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PICA

Pennsylvania Intergovernmental Cooperation Authority

Fiscal Year 2026

Annual Report

October 2026

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PICA

Pennsylvania Intergovernmental Cooperation Authority

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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 Controller of the City of Philadelphia

As the Pennsylvania Intergovernmental Cooperation Authority (PICA) marks its thirty-fifth anniversary, we are pleased to provide you with this annual report for the fiscal year ended June 30, 2026. The report provides an overview of PICA's role in the City of Philadelphia's continuing fiscal rehabilitation, describes this past fiscal year's highlights, establishes fiscal year 2027 objectives, and includes audited financial statements for fiscal year 2026. I would like to take this opportunity to acknowledge and express the 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.

Sincerely,



Alan C. Kessler, Esq., Chairperson

Executive Summary

The Pennsylvania Intergovernmental Cooperation Authority (PICA) FY26 Annual Report contains an explanation of the Authority's origins and purpose, an overview of the organization's operational and financial accomplishments in the past year and provides a summary of the plans for the coming year. PICA hopes that this annual report provides meaningful context and insights for our stakeholders – PICA's appointing authorities (the Governor and leadership in the Pennsylvania General Assembly), the Philadelphia Wage Taxpayers that fund our work, our partners within the City of Philadelphia, and all those who live, work, and/or visit Philadelphia and want to see it thrive.

If you don't have time to read the whole report, it can be summarized in the following three bullets:

- PICA is a team of five board members and four staffers working to maintain and enhance Philadelphia's fiscal condition through monitoring and oversight of the City's budget and financial affairs

- In FY26, PICA conducted rigorous fiscal oversight over the City's FY26-30 Five-Year Plan and evaluated the FY27-31 Plan. PICA monitored revenues, expenditures, reserves, staffing, overtime, and emerging fiscal risks. This work was complemented with targeted research on structural issues including outstanding debt and reserve levels.

- PICA provided $786.5 million to the City of Philadelphia through the PICA Tax to support the City's General Fund and spent $1.0 million on the Authority's operating budget, primarily for staff salaries and benefits, as well as operating costs like rent, computers and IT support, and outside experts to expand expertise and capacity.

Annual Report Requirements

The Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the 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 PICA 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.

About PICA

Purpose

The Pennsylvania Intergovernmental Cooperation Authority (PICA) was created in 1991 by the Commonwealth of Pennsylvania legislature in response to Philadelphia's severe fiscal crisis. The City of Philadelphia faced budget deficits, cash shortages, the looming threat of default, and the City struggled to maintain essential services and meet its financial obligations. In addition, the City had seen its credit ratings drop below investment grade level by national rating agencies, had instituted an across-the-board hiring freeze, and had experienced an erosion in the quality of municipal services.

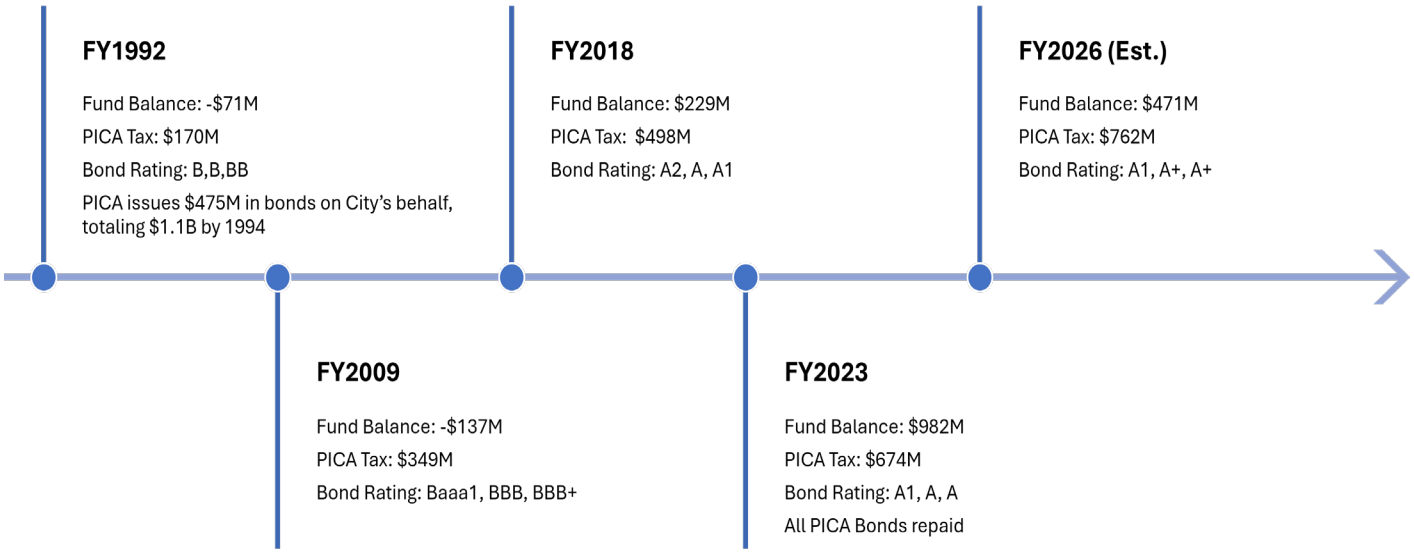
PICA was designed to address the City's short-term financing, while simultaneously overseeing a long-term financial planning process that would restore the confidence of investors, residents, and public officials in the ability of the City to maintain financial stability over the long term.

PICA's enforcement authority regarding the City's compliance allows PICA to direct 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 adhere to the requirements of the PICA Act in maintaining compliance with the current Five-Year Plan.

The issuance of bonds, which were intended to provide the funds necessary to allow the City to avoid insolvency and continue essential capital investment, was an important initial role of PICA. Through debt issuance and capital program earnings, PICA has made available $1.14 billion to directly assist the City. These funds were allocated to the following purposes: deficit elimination/indemnities, the productivity bank, capital projects, and retirement of certain high-interest debt.

According to PICA's original enabling legislation (enacted in 1991), PICA was set to expire upon the retirement of all outstanding PICA bonds in June of 2023. However, prior to the retirement of the PICA bonds, the Pennsylvania General Assembly passed a reauthorization of the PICA Act, keeping PICA in existence until the later of January 2, 2047, or the retirement of all outstanding debts and liabilities. The new legislation reaffirmed PICA's fiscal oversight role, reauthorizing the mandate for the City of Philadelphia to create and submit Five-Year Financial Plans on an annual basis.

Philadelphia's Fiscal Progress



Aside from reauthorization of the Authority, the most notable change under the updated PICA Act is a renewed ability for PICA to issue bonds for City capital needs. Instead of being authorized to borrow only to relieve fiscal deficits or address emergency capital projects, as in the 1991 Act, the updated legislation allows PICA to issue a series of bonds once every ten years. PICA has historically had a higher credit rating than the City of Philadelphia due to the dedicated PICA Tax revenue stream, which allows the City access to capital financing under more favorable terms through use of PICA borrowing.



Photo Credit: Lucie Christian

Governance & Operations

PICA is administered by a governing Board consisting of five voting members and two ex-officio, nonvoting members. The Governor, the President Pro Tempore of the State Senate, the Minority Leader of the State Senate, the Speaker of the State House of Representatives, and the Minority Leader of the State House of Representatives each appoint one voting member to the Board. The ex-officio members are the Budget Secretary of the Commonwealth of Pennsylvania and the Director of Finance of the City of Philadelphia. The current Members of the Board are:

PICA Board Members		
Board Member	**Position**	**Appointing Authority/Role**
Alan C. Kessler, Esq.	Chairperson	Minority Leader of the Pennsylvania Senate
Rosalind W. Sutch, CPA, MT	Vice Chair	Speaker of the Pennsylvania House of Representatives
Michael A. Karp	Secretary/Treasurer	Minority Leader of the Pennsylvania House of Representatives
Patrick Burns	Assistant Secretary/Treasurer	President Pro Tempore of the Pennsylvania Senate
Kevin Vaughan	Member	Governor of Pennsylvania
Zachary Reber	Ex-Officio	Budget Secretary of the Commonwealth of Pennsylvania
Rob Dubow	Ex-Officio	Finance Director of the City of Philadelphia

Each Board member is committed to the fiscal stability and financial improvement of the City. Board members are appointed to two-year terms, must not be public officials or officers of a political party, must reside in or have their principal place of business/employment in Philadelphia, and must have experience in finance or management. The Board appoints an Executive Director to execute the functions of PICA and manage day-to-day operations.

The 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. PICA's staff, which totaled four during the past fiscal year, 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 issues reports on the City's Five-Year Financial Plans and other topics relating to fiscal stability. The reports are designed to inform the Board on key matters and assist those properly charged with responsibility for policy development and administration within the City.

Oversight Authority

PICA was founded to support the Commonwealth's public policy interests to "foster the fiscal integrity of cities of the first class… and provide for proper financial planning procedures and budgeting practices," as explained in the section of the Act dedicated to legislative intent.

The Act provides that PICA shall have certain oversight and financial functions. In its oversight capacity, PICA has 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 annually by the City.

Should the City fail to adhere to the requirements of the Act in maintaining compliance with the current Five-Year Plan, PICA could instruct the Budget Secretary of the Commonwealth to withhold substantial financial assistance and the net proceeds of the PICA Tax (after PICA debt service) until compliance is reestablished. In a discussion of sound financial planning and budgetary practices, the Act "charge[s]" the City of Philadelphia with the "responsibility to exercise efficient and accountable fiscal practices."

These include managerial accountability, consolidation/elimination of inefficient City programs, recertification of tax-exempt properties, increased collection of existing taxes, privatization of services, sale of City assets, improvement of procurement and competitive bidding practices, and review of compensation and benefits of City employees. The legislative intent includes assuring the City is prepared to manage not only the fiscal pressure Philadelphia was experiencing at the time PICA was established, but also to avert such potential situations in the future and safeguard against their consequences. Thus, the Act grants PICA the ability to "make recommendations to an assisted city concerning its budgetary and fiscal affairs."

To this end, PICA and the City entered into an agreement largely based on the provisions of the Act, known as the Intergovernmental Cooperation Agreement (ICA). The ICA provides PICA with broad access to all data pertaining to City and other corporate entities' finances (corporate entities include the School District of Philadelphia, for example). The underlying principle in both documents is that, in order to facilitate the City's "fiscal integrity," PICA was intended since its inception to have a wide purview over the City's financial data, which ultimately extends to PICA's authority to "[conduct] such independent audits, examinations or studies of the City the Authority deems appropriate." Consequently, PICA has consistently emphasized that the City's continuing fiscal rehabilitation is dependent upon its success in addressing both financial and managerial issues.

Five-Year Financial Plan Process

PICA is required to assess the City's annual Five-Year Financial Plan (the Plan). The framework for evaluating the Plan is provided by the PICA Act. The objective is to analyze whether the Plan meets the criteria in the PICA Act, identify potential risks, evaluate spending and personnel trends, assess indicators of financial health, and make a recommendation for approval or disapproval of the Plan by PICA's Board of Directors.

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 based on consistently applied reasonable and appropriate assumptions and methods of estimation for five fiscal years.
- Efforts to eliminate any projected deficit for the current fiscal year, balance current and future fiscal year budgets through sound budgetary practices, provide procedures to avoid a fiscal emergency condition in the future, and enhance the ability of the City to access short- and long-term credit markets.
- 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 accompanied by estimates of wage and benefit levels.

Effect of a Variance

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. The City may also declare 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.

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, which is a net adverse change in fund balance equal to five percent or more of revenue as defined in the ICA, until compliance with the Plan is regained or a new Plan is approved.

Comments 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 (School District). PICA will continue to monitor the City's commitments related to the School District.

Financial Assistance to the City of Philadelphia

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. Through debt issuance and capital program earnings, the Authority has made available $1.14 billion to directly assist the City, allocated to the following purposes:

Financial Assistance Provided to the City of Philadelphia	
Purpose	**Amount**
Deficit Elimination/Indemnities	$269 million
Productivity Bank	$20 million
Capital Projects	$464 million
Retirement of Certain High-Interest City Debt	$384 million
Total	**$1.14 billion**

The Authority issued four series of bonds from 1992 to 1994. Since that time, the Authority issued eight series of refunding bonds with the objective of lowering debt service costs. The most recent series of refunding bonds was issued in fiscal year 2020. As of the end of fiscal year 2023, PICA retired its outstanding bonds.

Initially, 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 were limited to the refinancing of existing PICA debt to realize net debt service savings. However, under the PICA Act extension legislation enacted by the Commonwealth of Pennsylvania in 2022, PICA has been reauthorized to issue bonds under certain revised terms when warranted for City capital projects.

To provide a dedicated revenue source for debt service on PICA-issued bonds, the PICA Act authorized the City to impose a tax for the sole and exclusive purpose of PICA. The PICA Tax was enacted by an ordinance adopted by City Council and approved by residents of the City as a 1.5 percent tax on Philadelphia resident wages, earnings, and net profits. 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 PICA's Trustee. The Authority does not administer the collection of the PICA Tax from taxpayers.

Upon enactment of the PICA Tax, the City reduced the amount of wage and earnings tax that it levies on City residents by an amount equal to the PICA Tax so that the total tax rate remained the same. The City was also authorized to levy a one percent local sales tax to help balance its budget. The PICA Act authorizes PICA to pledge the PICA Tax to secure PICA's bonds and prohibits the Commonwealth and the City from repealing the PICA Tax or reducing its rate while PICA bonds are outstanding. PICA returns to the City any portion of the Tax not required to meet debt service and operating expenses. After the reauthorization of the Commonwealth's PICA Act in July of 2022, the City of Philadelphia reauthorized the PICA Tax on June 22, 2023, with the signing of Bill No. 230148. In fiscal year 2026, PICA returned $786.8 million to the City.

Ongoing Goals & Impact

Since its inception, PICA's oversight of the City's financial planning process has emphasized the need to address the City's long-term financial challenges. The PICA Act specifically lays out the importance of addressing "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 implanting key reforms relating to the budgeting and long-term financial planning process.

PICA's Impact on the City of Philadelphia's Finances

City of Philadelphia's Credit Ratings

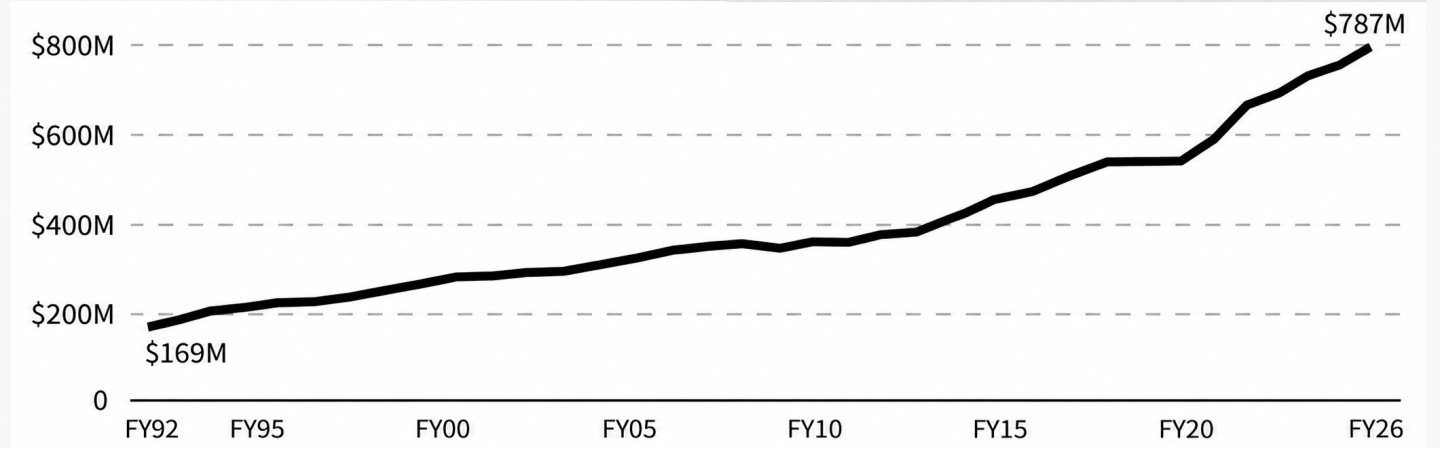
Moody's	Fitch	S&P
Aaa	AAA	AAA
Aa	AA	AA
A	A	A
Baa	BBB	BBB
Ba	BB	BB
B	B	B
Caa	CCC	CCC
Ca	CC	CC
C	C	C

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Moody's	Fitch	S&P
Aaa	AAA	AAA
Aa	AA	AA
A1	A+	A+
Baa	BB	BBB
Ba	BB	BB
B	B	B
Caa	CCC	CCC
Ca	CC	CC
C	C	C

2026

PICA Tax Revenue



To sustain and expand on these improvements, PICA will continue to act as a catalyst for, and champion of sound financial planning and budgetary practices as envisioned in the PICA Act. To foster those practices, PICA will continue to:

- **Maintain and expand requirements for best practices in budgeting and financial management.** PICA will ensure ongoing fidelity to the reforms that are requirements of the PICA Act. These include the mandate for a Five-Year Financial Plan, as well as quarterly reporting to PICA on the status of current year revenues and expenditures in relation to the Five-Year Plan. The statutory requirement to project revenues and expenditures for five years, and that these projections be based on reasonable assumptions and indicate positive fund balances for five years, have contributed to financial stability over the past two decades, as evidenced by improving credit ratings and growing fund balances. Quarterly reporting has also 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.

- **Monitor challenges facing the City of Philadelphia.** The challenges facing the City include but are not limited to future labor costs, a pension system with a low funded ratio, federal and economic uncertainty, changes to federal funds and policies, challenges hiring and retaining employees, incompletely scoped budgets, and declining fund balances. In the future, PICA will continue to emphasize ways the City can address these underlying problems through its oversight of the Five-Year Financial Plan process, research publications, conferences, and advocacy.

- **Encourage coordinated policy development, strategic planning, budgeting, operations implementation and management, program evaluation, and communication of performance and results.** This approach must be citywide, encompassing central management agencies as well as agencies with responsibility for policy implementation and service delivery. Examples of progress in this area include the implementation of program-based budgeting.

Even with the achievement of disciplined financial projections and ongoing budget monitoring, the City is still confronting challenges that pose risks to its long-term financial stability. To adequately address these foundational problems – including socioeconomic distress, high poverty, weak economic growth, high tax rates, high pension costs, and tax delinquencies, among others – the City requires a financial planning process that is closely linked to broader management systems capable of addressing and solving the toughest public problems.

PICA in Action: FY26 Highlights

During FY26, PICA continued to carry out its core responsibility of safeguarding Philadelphia's fiscal stability. The Authority reviewed and approved the City's Five-Year Financial Plan, closely monitored financial performance throughout the year, expanded its independent research on key fiscal issues, convened policymakers and experts around Philadelphia's economic and financial challenges, strengthened its internal analytical and administrative capacity, and facilitated the City's access to PICA Tax proceeds. Together, these efforts reinforced PICA's role as an independent source of fiscal oversight, analysis, and public information.

FY26 Activities at a Glance

- Unanimous Board approval of the FY26-31 Plan.
- Quarterly monitoring of City revenues, spending, fund balance, staffing, overtime, and performance.
- Developed research and analysis on pensions, reserves, economic development, taxes, debt, and financial reporting.
- Delivered $786.5 million to the City of Philadelphia from PICA Tax collections.

Fiscal Oversight and Monitoring

PICA carried out its core statutory oversight responsibilities throughout FY26, beginning with an extensive review of the City of Philadelphia's FY26-30 Five-Year Financial Plan. Following analysis of the Plan's revenues, spending, staffing, labor, pensions, capital program, reserves, and economic assumptions, the PICA Board unanimously approved the Plan in July 2025. PICA's review found that the Plan met the requirements of the PICA Act while identifying issues requiring continued monitoring, including declining projected reserves, labor costs, growing debt obligations, and uncertainty surrounding federal funding.

Throughout the year, PICA closely monitored the City's financial condition through the Quarterly City Managers Reports, monthly tax collections, overtime reports, staffing information, and other financial data. PICA's quarterly analyses highlighted changes in projected General Fund balances, the fiscal effects of vacancies and underspending, overtime trends, and the extent to which one-time factors contributed to improvements in the City's financial outlook. By the third quarter, the City projected a FY26 General Fund balance of approximately $800 million, substantially above the amount initially projected in the adopted FY26-30 Five-Year Plan.

During the second half of FY26, PICA also began its review of the proposed FY27-31 Five-Year Plan. Staff monitored the Mayor's proposed budget and City Council hearings, met with City financial leadership and departments, and engaged independent economic expertise to evaluate revenue assumptions and emerging fiscal risks.

Research and Analysis

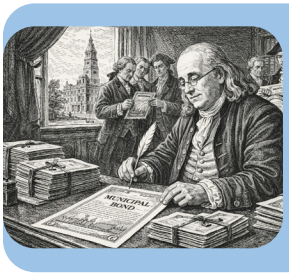
PICA built upon its independent research agenda during FY26, producing analyses designed both to strengthen fiscal oversight and to make Philadelphia's finances more understandable to policymakers and the public.



- Ranking Reserves compared Philadelphia's financial reserves with peer cities and examined approaches to long-term reserve policy and fiscal stress testing
- Digging Into (and Out of) Debt found that Philadelphia's General Fund-supported debt declined by about nine percent over the past decade even as the City continued to borrow for major investments.



- Catalyzing Growth: Tracking Philadelphia's General Fund Investments in Economic Development explored the relationship between City spending and economic growth. The analysis found that General Fund spending devoted to economic development had increased substantially over the prior decade and identified opportunities to strengthen strategic planning, performance measurements, and reporting.



- A growing series of revenue fact sheets examined major components of Philadelphia's tax and revenue structure, including the Wage Tax, business taxes, and intergovernmental revenues.



- Additional publications examined the City's credit ratings, taxable and tax-exempt borrowing
- PICA also published fact sheets on the timeliness of year-end financial reporting and findings from the City's Annual Comprehensive Financial Report.

Communications & Engagement

PICA expanded opportunities during FY26 for policymakers, fiscal experts, stakeholders, and the public to engage with Philadelphia's financial and economic challenges.

In October 2025, PICA hosted its annual Fall Forum, Turning Cooperation into Growth, which examined how stronger intergovernmental, regional, and cross-sector cooperation could support economic growth and expand Philadelphia's tax base. The program combined research from Brookings Metro with perspectives from economic development leaders in Atlanta, Columbus, Detroit, New York, and Philadelphia.

PICA's annual Economist Forum, held at the Federal Reserve Bank of Philadelphia in February 2026, brought together economists and City financial officials to discuss current economic conditions and the assumptions underlying Philadelphia's revenue forecasts. Presentations from the Federal Reserve Bank of Philadelphia, the City's outside economist, and the City's Budget Office provided additional context for PICA's review of the FY27-31 Five-Year Plan.

PICA also continued to broaden access to its work through public Board meetings, newsletters, fact sheets, research publications, speaking engagements, and social media and website updates. Media coverage of the Five-Year Plan approval and PICA's analysis of City finances further extended public awareness of PICA's oversight role and the fiscal issues facing Philadelphia.

Operations & Administration

PICA continued strengthening the organizational capacity and administrative systems necessary to support its oversight mission. Additionally, PICA facilitated the deposit of $786.5 million from the PICA Tax into the City of Philadelphia's accounts.

The Authority completed its FY25 financial audit with an unmodified, or clean, audit opinion and began preparing for new governmental accounting and financial reporting requirements. The Board also maintained continuity in essential professional services, including auditing, accounting, legal counsel, and independent economic analysis.

PICA invested in its internal analytical capacity by recruiting a Research and Policy Analyst during FY26. The position enables the Authority's capacity for financial monitoring, Five-Year Plan evaluation, data analysis, visualization, and policy research and strengthened the team supporting the FY27-31 Plan review.

The Authority also continued to conduct its business transparently through publicly noticed Board meetings and publication of agendas, minutes, resolutions, financial information, and other governing materials. The Board adopted PICA's FY27 operating budget and took additional administrative actions to ensure the staff, professional expertise, and financial controls necessary to carry out PICA's statutory responsibilities.

PICA in Action: FY27 Objectives

In FY27, PICA will sustain its primary duty to provide fiscal oversight and monitoring of the City of Philadelphia. The year will include continued monitoring of Philadelphia's financial performance consistent with the adopted Five-Year Financial Plan, focused analysis of emerging fiscal risks and long-term structural issues, and new research intended to identify practical opportunities to strengthen the City's financial position. PICA will also continue to improve its internal systems to support its analytical efforts and ensure timely and accurate transmission of PICA Tax funds.

FY27 Priorities at a Glance

- Monitor implementation of the FY27-31 Five-Year Financial Plan and emerging fiscal risks.
- Evaluate major expenditure, revenue, reserve, debt, and fund balance trends.
- Advance research on transportation budgeting, property tax exemptions, and other fiscal issues.
- Strengthen PICA's administrative systems, financial controls, and organizational capacity.
- Ensure availability of PICA Tax revenue for the Authority's and the City's operational needs.

Fiscal Oversight & Monitoring

PICA will independently monitor Philadelphia's financial condition and the implementation of the FY27-31 Five-Year Financial Plan. Quarterly reviews of revenues, expenditures, fund balances, overtime, staffing, and other measures will assess whether actual performance remains consistent with the underlying assumptions of the approved Plan and if the requirements of the PICA Act are being met.

PICA will continue to assess emerging and long-standing risks with implications for the long-term fiscal stability of the City, including labor costs, reserve levels, fixed expenses and discretionary spending, and capital and debt obligations.

As the development of the FY28-32 Five-Year Financial Plan begins, PICA will also assess the City's economic and revenue assumptions, major spending commitments, and progress addressing issues identified in prior Plan reviews. The goal will remain to ensure that Philadelphia maintains a balanced, realistic, and sustainable financial plan consistent with the requirements of the PICA Act.

Research & Analysis

PICA will undertake targeted research that complements its statutory oversight responsibilities and provides policymakers and stakeholders with actionable analysis of Philadelphia's fiscal challenges.

A major FY27 initiative will examine the structure of funding for locally operated transportation infrastructure and services. Building on comparative research involving Philadelphia and comparison cities, PICA will evaluate revenue sources, fund structures, operating and capital responsibilities, and approaches that could strengthen the long-term approach to local transportation funding.

PICA will also undertake an independent examination of Philadelphia's nonprofit Real Estate Tax exemptions. The work will assess how exemptions are initially granted and subsequently verified, evaluate a sample of exempt properties for continued eligibility, compare Philadelphia's practices with other jurisdictions, and identify legally and administratively feasible approaches for reducing improper exemptions and strengthening the taxable property base.

Additional research will continue to examine issues affecting Philadelphia's structural fiscal position, including revenues, spending, reserves, debt, personnel costs, capital investment, and other areas where comparative analysis or improved transparency could inform City decision-making.

Communications & Engagement

PICA will create opportunities for its Board, appointing authorities, policymakers, practitioners, researchers, and the public to engage with Philadelphia's fiscal challenges and the policy choices that shape the City's long-term financial condition.

The FY27 Fall Forum will examine how large cities structure and finance transportation operations and capital investments. PICA will present findings from its comparative research on Philadelphia and jurisdictions and convene local government officials, transportation experts, and academic voices to discuss funding models, common challenges, and practices that could inform Philadelphia's approach.

PICA's annual Economist Forum will again bring together economic experts and City financial officials to examine current economic conditions and the assumptions that will inform the next Five-Year Financial Plan's revenue projections. Throughout the year, PICA will also engage City departments, City Council, peer governments, researchers, professional organizations, and other stakeholders whose expertise can strengthen its oversight and research.

PICA will continue improving the accessibility of its work through public Board meetings, research reports, fact sheets, newsletters, data visualizations, and digital communications. These efforts will focus on presenting complex fiscal information clearly and concisely while expanding awareness of the financial trends, risks, and policy choices affecting Philadelphia's fiscal stability.

Operations & Administration

During FY27, PICA will continue strengthening the organizational infrastructure necessary to support its expanding oversight and research responsibilities and enable the timely and accurate distribution of PICA Tax collections.

Priorities will include maintaining strong financial controls and audit practices, modernizing administrative and business processes where appropriate, and ensuring that PICA's technology, data management, cybersecurity, and records systems effectively support staff operations and institutional continuity.

PICA will also evaluate staffing and administrative needs as the organization's workload evolves and a long-time staffer retires. Investments in research, financial, operational, and technical capacity will be aimed at improving efficiency, accuracy, security, and resilience while preserving the lean organizational structure appropriate for the Authority.

The Board and staff will continue reviewing policies and governance practices to ensure that PICA operates efficiently, transparently, and in accordance with its statutory responsibilities while maintaining the institutional capacity necessary to provide independent fiscal oversight of the City of Philadelphia.



Photo Credit: Kevin Vaughan

Pennsylvania Intergovernmental Cooperation Authority

A Blended Component Unit of the
City of Philadelphia

Financial Statements with Required Supplementary Information and Supplementary Information

Year Ended June 30, 2026
with Independent Auditor's Report

MaherDuessel

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

YEAR ENDED JUNE 30, 2026

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PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

YEAR ENDED JUNE 30, 2026

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MaherDuessel

Independent Auditor's Report

Board of Directors
Pennsylvania Intergovernmental Cooperation Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pennsylvania Intergovernmental Cooperation Authority (Authority), a blended component unit of the City of Philadelphia, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Authority, as of June 30, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maher Duessel

Harrisburg, Pennsylvania
September 23, 2026

Management's Discussion & Analysis

Overview of the Financial Statements

Management of the Pennsylvania Intergovernmental Cooperation Authority (the "Authority" or "PICA") provides this narrative overview and analysis of the Authority's financial position and results of operations for the fiscal year ended on June 30, 2026 (FY26). The discussion should be read together with the basic financial statements and notes that follow.

PICA is a blended component unit of the City of Philadelphia (the "City") and reports only governmental activities. PICA has no business-type activities nor discretely presented units. Its government-wide statements use the economic resources measurement focus and the accrual basis of accounting. The Statement of Net Position presents assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The Statement of Activities reports how net position has changed during the year, regardless of when related cash was received or paid.

The governmental fund statements provide a shorter-term view, reporting PICA's two major governmental funds separately: the General Fund (which accounts for Authority operations plus the funds previously identified for SWAP activity) and the PICA Tax Revenue Fund, which accounts for PICA Tax collections (1.5% of Philadelphia resident wages, earnings and net profits) and its allocation. Reconciliations accompanying the fund statements explain the differences between governmental fund results and the government-wide amounts.

The notes are an integral part of the basic financial statements and provide information needed to understand the amounts reported in them. Required supplementary information following the notes includes the General Fund budgetary comparison and schedules related to PICA's participation in the Commonwealth's pension and other postemployment benefit plans.

Financial Summary

PICA's fiscal position remains stable in FY26. The total net position was $17.9 million as of June 30, 2026, an increase of $209,814 (1.19 percent) from the end of the prior year. The improvement primarily stems from a reduction in liabilities related to PICA's net pension liabilities. PICA employees are Commonwealth of Pennsylvania employees that can participate in the PA State Employees Retirement System. The decrease in deferred inflows of resources represents the net differences between projected and actual earnings related to its pension plan, the difference between the Authority's contributions and proportionate

share of contributions related to its pension plan, and the difference between expected and actual experience in its other post-employment benefits plan.

Table 1: Net Position			
	FY26	FY25	Percent Change
Assets			
Cash and cash equivalents	$ 19,094,064	$18,988,391	0.56%
PICA taxes receivable	15,557,258	11,911,835	30.60%
Accrued interest receivable	54,371	64,178	-15.28%
Prepaid expenses	50,780	14,652	246.57%
Capital assets, net	478,438	572,572	-16.44%
Total assets	**$ 35,234,911**	**$31,551,628**	**11.67%**
Deferred Outflows of Resources			
Pension related	$259,965	$371,731	-30.07%
OPEB related	11,511	23,135	-50.24%
Pension contributions after measurement date	51,329	55,969	-8.29%
OPEB contributions after measurement date	17,323	19,624	-11.73%
Total deferred outflows of resources	**$340,128**	**$470,459**	**-27.70%**
Liabilities			
Accounts payable and accrued expenses	$248,837	$256,751	-3.08%
Due to the City of Philadelphia	15,557,258	11,911,835	30.60%
Current portion of net OPEB liability	17,323	19,624	-11.73%
Current portion of lease liability	73,513	67,523	8.87%
Net pension liability	767,850	911,868	-15.79%
Noncurrent portion of net OPEB liability	227,180	297,437	-23.62%
Noncurrent portion of lease liability	404,185	477,698	-15.39%
Total liabilities	**$17,296,146**	**$13,942,736**	**24.05%**
Deferred Inflows of Resources			
Pension related	$132,266	$138,075	-4.21%
OPEB related	251,965	256,428	-1.74%
Total deferred inflows of resources	**$384,231**	**$394,503**	**-2.60%**
Net Position			
Net investment in capital assets	$740	$27,351	-97.29%
Unrestricted	17,893,922	17,657,497	1.34%
Total net position	**$17,894,662**	**$17,684,848**	**1.19%**

Table 2: Activities			
	FY26	**FY25**	**Percent Change**
Expenses			
Grants to the City of Philadelphia	$786,780,050	$760,963,382	3.39%
General management and support	962,436	1,152,808	-16.51%
Investment expenses	3,500	3,500	0.00%
Total expenses	**$787,745,986**	**$762,119,690**	**3.36%**
Revenues			
PICA taxes	$786,459,809	$760,288,215	3.44%
Investment income	1,495,620	1,789,518	-16.42%
Other income	371	2,454	-84.88%
Total revenues	**$787,955,800**	**$762,080,187**	**3.40%**
Change in net position	**$209,814**	**($39,503)**	**631.13%**
Net position - beginning of fiscal year	$17,684,848	$17,724,351	-0.22%
Net position - end of fiscal year	**$17,894,662**	**$17,684,848**	**1.19%**

Detailed Analyses

Government-Wide Financial Position and Results of Operations

PICA's total assets were $35,234,911 at the close of FY26, an 11.7 percent increase from FY25, with the growth almost entirely attributable to a significantly higher PICA Tax receivable as of June 30, 2026. The higher tax receivable may be attributable to the timing of receipts, which occur weekly, and the growth in the PICA Tax base, which has been attributed more to salary growth of Philadelphia residents rather than higher job totals. Just $478,438 of PICA's assets are capital in nature; see discussion below.

Deferred outflows of resources were 27.7 percent less in FY26 compared to FY25 ($340,128 versus $470,459). Most of the difference, $111,766 of the $130,331 reduction, is pension related and due to improved performance over expectations.

FY26 total liabilities are 24.1 percent higher than FY25, at $17,296,146. Nearly 90 percent of the FY26 liabilities are the PICA Tax payable to the City of $15,557,258, matching the PICA Tax receivable. Of the other liabilities, about half are related to the net pension and OPEB liabilities and are $216,576 less than in FY25. With another year of PICA's office lease elapsed, its net lease liability declined from $545,221 in FY25 to $477,698 in FY26. Deferred inflows of resources related to pensions and OPEB declined slightly in FY26 (2.6 percent) from $394,503 to $384,231.

PICA's $17,894,662 net position in FY26 was unrestricted except for $740. The position reflects a 1.19 percent improvement over FY25. Of the $209,814 improvement in net position, about half ($105,673) can be attributed to higher cash and cash equivalents, stemming from interest earnings and underspending on PICA operations compared to budget, even with an increase in prepaid expenses in FY26.

General Fund

PICA's General Fund ended the year with an $18,950,378 fund balance, just slightly higher than the prior year ($139,908 increase, or 0.7 percent). Much of the fund balance consists of resources previously set aside for swaption activity and can be requested for release by the City. Of the $706,813 in General Fund revenue in FY26, all but $371 came from interest earnings. The interest earnings were about $150,000 lower than the prior year, driven primarily by lower interest rates. There was a transfer between funds from the PICA Tax Revenue Fund to the General Fund of $468,937 to support operating costs.

Total expenditures from the General Fund in FY26 were $1,035,842. Most of the funds were utilized for PICA operating expenses, with just $3,500 allocated to investment expenses for trust accounts holding the last PICA Capital Funds. Total FY26 expenditures reflect a reduction of $895,782 (46.4 percent) compared to FY25. A significant difference in FY25 was the use of external consultants for additional expertise on a special project related to grants administration that cost $175,000 in FY25. Additionally, salary and benefit costs were about $100,000 lower in FY26 compared to the prior year due to a staff vacancy.

PICA Tax Revenue Fund

The PICA Tax Revenue Fund received $787.2 million in revenues in FY26, with 99.9 percent of revenues coming from the PICA Tax and the balance from interest earnings. This level of revenue reflects a 3.4 percent increase from FY25 revenues of $761.2 million. This fund had no balance at the close of the fiscal year, with $786,780,050 having been granted to the City during the year, and $468,937 being transferred to PICA's General Fund to support its operating costs. The fund has operated as a pass-through to the City since June 2023 when the last outstanding debt service requirements were met. The increase in tax revenue and pass-through to the City was consistent with year-over-year growth in PICA Tax collections.

Significant Capital Asset and Long-Term Financing Activity

PICA's net capital assets of $478,438 represent just 1.4 percent of PICA's assets. The bulk of the assets ($422,781) is a right-to-use asset, PICA's office lease. The balance of PICA's capital assets are furniture and equipment with a value of $55,657, net of accumulated depreciation. PICA's net capital assets declined by $94,134 (16.4 percent) compared to

FY25, owing to minimal furniture and equipment purchases and fewer years remaining on the office lease.

PICA retired its remaining bonds on June 15, 2023, and had no outstanding bonds or associated debt service during FY26. Accordingly, no bond issuances, bond rating changes, or debt-limit changes affected PICA's financing of planned facilities or services during the year.

Currently Known Facts, Decisions, or Conditions

The following facts, decisions, and conditions were known as of the date that the FY26 financial statements were issued and are expected to have a significant effect on PICA's FY27 financial position or results of operations:

- The City of Philadelphia's FY27-31 Five-Year Financial Plan projected PICA Tax Revenue growth of 4.5 percent over FY26. The estimates reflect assumptions affecting the Wage Tax base and tax rates adopted by City Council. PICA's external economic consultant reviewed the projections, considered economic factors related to growth, inflation, federal policy changes, and local revenue experience, and concluded that the estimates were reasonable.
- PICA's adopted FY27 Budget anticipates using existing General Fund balance, which includes a transfer from the PICA Tax Fund in FY26, to finance Authority operations, which was expected to reduce the unassigned General Fund balance in FY27. Expenditures of $1,743,000 were authorized by the PICA Board, and a $250,000 fund balance is anticipated.
- Because there are no outstanding PICA bonds, the FY27 PICA Tax collections are expected to continue to be allocated to the PICA City Account for the benefit of the City, aside from funds needed for Authority operations.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES

JUNE 30, 2026

Assets		
Cash and cash equivalents	$	19,094,064
PICA taxes receivable		15,557,258
Accrued interest receivable		54,371
Prepaid expenses		50,780
Capital assets, net		478,438
Total Assets		35,234,911
Deferred Outflows of Resources		
Deferred outflows related to:		
Pension		259,965
Other post-employment benefits		11,511
Contributions subsequent to measurement date:		
Pension		51,329
Other post-employment benefits		17,323
Total Deferred Outflows of Resources		340,128
Liabilities		
Accounts payable and accrued expenses		248,837
Due to City of Philadelphia		15,557,258
Current portion of net other post-employment benefit liability		17,323
Current portion of lease liability		73,513
Net pension liability		767,850
Noncurrent portion of net other post-employment benefit liability		227,180
Noncurrent portion of lease liability		404,185
Total Liabilities		17,296,146
Deferred Inflows of Resources		
Deferred inflows related to:		
Pension		132,266
Other post-employment benefits		251,965
Total Deferred Inflows of Resources		384,231
Net Position		
Net investment in capital assets		740
Unrestricted		17,893,922
Total Net Position	$	17,894,662

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES

YEAR ENDED JUNE 30, 2026

Expenses:	
Grants to City of Philadelphia	$ 786,780,050
General management and support - general operations	962,436
Investment expenses	3,500
Total Expenses	787,745,986
Revenues:	
PICA taxes	786,459,809
Investment income (loss)	1,495,620
Other income	371
Total Revenues	787,955,800
Change in Net Position	209,814
Net Position:	
Beginning of year	17,684,848
End of year	$ 17,894,662

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2026

	General	PICA Tax Revenue	Total Governmental Funds
ASSETS			
Assets:			
Cash and cash equivalents	$ 19,094,064	$ -	$ 19,094,064
PICA taxes receivable	-	15,557,258	15,557,258
Accrued interest receivable	54,371	-	54,371
Prepaid expenses	50,780	-	50,780
Total Assets	$ 19,199,215	$ 15,557,258	$ 34,756,473
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	$ 62,246	$ -	$ 62,246
Due to the City of Philadelphia	-	15,557,258	15,557,258
Accrued payroll and taxes	186,591	-	186,591
Total liabilities	248,837	15,557,258	15,806,095
Fund Balance:			
Nonspendable	50,780	-	50,780
Committed:			
For subsequent PICA administration	468,937	-	468,937
For future swaption activity	17,146,407	-	17,146,407
Unassigned	1,284,254	-	1,284,254
Total fund balance	18,950,378	-	18,950,378
Total Liabilities and Fund Balance	$ 19,199,215	$ 15,557,258	$ 34,756,473

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2026

Total Fund Balance - Governmental Funds		$ 18,950,378
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. Those assets consist of:		
Furniture and equipment, net of $39,778 accumulated depreciation	$ 55,657	
Right to use asset, net of $150,019 accumulated	422,781	478,438
Long-term liabilities applicable to the Authority's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.		
Lease liability	(477,698)	
Net pension liability, net of related deferred inflows and outflows of resources	(588,822)	
Net OPEB liability, net of related deferred inflows and outflows of resources	(467,634)	(1,534,154)
Net position - governmental activities		$ 17,894,662

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2026

	General	PICA Tax Revenue	Total Governmental Funds
Revenues:			
PICA taxes	$ -	$ 786,459,809	$ 786,459,809
Investment income	706,442	789,178	1,495,620
Other	371	-	371
Total revenues	706,813	787,248,987	787,955,800
Expenditures:			
Grants to the City of Philadelphia	-	786,780,050	786,780,050
Administration:			
Investment expenses	3,500	-	3,500
Operations	1,032,342	-	1,032,342
Total expenditures	1,035,842	786,780,050	787,815,892
Excess (Deficiency) of Revenues Over (Under) Expenditures	(329,029)	468,937	139,908
Other Financing Sources (Uses):			
Transfers in (out)	468,937	(468,937)	-
Total Other Financing Sources (Uses)	468,937	(468,937)	-
Net Change in Fund Balance	139,908	-	139,908
Fund Balance:			
Beginning of year	18,810,470	-	18,810,470
End of year	$ 18,950,378	$ -	$ 18,950,378

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2026

Net Change in Fund Balance - Governmental Funds		$ 139,908
Cost of capital outlays is allocated over their estimated useful lives as depreciation in the government-wide statements.		
Amortization and depreciation expense	$ (94,134)	(94,134)
Issuance of long-term debt (e.g., leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position in the government-wide statements. This amount is the net effect of these differences in the treatment of long-term debt:		
Repayment of lease liability	67,523	67,523
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Change in net pension liability, net of related deferred outflows and inflows of resources	33,421	
Change in other post-employment benefit obligations, net of related deferred outflows and inflows of resources	63,096	96,517
Change in net position - Governmental Activities		$ 209,814

The accompanying notes are an integral part of these financial statements.

1. Summary of Significant Accounting Policies and Organization

Organization

The Pennsylvania Intergovernmental Cooperation Authority (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 (Act) for the purpose of providing financial assistance to the City of Philadelphia (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 of Pennsylvania (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.

The Act was to expire no later than one year after the maturity of all outstanding special tax revenue bonds issued by the Authority. In July 2022, the Commonwealth enacted legislation extending the Act. The extended Act continues the existence of the Authority until the later of January 2, 2047 or one year after all of the Authority's liabilities, including any outstanding bonds, as provided in the applicable bond indenture, have been fully paid or discharged. Upon termination of the Authority, all rights and property, including funds remaining in the debt service reserve fund, will be paid to the Commonwealth to the extent the Commonwealth has contributed such rights or property, or otherwise such rights and property will pass to or be vested in the City. Future operations of the Authority may be subject to legislative action.

All outstanding bonds of the Authority were paid off as of June 15, 2023. Any remaining funds held by the Authority pursuant to the original Act, other than those maintained for the operations of the Authority and those held for swaption activity, were disbursed to the City as of June 30, 2023.

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. 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 GASB is the authoritative standard-setting body for establishing governmental accounting and financial reporting principles.

The Authority prepares an annual budget in accordance with GAAP.

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.

The Authority reports the following major governmental funds:

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

The **PICA Tax Revenue (Special Revenue) Fund** accounts for the proceeds of the PICA Tax remitted to the Authority via 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 Trustees by the Trust Indentures. The Special Revenue Fund does not adopt an annual budget. Therefore, no budgetary comparison schedule is included for this fund.

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 by the City 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.

In the government-wide financial statements, net position is categorized as follows:

- Net Investment in Capital Assets: This category groups all capital assets, including right-to-use assets, into one component of net position. Accumulated depreciation and the outstanding balances of related debt, such as lease liabilities, reduces this category.

- Unrestricted: This category represents the net position of the Authority that is not restricted for any other purpose.

Governmental fund financial statements use a current financial resources measurement focus and 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 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.

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.

- 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 balance in the special revenue funds as restricted (except as noted below).

- 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 (Board). 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 June 30, 2026.

- 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 fund balance as unassigned.

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

PICA Tax

The "PICA Tax" was enacted by an ordinance adopted by the City Council and approved by the Mayor of the City 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 highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

All investments are stated at fair value. Investment income is recorded on the Statement of Activities and includes any unrealized gains or losses earned during the period.

Capital Assets

Capital assets, which include furniture, equipment, and right to use assets, 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 furniture is seven years, and the estimated useful life of the equipment is five years.

Compensated Absences

Accrued expenses include an accrual for vacation and other leave earned but not taken as of June 30, 2026 of $186,591. Vacation and other leave are accrued based upon amounts paid upon retirement as well as amounts expected to be used prior to leaving the Authority.

Leases

The Authority is a lessee for a non-cancellable lease of office space. At lease commencement, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments at or before the lease commencement date, plus any initial direct cost ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. The lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If the Authority is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, 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 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.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined under a separate payment arrangement based of the Retired Employees Health Program (REHP) sponsored by the Commonwealth. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements and reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Adopted Pronouncements

GASB Statement No. 103, "*Financial Reporting Model Improvements*," was adopted for the year ended June 30, 2026. The Statement updated certain financial reporting presentation and disclosure requirements, including management's discussion and analysis and, where applicable, budgetary comparison information, proprietary fund presentation, component unit presentation, and the reporting of unusual or infrequent items. The adoption did not affect the recognition or measurement of the Authority's assets, liabilities, revenues, or expenses, or beginning net position. The adoption resulted primarily in revisions to management's discussion and analysis and did not have a material effect on the basic financial statements.

GASB Statement No. 104, "*Disclosure of Certain Capital Assets*," was also adopted for the year ended June 30, 2026. The statement had no significant impact on the Authority's financial statements for the year ended June 30, 2026.

Pending Pronouncements

GASB has issued Statement No. 105, "*Subsequent Events*," which is effective for fiscal years beginning after June 15, 2026. Management has not yet determined the impact of this statement on the financial statements.

2. Deposits and Investments

Deposits

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

At June 30, 2026, the Authority's deposits consist of the following:

Cash	$1,947,657
Total deposits	$1,947,657

Money market funds with a remaining maturity of one year or less are classified as cash equivalents.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority has no policy, other than as noted above, that further limits its custodial credit risk. As of June 30, 2026, the Authority's book balance was $1,947,657 and the bank balance was $2,027,757. Of the bank balance,

$250,000 was covered by federal depository insurance and $1,777,757 was collateralized under Act 72.

Investments

As of June 30, 2026, the Authority had the following investments:

	Fair Value	Cost	Maturity Date
Money market funds	$17,146,407	$17,146,407	Less than 1 year

The Authority complies with Pennsylvania statutes (72 P.S. Section 301.1 and Section 3603) which enumerate the permissible investments for funds of the Commonwealth. These statutes are applicable to the Authority as a result of Section 311(b) of the Act. Specifically, all funds of the Authority, including the proceeds of bonds, which are not required for immediate use may be invested in other obligations of an assisted city, or in obligations of the Federal Government or of the Commonwealth, or obligations which are legal investments of Commonwealth funds, including certain types of commercial paper.

Investments in the PICA Tax Revenue Fund must be invested in accordance with the various Trust Indentures.

The Trust Indentures restrict investments to the following types of securities:

(a) Obligations to the City;

(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 of 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;

(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; mortgage-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 type specified in clauses (b) or (f) above and is rated "AAAm" or "AAAm-g" by S&P.

Custodial Credit Risk - Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in the possession of an outside party. The Authority has no policy, other than as noted above, that further limits its custodial credit risk.

Concentration of Credit Risk - The Authority places no limit on the amount the Authority may invest in any one issuer.

The Authority's investment in money market funds are not exposed to custodial credit risk or concentration of credit risk because those investments are not evidenced by securities in book entry or paper form.

Credit Risk - The Authority's investments had the following level of exposure to credit risk at June 30, 2026:

Investment	Fair Value	Rating
Money market funds	$17,146,407	AAA

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

Fair Value of Investments – Investments and derivatives are recorded at fair value as of June 30, 2026. 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 value 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 with unobservable inputs for an asset (or liability) and may require a degree of professional judgement.

The Authority's investments in money market funds are Level 1 investments and fair value is based on active market quotes.

3. Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2026 is as follows:

	Transfers In	Transfers Out	Net Transfers In (Out)
General Fund	$ 468,937	$ -	$ 468,937
PICA Tax Revenue Fund	-	468,937	(468,937)
Total	$ 468,937	$ 468,937	$ -

An interfund transfer was made to record the transfer of the portion of the PICA tax revenue withheld for subsequent fiscal year operations as permitted under the Trust Indenture.

4. Capital Assets

Capital asset activity for the year ended June 30, 2026 was as follows:

	Balance July 1, 2025	Deletions	Additions	Balance June 30, 2026
Capital assets, being depreciated:				
Furniture and equipment	$ 95,435	$ -	$ -	$ 95,435
Right-to-use leased asset	572,800	-	-	572,800
Total capital assets, being depreciated	668,235	-	-	668,235
Less accumulated depreciation:				
Furniture and equipment	(27,473)	-	(12,305)	(39,778)
Right-to-use leased asset	(68,190)	-	(81,829)	(150,019)
Total accumulated depreciation	(95,663)	-	(94,134)	(189,797)
Total capital assets, being depreciated, net	$ 572,572	$ -	$(94,134)	$ 478,438

Depreciation for the year ended June 30, 2026 was $94,134 and is reflected in the Statement of Activities.

5. Leases

On September 1, 2024, the Authority entered into a non-cancellable lease agreement for office space. The lease requires monthly payments ranging from $9,112 to $10,881 through August 31, 2031. The value of the right-to-use asset as of June 30, 2026 was $572,800 and had accumulated amortization of $150,019. At June 30, 2026, the future minimum lease payments for the lease liability are as follows:

Fiscal Year	Principal	Interest	Total
2027	$ 73,513	$ 22,595	$ 96,108
2028	79,872	19,118	98,990
2029	86,622	15,340	101,962
2030	93,781	11,243	105,024
2031	123,131	6,807	129,938
Thereafter	20,779	983	21,762
	$477,698	$ 76,086	$553,784

6. Defined Benefit Pension Plan

Plan Description

The Authority provides pension benefits to all full-time employees through 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.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pension, and pension expense, information about the fiduciary net position of SERS, as well as additions to and deductions from SERS fiduciary net position have been determined on the same basis as they are reported in the financial statements of SERS. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Investments are reported at fair value.

Benefits Provided

SERS provides retirement, death, and disability benefits. Retirement benefits for the defined benefit portion vest after ten 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. For employees hired prior to January 1, 2011, the general annual benefit provided by statute is 2.5% of the member's highest three-year average salary times years of service. Effective January 1, 2011, the general annual benefit required by statute was reduced to 2.0% 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, 2026 was $506,819.

Contributions Required

Covered employees are required by statute to contribute to SERS at a rate of 6.25% (Class AA employees), 7.50% (DC-Only Plan), and 8.34% (Class A-5 Hybrid - 3.25% - defined contribution plan and 5.09% - defined benefit plan) of their gross pay. Act 2017-5 requires employers to make contributions to the defined benefit fund or all employees, including those who choose the defined contribution-only plan. The portion of the contributions earmarked for the defined benefit plan for those employees who choose the defined contribution-only plan go directly to the pension fund unfunded liability. 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 actuarially determined contribution rate was 39.96% (Class AA), 18.92% (DC-Only Plan – 3.50% defined contribution plan and 15.42% - defined benefit plan), and 18.96% (Class A5 Hybrid – 2.25% - defined contribution plan and 16.71% - defined benefit plan) of the gross pay of its employees during the fiscal year ended June 30, 2026. The Authority contributed $109,314 and $112,498 to SERS during the fiscal years 2026 and 2025, 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 Pension

At June 30, 2026, the Authority reported a liability of $767,850 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2025, 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 projection 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, 2025, the Authority's proportion was .0050%, which represents a .0001% increase on its proportion measured as of December 31, 2024.

For the year ended June 30, 2026, the Authority recognized pension expense of $(33,421).

At June 30, 2026, 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	$ 125,296	$ 111
Changes of assumptions	59,963	-
Net difference between projected and actual earnings on pension plan investments	-	103,513
Changes in proportion and differences between Authority contributions and proportionate share of contributions	74,706	28,642
Authority contributions subsequent to the measurement date	51,329	-
Total	$ 311,294	$ 132,266

Deferred outflows of resources totaling $51,329 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, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:	Amount
2027	$ 105,001
2028	33,172
2029	2,822
2030	(8,297)
2031	(4,999)
	$ 127,699

Actuarial Methods and Assumptions

The following methods and assumptions were used in the December 31, 2025 actuarial valuations. These methods and assumptions were applied to all periods included in the measurement period.

Actuarial cost method	Entry age
Amortization method	Straight-line amortization of difference between projected and actual earnings on pension plan 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	6.875% net of manager fees including inflation
Projected salary increases	Average of 5.43% with range of 3.70% - 7.55%, including inflation
Asset valuation method	Fair (market) value
Inflation	2.50%
Mortality	Projected PubG-2016 Tables adjusted for actual plan experience and future improvement for retirees, beneficiaries, and survivors and rates determined by SERS' actuaries using actual SERS experience for pre-retirement active members
Cost-of-living adjustments	Ad hoc

Every five years, SERS is required to conduct an actuarial experience study to determine whether the assumptions used in its annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions. The *20th Investigation of Actuarial Experience* covering the period 2020-2024 was released and

approved by the SERS Board in July 2025, and the recommended assumption changes were effective with the December 31, 2025 valuation. SERS experience studies can be viewed at www.SERS.pa.gov.

The actuary and SERS Board review the investment rate of return annually, in addition to the normal five-year experience study cycle, in recognition of changing market environments to ensure this assumption remains reasonable with each actuarial valuation. In July 2025, the SERS Board deliberated and decided to maintain the 6.875% Defined Benefit Plan investment rate of return assumption for the December 31, 2025 valuation.

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 Defined Benefit Plan's target asset allocation as of December 31, 2025, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Private equity	16.00%	5.11%
Real estate	7.00%	3.84%
U.S. equity	37.00%	2.34%
International developed markets equity	14.00%	5.04%
Emerging markets equity	2.00%	5.53%
Fixed income	19.00%	1.98%
Inflation protection (TIPS)	3.00%	1.35%
Cash	2.00%	0.23%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 6.875% for 2025. The projection of cash flow used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at actuarially determined rates as set by statute. Based on those assumptions, the Defined Benefit Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected investment rate of return on Defined Benefit Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following represents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.875%, 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 (5.875%) or 1-percentage-point higher (7.875%) than the current rate:

	1% Decrease (5.875%)	Current Discount Rate (6.875%)	1% Increase (7.875%)
Authority's proportionate share of the net pension liability	$ 1,084,129	$ 767,850	$ 500,705

Pension Plan Fiduciary Net Position

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 as of June 30, 2026.

7. Other Post-Employment Benefits (OPEB)

Plan Description

The Authority provides post-employment benefits to all full-time employees through the Retired Employees Health Program (REHP) sponsored by the Commonwealth. The REHP is a single-employer, defined benefit OPEB plan that includes Commonwealth agencies and some component units. The REHP is established as a trust equivalent arrangement. The REHP is administered by the Pennsylvania Employees Benefit Trust Fund (PEBTF), which acts as a third-party administrator under an administrative agreement with the Commonwealth. The REHP is provided as part of collective bargaining agreements with most Commonwealth labor unions. All policy decisions and types and levels of benefits for the REHP fall under the purview of the Commonwealth's Executive Board, and the Secretary of Administration. The REHP does not have a governing board. The REHP does not issue a stand-alone financial statement; however, detail of the REHP is included in the Commonwealth's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2025.

The Authority does not participate in the REHP trust and, as such, does not contribute to the trust, but instead contributes under a separate payment arrangement.

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Commonwealth's REHP and additions to/deductions from REHP's fiduciary net position have been determined on the same basis as they are reported by REHP. Employer benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefits Provided

The Commonwealth sponsors the REHP for eligible retirees and their dependents to receive subsidized health coverage for the retiree's lifetime.

Eligible employees who retire from the state and meet one of the following eligibility criteria are eligible to receive REHP benefits:

- 25 or more years of service
- 20 or more years of service and superannuation age – 60 for general employees (age 55 or 65 for employees subject to Act 120 of 2010)
- Disability retirement – requires five years of service

Spouses and dependents are eligible for subsidized post-employment medical coverage while the retiree is alive. The Patient Protection and Affordable Care Act (PPACA), signed into law on March 23, 2010, increased the dependent child age limit to age 26 and applied to the Commonwealth effective January 1, 2011.

Contributions

The Authority's contribution rate to the REHP is determined by annual agreement with the Commonwealth of Pennsylvania and the Philadelphia Regional Port Authority (PRPA).

The Authority does not participate in the trust and, as such, contributes the actual fiscal year benefit payments attributable to its retirees. The Authority contributed $185.78 per biweekly pay period for each current REHP eligible active employee during fiscal year ended June 30, 2026 to the REHP Trust. The Authority's contributions to the REHP for the years ended June 30, 2026 and 2025 were $17,323 and $19,624, respectively.

Health Care Reform

PPACA was signed into law in 2010 with the purpose of increasing the number of Americans with health insurance coverage. There are several provisions within PPACA with potentially significant short- and long-term cost implications for employers. In future years, there may continue to be increased cost impact to the extent the health and welfare program experiences increased utilization due to these changes, all of which are assumed to be in place indefinitely.

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

At June 30, 2026, the Authority reported a liability of $244,503 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority's portion of the net OPEB liability was allocated based on projections of the Authority's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2025, the Authority's proportion of the net OPEB liability was approximately 0.0044%, which is a decrease of 0.0002% from its proportion measured at June 30, 2024.

For the year ended June 30, 2026, the Authority recognized OPEB expense of $(63,096).

At June 30, 2026, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Authority contributions subsequent to the measurement date	$17,323	$ -
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	87,243
Difference between expected and actual experience	6,113	109,788
Net difference between projected and actual earnings on OPEB plan investments	-	3,255
Changes of assumptions	5,398	51,679
Total	$ 28,834	$ 251,965

Deferred outflows of resources totaling $17,323 related to OPEB, resulting from Authority contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2027	$ (89,307)
2028	(61,761)
2029	(50,171)
2030	(28,181)
2031	(11,034)
	$(240,454)

Actuarial Methods and Assumptions

The following methods and assumptions were used in the June 30, 2025 actuarial valuation. These methods and assumptions were applied to all periods included in the measurement period:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, 30-year open amortization (fresh start each year)
Investment rate of return	6.75%
Projected salary increases	Average of 2.8% with range of 0.50% - 4.15%, including inflation
Inflation	2.50%
Mortality rate	Pre-Retirement: Pub-2010 General Healthy Retiree Headcount Weighted Mortality Tables, and adjusted for mortality improvements using projection scale MP-2021. Post-Retirement: Healthy participants: Pub-2010 General Healthy Retiree Headcount Weighted Mortality Tables, with rates set forward one year for females, and adjusted for mortality improvements using projection scale MP-2021. Post-Retirement: Disabled Participants: Pub-2010 Non-Safety Disabled Retiree Headcount Weighted Mortality Tables, with rates set forward two years for males and females, and adjusted for mortality improvements using projection scale MP-2021.
Healthcare trend increases:	
Initial rate for medical benefits	(8.50%) for Medicare and 8.60% for non-Medicare
Ultimate rate for medical benefits	3.90% for both Medicare and non-Medicare
Year ultimate trend rate reached	2075

The Commonwealth's SERS performs experience studies periodically to determine reasonable and appropriate economic and demographic assumptions for valuing the defined benefit pension plan. The inflation assumption selected by the SERS Board during a July 2020 meeting are also used for the retiree health benefit valuation.

One significant assumption where the recommendation of the experience study is not applicable to this retiree health benefit valuation is the discount rate. Since REHP has insufficient assets to meet future years' projected benefit payments, as prescribed by GASB Statements No. 74 and 75, the discount rate was based on the 20-year Bond Buyer General Obligation Index municipal bond rate as of the measurement date. The discount rate was 6.68% as of June 30, 2025 and 6.09% as of June 30, 2024.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.68% as of June 30, 2025 and 6.09% as of June 30, 2024. The single discount rate of 6.68% as of June 30, 2025 was based on the long-term expected rate of return on assets held in the OPEB investment pool (6.75%) and a municipal bond rate of 5.20% (based on the 20-year Bond Buyer GO Index as of the end of June 2025). Based on the stated assumptions and the projection of cash flows, the Plan's Fiduciary Net Position and future contributions were not sufficient to finance all future benefit payments of the current plan members. Therefore, the long-term expected rate of return on the OPEB investment pool was applied to projected benefit payments through the year 2073 (the last year in which the Plan's Fiduciary Net Position is projected to be sufficient to meet projected benefit payments) and the municipal bond rate was applied to all remaining future years to determine the Total OPEB liability. The projection of cash flows used to determine the single discount rate for each fiscal year end assumed that employer contribution were made based on the current funding policy for all future years.

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following represents the Authority's proportionate share of the net OPEB liability calculated using the discount rate of 6.68%, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.68%) or 1-percentage-point higher (7.68%) than the current rate:

	1% Decrease (5.68%)	Current Trend (6.68%)	1% Increase (7.68%)
Authority's proportionate share of the net OPEB liability	$273,478	$ 244,503	$ 219,259

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following represents the Authority's proportionate share of the net OPEB liability calculated using the medical trend rate of 8.6% / -8.5% grading to 3.9%, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower (7.6% / -9.5% grading to 2.9%) or 1-percentage-point higher (9.6% / -7.5% grading to 4.9%) than the current rate:

	1% Decrease (7.6%)	Current Trend (8.6%)	1% Increase (9.6%)
Authority's proportionate share of the net OPEB liability	$212,749	$244,503	$282,131

REQUIRED SUPPLEMENTARY INFORMATION

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - OPERATIONS

YEAR ENDED JUNE 30, 2026

	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues - administration:			
Interest and short-term investment earnings	$ 45,000	$ 70,804	$ 25,804
Expenditures - administration:			
Personnel - salaries and benefits	1,050,000	749,123	300,877
Professional services:			
Legal	65,000	43,171	21,829
Audit	75,000	59,275	15,725
Consulting/research	25,000	9,000	16,000
IT Support	25,000	14,392	10,608
Web design and hosting	10,000	309	9,691
Trustee	15,000	9,500	5,500
Rent	110,000	76,353	33,647
Computer software and minor hardware	22,000	9,812	12,188
Office supplies	2,000	501	1,499
Telephone/internet	6,180	3,678	2,502
Subscription and reference services	2,000	1,850	150
Postage and express	1,000	284	716
Dues, professional education, and conference attendance	31,000	23,058	7,942
Travel	1,000	1,021	(21)
General and administrative	37,820	34,515	3,305
	1,478,000	1,035,842	442,158
Capital outlays - furniture/fixtures and equipment	10,000	-	10,000
Addition oversight duties - studies/ implementation	200,000	-	200,000
Total expenditures - administration	1,688,000	1,035,842	652,158
Excess of Expenditures over Revenues	(1,643,000)	(965,038)	677,962
Other Financing Sources:			
Transfers in for PICA draw for operations	257,138	468,937	211,799
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures	(1,385,862)	(496,101)	889,761
Fund Balance, June 30, 2025	1,385,862	2,233,675	847,813
Fund Balance, June 30, 2026	$ -	$ 1,737,574	$ 1,737,574

See accompanying notes to budgetary comparison schedule.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Component Unit of the City of Philadelphia)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2026

1. Budgetary Basis of Accounting

An annual GAAP basis budget is adopted for the General Fund. The Authority does not adopt a budget for the PICA Tax Revenue Fund.

2. Significant Variances from Budget

The Authority's $677,962 underspend in FY26 was driven by staff vacancies ($300,877), not utilizing outside expertise for studies or implementation for additional oversight duties ($200,000), and rent ($33,647) due to negotiating two months of free rent.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY

COMMONWEALTH OF PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM PLAN

YEAR ENDED JUNE 30, 2026

	2025*	2024	2023	2022	2021	2020	2019	2018	2017	2016
Authority's proportion of the collective net pension liability	0.0050%	0.0049%	0.0055%	0.0073%	0.0079%	0.0079%	0.0078%	0.0075%	0.0080%	0.0072%
Authority's proportionate share of the collective net pension liability	$ 767,850	$ 911,868	$1,063,244	$1,541,113	$1,033,553	$1,367,695	$1,413,033	$1,553,260	$1,383,379	$1,386,907
Authority's covered payroll	$ 506,819	$ 495,125	$ 396,204	$ 463,846	$ 470,342	$ 532,681	$ 547,258	$ 479,052	$ 496,274	$ 433,971
Authority's proportionate share of the collective net pension liability as a percentage of its covered payroll	151.50%	184.17%	268.36%	332.25%	219.73%	256.76%	258.20%	324.24%	278.75%	319.59%
Plan fiduciary net position as a percentage of the total pension liability	73.30%	67.70%	65.30%	61.50%	76.00%	67.00%	63.10%	56.40%	63.00%	57.80%

* The amount presented for this fiscal year was determined as of the calendar year-end that occurred within the fiscal year.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

SCHEDULE OF THE AUTHORITY'S PENSION CONTRIBUTIONS

COMMONWEALTH OF PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM PLAN

YEAR ENDED JUNE 30, 2026

	2025*	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 109,993	$ 112,995	$ 121,131	$ 150,269	$ 150,815	$ 166,386	$ 158,497	$ 157,074	$ 153,554	$ 110,642
Contributions in relation to the contractually required contribution	113,954	112,905	120,422	153,385	151,550	165,535	167,704	159,720	151,901	112,913
Contribution deficiency (excess)	$ (3,961)	$ 90	$ 709	$ (3,116)	$ (735)	$ 851	$ (9,207)	$ (2,646)	$ 1,653	$ (2,271)
Authority's covered payroll	$ 506,819	$ 495,125	$ 396,204	$ 463,846	$ 470,342	$ 532,681	$ 547,258	$ 479,052	$ 496,274	$ 433,971
Contributions as a percentage of covered payroll	22.48%	22.80%	30.39%	33.07%	32.22%	31.08%	30.64%	33.34%	30.61%	26.02%

* The amount presented for this fiscal year was determined as of the calendar year-end that occurred within the fiscal year.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Component Unit of the City of Philadelphia)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION INFORMATION

YEAR ENDED JUNE 30, 2026

1. Changes of Assumptions

The actuarial valuation uses assumptions regarding future rates of investment return (discount rate) and rates of retirement, withdrawal, death, and disability among State Employees' Retirement Board (SERS) members and their beneficiaries. The current set of assumptions used in the December 31, 2025 actuarial valuation was adopted by the SERS Board based upon actual experience of SERS during the years 2020 through 2024. As a result of the review undertaken in July 2025, the SERS Board maintained the annual discount rate assumption of 6.875%. All actuarial assumption changes became effective with the December 31, 2025 actuarial valuation. SERS will continue to closely monitor these assumptions and will recommend changing them if conditions warrant such change.

The actuary and the SERS Board review the investment rate of return annually, in addition to the normal five-year experience study cycle, in recognition of changing market environments to ensure this assumption remains reasonable with each actuarial valuation. As a result of the review undertaken in July 2025, the SERS Board deliberated and decided to maintain the Defined Benefit Plan investment rate of return of 6.875% assumption for the December 31, 2025 valuation.

2. Factors and Trends Used in the Actuarial Valuation for Pension Benefits

The actuarially determined contributions are calculated as the Authority's percentage of the total of (1) the employer normal cost percentage and (2) the net amortization of the unfunded liability, but not less than any applicable minimum contribution as prescribed by the Pennsylvania State Employees' Retirement Code. The following actuarial methods and assumptions were used to determine contribution rates reported in the pension required supplementary schedules:

Valuation date	December 31, 2025
Actuarial cost method	Entry age
Amortization method	Straight-line amortization of difference between projected and actual earnings on pension plan 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	6.875% net of expense, including inflation

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Component Unit of the City of Philadelphia)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION INFORMATION

YEAR ENDED JUNE 30, 2026

Projected salary increases	Average of 5.43% with range of 3.70% - 7.55%, including inflation
Asset valuation method	Fair (market) value
Inflation	2.50%
Mortality rate	Projected PubG-2016 Mortality Tables adjusted for actual plan experience and future improvement for retirees, beneficiaries, and survivors and rates determined by SERS' actuaries using actual SERS experience for pre-retirement active members

The following was updated in the December 31, 2025 actuarial valuation: projected salary increases adjusted from an average of 4.58% with a range of 3.30% - 6.95% to an average of 5.43% with a range of 3.70% - 7.55%, and mortality tables were updated.

There were no changes in factors and trends used in the December 31, 2024 actuarial valuation.

There were no changes in factors and trends used in the December 31, 2023 actuarial valuation.

The following was updated in the December 31, 2022 actuarial valuation: investment rate of return decreased from 7.0% for December 31, 2020 to 6.875% for December 31, 2022.

The following was updated in the December 31, 2020 actuarial valuation: investment rate of return decreased from 7.125% for December 31, 2019 to 7.0% for December 31, 2020, and the assumed rate of inflation decreased from 2.60% for December 31, 2019 to 2.50% for December 31, 2020.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY

COMMONWEALTH OF PENNSYLVANIA
RETIRED EMPLOYEES HEALTH PROGRAM

YEAR ENDED JUNE 30, 2026

	2025*	2024	2023	2022	2021	2020	2019	2018	2017
Authority's proportion of the collective net OPEB liability	0.0044%	0.0046%	0.0046%	0.0055%	0.0054%	0.0078%	0.0080%	0.0078%	0.0054%
Authority's proportionate share of the collective net OPEB liability	$ 244,503	$ 317,061	$ 354,236	$ 540,273	$ 548,428	$ 955,192	$ 836,266	$ 1,151,809	$ 1,077,493
Authority's covered payroll	$ 375,804	$ 336,780	$ 266,668	$ 313,125	$ 306,171	$ 401,447	$ 433,238	$ 413,710	$ 315,915
Authority's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	65.06%	94.14%	132.84%	172.54%	179.12%	237.94%	193.03%	278.41%	341.07%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

* The amount presented for this fiscal year was determined as of the prior fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years for which information is available.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

SCHEDULE OF THE AUTHORITY'S OPEB CONTRIBUTIONS

COMMONWEALTH OF PENNSYLVANIA
RETIRED EMPLOYEES HEALTH PROGRAM

YEAR ENDED JUNE 30, 2026

	2025*	2024	2023	2022	2021	2020	2019	2018
uired contribution	$ 17,782	$ 15,605	$ 15,510	$ 18,705	$ 14,212	$ 22,243	$ 23,001	$ 32,787
elation to the contractually utions	19,624	20,207	18,449	20,807	17,406	27,002	32,654	32,829
ciency (excess)	$ (1,842)	$ (4,602)	$ (2,939)	$ (2,102)	$ (3,194)	$ (4,759)	$ (9,653)	$ (42
ed payroll	$ 375,804	$ 336,780	$ 266,668	$ 313,125	$ 306,171	$ 401,447	$ 433,238	$ 413,710
a percentage of covered	5.22%	6.00%	6.92%	6.64%	5.69%	6.73%	7.54%	7.94

presented for this fiscal year was determined as of the prior fiscal year. This schedule is intended to illustrate information for 10 years. H
d is compiled, the Authority is presenting information for those years for which information is available.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Component Unit of the City of Philadelphia)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB INFORMATION

YEAR ENDED JUNE 30, 2026

1. Changes of Assumptions

Since REHP has insufficient assets to meet future year's projected benefit payments, as prescribed by GASB Nos. 74 and 75, a single discount rate of 6.68% was based on the long-term expected rate of return on assets held in the OPEB investment pool (6.75%) and a municipal bond rate of 5.20% (based on the 20-year Bond Buyer GO Index as of the end of June 2025). The discount rate was 6.68% as of June 30, 2025, 6.09% as of June 30, 2024, 5.65% as of June 30, 2023, 4.67% as of June 30, 2022, and 3.63% as of June 30, 2021. The discount rate of 3.63% as of June 30, 2021 was based on the 20-year municipal bond rate and did not include the long-term expected rate of return on assets held in the OPEB investment pool.

2. Factors and Trends Used in the Actuarial Valuation for OPEB Benefits

The actuarially determined contributions are calculated as the Authority's percentage of the total of (1) the employer normal cost percentage and (2) the net amortization of the unfunded liability, but not less than any applicable minimum contribution as prescribed by the Pennsylvania State Employees' Retirement Code. The following actuarial methods and assumptions were used to determine contribution rates reported in the pension required supplementary schedules:

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Component Unit of the City of Philadelphia)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB INFORMATION

YEAR ENDED JUNE 30, 2026

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, 30-year open amortization (fresh start each year)
Investment rate of return	6.75%
Projected salary increases	Average of 2.8% with range of 0.50% - 4.15%, including inflation
Inflation	2.50%
Mortality rate	Pre-Retirement: Pub-2010 General Healthy Retiree Headcount Weighted Mortality Tables, and adjusted for mortality improvements using projection scale MP-2021. Post-Retirement: Healthy participants: Pub-2010 General Healthy Retiree Headcount Weighted Mortality Tables, with rates set forward one year for females, and adjusted for mortality improvements using projection scale MP-2021. Post-Retirement: Disabled Participants: Pub-2010 Non-Safety Disabled Retiree Headcount Weighted Mortality Tables, with rates set forward two years for males and females, and adjusted for mortality improvements using projection scale MP-2021.
Healthcare trend increases:	
Initial rate for medical benefits	(8.5%) for Medicare and 8.6% for non-Medicare
Ultimate rate for medical benefits	3.90% for both Medicare and non-Medicare
Year ultimate trend rate reached	2075

The following was updated in the June 30, 2025 actuarial valuation: the initial rate for medical benefits changed from 8.2% for both Medicare and non-Medicare for June 30, 2024 to (8.5%) for Medicare and 8.6% for non-Medicare for June 30, 2025.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Component Unit of the City of Philadelphia)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB INFORMATION

YEAR ENDED JUNE 30, 2026

The following was updated in the June 30, 2024 actuarial valuation: the initial rate for medical benefits changed from 9.0% for Medicare and 8.9% for non-Medicare for June 30, 2023 to 8.2% for both Medicare and non-Medicare for June 30, 2024.

The following was updated in the June 30, 2023 actuarial valuation: the initial rate for medical benefits changed from 6.3% for Medicare and 7.3% for non-Medicare for June 30, 2022 to 9.0% for Medicare and 8.9% for non-Medicare for June 30, 2023.

The following was updated in the June 30, 2022 actuarial valuation: the initial rate for medical benefits changed from 6.7% for Medicare and 6.9% for non-Medicare for June 30, 2021 to 6.3% for Medicare and 7.3% for non-Medicare for June 30, 2022.

The following was updated in the June 30, 2021 actuarial valuation: the initial rate for medical benefits changed from 6.1% for Medicare and 6.6% for non-Medicare for June 30, 2020 to 6.7% for Medicare and 6.9% for non-Medicare for June 30, 2021. The investment rate of return increased from 5.00% for June 30, 2020 to 6.75% for June 30, 2021 and the assumed rate of inflation decreased from 2.60% for June 30, 2020 to 2.5% for June 30, 2021.

SUPPLEMENTARY INFORMATION

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

SCHEDULE OF CASH ACTIVITY - GENERAL FUND

YEAR ENDED JUNE 30, 2026

Cash receipts:	
Revenues collected - other income	$ 716,620
Transfers in	468,937
Total cash receipts	1,185,557
Cash disbursements:	
Administration	1,079,884
Total cash disbursements	1,079,884
Excess cash receipts over cash disbursements	105,673
Cash, cash equivalents, and short-term investments - beginning of year	18,988,391
Cash, cash equivalents, and short-term investments - end of year	$ 19,094,064

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

(A Blended Component Unit of the City of Philadelphia)

SCHEDULE OF CASH ACTIVITY - PICA TAX REVENUE FUND

YEAR ENDED JUNE 30, 2026

Cash receipts:	
PICA taxes	$ 782,814,386
Investment income	789,178
Total cash receipts	783,603,564
Cash disbursements:	
Expenditures paid - grants to the City of Philadelphia	783,134,627
Other financing uses - net transfers out for operations	468,937
Total cash disbursements	783,603,564
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	$ -