Annual Report for Fiscal Year 2016

December 15, 2016

Pennsylvania Intergovernmental Cooperation Authority

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INTERGOVERNMENTAL
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AUTHORITY

1500 Walnut Street, Suite 1600, Philadelphia, PA 19102
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December 15, 2016

To: The Governor and General Assembly of the Commonwealth of Pennsylvania
The Chairperson and the Minority Chairperson of the Appropriations Committee of the Pennsylvania Senate
The Chairperson and the Minority Chairperson of the Appropriations Committee of the Pennsylvania House of Representatives
The Mayor, City Council and the Controller of the City of Philadelphia

As the Pennsylvania Intergovernmental Cooperation Authority (PICA) marks its twenty-fifth anniversary, we are pleased to provide you with this annual report for the fiscal year ended June 30, 2016. The report provides an overview of PICA and its role, the work of PICA during fiscal year 2016, goals for fiscal year 2017, long term goals, audited financial statements for FY16, and a report of independent auditors.

I would like to take this opportunity to acknowledge and express the PICA Board's sincere appreciation for the continuous support the Authority receives from the Governor and the General Assembly. This support and cooperation are vital for PICA's continuing success.

Kevin Vaughan

Kevin Vaughan
Chair
PICA Board

The Mission of the Authority

The mission of the Authority is stated in its enabling legislation, the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6) (the "PICA Act"), Section 102. The language is as follows:

Policy.--It is hereby declared to be a public policy of the Commonwealth to exercise its retained sovereign powers with regard to taxation, debt issuance and matters of Statewide concern in a manner calculated to foster the fiscal integrity of cities of the first class to assure that these cities provide for the health, safety and welfare of their citizens; pay principal and interest owed on their debt obligations when due; meet financial obligations to their employees, vendors and suppliers; and provide for proper financial planning procedures and budgeting practices. The inability of a city of the first class to provide essential services to its citizens as a result of a fiscal emergency is hereby determined to affect adversely the health, safety and welfare not only of the citizens of that municipality but also of other citizens in this Commonwealth.

Legislative intent.--

(1) It is the intent of the General Assembly to:

(i) provide cities of the first class with the legal tools with which such cities can eliminate budget deficits that render them unable to perform essential municipal services;

(ii) create an authority that will enable cities of the first class to access capital markets for deficit elimination and seasonal borrowings to avoid default on existing obligations and chronic cash shortages that will disrupt the delivery of municipal services;

(iii) foster sound financial planning and budgetary practices that will address the underlying problems which result in such deficits for cities of the first class, which city shall be charged with the responsibility to exercise efficient and accountable fiscal practices, such as:

(A) increased managerial accountability;
(B) consolidation or elimination of inefficient city programs;
(C) recertification of tax-exempt properties;
(D) increased collection of existing tax revenues;
(E) privatization of appropriate city services;
(F) sale of city assets as appropriate;
(G) improvement of procurement practices including competitive bidding procedures; and
(H) review of compensation and benefits of city employees; and

(iv) exercise its powers consistent with the rights of citizens to home rule and self-government.

(2) The General Assembly further declares that this legislation is intended to remedy the fiscal emergency confronting cities of the first class through the implementation of sovereign powers of the Commonwealth with respect to taxation, indebtedness and matters of Statewide concern. To safeguard the rights of the citizens to the electoral process and home rule, the General Assembly intends to exercise its power in an appropriate manner with the elected officers of cities of the first class.

(3) The General Assembly further declares that this legislation is intended to authorize the imposition of a tax or taxes to provide a source of funding for an intergovernmental cooperation authority to enable it to assist cities of the first class and to incur debt of such authority for such purposes; however, the General Assembly intends that such debt shall not be a debt or liability of the Commonwealth or a city of the first class nor shall debt of the authority payable from and secured by such source of funding create a charge directly or indirectly against revenues of the Commonwealth or city of the first class.

PICA Annual Report Requirements

The Pennsylvania Intergovernmental Cooperation Authority Act for Cities of First Class, Act of 1991, P.L. 9, No. 6 at Section 203(b)(5) requires PICA:

> To make annual reports within 120 days of the close of the Authority's fiscal year commencing with the fiscal year ending June 30, 1992, to the Governor and the General Assembly describing its progress with respect to restoring the financial stability of assisted cities and achieving balanced budgets for assisted cities, such reports to be filed with the Governor, with the presiding officers of the Senate and the House of Representatives, with the Chairperson and the Minority Chairperson of the Appropriations Committee of the Senate and the Chairperson and the Minority Chairperson of the House of Representatives and with the Governing Body, Mayor and Controller of the assisted city.

Section 207 of the Act further provides for an annual audit to be included with the Annual Report, as follows:

> Every Authority shall file an annual report with the Chairperson and the Minority Chairperson of the Appropriations Committee of the Senate and the Chairperson and the Minority Chairperson of the Appropriations Committee of the House of Representatives, which shall make provisions for the accounting of revenues and expenses. The Authority shall have its books, accounts and records audited annually in accordance with generally accepted auditing standards by an independent auditor who shall be a certified public accountant, and a copy of his audit report shall be attached to and be made a part of the Authority's annual report. A concise financial statement shall be published annually in the Pennsylvania Bulletin.

Overview - PICA and its Role

PICA Act

The Pennsylvania Intergovernmental Cooperation Authority ("PICA") was created in 1991 to assist the City of Philadelphia (the "City") in overcoming a severe financial crisis. At that time, the City was burdened with a growing cumulative operating deficit, lacked resources to pay mounting overdue bills from vendors, had seen its credit ratings drop below the investment grade level by national rating agencies, had instituted an across-the-board hiring freeze, and was in a mode in which the quality of municipal services was rapidly eroding. PICA was created through the joint efforts of concerned Philadelphians and state officials who envisioned a structure that would assist the City in putting its revenue collection and spending processes in order. The PICA Act was a compromise fashioned to meet the requirements of the Pennsylvania Constitution, the concept of local government Home Rule, and the interests of the Commonwealth in the preservation of the financial integrity of its municipalities. PICA's role, a combination of cooperation, assistance and oversight, was determined to be of vital importance in both a financial and political sense. PICA was designed to address the City's short-term financing needs, while overseeing a long-term financial planning process that would restore the confidence of investors, citizens, and public officials in the ability of the City to maintain financial stability over the long-term.

Cooperation Agreement

The Intergovernmental Cooperation Agreement (the "ICA" or "Agreement"), negotiated by and between PICA and the City and finalized in January of 1992, formalized the relationship contemplated by the PICA Act. The powers and duties of the respective participants envisioned in the legislation were put into place with the execution of the Agreement. PICA was designed to be much more than a vehicle to raise otherwise unavailable funds for Philadelphia. It has the responsibility to evaluate and approve annually revised Five-Year Financial Plans, to monitor compliance by the City with those Plans, and was granted the power to instruct the Commonwealth Secretary of the Budget to withhold substantial Commonwealth financial assistance and the net proceeds of the PICA Tax (after PICA debt service) should the City fail to balance its Five-Year Financial Plan in each of its years.

Organization

The Authority Board determined at the outset that PICA should not become overburdened with staff, preferring instead to impress upon the City the necessity for Philadelphia to develop and implement its own solutions to its problems. The Authority's staff, which during much of the past fiscal year totaled six, is organized to evaluate the progress of the City in taking actions that will maintain financial balance and address underlying problems that contribute to fiscal imbalances. PICA staff issues reports on the City's Five-Year Financial Plans and issues relating to financial stability. The reports have been designed to assist those properly charged with responsibility for policy development and administration within the City, and also to inform the general public.

Financial Assistance to the City

The issuance of bonds to provide the funds necessary to allow the City to avoid insolvency and continue essential capital investment was an important initial role of the Authority. That role has been successfully completed. Under the PICA Act, the Authority's authorization to issue "new money" bonds to finance City operating deficits or capital projects expired on December 31, 1994. Authorization to issue cash flow deficit financing bonds expired on December 31, 1996. PICA's bond issuance powers are currently limited to the refinancing of existing PICA debt to realize net debt service savings.

Through debt issuance and capital program earnings, the Authority has made available $1.138 billion to directly assist the City, allocated to the following purposes:

Purpose	Amount (Thousands)
Deficit Elimination/Indemnities	$ 269,000
Productivity Bank	20,000
Capital Projects	464,400
Retirement of Certain High Interest City Debt	384,300
TOTAL	$1,137,700

Five-Year Financial Plan Process

PICA has consistently emphasized its firm belief that the City's continuing fiscal rehabilitation is dependent upon its continuing success in addressing both financial and managerial issues; that the process is less one dealing with finance than assessing the financial results of managerial decisions. Effective strategic planning and the institutionalization of change are matters that the City must continue to focus upon in order to assure that its considerable assets continue to be applied prudently and consistently. The Plan process helps to document the City's intentions and the results of its actions.

As mandated in the PICA Act (and as further refined in the ICA), the *Five-Year Financial Plan* is required to include:

- Projected revenues and expenditures of the principal operating funds of the City for five fiscal years (the current fiscal year and the next four); and

- Components to (i) eliminate any projected deficit for the current fiscal year; (ii) restore to special fund accounts money from those accounts used for purposes other than those specifically authorized; (iii) balance the current fiscal year budget and subsequent budgets in the Plan through sound budgetary practices, including, but not limited to, reductions in expenditures, improvements in productivity, increases in revenues, or a combination of such steps; (iv) provide procedures to avoid a fiscal emergency condition in the future; and (v) enhance the ability of the City to regain access to the short- and long-term credit markets.

There also are statutorily mandated standards for the development of the Plan (and the manner in which it is to be evaluated by PICA):

- all projections of revenues and expenditures are to be based upon consistently applied reasonable and appropriate assumptions and methods of estimation;

- revenues are to be recognized in the accounting period in which they become both measurable and available; and

- cash flow projections are to be made based upon reasonable and appropriate assumptions as to sources and uses of cash, including factors intended to provide a complete picture of cash demands.

The PICA Act also mandates standards for the basis for estimation of City revenues:

City sources - current or proposed tax rates, historical collection patterns, and generally recognized econometric models;

State sources - historical patterns, currently available levels, or levels proposed in a budget by the Governor;

Federal sources - historical patterns, currently available levels, or levels proposed in a budget by the President or in a Congressional budget resolution; and

Non-tax sources - current or proposed rates, charges or fees, historical patterns and generally recognized econometric models.

Deviations from such standards for estimation of revenues and appropriations, which are proposed to be used by the City are to be disclosed specifically to the Authority and approved by a “qualified majority” of the PICA Board (four of its five voting members). The Authority Board generally has required that conservative criteria be used, and the PICA process has led to credible budgets and Plans over the past two decades.

The *Five-Year Financial Plan* is also required to include a schedule of projected City capital commitments (and proposed sources of funding); debt service projections for existing and anticipated City obligations; a schedule of payments for legally-mandated services projected to be due during the term of the Plan; and a schedule showing the number of authorized employee positions (filled and unfilled); inclusive of estimates of wage and benefit levels for various groups of employees.

The PICA Act requires that the Authority solicit an opinion or certification from the City Controller, prepared in accordance with auditing standards generally accepted in the United States, with respect to the reasonableness of the assumptions and estimates in the Plan. The PICA Act does not, however, require that the Controller's determinations bind the Authority in its evaluation of a proposed Plan.

The PICA Act (Section 209) and the ICA (Section 409(b)) require submission of quarterly reports by the City concerning its compliance with the current Plan within 45 days of the end of a fiscal quarter. The City fulfills this requirement through the quarterly submission to PICA, and publication of, its *Quarterly City Managers Report* (QCMR). If a QCMR indicates that the City is unable to project a balanced Plan and budget for the current fiscal year, the PICA Board may, by the vote of a qualified majority, declare the occurrence of a "variance," which is defined in Section 4.10 of the ICA as follows:

> (i) a net adverse change in the fund balance of a Covered Fund of more than one percent (1%) of the revenues budgeted for such Covered Fund for that fiscal year is reasonably projected to occur, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year, or (ii) the actual net cash flows of the City for a Covered Fund are reasonably projected to be less than ninety-five percent (95%) of the net cash flows of the City for such Covered Fund for that fiscal year originally forecast at the time of adoption of the budget, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year.

As defined in Section 1.01 of the ICA, the City's "Covered Funds" are the General Fund, General Capital Fund, Grants Revenue Fund and any other principal operating funds that become part of the City's Consolidated Cash Account.

The Effect of a "Variance"

The PICA Act mandates the submission of monthly reports to PICA by the City in the event of a determination by the Authority of the occurrence of a variance. That situation has occurred twice in PICA's history. In November of 1992, the City projected a variance of $57 million (2.5%) for FY93, and the Authority agreed with that assessment on December 9, 1992. Thereafter, until May 1993, the City filed required monthly reports. The City was relieved of its obligation to make monthly reports when the Authority approved the City's plan of correction in conjunction with its approval of the City's *Five-Year Financial Plan* for FY93-FY98 in May of 1993.

In February 2009, the City projected a variance of $47 million, and the Authority agreed with that assessment on February 20, 2009. Thereafter, until September 2009, the City filed required monthly reports. The City was relieved of the requirement to make monthly reports when the Authority approved the City's plan of correction in conjunction with its approval of the *Five-Year Financial Plan* for FY10-FY14 in September of 2009.

As provided in Section 210(e) of the PICA Act, legal consequences flow from a determination by the Authority of the existence of a variance. Along with additional reporting responsibilities, the City must develop Plan revisions adequate to cure the variance. The remedies that PICA has available to deal with a continuing variance are to direct the withholding of specific Commonwealth funds due to the City and that portion of the PICA Tax – a tax of 1.5 percent levied on the wages, earnings, and net profits of Philadelphia residents – in excess of the amount necessary to pay PICA debt service. Any amounts withheld would be paid over to the City after correction of the variance.

Philadelphia City Controller

An unforeseen benefit of the PICA Act's requirement that PICA solicit an opinion from the City Controller as to the reasonableness of Plan estimates has been the cooperative, professional relationship that has developed between PICA and City Controller's Office staff. This relationship includes cooperation on matters of common concern; joint meetings with City department heads and chief operating personnel as part of the *Five-Year Financial Plan* review process; cooperation on capital project reviews and reviews of PICA-funded special purpose grants to the City; PICA assistance for Controller special situation studies; and specific Office of the Controller personnel assigned responsibility for effective liaison with PICA staff. The assistance provided to PICA by the City Controller is sincerely appreciated.

Providing Comment on Pending Legislation

In accordance with its oversight duties, PICA continues to provide comments and fiscal analysis on City legislation that impacts the City's fiscal situation. Further, PICA fulfills its responsibility to evaluate certain legislation before the General Assembly, in accordance with the PICA Act Section 203(c)(5), which empowers the Authority "to make recommendations to the Governor and the General Assembly regarding legislation or resolutions that affect Commonwealth aid or mandates to an assisted city or that concern an assisted city's taxing power or relate to an assisted city's fiscal stability."

Corporate Entities and The School District of Philadelphia

"Corporate Entities" are defined in Section 1.01 of the ICA as "an authority or other corporate entity, now existing or hereafter created, of which one or more members of its governing board are appointed by the Mayor and which performs governmental functions for the City…" The Agreement provides that the City shall cooperate with PICA in any PICA request to examine the operations of either the Corporate Entities or the School District of Philadelphia.

To date, PICA has not examined directly the operations of these City-related institutions, but it has offered its expertise to the School Reform Commission, the CEO of the School District of Philadelphia, and the Commonwealth Secretary of the Budget, and has provided informal assistance where appropriate.

The Work of PICA - Fiscal Year 2016

FY17-21 Five-Year Financial Plan Review

PICA staff engaged in an extensive review of the FY17-21 Five-Year Financial Plan (The Plan). As part of the review process, PICA staff met with fifteen City departments to discuss their finances and performance metrics. The Mayor's proposed Plan was approved by Council and formally submitted to PICA on June 16th, 2016. The City submitted a revised Plan August 8, after entering into two new contracts with the International Association of Fire Fighters (IAFF) and American Federation of State, County, and Municipal Employees (AFSCME) District 33. The PICA Board approved the Plan on August 31.

Financial Publications

During FY16, PICA staff continued to issue monthly updates on the status of City tax revenue collections. These reports track City revenue performance by comparing actual collections to current projections throughout the year.

PICA staff also issued quarterly analyses of the City's Quarterly City Managers Reports (QCMR). The QCMR tracks the City's quarterly performance with respect to expenditure and revenue estimates, updates estimates quarterly, and assesses performance measures for major agencies. PICA staff analyses have been designed to distill and communicate the most important issues raised by the QCMR.

Program-Based Budgeting

In December of 2015, PICA convened regional economists, policy analysts, and City officials at the Federal Reserve Bank of Philadelphia for a conference on Program-Based Budgeting. Among the panelists were Rebecca Rhynhart, the City's then-Budget Director, who discussed the City's current transition to the process; and Andrew Kleine, the Budget Director for the City of Baltimore, who discussed his experience with Outcome-Based Budgeting, as Program-Based Budgeting is referred to in Baltimore. Following the panel presentation was an open discussion on best practices, methodology, and execution of Program-Based Budgeting.

The City has begun implementing Program-Based Budgeting, which seeks to assess the performance of individual programs within City departments as a means of determining appropriations.

Overtime Tracking

In FY16, the PICA Board expressed its concern with City overtime spending and management. In response, staff began to track overtime usage across key City departments on a monthly basis. Overtime usage has increased significantly in recent years. Additionally, the Managing Director's Office has identified seven City departments for reductions in overtime spending in the current Five Year Plan. Thus, PICA has begun compiling a monthly overtime report, which tracks departmental overtime budgets—showing the City's overtime usage throughout the year in a detailed manner. This will also serve as an additional tool for PICA staff to employ in its review of future Five-Year Plans.

Actual Value Initiative (AVI) Appeals Reporting

In response to the challenges faced by the City as a result of real-estate tax appeals stemming from the 2014 Actual Value Initiative (AVI), PICA began monitoring the appeals process. However, PICA staff realized in early 2016 that the Board of Revision of Taxes (BRT) and the Office of Property Assessment were employing different methods for reporting the number of appeals heard, the number of appeals outstanding, and the number of appeals resolved. PICA staff has worked with the City to streamline the data, which it continues to monitor.

City Departmental Performance

In February 2016, PICA staff released its first staff report on City performance: "City of Philadelphia Performance: Measurement, Reporting, and Accountability." PICA staff used performance reporting metrics unique to each agency in its evaluation of twenty-one key City departments. PICA considered statutory requirements and national standards in evaluating each department individually and made recommendations as to how each department might improve performance, related metrics, and reporting.

Sweetened Beverage Tax Oversight

In June 2016, Philadelphia became the first major city to pass a tax on sweetened beverages. PICA staff met with the City Revenue Department regarding how the tax would be implemented and collected; the City's Finance and Budget Offices to ensure revenue projections were reasonable and appropriate; and the Law Department to gain insight on legal challenges to the tax. PICA addressed all of these issues in its Staff Report on the Five Year Plan.

Website and Social Media

In FY16, PICA staff completed an overhaul of the PICA website with the goal of making it more visually appealing and better organized to improve access to PICA publications. The website was redesigned with the goal of keeping interested parties abreast of PICA's important work and calendar of events.

FY16 also marked PICA's first foray into social media, with the launch of PICA's Facebook page and Twitter feed. These important tools serve to inform the general public of pressing fiscal issues facing the City in a timely manner, and serve as another distribution method for PICA's reports and publications.

Executive Director Presentations

Throughout the fiscal year, PICA's Executive Director gave multiple presentations on various aspects of public finance, including a presentation on critical issues in public finance for students at the University of Pennsylvania; a presentation on the City of Philadelphia's pension deficit for the Association of Government Accountants; and a presentation to newly-elected members of City Council on PICA's oversight role.

PICA Board

This past fiscal year there were two changes to the PICA Board membership:

Mr. Kevin Vaughan, appointed by Governor Wolf, replaced Suzanne Biemiller and was elected Chair of the PICA Board.

Mr. Alan Kessler, appointed by the Democratic Leader of the Senate, replaced Rhonda Hill Wilson.

Fiscal Year 2017 – Goals

Philadelphia’s Infrastructure

One of the most pressing issues facing City government is Philadelphia’s aging infrastructure and funding for infrastructure improvements. Therefore, PICA has chosen “Philadelphia’s Infrastructure: The Road to the Future,” as the topic for its third annual fall conference, to be held at the Federal Reserve Bank of Philadelphia in early December. A panel of experts in the fields of transportation, technology, and utility infrastructure will present on the state of Philadelphia’s infrastructure systems and propose funding sources and best practices for future infrastructure improvements. PICA has again enlisted policy experts, regional economists, and City officials to participate in an open discussion following the panel presentations.

MacArthur Foundation Grant

In April of this year, Philadelphia was awarded a $3.5 million MacArthur Foundation grant to fund a Plan to reduce the City's prison population. The City’s current goal is reducing the population by 34 percent, over a period of three years. As a preliminary measure, PICA staff has begun tracking the Philadelphia Prison System population on a daily basis. In the coming year, PICA will monitor the City’s progress in reducing the population and related grant expenditures.

Routine Reports

PICA will continue issuing its monthly revenue, quarterly, and performance reports. Additionally, as mentioned previously, PICA staff has begun tracking City departmental overtime on a monthly basis. PICA staff will soon issue its first annual report on overtime spending.

Pension Recommendations and Deferred Retirement Option Plan (DROP)

In FY17, PICA will continue to monitor the unfunded liability of Philadelphia’s Pension System, and make further recommendations for increasing the funded ratio. In July of this year, the PICA Board voted unanimously to approve an update to a study conducted by the Boston College Center for Retirement Research on the Deferred Retirement Option Plan (DROP). The study will outline the costs related to the DROP program from 2010 to the present, and will inform PICA’s recommendations related to this program.

Sweetened Beverage Tax

PICA will continue to closely monitor legal challenges currently underway, the implementation of this tax, actual collections in relation to projections, and expenditures for dedicated programs, and any impact on the fund balance.

***Five-Year Financial Plan* Review**

PICA staff looks forward to the review of the City's *Five-Year Financial Plan*, Fiscal Year 2018-Fiscal Year 2022. The Plan will need to produce reasonable revenue and expenditure projections and reasonable prospects for continued General Fund balance, while addressing the long-term issues facing the City.

Oversight of PICA-Funded Capital Projects

As of June 30, 2016, approximately $5,427,085 in PICA funds designated for City capital projects remained to be spent. In FY16, PICA staff, working with City budget and capital program staff, will continue to oversee the expenditure of PICA capital funds to ensure that they are allocated to projects that meet the specific criteria defined in the PICA Act.

Expansion and Redesign of Policy Reports and Issue Papers

PICA plans to publish periodic issue papers and targeted reports, in addition to its routine reports. PICA staff will continue to identify pressing policy and management issues impacting the City's fiscal future and publish reports on these issues when deemed necessary and appropriate. Examples include the upcoming reports on DROP and overtime, and follow-up papers to PICA's conferences. In addition, PICA staff plans to update reports already in publication. PICA staff also intends to redesign all staff publications to be more user-friendly and accessible.

Administrative Updates

The Commonwealth is now requiring PICA to participate in three programs: Workers' Compensation, Office Safety, and Chemical Right to Know. The programs are designed to streamline procedures across all Commonwealth offices with the goal of reducing injuries and workers' compensation claims. The Commonwealth has trained a PICA employee to be the coordinator for these programs. PICA staff is working to formulate an Accident and Illness Prevention Program, to be implemented this fiscal year.

PICA has also established a sexual harassment and reporting policy and procedure.

Long-Term Goals for PICA

Since its inception, PICA's oversight of the City's long-term financial planning process has emphasized the need for the planning to incorporate initiatives to address the long-term financial problems that the City faces. The PICA Act refers to the need to address such "underlying problems," which the Authority interprets broadly to include socioeconomic trends, fiscal policy and management, and strategic planning for public sector activities to address Philadelphia's challenges.

To date, the City has been successful in implementing key reforms relating to the budgeting and long-term financial planning process. These reforms were largely due to the new requirements under the PICA Act, which mandated not only a five-year financial plan, but also quarterly reporting to PICA on the status of current year revenues and expenditures in relation to the Five-Year Plan. Quarterly reporting has resulted in a much more detailed process of monitoring revenues and expenditures at the agency level, which has contributed to the City's ability to maintain budget compliance. The Five-Year Plan, in turn, has contributed to the City's ability to maintain structural balance, with recurring revenues and expenditures aligned. The statutory requirement to project revenues and expenditures for five years, that these projections be based on reasonable assumptions and indicate a positive General Fund balance for five years, has contributed to financial stability over the past two decades. Since FY91 and FY92, when the City posted General Fund deficits that PICA financed through its initial bond issues, the City has ended the fiscal year with a surplus in every year except three (FY04, FY09, and FY10). The current fiscal year is projected to end with a surplus as well.

The framers of the PICA Act contemplated that the Authority would be a catalyst for addressing the City's root problems by helping it create *processes* that would identify and publicize key problems, create consensus for solutions, and ensure that those solutions are implemented. The Act states that it was the intent of the General Assembly, when it approved the PICA Act, to "foster sound financial planning and budgetary practices that will address the underlying problems which result in…deficits for cities of the first class…" The legislature intended that the City's budget and Five-Year Plan should be vehicles to address policy problems facing the City, not just tools for managing financial and physical resources.

For this to occur, the Five-Year Plan must be embedded in policy-making and management systems that span a broad range of government functions – policy development, strategic planning, budgeting, program evaluation, and communication of performance and results. This system must be City-wide, encompassing central management agencies, as well as agencies with responsibility for policy implementation and service delivery. Clearly, the City has made progress in these areas in recent years, with the revitalization of the planning function, progress at developing performance measurement, the institution of program-based budgeting, and increased focus on issues that require a coordinated multi-agency response. However, more remains to be done, and PICA's new method of examining operations in a separate performance report is intended to convey the significance of assessing the role of operations in the planning process.

Under current legislation, the Authority's role in oversight of the City will end in 2023, when all outstanding PICA bonds are retired. In the final seven years of PICA's existence, the

Authority intends to place increasing emphasis on the relationship between the Five-Year Plan process, the budget process, and the other management systems that are essential to ensure that the City can make progress toward addressing the underlying problems that impact its fiscal health. PICA's report on performance will make some recommendations on how certain initiatives can be incorporated into the upcoming Five-Year Plan. While PICA will continue to focus on the maintenance of structural financial balance, its oversight will broaden to emphasize the integration of financial management within the policy-making and management systems of the City. This broader focus is consistent with the intent of the legislature when it approved the PICA Act in 1991 and with the academic and professional literature on performance management.

Notwithstanding the achievement of disciplined financial projections and ongoing budget monitoring, the City remains challenged by structural financial challenges that pose risks to long-term financial stability. To adequately address these problems – socioeconomic distress, weak economic growth, high tax rates, unsustainable pension costs, and tax delinquencies, among others – requires a financial planning process that is closely linked to broader management systems that are capable of addressing and solving the toughest public problems. The challenges facing the City include: high taxes generally; an unusual mix of taxes that may be especially damaging to the City's economic prospects; an unsustainable pension system; a fragmented and expensive system of employee health benefits; a public school system widely perceived as inadequately funded; city financial responsibilities that are typically more broadly shared across the metropolitan region; under-maintained public facilities; and systemic tax enforcement problems. In the future, PICA staff intends to increasingly emphasize ways the City can address these underlying problems, through its oversight of the Five-Year Financial Plan process, research publications, and advocacy.

Fund balances have historically been well below levels recommended by government finance professionals—a cause of great concern for PICA because low fund balances put City services at risk in the event of an unforeseen emergency or economic downturn. There has yet to be a contribution to the City's Budget Stabilization Reserve (BSR), instituted in 2011. In addition to fund balances, PICA staff has consistently identified other long-term challenges affecting the City's financial position, the under-funded Pension System as a notable example. PICA recognizes that decisions made over decades have created a significant pension liability. The City has instituted some reforms in recent years with the goal of addressing the problem in the long-term, such as the recent implementation of a "stacked hybrid" pension plan for AFSCME District Council 33, among others. Apart from pursuing long-term solutions to these significant challenges to improve the City's overall financial position, the City has an interest in improving on these points in order to continue to maintain its access to the capital markets. PICA's role as an oversight agency is largely motivated by this consideration.

The Authority intends to address these issues in three ways. First, it will conduct and sponsor research that emphasizes the "underlying problems" impacting City finances, as the Act stipulates. Utilizing the resources of PICA staff and outside consultants and experts, the Authority intends to publish a series of reports focusing on the City's major challenges. These challenges are likely to include: the City pension system, health benefits, tax enforcement, budgeting practices, privatization, economic development, performance management, regionalization of services, and budget reserves. Second, the Authority will publicize its findings by convening forums on the issues it identifies as central to the City's fiscal future. Third, PICA intends to broaden its oversight of the City's Five-Year Financial Plan to emphasize not only structural balance, but also how well the Plan process is integrated with other management processes, which will be released in our new report on performance and operations.

Appendix:

Financial Statements
and
Report of Independent Auditors

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

A Blended Component Unit of the City of Philadelphia

Financial Statements, Required Supplemental Information, and Other Additional Information
For the Year Ended June 30, 2016

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

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Management's Discussion and Analysis

The Board of the Pennsylvania Intergovernmental Cooperation Authority (the "Authority" or "PICA") offers the following narrative overview and analysis of the financial activities of the Authority for the fiscal year, ended June 30, 2016 ("FY16"). Please read it in conjunction with the transmittal letter on page xx and the Authority's financial statements, which begin on page xx.

Using this Annual Report

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Brief Description and Financial Highlights

PICA is a blended component unit of the City of Philadelphia ("City"). PICA is a body corporate and politic, a public authority and instrumentality of the Commonwealth of Pennsylvania ("Commonwealth"). It was created in 1991 to assist the City in overcoming a severe fiscal crisis by issuing bonds to finance the accumulated operating deficit of the City, and by overseeing the creation of a long-term financial planning process. Since 1991, the City has submitted, and PICA has approved, twenty-four five-year financial plans. PICA approved the Five-Year Financial Plan for fiscal year 2017 through fiscal year 2021, on August 31, 2016.

PICA is governed by a Board consisting of five voting members appointed by the following state officials: the Governor, the President pro Tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives, and the Minority Leader of the House of Representatives. The Board also includes two non-voting, *ex officio* members: the Secretary of the Budget of the Commonwealth and the Director of Finance of the City. The Authority currently employs five full-time staff.

The financial activity and statements presented in this report reflect only the financial activity of PICA. However, as a blended component unit of the City, the Authority's financial activity is included in the City's *Comprehensive Annual Financial Report*, as part of governmental activities. The following is a summary of some of the highlights of the Authority's financial activity in FY16:

- The Authority's total net position at the close of FY16 was ($183,907,385), representing a positive change in net position of $49,879,368 from the prior year. The largest contributor to the negative net position was $266,095,000 in bonds payable.
- The positive change in net position was primarily due to a significant increase in PICA tax revenue.
- The Authority's most significant expenses in FY16 were $386,194,460 for grants to the City and $15,755,600 for interest on long-term debt. The most significant revenue source was $446,679,896 in PICA taxes.
- At the close of FY16, the combined fund balance in all governmental funds was $105,991,469. This amount included $20,110,748 in the general fund, $5,457,108 in the debt service funds, $73,000,844 in the debt service reserve fund, $1,995,689 in the rebate fund, and $5,427,080 in the capital projects funds.

Overview of Financial Statements

Government-Wide Financial Statements. The government-wide financial statements provide information about the activities of the Authority as a whole. They are reported using the economic resource measurement focus and the accrual basis of accounting. In these statements, all current year revenues and expenses are taken into account, regardless of when cash is received or paid.

There are two government-wide financial statements: The Statement of Net Position and the Statement of Activities (pages 3 and 4). The Statement of Net Position presents information on all of the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases or decreases in net position should indicate whether the financial position of the Authority is improving or deteriorating. The Statement of Activities presents information showing how the Authority's net position changed during FY16. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Fund Financial Statements. The two fund financial statements are the Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds; and the Statement of Fund Net Position – Governmental Funds (pages 5 and 6). A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority maintains nine governmental funds, and information for each fund is presented separately in the fund financial statements.

It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both fund financial statements provide a reconciliation to facilitate this comparison between the fund statements and government-wide statements.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 7-22.

Government-Wide Financial Statements

Statement of Net Position

PICA's total assets as of June 30, 2016 were $113,750,828, a decrease of 1 percent from the previous year. The most significant changes were an increase of $2,898,321 in PICA taxes receivable, offset by decreases of ($1,436,931) in investments, ($1,432,900) in the fair value of derivative instruments, and ($1,160,490) in cash and cash equivalents.

Total liabilities as of June 30, 2016 were $297,809,279, a decrease of 15 percent from the previous year. The most significant change in liabilities included a decrease of ($56,062,712) in the noncurrent portion of bonds payable. The decline in the noncurrent portion of bonds payable reflected payments of principal for maturing bonds.

Table 1
Government Net Position

	June 30		Percent Change
	2016	2015	2016-15
ASSETS			
Cash and cash equivalents			
Held by trustee	$18,883,461	$29,080,151	-4%
Other	10,294,446	10,073,204	2%
Investments	76,920,958	69,321,689	-2%
Accounts receivable	--	1,803	-100%
Pica taxes receivable	5,042,041	2,143,720	58%
Fair value of derivative instruments	2,571,033	4,003,933	-36%
Accrued interest receivable	10,355	3,086	236%
Prepaid Expenses	20,675	20,403	1%
Equipment, net	7,859	7,999	-2%
Total assets	113,750,828	114,655,988	-1%
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	178,341	36,867	79%
Contributions subsequent to measurement date	52,605	46,741	10%
Total deferred outflows of resources	230,946	83,608	176%
LIABILITIES			
Accounts payable and accrued expenses	138,426	135,096	2%
Due to the City of Philadelphia	5,042,041	2,143,720	135%
Current portion of bonds payable	52,150,000	49,860,000	5%
Net pension liability	1,235,584	1,074,154	13%
Noncurrent portion of bonds payable	239,243,228	295,305,940	-19%
Total liabilities	297,809,279	348,518,910	-15%
DEFERRED INFLOWS OF RESOURCES	79,880	7,439	973%

NET POSITION			
Restricted for debt service	73,000,844	79,423,494	-9%
Restricted for benefit of City of Philadelphia	5,427,080	7,978,053	-32%
Unrestricted			
Board-designated for operating budget	600,000	600,000	0%
Net investment in capital assets	7,859	7,999	-2%
Undesignated (deficit)	(262,943,168)	(321,796,299)	-18%
Total net position	(183,907,385)	(233,786,753)	-21%

The Authority's total net position as of June 30, 2016 is ($183,907,385). Of this amount, $73,000,844 is restricted for debt service. The amount restricted for debt service includes the following elements:

2009 and 2010 Debt Service Funds -- Current assets held for debt service payments due in FY17	$5,457,108
Debt Service Reserve Fund -- Current assets held for debt service reserve purposes as required by the Trust Indenture	$73,000,844
Rebate Fund -- Current assets held for future potential rebate/debt service purposes	$1,995,689
Total	$80,453,641
Less: Debt Service Reserve Fund -- Current assets held for subsequent PICA administration purposes in FY17 per the adopted budget	(600,000)
Equals: Net position restricted for debt service at June 30, 2016	$79,253,641

Of the total net position, $5,427,080 is restricted for the benefit of the City. Unrestricted designated net position includes $600,000 designated by the PICA Board for Authority operations. The unrestricted, undesignated net position is ($262,943,168). The deficit in unrestricted, undesignated net position was due primarily to long-term debt outstanding in excess of total assets. In the future, as the Authority continues to retire outstanding debt, its net position should improve.

Statement of Activities

Total expenses for FY16 were $403,392,072, an increase of 8 percent from the previous year. The most significant changes in expenses included a $34,869,245 increase in grants to the City, offset by a $2,380,500 decline in interest on long-term debt. Total revenues for FY16 were $453,271,440, an increase of 9 percent from the prior year. The most significant changes in revenues included a $37,441,551 increase in PICA Taxes offset by a ($1,625,458) decrease in investment income.

Revenues exceed expenses by $49,879,368 in FY16, resulting in an increase in net position of that amount. Net position at the beginning of the year was ($233,786,753). The end of year net position for FY16 is ($183,907,385).

Table 2
Governmental Activities

	June 30		Percent Change
	2016	**2015**	**2015-16**
EXPENSES			
Grants to the City of Philadelphia	$386,194,460	$351,325,215	10%
General management and support	1,031,429	946,083	9%
Interest on long-term debt	15,755,600	18,136,100	-13%
Investment expenses	410,583	632,308	-100%
Realized loss on sale of investment	--	845,714	-100%
Total expenses	403,392,072	371,885,420	8%
REVENUES			
PICA taxes	446,679,896	409,268,345	9%
Amortization of bond premium	3,912,711	3,912,711	0%
Investment income	997,381	2,622,839	-62%
Realized gain on sale of investment	200,025	--	100%
Interest	1,481,427	1,274,470	-16%
Total	453,271,440	417,078,365	9%
CHANGE IN NET POSITION	49,879,368	45,192,945	10%
Net position – beginning of year	(233,786,753)	(278,017,605)	
Cumulative effect of a change in accounting principle	--	(962,093)	
Adjusted net position – beginning of year	(233,786,753)	(278,979,698)	-16%
Net position – end of year	(183,907,385)	(233,786,753)	-21%

Governmental Fund Financial Statements

The Authority's 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. Both governmental fund financial statements are reconciled to the government-wide financial statements.

PICA maintains nine governmental funds. They include: the general fund; the PICA tax revenue fund; the 2009 and 2010 debt service funds; the debt service reserve fund; the rebate fund; and the 1992, 1993, and 1994 capital project funds. A description of each fund is provided below.

General Fund. The General Fund accounts for all resources utilized for PICA operations. All FY16 administration expenses of the Authority were funded from earnings on the General Fund.

PICA Tax Revenue Fund. The PICA Tax Revenue Fund accounts for the receipts of PICA tax revenue and its allocation to other PICA funds and to the City in accordance with the PICA bond indenture. The fund receives PICA taxes, interest earnings on such collections, and net interest earnings on bond issue funds other than Capital Projects Funds (the earnings on Capital Projects Funds are restricted to providing grants to the City for PICA-approved capital projects). These funds are utilized to provide: monthly, from the first available funds in that month, one-sixth of the next semi-annual interest requirement, and one-twelfth of the next annual principal requirement on PICA bonds outstanding, in a manner calculated to provide the total required semi-annual interest and annual principal payments at the close of the month prior to each required payment. After provision of monthly debt service requirements, the residual balances in the PICA Tax Revenue Fund are paid to the City as grants to the City General Fund.

Debt Service Funds. The 2009 and 2010 debt service funds account for the accumulation of resources for, and payment of, debt service on outstanding 2009 and 2010 series PICA bonds.

Debt Service Reserve Fund. The debt service reserve fund contains assets sufficient to meet the debt service reserve requirement for PICA bonds, as required under the trust indenture. Current year investment earnings are transferred to other funds to pay current year debt service requirements and to finance a portion of each year's administrative expenses in the General Fund.

Rebate Fund. The rebate fund accounts for resources that may be necessary to meet federal arbitrage requirements and/or debt service requirements.

Capital Projects Funds. The capital projects funds account for resources that have been allocated to fund City capital projects. They include amounts held separately by bond issue from which such funds were provided, for purposes of grants to the City for specific PICA-approved capital projects. The PICA Act restricts the City's use of PICA capital funding to specific "emergency" and "productivity" projects approved by the PICA Board and, where necessary, by certain Commonwealth elected officials.

The Authority, in connection with its four new-money bond issues, approved specific City capital projects totaling approximately $426 million, while providing bond issue funds of approximately $400.8 million for such projects. The difference, $25.2 million, as anticipated, has been raised from investment earnings of funds dedicated to capital projects. At June 30, 2016, sufficient PICA-controlled capital projects funds were available to complete all of the initially approved PICA projects and additional projects subsequently approved by the PICA Board. Additional funds remain to be reprogrammed. Capital project funds held for PICA capital project grants to the City totaled $5,427,080 at June 30, 2016.

Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds

The Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds presents revenues, expenditures, other financing sources and uses, and change in net position for each of the Authority's nine governmental funds for the year ended June 30, 2016. In addition, the statement presents fund balances for each fund at the beginning and at the end of FY16. Table 3 presents a summary of the information in this statement.

The Authority's governmental funds received $450,791,628 in revenue in FY16. This amount included $446,717,217 in PICA Tax revenue received in the PICA Tax Revenue Fund. Other major sources of revenue included $2,430,280 in investment income from various funds and $1,481,427 in other interest. Expenditures in all governmental funds totaled $453,165,399 in FY16. This amount included: $383,636,351 in grants to the City from the PICA Tax Revenue Fund; $65,651,600 in debt service payments from the 2009 and 2010 debt service funds; $206,479 in grants to the City from the 1992 capital projects funds; $2,351,630 in grants to the City from the 1994 capital projects funds; $942,945 in expenditures for PICA operations; and $410,583 in investment expenses paid from the General Fund.

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Other financing sources and uses included various operating transfers among funds. Funds were transferred from the PICA Tax Revenue Fund to the debt service funds to pay for principal and interest payments due on outstanding PICA bonds during FY16. Funds were also transferred from the debt service reserve fund to the General Fund to cover a portion of PICA's operating costs.

The sum of revenues, expenditures and other financing sources and uses for all governmental funds equals the change in net position for FY16, which was ($2,373,771). Accordingly the total fund balance in all governmental funds decreased from $108,365,240 as of July 1, 2015, to $105,991,469 as of June 30, 2016.

Table 3
Revenues, Expenditures and Fund Balances
in the Governmental Funds for the Fiscal Year ended June 30, 2016

	Revenue	Expenditures	Other Financing Sources (Uses)	Fund Balance June 30, 2016
General Fund	1,773,262	1,355,339	(670,868)	20,110,748
PICA Tax Revenue Fund	446,717,217	383,636,351	(63,080,866)	--
2009 Debt Service Fund	27,623	40,948,850	40,922,301	3,414,595
2010 Debt Service Fund	16,209	24,666,750	24,636,817	2,042,513
Debt Service Reserve Fund	2,248,104	--	(1,807,384)	73,000,844
Rebate Fund	2,077	--	--	1,995,689
1992 Capital Projects Fund	10	206,479	--	2,837
1993 Capital Projects Fund	192	--	--	184,366
1994 Capital Projects Fund	6,934	2,351,630	--	5,239,877
Total	450,791,628	453,165,399	--	105,991,469

Statement of Fund Net Position – Governmental Funds

The Statement of Fund Net Position – Governmental Fund presents assets and liabilities for each of the Authority's nine governmental funds, as of June 30, 2016. Table 4 presents a summary of the information in this Statement.

Total assets for all governmental funds are $111,171,936. This amount includes $20,249,174 in the General Fund, of which $20,675 represents prepaid expenses. General Fund assets include cash, cash equivalents, prepaid expenses, accrued interest receivable and investments. Total assets in the debt service reserve fund are $73,000,844, which includes cash, cash equivalents, prepaid expenses, accrued interest receivable, investments, and accrued interest receivable. Remaining governmental fund assets – in the debt service funds, capital projects funds, and rebate fund – are classified as cash and cash equivalents or accrued interest receivable.

Total fund balances for all governmental funds are $105,991,469. Within the General Fund, the total fund balance is $20,110,748, of which $13,965,532 is committed for future swaption activity and $6,145,216 is unassigned. This unassigned fund balance is available for Authority administration expenditures. Within the debt service reserve fund, total fund balance is $73,000,844, of which $72,400,844 is restricted for debt service, and $600,000 is committed to subsequent PICA administration. In recent years, the Authority has annually transferred $600,000 from the debt service reserve fund to the General Fund to finance a portion of PICA's operating expenditures. The fund balances in the debt service and rebate funds are restricted for debt service. The fund balances in the capital projects funds are restricted for the benefit of the City. These funds can only be used to finance City capital projects that meet specific criteria contained in the PICA Act.

Table 4
Assets, Liabilities, and Fund Balances
in the Governmental Funds as of June 30, 2016

	Assets	Liabilities	Fund Balance
General Fund	20,249,174	138,426	20,110,748
PICA Tax Revenue Fund	5,042,041	5,042,041	--
2009 Debt Service Fund	3,414,595	--	3,414,595
2010 Debt Service Fund	2,042,513	--	2,042,513
Debt Service Reserve Fund	73,000,844	--	73,000,844
Rebate Fund	1,995,689	--	1,995,689
1992 Capital Projects Fund	2,837	--	2,837
1993 Capital Projects Fund	184,366	--	184,366
1994 Capital Projects Fund	5,239,877	--	5,239,877
Total	111,171,936	5,180,467	105,991,469

General Fund Budget

The PICA Act allows the Authority several sources of income to support its operations. The statute specifically provides that the Authority may draw earnings from the various funds and accounts created pursuant to its Trust Indenture, and also directly from the proceeds of PICA Taxes to the extent investment income is insufficient. The latter allowable revenue source has never been utilized by the Authority.

The PICA Act requires that the Authority adopt an annual budget (for the fiscal year commencing July 1) before March 1 of each year and also stipulates its format, and additional information to be provided to the Governor and General Assembly of the Commonwealth. The Authority's annual General Fund budgets, since its inception, have all produced surpluses when compared to actual financial results. The surplus for FY16 is $525,055.

The philosophy underlying the Authority's General Fund budget is that the Authority should maintain a personnel and expenditure level sufficient to permit it to respond to the demands placed upon it. The FY17 General Fund expenditure budget totals $1,521,100, an increase of 4 percent from the FY16 General Fund operating budget. Table 5 presents a summary of the FY16 and FY17 General Fund budgets, as well as actual figures for FY16.

The Authority's General Fund administrative expenditures are financed through a transfer of $600,000 in interest earnings from the Debt Service Reserve Fund, appropriation of a portion of the existing General Fund surplus, and interest earnings. Total expenditures in FY17 are budgeted at $1,521,100. Expenditures for salaries and benefits comprise $826,100. The next largest category is additional oversight duties, at $300,000. This line item is reserved for special projects, commissioned research, or other needs that may arise during the fiscal year related to financial oversight of the City. Professional services are budgeted at $228,000. Other expenses and capital outlay is budgeted at $167,000.

Table 5
General Fund Budget

	FY17 Budget	FY16 Budget	FY16 Actual	Percent Change FY16-FY17
REVENUES AND OTHER FINANCING SOURCES				
Interest earnings – General Fund	$13,000	$10,000	$22,236	30%
Use of existing General Fund surplus	908,100	847,575	322,520	7%
Other financing sources:				
Transfer of interest earnings from Debt Service Reserve Fund	600,000	600,000	600,000	0%
Total revenues and other financing sources	1,521,100	1,457,575	944,756	4%
EXPENDITURES				
Salaries and benefits	826,100	743,675	706,018	11%
Professional services	228,000	253,000	98,887	-10%
Other expenses	162,000	155,900	138,040	4%
Capital outlay	5,000	5,000	1,811	0%
Additional oversight duties	300,000	300,000	--	0%
Total expenditures	1,521,100	1,457,575	944,756	4 %

In FY16, actual PICA expenditures for operations were $944,756, well below the budgeted amount. This reflected actual expenditures that were below budget in all major categories. Salaries and benefit actual figures were lower than projected because the budget allows for extra room for hires, raises and benefits as they might arise during the year. Professional services – including legal, audit, and consulting – were below budgeted amounts because PICA maintains a consistent level, year-to-year, for services pertaining to arbitrage and legal advice, which are only used to the extent they are needed in any given year. Actuals for capital outlays were also below budgeted amounts.

Debt

The Authority issued four series of bonds from 1992 to 1994 to finance the City's operating deficit, provide funding for City capital projects, establish a revolving loan fund to finance productivity-enhancing projects for the City, and for other purposes. PICA's statutory authorization to issue new-money bonds for capital or deficit financing expired on December 31, 1994. Since that time, the Authority has issued seven series of refunding bonds with the objective of lowering debt service costs. The most recent series of refunding bonds was issued in 2010.

By far the largest portion of the Authority's overall net deficit reflects its bonds payable. Proceeds from the PICA Tax, as well as the corresponding interest earned, are in part utilized to fund debt service requirements. The Authority's bonds payable activity for the year ended June 30, 2016 is summarized as follows:

	Amount
Outstanding Debt at July 1, 2015	$315,955,000
Debt Retired	49,860,000
Outstanding Debt at June 30, 2016	266,095,000

Economic Factors and Next Year's Budget

PICA Tax revenues reflect the underlying strength of the Philadelphia employment base, which has exhibited modest growth in recent years. It is expected that this trend will continue in FY16.

In FY17, the Authority will continue to receive PICA Tax revenues in accordance with existing agreements between the City, Commonwealth, and PICA. These revenues will be allocated to the Debt Service Funds to meet debt service requirements on the outstanding series of 2009 and 2010 bonds. If necessary, PICA Tax revenues will be allocated to the Debt Service Reserve Fund to ensure that the debt service reserve requirement required under the Indenture is maintained. The process for spending PICA funds on PICA-approved capital projects will also continue in FY17, resulting in a continued reduction in the fund balance in the capital projects funds.

At this time, there are no major factors that are expected to significantly impact the Authority's operating expenditures in FY17. The budget for FY17 anticipates the use of $525,055 of the existing General Fund surplus as a revenue source. This should result in a reduction in the unassigned General Fund balance in FY17.

Additional information

In accordance with IRS regulations, certain funds already granted to the City by PICA continue to be classified as PICA Arbitrage Reportable Funds until the City expends such funds for the purpose for which they were provided. Accordingly, and also for oversight purposes, PICA tracks the uses/balances of such funds and interest earnings thereon until they are spent by the City. When the City encumbers funds for City capital projects, the funds are transferred from the capital projects funds to encumbered funds accounts, which are maintained by PICA's Trustee on behalf of the City. Once these funds are spent, the City requests reimbursement from the encumbered funds accounts. As of June 30, 2016, the balance in the three encumbered funds accounts was as follows:

	Amount
1992 Capital Projects Encumbered Funds	$793,858
1993 Capital Projects Encumbered Funds	$1,539,866
1994 Capital Projects Encumbered Funds	$6,819,864

Contacting PICA's Financial Management

This financial report is designed to present an accurate overview of the financial activities of the Authority during FY16. If you have questions about this report or require additional information about the Authority's finances, please contact PICA staff at Pennsylvania Intergovernmental Cooperation Authority, 1500 Walnut Street, Suite 1600, Philadelphia, PA 19102.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Pennsylvania Intergovernmental Cooperation Authority

We have audited the accompanying financial statements of the governmental activities and each major fund of the Pennsylvania Intergovernmental Cooperation Authority, a blended component unit of the City of Philadelphia, (the Authority) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority'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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller 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.

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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of the governmental activities and each major fund of the Pennsylvania Intergovernmental Cooperation Authority, as of June 30, 2016, and the respective changes in net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, supplemental pension information, and budgetary comparison information 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 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 Additional Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pennsylvania Intergovernmental Cooperation Authority's basic financial statements. The supplemental schedules of cash activity are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Heffler, Radetich & Saitta, LLP

November 30, 2016

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
STATEMENT OF NET POSITION
June 30, 2016

		Governmental Activities
ASSETS		
Cash and cash equivalents:		
Held by trustee	$	18,883,461
Other		10,294,446
Investments		76,920,958
PICA taxes receivable		5,042,041
Fair value of derivative instruments		2,571,033
Accrued interest receivable		10,355
Prepaid expenses		20,675
Equipment, net		7,859
Total assets	$	113,750,828
Deferred outflows of resources:		
Deferred outflows related to pensions		178,341
Contributions subsequent to measurement date		52,605
Total deferred outflows of resources	$	230,946
LIABILITIES		
Accounts payable and accrued expenses	$	138,426
Due to City of Philadelphia		5,042,041
Current portion of bonds payable		52,150,000
Net pension liability		1,235,584
Noncurrent portion of bonds payable		239,243,228
Total liabilities		297,809,279
Deferred inflows of resources		
Deferred inflows related to pension		79,880
Total deferred inflows of resources	$	79,880
NET POSITION		
Restricted for debt service		73,000,844
Restricted for the benefit of the City of Philadelphia		5,427,080
Unrestricted:		
Board-designated for operating budget		600,000
Net investment in capital assets		7,859
Undesignated (deficit)		(262,943,168)
Total net position	$	(183,907,385)

The accompanying notes are an integral part of this statement.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Governmental Activities
Expenses:	
Grants to City of Philadelphia	$ 386,194,460
General management and support - general operations	1,031,429
Interest on long-term debt	15,755,600
Investment fees	410,583
Total Expenses	403,392,072
Revenues:	
PICA taxes	446,679,896
Amortization of bond premium	3,912,711
Investment income	997,381
Realized Gain on Sale of Investments	200,025
Interest	1,481,427
Total Revenues	453,271,440
Change in net position	49,879,368
Net position - July 1, 2015	(233,786,753)
Net position- June 30, 2016	$ (183,907,385)

The accompanying notes are an integral part of this statement.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
STATEMENT OF FUND NET POSITION - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

			Debt Service Funds				Expendable Trust Funds Capital Projects Funds			
	General	PICA Tax Revenue	2010	2009	Debt Service Reserve Fund	Rebate Fund	1992	1993	1994	Total Governmental Funds
Assets:										
Cash and cash equivalents	$ 10,294,446	$ -	$ 2,040,250	$ 3,410,800	$ 6,011,327	$ 1,995,301	$ 2,836	$ 184,331	$ 5,238,616	$ 29,177,907
Investments	9,932,927	-	-	-	66,988,031	-	-	-	-	76,920,958
PICA Taxes receivable	-	5,042,041	-	-	-	-	-	-	-	5,042,041
Accrued interest receivable	1,126	-	2,263	3,795	1,486	388	1	35	1,261	10,355
Prepaid expenses	20,675	-	-	-	-	-	-	-	-	20,675
Total assets	$ 20,249,174	5,042,041	2,042,513	3,414,595	73,000,844	1,995,689	2,837	184,366	5,239,877	$ 111,171,936
Liabilities:										
Accounts payable	96,134	-	-	-	-	-	-	-	-	$ 96,134
Due to the City of Philadelphia	-	5,042,041	-	-	-	-	-	-	-	5,042,041
Accrued payroll and taxes	42,292	-	-	-	-	-	-	-	-	42,292
Total liabilities	138,426	5,042,041	-	-	-	-	-	-	-	5,180,467
Fund balances:										
Nonspendable to:										
Restricted:										
For debt service	-		2,042,513	3,414,595	72,400,844	1,995,689	-	-	-	79,853,641
For benefit of City of Philadelphia		-	-	-	-	-	2,837	184,366	5,239,877	5,427,080
Committed:										
For subseqent PICA administration	-	-	-	-	600,000	-	-	-	-	600,000
For future swaption activity	13,965,352	-	-	-	-	-	-	-	-	13,965,352
Unassigned	6,145,396	-	-	-	-	-	-	-	-	6,145,396
Total fund balance	20,110,748	-	2,042,513	3,414,595	73,000,844	1,995,689	2,837	184,366	5,239,877	105,991,469
Total liabilities and fund balances	$ 20,249,174	$ 5,042,041	$ 2,042,513	$ 3,414,595	$ 73,000,844	$ 1,995,689	$ 2,837	$ 184,366	$ 5,239,877	$ 111,171,936

Amounts reported for governmental activities in the statement of net assets are different due to:	
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund staten	(266,095,000)
Fair value derivative instruments are not reported in the governmental funds statements	2,571,033
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds	7,859
Net pension liability and related deferred inflows and outflows of resources are not reported in the governmental funds statements	(1,084,518)
Premium on bonds is deferred in the government wide statements	(25,298,228)
Net position of governmental activities	$ (183,907,385)

The accompanying notes are an integral part of this statement

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

			Debt Service Funds		Debt Service		Expendable Trust Funds Capital Projects Funds			Total
	General	PICA Tax Revenue	2010	2009	Reserve Fund	Rebate Fund	1992	1993	1994	Governmental Funds
Revenue:										
PICA taxes	$ -	446,679,896	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 446,679,896
Investment income	91,810	37,321	16,209	27,623	2,248,104	2,077	10	192	6,934	2,430,280
Realized Gain on Sale of Investments	200,025	-	-	-	-	-	-	-	-	200,025
Interest	1,481,427	-	-	-	-	-	-	-	-	1,481,427
Total revenue	1,773,262	446,717,217	16,209	27,623	2,248,104	2,077	10	192	6,934	450,791,628
Expenditures:										
Grants to the City of Philadelphia	-	383,636,351	-	-	-	-	206,479	-	2,351,630	386,194,460
Debt Service:										
Principal	-	-	18,375,000	31,485,000	-	-	-	-	-	49,860,000
Interest	-	-	6,291,750	9,463,850	-	-	-	-	-	15,755,600
Administration:										
Investment expenses	410,583	-	-	-		-	-	-	-	410,583
Operations	942,945	-	-	-	-	-	-	-	-	942,945
Capital Outlay	1,811									1,811
Total expenditures	1,355,339	383,636,351	24,666,750	40,948,850	-	-	206,479	-	2,351,630	453,165,399
Excess of revenues over (under) expenditures	417,923	63,080,866	(24,650,541)	(40,921,227)	2,248,104	2,077	(206,469)	192	(2,344,696)	(2,373,771)
Other financing sources (uses)-										
Net operating transfers in (out)	(670,868)	(63,080,866)	24,636,817	40,922,301	(1,807,384)	-	-	-	-	-
Change in net position	(252,945)	-	(13,724)	1,074	440,720	2,077	(206,469)	192	(2,344,696)	(2,373,771)
Fund Balances, July 1, 2015	20,363,693	-	2,056,237	3,413,521	72,560,124	1,993,612	209,306	184,174	7,584,573	108,365,240
Fund Balances June 30, 2016	$20,110,748	$ -	$ 2,042,513	$ 3,414,595	$73,000,844	$1,995,689	$ 2,837	$184,366	$5,239,877	$ 105,991,469

Reconciliation of change in fund balance to change in net position:	
Change in fund balance	$ (2,373,771)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the government-wide statements	49,860,000
Bond premium is amortized over the life of bonds in the government-wide statement	3,912,711
Capital outlays are reported as expenditures in the governmental funds, however, in the statement of activities, assets capitalized.	1,811
Cost of capital outlays is allocated over their estimated useful lives as depreciation in the government wide statements	(1,951)
Pension expense difference between governmental funds and government-wide statement	(86,533)
Derivative valuation adjustment is recognized as an asset and revenue in the government wide statement	(1,432,899)
Change in net position	$ 49,879,368

The accompanying notes are an integral part of this statement.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

Organization

The Pennsylvania Intergovernmental Cooperation Authority (the "Authority") was created on June 5, 1991 by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (P.L. 9, No. 6), 53 P.S. 12720.101 et seq., as amended (the "Act") for the purpose of providing financial assistance to the City of Philadelphia (the "City") in overcoming a severe financial crisis. Under the Act, the Authority is administered by a governing Board consisting of five voting members and two ex-officio nonvoting members. The ex-officio members are presently the Director of Finance of the City and the Budget Secretary of the Commonwealth. The Governor, the President pro tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives and the Minority Leader of the House of Representatives each appoints one voting member of the Board. Future operations of the Authority may be subject to legislative action.

The Act provides that the Authority shall have certain financial and oversight functions. The Authority had the power to issue bonds to grant or lend the proceeds thereof to the City. Such power to issue debt for such purposes has expired; however, the Authority remains authorized under the Act to issue refunding bonds and grant or lend the proceeds to the City.

Under the Act, the Authority also has 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.

The Authority is considered a blended component unit of the City.

The accounting policies of the Authority conform to generally accepted accounting principles (GAAP) as applicable to municipalities. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Governmental Accounting Standards Board is the authoritative standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant GASB policies recently adopted by the Authority in the current fiscal year:

- GASB Statement No. 72, "Fair Value Measurement and Application". The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the activities of the primary government. All material interfund accounts and transactions have been eliminated in the government-wide financial statements.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION- Continued

Government-Wide and Fund Financial Statements (Continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues from the PICA Tax (a tax levied on the wages and net profits of Philadelphia residents and businesses) are recorded when the Authority is advised by the Commonwealth of the amounts to be remitted, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Authority cannot and does not account for any PICA Tax due to but not yet collected by the City.

Governmental fund financial statements use a current financial resources measurement focus, and are maintained on the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual; that is, when they become both "measurable" and "available to finance expenditures of the current period." The Authority considers amounts collected within 60 days after year-end on all governmental funds, to be available and this recognizes them as revenues of the current year. Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early the following year.

In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable: This classification 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 Authority did not have any fund balance classified as nonspendable at year end.

- Restricted: This classification 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. Management has classified all fund balances in the capital projects funds and all fund balances related to the debt service as restricted.

- Committed: This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same course of action that was employed when the funds were initially committed. Management has classified any fund balance that is related to the budget or that has been designated for future swaption activity as committed.

- Assigned: This classification includes amounts that are constrained by management's intent to be used for a specific purpose but are neither restricted nor committed. This intent should be expressed by the Board or an official, such as the Executive Director. The Authority did not have any fund balance classified as assigned at year end.

- Unassigned: This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been classified as assigned, committed, restricted or nonspendable. Management has classified the remaining portion of the general fund balance as unassigned.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION- Continued

Government-Wide and Fund Financial Statements (Continued)

When fund balance resources are available for a specific purpose from multiple classifications, the Authority will generally use the most restrictive funds first in the following order: restricted, committed and assigned as they are needed.

The General Fund is used to account for the administrative operations of the Authority, for which a budget is adopted annually.

The PICA Tax (Special Revenue) Fund accounts for the proceeds of the PICA Tax remitted to the Authority via the Commonwealth of Pennsylvania (the "Commonwealth"). It is utilized to fund the debt service requirements of the Authority and to provide grants to the City. It encompasses the Revenue Fund established with the Trustee by the Trust Indenture (see Note 4).

Debt Service Funds account for the accumulation of financial resources for the payment of principal and interest on the Authority's long-term debt. The Debt Service Reserve Fund holds assets for debt service reserve purposes as required by the Trust Indenture. The Rebate Fund is maintained in order to fund future potential rebates and/or debt service requirements. The Debt Service funds also include the Bond Redemption Fund which has not yet been required. The aggregate fund balances of the Debt Service Funds are included in net assets on the Statement of Net Position as restricted for debt service.

The Expendable Trust Funds/Capital Projects Funds account for assets held by the Authority for expenditures for the benefit of the City. The principal and income of these funds must be expended for their designated purpose. PICA granted $2,558,109 to the City of Philadelphia during the year ended June 30, 2016. The Expendable Trust Funds/Capital Project Funds also include the Deficit and Settlement funds which completed their designated purpose in prior years and are presently inactive. The aggregate fund balances of the Expendable Trust Funds/Capital Projects Funds are included in net assets on the Statement of Net Position as restricted for the benefit of the City of Philadelphia.

PICA Tax

The "PICA Tax" was enacted by an ordinance adopted by City Council and approved by the Mayor of the City of Philadelphia on June 12, 1991 (Bill No. 1437). The tax levy is one and one-half percent (1.5%) on the wages and net profits of City residents and businesses. The PICA Tax is collected by the Department of Revenue of the Commonwealth, utilizing the City Revenue and Law Departments (collectively) as its agent, and remitted to the Treasurer of the Commonwealth for disbursement to the Authority’s Trustee. The Authority does not administer the collection of the PICA tax from taxpayers.

Cash and Cash Equivalents

The Authority considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Investments

All investments are stated at fair value. Investment fair values are based on quoted market prices. Investment income is recorded as investment income on the statement of activities and includes any unrealized gains or losses earned during the period. The fair value of investments approximates original cost at June 30, 2016. As of June 30, 2016, the composition of investments consisted of the following:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION- Continued

Investments (Continued)

	Fair Value	Cost	Maturity Date
Cash	$ 5,934,788	$ 4,459,678	N/A
Certificates of Deposit	4,165,000	4,165,000	7/17-12/17
Money Market Funds	19,078,119	19,078,068	N/A
Mutual Funds	9,932,927	6,115,039	N/A
US Treasury & Agency Obligation	18,228,379	18,144,573	9/17-6/21
Municipal Bonds	48,759,652	48,551,261	12/16-4/19
	$ 106,098,865	$ 100,513,619	

Bond Premium

The premium on bonds payable is being amortized on a straight-line basis over the term of the bonds.

Capital Assets

Capital assets, which include equipment, are reported in the government-wide financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. The Authority does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Capital assets of the Authority are depreciated using the straight-line method over the useful lives of the assets. The estimated useful life of the equipment is five years.

Compensated Absences

Accrued expenses include an accrual for vacation pay earned but not taken as of June 30, 2016 of $42,292.

Pension

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

Interfund Transfers

Interfund transfers are made on a regular basis to record the transfer of the portion of the PICA tax revenue withheld for debt service or the transfer of amounts due to the City of Philadelphia.

Subsequent Events

Management has evaluated subsequent events through November 30, 2016, the date the financial statements were available to be issued.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION- Continued

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 liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 CASH AND INVESTMENTS

Authority 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 of Pennsylvania or any political subdivision of the Commonwealth to eliminate the risk of uninsured funds. Under Pennsylvania Act 72 of 1971, as amended, the depositories may meet this requirement by pooling appropriate securities to cover all public funds on deposit with their institution.

Investments in the PICA Tax (Special Revenue) Fund, the Debt Service Funds, and the Expendable Trust Funds must be invested in accordance with the Trust Indenture (see Note 4).

The Trust Indenture restricts investments to the following types of securities:

(a) Obligations of the City of Philadelphia;

(b) Other government obligations;

(c) Federal funds, unsecured certificates of deposit, time deposits or bankers' acceptances of any domestic bank having a combined capital and surplus of not less than $50,000,000;

(d) Federally insured deposits of any bank or savings and loan association which has a combined capital, surplus and undivided profits of not less than $3,000,000;

(e) (i) Direct obligations of, or (ii) obligations, the principal of and interest on which are unconditionally guaranteed by any state of the United States of America, the District of Columbia or the Commonwealth of Puerto Rico, or any political subdivision or agency thereof, other than the City, whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and Standard & Poor's (S&P);

(f) Commercial paper (having original maturities of not more than 270 days rated, at the time of purchase, "P-1” by Moody's and "A-1"or better by S&P;

NOTE 2 CASH AND INVESTMENTS – Continued

(g) Repurchase agreements collateralized by direct obligations of, or obligations the payment of principal and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America; and direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; debentures of the Federal Housing Administration; mortgaged-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association; participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association; guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letters of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing and Urban Development; and guaranteed Title XI financing of the U.S. Maritime Administration;

(h) Money market mutual fund shares issued by a fund having assets not less than $100,000,000 (including any such fund from which the Trustee or any of its affiliates may receive compensation) which invests in securities of the types specified in clauses (b) or (f) above and is rated "AAAm" or "AAAm-G" by S&P.

Investments in the Debt Service Reserve Fund may only be invested in the investments included in (b) through (i) above with a maturity of 5 years or less or GICs that can be withdrawn without penalty. At June 30, 2016, the carrying amount of the Authority's deposits with financial institutions (including certificates of deposit and shares in U.S. Government money market funds) and other short-term investments was $106,098,865. Account balances were insured or collateralized as follows:

Insured	$	5,934,788
Other uninsured and uncollateralized, but covered under the provisions of Act 72, as amended		100,164,077
	$	106,098,865

The Authority's deposits include bank certificates of deposit that have a remaining maturity at time of purchase of one year or less and shares in U.S. Government money market funds. U.S. Government agency investments with a remaining maturity of one year or less are classified as short-term investments.

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

(I) Insured or registered securities held by the entity or its agent (bank trust department) in the entity's name.

(2) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent in the entity's name.

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

NOTE 2 CASH AND INVESTMENTS – Continued

Fair Value of Investments

Investments and derivatives are recorded at fair value as of June 30, 2016. GASB Statement No. 72 - *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

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

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

		Fair Value Measurements Using			
	6/30/2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments by fair value level					
Cash & Cash Equivalents		29,177,907			29,177,907
Investment Securities:					
U.S. Agencies		18,228,379			18,228,379
Municipal/Public Bonds			48,759,652		48,759,652
Bond Mutual Funds		9,932,927			9,932,927
Total		$ 57,339,213	$ 48,759,652	-	106,098,865

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Deletions	Additions	Balance June 30, 2016
Equipment	$ 8,888	$ -	$ 1,811	$ 10,699
Less: Accumulated depreciation	(889)		(1,951)	(2,840)
Equipment, net	$ 7,999	$ -	$ (140)	$ 7,859

Depreciation for the year ended June 30, 2016 was $1,951 and is reflected in the statement of activities.

NOTE 4 SPECIAL TAX REVENUE BONDS

The following summary shows the changes in bonds payable for the year ended June 30, 2016:

Series of	Outstanding July 1, 2015	Additions	Principal Repayments	Outstanding June 30, 2016	Amounts Due within One Year
2009	$ 190,120,000	-	$ 31,485,000	$ 158,635,000	$ 33,040,000
2010	125,835,000	-	18,375,000	107,460,000	19,110,000
	$ 315,955,000	-	$ 49,860,000	$ 266,095,000	$ 52,150,000
			Add bond premiums	29,210,940	
				$ 295,305,940	

In conjunction with its 1992 bond issue, the Authority entered into an Indenture of Trust dated as of June 1, 1992 which was supplemented by a First Supplemental Indenture of Trust Dated as of June 22, 1992 (the “1992 Indenture”). Two 1993 bond issues were issued pursuant to the 1992 Indenture as amended and supplemented, respectively, by a Second Supplemental Indenture of Trust dated as of July 15, 1993 and a Third Supplemental Indenture of Trust dated as of August 15, 1993.

In conjunction with its 1994 bond issue, the Authority entered into an Amended and Restated Indenture of Trust dated as of December 1, 1994 (the “1994 Indenture”). The 1994 Indenture replaced the 1992 Indenture as amended and supplemented by the Second Supplemental Indenture of Trust and Third Supplemental Indenture of Trust. Subsequent bond issues in 1996, 1999, 2003, 2006, 2008, 2009, and 2010 were issued pursuant to the 1994 Indenture as amended and supplemented, respectively, by supplements dated May 15, 1996, April 1, 1999, June 1, 2003, June 1, 2006, May 1, 2008, June 1, 2009, and May 1, 2010.

Only the series 2009 and 2010 bonds are currently outstanding. These bonds were issued, respectively, pursuant to the sixth and seventh supplements to the 1994 Indenture. These supplements are between the Authority and U. S. Bank National Association (the “Trustee”). The Trustee’s responsibilities include ensuring that the proceeds of the PICA Tax (see Note 1) received by it are used to fund the debt service payments (bond principal and interest) required under the 1994 Indenture as amended.

Each series of bonds issued by the Authority are limited obligations of the Authority and the principal, redemption premium, if any, and interest thereon, are payable solely from a portion of the PICA Tax.

NOTE 4 SPECIAL TAX REVENUE BONDS – Continued

To issue additional bonds, the Trust Indenture requires that the Authority's collection of PICA Taxes in any twelve consecutive months during the fifteen-month period immediately preceding the date of issuance of such additional bonds equals at least 175% of the maximum annual debt service requirement on the bonds outstanding after the issuance of the additional bonds. The PICA Taxes collected during the year ended June 30, 2016 ($446,679,896) equaled approximately 683% of the maximum annual debt service ($65,412,600) of the bonds outstanding at June 30, 2016 (the 2009 and 2010 bonds).

Total annual debt service requirements (annual principal or sinking fund requirements and interest payments) on the outstanding bonds at June 30, 2016 are as follows:

Fiscal Year Ending	Total Debt Service Requirements
2017	65,412,600
2018	56,095,100
2019	47,152,100
2020	46,944,100
2021	37,319,600
2022	37,179,750
2023	23,076,000

Details as to the purpose of each of the respective series of bonds issued by the Authority through June 30, 2016, and as to bonds outstanding at that date follow.

A. Series of 1992, 1993, 1993A and 1994

The proceeds from the sale of the Series of 1992, 1993, 1993A and 1994 Bonds were used to (1) make grants to the City to fund the fiscal year 1991General Fund cumulative deficit and the projected fiscal years 1992 and 1993 General Fund deficits, (2) make grants to the City to pay the costs of certain emergency capital projects to be undertaken by the City and other capital projects to increase productivity in the operation of City government, (3) make the required deposit to the Debt Service Reserve Fund, (4) capitalize interest on a portion of the Series of 1992 Bonds through June 15, 1993, (5) repay amounts previously advanced to the Authority by the Commonwealth to pay initial operating expenses of the Authority, (6) fund a portion of the Authority's first fiscal year operating budget, (7) make a grant to the City for refunding of certain of the City's General Fund Obligation Bonds, (8) provide for the advance refunding of a portion of the Authority's Special Tax Revenue Bonds Series of 1992 and (9) pay the costs of issuing each series of bonds.

The Refunded 1992, 1993, l993A and 1994 Bonds are no longer deemed to be outstanding under the Trust Indenture.

B. Series of 1996, 1999, 2003, 2006, and 2008 A and B

The proceeds from the sale of the Series of 1996, 1999, 2003, 2006 and 2008 A and B Bonds, together with other available funds, were used to (1) provide for the advance refunding of outstanding Authority Special Tax Revenue Bonds, (2) pay the premium for a Debt Service Reserve Fund insurance policy to satisfy Debt Service Reserve Fund Requirements, and (3) pay the costs of issuing each series of bonds.

NOTE 4 SPECIAL TAX REVENUE BONDS – Continued

The Refunded 1996, 1999, 2003, 2006 and 2008 A and B Bonds are no longer deemed to be outstanding under the Trust Indenture.

C. Series of 2009

The net proceeds from the sale of the Series of 2009 Bonds were used to (1) provide for the current refunding of all of the Authority's Special Tax Revenue Bonds Series of 1999 outstanding as of May 15, 2009, (2) pay the costs of terminating an interest rate Swaption related to the 1999 Bonds and (3) pay the cost of issuing the 2009 bonds. The proceeds of these bonds were used to refund the remaining portion of the 1999 Series maturing through 2023 in the total amount of $326,865,000. The cash flows required by the new bonds are $36.2 million more than the cash flow required by the refunded bonds. The economic loss on the refunding (the adjusted present value of these increased cash flows), as determined by the bond underwriters, was $28.1 million.

The details of Series of 2009 Bonds outstanding at June 30, 2016 are as follows:

Interest Rate	Maturing June 15	Amount
5.00	2017	33,040,000
4.00	2018	900,000
5.00	2018	24,665,000
5.00	2019	18,110,000
5.00	2020	19,020,000
4.00	2021	1,965,000
5.00	2021	18,000,000
5.00	2022	20,945,000
4.25	2023	1,800,000
5.00	2023	20,190,000
		$ 158,635,000

The following table shows the annual principal or sinking fund requirements, interest payments and the total debt service requirements for the Series of 2009 bonds outstanding at June 30, 2016:

Fiscal Year Ending	Principal or Sinking Fund Requirements	Interest	Total Debt Service Requirements
2017	33,040,000	7,889,600	40,929,600
2018	25,565,000	6,237,600	31,802,600
2019	18,110,000	4,968,350	23,078,350
2020	19,020,000	4,062,850	23,082,850
2021	19,965,000	3,111,850	23,076,850
2022-2023	42,935,000	3,219,250	46,154,250

NOTE 4 SPECIAL TAX REVENUE BONDS – Continued

D. Series of 2010

The net proceeds from the sale of the Series of 2010 Bonds were used to (1) provide for the current refunding of all of the authority's Special Tax Revenue Bonds Series of 2008 A&B outstanding as of May 17, 2010, (2) to pay the costs of terminating an interest rate swap transaction related to the 2008 A&B bonds and (3) pay the cost of issuing the 2010 bonds. The cash out flows required by the new bonds is $61,000 less than the cash flow required by the refunded bonds. The economic gain on the refunding (the adjusted present value of the decrease in cash outflows), as determined by the bond underwriters, was $1.6 million.

The details of Series of 2010 Bonds outstanding at June 30, 2016 are as follows:

Interest Rate	Maturing June 15	Amount
5.00	2017	19,110,000
5.00	2018	19,875,000
5.00	2019	20,650,000
5.00	2020	21,470,000
5.00	2021	12,925,000
5.00	2022	13,430,000
		$ 107,460,000

The following table shows the annual principal or sinking fund requirements, interest payments and the total debt service requirements for the Series of 2010 Bonds outstanding at June 30, 2016:

Fiscal Year Ending	Principal or Sinking Fund Requirements	Interest	Total Debt Service Requirements
2017	19,110,000	5,373,000	24,483,000
2018	19,875,000	4,417,500	24,292,500
2019	20,650,000	3,423,750	24,073,750
2020	21,470,000	2,391,250	23,861,250
2021	12,925,000	1,317,750	14,242,750
2022	13,430,000	671,500	14,101,500

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

2003 Basis Cap

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

NOTE 4 SPECIAL TAX REVENUE BONDS – Continued

1999 Basis Cap

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

Fair Value

Derivative instruments are summarized as follows:

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

NOTE 5 DEFINED BENEFIT PENSION PLAN

Plan description

The Authority covers all full-time employees in the Pennsylvania State Employees' Retirement System ("SERS") which was established as of June 27, 1923, under the provisions of Public Law 858, No. 331. SERS is the administrator of a cost-sharing, multiple-employer defined benefit retirement system established by the Commonwealth to provide pension benefits for employees of state government and certain independent agencies.

SERS is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund. SERS also issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Commonwealth of Pennsylvania, State Employees' Retirement Board, 30 North Third Street, P.O. Box 1147, Harrisburg, Pennsylvania 17108.

Benefits provided

SERS provides retirement, death and disability benefits. Retirement benefits vest after five years of credited service. Employees, who retire with three years of service at age 60, or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit. Members of the General Assembly and certain employees classified in hazardous duty positions can retire with full benefits at age 50, with at least three years of service. The general annual benefit is 2% of the member's highest three-year Annual average salary times years of service times class of service multiplier. The Authority's total and annual covered payroll for the year ended June 30, 2016 was $461,097.

NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions required

Covered employees are required to contribute to SERS at a rate of 6.25% of their gross pay. The contributions are recorded in an individually identified account which is also credited with interest, calculated quarterly to yield 4% per annum, as mandated by statute. Accumulated employee contributions and credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits.

The employer contribution rate for each fiscal year is certified by the SERS Board based on the annual actuarial valuation conducted by the SERS actuary. The Authority was required to contribute to SERS at a rate of 19.92% of the gross pay of its employees for the year ended June 30, 2016. The Authority contributed $107,965, $91,023 and $55,469 to SERS during fiscal years 2016, 2015 and 2014, respectively.

According to the retirement code, all obligations of SERS will be assumed by the Commonwealth should SERS terminate.

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

At June 30, 2016, the Authority reported a liability of $1,235,584 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a project of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At December 31, 2015, the Authority's proportion was .0088%, which represented a .08% increase in its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the Authority recognized pension expense of $194,498. At June 30, 2016, the Authority 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
Differences between expected and actual experience	$ 24,610	
Change of assumptions	29,650	
Net difference between projected and actual earnings on pension plan investments	124,081	
Changes in proportion and differences between Authority contributions and proportionate share contributions	-	79,880
Authority contributions to the measurement date	52,605	
	$ 230,946	$ 79,880

NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Deferred outflows of resources totaling $52,605 related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2017	$ 46,059
2018	$ 46,059
2019	$ 46,059
2020	$ 37,793
2021	$ 2,374

Actuarial Assumptions
The following methods and assumptions were used in the December 31, 2015 actuarial valuations. These methods and assumptions were applied to all periods included in the measurement:

Actuarial cost method	entry age
Amortization method	straight-line amortization of investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits
Investment rate of return	7.5% net of expenses including inflation
Projected salary increases	average of 5.70% with range of 3.85%-9.05% including inflation
Asset valuation method	fair market value
Inflation	2.75%
Mortality rate	projected RP-2000 Mortality Tables adjusted for Actual plan experience and future improvement
Cost of living adjustments (COLAs)	ad hoc

Some of the methods and assumptions mentioned above are based on the *18th Investigation of Actuarial Experience*, which was published in March 2016, and analyzed experience from 2011 through 2015. The actuaries made recommendations with respect to the actuarial assumptions and methods based on their analysis.

NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)

The long-term expected real rate of return on pension plan investments is 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 target allocation and best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Alternative Investments	15%	8.50%
Global Public Equity	40%	5.40%
Real Assets	17%	4.95%
Diversifying Assets	10%	5.00%
Fixed Income	15%	1.50%
Liquidity Reserve	3%	0.00%
Total	100%	

Discount rate
The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable for each member and that employer contributions will be made based on rates determined by the actuary. Based on those assumptions, SERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and non-active SERS members. Therefore, the long-term expected rate of return on SERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate
The following represents the 2015 Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:
Schedule 2

	1% Decrease 6.50%	Current discount rate 7.5%	1% Increase 8.50%
2015 net pension liability	$1,395,014	$1,235,584	$1,076,154
2014 net pension liability	$1,374,891	$1,074,154	$815,569

Pension plan fiduciary net position
The assets of the SERS pension plan total over $2.6 billion as of June 30, 2016. Detailed information about the pension plan's fiduciary net position is available in the separately issued SERS financial report.

Payables to the pension plan
There were no amounts payable to the pension plan at June 30, 2016.

NOTE 6 LEASE COMMITMENT

The Authority is obligated under an operating lease for office space, expiring December 31, 2019. The following is a schedule of future minimum lease payments:

Fiscal Year Ending June 30	Amount
2017	122,115
2018	125,778
2019	21,014
	$ 268,907

Rent expense for the year ended June 30, 2016 was $112,465.

SUPPLEMENTARY INFORMATION

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND - OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2016

	Budget (Original and Final)	Actual	Over (Under) Budget
Interest and short term investment earnings	10,000	22,236	12,236
Expenditures - administration			
Personnel - salaries and benefits	743,675	706,018	(37,657)
Professional services:			
Legal	60,000	10,355	(49,645)
Audit	60,000	52,550	(7,450)
Consulting/research	108,500	20,207	(88,293)
Trustee	16,000	15,775	(225)
Rent	128,000	112,465	(15,535)
Computer software and minor hardware	5,000	4,895	(105)
Office supplies	5,400	4,503	(897)
Telephone	8,000	3,411	(4,589)
Subscription and reference services	2,000	1,183	(817)
Postage and express	2,000	611	(1,389)
Dues and professional education	1,000	-	(1,000)
Travel	2,000	424	(1,576)
General and administrative	10,000	9,818	(182)
Investment fees	-	583	583
Miscellaneous	1,000	730	(270)
	1,152,575	943,528	(209,047)
Capital outlays-furniture/fixtures and equipment	5,000	1,811	(3,189)
Addition oversight duties-studies/implementation	300,000	-	(300,000)
Total expenditures	1,457,575	945,339	(512,236)
Excess of expenditures over revenues	(1,447,575)	(923,103)	(524,472)
Other financing sources:			
Transfers in for PICA draw for operations	1,447,575	600,000	(847,575)
Excess (deficiency) of revenues and other financing sources over expenditures	-	(323,103)	(323,103)
Fund Balance, June 30, 2015	7,097,339	6,431,953	-
Fund Balance, June 30, 2016	$ 7,097,339	$ 6,108,850	(988,489)

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
GENERAL FUND
SUPPLEMENTAL SCHEDULE OF CASH ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2016

Cash receipts:	
Revenues collected - interest	$ 1,363,262
Total cash receipts	1,363,262
Cash disbursements:	
Expenditures:	
Operating transfer out	(402,736)
Administration	942,945
Capital outlays	1,811
Total cash disbursements	542,020
Excess cash receipts over cash disbursements	821,242
Cash, cash equivalents and short-term investments - beginning of year	10,073,204
Cash, cash equivalents and short-term investments - end of year	$ 10,894,446

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
PICA TAX REVENUE FUND
SUPPLEMENTAL SCHEDULE OF CASH ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2016

Cash receipts:	
Revenues collected:	
PICA taxes	$ 449,578,217
Interest	37,321
Total cash receipts	449,615,538
Cash disbursements:	
Expenditures paid - grants to the City of Philadelphia	386,534,672
Other financing uses - operation transfers out for debt service requirements	63,080,866
Total cash disbursements	449,615,538
Excess cash receipts over cash disbursements	-
Cash, cash equivalents and short-term investments - beginning of year	-
Cash, cash equivalents and short-term investments - end of year	$ -

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PENNSYLVANIA STATE EMPLOYEES' RETIREMENT PLAN*

	2016	2015
Authority's proportion of the net pension liability (asset)	0.088%	0.0078%
Authority's proportionate share of the net pension liability (asset)	$ 1,235,584	$ 1,074,154
Authority's covered employee payroll	$ 409,647	$ 428,514
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	301.62%	250.67%
Plan fiduciary net position as a percentage of the total pension liabilty	58.90%	64.80%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
SCHEDULE OF CONTRIBUTIONS
PENNSYLVANIA STATE EMPLOYEES' RETIREMENT PLAN

	2016	2015
Contractually required contribution	$ 107,965	$ 91,023
Contributions in relation to the contractually required contribution	$ 107,965	$ 91,023
Contribution deficiency (excess)	$ -	$ -
Authority's covered employee payroll	$ 409,647	$ 428,514
Contributions as a percentage of covered employee payroll	26.36%	21.24%