we are not able to perform initial audit planning procedures, such as analytical reviews, risk assessment of the programs, selection of the major programs, and planning the internal control and compliance testing. Also, our audit timelines are dependent on the timely receipt of accurate financial schedules and supporting documentation for audit. As noted in the condition of finding 2019-002 of the report, for fiscal year 2019, the GAAU did not provide the preliminary SEFA for audit until March 28, 2020, which was only three days prior to the required deadline of March 31st, to submit the Single Audit reporting package.

Management also states “We maintain that certain best practices will also enable a timely submission of the Single Audit reporting package, including 1) The provision of a “provided by client list” with a

detailed schedule of all required support for the audit with target due dates and dates of receipt from Finance for tracking purposes 2) The establishment of multiple planning meetings, including an entrance conference to iron out expectations for all parties and discuss considerations for the upcoming audit and any takeaways from the previous audit, 3) Regular audit status update meetings to identify any constraints and issues and to monitor audit progress 4) The completion of audit testing for the CAFR and Single Audit at the same time and 5) The acceleration of the audit testing timeline, including cross-cutting procedures, where applicable, to ensure that the audits are completed in an accelerated timeline and reporting packages are submitted ahead of time.”

The best practices management listed above have been in place during our audits, including a provided by client (PBC) list with target dates that was given to the Finance Office at the entrance conference on June 4, 2019 for the fiscal year 2018 audit. We also held multiple entrance conferences with the grantor departments that had major programs selected for audit. We held periodic update meetings with the Finance Office and tracked the status of the receipt of documents on the PBC list throughout the audit. The key obstacle to submitting the Single Audit reporting package to the Federal Audit Clearinghouse on time remains the Finance Office’s untimely preparation and submission of the SEFA for audit.

2019-003 BREAKDOWNS IN THE FUNCTIONALITY AND APPLICATION IT CONTROLS OF THE ONEPHILLY SYSTEM INCREASE THE RISK FOR MATERIAL PAYROLL ERRORS

Condition: As part of our audit of the city’s fiscal 2019 CAFR, we engaged an independent accounting firm to perform an assessment of the information technology (IT) application and general controls related to the city’s new Oracle eBusiness Suite/PeopleSoft Workforce Management System (the OnePhilly system). The OnePhilly system replaced the legacy Human Resources (HR), Benefits, Payroll, and Time and Attendance systems.⁵ In December 2018, the HR and Benefits modules went live. The next rollout was in March 2019 with the Payroll and Time and Attendance modules. The Finance Office oversees the OnePhilly Team, whose role is to manage the OnePhilly system project.

This assessment found multiple breakdowns in the functionality and application controls of the OnePhilly system, which we consider to be a material weakness. Specifically, the following was noted:⁶

- Assumed time was automatically recorded by the OnePhilly system if an employee’s timecard was short of time in comparison to the employee’s scheduled time. Assumed time is a concept where the OnePhilly system assumes that the employee works his/her minimum scheduled hours in a given week or pay period, regardless of what has been entered into Oracle Time & Labor (OTL). The addition of this time was not reviewed for accuracy or authorization.

⁵ The city’s plan is also for the OnePhilly system to replace the legacy Pension system, but the OnePhilly Pension module has not yet been implemented.

⁶ This assessment also noted significant deficiencies in the IT general controls for the OnePhilly system, which are discussed on pages 10 to 13 of this report. We also issued a separate report to the Finance Office on the OnePhilly IT controls assessment, which communicated the material weakness in application IT controls, the significant deficiencies in IT general controls, and other observations with lesser impact.

- Changes were made to employee timecards by the OnePhilly Team or the Finance Office's Central Payroll Unit without documented authorization or approval.
- Employees or timekeepers were able to enter time to hour types that may not be authorized for the department. When time was entered, an hour type was to be selected from a drop-down menu. Examples included regular time, leave time, on call time, etc. Hour types were not restricted by department.
- The OnePhilly Team ran a process which automatically changed employee timecards that were unapproved to approved status.
- Employees who entered their time via Manager Self-Service were able to authorize their own timecards instead of being submitted to his/her direct supervisor for approval.
- The OnePhilly system was not accurately calculating all employee leave accruals as multiple defects were self-identified during and after the testing period. According to the OnePhilly team, as of November 4, 2019, approximately 3,000 employees' vacation and sick balances were not accurately reflected in the OnePhilly system. The city departments were instructed to verify their employees' balances outside of the system.
- A defect was self-identified by the OnePhilly Team with the code that was written to transfer the time from Timelink to the OnePhilly system, which resulted in an incomplete time entry transfer. Timelink is the software for departments and employees which use a timeclock to record start and end times.
- During the recalculation of one employee's pay, a difference of \$.06 in the hourly rate was identified; however, the OnePhilly Team did not provide an explanation for this difference.
- The Timecard Status Summary Dashboard (including the Missing Timecard Report) was not restricted by department. The super timekeepers were able to view all employees on the Dashboard. In addition, the Timecard Status table within the Dashboard did not reflect the total population of timecards as the missing timecards were not included. During a walkthrough, the missing timecards listing did not accurately update when different departments were selected.
- The Overpaid / Underpaid report had known inaccuracies according to the OnePhilly Team and required a full review each week. The report was created for each payroll cycle to identify employees which may have been overpaid or underpaid based upon employee type, scheduled hours, and hours entered. The report had over 3,000 lines requiring individual review.
- The controls for monitoring the completeness and accuracy of outbound interface files were inconsistent between the various outbound interfaces. There were customized outputs which were sent to various third parties, including unions for city employees. Certain third parties have requested specific formats which include checks on the completeness and accuracy of the

produced files. However, for those groups which have not requested a similar level of detail, there were no formalized monitoring controls in place over the completeness and accuracy of the output files.

- OnePhilly OTL was not available on Mondays and portions of Tuesdays for self-service and timekeeper time entry.
- While the city departments' supervisory and executive-level approvals of the bi-weekly payroll transactions were electronic signoffs in the city's previous payroll system, since the OnePhilly Go-Live, departmental approvals of payroll were no longer electronic. Instead, departments were now required to have the supervisory and executive-level approvers physically sign a paper report, which was then scanned and sent to the OnePhilly Team and Central Payroll Unit.

Criteria: Application controls should be adequately designed to ensure the completeness, accuracy, and validity of processing data, as well as the confidentiality and availability of data. Also, controls should be sufficiently tested to ensure that they are operating effectively.

Effect: There is the potential for the payroll expense and other related liability accounts as reported in the city's CAFR to be materially misstated due to the controls breakdown. In addition, individual employee pay may be inaccurate and/or unauthorized.

Cause: The scope of our consultant's engagement was to assess the application controls in place when the OnePhilly system was in production, supporting the city's HR, Benefits, Payroll, and Time and Attendance processes. As many of these conditions appeared to be in existence from the time of the OnePhilly system Go-Live, the potential cause may have occurred before Go-Live. Therefore, it appears that the city may not have dedicated sufficient resources to identifying, prioritizing, testing, and implementing necessary modifications to the OnePhilly system.

Recommendation: Finance Office management and the OnePhilly Team should evaluate the sufficiency of resources dedicated to identifying, prioritizing, testing, and implementing necessary modifications to the OnePhilly system. A formalized framework should be established and leveraged for identifying, prioritizing, and resolving system issues. Where applicable, this should include resolving the issue prospectively, as well any necessary retrospective corrections. Finally, the identification and tracking to resolution of the issues should be communicated on a periodic basis to applicable stakeholders or departments [303519.01].

Views of the Responsible Officials:

- The City of Philadelphia is committed to ensuring employees get paid on time. After thoughtful discussion, management agreed to running an Assumed Time program in the event that Departments are unable to update, review and approve time captured for the period. The statement that "time is not reviewed for accuracy and authorization" is inaccurate. Payroll timekeepers are tasked with reviewing the time entries for their departments for accuracy. Departments are also tasked with providing multi-level sign offs of time details captured in the time detail report for that

department. Timekeepers go back in retro-effective time periods, perform necessary follow-ups, and update assumed time to reflect actual hours and submit and approve these changes. Management made the decision to leave all pay periods open during the first three months of stabilization, to allow timekeepers adequate time to make updates. Management updated this timeline in July 2019 and allowed timecards to remain open for 6 pay periods, until November 2019, when they switched to the normal timeline of 3 pay periods. Only Authorized personnel make changes to employee timecards after following the required approval steps for that specific process.

- The OnePhilly and Central Payroll teams perform certain citywide and cross functional tasks. These teams follow the appropriate steps when performing their functions, including making changes to employee timecards. Some of the changes are made with documental approvals from departments, others are made after discussion with departments, and other changes are made by higher-level payroll examiners, who possess the requisite skillset and knowledge to perform certain city-wide updates to employee records that do not require departmental level approvals.
- Only relevant hours types are authorized for employees and timekeepers. The time types that timekeepers have access to are driven by both Department and Compulsory Union Code (CUC). Hours type should not be restricted at the department level. Hours types are driven by CUC and therefore, not all hours types are available for each employee. For example, Hazmat or Acting Out of Rank is available only for CUC “F” or firefighters, and Stress Pay is available only for Police. All hours types are reviewed and approved by managers and timekeepers.
- The OnePhilly team does not approve all timecards in unapproved status. Only timecards in the most current processing period that are in working status are approved in order to ensure all employees get paid. Timekeepers are then tasked with updating these timecards after the close of the processing period. In the absence of the automatic approval process and the Assume Time program, if managers and timekeepers did not complete their review and approval of employee timecards by the payroll processing deadline, employees would not receive their paychecks. Management determined that the risks related to not paying employees was greater than the risk of paying employees and retroactively adjusting these payments if needed. Further, the number of instances in which employees’ current timecards remain in unapproved status has significantly decreased.
- The number of employees with access to OTL Manager Self-Service has always been limited. Only supervisors and managers have access to OTL Manager Self-Service, which represents ~5% of all employees. Only a portion of that approximately 5% were actually using OTL Manager Self-Service instead of OTL Employee Self-Service to submit their hours worked. However, we are pleased that the system was updated to restrict the ability of management and supervisors to enter their hours worked using OTL Manager Self-Service.
- The OnePhilly team was fully aware of the leave accrual issues that existed in the system and alerted the Controller’s office of the unwavering testing and resolution efforts carried out by the team. Leave accrual have been fixed and are now accurately reflected in the system. A sick abuse

program to enable departments to systematically track leave balances is targeted to be released by end of this month. This timeline may be impacted by COVID-19.

- Upon identification, this issue was resolved in a timely fashion.
- The team identified the root cause of the issue and logged a defect. The issue will be resolved by June 30, 2020. This timeline may be impacted by COVID-19.
- The Timecard Status Summary Dashboard allows timekeepers to view meaningful data during the time capture phase of payroll processing, such as, timecards in approved status and timecards in working or error status. All of this information is accessed and viewed at the department level. The Missing Timecard Report is the only dataset that is a citywide view in the Timecard Status Summary Dashboard. Timekeepers cannot edit this data, and they DO NOT have access to sensitive payroll and PII information of employees in other departments. We have requested an update to be made to the dashboard so that missing timecard details can be viewed at the department level only. The target timeline for this resolution is June 30, 2020. This timeline may be impacted by COVID-19.
- The team provided and demonstrated initial versions of the Overpaid/Underpaid reports during the walkthroughs. Those initial reports were fine-tuned and enhanced, as can be expected with any implementation, and this was communicated to the auditors. A team of payroll examiners conduct the review of the Overpaid/Underpaid reports. The statement that the 3,000-line report requires individual review is inaccurate.
- Post June 30, 2019, the OnePhilly team expanded controls over reconciliation of outbound interfaces. There are two sets of controls in place: controls that are required by the receiving organization/external entities for reconciliation purposes, and internal reconciliation controls and other controls that are carried out by the OnePhilly team during the interface execution process.
- The suspension of time only impacts self-service users and timekeepers every Monday and every other Tuesday. The overwhelming majority of city employees (greater than 75%) are not self-service users and are not impacted by the suspension of time. Notwithstanding, the OnePhilly team will implement a process that suspends time entry only for the current pay cycle, instead of for all pay-periods. The expected timeline for implementation, considering other enhancement priorities, is September 2020.
- The change from electronic to paper signoffs in and of itself is not an issue. In fact, the current paper sign-off process requires supervisory and executive-level approvers to review the time detail report before manual sign-off. As already communicated to the Controller's office, the team is going to enhance the sign-off process even further, and specifically, Central Payroll has worked with the One Philly Team to develop the blueprint for automation of the payroll sign-off process. The target timeline for the additional enhancements to be completed is May 2020.

Auditor’s Comments on Agency’s Response: In above response, management states that “Timekeepers go back in retro-effective time periods, perform necessary follow-ups, and update assumed time to reflect actual hours and submit and approve these changes.”

We note that, in a subsequent comment in its response, management states that the OnePhilly and Central Payroll Teams make changes to employee timecards, and not always “with documental approvals from departments.”

Management also states that “only relevant hours types are authorized for employees and timekeepers. The time types that timekeepers have access to are driven by both Department and Compulsory Union Code (CUC). Hours type should not be restricted at the department level. Hours types are driven by CUC and therefore, not all hours types are available for each employee. For example, Hazmat or Acting Out of Rank is available only for CUC ‘F’ or firefighters, and Stress Pay is available only for Police. All hours types are reviewed and approved by managers and timekeepers.

During the in-scope period, the independent accounting firm engaged by us to assess the OnePhilly system’s IT application and general controls (our consultant) witnessed that employees and timekeepers could select from the full listing of hours types and submit time. It is our consultant’s understanding that an initial system fix was implemented in November 2019.

Regarding the Overpaid / Underpaid report, management states the following:

The team provided and demonstrated initial versions of the Overpaid/Underpaid reports during the walkthroughs. Those initial reports were fine-tuned and enhanced, as can be expected with any implementation, and this was communicated to the auditors. A team of payroll examiners conduct the review of the Overpaid/Underpaid reports. The statement that the 3,000-line report requires individual review is inaccurate.

Management’s response confirms that these reports were not fully functioning during the in-scope period. Further, the fact that the 3,000-line report – which only relates to one payroll type, for one pay period – requires manual review is not disputed. It appears, consistent with the OnePhilly Team’s remarks during the exit conference, that the OnePhilly Team has interpreted “individual review” to mean that one individual is responsible for reviewing the entire report.

Schedule of Findings and Questioned Costs

Section III - Financial Audit Significant Deficiencies

2019-004 DEFICIENCIES IN ONEPHILLY SYSTEM'S IT GENERAL CONTROLS REQUIRE IMPROVEMENT TO MINIMIZE VULNERABILITIES

As discussed in finding 2019-003 of this report, we engaged an independent accounting firm to conduct an assessment of the IT application and general controls of the city's new OnePhilly system. In addition to the material weakness found in application controls,⁷ this review noted the following deficiencies in the OnePhilly system's IT general controls:

- There was no formal, documented monitoring of the third parties which significantly support the OnePhilly system.
- Authorization of OnePhilly elevated access for new users and transferred users was not performed using a formal, documented format. In addition, periodic user reviews had not been performed, and there was no formally documented Segregation of Duties policy.
- Passwords were not configured to meet city requirements, including complexity, minimum length, and expiration after 90 days.
- Go-Live approvals were not formally documented and maintained.

Each of these conditions is discussed in more detail below.

Monitoring of Third Parties Was Not Formally Documented

Condition: There was no formal, documented monitoring of the third parties which significantly support the OnePhilly system. Specifically, the following was noted:

- There was no evidence of a formal review and evaluation by the OnePhilly Team of the Ciber Oracle Managed Services (COMS) Service Organization Control (SOC) 2 report, and the CenturyLink Managed Network and Hosting Services SOC 2 report.⁸
- The 2018 COMS SOC 2 report (the most recently available report) was performed by an accounting firm that did not have offices in the United States (U.S.), and was not noted to be part of a network of firms with a U.S. presence.
- Within the CenturyLink SOC 2 report, physical access and environmental controls at the Sterling, Virginia data center where the city's data is housed were not part of the scope of that control evaluation. Also, the OnePhilly Team has not evaluated the sufficiency or effectiveness of these controls.

⁷ See pages 7 to 9 of this report for more detail on the material weakness in OnePhilly IT application controls.

⁸ The city engaged Ciber, an HTC Global Company, (Ciber) to customize and implement the OnePhilly system. In addition, COMS has been contracted to perform the managed services of the day-to-day operations of the system. Ciber hosts the OnePhilly system with CenturyLink, a network services and managed services company.

- There was no evidence of formal monitoring of the Service Level Agreement (SLA) between OnePhilly and Ciber.

Criteria: Reliance on third parties to support key processes requires formalized monitoring controls by the OnePhilly team to ensure that services are being provided as contractually required. SLAs are established with third parties to define minimal acceptable services, including system availability, response times, and other performance metrics. SOC reports are American Institute of Certified Public Accountants (AICPA) defined reports which are performed by public accounting firms to evaluate and report on the controls at a third-party service provider. SOC reports allow management and auditors to gain comfort over controls at a third-party service provider without the need to perform their own audit procedures.

Effect: Formal review of third parties, including ongoing monitoring, was not documented. In addition, there was an increased risk of unauthorized access, and exposure of confidential employee data.

Cause: The primary third party, Ciber, was embedded and working closely with the OnePhilly Team for the development and support of the OnePhilly system. This can seem to cause a breakdown in the boundaries between the OnePhilly Team and the third party.

Recommendation: The OnePhilly Team should establish and document routine monitoring of performance of third parties, including against established SLAs, evaluation of relevant SOC reports, and other applicable reports [303519.02].

Views of the Responsible Officials: The review of the SOC reports that were provided during the audit would have been conducted by the previous OnePhilly director, who is no longer with the City of Philadelphia. All future SOC report reviews will be conducted by a team of reviewers comprising representatives from OIT's Information Security Group (ISG), Law and Finance. Where control gaps exist, vendor due diligence checks will be conducted.

In this global and technologically enhanced world, an audit firm does not need to be located in the US to perform its functions in accordance with US Audit guidelines. Also, the auditor on this engagement is a US registered CPA, and his team includes consultants from a PCAOB registered firm. The SOC report was created in AICPA format, and the auditors confirmed that their audit was conducted in accordance with AICPA standards. This fact is also highlighted within the SOC report, both in the "Scope" and the "Service Auditor's Responsibilities" sections.

As noted previously, we have assembled a team who will perform all future SOC report reviews, as well as conduct vendor due diligence checks where there are control gaps, moving forward.

There are numerous mechanisms in place to monitor SLA: Daily performance dashboard reports are sent to the OnePhilly team. Management reviews these automated system generated reports daily. There are also weekly PMO meetings scheduled and minutes to these meetings are maintained. Additional monthly SLA meetings are also conducted.

Cause: Initial elevated access was required only within the OnePhilly Team, which used informal requests to obtain and grant access to new team members. As the system went live, a formalized process to provision and review users was not established.

Recommendation: The OnePhilly Team should develop a comprehensive document that clearly identifies incompatible roles, responsibilities, and permissions. A formal process should be established to request and approve user access, which specifies the access required, considering the documented SoD requirements. Finally, a quarterly review of user access should be performed, with any identified SoD breakdowns removed, or acknowledged with identification of monitoring controls in place [303519.04].

Views of the Responsible Officials: During the audit, OnePhilly provided ample documentation concerning separation of duties and systematic permissioning based on responsibilities across departments. Based on feedback from Eisner Amper, we agreed to develop a single, comprehensive and easy to read document on Segregation of Duties. This document is in progress and the team aims to complete it during FY2021. Regarding access provisioning and de-provisioning, the OnePhilly security provisioning team was an integral part of building out the responsibilities in the system and are well versed with systematic permissioning and segregation of duties. As communicated during the audit, quarterly citywide access reviews occurred by default during implementation in December and March, because departments provided the listing of employees approved to be added during this time, and therefore, only payroll process owners were added, and access was reviewed and granted based on the assigned roles and responsibilities details provided by Departments. We also communicated that the team established quarterly reviews of user access post June 30, 2019. Furthermore, the team is making additional updates to the user access process, including daily automated de-provisioning of employee transfers and terminations target June 30, 2020.

Password Configurations Were Not in Compliance With City Requirements

Condition: The OnePhilly system was configured at Go-Live with a password requirement of case sensitivity and, for user accounts created after Go-Live, a password expiration of 90 days. Additionally, passwords for user accounts converted from the legacy system did not expire and thus did not meet the city's minimum expiration requirements.

Criteria: The OnePhilly system password settings did not meet the minimum requirements as outlined in the OIT's Information Security Access Control Policy V8 – section 6.5.2. This policy requires passwords to have a minimum length of eight characters; be composed of alphabetic, numeric, and special characters; not be the same as the User ID; not contain proper names or words taken from the dictionary; and be changed at a minimum every 90 days.

Effect: Inadequate password configurations significantly increases the possibility of unauthorized access to the system, including malicious or accidental data manipulation or breach of data confidentiality.

Cause: The OnePhilly system password settings were not configured in consideration of the OIT Information Security Access Control Policy requirements.

Recommendation: The OnePhilly password settings should be updated to meet OIT password requirements [303519.05].

Views of the Responsible Officials: As previously communicated, the password policy implemented by Ciber at Go-live was two-fold: 1) the standard password policy for Oracle was implemented across the board and 2) The password change requirement for all new users was set to 90 days, plus, the password change requirement established in Legacy for all legacy users was transferred; essentially, the timelines for password change for each user was already established in legacy, and these password expiration requirements were transferred from Legacy to OnePhilly at conversion. We also previously communicated that the OnePhilly team submitted a ticket request to Ciber to have the password policy updated to align directly with the OIT Information Security Access Control Policy. We also previously noted that the plan for implementing the city-wide policy was targeted to be implemented by April 30, 2020. This implementation has been completed despite being slightly delayed due to the COVID-19 crisis.

Go-Live Approval Documentation Was Not Maintained

Condition: Documented formal approvals or signoffs by the OnePhilly Steering Committee, authorizing the Go-Live of the system in December 2018 (HR and Benefits) and March 2019 (Payroll and Time & Attendance), were not documented or maintained. In addition, meeting minutes, including reports/presentations used to support the Steering Committee's decision to Go-Live, including the decision to defer the Payroll and Time & Attendance Go-Live from December to March, were not maintained.

Criteria: The Go-Live approval sets the baseline of the new system in production. For a large, multiyear project, supporting significant processes, and a Steering Committee representing multiple stakeholders, having documented approvals or signoffs by each Steering Committee person is a critical control element.

Effect: Without documented approval of the Go-Live by the Steering Committee, there is no evidence that full consideration and review was performed of known risks, open tasks to be completed, completion of testing scenarios and agreement of all Steering Committee members.

Cause: The scope of our consultant's engagement was to review the IT general controls in place when the OnePhilly system was in production, supporting the city's HR, Benefits, Payroll, and Time & Attendance processes. As the Go-Live approval is the final step in the implementation project, the potential cause may have occurred before Go-Live, during the project. It appears that there was not adequate management oversight over the OnePhilly project to ensure that the documentation of the Go-Live approval was maintained.

Recommendation: The OnePhilly Team should maintain formal agendas and meeting minutes of the Steering Committee meetings, including capturing the results of any voting decisions by Steering Committee members. For any future module implementation, formal Go-Live approval by the Steering Committee should be obtained and documented prior to Go-Live [303519.06].

Views of the Responsible Officials: The team maintained and provided ample documentation of steering committee meeting agendas and presentations, go live timelines, and emails to the steering committee

confirming Go-live was successful, among other communications. Therefore, the determination that the lack of a single, formal document, with signoffs from each steering committee member constitutes a significant deficiency, in light of the support provided, is unduly harsh.

2019-005 OIT'S IT GENERAL CONTROLS REQUIRE STRENGTHENING

Condition: We conducted, with the assistance of a consultant, a review of OIT's IT general controls over key financial-related applications.⁹ This review noted the following deficiencies in OIT's IT general controls:¹⁰

- The current change management policy provided by OIT management did not specifically address (1) details on the Change Advisory Board (CAB) approval process that our prior review noted as having been added to the policy and (2) how end-user testing should be documented. OIT management indicated that they are working on an updated change management policy, which will address the CAB approval process and documentation of end-user testing. Additionally, the policy did not clearly identify the level of approvals required for the different types of changes that are migrated to production. As noted in prior reviews, the procedure was still inconsistently applied when performing change requests for in-scope applications. Change requests sampled by us were not consistently supported by documented end-user testing, including detailed testing procedures, and identification that testing was completed. Also, for sampled change requests, the service tickets did not consistently document required approvals, including evidence of review and approval by the CAB.
- OIT did not properly segregate duties in the following cases:
 1. Three OIT programmers had development rights to Basis2 as well as database administrator access rights.
 2. Four OIT employees had database administrator access as well as systems administrator access within FAMIS and ADPICS.
 3. Two OIT employees had database administrator access as well as systems administrator access within Basis2.

Criteria: Change management procedures should establish clear performance and documentation standards for end-user testing and required approvals to ensure that requested application changes are adequately tested and properly approved before migration to production. Also, OIT's Information Security Administrator Acceptable Use Policy Section 5.1.1 states that IT administrators shall ensure that information systems are configured to provide the ability for segregation of duties to reduce potential damage from the actions of one person. For example, responsibility for initiating transactions, recording transactions and custody of information systems on which the transactions have been performed are assigned to separate individuals.

⁹ The key financial-related applications included in the review were FAMIS, Advanced Purchasing Inventory Control System (ADPICS), Legacy Payroll (through March 18, 2019 when replaced by OnePhilly), Pension Payroll, Health and Welfare (through December 17, 2018 when replaced by OnePhilly), Taxpayer Inquiry and Payment System (TIPS), and Basis2.

¹⁰ We also issued a separate report to OIT communicating these significant findings as well as other observations with lesser impact.

Effect: Inadequate compliance with established procedures to perform end-user testing and management approval increases the possibility that unauthorized or inadequately reviewed changes will be implemented in the production environment. Also, with the combination of (a) developer access rights, which allows for the creation or modification of code, configuration, and data, along with (b) the database administrator's ability to make direct data changes to the database tables, there is an increased risk for unauthorized and improper code migrations, configuration changes, and data changes occurring without detection. Lastly, with the combination of (a) systems administrator access rights, which allows for the creation or modification of user rights to perform transactions or change system configurations, along with (b) the database administrator's ability to make direct data changes to the database tables, there is an increased risk for unauthorized and improper data changes occurring without detection.

Cause: OIT management has not performed adequate monitoring of the change management function to ensure that established procedures are routinely followed and that the policy clearly identifies standards for documenting end-user testing and the required approvals (including CAB) for the different change types. For the three cases discussed above, OIT management did not exercise sufficient oversight of assigned system access rights to ensure that duties were adequately segregated or, if segregation of duties was not feasible, that there was monitoring of the employees' activities.

Recommendations: To improve IT general controls over financially significant systems, we recommend that OIT management:

- Review its change control procedures and implement measures to ensure that required steps for application changes are performed and documented in accordance with the policy. Also, OIT should update its change management policy to include (1) documentation standards for end-user testing and (2) more detail related to required approvals for all change types and how those approvals should be documented in the service ticket [300413.05].
- Separate the developer/programmer function from the database administrator function for the three programmers with development rights to Basis2 as well as database administrator access rights. If segregation of duties is not feasible, OIT should monitor the activities of the three programmers to ensure they are authorized and appropriate [300419.02].
- Separate the systems administrator function from the database administrator function for the four OIT employees who have database administrator and systems administrator access within FAMIS and ADPICS. If segregation of duties is not feasible, OIT should monitor the activities of these employees to ensure they are authorized and proper [300419.03].
- Separate the systems administrator function from the database administrator function for the two OIT employees who have database administrator and systems administrator access within Basis2. If segregation of duties is not feasible, OIT should monitor the activities of these employees to ensure they are authorized and appropriate [300419.04].

Views of the Responsible Officials: OIT will assess separating the functions mentioned above and will segregate the duties associated with each among available employees where possible. Where, due to limited

resources, OIT must rely on one employee to perform multiple functions, OIT will make every effort to monitor employee activity. Additionally, OIT will continue to review its change management control procedures and implement measures to ensure that the process is adhered to for application changes. OIT will also work to revise its change management policy to include the two additional recommended requirements.

2019-006 TREASURER'S BANK RECONCILIATION PROCEDURES STILL REQUIRE IMPROVEMENT

Condition: In the prior audit, we reported that, while the Office of the City Treasurer's (Treasurer's) reconciliation of the consolidated cash account had improved, there remained an unreconciled variance as well as the need for formal reconciliation procedures. Also, while Treasurer management asserted that four long unreconciled accounts had been fully reconciled, the Treasurer was unable to provide bank reconciliations that covered a large portion of the unreconciled period. A resulting condition from the Treasurer's failure to reconcile accounts for several years was noncompliance with Pennsylvania's Disposition of Abandoned and Unclaimed Property Act (escheat act).

While the Treasurer made certain remediation efforts, deficiencies still existed in the Treasurer's bank reconciliation procedures. Specifically, the following was noted:

- The prior report disclosed that, with the assistance of a consultant, the Treasurer investigated and identified most of the \$33.3 million unknown variance, which resulted from the Treasurer's failure to reconcile the consolidated cash account during fiscal years 2015 through 2017. As of January 2019, the remaining difference was down to \$528,607, where book activity exceeded bank activity. The current audit disclosed that, since the Treasurer and Finance Office determined that additional investigation was unlikely to yield further adjustments to the variance, the remaining difference of \$528,607 was written off and charged to the General Fund in December 2019.
- Also, we previously reported that, during the investigation of the \$33.3 million unknown variance, the consultant noted 22 receipt transactions totaling \$13.5 million – seven deposits amounting to \$2.2 million and 15 wire transfers totaling \$11.3 million – that could not be matched to FAMIS. At the May 15, 2019 exit conference, Treasurer management asserted that they had matched and closed out the \$13.5 million of receipt transactions with no resulting effect on the \$528,607 variance. During the current audit, we requested the documentation for the matching of the \$13.5 million of receipts to FAMIS, but Treasurer management was unable to provide us with this evidence. However, according to the Treasurer, the 15 wire transfers were internal transfers into the consolidated cash account from other city bank accounts, and no adjustments to the city's books were necessary because the revenue had already been recorded. To verify the Treasurer's assertion, we selected the four largest internal transfers which totaled \$8.5 million (75 percent of the \$11.3 million of transfers) and, using information we extracted from the Revenue Department's files of recorded revenue receipts, confirmed that these transfers had already been recorded as revenue. Based upon this work, we deem the matter of the \$11.3 million in transfers to be resolved. However, since the Treasurer has not provided evidence for the matching of the seven deposits totaling \$2.2 million to FAMIS, that issue is still considered unresolved.

- Although Treasurer personnel timely prepared the fiscal year-end consolidated cash bank reconciliation, they were not timely in their investigation and resolution of reconciling items. Our testing noted numerous long outstanding reconciling items, which had been accumulating since the Treasurer started reconciling the consolidated cash account again in June 2017. As shown in Table 2 below, as of June 30, 2019, there were 1,058 book balance reconciling items over 90 days old with a net total dollar amount of \$1.3 million and 43 bank balance reconciling items over 90 days old totaling \$1.6 million.

**Table 2: Reconciling Items Outstanding Over 90 Days on
June 30, 2019 Consolidated Cash Account Bank Reconciliation**

	Book Balance Reconciling Items						Bank Balance Reconciling Items	
	Additions to Book Balance		Reductions to Book Balance		Net Activity		Additions to Bank Balance	
	# of Items	Dollar Amount	# of Items	Dollar Amount	# of Items	Dollar Amount	# of Items	Dollar Amount
Prior to FY 2017	4	†<\$4,397,776>	-	-	4	<\$4,397,776>	-	-
FY 2017	35	\$2,313,313	6	<\$217,167>	41	\$2,096,146	2	\$6,750
FY 2018	284	*<\$6,118,089>	189	<\$12,431,612>	473	<\$18,549,701>	34	\$551,406
FY 2019 (through 3/31/2019)	368	\$29,411,111	172	<\$7,241,861>	540	\$22,169,250	7	\$1,021,048
All Fiscal Years	<u>691</u>	<u>\$21,208,559</u>	<u>367</u>	<u><\$19,890,640></u>	<u>1,058</u>	<u>\$1,317,919</u>	<u>43</u>	<u>\$1,579,204</u>

† = On the June 30, 2019 bank reconciliation under the additions to book balance section, the Treasurer included <\$4,397,776> of reconciling items identified as part of the \$33.3 million unreconciled variance. The <\$4,397,776> consisted of <\$3,869,169> of bank return items and the <\$528,607> remaining unreconciled variance. As of June 30, 2019, no adjustments had been made to correct the book balance for these reconciling items so that is why they remained on the June 30, 2019 bank reconciliation.

* = The <\$6,118,089> total for fiscal year 2018 resulted largely from timing differences between book and bank activity for transfers into the consolidated cash account from the city bank account into which electronic tax and water receipts are first deposited.

Source: Prepared by the Office of the Controller based upon the June 30, 2019 consolidated cash account's bank reconciliation provided by the Treasurer's Office

- In a related matter, we followed up on the status of the ongoing problems with reconciling revenue activity for the Department of Public Health (DPH), as previous audits have noted variances between DPH's recorded collections and the amounts transferred daily to the consolidated cash account from the DPH's separate bank account. The June 30, 2019 consolidated cash bank account reconciliation showed a \$6.9 million variance between DPH's recorded collections and actual transfers from DPH's bank account. In the prior audit, the Treasurer stated they began working with the DPH to develop a revised process for handling the DPH's revenue receipts. During the current year, the Treasurer informed us that the DPH now provides the necessary information for reconciliation, but the revised process has not yet been fully implemented.
- In fiscal year 2020, Treasurer management developed written procedures for the preparation of bank reconciliations and filing of reconciliation documentation. However, we observed that the

procedures were marked as draft, and management indicated that, while these procedures were followed “by and large” by Treasurer staff, they would be updated and finalized when the Treasurer implements its new Treasury Management System.

- Our testing still noted noncompliance with the Pennsylvania escheat act. While \$865,667 related to unclaimed payroll checks from fiscal year 2017 and prior were escheated to the state in September 2019, there remained \$8 million in outstanding vendor checks for calendar years 1999 to 2016 that had not been escheated to the state. In May 2019, the Treasurer transferred \$3 million of unclaimed vendor checks for calendar years 1999 through 2012 to the city’s Unclaimed Monies Fund. For the remaining \$5 million in outstanding vendor checks pertaining to calendar years 2013 through 2016, Treasurer personnel were contacting the payees to give them an opportunity to claim the monies before the funds are transferred to the Unclaimed Monies Fund.
- Lastly, regarding the four long unreconciled accounts for which the Treasurer was unable to provide bank reconciliations for a large portion of the unreconciled period,¹¹ Treasurer management informed us they are unable to prepare those monthly bank reconciliations because either the bank and/or the supporting city records for those months are not available. In light of this situation and given that (1) testing of fiscal year 2019 bank reconciliations did not identify any unreconciled accounts and (2) the Treasurer has taken action to escheat the old outstanding payroll checks and is working towards the escheatment of the old outstanding vendor checks from the general disbursement account (as discussed above), we will no longer report on this condition [500114.06].

Criteria: Standard Accounting Procedure (SAP) No. 7.1.3.b, *Reconciliation of All Bank Accounts in All City Agencies*, requires that monthly reconciliations of city bank accounts readily identify all of the specific transactions comprising the difference between the book and bank balance to allow city agencies to investigate these reconciling items and determine whether they represent errors or irregularities. Effective internal controls require reconciling items to be researched promptly so that corrective action, where necessary, may be taken. Per the Treasurer’s *Bank Reconciliation Policy*, effective October 1, 2019,¹² any reconciling items must be resolved within 90 business days of the reconciled month.

SAP No. 4.1.2, titled *Unclaimed Monies*, instructs city departments to remit all checks outstanding for over one year to the city’s Unclaimed Monies Fund, which is administered by the Finance Office who is then responsible for remitting amounts to the state in accordance with the escheat act. The Pennsylvania escheat act requires that property which remains unclaimed by the owner for a specified dormancy period (depending on property type) be remitted to the Pennsylvania Treasury. The dormancy period is two years for unclaimed wages/payroll and three years for all other unclaimed property types.

¹¹ The four accounts and their unreconciled periods were as follows:

Wells Fargo Bank Payroll Account (closed in May 2018) – Not reconciled from October 2010 through June 2016

Wells Fargo Bank Supplemental Payroll Account (closed in March 2018) – Not reconciled from October 2010 through June 2014

General Disbursement Account – Not reconciled from February 2012 through December 2012

Levy Account – Not reconciled from July 2014 through June 2016

¹² This policy was marked as draft although Treasurer management indicated that its staff follows this policy “by and large”, except for the 90-day requirement to resolve reconciling items.

Effect: Numerous and old reconciling items complicate and prolong the bank reconciliation process. The untimely investigation and disposition of reconciling items increases the risk that errors or irregularities could occur and go undetected. Also, failure to implement and enforce formal written policies and procedures increases the risk that critical control activities may be inconsistently applied or not applied at all and thus creates the potential for errors. Lastly, noncompliance with the Pennsylvania escheat act may subject the city to penalties.

Cause: The Treasurer failed to take adequate steps to ensure that all reconciling items were resolved in a timely manner. Treasurer management indicated that its staff followed the *Bank Reconciliation Policy* “by and large”, except for the 90-day requirement to resolve reconciling items. Treasurer management informed us that the ability to (1) more promptly investigate and resolve reconciling items, (2) finalize the bank reconciliation procedures, and (3) revise the process for DPH revenue receipts is contingent upon the implementation of the new Treasury Management System.

Recommendations: To improve its bank reconciliation procedures, we recommend that Treasurer management take the necessary steps, including establishing a formal timeline, to implement the new Treasury Management System, in order to enable the Treasurer to:

- Finalize the written bank reconciliation procedures [500117.03].
- Investigate all differences between Treasurer account book and bank balances so that any errors can be quickly identified and resolved within the 90-day requirement of the Treasurer’s *Bank Reconciliation Policy* [500119.02].
- Implement the revised process for DPH revenue receipts to eliminate the problems with reconciling the DPH’s recorded collections to bank transfers [500115.06].

With regard to the \$2.2 million of unmatched receipt transactions, if the Treasurer is unable to locate documentation to support the matching of these receipts to FAMIS, we recommend that Treasurer personnel investigate these receipt transactions and address any errors or improprieties discovered by this review. Management should formally establish a time frame for the completion of this task [500117.04].

Lastly, the Treasurer and Finance Office management should work together to ensure that all escheatable amounts are sent to the Pennsylvania Treasury. In the future, the Treasurer should comply with SAP No. 4.1.2 in remitting all checks outstanding over one year to the city’s Unclaimed Monies Fund, and the Finance Office should send all unclaimed monies due to the Pennsylvania Treasury in accordance with the state escheat act [500117.05].

Views of the Responsible Officials: The City Treasurer’s Office (CTO) is pleased that you acknowledged that its reconciliation of the consolidated cash account has improved. Thank you for also acknowledging that the remaining difference of \$528,607 was written off and charged to the General Fund in December 2019, and thus this condition is now closed. We would like to note that CTO provided adequate alternative support for the 4 long unreconciled accounts, which included annual bank reconciliations instead of monthly reconciliations, and thus the statement that “the Treasurer was unable to provide bank reconciliations that

covered a large portion of the unreconciled period” is misleading. However, we acknowledge that you reported this condition as closed. CTO also developed policies and procedures which are final and used by staff. These documents will be updated to reflect any changes required by the implementation of the Treasury Management System. CTO has also re-engaged with the Department of Public Health to implement the revised process that improves the identification and recognition of revenue receipts.

Auditor’s Comments on Agency’s Response: In the finding above, we summarized a finding reported in the prior year as follows: “While Treasurer management asserted that four long unreconciled accounts had been fully reconciled, the Treasurer was unable to provide bank reconciliations that covered a large portion of the unreconciled period.” In its response, management asserts, “We would like to note that CTO¹³ provided adequate alternative support for the 4 long unreconciled accounts, which included annual bank reconciliations instead of monthly reconciliations, and thus the statement that ‘the Treasurer was unable to provide bank reconciliations that covered a large portion of the unreconciled period’ is misleading.”

We disagree with management’s assertion. As stated in our prior year report, with regard to the four long unreconciled accounts, the Treasurer did not provide us with sufficient, documented evidence that they had performed bank reconciliations for all of the unreconciled months.¹⁴ In fact, Treasurer management informed us that they are unable to prepare those monthly bank reconciliations because either the bank and/or the supporting city records for those months are not available.

2019-007 FAILURE OF DEPARTMENTS TO PROPERLY APPROVE BIWEEKLY PAYROLLS INCREASES RISK FOR IMPROPRIETIES

Condition: In the prior audit, we reported on a deficiency in the departmental approval process for payroll where the duties concerning the data entry, review, and approval of bi-weekly payroll transactions were not adequately segregated. Although improved as compared to the prior year’s results,¹⁵ our testing of 50 city departments for the first 20 pay periods during fiscal 2019 indicated that this condition continued. Specifically, we noted 100 occasions (10 percent), in which the same individual posted and approved the on-line payroll time records, applied both the supervisory and executive-level approvals, or performed all three duties. Employees in seven departments performed duplicate functions for more than two pay periods, with the Mayor’s Office and the Department of Planning and Development being the most recurrent among the larger departments.

On March 18, 2019, the city implemented its new OnePhilly payroll system. While the departments approved payroll electronically in the legacy payroll system, since the OnePhilly Go-Live, departmental approvals of payroll were no longer electronic. Instead, department personnel were now instructed to review and approve the Time Entry Detail Report from the OnePhilly system. To evidence the review and approval of departments’ payroll entries, the supervisory and executive-level approvers were required to physically sign a printout of the last page of the OnePhilly Time Entry Detail Report, which was then to be scanned and sent to

¹³ City Treasurer’s Office

¹⁴ The unreconciled months are listed on report page 17, footnote 11.

¹⁵ The prior year’s testing disclosed 257 occasions during fiscal year 2018 (18 percent) in which these payroll functions were not separated. Also, we noted that, for 23 of 55 departments, employees performed duplicate functions for more than two pay periods.

the OnePhilly Team and the Finance Office's Central Payroll Unit by the payroll closing date. The Central Payroll Unit required that the executive-level approver must be an authorized signer listed on the department's payroll signature authorization card.

We tested departments' compliance with the OnePhilly approval process and found most departments did not comply with these new requirements. Our testing of 50 city departments for the 4th quarter of fiscal year 2019 disclosed 278 instances (78 percent) where departments did not submit the Time Entry Detail Report with the required two signatures or did not submit the reports by the payroll closing deadline. Out of these 278 instances, we observed 14 reports which contained the required two approvals but were submitted after the payroll closing deadline. Out of the 50 city departments, only four were in full compliance with the OnePhilly approval process for all pay periods during the 4th quarter of fiscal year 2019.

Criteria: Effective internal control procedures require that payroll data entry, supervisory review, and executive-level approvals be performed by separate, authorized employees.

Effect: Failure to segregate duties and ensure that payroll is reviewed and approved by properly authorized individuals increase the risk of undetected errors. Also, this condition provides opportunities for a person to perpetrate and conceal irregularities during the bi-weekly payroll preparation process, which may result in fraudulent payroll payments.

Cause: The city's legacy payroll system that was in place until March 2019 allowed individuals with supervisory and executive-level approval authority to provide the approval at their level, as well as the levels below them. Finance Office management previously asserted this system feature was intentional to ensure that payroll is processed in emergency situations that may occur when authorized individuals at all levels are not available to perform the payroll review and approval.

The city's new OnePhilly system currently lacks an electronic payroll sign-off process. The director of payroll indicated that the OnePhilly Team and Central Payroll Unit had started work on a project to automate the payroll sign-off process. Regarding the current manual payroll approval procedures for OnePhilly, the Central Payroll Unit did not adequately enforce compliance with requirements.

Recommendation: To improve the departmental payroll approval process for OnePhilly, we recommend that the OnePhilly Team and Central Payroll Unit continue to work together to complete automation of the payroll sign-off process, which should include controls to adequately segregate incompatible duties, particularly the functions of entering, reviewing, and approving payroll transactions. Until the automation is completed, the Central Payroll Unit must remind departments of the current procedures for payroll approvals and enforce compliance with those departments who do not follow requirements [500119.03].

Views of the Responsible Officials: Thank you for acknowledging that improvements were made in the departmental approval process for payroll compared to prior year results. We communicated to departments that at least one level two and one level three sign-off would be required at implementation. After departments' failure to provide two levels of sign-offs, we reviewed the communication initially sent out and concluded that some departments may have mis-interpreted the initial communication to mean "a minimum of one level of authorization is required for the payroll sign-off; either one or more at level 2 or 1 or more at level 3, but one would be sufficient." In addition, there are some departments that have historically needed to

delegate “temporary signature authorization.” For such departments, when only one signature was provided, we have considered that the temporary signature authorization process was enforced. Nonetheless, we assigned a payroll representative to reach out to departments each payroll cycle to request additional sign-offs that are not received by the payroll closing date and time for each cycle. To fully resolve this issue, the following steps have been taken by our team:

1. To provide clarification, in November 2019 we amended the Payroll Close memo that goes out to departments each week to include language that states departments **MUST** have two signers on the Time Entry Edit Report. We also included this as an agenda item for the November 2019 HR Managers’ meeting.
2. In order to be proactive, and to eliminate any instance of having only one signature, or the same person providing two levels of authorization, Central Payroll worked with the One Philly Team to develop the blueprint for automation of the payroll sign-off process. We hope to begin working on this project starting May 2020.

2019-008 ACCOUNTS PAYABLE REPORTING NEEDS IMPROVEMENT

Condition: In computing the accounts payable amounts for inclusion in the city’s fiscal year 2019 CAFR, Finance Office accountants failed to record \$30.2 million of accounts payable.

Criteria: Generally accepted accounting principles (GAAP) require that governments report a liability in the period in which it is incurred.¹⁶ Governmental entities must establish adequate control procedures over the computation of accounts payable to ensure that reported amounts are accurate and complete.

Effect: As a result of the unrecorded payables, the city’s CAFR contained the following misstatements:

- An \$11 million understatement of both expenditures and accounts payable in the General Fund;
- A \$2.7 million understatement of expenditures, a \$1.3 overstatement of beginning fund balance, a \$2.0 million understatement of accounts payable, and a \$1.9 million understatement of due to component units in the HealthChoices Behavioral Health Fund;
- An \$8.4 million understatement of expenditures, a \$3.8 million overstatement of beginning fund balance, and a \$12.2 million understatement of accounts payable in the Grants Revenue Fund; and
- A \$3.0 million understatement of both construction in progress and construction contracts payable in the Water Fund.

¹⁶ There are exceptions to this standard for governmental funds, such as debt principal and interest which are recognized only when due. Also, certain specific accrued liabilities, such as pension benefits and other post employment benefits, are recognized in governmental funds only to the extent that governments in general normally liquidate them with current financial resources.

We proposed adjustments to all four funds to correct the city's CAFR for these errors. However, the Finance Office and Philadelphia Water Department (PWD) management elected not to book our adjustments.¹⁷ In addition, for the funds where fiscal year 2019 expenditures were understated as discussed above, since the city's fiscal year 2019 CAFR was not corrected, reported expenditures for fiscal year 2020 will be overstated by those same amounts.

Cause: Our review of the Finance Office's procedures for computing year-end accounts payable balances disclosed weaknesses that increased the risk for unrecorded payables. Finance Office accountants reviewed payment vouchers posted to FAMIS during fiscal year 2020 through August 16, 2019 in order to identify vouchers for goods or services received on or before June 30, 2019 but not paid until fiscal year 2020, which should be recorded as accounts payable for fiscal year 2019. The Finance Office then requested city departments to provide a list of fiscal year 2019 invoices not yet vouchered or submitted to the Finance Office for processing as of August 16, 2019. Per inquiry of Finance Office management, they computed reported accounts payable by combining (1) the identified payables from their review of FAMIS postings and (2) the information from departments, with the expectation that the departments would supply data on any fiscal year 2019 vendor invoices submitted for payment after the August 16, 2019 cutoff date through September 30, 2019. However, the memorandum that Finance Office management sent to departments requesting this payable data instructed departments to respond by August 23, 2019, 38 days before the date Finance informed us they expected departments to supply payable data. Also, Finance Office management did not provide any evidence documenting a basis for their expectation that departments would provide them with the fiscal year 2019 payables of which department personnel were aware through September 30, 2019.

Our audit testing for unrecorded liabilities – which involved reviewing fiscal year 2020 payment *vouchers* through December 31, 2019 to identify payments for goods or services received on June 30, 2019 or prior – found \$30.2 million of payables that Finance Office accountants failed to include in reported accounts payable amounts. Table 3 below presents a breakdown of this \$30.2 million in unrecorded accounts payable, showing that the vast majority of errors noted was posted to FAMIS after the Finance Office's cut-off date of August 16, 2019. Based upon our testing results, it was clear that the Finance Office's mid-August cut-off date for their review of FAMIS data to identify payables was too early to detect all significant accounts payable. In fact, we found several instances of large unrecorded payables pertaining to payment vouchers posted to FAMIS from early to mid-October 2019.

¹⁷ As part of our audit procedures, for each of the affected funds, we combined these proposed adjustments with other uncorrected CAFR errors and determined that the resulting total was immaterial to the city's fiscal year 2019 financial statements.

Table 3: Unrecorded Accounts Payable by Fund and FAMIS Posting Date Before and After Finance Office's Cut-Off Date

FUND	FAMIS POSTING DATE FOR PAYABLES OCCURRED		TOTAL
	BEFORE	AFTER	
	CUT-OFF DATE†	CUT-OFF DATE†	
General Fund	\$1,002,045	\$9,973,039	\$10,975,084
HealthChoices Behavioral Health Fund	-	\$3,958,905	\$3,958,905
Grants Revenue Fund	\$113,408	\$12,106,139	\$12,219,547
Water Fund	*<\$2,560,908>	\$5,593,719	\$3,032,811
Total	<u><\$1,445,455></u>	<u>\$31,631,802</u>	<u>\$30,186,347</u>

† = The Finance Office's cut-off date for reviewing FAMIS postings to identify fiscal year 2019 accounts payable was August 16, 2019.

*= Our audit testing found a \$2,560,908 overstatement of accounts payable in the Water Fund pertaining to transactions posted to FAMIS before the cut-off date. This \$2,560,908 overstatement was netted against \$5,593,719 of unrecorded payables posted to FAMIS after the cut-off date to arrive at the proposed audit adjustment amount of \$3,032,811.

Source: Prepared by the Office of the Controller

Additionally, it was apparent that the departments' reporting of payables to the Finance Office was incomplete as departments may have been unaware of, misunderstood, or just not complied with the Finance Office's expectation that the departments provide payable data through September 30, 2019. The departments with the largest share of the total unrecorded payables by fund were as follows: Department of Prisons for the General Fund, Department of Behavioral Health and Intellectual Disabilities Services (DBHIDS) for the HealthChoices Behavioral Health Fund, DBHIDS for the Grants Revenue Fund, and the PWD for the Water Fund.

Recommendations: To improve the Finance Office's process for computing accounts payable and decrease the risk of unrecorded liabilities, we recommend that Finance Office management:

- Extend their review of FAMIS payments in the subsequent fiscal year to an appropriate later date that will enable them to identify significant accounts payable. Finance Office accountants should establish an appropriate threshold for each fund and review all payments exceeding that threshold [500119.04].
- Formalize in writing the payable data required from departments, including the exact timeframe to be covered and an appropriate due date for their response. Reinforce these requirements to departments as well as the importance of providing complete and accurate accounts payable information to the Finance Office for inclusion into the CAFR [500119.05].

Views of the Responsible Officials: Departments are provided with a memo explaining the requirements to provide accounts payable data by the applicable cut-off period. Finance will work on expanding this memo, where necessary. Our accounts payable cut-off timeline is based on our 120 days (after year end) timeline to complete the AFR in compliance with the deadline mandated by Charter requirements. While improvements can be made if the Auditors align their cut-off period with the cut-off period for Finance, we may continue to

see discrepancies due to items such as late executed contracts and delayed invoices that hinder departments from providing such accounts payable details within our mandated timeline. Major improvements can be made, and we can reduce discrepancies if departments improve their reporting of accounts payable to the Finance office.

Auditor’s Comments on Agency’s Response: Regarding the finding on deficiencies in accounts payable reporting, in above response, management states “Our accounts payable cut-off timeline is based on our 120 days (after year end) timeline to complete the AFR¹⁸ in compliance with the deadline mandated by Charter /requirements. While improvements can be made if the auditors align their cut-off period with the cut-off period for Finance, we may continue to see discrepancies due to items such as late executed contracts and delayed invoices that hinder departments from providing such accounts payable details within our mandated timeline.”

Generally accepted auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. In testing accounts payable as of June 30th (the city’s fiscal year-end), we search for unrecorded liabilities by examining invoices paid in the subsequent fiscal year to identify payments for goods or services received on or before June 30th that were not accrued as payables. The cut-off period we use for this testing cannot be restricted to the Finance Office’s cut-off period, especially when there is a risk of significant unrecorded payables as evidenced by the results of our current year testing, which found \$30.2 million of unrecorded accounts payable. When there is a risk of significant unrecorded payables, auditors should extend the cut-off period for unrecorded liabilities testing to as close as possible to the audit opinion date.

2019-009 CAPITAL ASSET CONTROL DEFICIENCIES INCREASE RISK OF REPORTING ERRORS

As previously reported during the last several audits, controls over capital assets are deficient because (1) the city does not have a comprehensive capital asset system to facilitate accounting and reporting of these assets and (2) periodic physical inventories of real property assets are not performed. Each of these conditions is discussed in more detail below.

Lack of a Comprehensive Capital Asset System Hampered Reporting Process

Condition: The city still lacks a comprehensive capital asset management system to better manage and account for real property assets. Instead, Finance Office accountants continue to maintain a cumbersome series of Lotus 1-2-3¹⁹ and Excel files, that together with FAMIS, constitute the current fixed asset ledger. Various spreadsheet files accumulate the cost of capital assets and work in progress, while other spreadsheet files are used to calculate depreciation expense and accumulated depreciation reported in the city’s CAFR. Real property addresses are only available in FAMIS by user code, which is identified in an Excel file called the “Proof”.

¹⁸ Annual Financial Report

¹⁹ While Finance Office management informed us that they were in the process of converting the Lotus 1-2-3 files to Excel, some of the files provided to us for our audit testing of fiscal 2019 capital asset amounts were still Lotus 1-2-3 files.

Criteria: Philadelphia's Home Rule Charter²⁰ requires management to maintain current and comprehensive records of all real property belonging to the city.

Effect: The use of multiple files creates a burdensome and onerous process that can affect the accuracy and completeness of capital asset amounts reported in the CAFR and causes extensive audit effort. For example, we continued to find discrepancies between the "Proof" file and FAMIS – a \$2.8 million discrepancy in the accumulated depreciation balance for buildings and a \$1.0 million variance between vehicle categories.

Cause: While Finance Office management agrees that it would be beneficial to have a comprehensive capital asset system, resources have not been identified to initially fund and continually maintain it.

Recommendation: To improve the accounting and reporting of the city's capital assets, we continue to recommend that Finance Office management secure the necessary resources to design or purchase a computerized capital asset management system that will provide accurate and useful information such as the book value and related depreciation for each city owned asset [50104.01].

Views of the Responsible Officials: Finance Office continues to improve its process of accounting for real property assets. The number of Lotus 1-2-3 files utilized in our process have been significantly reduced, with a 90% conversion year on year. The remaining 3 files in use will soon be converted. While the excel file reliant fixed asset process is somewhat tedious, there have not been any material errors. It is our hope that this issue will be adequately addressed with new technology in the near future, possibly as part of the OPAL project.

Failure to Inventory Real Property Assets Increases Risk of Inaccurate Accounting Records

Condition: Except for the PWD and the DOA, which both periodically check the physical existence and condition of their real property assets, this year's audit again disclosed no evidence that the city's other real property assets had been recently inventoried. In the prior year, we reported that, during fiscal year 2018, the Department of Public Property (Public Property) implemented the Integrated Workplace Asset Management System (IWAMS), which contains various data on the city's real estate assets, including maintenance and improvement costs. In its response to last year's report, Finance Office management indicated that it was working with OIT to develop a process to reconcile the city's fixed asset ledger with IWAMS, thus enabling management to periodically validate the completeness and accuracy of the city's fixed asset inventory. During the current audit, on November 6, 2019, Finance Office management informed us that it was going to meet soon with OIT to review the IWAMS database and attempt to reconcile IWAMS to the city's fixed asset ledger; however, as of March 24, 2020, this reconciliation had not yet been performed.

Criteria: SAP No. E-7201, *Real Property Perpetual Inventory*, specifies that the Procurement Department shall physically inspect all city-owned real property on a cyclical basis and check against the inventory listing to determine actual existence, condition and propriety of use. Additionally, the Government Finance Officers Association (GFOA) recommends that governments periodically inventory tangible capital assets, so that all assets are accounted for, at least on a test basis, no less often than once every five years. It also recommends governments periodically inventory the physical condition of all existing capital assets so that the listing of all

²⁰ The Philadelphia Home Rule Charter, Section 6-501

assets and their condition is kept current. Furthermore, the GFOA recommends that a “plain language” report on the condition of the government’s capital assets be prepared, and that this report be made available to elected officials and the general public at least every one to three years.

Effect: Continued failure to perform a physical inventory increases the risk that the city’s recorded real property assets could be inaccurate and/or incomplete.

Cause: This issue has not been a priority for city management. The Finance Office, Procurement Department, and Public Property – the agency responsible for acquiring and maintaining the city’s real property assets – have not developed a coordinated process for physically inventorying all city-owned real property.

Recommendations: We continue to recommend that Finance Office management:

- Work with the Procurement Department and Public Property to periodically take physical inventories of all real property assets, ascertain their condition and use, and ensure that related records are timely and appropriately updated to reflect the results of this effort [50106.04].
- Develop and provide a plain language report on the condition of capital assets at least every one to three years. This report should be made available to elected officials and the general public [500109.02].
- Work with OIT to perform a reconciliation of the IWAMS database to the city’s fixed asset records to identify any discrepancies and ensure the completion and accuracy of the city’s records [500113.14].

Views of the Responsible Officials: Finance Office management have had multiple preliminary meetings with the GIS unit concerning our objective of reconciling the fixed asset ledger to IWAMS. During November we had a meeting with GIS that laid the framework for the reconciliation process and jumpstarted our analysis. We anticipated the analysis would be a cumbersome task and plan to follow up. The team will be following up GIS in another meeting to discuss the progress of the reconciliation in the near future.

2019-010 SAPs REQUIRE UPDATING TO ENSURE ACCURATE AND CONSISTENT APPLICATION OF ACCOUNTING RULES AND REGULATIONS

Condition: The city’s SAPs, which serve as the basis for the city’s system of internal control, continue to be long outdated and fail to reflect the automated processes and practices currently in use. The Finance Office has established over two hundred SAPs to provide city departments and agencies with guidance on how to handle various accounting related activities, including proper procedures for ensuring the accuracy of transactions and the safeguarding of assets. Over the years, as new technologies were adopted and daily practices were enhanced, the existing SAPs have not been updated accordingly, with over 50 percent of them still being more than half a century old.

In April 2019, Finance Office management filled the new position of director of compliance and internal controls, who, in June 2019, was tasked with overseeing the SAP update project. Per discussion with the

director of compliance and internal controls, the SAP update project will involve two phases. Phase one consisted of the following steps: the identification of SAP owners across city departments; the development of a SharePoint site where all existing SAP documentation was uploaded and access to those files was granted to SAP owners; and the review of existing SAP documentation by SAP owners, who identified which SAPs were outdated. We were provided with the project's tracking schedule, which listed all existing SAPs, identified those SAPs deemed obsolete, and provided target deadlines for completing updates. Phase two is the actual update of SAPs, and the goal is to have all SAPs updated by fiscal year 2025, with an initial, prioritized focus on SAPs pertaining to central departments. The director of compliance and internal controls indicated that, after all SAPs are updated, Finance Office management will explore the compilation of a singular SAP manual and examine how to best embed regular SAP review and updates into its process.

Since September 2015, the Finance Office has updated 18 SAPs, with the most recent being an update of eight grant SAPs issued on February 19, 2020²¹ and an addendum to SAP No. 4.1.1.e, *Imprest Funds*, issued on March 11, 2020, which created a debit card/imprest account for DPH in response to the COVID-19 health emergency. Also, the Finance Office estimated that the update to the ninth and final grant SAP – No. G-6-1, *Budgeting Revenue from Other Governments* – would be completed by March 31, 2020. Lastly, in response to the new OnePhilly payroll system implemented in March 2019, the Finance Office has a target timeline of May 31, 2020 for the completion of payroll related SAPs. It is understood that the target timelines may be delayed due to the COVID-19 health emergency.

Criteria: In accordance with Philadelphia's Home Rule Charter, the city's Finance Office is required to establish, maintain and supervise an adequate and modern accounting system to safeguard city finances.²² Also, in its best practices publication, the GFOA recommends that governments perform an on-going review, evaluation, and update of accounting procedures to ensure they remain technically accurate, understandable, and compliant with current rules and regulations.

Effect: With the majority of SAPs not reflecting the automated processes and practices currently in use, there is an increased risk that critical control activities may be inconsistently applied or not performed at all, which could result in accounting errors and/or misappropriation of assets.

Cause: Over the years, the Finance Office experienced staff reductions that have compromised its ability to conduct periodic reviews and updates to the SAPs.

Recommendation: We recommend that the Finance Office continue to complete the review and update of the SAPs. Procedures no longer pertinent should be rescinded, and those that are out-of-date should be revised to reflect the automated processes and practices in use today. Once this initial update is completed, the Finance Office should develop a schedule for periodically updating SAPs on a regular basis in the future [50102.16].

Views of the Responsible Official: We agree with your recommendations to continue the update of the city's SAPs. Management will continue to prioritize this initiative, within budget constraints.

²¹ The eight grant SAPs were Nos. G 1-1, *Grant Closeouts*; G 2-1, *Collection and Deposit of Grant Receipts*; G 2-2, *Program Income*; G 3-1, *Expenditure Reconciliation*; G 5-1, *Subrecipient Monitoring Policy*; G 5-2, *Subrecipient Audit Requirements*; G 5-3, *Resolution of Subrecipient Audit Findings and Questioned Costs*; and G 5-4, *Subrecipient Unspent Funds*.

²²The Philadelphia Home Rule Charter, Section 6-101.

Schedule of Findings and Questioned Costs

Section IV – Federal and PA. Department of Human Services Findings and Questioned Costs

2019-011 REPORTING - SIGNIFICANT DEFICIENCY AND COMPLIANCE FINDING

Special Education – Grants for Infants and Families (EI) – CFDA #84.181

Temporary Assistance for Needy Families (TANF) – CFDA #93.558

Medical Assistance Program (MH/ID/EI) – CFDA #93.778

Block Grants for Community Mental Health Services (MH) – CFDA #93.958

Condition: GAAU did not accurately disclose the total payments to subrecipients in the preliminary SEFA provided for audit. Our testing indicated that subrecipient expenditures for the major programs listed below in Table 1 were understated by \$5.3 million. GAAU concurred with our findings and corrected the amounts reported for subrecipient expenditures. This condition was reported as finding number 2018-013 in the prior year report.

Table 4: Summary of the Subrecipient Expenditure Variances by Major Program				
	CFDA #	Amount Per Auditee (\$)	Amount Per Auditor (\$)	Difference Over/(Under) stated (\$)
Special Education – Grants for Infants and Families ²³	84.181	5,794,536	6,009,536	(215,000)
Temporary Assistance for Needy Families ¹	93.558	28,697,755	29,761,094	(1,063,339)
Medical Assistance Program	93.778	6,915,552	7,838,174	(922,622)
Block Grants for Community Mental Health Services	93.958	-	3,079,748	(3,079,748)
Total		41,407,843	46,688,552	(5,280,709)

Source: Office of the Controller

Criteria: OMB's Uniform Guidance, Title 2, Part 200, Subpart F, paragraph .510(b)(4) requires the total amount provided to subrecipients from each federal program to be included in the SEFA.

Effect: Failure to completely and accurately report subrecipient expenditures can result in noncompliance with terms and conditions of federal awards. It could, for example, lead to the city not correctly identifying subrecipients for audits and monitoring. In addition, grantors will not have accurate information relating to the total amount of federal awards that were expended by subrecipients.

Cause: For the TANF program, GAAU did not accurately report accounts payable related to subrecipients. For the MH/ID/EI, programs the Philadelphia Department of Behavioral Health Services (DBHIDS) did not timely respond to GAAU's request for departments to identify subrecipient expenditures. Additionally, the DBHIDS did not timely provide GAAU with the required expenditure reconciliations.

Recommendations: We recommend that GAAU reinforce with departments the need to provide complete and accurate information to assist in reporting the correct amounts for total payments to subrecipients. Also, GAAU should work with departments to ensure that expenditure reconciliations are received on timely basis.

²³ Funding for this program is passed through the PA Department of Human Services.

Additionally, GAAU should strengthen its SEFA preparation procedures to ensure that all payments to subrecipients are properly reported as subrecipient expenditures.

Views of the Responsible Officials: We agree the Departments must perform all expenditure reconciliations of federal funding between the amount recorded in the FAMIS accounting system with the amount reported to the Grantor. This will result in improved reporting of payments to subrecipients. Over the past several years GAAU has reinforced with Departments the need to comply with prescribed municipal policies to complete an expenditure reconciliation each time expenditures are reported to the Grantor during the award period.

Contact Person: Leon Minka, Accounting Manager, Finance (215) 686-6172

2019-012 SPECIAL TESTS - COMPLIANCE FINDING**Children and Youth Programs****Guardianship Assistance – CFDA #93.090****Stephanie Tubbs Jones Child Welfare Services Program – CFDA #93.645****Foster Care Title IV-E – CFDA #93.658****Adoption Assistance – CFDA #93.659****Medical Assistance Program – CFDA #93.778****Act 148 Pennsylvania Department of Human Services**

Condition: The Department of Human Services (DHS) reported salaries and benefits costs that exceeded maximum allowable amounts by \$457,716 on its fiscal 2019 County Children and Youth Social Service Programs' Fiscal Summary. The programs are funded through the Pennsylvania Department of Human Services (PaDHS).

Criteria: The PA Code, Title 55, Chapter 3170, section 3170.41 through 3170.43 provides for PaDHS to reimburse salaries up to the limit of the county civil service personnel compensation plan, or where applicable up to the limit of Commonwealth compensation levels. The Commonwealth will not participate in costs which exceed the maximum salary levels.

Effect: The fiscal 2019 County Children and Youth Social Services Programs' Fiscal Summary included ineligible expenditures of \$457,716. Because DHS is reimbursed a percentage of the expenditures it reports to PaDHS, we determined that ineligible costs had resulted in excess reimbursement of \$366,449. That amount represents questioned costs distributed to the following programs:

Table 5:	Funding Source	Questioned Costs
	CFDA #93.090	\$ 3,111
	CFDA #93.645	2,016
	CFDA #93.658	65,122
	CFDA #93.659	22,697
	CFDA #93.778	121
	PaDHS – Act 148	273,382
	Total	\$366,449

Cause: DHS does not have procedures in place to ensure that salaries and benefits requested for reimbursement do not exceed the maximum allowable amount per the Commonwealth Compensation Plan.

Recommendation: DHS should revise its procedures to ensure that amounts requested for reimbursement do not exceed the maximum allowable amount per the Commonwealth Compensation Plan.

Views of the Responsible Officials: plans and will request waivers from the state department in the future for occasions where salaries being charged to the State Act 148 invoice exceed allowable limits. DHS understands the importance of adhering to PaDHS approved salary compensation

Contact Person: Nadine Perese, Budget Director, DHS (215) 686-6136

2019-013 REPORTING - COMPLIANCE FINDING

Children and Youth Programs

Act 148 Pennsylvania Department of Human Services

Condition: The Department of Human Services (DHS) improperly reported \$3,566,773 of Central Service Costs (indirect costs) on their Act 148 Invoice based on an indirect cost rate of 13.61 percent. DHS should have based its claim on a rate of 9.32 percent calculated by using actual expenditures for central services costs determined by the city.

Criteria: The PA Code, Title 55, Chapter 3170, section 3170.60(c) states that in order to claim administrative overhead costs, the program should submit prior year financial data (expenditure data for the most recent financial periods) in accordance with and in support of their cost allocation plan. Furthermore, when costs are claimed, they shall be specifically identified and shall be included in the cost allocation plan.

Effect: The Act 148 Invoice included ineligible expenditures of \$3,566,773. Because DHS is reimbursed a percentage of the expenditures it reports to PaDHS, we determined that ineligible costs had resulted in excess reimbursement request of \$2,602,006.

Cause: The Act 148 invoice submitted by DHS improperly calculated the central services costs to be allocated to various cost centers using a prior year indirect cost rate of 13.61 percent. Additionally, DHS did not identify the error during their review of submitted expenditures.

Recommendation: We recommend that DHS strengthen internal controls over its report preparation and review procedures for the Act 148 invoice to ensure that expenditures submitted to the Commonwealth are calculated in accordance with program requirements.

Views of the Responsible Officials: DHS plans to utilize the approved percentages in the City of Philadelphia Cost Allocation Plan to charge indirect costs to the State Act 148 invoice.

Contact Person: Nadine Perese, Budget Director, DHS (215) 686-6136

2019-014 REPORTING - COMPLIANCE FINDING

Children and Youth Programs

Act 148 Pennsylvania Department of Human Services

Condition: The Department of Human Services (DHS) improperly reported \$1,768,574 in unsupported expenditures in its fiscal year 2019 Act 148 County Children and Youth Fiscal Summary (Fiscal Summary) submitted to the Pennsylvania Department of Human Services (PaDHS). DHS also improperly reported \$178,308 of encumbered funds as expenditures on the Fiscal Summary. Funding for these programs is from PADHS.

Criteria: Pennsylvania Code, Title 55, Chapter 3140, sections 3140.42 through 3140.45, provide for PaDHS to reimburse program costs based on actual expenditures. In addition, the Office of Children Youth and Families Bulletin 3140-18-01 Fiscal Summary instructions for the County Children and Youth Social Services Programs, issued by PaDHS, specify the reporting of actual expenditures.

Cause: The Act 148 invoice submitted by DHS improperly included encumbrances and unsupported expenditures in their request for reimbursement. Additionally, DHS did not identify the errors during their review of submitted expenditures.

Effect: The Act 148 Invoice included ineligible expenditures of \$1,946,882. Because DHS is reimbursed a percentage of the expenditures it reports to PaDHS, we determined that ineligible costs had resulted in excess reimbursement request of \$1,201,065.

Recommendation: We recommend that DHS strengthen internal controls over its report preparation and review procedures to ensure that only expenditures which are properly supported are included in the Fiscal Summary.

Views of the Responsible Officials: DHS understands the importance of strengthening internal controls to ensure that only actual expenditures are reported for reimbursement to the State for Act 148 Country Children & Youth funding reimbursement and plans to do so in the following fiscal years, internally as well as externally with expenditures from other departments.

Contact Person: Nadine Perese, Budget Director, DHS (215) 686-6136

Summary Schedule of Prior Years Audit Findings

**CITY OF PHILADELPHIA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2019

Reference Number	Status	Questioned Costs
PA Department of Human Services		
Children and Youth Programs		
2016-013	Unresolved	\$43,401
<u>Condition:</u>	The Department of Human Services (DHS) invoiced for Central Service Costs (indirect costs) using a Cost Allocation Plan (CAP). When using a cost driver to distribute the indirect costs set by the CAP, DHS used total payroll expenditures, which included both reimbursable payroll and non-reimbursable payroll. By using total payroll rather than reimbursable payroll expenditures, indirect costs associated with non-reimbursable payroll expenditures of \$66,229, considered to be unallowable costs, were included on its fiscal year 2016 County Children and Youth Act 148 Fiscal Summary (Fiscal Summary) submitted to the Pennsylvania Department of Human Services (PaDHS). Funding for this program is provided through the PaDHS.	
2019 Update:	DHS submitted a revised FY16 Act 148 invoice for settlement. Questioned cost will be considered for adjustment by PaDHS at audit.	
Contact:	Lief Erickson, Operations Director-Finance, Department of Human Services (215) 683-6059	
2016-012	Unresolved	\$305,142
<u>Condition:</u>	The Department of Human Services (DHS) improperly reported \$323,054 of unsupported salaries as expenditures in its fiscal year 2016 Act 148 County Children and Youth Programs Fiscal Summary (Fiscal Summary) submitted to the Pennsylvania Department of Human Services (PaDHS). DHS also reported \$46,699 of encumbered funds as expenditures on the Fiscal Summary for the Social Services Block Grant (Title XX). Funding for these programs is passed through the PaDHS.	
2019 Update:	DHS submitted a revised FY16 Act 148 invoice for settlement. Questioned cost will be considered for adjustment by PaDHS at audit.	
Contact:	Lief Erickson, Operations Director-Finance, Department of Human Services (215) 683-6059	

City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2019

Reference Number	Status	Questioned Costs
Children and Youth Programs		
2016-011	Unresolved	\$0
<u>Condition:</u>	<p>During various times of the award year, the Department of Human Services (DHS) failed to adequately perform monitoring procedures over their subrecipients for a number of its Children and Youth Programs. In certain instances, for example, DHS did not properly inform subrecipients of their award allocation between federal, state, and city funds by funding source at the time of the subaward. This condition was reported as part of the finding number 2015-017 in the prior year report. Additionally, DHS could not provide evidence that it performed a risk assessment to plan the <i>during-the-award monitoring</i> for the non-CUA (Community Umbrella Agencies) subrecipients sampled. The non-CUA subrecipients represented 13 of the 20 sample subrecipients tested. We also observed that DHS did not perform follow-up procedures on deficiencies noted during its subrecipient performance evaluation for all six CUA subrecipients tested. DHS staff performs a monthly Quality Visitation Review (QVR), which assess the CUAs through reviews with the family members to ensure that what is documented in case records is consistent with the family's experience. They also perform a quarterly Case File Review (CFR) of the CUAs to ensure appropriate child visitation, quality of safety assessment, and safety and service planning. During our review of two monthly QVRs, which assessed five of six sampled CUAs, and CFRs for six sampled CUAs, we noted that DHS did not follow up and require the CUAs to respond with a plan of correction for scorings of less than 75%, or below acceptable.</p>	
2019 Update:	<p>The funding source information on award letters and the CUA plans of correction were implemented during Fiscal Year 2017. The fiscal component of financial risk assessment has been implemented as of March 2018. Risk assessments are performed on subrecipients, who are also undergoing an additional level of review through an invoice sampling process that began as a pilot in March 2018 and was incorporated into a monthly process in July 2018.</p>	
Contact:	<p>Nadine Perese, CFO, Department of Human Services (215) 683-6060</p>	

City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2019

Reference Number	Status	Questioned Costs
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Children and Youth Programs

2015-020	Unresolved	\$261,629
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Condition: The Department of Human Services (DHS) overstated expenditures by \$356,613 in its fiscal year 2015 Act 148 County Children and Youth Social Service Programs Fiscal Summary submitted to the Pennsylvania Department of Human Services (PaDHS). DHS failed to offset \$136,613 in client-generated revenues and included expenditures totaling \$220,000, which were funded with a Human Services Development Fund (HSDF) grant. At the time of audit, DHS had not adjusted its Fiscal Summary to the state. Funding for this program is received through the Pennsylvania Department of Human Services.

2019 Update: DHS submitted a revised FY 15 Act 148 invoice for settlement. Questioned cost will be considered for adjustment by PaDHS at audit.

Contact: Lief Erickson, Operations Director-Finance, Department of Human Services (215) 683-5689

2015-021	Unresolved	\$19,114
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Condition: The Department of Human Services (DHS) failed to recover funds advanced to a subrecipient. The advance amount over and above what was expended was reflected on the 4th quarter Act 148 invoice, but never recovered. Funding for this program is passed through the Pennsylvania Department of Human Services.

2019 Update: Due to the small number of advances currently granted by DHS (one in FY17 and none in FY18 or FY19), the department has chosen not to employ a different advance payment accounting mechanism. If and when DHS begins approving advances in the future, a highly rigorous advance payment accounting mechanism will be employed.

Contact: Carolyn Pownell, Accounts Payable Administrator, Department of Human Services
 (215) 683-6056

City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2019

Reference Number	Status	Questioned Costs
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Children and Youth Programs

2015-017	Unresolved	\$0
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Condition: During various times of the award year, the Department of Human Services (DHS) failed to adequately perform monitoring procedures over their subrecipients for a number of its Children and Youth Programs. In certain instances, for example, DHS did not properly inform subrecipients of their award allocations between federal, state, and city funds at the time of the sub-award. Additionally, DHS could not provide evidence that it performed during-the-award monitoring for three of twenty-three subrecipients sampled. We also observed that DHS did not ensure that federal awards were used for authorized purposes. The Contracts and Audit Unit of the Office of the Deputy Managing Director for Health and Human Services, which assists DHS in monitoring subrecipients, often identified differences between expenditure amounts shown in subrecipient audit reports and the related grant amounts disbursed and recorded on the city's books and records. However, it frequently left these differences unresolved. We observed instances of when subrecipient audit reports indicated that grant expenditures were less than amounts disbursed by the city, but could find no evidence that the Contracts and Audit Unit followed up to determine whether these differences were due to timing or whether they were excess grant proceeds that subrecipients should return to the city.

2019 Update: Since 2016, DHS has been investigating all subrecipient grant reporting variances by corresponding with the agency and obtaining explanations and supporting documentation to account for the discrepancies (often attributed to timing differences. DHS monitors subrecipients during the award period in various forms, including budget reviews by the Audit Unit and ongoing communication between the agency and DHS program managers. Funding information is included on award letters prior to and at the beginning of the award period also in effect since 2016.

Contact: Nadine Perese, CFO, Department of Human Services (215) 683-6060

City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2019

Reference Number	Status	Questioned Costs
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Children and Youth Programs

2015-018	Unresolved	\$0
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Condition: The city's Department of Human Services (DHS) and the Contracts and Audit Unit of the Deputy Managing Director for Health and Human Services failed to follow internal controls designed to present accurate disclosures of federal program amounts provided to subrecipients in the Schedule of Federal Expenditures (SEFA). Footnote disclosures of governmental funding awarded to subrecipients presented in the preliminary SEFA prepared by the city's Finance Office (Finance) indicated that only \$138.6 million of federal funds had been paid to subrecipients instead of more appropriately \$206.4 million, as substantiated in the city's accounting records. Our review of the records indicated payments had been unallocated by funding source. After a series of meetings between Finance, DHS, the Contracts and Audit Unit, and the Controller's Office, Finance agreed to correct the footnote disclosures. Funding provided to the subrecipients for operations of the city's DHS programs is received through the Pennsylvania Department of Human Services (PaDHS).

2019 Update: Any changes to DHS funding sources throughout the year would be reflected through year-end expenditure transfers and grant reconciliations by the Budget Unit. The Audit Unit now inquires with the Budget Unit during the subrecipient database update periods about whether any adjustments were made that would need to be reflected in the periodic updates.

Contact: Nadine Perese, CFO, Department of Human Services (215) 683-6060

2015-019	Unresolved	\$0
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Condition: In spite of the Department of Human Services (DHS) only billing the state \$796,410 for one of its Foster Care awards, the city's Finance Office (Finance) reported \$1,800,042 of federal expenditures applicable to the award in the Schedule of Expenditures of Federal Awards (SEFA). Funding for these programs is received through the Pennsylvania Department of Human Services (PaDHS).

2019 Update: For the FY17 and FY18 SEFAs, DHS and Finance met to discuss any inconsistencies and errors. DHS will continue this process for current and future fiscal years. In addition, DHS is working to update document identification information in FAMIS to differentiate between subrecipients and vendors.

Contact: Nadine Perese, CFO, Department of Human Services (215) 683-6060

**City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2019**

Reference Number	Status	Questioned Costs
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Combined Homeless Assistance Programs

2015-023	Unresolved	\$56,771
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Condition:

The Office of Homeless Services (OHS) inappropriately reported to the Pennsylvania Department of Human Services (PaDHS) a net overage of \$45,945 in grant expenditures for the Combined Homeless Assistance Programs (HAP). A significant portion of the overage - \$56,771 - was attributable to unallowable Case Management expenditures of the Social Services Block Grant (SSBG) reported in the Schedule of Expenditures of Federal Awards (SEFA). This amount was offset by a net total of \$10,826 in reported and unreported expenditures for the following HAP programs: Administration, Bridge Housing, PENNFREE Bridge Housing, program income, and the state portion of Case Management and Bridge Housing. Funding for the HAP is received through the PaDHS.

2019 Update:

OHS has documentation to support total expenditures reported on the County Report of Income and Expenditures. The differences were a result of certain expenditures that were not properly reflected in FAMIS, the City's accounting system. OHS disputes the finding. This does not warrant further action in accordance with 2CFR Section 200.511 (b) (3).

Contact:

Leticia Devonish, Director, Office of Homeless Services

(215) 686-7176

Total PA Department of Human Services Questioned Costs:

\$686,057

City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2019

Reference Number	Status	Questioned Costs
U.S. Department of Health and Human Services		
HIV Prevention, Immunization Cooperative		
2015-022	Unresolved	\$0
<u>Condition:</u>	As in the prior year, monitoring procedures of the Department of Public Health (DPH) over subrecipients did not ensure that federal awards were used for authorized purposes. Differences between expenditure amounts shown in subrecipient audit reports and grant expenditures recorded in the city's books and records that were identified by the Contracts and Audit Unit of the Deputy Managing Director for Health and Human Services (HHS), which assists DPH in monitoring subrecipients, were often left unresolved.	
2019 Update:	<p>DPH meets with HHS audit unit periodically throughout the year to discuss and review concerns. These sessions are also used as a channel to resolve and address any issues identified by the HHS audit unit. The grants unit collaborates with the division staff to monitor activity on each grant by implementing the following steps:</p> <ol style="list-style-type: none"> (1) Tracks expenditures via assigned index codes and prepares necessary adjustments (2) Prepares monthly grant worksheets to track spending by encumbrance documents (3) Schedules quarterly meetings with divisions to review spending and for compliance matters <p>DPH also reviews audit letters to determine whether there are any unresolved issues. The AIDS Activity and Coordinating Office (AACO) diligently monitors subrecipients via their Mainstay system to determine that awards are used appropriately and that expenditures are within awards granted.</p> <p>The Division of Disease Control (DDC) monitors via review of the invoices submitted based on contractual terms. A thorough review of accompanying salary spread sheets and budgetary information is completed to ensure accuracy and compliance.</p> <p>We have noted that differences in subrecipient reports and the city's books are either due to timing differences in the vendors recognition of revenue when invoices are sent to the City versus the City's recognition when invoices are actually paid.</p>	
Contact:	Sami Jarrah, Deputy Commissioner, DPH (215) 686-5207	

**City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2019**

Reference Number	Status	Questioned Costs
Immunization Cooperative Agreements		
2018-015	Unresolved	\$0
<u>Condition:</u>	The city's Department of Public Health (DPH) failed to file the annual SF-425 Federal Financial Report (SF-425) for the Immunization and Vaccines for Children Program during fiscal year 2018. The annual SF-425 report of expenditures serves as documentation of the financial status of grants according to the official accounting records of the recipient. This program is funded through the U.S Department of Health and Human Services – Center for Disease Control (CDC). The Federal Award Identification Number for the Immunization and Vaccines for Children Program is 6NH23IP000735-05-02.	
2019 Update:	The interim FFR was resubmitted as a grant note per advice of the Grants Management Specialist. This issue is now resolved.	
Contact:	Andrea Jordan, Administration Service Director III, Department of Health (215) 685-5338	

**City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2019**

Reference Number	Status	Questioned Costs
Social Services Block Grant		
2018-016	Unresolved	\$0
<u>Condition:</u>	<p>The city's Department of Behavioral Health and Intellectual Disability Services (DBHIDS) failed to provide documentation evidencing program monitoring of its subrecipient agencies during fiscal year 2018. We selected 21 subrecipient agencies for testing the program monitoring compliance, of which 11 were from DBHIDS and 10 were from the Office of Homeless Services (OHS). During the audit, we obtained evidence for all 10 subrecipient samples tested for OHS. However, after numerous requests to management, DBHIDS failed to provide evidence of subrecipient monitoring for the remaining 11 sampled subrecipient agencies paid out of the Social Services Block Grant. Despite this, we relied on evidence of program monitoring for four of the 11 subrecipient agencies obtained during our fiscal year 2018 City of Philadelphia CAFR audit. We still have not received evidence of program monitoring for the remaining seven sampled agencies. Funding for this program is received from the U.S. Department of Health and Human Services (HHS) and passed through the Pennsylvania Department of Human Services (PaDHS).</p>	
2019 Update:	<p>The prior year finding from 2018 was not finalized until Q 2 of fiscal year 2020. In light of the notification timing difference for fiscal year 2019, DBHIDS did not have the opportunity to improve on deficiencies cited in the original finding. However in 2019, DBHIDS work closely with Finance and the HHS contract unit to improve some existing procedures in contractor classification and monitoring.</p>	
Contact:	<p>Joe Lowry, Chief Financial Officer, Department of Behavioral Health and Intellectual Disability Services (215) 685-2497</p>	
Total U.S. Department of Health and Human Services Questioned Costs:		\$0

**City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2019**

Reference Number	Status	Questioned Costs
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U.S. Department of Justice

Edward Byrne Memorial Competitive Grant Program

2017-013	Unresolved	\$8,610,562
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Condition:

The Managing Director's Office (MDO) failed to adequately perform after-the-award monitoring procedures by not ensuring its subrecipient, the Philadelphia 2016 Host Committee (Host Committee), had a single audit conducted. The City of Philadelphia (city) hosted the Democratic National Convention (DNC) in July 2016, and the Host Committee was established and subawarded \$8,610,562 of program funds to aid the city with various obligations in support of the DNC. The Host Committee ceased operations shortly after the DNC. Funding for this program was received from the U.S. Department of Justice, Office of Justice Programs, Bureau of Justice Assistance.

2019 Update:

The MDO submitted a corrective action plan to the grantor agency in calendar year 2018. MDO has not received final approval of the corrective action plan, and we remain in active communication with the grantor agency to address any questions.

Contact:

Marcia R. Dixon, Director of Finance & Administration, Criminal Justice & Public Safety, MDO (215) 686-2131

**City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2019**

Reference Number	Status	Questioned Costs
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Edward Byrne Memorial Competitive Grant Program

2017-014	Unresolved	\$0
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Condition:

The Managing Director's Office (MDO), in conjunction with the Grants Accounting and Administrative Unit (GAAU) of the Finance Office, processed and approved all program transactions in the city's Financial Accounting and Management Information System (FAMIS) under an incorrect Catalog of Federal Domestic Assistance (CFDA) number for the Edward Byrne Memorial Competitive Grant. This program supported the City of Philadelphia's hosting of the Democratic National Convention (DNC) in July 2016, and the funding is received from the U.S. Department of Justice, Office of Justice Programs, Bureau of Justice Assistance.

2019 Update:

The MDO submitted a corrective action plan to the grantor agency in calendar year 2018. MDO has not received final approval of the corrective action plan, and we remain in active communication with the grantor agency to address any questions.

Contact:

Marcia R. Dixon, Director of Finance & Administration, Criminal Justice and Public Safety, MDO (215) 686-2131

Total U.S. Department of Justice Questioned Costs:	\$8,610,562
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**City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2019**

Reference Number	Status	Questioned Costs
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U.S. Department of Homeland Security

National Urban Search and Rescue (US&R) Response System

2018-010

Unresolved

\$0

Condition:

The Pennsylvania Task Force 1 (PA-TF1), on behalf of the city's Philadelphia Fire Department (PFD), submitted quarterly *Federal Financial Reports* (SF-425s) and Semi-Annual Performance Reports that were inaccurate for federal awards received under the National Urban Search and Rescue Response System - Readiness Cooperative Agreement. Our review of SF-425s submitted in fiscal year 2018 disclosed that amounts reported for "*Cash Disbursements*", "*Federal share of expenditures*" and "*Federal share of unliquidated obligations*" were understated. Auditee's SF-425s were prepared on a cash basis. Under the cash basis, cash disbursement amounts should be equal to the federal share of expenditure amounts. The understated amounts for "*Federal share of expenditures*" and "*Federal share of unliquidated obligations*" reported on the SF-425s.

As a result, any lines on the SF-425s that were calculated using the auditee amounts were incorrect. Additionally, the "*Federal share of expenditures*" totals that were reported on the two fiscal year 2018 Semi-Annual Performance Reports were identical to the sums reported on the SF-425 Reports. Therefore, the Semi-Annual Performance Reports submitted for fiscal year 2018 were also erroneous. Funding for this program is received from the U.S. Department of Homeland Security and administered by the Federal Emergency Management Agency under Federal Award Identification Numbers: EMW-2015-CA-00018, EMW-2016-CA-00010, and EMW-2017-CA-00076.

2019 Update:

During the exit conference for the audit, it was agreed that the Fire Department would produce reports to help more accurately capture and prepare the PA-TF1 (task force) federal financial reports. The task force agrees to adhere to the City of Philadelphia's municipal policy/uniform procedures for expenditure reconciliation.

These procedures are outlined in the City of Philadelphia Office of the Director of Finance's Standard Accounting Procedure # G 3-1. With the assistance of the Sponsoring Agency's (Philadelphia Fire Department) fiscal unit, the task force will complete the Office of the Director of Finance Grants Accounting and Administration Unit FAMIS Reconciliation form. FAMIS is the City's Central Accounting System.

The aforementioned reconciliations will provide assurance that grant information contained in the FAMIS accounts is accurate and reliable for financial statement preparation and audit requirements. It will also ensure that the financial information contained in the Schedule of Expenditures of Federal Awards (SEFA) accurately reflects FAMIS for each grant award.

Contact:

Cpt. Brian Booth, Grant Program Manager, Philadelphia Fire Department PA-Task Force 1, (215) 683-9245

**City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2019**

Reference Number	Status	Questioned Costs
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Disaster Grants – Public Assistance

2018-011	Unresolved	\$90,020
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Condition:

The Office of Emergency Management (OEM) and Division of Aviation (DOA) could not provide adequate documentation to support \$121,361 in materials costs they charged for the snow removal project under the Disaster Grants – Public Assistance program. The DOA’s support for materials listed a total amount used for each type of material by location but did not provide usage records. As a result, the auditors could not verify the accuracy of the use of materials and related costs. Funding for this program is received from the U.S. Department of Homeland Security and pass-through the Pennsylvania Emergency Management Agency. The Federal Award Identification Number for the Public Assistance program is FEMA-4267-DR-PA-101-60000-00.

2019 Update:

It is Aviation’s policy to document the usage of contractor time, the usage of materials and supplies, food vouchers disbursed and accommodations used for all inclement weather events. Since we have learned through this audit that our current recording document is insufficient in capturing the necessary information to substantiate the items used and claimed, we are working with our staff to update the recording document and accompanying instruction guidelines and procedures to ensure that all items used during inclement weather events will be captured and recorded in a detailed and accurate manner.

However, the Airport believes that the amount in this finding should be prorated over the number of storm days as these materials and supplies were used daily in this weather event. Also, the documents previously submitted to FEMA disclosed there were no use logs for materials during the storm and the amount requested by the City was well considered, approved and reimbursed by FEMA.

Contact:

Brandon Lapsley, Homeland Security Grant Program Manager, OEM (215) 686-1450

**City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2019**

Reference Number	Status	Questioned Costs
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Disaster Grants – Public Assistance

2018-012	Unresolved	\$39,593
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Condition: The Office of Emergency Management (OEM), on behalf of the Division of Aviation (DOA) incorrectly claimed \$67,477 for overtime fringe benefits based on a fringe rate of 54.92 percent. However, the rate included the cost of worker's compensation, legal fees, employee disability, life insurance, and medical insurance, which are not applicable to overtime. OEM should have based its claim on a rate of 11.953 percent determined by the city for the overtime fringe benefits, which would have resulted in charges of \$14,686. Funding for this program is received from the U.S. Department of Homeland Security and pass-through the Pennsylvania Emergency Management Agency (PEMA). The Federal Award Identification Number for this grant is FEMA-4267-DR-PA-101-60000-00.

2019 Update: The Division of Aviation acknowledges the use of the 54.92% fringe benefit rate, which is a combination of regular time = 42.97% and overtime = 11.953% as calculated by the City's Finance Department. As an agency of the City, whenever we reimburse, or get reimbursed from, a fellow agency, we only calculate the hours of overtime labor worked, and assume that the associated fringe benefits rate in our force account labor totals are appropriate. We were unaware that straight- or regular-time salaries and benefits of permanent employees engaged in emergency work were not eligible for Public Assistance funding under the regulations covering the awarded grant. In the future, we will note this fringe benefits rate cap requirement and will work closely with Central Finance and OEM to ensure the appropriate rate is used.

Contact: Brandon Lapsley, Homeland Security Grant Program Manager, OEM (215) 686-1450

Total U.S. Department of Homeland Security Questioned Costs:	\$129,613
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**City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2019**

Reference Number	Status	Questioned Costs
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**Community Development Block Grants/Entitlement Grants
National Urban Search and Rescue (US&R) Response System**

2018-013	Unresolved	\$0
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Condition: GAAU did not accurately disclose the total payments to subrecipients in the preliminary SEFA provided for audit. Our review of records indicated that subrecipient expenditures for the major programs were overstated by \$10.2 million. GAAU concurred with our findings and corrected the amounts reported for subrecipient expenditures. This condition was reported as finding number 2017-016 for the Community Development Block Grants/Entitlement Grants (CDBG) in the prior year report.

2019 Update: We agree with the finding that the subrecipient spending for the two programs was not accurate. We reinforced with the Department's Responsible Certifying Official pursuant to 2 CFR 200.415 the need to make accurate subrecipient determinations for fiscal year 2019 financial reporting purposes in accordance with the Uniform Guidance.

Contact:	Leon Minka, Accounting Manager, Finance	(215) 686-6172
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**City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2019**

Reference Number	Status	Questioned Costs
U.S. Department of Transportation		
Highway Planning and Construction		
2018-014	Resolved	\$0
<u>Condition:</u>	The internal control procedures at the city's Department of Streets failed to detect fiscal year 2019 expenditures being recorded as fiscal year 2018 expenditures. Our testing of 33 significant transactions covering 95.24% of the total expenditures for the Highway Planning and Construction program revealed that four transactions with amounts totaling \$3,967,374 should have been recorded in fiscal year 2019 instead of fiscal year 2018. Consequently, GAAU incorrectly included the amount in the fiscal year 2018 preliminary SEFA until detected by the auditors. Funding for this program is received from the U.S. Department of Transportation and is pass-through Pennsylvania Department of Transportation.	
2019 Update:	This finding does not warrant further action in accordance with 2CFR Section 200.511 (b) (3).	
Contact:	Deborah McKee, Fiscal Officer, Department of Street, (215) 686-5466	
Total US. Department of Transportation Questioned Costs:		\$0

**City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2019**

Reference Number	Status	Questioned Costs
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**Edward Byrne Memorial Competitive Grant
Community Development Block Grants/Entitlement Grants
Block Grant for Prevention and Treatment of Substance Abuse
Community Service Block Grant
Emergency Solutions Grant Program**

2017-016	Unresolved	\$0
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Condition: GAAU did not accurately disclose the total payments to subrecipients in the preliminary SEFA provided for audit. Our review of records indicated that subrecipient expenditures for the major programs listed were either understated, overstated, or not reported at all, which nets to \$14.7 million. GAAU concurred with our findings and corrected the amounts reported for subrecipient expenditures.

2019 Update: In FY 2018 GAAU continued to work with Departments to enforce existing procedures to improve the accuracy of financial reporting. The additional tools developed by GAAU such as the customized reports from the City's accounting system enabled Departments to better identify and quantify subrecipient expenditures in FY 2018. Except for 14.218, the CFDA numbers cited in this finding did not have any repeat findings in FY 2018.

Contact:	Leon Minka, Accounting Manager, Finance	(215) 686-6172
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City of Philadelphia
Summary Schedule of Prior Year Audit Findings
Fiscal Year Ended June 30, 2019

Status of Prior Year Audit Findings – Financial Audit

2018-001 INADEQUATE STAFFING LEVELS, LACK OF TECHNOLOGICAL INVESTMENT AND INSUFFICIENT OVERSIGHT LED TO UNDETECTED MATERIAL MISSTATEMENTS

Staff Shortages Along with the Lack of a Comprehensive Financial Reporting System Have Contributed to Significant Financial Statement Errors

Condition: Errors totaling \$236 million were not detected by Finance Office accountants during preparation of the city’s fiscal year 2018 CAFR.

Untimely and Inadequate Review Procedures for Aviation Fund Statements Resulted in Undetected Material Errors

Condition: The Division of Aviation’s (DOA’s) accounting management failed to detect material errors totaling \$122.4 million in the Aviation Fund financial statements submitted to the Finance Office for inclusion in the city’s fiscal year 2018 CAFR.

Late Receipt of Component Unit Financial Reports Still Delayed Preparation and Audit of CAFR

Condition: Previously, we recommended that the Finance Office strive to more timely complete its evaluation of potential component units (PCUs) and its requests for financial statements for those entities determined to be component units. The current audit noted that Finance Office accountants performed the PCU evaluation process in a timelier manner, sending out PCU questionnaires by July 12, 2018 and receiving all completed questionnaires by August 31, 2018. In the prior year, the Finance Office did not timely determine that the Philadelphia Housing Authority (PHA) was a component unit and consequently requested its financial statements very late. For the current year, Finance Office accountants sent the request for PHA’s statements much earlier (March 28, 2018) so that PHA, whose fiscal year-end is March 31st, had adequate notice of the city’s reporting requirements. The Finance Office requested all other component units’ financial reports by September 7, 2018. Based on the improvement noted, we consider this condition resolved.

Despite the above noted improvement, as we have reported for the last several years, late receipt of component unit financial reports continued to delay preparation and audit of the city’s CAFR. Six of the city’s ten component units still did not submit their final reports by the due dates requested by Finance Office accountants.

The greatest challenge to the timely completion of the CAFR came from the Philadelphia Redevelopment Authority (PRA), the School District of Philadelphia, and Philadelphia Municipal Authority (PMA). These three agencies submitted their reports very late (February 12, 2019 for PRA and the School District and February 13, 2019 for PMA), leaving the Finance Office accountants and the Controller’s Office auditors little time to ensure that they were accurately included in the city’s CAFR before it was issued on February 25, 2019.

City of Philadelphia
Summary Schedule of Prior Year Audit Findings
Fiscal Year Ended June 30, 2019

Status of Prior Year Audit Findings – Financial Audit

Status: In the FY 2019 Schedule of Findings and Questioned Costs, this finding is updated as 2019-001 and is deemed unresolved.

2018-002 UNTIMELY AND INACCURATE PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RESULTED IN LATE SUBMISSION OF THE SINGLE AUDIT REPORTING PACKAGE TO THE FEDERAL AUDIT CLEARINGHOUSE

Condition: Because the city expends more than \$750,000 of federal awards, Office of Management and Budget's (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires a single audit of grant activities to be performed each year. The Finance Office's Grants Accounting and Administrative Unit (GAAU) is responsible for preparing the Schedule of Expenditures of Federal Awards (SEFA). GAAU personnel employ a manual process to enter grant expenditures from the city's accounting system into the SEFA through a fund schedule, which is adjusted based on mandatory grant reconciliations provided by the city departments responsible for grants (departments). For fiscal year ending June 30, 2018, a preliminary SEFA was not prepared and provided for audit until March 18th of the following calendar year, which was 13 days prior to the required deadline of March 31st, to submit the reporting package.

Also, for the past several years, we have reported that GAAU has provided an inaccurate SEFA for audit. In the preliminary fiscal year 2018 SEFA submitted for audit, we again observed the following errors made by GAAU and the Philadelphia Department of Human Services (DHS) concerning the Children and Youth Program:

- Total expenditures for Stephanie Tubbs Jones Child Welfare Services Program, Catalog of Federal Domestic Assistance (CFDA) #93.645 - Title IV-B were not reported. This error was discovered during the auditor's review of the grant reconciliations and the Act 148 invoice, which were prepared by DHS.
- As reported in the prior year, the Temporary Assistance for Needy Families (TANF), CFDA #93.558 – Title IV, Part A program reported expenditures for the fiscal year 2017 award which, when totaled from prior year SEFAs through the current year, exceeded the award amount.

However, the total expenditures for TANF, CFDA #93.558 – Title IV, Part A program which were significantly understated in fiscal year 2017 were materially correct for fiscal year 2018.

Additionally, the preliminary SEFA did not include the required amount provided to subrecipients from each federal program. Since the preliminary SEFA had no subrecipient information, we were not able to follow up on the prior year finding #2017-012 *Weaknesses in Controls Led to Inaccurate Subrecipient Expenditure Amounts Reported on the Schedule of Expenditures of Federal Awards* included in Section II of the Schedule of Findings and Questioned Costs reported in the fiscal year 2017 Schedule of Financial Assistance.

City of Philadelphia
Summary Schedule of Prior Year Audit Findings
Fiscal Year Ended June 30, 2019

Status of Prior Year Audit Findings – Financial Audit

Status: In the FY 2019 Schedule of Findings and Questioned Costs, this finding is updated as 2019-002 and the late SEFA is deemed unresolved. The inaccurate SEFA portion is deemed Resolved.

2018-003 WHILE IMPROVED, REMAINING DEFICIENCIES IN TREASURER’S BANK RECONCILIATION PROCEDURES STILL CREATE POTENTIAL FOR UNDETECTED ERRORS AND IRREGULARITIES

While Reconciliation of Consolidated Cash Account Has Improved, There Remains a \$529,000 Unreconciled Variance and Need for Formal Reconciliation Procedures

Condition: In the last three reports, we noted that the Treasurer had not properly reconciled the consolidated cash account during fiscal years 2015 through 2017, with differences between book and bank activity not readily identified or investigated and no comparison of reported revenue collections to bank deposits. The prior audit disclosed that, starting with the June 2017 activity, the Treasurer began reconciling book and bank activity, comparing reported collections to bank deposits, preparing a detailed list of reconciling items, and sending this list to city departments for investigation. However, for activity prior to June 2017, there was an unknown variance of \$33.3 million, where book activity exceeded bank activity.

Our current audit found that the Treasurer made considerable efforts to correct this condition. In January 2018, the Treasurer hired an accounting supervisor whose main responsibility was reconciling the consolidated cash account. We observed that all fiscal year 2018 reconciliations for the consolidated cash account were prepared and reviewed in a timely manner, with the June 2018 reconciliation completed and reviewed by early August 2018. Also, we noted that the reconciliations included a detailed list of the items making up the difference between the book and bank balance, and the Treasurer continued its practice of sending the monthly list of reconciling items to city departments for their assistance with investigating the items. Based upon the improvement noted, we consider these conditions resolved. However, the current review noted that the Treasurer had not yet formalized in writing its reconciliation procedures for the consolidated cash account.

As for the \$33.3 million unknown variance, the Treasurer hired an accounting firm to assist with this issue. The accounting firm performed a reconciliation of consolidated cash account activity for fiscal years 2015 through 2017, performing a match of bank deposits and disbursements to the book activity per the city’s FAMIS accounting system. When the firm completed its review and issued its report in January 2019, most of the \$33.3 million difference had been identified, with the unknown variance down to \$529,000, where book activity still exceeded bank activity. While the firm noted no remaining unmatched disbursements, there were still some bank receipt transactions that could not be matched to FAMIS – seven deposits totaling \$2.2 million and 15 wire transfers from other city bank accounts totaling \$11.3 million, which the Treasurer asserted were valid transactions due to their internal nature. The Treasurer noted that, as it investigates these unmatched receipt transactions, the amount of the variance will continue to fluctuate.

City of Philadelphia
Summary Schedule of Prior Year Audit Findings
Fiscal Year Ended June 30, 2019

Status of Prior Year Audit Findings – Financial Audit

In a related matter, we followed up on the status of the ongoing problems with reconciling revenue activity for the Department of Public Health (DPH), as last year's report noted there were variances between the DPH's recorded collections and the amounts transferred daily to the consolidated cash account from the DPH's separate bank account. The June 2018 consolidated cash bank reconciliation showed a \$435,000 variance between DPH's recorded collections and actual transfers from DPH's bank account. The Treasurer informed us that they began working with the DPH to develop a revised process for handling the DPH's revenue receipts and plan to finalize and implement the revised process by the end of fiscal year 2019.

Failure to Review Prior Year Activity for Certain Long Unreconciled Accounts Could Allow Errors or Irregularities to Remain Undetected

Condition: In the prior audit, we reported that the Treasurer had not reconciled six city checking accounts for several years. The current audit noted that the Treasurer made considerable efforts to bring these accounts' reconciliations up to date. However, while the Treasurer asserted that all six accounts were now fully reconciled, for four of the six accounts the Treasurer was unable to provide bank reconciliations for all of the unreconciled months. Therefore, for the months where bank reconciliations were not provided, there was no documented evidence that a detailed review of account activity for those months was performed to identify errors or unusual transactions that required further investigation. We did note that, for the Payroll and General Disbursement Accounts, the bank generated a report listing unpaid checks, the dates for which ranged back to the periods with no available reconciliations. While the bank's unpaid checks report allowed the Treasurer to identify and transfer unclaimed payroll checks to the city's Unclaimed Monies Fund, the report did not represent a complete review of transactions for the unreconciled months.

A resulting condition from the Treasurer's failure to reconcile these accounts for several years was noncompliance with Pennsylvania's Disposition of Abandoned and Unclaimed Property Act (escheat act). In February 2019, the Treasurer transferred \$894,612 of unclaimed payroll checks from the closed Wells Fargo Payroll Account into the city's Unclaimed Monies Fund. \$825,638 of the amount transferred related to unclaimed payroll checks from calendar years 2010 through 2016 that should already have been escheated to the state, and the other \$68,974 pertained to outstanding payroll checks from calendar year 2017. With regard to the General Disbursement Account, the January 2019 unpaid checks report from the bank showed \$6.7 million of outstanding vendor checks for calendar years 1999 through 2015 – years for which the unclaimed funds should have been escheated to the state. However, we observed that the bank's unpaid checks report erroneously included a \$2.4 million vendor check from 2005, which the city's FAMIS accounting system listed as voided.

As of March 2019, none of the unclaimed payroll or vendor checks had been escheated to the state. According to our inquiry of the Finance Office accounting supervisor who oversees the city's Unclaimed Monies Fund, the unclaimed payroll checks will most likely be escheated to the state by April 2019.

City of Philadelphia
Summary Schedule of Prior Year Audit Findings
Fiscal Year Ended June 30, 2019

Status of Prior Year Audit Findings – Financial Audit

Status: In the FY 2019 Schedule of Findings and Questioned Costs, this finding is updated as 2019-006 and is deemed “unresolved,” as it was downgraded from a material weakness to a significant deficiency.

2018-004 FAILURE TO CLOSE OUT PRIOR YEAR GRANT ACTIVITY INCREASES RISK OF REPORTING ERRORS

Condition: The Finance Office along with the Department of Behavioral Health and Intellectual Disability Services (DBHIDS) failed to timely identify and close out remaining account balances for completed DBHIDS grants. Specifically, per our review of the city’s FAMIS accounting system records for the Grants Revenue Fund as of June 30, 2018, the city’s books still showed \$31 million of cash balances related to completed DBHIDS grants for prior fiscal years ranging from 2005 to 2015.

Status: In the FY 2019 Schedule of Findings and Questioned Costs, this finding is deemed resolved.

City of Philadelphia
Summary Schedule of Prior Year Audit Findings
Fiscal Year Ended June 30, 2019

Status of Prior Year Audit Findings – Financial Audit

2018-005 FAILURE TO SEGREGATE PAYROLL DUTIES COULD ALLOW FRAUD TO OCCUR

Condition: During fiscal year 2018, the duties concerning the data entry, review, and approval of bi-weekly payroll transactions were again not adequately segregated. Our testing of 55 city departments for 26 pay periods revealed 257 occasions (18 percent), in which the same individual posted and approved the on-line payroll time records, applied both the supervisory and executive-level approvals, or performed all three duties. Employees in 23 departments performed duplicate functions for more than two pay periods, with the Mayor’s Office, the Police Department, the Fire Department, and the Board of Pensions and Retirement being the most recurrent among the larger departments. While there had been improvement in this condition when compared to the previous year’s findings, a significant number of city agencies were still not adequately segregating payroll duties.

Status: In the FY 2019 Schedule of Findings and Questioned Costs, this finding is updated as 2019-007 and is deemed unresolved.

2018-006 CAPITAL ASSET CONTROL DEFICIENCIES INCREASE RISK OF REPORTING ERRORS

Lack of a Comprehensive Capital Asset System Hampered Reporting Process

Condition: The city still lacks a comprehensive capital asset management system to better manage and account for real property assets. Instead, Finance Office accountants continue to maintain a cumbersome series of Lotus 1-2-3 and Excel files, that together with FAMIS, constitute the current fixed asset ledger. Various spreadsheet files accumulate the cost of capital assets and work in progress, while other spreadsheet files are used to calculate depreciation expense and accumulated depreciation reported in the city’s CAFR. Real property addresses are only available in FAMIS by user code, which is identified in an Excel file called the “Proof”.

Failure to Inventory Real Property Assets Increases Risk of Inaccurate Accounting Records

Condition: Except for the PWD and the DOA, which both periodically check the physical existence and condition of their real property assets, this year’s audit again disclosed no evidence that the city’s other real property assets had been recently inventoried. Also, we previously recommended that the Finance Office compare the Philadelphia City Planning Commission’s (PCPC’s) master database of city-owned facilities to the city’s fixed asset ledger to identify any discrepancies. In its response to last year’s report, management stated that, during fiscal year 2018, the Department of Public Property (Public Property) implemented the Integrated Workplace Asset Management System (IWAMS), which contains various data on the city’s real estate assets, including maintenance and improvement costs, and uses as its “backbone” the PCPC’s master facilities database. In its prior year response, management indicated that it would explore whether the assets

City of Philadelphia
Summary Schedule of Prior Year Audit Findings
Fiscal Year Ended June 30, 2019

Status of Prior Year Audit Findings – Financial Audit

in the IWAMS database could be compared to the city’s fixed asset ledger. During the current audit, Finance Office management informed us that they met with the Office of Innovation and Technology (OIT) in September 2018 to discuss obtaining a database of city-owned property to enable such a comparison; however, as of March 26, 2019, no further action has been taken.

Status: In the FY 2019 Schedule of Findings and Questioned Costs, this finding is updated as 2019-009 and is deemed unresolved.

**2018-007 FAILURE TO TIMELY TRANSFER FUNDS BETWEEN CITY BANK ACCOUNTS
COULD RESULT IN SIGNIFICANT REPORTING ERRORS**

Condition: Reported cash and investment amounts in the city’s CAFR – specifically those reported under the account entitled Equity in Treasurer’s Account – continued to be at an increased risk for significant misstatement because the Finance Office’s accountants still did not always timely transfer monies between city bank accounts to match activity recorded on the city’s accounting system (FAMIS), which is the source of CAFR amounts.

All cash and investments in the bank accounts under the control of the Treasurer are reported under the Equity in Treasurer’s Account, which represents each fund’s share in the Treasurer’s group of bank accounts. While many funds are members of the consolidated cash bank account, which pools monies to maximize the city’s investment earnings, the city must also maintain separate bank accounts for certain funds, such as the Water and Aviation Funds, to comply with legal requirements (e.g. bond covenants and ordinances). Therefore, when there is activity in FAMIS that necessitates moving funds between city bank accounts, such as the transfer of expenditures from consolidated cash member funds to the Water or Aviation Funds, Finance Office accountants must prepare a cash transfer authorization (CTA) to authorize the Treasurer to move the funds.

Our current testing noted the following instances when Finance Office accountants did not timely prepare and submit CTAs to the Treasurer:

- For \$6.6 million of pending transfers due from the Water and Aviation Operating Fund bank accounts to the consolidated cash account – which related to interfund expenditure transfers processed in June 2018 – Finance Office accountants did not prepare the CTA to authorize the transfers until February 2019, at the request of the Controller’s Office. The Treasurer transferred the monies in February 2019. We noted a similar instance in the prior audit.
- A CTA prepared in late June 2018 to transfer \$4 million from the Aviation Operating Fund and consolidated cash bank accounts to the Aviation Capital Fund account was not approved by Finance Office management until September 2018. Finance Office management asserted that this CTA was

City of Philadelphia
Summary Schedule of Prior Year Audit Findings
Fiscal Year Ended June 30, 2019

Status of Prior Year Audit Findings – Financial Audit

delayed because it required additional review by them. The Treasurer made the corresponding transfer in September 2018.

- In September 2018, Finance Office accountants posted an entry in FAMIS to record a \$1.6 million transfer from the Water Revenue Bond Sinking Fund Reserve to the General Fund (a member fund of the consolidated cash account). However, it was not until November 2018, approximately two months later, that the Finance Office prepared the CTA and the Treasurer processed the bank transfer.

Status: In the FY 2019 Schedule of Findings and Questioned Costs, this finding is updated as 2019-011 and is deemed unresolved.

2018-008 LAX MONITORING OF ADJUSTMENTS TO TAX ACCOUNTS MAY LEAD TO UNDETECTED ERRORS OR IRREGULARITIES

Condition: Previously, we reported that Revenue Department accountants did not perform timely reviews of adjustments made to taxpayer accounts, which on any given day can involve millions of dollars. Accountants only performed a very limited review of fiscal year 2016 adjustments in January 2017 while there was no review of fiscal year 2017 adjustments. Our current audit found that accountants had not performed any reviews of adjustment transactions for the majority of fiscal year 2018 – July 2017 through mid-April 2018 – until the responsibility was assigned to the newly hired Financial Reporting Unit (FRU) accounting manager. For adjustment activity posted since mid-April 2018, the FRU accounting manager selected a small sample of adjustments for review each week from the daily adjustment listings. The adjustment review process consisted of the following steps: requesting support from the employee who posted the sampled adjustment, reviewing the support to ensure the adjustment was valid, and retaining each sampled adjustment’s documentation to evidence this review. However, Revenue Department management informed us that, as of January 2019, a formal written policy for the adjustment review process had not yet been established.

Numerous Revenue Department employees have the ability to post payment and receivable adjustments directly to taxpayer accounts on Revenue’s Taxpayer Inquiry and Payment System (TIPS). TIPS is the department’s computerized accounting system, which is the source for taxes receivable reported in the CAFR. Examples of payment adjustments include transferring payments within a taxpayer’s account (i.e. between tax years and/or tax types), transferring payments from one taxpayer account to another, changing the dollar amount of a payment, and creating a new payment on the system. Receivable adjustments involve increasing, decreasing, or entirely deleting a taxpayer’s liability. While employees only had the ability to perform adjustments up to an authorized dollar limit and supervisory approval was required for adjustments exceeding the established limits, the effectiveness of these system security controls was lessened by the fact that employees could have very high dollar limits. For instance, we observed dollar limits as high as \$1 million for non-supervisory personnel and \$25 million for supervisory personnel.

City of Philadelphia
Summary Schedule of Prior Year Audit Findings
Fiscal Year Ended June 30, 2019

Status of Prior Year Audit Findings – Financial Audit

Status: In the FY 2019 Schedule of Findings and Questioned Costs, this finding is deemed resolved.

2018-009 SAPs REQUIRE UPDATING TO ENSURE ACCURATE AND CONSISTENT APPLICATION OF ACCOUNTING RULES AND REGULATIONS

Condition: The city's SAPs, which serve as the basis for the city's system of internal control, continue to be long outdated and fail to reflect the automated processes and practices currently in use. The Finance Office has established over two hundred SAPs to provide city departments and agencies with guidance on how to handle various accounting related activities, including proper procedures for ensuring the accuracy of transactions and the safeguarding of assets. Over the years, as new technologies were adopted and daily practices were enhanced, the existing SAPs have not been updated accordingly, with over 50 percent of them still being more than half a century old.

Since September 2015, the Finance Office has updated 11 SAPs, with the most recent being the following two SAPs issued on April 10, 2019 in conjunction with the implementation of the new OnePhilly payroll system:

- SAP No. E-9011, *Daily Timekeeping Source Documents and Attendance Record-Keeping* – This SAP discusses the forms and methods that departments are to use in preparing daily records of employee attendance.
- SAP No. E-0911, *Signature Authorization Form* – This SAP – which, in the last three reports, we had specifically recommended that the Finance Office update – establishes requirements regarding the signature authorization forms used to verify the propriety of departmental approvals for bi-weekly payrolls and payment vouchers.

Also, during fiscal year 2018, the Finance Office hired a consultant to assist in reviewing and updating the SAPs. In addition to assisting with the update of the two most recently revised SAPs, the consultant has prepared a draft version of a manual which will serve as the single document warehousing all SAPs and generated an archived listing of the old SAPs that will be incorporated into the manual and used as a crosswalk to the updated SAPs. The consultant is also working with the Finance Office to revise the SAP numbering format. Per discussion with Finance Office management, their goal for calendar year 2019 is completing the update of the SAPs for the payroll and grant areas.

Status: In the FY 2019 Schedule of Findings and Questioned Costs, this finding is updated as 2019-0010 and is deemed unresolved.



SUPPLEMENTARY FINANCIAL INFORMATION SECTION

Pennsylvania Department of Human Services

**Pennsylvania Department of Community and
Economic Development**

City of Philadelphia
Schedule of Expenditures of Pennsylvania Department of Human Services Awards
July 1, 2018 to June 30, 2019

<u>Pa. DHS Program</u>	City ID Number	CFDA	Contract Number	Grant Awards	Grant Expenditures	Federal Cash Received
Project Title						
<u>Mental Health/Intellectual Disabilities</u>						
Early Intervention (EI) Evid Base FY 19	150895	0	Award Letter	5,000	4,961	0
ID - Community Services Service Fee(10255) F	150883	0	Allocation Letter	5,000	5,000	0
ID - Community Services (10255) FY19	150882	0	Allocation Letter	17,398,665	17,398,665	0
ID - Early Intervention (10235) FY19	150884	0	Allocation Letter	1,612,617	1,612,617	0
ID - Early Intervention (70170) FY19	150877	84.181	Allocation Letter	6,009,536	6,009,536	5,794,536
ID - Program Income	150999	93.778	Allocation Letter	652,282	652,282	652,282
ID - SSBG (70177) FY19	150878	93.667	Allocation Letter	1,422,353	1,422,353	1,422,353
ID - TSM Admin Federal (70175) FY19	150881	93.778	Grant Agreement	612,998	612,998	612,998
ID - Waiver Admin (70175) FY19	150879	93.778	Allocation Letter	6,915,552	6,915,552	6,915,552
ID - Waiver EI (70184) FY19	150880	93.778	Allocation Letter	478,452	309,624	477,931
ID- Early Intervention Service Fee (10235) FY18	150859	0	Allocation Letter	24,061,482	1,235,390	0
ID- Temp Money Follows the Person MFP FY19	150886	93.791	Allocation Letter	180,000	180,000	180,000
ID- TSM Admin Federal (70175) FY18	150855	93.778	Allocation Letter	692,998	0	93,869
ID- Waiver Admin (10255) FY19	150889	0	Allocation Letter	6,915,552	6,915,552	0
ID-Early Intervention Service Fee (10235) FY19	150885	0	Allocation Letter	20,268,874	18,656,778	0
MH - CMHSBG (70167) FY19	150865	93.958	Allocation Letter	3,148,881	3,079,748	3,079,748
MH - Homeless Grant (70154) FY19	150864	93.150	Allocation Letter	438,674	438,674	438,674
MH - Program Income	150998	0	Allocation Letter	8,019,867	8,019,867	0
MH - Program Maintenance (10248) FY19	150866	0	Allocation Letter	137,960,399	137,210,399	0
MH - SSBG (70135) FY19	150863	93.667	Allocation Letter	5,532,135	5,532,135	5,532,135
MH- Behavioral MH SV (10262)	150867	0	Allocation Letter	4,016,773	4,016,773	0

The accompanying notes are an integral part of this schedule.

City of Philadelphia
Schedule of Expenditures of Pennsylvania Department of Human Services Awards
July 1, 2018 to June 30, 2019

<u>Pa. DHS Program</u>	City ID	CFDA	Contract Number	Grant Awards	Grant Expenditures	Federal Cash Received
Project Title	Number					
MH- Specialized Residences (10258)	150868	0	Allocation Letter	930,058	930,058	0
Total Mental Health/Intellectual Disabilities:				247,278,148	221,158,962	25,200,078
<u>Children and Youth Programs</u>						
Caseworker Visitation Grant FY18	221483	93.556	Award Letter	213,594	2,101	0
Caseworker Visitation Grant FY19	221485	93.556	Award Letter	216,590	216,590	216,590
Child & Youth Act 148- YDC Costs	229999	0	YDC Costs	9,549,306	9,549,306	0
Child Protective Services FY19	221779	93.667	Award Letter	2,888,308	2,888,308	2,888,308
Child Welfare Services	G22CWS	0	Award Letter	11,421	11,421	0
Child Welfare Services - Act 148 FY14	221341	0	Award Letter	351,276,814	494	0
Child Welfare Services - Act 148 FY15	221402	0	Award Letter	378,476,087	19,134	0
Child Welfare Services - Act 148 FY16	221832	0	Award Letter	343,459,981	62,781	0
Child Welfare Services - Act 148 FY17	221836	0	Award Letter	349,659,236	255,090	0
Child Welfare Services- Act 148 FY18	221840	0	Award Letter	353,047,609	6,217,452	0
Child Welfare Services- Act 148 FY19	221845	0	Award Letter	340,384,122	328,928,833	0
Family Group Decision Making (FGDM) FY19	221635	0	State Award Letter	1,258,323	977,550	0
Family Group Decision Making (FGDM) FY19	221636	0	State Award Letter	114,000	68,400	0
Family Preservation Funds -Title XX FY19	150499	93.667	Award Letter	605,304	605,304	605,304
Information Technology Grant (ITG) FY18	222253	0	Award Letter	11,287,437	1,117,142	0
Information Technology Grant (ITG) FY19	222254	0	Award Letter	10,068,978	10,632,138	0
Information Technology Grant (ITG) FY19	222255	93.658	Award Letter	3,196,501	507,389	0
Temporary Assistance for Needy Families (TANF	221409	93.558	Children & Youth Program	26,033,804	340	0
Temporary Assistance for Needy Families (TANF	221653	93.558	Children & Youth Program	26,033,804	5,931	0

The accompanying notes are an integral part of this schedule.

City of Philadelphia
Schedule of Expenditures of Pennsylvania Department of Human Services Awards
July 1, 2018 to June 30, 2019

<u>Pa. DHS Program</u>	City ID			Grant Awards	Grant Expenditures	Federal Cash Received
Project Title	Number	CFDA	Contract Number			
Temporary Assistance for Needy Families (TANF	221656	93.558	Children & Youth Program	26,033,804	5,513	0
Temporary Assistance for Needy Families (TANF	221659	93.558	Children & Youth Program	26,033,804	225,785	2,139,872
Temporary Assistance for Needy Families (TANF	221662	93.558	Children & Youth Program	26,033,804	22,185,584	11,025,542
Title IV-B State Match FY19	221682	0	Award Letter	686,872	642,451	0
Title IV-B FY19	221683	93.645	Award Letter	2,575,773	2,151,210	2,575,773
Title IV-E Legal Custodianship (SPLC) FY18	222219	93.090	Award Letter	5,910,095	11,563	1,674,749
Title IV-E Adoption Assistance FY17	222054	93.659	Award Letter	22,689,650	0	16,910
Title IV-E Adoption Assistance FY18	222058	93.659	Award Letter	16,984,368	36,397	8,055,522
Title IV-E Adoption Assistance FY19	222066	93.659	Award Letter	24,725,111	28,322,941	19,024,000
Title IV-E Demonstration Project FY15	221439	93.648	Award Letter	64,843,211	11,886	0
Title IV-E Demonstration Project FY16	221443	93.648	Award Letter	62,432,121	16,073	0
Title IV-E Demonstration Project FY17	221447	93.648	Award Letter	60,298,449	249,047	3,478,208
Title IV-E Demonstration Project FY18	221490	93.648	Award Letter	59,836,117	959,985	59,155,005
Title IV-E Foster Care FY15	221410	93.658	Award Letter	23,525,340	424	0
Title IV-E Foster Care FY16	222007	93.658	Award Letter	3,264,912	9,231	0
Title IV-E Foster Care FY17	222014	93.658	Award Letter	3,946,026	19,460	498,541
Title IV-E Foster Care FY18	222025	93.658	Award Letter	2,861,878	918,743	3,755,297
Title IV-E Foster Care FY19	222030	93.658	Award Letter	88,495,964	79,236,935	9,710,810
Title IV-E Legal Custodianship (SPLC) FY17	222215	93.09	Award Letter	6,247,875	0	13,811
Title IV-E Legal Custodianship (SPLC) FY19	222224	93.090	Award Letter	5,423,723	3,983,559	2,852,653
Title IV-E Medical Assistance FY18	222148	93.778	Award Letter	264,476	8,730	72,466
Title IV-E Medical Assistance FY19	222153	93.778	Award Letter	382,466	0	85,102

The accompanying notes are an integral part of this schedule.

City of Philadelphia
Schedule of Expenditures of Pennsylvania Department of Human Services Awards
July 1, 2018 to June 30, 2019

<u>Pa. DHS Program</u>	City ID	CFDA	Contract Number	Grant Awards	Grant Expenditures	Federal Cash Received
Project Title	Number					
Title IV-E Program Income	229995	93.658	Child Support SSI	176,914	176,914	176,914
Total Children and Youth Programs:				2,741,453,970	501,238,133	128,021,377
<u>Combined Homeless Assistance</u>						
HAP - Administration FY19	241272	93.667	Allocation Letter	136,328	0	136,328
HAP - Briddge Housing (F) FY19	241268	93.667	Allocation Letter	2,717,027	2,717,027	2,583,143
HAP - Bridge Housing (PENNFREE)FY19	241269	93.959	Allocation Letter	1,251,804	1,238,013	1,251,804
HAP - Bridge Housing (S) FY18	241184	0	Allocation Letter	200,654	8,191	0
HAP - Bridge Housing FY18	241182	93.667	Allocation Letter	2,583,144	188,274	0
HAP - Case Management (F) FY19	241266	93.667	Allocation Letter	1,463,520	873,636	1,463,520
HAP - Case Management (F) FY19	241271	93.667	Allocation Letter	300,704	300,704	0
HAP - Case Management (S) FY19	241267	0	Allocation Letter	2,535,576	2,330,981	0
HAP - Case Management FY18	241180	93.667	Allocation Letter	1,463,520	45,367	0
HAP - Case Management FY18	241181	0	Allocation Letter	2,535,576	131,640	0
HAP - Case Management FY18	241185	93.667	Allocation Letter	864,802	66,870	0
HAP - Program Income FY19	241274	93.667	Allocation Letter	19,865	8,009	19,865
HAP - Program Income - Pennfree	241165	93.959	Interest	2,021	0	1,015
HAP - Program Income - Pennfree FY19	241273	93.959	Allocation Letter	5,975	0	5,975
HAP - Program Income (S)FY18	241189	0	Allocation Letter	11,703	3,356	0
HAP - Program Income FY18	241188	93.667	Allocation Letter	11,859	7,052	13,372
HAP Program Income - Pennfree FY17	241177	93.959	Allocation Letter	2,469	0	0
HAP- Program Income - PennFree FY18	241187	93.959	Allocation Letter	3,839	2,590	236
HAP Program Income FY17	241178	93.667	Program Income	6,514	0	443

The accompanying notes are an integral part of this schedule.

City of Philadelphia
Schedule of Expenditures of Pennsylvania Department of Human Services Awards
July 1, 2018 to June 30, 2019

<u>Pa. DHS Program</u>	City ID Number	CFDA	Contract Number	Grant Awards	Grant Expenditures	Federal Cash Received
Project Title						
Total Combined Homeless Assistance:				16,116,900	7,921,709	5,475,700
<u>Human Services Development Fund</u>						
HSDF - AACO FY19	144383	0	Allocation Letter	800,000	800,000	0
HSDF - AHS Translation Service FY19	144380	0	Allocation Letter	160,000	160,000	0
HSDF - Case Management FY18	241203	0	Allocation Letter	520,973	127,986	0
HSDF - Children & Youth FY19	241204	0	Allocation Letter	914,187	914,187	0
HSDF - Children & Youth FY19	225083	0	Award Letter	220,000	220,000	0
HSDF - Financial Adminstration FY18	143935	0	Allocation Letter	713,645	67,317	0
HSDF - Financial Adminstration FY19	144382	0	Allocation Letter	574,800	508,778	0
HSDF - Lead Abatement FY19	144381	0	Allocation Letter	130,000	110,482	0
HSDF - Violence Reduction	160672	0	Award Letter	612,800	7,010	0
HSDF - Violence Reduction FY19	160674	0	Award Letter	513,000	512,841	0
Human Services Development Fund FY18	080341	0	Award Letter	164,927	126,846	0
Human Services Development Fund FY18	100711	0	MOU	121,237	29,800	0
Human Services Development Fund FY19	100712	0	Allocation Letter	553,285	101,414	0
Total Human Services Development Fund:				5,998,854	3,686,660	0
<u>Child Support Enforcement</u>						
Child Support - Program Income	841023	93.563	Program Income	100,612	0	37,194
Child Support - Program Income FY17	841025	93.563	Program Income	92,287	0	85,560
Child Support - Program Income FY17	841027	93.563	Revenue Based	95,992	0	141,418
Child Support - Program Income FY19	841029	93.563	Revenue Based	73,040	0	52,406

The accompanying notes are an integral part of this schedule.

City of Philadelphia
Schedule of Expenditures of Pennsylvania Department of Human Services Awards
July 1, 2018 to June 30, 2019

<u>Pa. DHS Program</u>	City ID			Grant	Grant	Federal
Project Title	Number	CFDA	Contract Number	Awards	Expenditures	Cash Received
Child Support Enforcement FY18	690483	93.563	Title IV-D Program	996,008	0	476,846
Child Support Enforcement FY19	690484	93.563	Title IV-D Program	1,699,698	1,699,698	658,033
Child Support Program FY18	841026	93.563	Revenue Based	17,190,421	0	8,833,163
Child Support Program FY19	841028	93.563	Revenue Based	23,892,492	18,951,671	21,977,948
Domestic Relations Division (DRD)	842643	0	Title IV-D Program	7,900,000	2,478,189	0
Domestic Relations Division (DRD) FY17	842644	0	Title IV-D Program	7,900,000	609,162	0
Domestic Relations Division (DRD) FY18	842645	0	Revenue Based	7,900,000	1,277,290	0
Domestic Relations Division (DRD) FY19	842646	0	Revenue Based	7,900,000	1,281,748	0
Total Child Support Enforcement:				75,740,548	26,297,758	32,262,568
<u>Other PaDHS Assistance</u>						
ACT 152 (App 120) FY19	150981	0	Allocation Letter	1,935,318	1,644,430	0
Additional SIL Services (S)FY19	221569	0	Award Letter	2,380,214	1,668,234	0
Behavioral Health Services/IGT(173)FY19	150527	0	Allocation Letter	9,169,723	9,169,723	0
Centers of Excellence (10262) FY19	150528	0	Allocation Letter	2,088,091	1,500,000	0
Functional Family Therapy (FFT) FY19	221584	0	State Award Letter	209,000	110,954	0
Functional Family Therapy (FFT) FY19	221585	0	State Award Letter	149,673	78,460	0
Gambling Addiction Assessment & Treatment Fu	150946	0	Grant Agreement	688,126	688,126	0
Health Enterprise Zone (HEZ)	144160	0	4100078789	1,500,000	620,813	0
Housing Initiative FY18	221573	0	Award Letter	1,700,000	3,850	0
Housing Initiative FY19	221574	0	Award Letter	2,677,500	1,617,230	0
Medicare Part D - Retirees	350438	93.778	Receipts	26,934	26,934	26,934
PA Promising Practice - Delinquent FY18	221623	0	Award Letter	900,000	17,014	0

The accompanying notes are an integral part of this schedule.

City of Philadelphia
Schedule of Expenditures of Pennsylvania Department of Human Services Awards
July 1, 2018 to June 30, 2019

<u>Pa. DHS Program</u>	City ID			Grant Awards	Grant Expenditures	Federal Cash Received
Project Title	Number	CFDA	Contract Number			
PA Promising Practice - Delinquent FY19	221625	0	Award Letter	422,135	359,859	0
PA Promising Practice - Dependent FY19	221624	0	Award Letter	686,069	132,713	0
Supported Work Prog (Workwise) SNAP 9 mont	80325	10.561	4100065378	281,250	60,991	0
Supported Work Program (Workwise) - FY18	080320	93.558	4100065378	7,546,034	2,757,468	1,977,166
Supported Work Program (Workwise) - SNAP F	080321	10.561	4100065378	375,000	123,779	169,695
Supported Work Program (Workwise) - SNAP F	080323	10.561	4100065378	93,750	61,854	1,698,608
Supported Work Program (Workwise) FY19	080324	93.558	4100065378	5,659,525	3,271,471	0
Supported Workwise Program (F) FY19	080322	93.558	4100065378	1,886,509	1,729,685	82,732
Time Limited Family Reunification (TLFR)	221496	0	Contract # 4100077799	166,948	166,948	0
Title IV-E Independent Living FY18	222021	93.674	Award Letter	1,044,895	0	532,260
Title IV-E Independent Living FY19	222023	93.674	Award Letter	1,044,895	938,066	2,328,919
Title IV-E Independent Living-Interest	222022	93.674	Interest	7,108	0	1,427
Total Other PaDHS Assistance:				42,638,697	26,748,601	6,817,741
Total Schedule of Expenditures of PaDHS Awards:				3,129,227,117	787,051,825	197,777,464

The accompanying notes are an integral part of this schedule.

**CITY OF PHILADELPHIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF PENNSYLVANIA
DEPARTMENT OF HUMAN SERVICES AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

1. BASIS OF ACCOUNTING

The modified accrual basis of accounting was used to prepare this schedule. All federal and state financial assistance received from the Pennsylvania Department of Human Services is included.

2. DEPARTMENT OF HUMAN SERVICES MAJOR PROGRAMS

The following represent major programs from the Pennsylvania Department of Human Services as defined in the **Single Audit Supplement**:

Mental Health
Intellectual Disabilities
Early Learning
Child and Youth

3. GOVERNMENTAL FUNDING AWARDED BY THE CITY

The following table identifies funding received from the Pennsylvania Department of Human Services that the city awarded to its subrecipient organizations:

<u>Source</u>	<u>Program</u>	<u>Funding</u>
State - DHS	Mental Health/Intellectual Disabilities	\$ 207,572,313
State – DHS	Behavioral Health Services Initiative	9,169,723
State – DHS	Children and Youth Program	110,393,869
State - DHS	Combined Homeless Assistance Programs	2,508,688
Total Pa. DHS Awards to Subrecipients:		<u><u>\$329,644,593</u></u>



CITY OF PHILADELPHIA

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

REBECCA RHYNHART
City Controller

CHRISTY BRADY
Deputy City Controller

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Commonwealth of Pennsylvania,
Department of Human Services

We have performed the procedures enumerated below, which were agreed to by the management of the City of Philadelphia, Pennsylvania and the Commonwealth of Pennsylvania, Department of Human Services (DHS) (the specified parties), on the financial schedules and exhibits of the City of Philadelphia, Pennsylvania as required by the DHS Single Audit Supplement for the year ended June 30, 2019. City of Philadelphia, Pennsylvania's management is responsible for the financial schedules and exhibits. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

- I. The procedures and associated findings applicable to Exhibits A-1 (a) through XIX (a) NBG are as follows:

Procedures

- (a) We have verified by comparison of the amounts and classifications that the financial schedules and exhibits listed below, which summarize amounts reported to DHS for fiscal year ended June 30, 2019, have been accurately compiled and reflect the audited books and records of the City of Philadelphia, Pennsylvania. We also compared the example schedules in the DHS Single Audit Supplement to these schedules to determine that they are presented, at a minimum, at the level of detail and in the format required by the DHS Single Audit Supplement pertaining to this period.

C I T Y O F P H I L A D E L P H I A
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<u>Program Name</u>	<u>Number</u>	<u>Referenced Schedule/Exhibit</u>
Child Support Enforcement	A-1 (a)	Summary of Expenditures
	A-1 (c)	Summary of Incentives
	A-1 (d)	Summary of Title IV-D Account
Mental Health/Intellectual Disabilities	IV (a) MH NBG	Report of Income and Expenditures
	IV (b) MH NBG	Report of Income and Expenditures
	IV (c) ID NBG	Schedule of Revenues, Expenditures and Carryover Funds
	IV (d) ID NBG	Report of Income and Expenditures
Early Intervention Services	V (a) EI	Early Intervention Services
	V (b) EI	Early Intervention Services
Combined Homeless Assistance Program	XIX (a) NBG	Report of Income and Expenditures

- (b) We have inquired of management as to whether there were any adjustments to reported revenues or expenditures which were not reflected on reports submitted to DHS for the period in question.

Findings

- (c) The procedures detailed in the two preceding paragraphs, (a) and (b) above, disclosed the following adjustments or findings which have not been reflected on reports submitted to DHS for the period in question:
1. The county report submitted to DHS for the Combined Homeless Assistance Program did not agree with the city's books and records. The amounts reported in Exhibit XIX (a) NBG Report of Income and Expenditures were overstated or understated as listed in Table 1 below.

C I T Y O F P H I L A D E L P H I A
OFFICE OF THE CONTROLLER

Table 1: Combined Homeless Assistance Program				
Lines from Exhibit XIX (a) NBG	Administration Over/(Under) Stated	Bridge Housing Over/(Under) Stated	Case Management Over/(Under) Stated	Total Over/(Under) Stated
Purchased Services	\$ -	\$ 31,083	\$ 49,750	\$ 80,833
Total Expenditure	\$ -	\$ 31,083	\$ 49,750	\$ 80,833
Other Revenues	\$(42,235)	\$ -	\$ -	\$ (42,235)
Total Revenue	\$ (42,235)	\$ -	\$ -	\$ (42,235)
State HAP Funding	-	\$ 1,190	\$ (1,195)	\$ (5)
SSBG	\$ (136,328)	\$ 364,879	\$ (228,542)	\$ 9
Total Reimbursement	\$ (136,328)	\$ 366,069	\$ (229,737)	\$ 4
Unspent Allocation	\$ (178,563)	\$ 334,986	\$ (279,487)	\$ (123,064)

- II. The procedures and associated findings applicable to Exhibit XX - Federal Awards Reconciliation Schedule are as follows:

Procedures

- (a) We have agreed the expenditure amounts listed on the reconciliation schedule under the “Federal Expenditures per the SEFA” column C to the audited Schedule of Expenditures of Federal Awards (SEFA).
- (b) We have agreed the receipt amounts listed on the reconciliation schedule under the “Federal Awards Received per the audit confirmation reply from Pennsylvania” column D to the subrecipient Federal amounts that were reflected in the audit confirmation reply from the Office of Budget, Comptroller Operations.
- (c) We have recalculated the amounts listed under the “Difference” column E and the “% Difference” column F.
- (d) We have agreed the amounts listed under the “Difference” column E to the audited books and records of the City of Philadelphia, Pennsylvania.
- (e) We have agreed the “Detailed Explanation of the Differences” to the audited books and records of the City of Philadelphia, Pennsylvania.

C I T Y O F P H I L A D E L P H I A
OFFICE OF THE CONTROLLER

Findings

- (f) The procedures detailed in paragraphs (a) through (e) above, disclosed the following adjustments or findings which have not been reflected on the corresponding schedule:

Exhibit XX – Federal Awards Reconciliation Schedule contained reported revenue amounts in the “Detailed Explanation of the Difference” column that did not agree to the supporting documentation. The revenues in the “Detailed Explanation of the Difference” column agreed to audit confirmation reply from the Office of Budget, Comptroller Operation. However, the following revenues could not be traced to supporting documentation. CFDA #93.658 Foster Care Title IV-E had 132 line items that could not be traced from the confirmation to supporting documentation for a net credit of (\$208,577.22). CFDA #93.778 Medical Assistance Program had three credits that could not be traced to supporting documentation for a total credit of (\$513,271). The exceptions noted for revenues missing supporting documentation are listed by CFDA # in the Table 2 below.

Table 2: Unreconciled Revenue Differences			
CFDA #	Revenue per Confirmation	Revenue Per Books and Records	Difference
93.658	\$76,630,853	\$76,839,430	(\$208,577)
93.778	7,684,490	8,197,761	(513,271)

- III. The procedures and associated findings applicable to Exhibit XXI – County Children and Youth Agency Monitoring Schedule are as follows:

Procedures

- a) We have reconciled the list of providers under “Provider Name” column A to the providers who were paid for In-Home Purchased Services during the year according to the County Children and Youth Agency’s (CCYA) general ledger, cash disbursements journal, or similar record. Note any providers who were paid during the year, but were not included on this schedule.
- b) We have agreed the response in column B to the appropriate Provider contract.
- c) We have agreed information in columns C through I to the CCYA’s monitoring records for In-Home Purchased Service Providers.

Findings

- d) The procedures detailed in paragraphs (a) through (c) above, disclosed the following exceptions or findings which have not been reflected on the corresponding schedule:

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

1. There are 138 providers that were paid \$14,857,857 during the year but not included in Column A of the schedule. Below is a list of providers who are not on the schedule:

Little Darlings Day Care
0001
123 Back to Basics LLC
1939 W Venango St.
386 W Butler
4910 Wyalusing Avenue
5200 Oxford Street
5517 Green Street
7500 Germantown Avenue
Abington ELC
Abington YMCA
Acclaim Academy LLC
Allen Wesley Brooks Jr
Alphabest Education Inc.
Apple Child Care Center
Association Puertorriquenos en Marcha
Bases
Beautiful Beginnings II
Best Friends
Bethanna
Big Brother Big Sister Association
Camphill-it
Caring For Minds Early LLC
Catholic Social Services
Center City Neuropsychology, LLC
Children's Pl Longshore
Christ of Calvary Community Dev. Corp.
Clippersxpress
Communipower II
Community College Child D
Creative Arts For Everyone (CAFE)
Cuddles-N-Care Inc
Curtis McMillan FCCH
Deaf Hearing Communication Centre Inc
Deborah's Little Shep Too
Delco Child Care Assoc
Discovery Place For Littl
Discovery Point Day Care
Dixon Day Care Center
Donetta Hill Hooks Family
Early Foundations FCCH
Early Learning Children's

East Frankford Day Care
Evangelical Lutheran Chur
Fairy Tale Academy
Family School
Fulwood, Terry
Girls Inc Of Greater Philadelphia
Goldberg, Karen
Good Shepherd Corporation
Grace Neighborhood Acad
Green, Arnette
Green, Tohwanda
Hackney, Latoya
Haven Home For Girls
Homeless Advocacy Project
Hope Rising Child Lrng Ct
I. A. Oakley Learning Ctr
ICU Stem Academy
Insti For Econ Dev/Child
It Takes A Village Inc
JC Academy Of Excellence
Johnson Child Care Center
Just Children
Karen's Child Care
Kelley's Inspirational Da
Kelly, Marie
Kids Connection Learning
Kids Smart Inc
Kidz 1st Early Childhood
Kidz Kingdom Learning Cen
Kindercare 073079
Kreation Place
Latonta Godbold
Learn And Play Centers
Learning My Way
Learn-In-Play Day Care
Little Achievers Inc.
Little Darlings Day Care
Little Einstein Preschool
Little Jems Children's
Little Peoples Village
Lorraine Matthews FCCH
Magic Cottage Daycare Ctr

C I T Y O F P H I L A D E L P H I A
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Mamas Luv Childcare Ctr
Mee Moms Quality Plus Chi
Memorable Moments Learnin
Mercy Neighborhood
Methodist Family Svs
Michelle's Little Miracle
MODS
Mother Goose Cottage
Mrs Connies Family Child
Munchkinland Day Care
Nationalities Service Center
Nesh Elem Sch Age CC Kids
NET Community Care
Northeast Treatment Centers Inc
Olney Academy Inc
Pennsylvania Hospital
People For People Preschool
PFVY – Northeast Day Care
Philadelphia Children's Alliance
Pratt Street Learning Cen
Prodigy Learning Center
Progressive Life Center, Inc.
Pruitt, Patricia
Reintegration Site/ac
Resolute Acquisition Co.
Resource For Human Dvelmt
Retintegration/aftercare

Salisbury Behavioral Health
Smart Beginnings ELC
Smart Choice Child Care
Step By Step Child Care
Sunbright Childcare LLC
Sunrise Learning Academy
Sunshine Learning Academy
Sweet Dreams And Fairy Tales
Sycamore Tree
T.Y.L. II, Inc.
Tabor Childrens Services Incorporated
Tabor Community Partners
Tender Years Family And C
The Caring Center
The Children's Place Pre
The Learning Academy
The Pennsylvania Hospital Of The Uphs
Tiny Stars
Tonys World LLC/North_Tra
Valley Child Care
Vision To Victory Christi
Wee R The World Early Lea
West Phila Community Mental Health
YMCA Of Delaware
YMCA of Gtr Brandywine
Young Scholars Daycare
Your Child In Mine DC

2. The information in columns C through I did not agree to the CCYA monitoring records for In-Home Purchased Services Providers. Table 3 below details the exceptions noted.

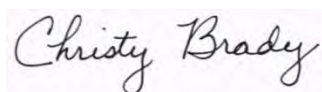
Table 3: Summary of Findings for Exhibit XXI		
PROVIDER NAME	COLUMN EXCEPTION	EXCEPTION (COMMENT)
Juvenile Justice Center of Philadelphia	H	Date Follow-up Was Done On Prior Year Monitoring Does Not Agree to CCYA monitoring records.
Little Red Perez Boxing Gym, Inc	E	Exceptions Noted During Current Year Monitoring Do Not Agree to CCYA monitoring records.
Together As Adoptive Parents	D	Schedule indicates the provider was not monitored in the current year, but records indicate monitoring did occur.

C I T Y O F P H I L A D E L P H I A
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Table 3: Summary of Findings for Exhibit XXI		
PROVIDER NAME	COLUMN EXCEPTION	EXCEPTION (COMMENT)
Pee Wee Prep	C, E, H	C. Most Recent Monitoring Date Does Not Agree to CCYA monitoring records. E. Exceptions Noted During Current Year Monitoring Do Not Agree to CCYA monitoring records. H. Date Follow-up Was Done On Prior Year Monitoring Does Not Agree to CCYA monitoring records.
Childspace – Childspace Mt. Airy	C, D, E	C. Most Recent Monitoring Date Does Not Agree to CCYA monitoring records. D. Schedule indicates the provider was not monitored in the current year, but records indicate monitoring did occur. E. Exceptions Noted During Current Year Monitoring Do Not Agree to CCYA monitoring records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying financial schedules and exhibits required by the DHS Single Audit Supplement. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the City of Philadelphia, Pennsylvania, City Council, and the Commonwealth of Pennsylvania DHS and is not intended to be and should not be used by anyone other than those specified parties.



CHRISTY BRADY, CPA
Deputy City Controller
Philadelphia, Pennsylvania
December 23, 2020

CITY OF PHILADELPHIA
SUMMARY OF EXPENDITURES
TITLE IV-D CHILD SUPPORT PROGRAM
FYE JUNE 30, 2019

EXHIBIT A-1(A)

COMPARISON OF CHILD SUPPORT PROGRAM INDEX NO. 841028 & 842641 SINGLE AUDIT EXPENDITURES WITH THE REPORTED EXPENDITURES

County: Philadelphia						Year Ended:						Fiscal Year 2019					
Single Audit Expenditures						Reported Expenditures						Single Audit Over/Under Reported					
Quarter Ending: 09/30/18	Total	Unallowable	Incentive Paid Costs	Net	Amt Paid	Total	Unallowable	Incentive Paid Costs	Net	Amt Paid	Total	Unallowable	Incentive Paid Costs	Net	Amt Paid		
1. Salary/Overhead	10,019,715.00	419,013.00	(507,383.00)	9,093,319.00	6,001,591.00	10,019,715.00	419,013.00	(507,383.00)	9,093,319.00	6,001,591.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Fee/Costs	39.00	0.00	0.00	39.00	26.00	39.00	0.00	0.00	39.00	26.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Interest & Program Income	38,354.00	527.00	0.00	37,827.00	24,966.00	38,354.00	527.00	0.00	37,827.00	24,966.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Blood Testing Fee	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Blood Testing Costs	25,492.00	0.00	0.00	25,492.00	16,825.00	25,492.00	0.00	0.00	25,492.00	16,825.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6. ADP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Total (1-2-3-4+5+6)	10,006,814.00	418,486.00	(507,383.00)	9,080,945.00	5,993,424.00	10,006,814.00	418,486.00	(507,383.00)	9,080,945.00	5,993,424.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Quarter Ending: 12/31/18	Total	Unallowable	Incentive Paid Costs	Net	Amt Paid	Total	Unallowable	Incentive Paid Costs	Net	Amt Paid	Total	Unallowable	Incentive Paid Costs	Net	Amt Paid		
1. Salary/Overhead	10,243,896.00	421,504.00	(1,070,878.00)	8,751,514.00	5,775,999.00	10,243,896.00	421,504.00	(1,070,878.00)	8,751,514.00	5,775,999.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Fee/Costs	35.00	0.00	0.00	35.00	23.00	35.00	0.00	0.00	35.00	23.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Interest & Program Income	33,740.00	488.00	0.00	33,252.00	21,946.00	33,740.00	488.00	0.00	33,252.00	21,946.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Blood Testing Fee	2,863.00	0.00	0.00	2,863.00	1,890.00	2,863.00	0.00	0.00	2,863.00	1,890.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Blood Testing Costs	24,902.00	0.00	0.00	24,902.00	16,435.00	24,902.00	0.00	0.00	24,902.00	16,435.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6. ADP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Total (1-2-3-4+5+6)	10,232,160.00	421,016.00	(1,070,878.00)	8,740,266.00	5,768,575.00	10,232,160.00	421,016.00	(1,070,878.00)	8,740,266.00	5,768,575.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Quarter Ending: 03/31/19	Total	Unallowable	Incentive Paid Costs	Net	Amt Paid	Total	Unallowable	Incentive Paid Costs	Net	Amt Paid	Total	Unallowable	Incentive Paid Costs	Net	Amt Paid		
1. Salary/Overhead	9,693,935.00	400,701.00	(461,070.00)	8,832,164.00	5,829,228.00	9,693,935.00	400,701.00	(461,070.00)	8,832,164.00	5,829,228.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Fee/Costs	36.00	0.00	0.00	36.00	24.00	36.00	0.00	0.00	36.00	24.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Interest & Program Income	122,040.00	1,623.00	0.00	120,417.00	79,475.00	122,040.00	1,623.00	0.00	120,417.00	79,475.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Blood Testing Fee	4,907.00	0.00	0.00	4,907.00	3,239.00	4,907.00	0.00	0.00	4,907.00	3,239.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Blood Testing Costs	21,025.00	0.00	0.00	21,025.00	13,877.00	21,025.00	0.00	0.00	21,025.00	13,877.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6. ADP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Total (1-2-3-4+5+6)	9,587,977.00	399,078.00	(461,070.00)	8,727,829.00	5,760,367.00	9,587,977.00	399,078.00	(461,070.00)	8,727,829.00	5,760,367.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Quarter Ending: 06/30/19	Total	Unallowable	Incentive Paid Costs	Net	Amt Paid	Total	Unallowable	Incentive Paid Costs	Net	Amt Paid	Total	Unallowable	Incentive Paid Costs	Net	Amt Paid		
1. Salary/Overhead	9,291,691.00	341,052.00	(2,450,712.00)	6,499,927.00	4,289,952.00	9,291,691.00	341,052.00	(2,450,712.00)	6,499,927.00	4,289,952.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Fee/Costs	63.00	0.00	0.00	63.00	42.00	63.00	0.00	0.00	63.00	42.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Interest & Program Income	197,069.00	2,057.00	0.00	195,012.00	128,708.00	197,069.00	2,057.00	0.00	195,012.00	128,708.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Blood Testing Fee	2,914.00	0.00	0.00	2,914.00	1,923.00	2,914.00	0.00	0.00	2,914.00	1,923.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Blood Testing Costs	26,904.00	0.00	0.00	26,904.00	17,757.00	26,904.00	0.00	0.00	26,904.00	17,757.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6. ADP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Total (1-2-3-4+5+6)	9,118,549.00	338,995.00	(2,450,712.00)	6,328,842.00	4,177,036.00	9,118,549.00	338,995.00	(2,450,712.00)	6,328,842.00	4,177,036.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

CITY OF PHILADELPHIA
SUMMARY OF EXPENDITURES
TITLE IV-D CHILD SUPPORT PROGRAM
FYE JUNE 30, 2019

EXHIBIT A-1(a)

COMPARISON OF CHILD SUPPORT PROGRAM INDEX NO. 841028 & 842641 SINGLE AUDIT EXPENDITURES WITH THE REPORTED EXPENDITURES - SUPPLEMENTALS

County: Philadelphia						Year Ended:						Fiscal Year 2019					
Single Audit Expenditures						Reported Expenditures						Single Audit Over/Under Reported					
Quarter Ending: 09/30/16	Total	Unallowable	Incentive Paid Costs	Net	Amt Paid	Total	Unallowable	Incentive Paid Costs	Net	Amt Paid	Total	Unallowable	Incentive Paid Costs	Net	Amt Paid	Total	Amt Paid
1. Salary/Overhead	8,482.00	0.00	0.00	0.00	8,482.00	5,598.00	8,482.00	0.00	0.00	8,482.00	5,598.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Fee/Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Interest & Program Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Blood Testing Fee	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Blood Testing Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6. ADP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Total (1-2-3-4+5+6)	8,482.00	0.00	0.00	0.00	8,482.00	5,598.00	8,482.00	0.00	0.00	8,482.00	5,598.00	0.00	0.00	0.00	0.00	0.00	0.00
Quarter Ending: 12/31/16	Total	Unallowable	Incentive Paid Costs	Net	Amt Paid	Total	Unallowable	Incentive Paid Costs	Net	Amt Paid	Total	Unallowable	Incentive Paid Costs	Net	Amt Paid	Total	Amt Paid
1. Salary/Overhead	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Fee/Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Interest & Program Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Blood Testing Fee	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Blood Testing Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6. ADP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Total (1-2-3-4+5+6)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Quarter Ending: 3/31/17	Total	Unallowable	Incentive Paid Costs	Net	Amt Paid	Total	Unallowable	Incentive Paid Costs	Net	Amt Paid	Total	Unallowable	Incentive Paid Costs	Net	Amt Paid	Total	Amt Paid
1. Salary/Overhead	36.00	0.00	0.00	36.00	24.00	36.00	0.00	0.00	36.00	24.00	36.00	0.00	0.00	36.00	24.00	36.00	24.00
2. Fee/Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Interest & Program Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Blood Testing Fee	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Blood Testing Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6. ADP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Total (1-2-3-4+5+6)	36.00	0.00	0.00	36.00	24.00	36.00	0.00	0.00	36.00	24.00	36.00	0.00	0.00	36.00	24.00	36.00	24.00
Quarter Ending: 6/30/17	Total	Unallowable	Incentive Paid Costs	Net	Amt Paid	Total	Unallowable	Incentive Paid Costs	Net	Amt Paid	Total	Unallowable	Incentive Paid Costs	Net	Amt Paid	Total	Amt Paid
1. Salary/Overhead	375.00	0.00	0.00	375.00	248.00	375.00	0.00	0.00	375.00	248.00	375.00	0.00	0.00	375.00	248.00	375.00	248.00
2. Fee/Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Interest & Program Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Blood Testing Fee	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Blood Testing Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6. ADP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Total (1-2-3-4+5+6)	375.00	0.00	0.00	375.00	248.00	375.00	0.00	0.00	375.00	248.00	375.00	0.00	0.00	375.00	248.00	375.00	248.00

CITY OF PHILADELPHIA
SUMMARY OF EXPENDITURES
TITLE IV-D CHILD SUPPORT PROGRAM
FYE JUNE 30, 2019

EXHIBIT A-1(a)

COMPARISON OF CHILD SUPPORT PROGRAM INDEX NO. 841028 & 842641 SINGLE AUDIT EXPENDITURES WITH THE REPORTED EXPENDITURES - SUPPLEMENTALS

County: Philadelphia			Year Ended:										Fiscal Year 2019				
Single Audit Expenditures			Incentive		Reported Expenditures			Incentive		Single Audit Over/Under Reported			Incentive		Net		
Quarter Ending: 09/30/17	Total	Unallowable	Paid Costs	Net	Amt Paid	Total	Unallowable	Paid Costs	Net	Amt Paid	Total	Unallowable	Paid Costs	Net	Amt Paid	Total	Unallowable
1. Salary/Overhead	720,405.00	10,758.00	0.00	709,647.00	468,367.00	720,405.00	10,758.00	0.00	709,647.00	468,367.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Fee/Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Interest & Program Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Blood Testing Fee	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Blood Testing Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6. ADP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Total (1-2-3-4+5+6)	720,405.00	10,758.00	0.00	709,647.00	468,367.00	720,405.00	10,758.00	0.00	709,647.00	468,367.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Quarter Ending: 12/31/17	Total	Unallowable	Paid Costs	Net	Amt Paid	Total	Unallowable	Paid Costs	Net	Amt Paid	Total	Unallowable	Paid Costs	Net	Amt Paid	Total	Unallowable
1. Salary/Overhead	720,405.00	11,575.00	0.00	708,830.00	467,828.00	720,405.00	11,575.00	0.00	708,830.00	467,828.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Fee/Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Interest & Program Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Blood Testing Fee	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Blood Testing Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6. ADP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Total (1-2-3-4+5+6)	720,405.00	11,575.00	0.00	708,830.00	467,828.00	720,405.00	11,575.00	0.00	708,830.00	467,828.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Quarter Ending: 3/31/18	Total	Unallowable	Paid Costs	Net	Amt Paid	Total	Unallowable	Paid Costs	Net	Amt Paid	Total	Unallowable	Paid Costs	Net	Amt Paid	Total	Unallowable
1. Salary/Overhead	720,405.00	12,367.00	0.00	708,038.00	467,305.00	720,405.00	12,367.00	0.00	708,038.00	467,305.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Fee/Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Interest & Program Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Blood Testing Fee	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Blood Testing Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6. ADP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Total (1-2-3-4+5+6)	720,405.00	12,367.00	0.00	708,038.00	467,305.00	720,405.00	12,367.00	0.00	708,038.00	467,305.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Quarter Ending: 6/30/18	Total	Unallowable	Paid Costs	Net	Amt Paid	Total	Unallowable	Paid Costs	Net	Amt Paid	Total	Unallowable	Paid Costs	Net	Amt Paid	Total	Unallowable
1. Salary/Overhead	720,405.00	10,494.00	0.00	709,911.00	468,541.00	720,405.00	10,494.00	0.00	709,911.00	468,541.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Fee/Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Interest & Program Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Blood Testing Fee	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Blood Testing Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6. ADP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Total (1-2-3-4+5+6)	720,405.00	10,494.00	0.00	709,911.00	468,541.00	720,405.00	10,494.00	0.00	709,911.00	468,541.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

CHILD SUPPORT ENFORCEMENT
COMPARISON OF REPORTED INCENTIVES TO INCENTIVES ON DEPOSIT

EXHIBIT A-I (c)

County Philadelphia

Fiscal Year Ended June 30, 2019

Month	MSE Incentive Paid Cost Worksheet Ending Incentive Balance	Audited Title IV-D Account Incentive Balance	Type of Account Structure
July 1, 2018	\$0.00	\$0.00	<input checked="" type="checkbox"/> Separate Bank Account <input type="checkbox"/> Restricted Fund - General Ledger <input type="checkbox"/> Other
September 30, 2018	\$0.00	\$0.00	
December 31, 2018	\$0.00	\$0.00	
March 31, 2019	\$0.00	\$0.00	
June 30, 2019	\$0.00	\$0.00	

Note : Do not include income received from interest or Medical Incentives.

CHILD SUPPORT ENFORCEMENT
COMPARISON OF SINGLE AUDIT TITLE IV-D ACCOUNT WITH REPORTED TITLE IV-D ACCOUNT

Fiscal Year Ended - June 30, 2019

	Single Audit TITLE IV- D Account	Reported TITLE IV- D Account	Single Audit Over/(Under) Reported
Balance at July 1, 2018	32,706,645.09	32,706,645.09	-
Receipts:			
Reimbursements	22,452,722.16	22,451,930.00	792.16
Incentives	4,490,042.57	4,490,042.57	-
Title XIX Incentives	237.00	237.00	-
Interest	132,168.09	131,688.24	479.85
Program Income	110,958.83	110,958.83	-
Genetic Testing Costs	14,234.42	14,234.42	-
Maintenance of Effort (MOE)	4,920,522.00	4,920,522.00	-
Other: State Grant	7,900,000.00	7,900,000.00	-
Miscellaneous	-	479.85	(479.85)
General Fund DA	579,742.00	579,739.00	3.00
DA's Reimbursement	1,124,590.84	1,125,383.00	(792.16)
Total Receipts	41,725,217.91	41,725,214.91	
Intra-fund Transfer - In	-	-	
Funds Available	74,431,863.00	74,431,860.00	
Disbursements:			
Incentive Paid Costs - Salaries and Overhead	4,490,042.57	4,490,042.57	-
Transfers to General Fund	-	-	-
Vendor Payments	785,666.79	785,666.79	-
Bank Charges	4,371.80	4,371.80	-
Other: Salaries and Fringes	23,430,947.57	23,430,947.58	(0.01)
Indirect Costs (MOE)	-	-	
Vendor Payments DA	-	383,391.00	(383,391.00)
Salaries and Fringes DA	1,705,124.00	1,321,731.00	383,393.00
Unfunded MOE	-	-	
Indirect Costs (DA)	-	-	-
Total Disbursements	30,416,152.73	30,416,150.74	1.99
Intra-fund Transfers - Out	-	-	-
Balance at June 30, 2019	44,015,710.27	44,015,709.26	1.01

The Title IV-D account consists of 3 accounts. Please indicate here the total number of accounts that make up the Title IV-D account.

The Title IV-D account is comprised of 1 checking, 0 savings, 0 CD, and 2 trust fund accounts. Please indicate here the type of accounts that the Title IV-D account is comprised of.

Commonwealth of Pennsylvania
DHS - Bureau of Financial Operations
County Mental Health Report of Income and Expenditures
MH15 - Mental Health Services
Fiscal Year 2018 - 2019
Philadelphia MH Program

Exhibit IV(a) MH NBG

	Sources of DHS Funding	App	DHS Funds Available			Cost Eligible for DHS Participation (4)	Balance Of Funds (5)	Grant Fund Adjs. (6)	Total Fund Balance (7)
			Carryover (1)	Allotment (2)	Total Allocation (3)				
A.	MH Services	10248	\$1,637,635	\$136,322,764	\$137,960,399	\$137,210,399	\$750,000	\$0	\$750,000
B.	OTHER STATE FUNDS								
1	Specialized Residences for the Mentally Ill Homeless	10258	\$0	\$930,058	\$930,058	\$930,058	\$0	\$0	\$0
2	Behavioral Health Services Initiative	10262	\$0	\$4,016,773	\$4,016,773	\$4,016,773	\$0	\$0	\$0
3	Reserved – 100%	00001	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Subtotal Other State		\$0	\$4,946,831	\$4,946,831	\$4,946,831	\$0	\$0	\$0
C.	SSBG	70135	\$0	\$5,532,135	\$5,532,135	\$5,532,135	\$0	\$0	\$0
D.	CMHSBG Funds								
1	CMHSBG-Non-Categorical Funds	70167	\$0	\$2,203,831	\$2,203,831	\$2,203,831	\$0	\$0	\$0
2	CMHSBG- FEP/Doctor Adair Project	70167	\$69,133	\$317,271	\$386,404	\$385,156	\$1,248	\$0	\$1,248
3	CMHSBG - ECMH Endorsement	70167	\$0	\$11,200	\$11,200	\$11,200	\$0	\$0	\$0
4	CMHSBG - Housing Training Scholarships	70167	\$0	\$5,000	\$5,000	\$2,483	\$2,517	\$0	\$2,517
5	CMHSBG - Peer Crisis	70167	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	CMHSBG - FY 18-19 One Time Allocation	70167	\$0	\$542,446	\$542,446	\$542,446	\$0	\$0	\$0
	Sub-Total CMHSBG Funds		\$69,133	\$3,079,748	\$3,148,881	\$3,145,116	\$3,765	\$0	\$3,765
E.	OTHER FEDERAL FUNDS								
1	PATH Homeless Grant (Federal)	70154	\$0	\$438,674	\$438,674	\$438,674	\$0	\$0	\$0
2	Suicide Prevention in Schools and Colleges	71022	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	Reserved	00002	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	Reserved	00003	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Subtotal Other Federal Funds		\$0	\$438,674	\$438,674	\$438,674	\$0	\$0	\$0
F.	TOTAL		\$1,706,768	\$150,320,152	\$152,026,920	\$151,273,155	\$753,765	\$0	\$753,765

**PHILADELPHIA COUNTY
MENTAL HEALTH SERVICES
REPORT OF INCOME AND EXPENDITURES
FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2019**

EXHIBIT IV-(b) NBG

	Total
I. TOTAL ALLOCATION	\$152,026,920
II. TOTAL EXPENDITURES	\$177,357,243
III. COSTS OVER ALLOCATION	
A. County Funded Eligible	\$2,051,073
B. County Funded Ineligible	\$2,004,957
C. Other Eligible	\$9,097,447
D. Other Ineligible	\$0
Subtotal Costs over Allocation	\$13,153,477
IV. REVENUES	
A. Program Service Fees	\$148,932
B. Private Insurance	\$918,353
C. Medical Assistance	\$96,695
D. Medical Assistance - Admin Claims	\$0
E. Room and Board	\$486,329
F. Earned Interest	\$280,562
G. Other	\$6,193,921
Subtotal Revenues	\$8,124,792
V. DHS REIMBURSEMENT	
A. Base Allocation 90%	\$40,804,728
B. Base Allocation 100%	\$14,203,218
C. DHS Categorical Funding 90%	\$2,447,637
D. DHS Categorical Funding 100%	\$85,140,321
E. SSBG 90%	\$0
F. SSBG 100%	\$5,532,135
G. CMHSBG Non-Categorical Funding 90%	\$0
H. CMHSBG Non-Categorical Funding 100%	\$2,203,831
I. CMHSBG Categorical Funding	\$941,285
Subtotal DHS Reimbursement	\$151,273,155
VI. COUNTY MATCH	
10% County Match	\$4,805,819
Subtotal County Match	\$4,805,819
VII. TOTAL DHS REIMB & COUNTY MATCH	\$156,078,974
VIII. TOTAL CARRYOVER	\$753,765

PHILADELPHIA COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CARRYOVER FUNDS
INTELLECTUAL DISABILITIES SERVICES
FOR THE TWELVE MONTH PERIOD ENDED June 30, 2019

EXHIBIT IV-(c) ID NBG

Sources of DHS Funding	Appropriation	DHS Funds Available			Cost Eligible for DHS Participation (4)	Balance Of Funds (5)	Grant Fund Adj. (6)	Total Fund Balance (7)
		Carryover (1)	Allotment (2)	Total Allocation (3)				
A. ID Services								
1. Community (Non-Residential/Residential)	10255	\$227,208	\$17,171,457	\$17,398,665	\$17,398,665	\$0	\$0	\$0
2. Temporary NBG Funds for Regional Collaboratives	10255	\$0	\$5,000	\$5,000	\$5,000	\$0	\$0	\$0
3. SSBG	70177	\$0	\$1,422,353	\$1,422,353	\$1,422,353	\$0	\$0	\$0
4. Reserved	00001	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal ID Services		\$227,208	\$18,598,810	\$18,826,018	\$18,826,018	\$0	\$0	\$0
B. Waiver								
1. Waiver Administration	10255/70175	\$0	\$13,831,104	\$13,831,104	\$13,831,104	\$0	\$0	\$0
2. Reserved	00002	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Waiver		\$0	\$13,831,104	\$13,831,104	\$13,831,104	\$0	\$0	\$0
C. Other								
1. Temporary MFP Federal Funding	70175	\$0	\$180,000	\$180,000	\$180,000	\$0	\$0	\$0
Subtotal Other		\$0	\$180,000	\$180,000	\$180,000	\$0	\$0	\$0
D. TOTAL		\$227,208	\$32,609,914	\$32,837,122	\$32,837,122	\$0	\$0	\$0

**PHILADELPHIA COUNTY
INTELLECTUAL DISABILITIES SERVICES
REPORT OF INCOME AND EXPENDITURES
FOR TWELVE MONTH PERIOD ENDED JUNE 30.2019**

EXHIBIT IV-(D) ID NBG

	Total
I. TOTAL ALLOCATION	\$32,837,122
II. TOTAL EXPENDITURES	\$36,979,642
III. COSTS OVER ALLOCATION	
A. County Funded Eligible	\$0
B. County Funded Ineligible	\$2,417,794
C. Other Eligible	\$0
D. Other Ineligible	\$0
Subtotal Costs over Allocation	\$2,417,794
IV. REVENUES	
A. Program Service Fees	\$0
B. Private Insurance	\$0
C. Medical Assistance	\$0
D. Medical Assistance - Admin Claims	\$612,998
E. Room and Board	\$0
F. Earned Interest	\$0
G. Other	\$39,284
Subtotal Revenues	\$652,282
V. DHS REIMBURSEMENT	
A. Base Allocation 90%	\$8,739,959
B. Base Allocation 100%	\$7,133,663
C. DHS Categorical Funding 90%	\$912,045
D. DHS Categorical Funding 100%	\$14,629,102
E. SSBG 90%	\$0
F. SSBG 100%	\$1,422,353
Subtotal DHS Reimbursement	\$32,837,122
VI. COUNTY MATCH	
10% County Match	\$1,072,444
Subtotal County Match	\$1,072,444
VII. TOTAL DHS REIMB & COUNTY MATCH	\$33,909,566
VIII. TOTAL CARRYOVER	\$0

EARLY INTERVENTION SERVICES

Sources of DHS Funding	App	DHS Funds Available			Cost Eligible for DHS Participation (4)	Balance Of Funds (5)	Grant Fund Adjustments (6)	Total Fund Balance (7)
		Carryover (1)	Allotment (2)	Total Allocation (3)				
A. Early Intervention Services								
1. Early Intervention Services	10235	\$90,444	\$17,076,737	\$17,167,181	\$17,130,032	\$37,149	\$5,277	\$42,426
2. Early Intervention Training	10235	\$0	\$281,772	\$281,772	\$281,772	\$0	\$0	\$0
3. Early Intervention Administration	10235	\$0	\$2,716,274	\$2,716,274	\$2,716,274	\$0	\$0	\$0
4. Infants & Toddlers w/Disabilities (Part C)	70170	\$0	\$6,009,536	\$6,009,536	\$6,009,536	\$0	\$0	\$0
5. IT&F Waiver Administration	10235/70184	\$1,041	\$635,863	\$636,904	\$619,248	\$17,656	\$0	\$17,656
6. Reserved	00001	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Early Intervention Services		\$91,485	\$26,720,182	\$26,811,667	\$26,756,862	\$54,805	\$5,277	\$60,082

EARLY INTERVENTION SERVICES

	Admin Office	Early Intervention	Service Coordination	Total
I. TOTAL ALLOCATION				\$26,811,667
II. TOTAL EXPENDITURES	\$4,601,817	\$22,820,880	\$7,144,133	\$34,566,830
III. COSTS OVER ALLOCATION				
A. County Funded Eligible	\$321,258	\$0	\$0	\$321,258
B. County Funded Ineligible	\$643,229	\$0	\$0	\$643,229
C. Other Eligible	\$0	\$0	\$0	\$0
D. Other Ineligible	\$0	\$0	\$0	\$0
Subtotal Costs Over Allocation	\$964,487	\$0	\$0	\$964,487
IV. REVENUES				
A. Program Service Fees	\$0	\$0	\$0	\$0
B. Private Insurance	\$0	\$0	\$0	\$0
C. Medical Assistance	\$0	\$0	\$3,941,302	\$3,941,302
D. Earned Interest	\$0	\$0	\$0	\$0
E. Other	\$0	\$0	\$0	\$0
Subtotal Revenues	\$0	\$0	\$3,941,302	\$3,941,302
V. DHS REIMBURSEMENT				
A. DHS Categorical Funding 90%	\$2,716,274	\$20,538,792	\$2,882,548	\$26,137,614
B. DHS Categorical Funding 100%	\$619,248	\$0	\$0	\$619,248
Subtotal DHS Reimbursement	\$3,335,522	\$20,538,792	\$2,882,548	\$26,756,862
VI. COUNTY MATCH				
10% County Match	\$301,808	\$2,282,088	\$320,283	\$2,904,179
Subtotal County Match	\$301,808	\$2,282,088	\$320,283	\$2,904,179
VII. TOTAL DHS REIMB & COUNTY MATCH	\$3,637,330	\$22,820,880	\$3,202,831	\$29,661,041
VIII. TOTAL CARRYOVER				\$54,805

**NON BLOCK GRANT COUNTIES
COMBINED HOMELESS ASSISTANCE PROGRAM
Fiscal Year 2018 - 2019**

Philadelphia County

	Administration	Bridge Housing	Case Management	Rental Assistance	Emergency Shelter	Other Housing Supports	Total
I. TOTAL ALLOCATION (Including Reallocated Funds)							\$7,970,371
II. TOTAL EXPENDITURES							
A. Personnel	\$0	\$0	\$0	\$0	\$0	\$0	\$0
B. Operating	\$0	\$0	\$0	\$0	\$0	\$0	\$0
C. Purchased Services	\$0	\$4,201,012	\$3,769,359	\$0	\$0	\$0	\$7,970,371
D. Reserved	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal of Total Expenditures	\$0	\$4,201,012	\$3,769,359	\$0	\$0	\$0	\$7,970,371
III. REVENUES							
A. Client Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0
B. Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
C. Earned Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IV. DHS REIMBURSEMENT							
A. State HAP Funding	\$0	\$1,190	\$2,534,381	\$0	\$0	\$0	\$2,535,571
B. SSBG	\$0	\$2,948,022	\$1,234,978	\$0	\$0	\$0	\$4,183,000
C. SABG	\$0	\$1,251,800	\$0	\$0	\$0	\$0	\$1,251,800
Subtotal DHS Reimbursement	\$0	\$4,201,012	\$3,769,359	\$0	\$0	\$0	\$7,970,371
V. UNSPENT ALLOCATION							\$0

CITY OF PHILADELPHIA

Year Ended June 30, 2019

Supplemental Schedule

RECONCILIATION

Federal Awards Passed through the Pennsylvania Department of Human Services
Expenditures per the SEFA to Revenue Received Per PA Confirm Report

<u>CFDA Name</u>	<u>CFDA Number</u>	<u>Federal Expenditures per the SEFA</u>	<u>Federal Awards Received per the PA Dept of Human Services</u>	<u>Difference</u>	<u>Percentage Difference</u>	<u>Detailed Explanation of the Difference</u>
State Admin Matching for Supplemental Assistance Program	10.561	\$ 246,624	\$ 131,494	\$ 115,130	87.6%	Diff FY 19 \$122,845.01 Expenditures \$95,653 Revenues-Timing Difference. Diff FY 18 \$125,779.36 Expenditures \$35,839 Revenues-Timing Difference. Net Difference \$115,130 Confirmed
Special Education-Grants for Infants and Families	84.181	\$ 6,009,536	\$ 5,794,536	\$ 215,000	3.7%	Diff FY 19 \$6,009,536 Expenditures \$5,794,536 Revenues-Net Difference: \$215,000 Confirmed.
Subsidized Permanent Legal Custodianship	93.090	\$ 3,995,122	\$ 3,974,158	\$ 20,964	0.5%	Diff FY 19 \$3,983,559.77 Expenditures \$2,857,202.20 Revenues -Timing Difference. Diff FY 18 \$11,563.23 Expenditures \$1,185,577.63 Revenues -Timing Difference. Diff FY 17 \$0 Expenditures \$67,114.13 Revenues -Timing Difference. Diff FY16 CFDA 93.658 ITG: \$0 Expenditures \$2/(25.68) Revenue*. Net Difference \$20,964 Confirmed. *Document listed under incorrect CFDA on State Database
Projects for Assistance in Transition from Homelessness (PATH)	93.150	\$ 438,674	\$ 438,674	\$ -	0.0%	Net Difference \$0 Confirmed
Promoting Safe and Stable Families	93.556	\$ 218,691	\$ 382,591	\$ (163,900)	(42.8%)	Diff FY 19 \$216,590 Expenditures \$30,836 Revenues - Timing Difference. Diff FY 18 \$2,100.81 Expenditures \$31,755 Revenues -Timing Difference Net Difference \$(163,900)
Temporary Assistance for Needy Families	93.558	\$ 30,181,777	\$ 20,558,119	\$ 9,623,658	46.8%	Diff FY 19 \$27,186,740 Expenditures \$18,202,807.42 Revenues- Timing Difference. Diff FY 18 \$2,983,253 Expenditures \$2,355,312 Revenues - Timing Difference. Diff FY 17 \$5,513 Expenditures 0 Revenues - Timing Difference. Diff FY 16 \$5,931 Expenditures 0 Revenues - Timing Difference. Diff FY 15 \$340 Expenditures 0 Revenues - Timing Difference. Net Difference \$9,623,658 Confirmed.
Child Support Enforcement	93.563	\$ 20,651,369	\$ 28,373,689	\$ (7,722,320)	(27.2%)	Diff FY 19 \$18,951,671.20 Expenditures \$18,342,009.17 Revenues- Timing Difference. Diff FY 18 \$1,699,698 Expenditures \$9,504,125.64 Revenues- Timing Difference. Diff FY 17 \$0 Expenditures \$(52,925) Revenues- Timing Difference. Diff FY 16 \$0 Expenditures \$580,479.62 Revenues- Timing Difference. Net Difference \$(7,722,320) Confirmed.
Stephanie Tubbs Jones Child Welfare Services Program	93.645	\$ 2,151,210	\$ 2,575,773	\$ (424,563)	(16.9%)	Diff FY 19 \$2,151,210 Expenditures \$ 2,575,773 Revenues Net Difference \$(424,563) Confirmed.
Child Welfare Research Training or Demonstration	93.648	\$ 1,236,991	\$ -	\$ 1,236,991	100.0%	Diff due to invoicing being processed under incorrect CFDA # 93.658 \$63,460,356.07 Diff FY 19 \$0 Expenditures \$0 Revenues-Timing Difference. Diff FY 18 \$959,985 Expenditures \$61,021,572.98 Revenues-Timing Difference. Diff FY 17 \$249,047 Expenditures \$3,247,243.97 Revenues-Timing Difference. Diff FY 16 \$16,073 Expenditures \$(1,715,230.99) Revenues-Timing Difference. Diff FY 15 \$11,886 Expenditures \$(7,788.81) Revenues- Timing Difference. Diff FY 14 \$0 Expenditures \$(29,596.23) Revenues- Timing Difference. Diff FY Unknown \$0 Expenditures \$44,555.15 Revenue- Net Difference \$1,236,992 Confirmed.
Foster Care Title IV-E	93.658	\$ 80,869,096	\$ 76,630,853	\$ 4,238,243	5.9%	Diff FY 19 \$79,021,237.55 Expenditures \$9,981,435.96 Revenues-Timing Difference. Expenses include program income of \$176,914 Diff FY 18 \$918,741.3 Expenditures \$4,333,000.77 Revenues-Timing Difference. Diff FY 17 \$19,460 Expenditures \$579,702.36 Revenues-Timing Difference Diff FY 16 \$9,231 Expenditures \$(507,683.11) Revenues-Timing Difference Diff FY 15 \$424 Expenditures \$0 Revenues-Timing Difference Diff FY 14 \$0 Expenditures \$(40,950.79) Revenues-Timing Difference Diff FY 13 \$0 Expenditures \$(10,279.05) Revenues-Timing Difference Diff FY Unknown \$0 Expenditures \$(1,164,929.46) Revenues-Timing Difference CFDA#93.648 invoicing - \$63,460,356.07 Net Difference \$4,238,243 Confirmed.
Adoption Assistance	93.659	\$ 28,339,338	\$ 27,124,228	\$ 1,235,110	4.6%	Diff FY 19 \$26,322,940.45 Expenditures \$19,057,243.62 Revenues Timing Difference. Diff FY 18 \$36,206.94 Expenditures \$8,728,249.31 Revenues-Timing Difference Diff FY 17 \$ 0 Expenditures \$(627,179.16) Revenues-Timing Difference.. Diff FY 16 \$ 0 Expenditures \$(14,983.59) Revenues-Timing Difference. - Diff FY16 CFDA 93.658 ITG: \$0 Expenditures \$(19,401.73) Revenue*. Net Difference \$1,235,110 Confirmed. *Document listed under incorrect CFDA on State Database
Social Services Block Grant	93.667	\$ 14,655,039	\$ 14,631,100	\$ 23,939	0.2%	Diff FY 19 \$14,347,476 Expenditures \$14,631,100 Revenues Timing Difference. Diff FY 18 \$307,563 Expenditures \$0 Revenues-Timing Difference Net Difference \$23,939 Confirmed.
Charter Foster Care Independence Program	93.674	\$ 938,066	\$ 987,101	\$ (49,035)	(5.0%)	Diff FY 19 \$938,066.40 Expenditures \$710,478.81 Revenues-Timing Difference. Diff FY 18 \$0 Expenditures \$276,622.25 Revenues-Timing Difference. Net Difference \$(49,035) Confirmed.
Medical Assistance Program	93.778	\$ 8,526,120	\$ 7,684,490	\$ 841,630	11.0%	Diff FY 19 \$7,865,108 Expenditures \$8,064,385.20 Revenues-Timing Difference. Expenses include \$632,282 of program income Diff FY 18 \$8,730 Expenditures \$280,264.12 Revenues-Timing Difference. Diff FY 17 \$0 Expenditures \$(146,888.30) Revenues-Timing Difference FY Unknown \$0 Expenditures \$(513,271) Revenue- Net Difference \$841,630 Confirmed.
Money Follows the person Rebalancing Demonstration	93.791	\$ 180,000	\$ 180,000	\$ -	0.0%	Net Difference \$0 Confirmed
Block Grants for Community Mental Health Services	93.958	\$ 3,079,748	\$ 3,079,748	\$ -	0.0%	Net Difference \$0 Confirmed
Block Grants for Prevention and Treatment of Substance Abuse	93.959	\$ 1,240,603	\$ 1,251,800	\$ (11,197)	(0.9%)	Diff FY 19 \$1,258,013 Expenditures \$1,251,800 Revenues- Timing Difference Diff FY 18 \$2,590 Expenditures \$0 Revenues- Timing Difference- Net Difference \$(11,197) Confirmed

SUPPLEMENTAL SCHEDULE

COUNTY:	Philadelphia (51)				PERIOD ENDED:	6/30/2019		
IF COLUMN D IS YES:								
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Notes				1			2	
zoo	Does Provider Contract Include CPSL Requirements	Most Recent Monitoring Date FY '19	Monitored During the Current Year Yes/No FY 19	List Any Exceptions Noted During Current Year Monitoring Missing Clearances	If Applicable, Was CAP Submitted Yes/No Clearances	Is CAP Acceptable to CCYA Yes/No	Date Follow-up Was Done On Prior Year Monitoring FY'20 Eval	Has Provider Implemented The CAP Yes/No
BARRY ZAKIREH, PH.D.	N/A	N/A	n/a	n/a				
BRIDGE THERAPEUTIC CENTER AT FOX CHASE	Yes	3/12/2019	Y	0			6/2/2020	
C.B. COMMUNITY SCHOOLS	Yes	5/23/2019	Y	0			5/23/2019	
CARSON VALLEY CHILDREN'S AID	Yes	Truancy 6/4/2019, RSRI 6/5/19	Y	Truancy 0, RSRI 0			Truancy 6/4/2019, RSRI 6/5/19	
CARSON VALLEY CHILDREN'S AID	Yes	RTF & Inst 5/8/19	Y	2	Y	Y	2/19/2020	Y
CASA OF PHILADELPHIA	Yes	10/25/2018	Y	1	Y	Y	10/25/2018	Y
CITYSPAN TECHNOLOGIES	N/A	N/A	n/a	n/a				
CONGRESO DE LATINOS UNIDOS INCORPORATED	Yes	FSS 3/8/19, FES 12/4-12/5/18, Truancy 5/1/19, DV 2/15/19	Y	FSS-0, FES-0, Truancy (1) DV (1)	Y	Y	FSS 3/8/19, FES 12/4-12/5/18, Truancy 5/1/19, DV 2/15/19	truancy-Y DV -Y
CORA SERVICES INCORPORATED	Yes	FA-10/11/18, IPS-1/10/19, Truancy-5/13/19	Y	FA (1), IPS 0, TRUANCY 0	Y	Y	FA-10/11/18, IPS-1/10/19, Truancy-5/13/19	Y
CORNERSTONE	Yes	Reintegration 4/9/2019	Y	0			3/10/2020	
DIVERSIFIED COMMUNITY SERVICES INC	Yes	1/17/2019	Y	0			1/17/2019	
EDUCATION WORKS INC/POWER CORPS	N/A	N/A	n/a	n/a				
EPISCOPAL COMMUNITY SERVICES	Yes	10/15/2018	Y	0			10/15/2018	
FAMILY SUPPORT SERVICES	Yes	FS-3/28/19 FES-1/10-1/11/19	Y	FS(2), FES-0	Y	Y	FS-3/28/19 FES-1/10-1/11/19	Y
FREE LIBRARY OF PHILA FOUNDATION	Yes	3/6/2019	Y	1	Y	Y	3/6/2019	Y
HEALTH FEDERATION OF PHILADELPHIA INC	Yes	4/11/2019	Y	0			4/11/2019	
INSTITUTE FOR THE DEV. OF AFRICAN-AMER Y	Yes	DFDITH - 6/12/2019 ISP - 6/12/2019	Y	DFDITH -2 ISP - 4	Y	Y	DFDITH - 7/24/20 ISP - 7/23/20	Y
INTERCULTURAL FAMILY SERVICES INC	Yes	FES-11/30/18 Truancy-4/25/19	Y	FES 1, Truancy 1	Y	Y	FES-11/30/18 Truancy-4/25/19	Y
JEWISH FAMILY & CHILDREN'S SERVICE	Yes	FES-12/12/18 Truancy-5/14/19	Y	0			FES-12/12/18 Truancy-5/14/19	
JUVENILE JUSTICE CENTER OF PHILADELPHIA	Yes	Truancy-5-10-19 IPS-1-30-19 IHD - 11/14/18	Y	IPS, Trauncy, IHD-0			IHD-12/18/18	
LITTLE RED PEREZ BOXING GYM, INC.	Yes	3/7/2019	Y		Y	Y	3/7/2019	Y
LOWER KENSINGTON	N/A	N/A	n/a	n/a				
LUTHERAN SETTLEMENT HOUSE	Yes	3/22/2019	Y	0			3/22/2019	
MATERNITY CARE COALITION OF GREATER PHIL	Yes	10/24/2018	Y	0			10/24/2018	
MAZZONI CENTER	Yes	3/5/2019	Y	0			3/5/2019	
MENERGY	Yes	3/7/2019	Y	0			3/7/2019	
NATIONAL NURSING CENTERS CONSORTIUM	N/A	N/A	n/a	n/a				
NORRIS SQUARE COMMUNITY ALLIANCE	Yes	2/25/2019	Y	0			2/25/2019	
NORTH CITY CONGRESS	N/A	N/A	n/a	n/a				
NORTHERN CHILDREN'S SERVICES	Yes	11/6/2018	Y	0			11/6/2018	
NORTHERN CHILDREN'S SERVICES	Yes	GH-6/4/2019	Y	0			6/4/2019	
PENNSYLVANIA SCHOOL FOR THE DEAF [5]	Yes	3/14/2019	Y	0			3/14/2019	
PHILADELPHIA MENTAL HEALTH CARE CORP	Yes	3/26/2019	Y	0			3/26/2019	

SUPPLEMENTAL SCHEDULE

PHILADELPHIA MURAL ARTS ADVOCATES	Yes	12/12/2018	Y	0			12/12/2018	
PHILADELPHIA YOUTH NETWORK	Yes	Admin-12/5/18 CC-11/14/18 West- 11-28-18 North-11/19/18	y	CC (1) North (11) Admin (2)	CC-Y North Y Admin Y	Y	Admin-12/5/18 CC-11/14/18 West- 11-28-18 North-11/19/18	y
PRESBYTERIAN CHILDREN'S VILLAGE (The Village, Gemma)	Yes	1/15/2019	Y	5	Y	Y	1/7/2020	Y
PUBLIC HEALTH MANAGEMENT CORP	Yes	3/26/2019	Y	0			3/26/2019	
SOUTHEAST ASIAN MUTUAL ASSISTANCE ASSN	Yes	cua3- 5/29/19 cua 9-5/30/19	Y	CUA 9-(1) CUA 3-(0)	CUA 9-Y	Y	cua3- 5/29/19 cua 9-5/30/19	Y
ST GABES AFTERCARE DELAS	Yes	Reintegration 4/24/2019	Y	0			5/21/2020	
TEMPLE PSYCHIATRY ASSOC	N/A	N/A	n/a	n/a				
TEMPLE UNIVERSITY	Yes	4/24/2019	Y	0			4/24/2019	
THE ATTIC YOUTH CENTER	Yes	4/25/2019	Y	2	Y	Y	4/25/2019	Y
TURNING POINTS FOR CHILDREN	N/A	N/A						
UNITED COMMUNITIES SOUTHEAST PHILA	Yes	Truancy-4/23/19 FES NE-1/31-2/1/19 FES SOUTH-1/29-1/30/19	Y	FES NE (1)	FES NE- Y	Y	Truancy-4/23/19 FES NE-1/31-2/1/19 FES SOUTH-1/29-1/30/19	y
URBAN AFFAIRS COALITION	Yes	GC PYD-10/9/2018 TAP-5/6/19 CHOP-3/29/19 CH PYD-3/25/19 Teenshop PYD-3/15/19 Galaei 5/22/19	Y	GC PYD-(0) TAP-(0) CHOP-(0) CH PYD-(0)Teenshop PYD-(2) Galaei (2)	Teen shop-Y Galaei-Y	Y	GC PYD-10/9/2018 TAP-5/6/19 CHOP-3/29/19 CH PYD-3/25/19 Teenshop PYD-3/15/19 Galaei 5/22/19	Teen shop-Y Galaei-Y
VISION QUEST	Yes	IHD - 11/28/2018 Reint- 5/7/2019	IHD-Y Reint.-Y	IHD-7 Reint.-0	IHD - Y	IHD - Y	IHD-12/11/2019 Reint - 5/28/2020	IHD - Y
WOMEN AGAINST ABUSE	Yes	4/18/2019	Y	0			4/18/2019	
WOMEN IN TRANSITION	Yes	5/3/2019	Y	0			5/3/2019	
WOMEN ORGANIZED AGAINST RAPE	Yes	4/16/2019	Y	0			4/16/2019	
YOUTH ADVOCATE PROGRAM [6]	Yes	IHD-2/12/19 DT - 1/8/19	IHD-Y DT-Y	IHD-0 DT-2	DT - Y	DT - Y	IHD - 1/9/2020 DT - 2/11/2020	DT - Y
YOUTH SERVICES INCORPORATED- YES	Yes	Emergency Shelter- 1/22/2019	Y	0			12/10/2019	
YOUTH SERVICES INCORPORATED	Yes	Truancy-4/11/19 FES-12/19/18 Nurseries-12/5/18	Y	0			Truancy-4/11/19 FES-12/19/18 Nurseries-12/5/18	
A Child's First Step	Yes	Child care- 1/30/2019	Y	0			1/30/2019	
Child Space Too Day Care	Yes	Childcare- 4/10/2019	Y	0			4/1/2019	
DIVERSIFIED COMMUNITY SERVICES INC	Yes	Childcare 3/26/2019	Y	0			3/36/2019	
Miss Marty's Pre-School	Yes	Childcare- 1/23/2019	Y	1	Y	Y	1/23/2019	
Porters Daycare	Yes	Childcare 1/3/2029	Y	0			1/3/2019	
Somerset Academy Early Learning Center	Yes	Childcare 2/7/2019	Y	3	Y	Y	2/7/2019	
Together As Adoptive Parents	Yes	5/6/2019	N	0			5/6/2019	
Pee Wee Prep	Yes	5/29/2019	Y	4	Y	Y	5/28/2019	
Past Your Bedtime	Yes	4/30/2019	Y	2	Y	Y	4/30/2019	
Childspace- Childspace Mt. Airy	Yes	4/10/2020	N	4	Y	Y	4/10/2019	



CITY OF PHILADELPHIA

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REBECCA RHYNHART
City Controller

CHRISTY BRADY
Deputy City Controller

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Commonwealth of Pennsylvania,
Department of Community and Economic Development

We have performed the procedures enumerated below, which were agreed to by the management of the City of Philadelphia, Pennsylvania and the Commonwealth of Pennsylvania, Department of Community and Economic Development (DCED) (the specified parties), on the Schedule of Federal Cash Receipts Passed Through the Pennsylvania Department of Community and Economic Development (the financial schedule) of the City of Philadelphia, Pennsylvania required by DCED for the year ended June 30, 2019. City of Philadelphia, Pennsylvania's management is responsible for the financial schedule. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Procedures

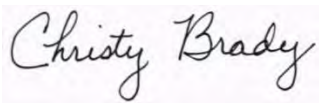
- (a) We have compared the amounts and classifications on the financial schedule titled Federal Cash Receipts Passed Through the Pennsylvania DCED for the year ended June 30, 2019 to the corresponding amounts in the books and records of the City of Philadelphia, Pennsylvania used to prepare financial statements audited by us. We also compared the example schedule required by DCED to the financial schedule to determine that it is presented, at a minimum, at the level of detail and in the format required by DCED.
- (b) We have inquired of management as to whether there were any adjustments to reported revenues or expenditures, which were not reflected on the financial schedule submitted to DCED for the period in question.

Findings

- i. The procedures detailed in the two preceding paragraphs, (a) and (b) above, disclosed no adjustments or findings which have not been reflected on the corresponding financial schedule.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying Schedule of Federal Cash Receipts Passed Through the Pennsylvania DCED required by DCED for the year ended June 30, 2019. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the City of Philadelphia, Pennsylvania, City Council, and the Commonwealth of Pennsylvania DCED and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in cursive script that reads "Christy Brady". The signature is written in black ink on a light pink rectangular background.

CHRISTY BRADY, CPA
Deputy City Controller
Philadelphia, Pennsylvania
December 23, 2020

City of Philadelphia
Schedule of Federal Cash Receipts Passed Through the Pennsylvania
Department of Community and Economic Development
July 1, 2018 to June 30, 2019

<u>Grantor Agency/</u>	<u>City</u>	<u>CFDA</u>	<u>Contract</u>	<u>Federal</u>	<u>Federal</u>
Project Title	ID	Number	Number	Awards	Receipts
<u>U.S. Department of Health & Human Services</u>					
Pass- Through - PA Department of Community and Economic Development:					
CSBG - Administration FY18	80331	93.569	C000066926	5,647,334	5,148,837
CSBG - Administration FY19	80332	93.569	C000066926	5,330,531	823,574
Subtotal: Community Services Block Grant				<u>10,977,865</u>	<u>5,972,411</u>
Total U.S. Department of Health & Human Services:				<u>10,977,865</u>	<u>5,972,411</u>
Total Federal Cash Receipts Passed Through PaDCED:				<u><u>10,977,865</u></u>	<u><u>5,972,411</u></u>



CITY OF PHILADELPHIA

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Josefine Arevalo
Director of Accounting

Federal Grantor & Pass-Thru Agencies
Federal Audit Clearinghouse
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CORRECTIVE ACTION PLAN FY 2019 SINGLE AUDIT REPORT (“SAR”)

Section II - Financial Audit Material Weaknesses:

2019-001 INADEQUATE STAFFING LEVELS, LACK OF TECHNOLOGICAL INVESTMENT AND INSUFFICIENT OVERSIGHT LED TO UNDETECTED MATERIAL MISSTATEMENTS

Staff Shortages Along with the Lack of a Comprehensive Financial Reporting System Have Contributed to Significant Financial Statement Errors

Views of the Responsible Officials: The Accounting Bureau (Accounting) is committed to continuing to produce an accurate and well-prepared CAFR and to continuously improving the City’s financial reporting. As previously communicated, we believe that the loss of institutional knowledge over time has presented a greater challenge than the reduction in the quantity of staff. Notwithstanding, we have actively worked with the Office of Human Resources and implemented staff retention and training strategies. Since FY15, we have worked to increase the Accounting office workforce. We added 4 employees in 2016 and during FY2019, we hired a Director of Compliance and Internal Controls, who will continue to work with the Office of the City Controller to address city-wide policies, procedures and practices, identify areas of weakness, develop new procedures, and ensure all departments adhere to established policies and internal control measures. Moreover, we have already started the process of adding employees to the Finance Office for FY20.

We continue to focus on training, with an emphasis on the CAFR preparation process. Our senior management accountants continue to attend the National Government Finance Officers Association (GFOA) conference so that management stays informed of current industry trends, regulatory updates, and best practices in government financial management. For FY20, we hope to source virtual trainings for our non-supervisory staff within budget constraints. We will continue to look for additional effective training opportunities for our staff.

Thank you for acknowledging the improvements in our CAFR preparation and review due to the retention of an external accounting firm and the strides made towards developing a comprehensive checklist for accountants. We

will maintain the services of the outside accounting firm to continue to assist in the CAFR compilation efforts. Finance continues to focus on enhancing our reporting processes and we continue to increase efficiencies. Nonetheless, we would like to point out that your statement that the “General Fund’s unassigned balance was overstated” is misleading, because there is no financial impact to the General Fund. The use of the “assigned” classification does not represent a notable constraint as in the case of the “committed” or “restricted” classifications, and therefore including this item as a material weakness consideration is unreasonable. Further, the treatment of the audited unobligated Philadelphia Beverage Tax (PBT) monies in prior years underscores the immateriality of the assignment of these funds for FY2019.

We acknowledge that a new comprehensive financial reporting system will improve the CAFR preparation process, and we have begun planning for the implementation of such system through our OPAL project. We continue to evaluate the timing of implementation as we move forward with our planning efforts to replace FAMIS.

Accounting has received the GFOA Certificate of Achievement for Excellence in Financial Reporting for 39 consecutive years and has successfully addressed all GFOA recommendations presented in that process. As always, Accounting will continue to critique the errors in the drafts sent to the Controller’s Office and the adjustments resulting from the most recent (FY2019) CAFR audit with the entire accounting staff as a learning tool to produce improved financial statements going forward.

Auditor’s Comments on Agency’s Response: In above response, management states “General Fund’s unassigned balance was overstated” is misleading, because there is no financial impact to the General Fund. The use of the “assigned” classification does not represent a notable constraint as in the case of the “committed” or “restricted” classifications, and therefore including this item as a material weakness consideration is unreasonable. Further, the treatment of the audited unobligated Philadelphia Beverage Tax (PBT) monies in prior years underscores the immateriality of the assignment of these funds for FY2019.

We disagree with management’s above statements. According to GASB standards, unassigned fund balance should represent fund balance not restricted, committed, or assigned to specific purposes. The unobligated PBT monies, which totaled \$120.9 million at June 30, 2019, meet the GASB guidelines for assigned fund balance (i.e. funds constrained by a government’s intent to use them for a specific purpose) since the city administration has clearly expressed intent that the PBT monies be used for the expansion of Pre-K programming, Community Schools, and debt service on the Rebuild bonds. In fact, when we asked the GASB for its feedback on this issue, the assigned GASB senior research manager agreed with our assessment. Therefore, in the CAFR presented for audit, the General Fund’s unassigned fund balance (which totaled \$246.7 million) was overstated by \$120.9 million because it included the unobligated PBT monies, which comprised nearly half of the reported unassigned fund balance.

Management also states, “As always, Accounting will continue to critique the errors in the drafts sent to the Controller’s Office and the adjustments resulting from the most recent (FY2019) CAFR audit with the entire accounting staff as a learning tool to produce improved financial statements going forward.” We disagree with management’s use of the term “drafts” when describing the financial statements submitted to us for audit. Effective internal control requires that, before the Finance Office submits the CAFR to us for audit, accounting management should perform a review of those financial statements for accuracy and completeness. The \$213 million of CAFR errors cited on page 1 of the report occurred because the city’s controls over the financial reporting process failed to prevent or detect and timely correct the misstatements. In fact, we found most of the \$213 million of CAFR errors very late in the audit process, proposing most of our audit adjustments within the

one-month period prior to the issuance of the audit opinion, when the Finance Office should have already completed its financial statement review procedures and finalized the statements.

In above response, management also states, “Since FY15, we have worked to increase the Accounting office workforce. We added 4 employees in 2016 and during FY2019, we hired a Director of Compliance and Internal Controls. Moreover, we have already started the process of adding employees to the Finance Office for FY20.” Management’s statement does not address the decrease in the total staff size of the Finance Office’s accounting division from fiscal year 2016 to fiscal year 2018. As noted in previous reports, the total staff size in the accounting division was 49 in fiscal year 2016, 47 in fiscal year 2017, and 46 in fiscal year 2018. Also, as we stated in the cause of finding 2019-001 above of the report, while the number of accountants increased by three in fiscal year 2019 (bringing the staff size back up to the fiscal year 2016 level), the current staff size is still not the level of hiring needed to address the ongoing staff shortages that have hindered the ability of the Finance Office to produce a timely and accurate CAFR for audit.

While Improvement Was Noted, Late Submission of Aviation Fund Financial Statements Delayed Preparation and Audit of CAFR

Views of the Responsible Officials: Thank you for acknowledging that your testing of the fiscal year 2019 Aviation Fund financial statements found no material errors. Thank you for also highlighting our enhanced financial statement preparation with supporting compilation package that included detailed support and a review checklist. Thank you also for acknowledging that we provided key financial statement data during November and December 2019 to enable audit testing to timely proceed. While the turnover of key finance members in addition to having a new consultant contributed to the delay in issuing the FY 19 financial reports, we are pleased that that we made tremendous improvements and our prior year finding has been resolved. We would also like to note that during FY2020 there has been no additional personnel turnover and we have retained our consultant. This provides continuity and familiarity with preparing the reports along with the reporting process. Though it is recommended that DOA work with the Finance Office to facilitate an earlier deadline, with the continuity mentioned above, it is anticipated that DOA will meet all required deadlines.

Late Receipt of Component Unit Financial Reports Still Delayed Preparation and Audit of CAFR

Views of the Responsible Officials: We agree that the timely submission of all component unit reports is critical to the timely issuance and accuracy of the City’s CAFR. We will continue to meet with management and auditors of various component units concerning timely submission of financial reports, as well as have additional meetings to provide guidance and assist with problems in component units that experience issues that delay the preparation of their financial reports. Finance continues to send initial requests for component unit financial statements and data in as early as May for all entities with March 31FYE, with required responses no later than June 30. We also continue to send requests for all other Component Units by end of June, with responses required by August 31. Follow-up requests are sent out to component units, with an emphasis on the importance of timely submission of financial data highlighted in all communications. The three component units called out for very late submissions, PMA, PPA and SDP, provided valid reasons for their delay or showed evidence of improvement. PMA (Philadelphia Municipal Authority) was late due the transfer of \$300M of capital assets from PMA to the City. This transfer was required due to the maturity of the underlying PMA bonds, and required additional coordination between the City and PMA. PRA (Philadelphia Redevelopment Authority) indicated their audited financial statements were help up pending the completion of their single audit report. The SDP (School District of Philadelphia) actually improved from FY2018 (submitted 2/12/2019) to FY2019 (submitted 2/7/2020). We will continue to work with the Component Units to ensure timely submission of audited financial statements; as well as continuing to engage the City’s Director of Finance, as needed.

2019-002 UNTIMELY PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RESULTED IN LATE SUBMISSION OF THE SINGLE AUDIT REPORTING PACKAGE TO THE FEDERAL AUDIT CLEARINGHOUSE

Views of the Responsible Officials: Finance recognizes the importance of submitting a timely and accurate federal awards and major programs schedule (SEFA) to our auditors. More importantly, there is a crucial need for the timely completion of our audits, and the timely submission of an accurate Single Audit Reporting pack to the Federal Audit Clearing House to prevent a violation of federal grant terms and conditions and to prevent the elimination of federal funding for the City's grants and programs. While we acknowledge GAAU needs to continue all efforts to improve the SEFA submission timeline, we must also point out that the Controller's Office needs to ensure its audits are completed on time, as late audits contribute to further delays in the submission to the Federal Audit Clearing House.

GAAU staff undergo a meticulous process involving numerous departments and requiring multiple follow-ups to produce a complete and accurate SEFA. We communicate the importance of providing complete and accurate information to the departments and we emphasize the need to provide timely data. GAAU provides guidance to departments and conducts numerous collaborative meetings with departments whenever necessary throughout the audit period to discuss issues and assist with resolutions. Our department continues to explore additional ways to provide a completed SEFA to our auditors in a timelier fashion. We agree that additional resources will aid in expediting the SEFA preparation.

Another step to accelerate the preparation of the SEFA, would involve fast-tracking the FAMIS Reconciliation process. GAAU will attempt to begin FAMIS reconciliations early, with Q3 FY2020 FAMIS reconciliations conducted in May 2020 and Q4 FY2020 reconciliations performed by August 2020. Our goal will be to accelerate departmental revenue validations so that these are completed no later than early September and we hope to complete AP accrual validations starting early September. GAAU is committed to working very closely with departments that have late expense and revenue transfers due to Grantor related issues on final award amounts. Further, our goal is to complete the reconciliation of Grant Fund Schedules by end of October 2020 and to provide you with the fully reconciled fund schedules and the SFA version A in November. We are hopeful that an accelerated timeline would result in a timely preparation of the SEFA and we hope to continue working with departments to ensure the requirements of SAP G 3-1 are followed.

We maintain that certain best practices will also enable a timely submission of the Single Audit Reporting Package, including 1) The provision of a "provided by client list" with a detailed schedule of all required support for the audit with target due dates and dates of receipt from Finance for tracking purposes 2) The establishment of multiple planning meetings, including an entrance conference to iron out expectations for all parties and discuss considerations for the upcoming audit and any takeaways from the previous audit, 3) Regular audit status update meetings to identify any constraints and issues and to monitor audit progress 4) The completion of audit testing for the CAFR and Single Audit at the same time and 5) The acceleration of the audit testing timeline, including cross-cutting procedures, where applicable, to ensure that the audits are completed in an accelerated timeline and reporting packages are submitted ahead of time.

Auditor's Comments on Agency's Response: In above response, management states, "While we acknowledge GAAU needs to continue all efforts to improve the SEFA submission timeline, we must also point out that the Controller's Office needs to ensure its audits are completed on time, as late audits contribute to further delays in the submission to the Federal Audit Clearing House."

To perform a timely audit, it is important that we receive the SEFA in a timely manner. Without a SEFA, we are not able to perform initial audit planning procedures, such as analytical reviews, risk assessment of the programs, selection of the major programs, and planning the internal control and compliance testing. Also, our audit timelines are dependent on the timely receipt of accurate financial schedules and supporting documentation for audit. As noted in the condition of finding 2019-002 of the report, for fiscal year 2019, the GAAU did not provide the preliminary SEFA for audit until March 28, 2020, which was only three days prior to the required deadline of March 31st, to submit the Single Audit reporting package.

Management also states “We maintain that certain best practices will also enable a timely submission of the Single Audit reporting package, including 1) The provision of a “provided by client list” with a detailed schedule of all required support for the audit with target due dates and dates of receipt from Finance for tracking purposes 2) The establishment of multiple planning meetings, including an entrance conference to iron out expectations for all parties and discuss considerations for the upcoming audit and any takeaways from the previous audit, 3) Regular audit status update meetings to identify any constraints and issues and to monitor audit progress 4) The completion of audit testing for the CAFR and Single Audit at the same time and 5) The acceleration of the audit testing timeline, including cross-cutting procedures, where applicable, to ensure that the audits are completed in an accelerated timeline and reporting packages are submitted ahead of time.”

The best practices management listed above have been in place during our audits, including a provided by client (PBC) list with target dates that was given to the Finance Office at the entrance conference on June 4, 2019 for the fiscal year 2018 audit. We also held multiple entrance conferences with the grantor departments that had major programs selected for audit. We held periodic update meetings with the Finance Office and tracked the status of the receipt of documents on the PBC list throughout the audit. The key obstacle to submitting the Single Audit reporting package to the Federal Audit Clearinghouse on time remains the Finance Office’s untimely preparation and submission of the SEFA for audit.

2019-003 BREAKDOWNS IN THE FUNCTIONALITY AND APPLICATION IT CONTROLS OF THE ONEPHILLY SYSTEM INCREASE THE RISK FOR MATERIAL PAYROLL ERRORS

Views of the Responsible Officials:

- The City of Philadelphia is committed to ensuring employees get paid on time. After thoughtful discussion, management agreed to running an Assumed Time program in the event that Departments are unable to update, review and approve time captured for the period. The statement that “time is not reviewed for accuracy and authorization” is inaccurate. Payroll timekeepers are tasked with reviewing the time entries for their departments for accuracy. Departments are also tasked with providing multi-level sign offs of time details captured in the time detail report for that department. Timekeepers go back in retro-effective time periods, perform necessary follow-ups, and update assumed time to reflect actual hours and submit and approve these changes. Management made the decision to leave all pay periods open during the first three months of stabilization, to allow timekeepers adequate time to make updates. Management updated this timeline in July 2019 and allowed timecards to remain open for 6 pay periods, until November 2019, when they switched to the normal timeline of 3 pay periods. Only Authorized personnel make changes to employee timecards after following the required approval steps for that specific process.
- The OnePhilly and Central Payroll teams perform certain citywide and cross functional tasks. These teams follow the appropriate steps when performing their functions, including making changes to

employee timecards. Some of the changes are made with documental approvals from departments, others are made after discussion with departments, and other changes are made by higher-level payroll examiners, who possess the requisite skillset and knowledge to perform certain city-wide updates to employee records that do not require departmental level approvals.

- Only relevant hours types are authorized for employees and timekeepers. The time types that timekeepers have access to are driven by both Department and Compulsory Union Code (CUC). Hours type should not be restricted at the department level. Hours types are driven by CUC and therefore, not all hours types are available for each employee. For example, Hazmat or Acting Out of Rank is available only for CUC “F” or firefighters, and Stress Pay is available only for Police. All hours types are reviewed and approved by managers and timekeepers.
- The OnePhilly team does not approve all timecards in unapproved status. Only timecards in the most current processing period that are in working status are approved in order to ensure all employees get paid. Timekeepers are then tasked with updating these timecards after the close of the processing period. In the absence of the automatic approval process and the Assume Time program, if managers and timekeepers did not complete their review and approval of employee timecards by the payroll processing deadline, employees would not receive their paychecks. Management determined that the risks related to not paying employees was greater than the risk of paying employees and retroactively adjusting these payments if needed. Further, the number of instances in which employees’ current timecards remain in unapproved status has significantly decreased.
- The number of employees with access to OTL Manager Self-Service has always been limited. Only supervisors and managers have access to OTL Manager Self-Service, which represents ~5% of all employees. Only a portion of that approximately 5% were actually using OTL Manager Self-Service instead of OTL Employee Self-Service to submit their hours worked. However, we are pleased that the system was updated to restrict the ability of management and supervisors to enter their hours worked using OTL Manager Self-Service.
- The OnePhilly team was fully aware of the leave accrual issues that existed in the system and alerted the Controller’s office of the unwavering testing and resolution efforts carried out by the team. Leave accrual have been fixed and are now accurately reflected in the system. A sick abuse program to enable departments to systematically track leave balances is targeted to be released by end of this month. This timeline may be impacted by COVID-19.
- Upon identification, this issue was resolved in a timely fashion.
- The team identified the root cause of the issue and logged a defect. The issue will be resolved by June 30, 2020. This timeline may be impacted by COVID-19.
- The Timecard Status Summary Dashboard allows timekeepers to view meaningful data during the time capture phase of payroll processing, such as, timecards in approved status and timecards in working or error status. All of this information is accessed and viewed at the department level. The Missing Timecard Report is the only dataset that is a citywide view in the Timecard Status Summary Dashboard. Timekeepers cannot edit this data, and they DO NOT have access to sensitive payroll and PII information of employees in other departments. We have requested an update to be made to the

dashboard so that missing timecard details can be viewed at the department level only. The target timeline for this resolution is June 30, 2020. This timeline may be impacted by COVID-19.

- The team provided and demonstrated initial versions of the Overpaid/Underpaid reports during the walkthroughs. Those initial reports were fine-tuned and enhanced, as can be expected with any implementation, and this was communicated to the auditors. A team of payroll examiners conduct the review of the Overpaid/Underpaid reports. The statement that the 3,000-line report requires individual review is inaccurate.
- Post June 30, 2019, the OnePhilly team expanded controls over reconciliation of outbound interfaces. There are two sets of controls in place: controls that are required by the receiving organization/external entities for reconciliation purposes, and internal reconciliation controls and other controls that are carried out by the OnePhilly team during the interface execution process.
- The suspension of time only impacts self-service users and timekeepers every Monday and every other Tuesday. The overwhelming majority of city employees (greater than 75%) are not self-service users and are not impacted by the suspension of time. Notwithstanding, the OnePhilly team will implement a process that suspends time entry only for the current pay cycle, instead of for all pay-periods. The expected timeline for implementation, considering other enhancement priorities, is September 2020.
- The change from electronic to paper signoffs in and of itself is not an issue. In fact, the current paper sign-off process requires supervisory and executive-level approvers to review the time detail report before manual sign-off. As already communicated to the Controller's office, the team is going to enhance the sign-off process even further, and specifically, Central Payroll has worked with the One Philly Team to develop the blueprint for automation of the payroll sign-off process. The target timeline for the additional enhancements to be completed is May 2020.

Auditor's Comments on Agency's Response: In above response, management states that "Timekeepers go back in retro-effective time periods, perform necessary follow-ups, and update assumed time to reflect actual hours and submit and approve these changes."

We note that, in a subsequent comment in its response, management states that the OnePhilly and Central Payroll Teams make changes to employee timecards, and not always "with documental approvals from departments."

Management also states that "only relevant hours types are authorized for employees and timekeepers. The time types that timekeepers have access to are driven by both Department and Compulsory Union Code (CUC). Hours type should not be restricted at the department level. Hours types are driven by CUC and therefore, not all hours types are available for each employee. For example, Hazmat or Acting Out of Rank is available only for CUC 'F' or firefighters, and Stress Pay is available only for Police. All hours types are reviewed and approved by managers and timekeepers.

During the in-scope period, the independent accounting firm engaged by us to assess the OnePhilly system's IT application and general controls (our consultant) witnessed that employees and timekeepers could select from the full listing of hours types and submit time. It is our consultant's understanding that an initial system fix was implemented in November 2019.

Regarding the Overpaid / Underpaid report, management states the following:

The team provided and demonstrated initial versions of the Overpaid/Underpaid reports during the walkthroughs. Those initial reports were fine-tuned and enhanced, as can be expected with any implementation, and this was communicated to the auditors. A team of payroll examiners conduct the review of the Overpaid/Underpaid reports. The statement that the 3,000-line report requires individual review is inaccurate.

Management's response confirms that these reports were not fully functioning during the in-scope period. Further, the fact that the 3,000-line report – which only relates to one payroll type, for one pay period – requires manual review is not disputed. It appears, consistent with the OnePhilly Team's remarks during the exit conference, that the OnePhilly Team has interpreted "individual review" to mean that one individual is responsible for reviewing the entire report.

Section III - Financial Audit Significant Deficiencies:

2019-004 DEFICIENCIES IN ONEPHILLY SYSTEM'S IT GENERAL CONTROLS REQUIRE IMPROVEMENT TO MINIMIZE VULNERABILITIES

Monitoring of Third Parties Was Not Formally Documented

Views of the Responsible Officials: During the audit, OnePhilly provided ample documentation concerning separation of duties and systematic permissioning based on responsibilities across departments. Based on feedback from Eisner Amper, we agreed to develop a single, comprehensive and easy to read document on Segregation of Duties. This document is in progress and the team aims to complete it during FY2021. Regarding access provisioning and de-provisioning, the OnePhilly security provisioning team was an integral part of building out the responsibilities in the system and are well versed with systematic permissioning and segregation of duties. As communicated during the audit, quarterly citywide access reviews occurred by default during implementation in December and March, because departments provided the listing of employees approved to be added during this time, and therefore, only payroll process owners were added, and access was reviewed and granted based on the assigned roles and responsibilities details provided by Departments. We also communicated that the team established quarterly reviews of user access post June 30, 2019. Furthermore, the team is making additional updates to the user access process, including daily automated de-provisioning of employee transfers and terminations target June 30, 2020.

Password Configurations Were Not in Compliance With City Requirements

Views of the Responsible Officials: As previously communicated, the password policy implemented by Ciber at Go-live was two-fold: 1) the standard password policy for Oracle was implemented across the board and 2) The password change requirement for all new users was set to 90 days, plus, the password change requirement established in Legacy for all legacy users was transferred; essentially, the timelines for password change for each user was already established in legacy, and these password expiration requirements were transferred from Legacy to OnePhilly at conversion. We also previously communicated that the OnePhilly team submitted a ticket request to Ciber to have the password policy updated to align directly with the OIT Information Security Access Control Policy. We also previously noted that the plan for implementing the city-wide policy was targeted to be implemented by April 30, 2020. This implementation has been completed despite being slightly delayed due to the COVID-19 crisis.

Go-Live Approval Documentation Was Not Maintained

Views of the Responsible Officials: The team maintained and provided ample documentation of steering committee meeting agendas and presentations, go live timelines, and emails to the steering committee confirming Go-live was successful, among other communications. Therefore, the determination that the lack of a single, formal document, with signoffs from each steering committee member constitutes a significant deficiency, in light of the support provided, is unduly harsh.

2019-005 OIT'S IT GENERAL CONTROLS REQUIRE STRENGTHENING

Views of the Responsible Officials: OIT will assess separating the functions mentioned above and will segregate the duties associated with each among available employees where possible. Where, due to limited resources, OIT must rely on one employee to perform multiple functions, OIT will make every effort to monitor employee activity. Additionally, OIT will continue to review its change management control procedures and implement measures to ensure that the process is adhered to for application changes. OIT will also work to revise its change management policy to include the two additional recommended requirements.

2019-006 TREASURER'S BANK RECONCILIATION PROCEDURES STILL REQUIRE IMPROVEMENT

Views of the Responsible Officials: The City Treasurer's Office (CTO) is pleased that you acknowledged that its reconciliation of the consolidated cash account has improved. Thank you for also acknowledging that the remaining difference of \$528,607 was written off and charged to the General Fund in December 2019, and thus this condition is now closed. We would like to note that CTO provided adequate alternative support for the 4 long unreconciled accounts, which included annual bank reconciliations instead of monthly reconciliations, and thus the statement that "the Treasurer was unable to provide bank reconciliations that covered a large portion of the unreconciled period" is misleading. However, we acknowledge that you reported this condition as closed. CTO also developed policies and procedures which are final and used by staff. These documents will be updated to reflect any changes required by the implementation of the Treasury Management System. CTO has also re-engaged with the Department of Public Health to implement the revised process that improves the identification and recognition of revenue receipts.

Auditor's Comments on Agency's Response: In the finding above, we summarized a finding reported in the prior year as follows: "While Treasurer management asserted that four long unreconciled accounts had been fully reconciled, the Treasurer was unable to provide bank reconciliations that covered a large portion of the unreconciled period." In its response, management asserts, "We would like to note that CTO¹ provided adequate alternative support for the 4 long unreconciled accounts, which included annual bank reconciliations instead of monthly reconciliations, and thus the statement that 'the Treasurer was unable to provide bank reconciliations that covered a large portion of the unreconciled period' is misleading."

We disagree with management's assertion. As stated in our prior year report, with regard to the four long unreconciled accounts, the Treasurer did not provide us with sufficient, documented evidence that they had performed bank reconciliations for all of the unreconciled months.² In fact, Treasurer management informed us

¹ City Treasurer's Office

² The unreconciled months are listed on report page 17, footnote 11.

that they are unable to prepare those monthly bank reconciliations because either the bank and/or the supporting city records for those months are not available.

2019-007 FAILURE OF DEPARTMENTS TO PROPERLY APPROVE BIWEEKLY PAYROLLS INCREASES RISK FOR IMPROPRIETIES

Views of the Responsible Officials: Thank you for acknowledging that improvements were made in the departmental approval process for payroll compared to prior year results. We communicated to departments that at least one level two and one level three sign-off would be required at implementation. After departments' failure to provide two levels of sign-offs, we reviewed the communication initially sent out and concluded that some departments may have mis-interpreted the initial communication to mean "a minimum of one level of authorization is required for the payroll sign-off; either one or more at level 2 or 1 or more at level 3, but one would be sufficient." In addition, there are some departments that have historically needed to delegate "temporary signature authorization." For such departments, when only one signature was provided, we have considered that the temporary signature authorization process was enforced. Nonetheless, we assigned a payroll representative to reach out to departments each payroll cycle to request additional sign-offs that are not received by the payroll closing date and time for each cycle. To fully resolve this issue, the following steps have been taken by our team:

1. To provide clarification, in November 2019 we amended the Payroll Close memo that goes out to departments each week to include language that states departments **MUST** have two signers on the Time Entry Edit Report. We also included this as an agenda item for the November 2019 HR Managers' meeting.
2. In order to be proactive, and to eliminate any instance of having only one signature, or the same person providing two levels of authorization, Central Payroll worked with the One Philly Team to develop the blueprint for automation of the payroll sign-off process. We hope to begin working on this project starting May 2020.

2019-008 ACCOUNTS PAYABLE REPORTING NEEDS IMPROVEMENT

Views of the Responsible Officials: Departments are provided with a memo explaining the requirements to provide accounts payable data by the applicable cut-off period. Finance will work on expanding this memo, where necessary. Our accounts payable cut-off timeline is based on our 120 days (after year end) timeline to complete the AFR in compliance with the deadline mandated by Charter requirements. While improvements can be made if the Auditors align their cut-off period with the cut-off period for Finance, we may continue to see discrepancies due to items such as late executed contracts and delayed invoices that hinder departments from providing such accounts payable details within our mandated timeline. Major improvements can be made, and we can reduce discrepancies if departments improve their reporting of accounts payable to the Finance office.

Auditor's Comments on Agency's Response: Regarding the finding on deficiencies in accounts payable reporting, in above response, management states "Our accounts payable cut-off timeline is based on our 120 days (after year end) timeline to complete the AFR³ in compliance with the deadline mandated by Charter /requirements. While improvements can be made if the auditors align their cut-off period with the cut-off period for Finance, we may continue to see discrepancies due to items such as late executed contracts and delayed invoices that hinder departments from providing such accounts payable details within our mandated timeline."

³ Annual Financial Report

Generally accepted auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. In testing accounts payable as of June 30th (the city's fiscal year-end), we search for unrecorded liabilities by examining invoices paid in the subsequent fiscal year to identify payments for goods or services received on or before June 30th that were not accrued as payables. The cut-off period we use for this testing cannot be restricted to the Finance Office's cut-off period, especially when there is a risk of significant unrecorded payables as evidenced by the results of our current year testing, which found \$30.2 million of unrecorded accounts payable. When there is a risk of significant unrecorded payables, auditors should extend the cut-off period for unrecorded liabilities testing to as close as possible to the audit opinion date.

2019-009 CAPITAL ASSET CONTROL DEFICIENCIES INCREASE RISK OF REPORTING ERRORS

Lack of a Comprehensive Capital Asset System Hampered Reporting Process

Views of the Responsible Officials: Finance Office continues to improve its process of accounting for real property assets. The number of Lotus 1-2-3 files utilized in our process have been significantly reduced, with a 90% conversion year on year. The remaining 3 files in use will soon be converted. While the excel file reliant fixed asset process is somewhat tedious, there have not been any material errors. It is our hope that this issue will be adequately addressed with new technology in the near future, possibly as part of the OPAL project.

Failure to Inventory Real Property Assets Increases Risk of Inaccurate Accounting Records

Views of the Responsible Officials: Finance Office management have had multiple preliminary meetings with the GIS unit concerning our objective of reconciling the fixed asset ledger to IWAMS. During November we had a meeting with GIS that laid the framework for the reconciliation process and jumpstarted our analysis. We anticipated the analysis would be a cumbersome task and plan to follow up. The team will be following up GIS in another meeting to discuss the progress of the reconciliation in the near future.

2019-010 SAPs REQUIRE UPDATING TO ENSURE ACCURATE AND CONSISTENT APPLICATION OF ACCOUNTING RULES AND REGULATIONS

Views of the Responsible Official: We agree with your recommendations to continue the update of the city's SAPs. Management will continue to prioritize this initiative, within budget constraints

Section IV – Federal and PA Department of Human Services Findings and Questioned Costs:

2019-011 REPORTING - SIGNIFICANT DEFICIENCY AND COMPLIANCE FINDING

Special Education – Grants for Infants and Families (EI) – CFDA #84.181

Temporary Assistance for Needy Families (TANF) – CFDA #93.558

Medical Assistance Program (MH/ID/EI) – CFDA #93.778

Block Grants for Community Mental Health Services (MH) – CFDA #93.958

Views of the Responsible Officials: We agree the Departments must perform all expenditure reconciliations of federal funding between the amount recorded in the FAMIS accounting system with the amount reported to the Grantor. This will result in improved reporting of payments to subrecipients. Over the past several years GAAU has reinforced with Departments the need to comply with prescribed municipal policies to complete an expenditure reconciliation each time expenditures are reported to the Grantor during the award period.

Contact Person: Leon Minka, Accounting Manager, Finance (215) 686-6172

2019-012 SPECIAL TESTS - COMPLIANCE FINDING

Children and Youth Programs

Guardianship Assistance – CFDA #93.090

Stephanie Tubbs Jones Child Welfare Services Program – CFDA #93.645

Foster Care Title IV-E – CFDA #93.658

Adoption Assistance – CFDA #93.659

Medical Assistance Program – CFDA #93.778

Act 148 Pennsylvania Department of Human Services

Views of the Responsible Officials: DHS understands the importance of adhering to PaDHS approved salary compensation plans and will request waivers from the state department in the future for occasions where salaries being charged to the State Act 148 invoice exceed allowable limits,

Contact Person: Nadine Perese, Budget Director, DHS (215) 686-6136

2019-013 REPORTING - COMPLIANCE FINDING

Children and Youth Programs

Act 148 Pennsylvania Department of Human Services

Views of the Responsible Officials: DHS plans to utilize the approved percentages in the City of Philadelphia Cost Allocation Plan to charge indirect costs to the State Act 148 invoice.

Contact Person: Nadine Perese, Budget Director, DHS (215) 686-6136

2019-014 REPORTING - COMPLIANCE FINDING

Children and Youth Programs

Act 148 Pennsylvania Department of Human Services

Views of the Responsible Officials: DHS understands the importance of strengthening internal controls to ensure that only actual expenditures are reported for reimbursement to the State for Act 148 Country Children & Youth funding reimbursement and plans to do so in the following fiscal years, internally as well as externally with expenditures from other departments.

Contact Person: Nadine Perese, Budget Director, DHS (215) 686-6136