

THE PHILADELPHIA PARKING AUTHORITY

Financial Statements,
Required Supplementary Information
And Other Financial Information
For the Years Ended
March 31, 2016 and 2015
&
Independent Auditors' Report



BAKER TILLY

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THE PHILADELPHIA PARKING AUTHORITY

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MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

INTRODUCTION

The following discussion and analysis of the financial performance and activities of The Philadelphia Parking Authority (the "Authority") is presented to provide an introduction and understanding of the financial statements for the year ended March 31, 2016 as compared to the year end March 31, 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

BACKGROUND INFORMATION ON THE PHILADELPHIA PARKING AUTHORITY

The Philadelphia Parking Authority was created on January 11, 1950 by an Ordinance of Philadelphia City Council pursuant to an act of the General Assembly of the Commonwealth of Pennsylvania enacted in 1947. The legal life of the Authority extends through December 5, 2037. In 2001, the power to appoint members of the Authority's Board was shifted from the Mayor of Philadelphia to the Governor of Pennsylvania, with certain nominations from the Pennsylvania Legislature.

In 1950, the Authority's primary mission was to respond to the increasing demand for parking in the central business district of Philadelphia. In the early years of the Authority's operation its primary concentration was on the development and operation of off-street parking facilities. The City of Philadelphia's first parking garage was constructed in 1964 at 8th & Filbert Streets.

In October 1974, the Authority entered into the first of a series of leases and contracts for parking services with the City of Philadelphia to construct and operate all on-site parking services at the Philadelphia International Airport (the "Airport"). Pursuant to those contracts, the Authority, on several occasions over the past forty years, issued revenue bonds for the construction and renovation of the public parking facilities at the Airport. The Authority owned and managed facilities now have 18,967 spaces, including 11,011 garage spaces, 839 short term garage spaces, and 7,117 economy lot spaces. Pursuant to the current lease and contract for parking services, the Authority pays all net parking revenue to the City of Philadelphia, Division of Aviation (DOA).

The Philadelphia International Airport is the gateway and major economic engine for the Philadelphia region. Providing a positive customer experience at that facility is essential in enhancing the region's economic vitality. In late 2004, the Authority assumed direct management of the Airport parking facilities after many years of contracting those responsibilities to private operators. Under the Authority's management, significant improvements have been made to ensure a better customer experience, vastly improved operational efficiency, and increased payments to the City of Philadelphia, Division of Aviation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

During the fiscal year, the Authority began discussions with the DOA and the airlines regarding the necessity to issue new revenue bonds to address structural conditions in the garage and introduce new technology to improve the customer experience and introduce new sources of revenue. Those discussions culminated in an agreement on a new bond issue in the amount of \$55 million. Legislation necessary for the bond issue has been drafted and is expected to be considered by City Council in the fall of 2016.

Until the early 1980's, the Authority concentrated exclusively on the construction and management of off-street parking facilities. In addition to the Airport facilities, the Authority owns and/or operates eight facilities in Center City with approximately 5,174 spaces. While Authority parking facilities represent only a small share of public parking in the city, they play an important role in stabilizing prices and encouraging an adequate supply of short-term parking for shoppers and other visitors. The Authority also manages over 45 neighborhood parking lots under an Agreement with the City of Philadelphia.

In 2015, the Authority closed on a \$25 million loan to address structural and aesthetic issues in the Center City parking garages. As of the close of the fiscal year, \$15 million has been drawn on the loan with projects under way at four of the facilities. It is expected that the total renovation of the 8th & Filbert Streets garage, including structural, façade, streetscape and retail spaces, will be completed in June 2016. Concrete restoration, elevator replacement, energy efficient lighting installation, and other structural issues are being addressed at Independence Mall, Market Street East, and Old City garages.

In 1982, an Act of the General Assembly authorized the City of Philadelphia to assign responsibility for the management of on-street parking to the Authority. The City Council enacted an Ordinance the same year and the Authority entered into Agreements of Cooperation with the City to assume those functions. In 1983, functions previously performed by six City departments were transferred to the Authority including developing and posting parking regulations; installation, maintenance and collection of parking meters; issuing of residential parking permits; issuing, processing and collecting parking tickets; towing and impounding illegally parked vehicles; and booting scofflaw vehicles. Under the terms of the original Agreements, all net revenue was transferred to the City of Philadelphia. On February 10, 2004, the Governor signed Act 9 of 2004 ("Act 9") which codified most aspects of the most recent On-Street Agreements of Cooperation dated February 16, 1994, and extended the Agreement by those terms through March 31, 2014. Act 9 also established a formula by which net revenue from the On-Street Parking Program is split between the City of Philadelphia and the School District of Philadelphia. Act 84 of 2012 eliminated the expiration of the Agreement for On-Street Parking functions and established a new formula by which the net revenue is split between the City of Philadelphia and the School District of Philadelphia.

The Authority implemented a Mobile Parking Payment System, under a contract with Pango, for payment of meter fees as well as fees for certain parking lots. The technology permits payments via a cell phone and allows patrons to add time under certain conditions. Related to this proposal, City Council approved an escalating meter fee schedule for those situations where adding time is permitted to encourage parking turnover. The provider successfully completed a pilot program and the program is scheduled to be expanded to include all of Center City and University City by the end of summer 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For several years, the Authority has required individuals whose vehicles were booted or impounded to pay all outstanding tickets and fees on all vehicles currently or previously registered to that person before the vehicle could be released. Due to programming issues that requirement could not be applied to those booted vehicles whose owner paid the full amount on that vehicle on line. Working with Xerox, that loophole has been closed so that vehicle release can only happen after all tickets and fees on all vehicles have been paid.

The Authority has been notified that effective June 1, 2016, credit reporting bureaus will no longer accept delinquent parking tickets as past due debts. This may have a detrimental impact on collection efforts. The Authority will closely monitor the effect of this change and explore other effective collection efforts.

Act 50 of July 14, 2005 ("Act 50") established a mechanism to enhance the Authority's parking ticket collection tools by providing that, under certain conditions, the Authority may request that the Pennsylvania Department of Motor Vehicles suspend the registration of any vehicle registered in Pennsylvania having six or more outstanding and overdue parking violations in Philadelphia. This program has allowed the Authority to collect amounts that would have otherwise remained uncollectible.

The Authority's role in improving traffic safety expanded in fiscal year 2001, when the City Managing Director requested the Authority be the exclusive towing and impoundment agent for the Live Stop Program, authorized by Act 93 of 1996 of the General Assembly. That program requires the impoundment of vehicles which are found to be unregistered or operated by an unlicensed driver during a police stop. Subsequent Acts of the Legislature codified the Authority's role as the towing and impoundment agent, established a surcharge on moving violations issued in the City of Philadelphia to support the program, and separated revenue generated by the program from those of the On-Street Parking operation. In addition, the Authority has responsibility for impounding unsafe trucks operating on the City's highways at the request of City police. Additionally, during fiscal year 2008, the Authority contracted with the Pennsylvania State Police to assist in the removal of abandoned and/or inoperable vehicles from the City's three interstate highways (I-95, I-76, and I-676).

In 2012, the General Assembly authorized the continuation of the pilot program of Red Light Photo Enforcement until June 30, 2017, through Act 84 of 2012. The legislation continued the Authority's status as the administrator of the program in cooperation with the City of Philadelphia and the Pennsylvania Department of Transportation. Similar to the Live Stop Program, the Red Light Photo Enforcement Program is another tool for the Authority to address fundamental life safety issues in the City. This program saves lives and reduces property damage by assisting in reducing the number of red light related traffic accidents. Through improved traffic safety, it can also be used to make a stronger case for further insurance rate reductions. To date, 130 cameras have been installed monitoring 30 intersections.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

In keeping with the Authority's expanded mission to provide comprehensive parking and transportation services in the City of Philadelphia, regulatory responsibility for Philadelphia's taxicab and limousine industries was vested with the Authority pursuant to Act 94 of 2004. The transfer of responsibility came after years of complaints of substandard service. The Taxicab and Limousine Division ("TLD") is modeled after the standard administrative agency design. TLD promulgates regulations as a commonwealth agency and is responsible for the registration of companies, vehicles, drivers and dispatchers as well as enforcement of the regulations and collection of fees and fines for violations. Consistent with the Authority's overall mission, the staff has concentrated on improving public service, including frequent and more comprehensive vehicle inspections, driver training, consistent enforcement, better public information, and implementing other policies to provide a positive experience for people using the system. Act 64 of 2013 amended the manner in which the Authority's taxicab and limousine budget is authorized. The budget will now proceed in the manner of most other state agencies and be a part of the commonwealth's overall budget.

Today, the Authority's responsibilities have grown far beyond only providing off-street parking. The Authority's mission is to support the region's economic vitality by providing comprehensive parking management and transportation services through our partnerships with the City of Philadelphia and the Commonwealth of Pennsylvania. As the elements of the mission evolve, the focus continues to be on making Philadelphia a more mobile city, improving the quality of life and supporting economic development.

Ongoing monitoring of parking conditions permits timely adjustment on-street parking regulations to address changing conditions. By working with City Council, meter rates and violation fine adjustments have permitted the Authority to achieve appropriate on-street vacancy rates to achieve desired parking availability. At the end of fiscal year 2013, City Council enacted a parking meter rate adjustment which was implemented in July 2014. This adjustment will result in increased revenue for the City and School District of Philadelphia. The Authority is currently reviewing rate and fine structures to insure they are adequate to address parking demand and compliance with regulations.

The On-Street Division purchased and has begun using mobile digital technology for enforcement of Residential Permit Parking blocks. This enables a more efficient enforcement of blocks in a wide geographic area, reducing personnel costs and improving service in permit parking neighborhoods.

The Authority's current strategic planning process has continued to focus on the use of social media to provide information and respond to issues or concerns raised by the public. Issues raised through those reviews will drive an evaluation of the Authority website and propose enhancements to it and other social media tools.

Authority staff continues to serve on several committees at the City and Commonwealth level to address ongoing parking and transportation issues and are an integral part of the planning and implementation of all aspects of transportation services in the City.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements are reported on the accrual basis of accounting. Income is recorded as earned and expenses are recorded as incurred. The operating revenues are categorized among On-Street Parking, Off-Street Parking, and Other Programs. On-Street Parking revenue includes revenue collected from parking tickets, meters, towing fees, storage fees, certain permit registrations, vehicle auctions, and booting fees. Off-Street Parking revenue includes both transient and monthly parking revenue, and rental revenue. Other Program revenue consists of revenue collected from the Live Stop, Red Light Camera Program, and the Taxi & Limousine Regulation Division. Operating expenses include (but are not limited to) salaries & fringe benefits, ticket processing, auto, insurance, postage, repairs & maintenance, rent, utilities and uniforms. Other income and expense includes interest income, interest expense, and administrative expense. These financial statements comply with generally accepted accounting principles ("GAAP") as established in the United States of America. The Authority's financial report includes three financial statements and notes thereto.

The *Statement of Net Position* presents information on the Authority's assets, deferred outflows, liabilities, and deferred inflows. Assets are classified as either current assets (cash, investments, and amounts expected to be received within one year) or non-current assets (restricted cash and investments, property & equipment); liabilities are classified as either current (expected to be paid within one year) or non-current (expected to be paid after March 31, 2017). The difference between the total assets and deferred outflows and the total liabilities and deferred inflows is reported as net position.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents revenues earned and expenses incurred for the current fiscal year. The difference between revenues and expenses results in an increase or decrease in net position. The ending balance of net position resulting from this increase or decrease is reflected on the Statement of Net Position.

The *Statement of Cash Flows* is presented under the direct method, which presents the actual inflow and outflow of cash by category during the fiscal year. The resulting ending cash balance is reflected on the Statement of Net Position.

The *Notes to the Financial Statements* provide additional information essential to a full understanding of the data provided in the Authority's financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

FINANCIAL ANALYSIS

The following table compares the condensed Statement of Net Position as of March 31, 2016 and 2015:

	March 31, 2016 (in thousands)	March 31, 2015 (in thousands)	Increase (Decrease) (in thousands)	% Increase (Decrease) (rounded)
Current Assets	\$ 87,678	\$ 85,744	\$ 1,934	2%
Restricted Cash and Investments	107,178	100,989	6,189	6%
Property Plant and Equipment, net	180,448	172,191	8,257	5%
Total Assets	375,304	358,924	16,380	5%
Deferred Outflows	30,287	4,807	25,480	530%
Current Liabilities	82,918	76,496	6,422	8%
Non-Current Liabilities	316,099	168,855	147,244	87%
Total Liabilities	399,017	245,351	153,666	63%
Deferred Inflows	933	308	625	203%
Net Position:				
Net investment in capital assets	82,384	72,228	10,156	14%
Restricted for capital projects	2,493	2,674	(181)	-7%
Unrestricted	(79,237)	43,170	(122,407)	-284%
Net Position	\$ 5,640	\$ 118,072	\$ (112,432)	-95%

- Current assets increased approximately \$1.9 million, principally due to increases in investment balances related to designated funds.
- Restricted cash increased approximately \$6.2 million principally due to the unused proceeds of the \$15 million bond issue for Airport facility construction.
- Property and equipment increased a net amount of approximately \$8.3 million. Parking facilities and improvements increased \$23.2 million less depreciation expense of \$14.9 million. Almost all of the increase is related to 8th and Filbert Street Garage.
- Deferred outflows increased approximately \$25.5 million due to deferred amounts related to the Authority's net pension liability.
- As of March 31, 2016, the amount due to the City of Philadelphia, included in current liabilities, is \$43.2 million. The total due to the City includes \$26.7 million that was due to the Philadelphia Division of Aviation for fiscal year 2016, and \$10.3 million which will be remitted to the School District of Philadelphia pursuant to the Act 9 of 2005.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Total remaining amounts due to the City/School District of Philadelphia as of March 31, 2016 and 2015 are as follows:

	March 31, 2016 (in thousands)	March 31, 2015 (in thousands)
On-Street Operation - City	\$ 5,136	\$ 3,047
On-Street Operation - School District	10,279	11,063
City of Philadelphia, Division of Aviation	26,717	26,053
JFK Garage	-	294
Independence Mall	1,026	850
8th and Chestnut	48	(120)
	<u>43,206</u>	<u>41,187</u>
Total	<u>\$ 43,206</u>	<u>\$ 41,187</u>

- The JFK Garage was sold by the City of Philadelphia in 2015. The garage is no longer operated by the Authority.
- Current liabilities increased approximately \$6.4 million due to the following factors:
 - An additional accrual of approximately \$1.7m for incurred but not reported claims related to the Authority's change to a self insured health care plan in 2016.
 - An increase in accrued payroll of approximately \$1.0 million due to the timing of the cutoff of the fiscal year end in relation to the timing of the final fiscal year payroll cycle.
 - An increase in the current portion of long term debt of approximately \$2.0 million based on the timing of the debt maturities and short term borrowings.
 - An increase of approximately \$2.0 million in the payment to the City/School District of Philadelphia based on timing of payments.
- Non-current liabilities increased approximately \$147.2 million primarily as a result of the adoption of GASB 68 which increased the net pension liability to \$145.5 million. Additionally, there was an \$15.0 million increase in Airport notes payable and a decrease of \$13.3 million in bonds payable as a result of principal payments.
- Deferred inflows increased \$0.6 million due to taxicab medallion sales.
- Net position decreased approximately \$112.4 million, mostly as a result of the adoption of GASB 68, which required government agencies participating in the City of Philadelphia's pension plan to individually report their proportionate share of the net pension liability and impacted the Authority's net position for the first time. This decrease was partially offset by an increase in the net investment in capital assets of approximately \$12.1 million. The excess of revenue over expenses generated by the Authority's On-Street, Airport Parking and Red Light Camera program is turned over to the City of Philadelphia, Philadelphia School District, City's Division of Aviation and Pennsylvania Department of Transportation.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

The following table compares the amounts of the Statement of Revenues, Expenses, and Change in Net Position for the fiscal years ending March 31, 2016 and 2015:

	March 31, 2016 (in thousands)	March 31, 2015 (in thousands)	Increase (Decrease) (in thousands)	% Increase (Decrease) (rounded)
Operating revenues	\$ 242,855	\$ 234,462	\$ 8,393	4%
Operating expenses				
Direct operating expenses	109,603	106,942	2,661	2%
Administrative expenses	27,277	25,772	1,505	6%
Expense to the City and School District	74,794	75,559	(765)	-1%
Expense to the PA Dept of Transportation	5,182	4,315	867	20%
Depreciation and amortization	14,909	15,661	(752)	-5%
Total operating expenses	231,765	228,249	3,516	2%
Operating income	11,091	6,213	4,878	79%
Non-operating revenues (expense)				
Investment income	1,657	2,028	(371)	-18%
Interest expense	(7,807)	(7,821)	14	0%
Medallion Fund transfers from State	2,166	333	1,833	100%
Total non-operating expense	(3,984)	(5,460)	1,476	-27%
Increase in net position	7,107	753	6,354	844%
Net position, beginning of the year	118,072	117,319	753	1%
Effect of adoption of GASB 68	(119,539)	-	(119,539)	100%
Net position, end of the year	\$ 5,640	\$ 118,072	\$ (112,432)	-95%

- Operating revenues increased approximately \$8.4 million from the prior fiscal year due to the following factors:
 - Ticketing revenue increased \$1.9 million.
 - Red Light Camera ticketing revenue increased approximately \$2.0 million due to an increase in the cameras operating during 2016.
 - There was an increase in airport transient revenue of approximately \$3.8 million due to improvements to the long term parking lot facilities and services.
 - Taxicab and Limousine revenue increased by \$0.4 million due increased medallion assessment fees.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

- Direct operating expenses increased approximately \$2.7 million from the prior year based primarily on the following factors:
 - Other post employment benefits (OPEB) expense increased by approximately \$1.7 million from the previous year because a union was added that placed more workers under the OPEB liability and Medicare Part B benefits were added.
 - Pension contribution rates increased to 306.913% and 9.585% in 2016 for plan J and Y, respectively, from 270.647% and 8.496%, which resulted in an increase in direct operating pension expense of approximately \$2.3 million
 - Salary expense decreased from the previous year by approximately \$0.9 million.
- Administrative expenses increased by approximately \$1.5 million primarily due to increases in pension expense.
- Expense to the City and School District decreased by approximately \$0.8 million from the prior fiscal year primarily due to the increase in direct operating and administrative expenses.
- Expense to the Pennsylvania Department of Transportation increased approximately \$0.9 million due to increased Red Light Camera ticket revenues in 2016 as a result of an increase in the number of intersections being monitored.

Total expense to City and School District of Philadelphia and to the Pennsylvania Department of Transportation for the year ended March 31, 2016 and 2015 are as follows:

	FY 2016 (in thousands)	FY 2015 (in thousands)
On-Street (including both City & School District of Philadelphia)	\$ 46,192	\$ 47,473
City of Philadelphia, Division of Aviation	28,488	27,389
Pennsylvania Department of Transportation	5,182	4,315
Off-Street	<u>114</u>	<u>697</u>
Totals	<u><u>\$ 79,976</u></u>	<u><u>\$ 79,874</u></u>

The City and School District of Philadelphia receive payment from the Authority based upon the terms of the Agreement of Cooperation (as amended by Act 9) for the On-Street Parking operations based on the total revenue received from tickets, meters, towing, storage, booting, auctions, and other related revenue less direct expenses, an allocation of support costs (excluding depreciation) and capital assets purchased during the fiscal year.

In addition to the net revenue payments from operations, the Authority collected and remitted to the City of Philadelphia \$19.2 million for fiscal year 2016 and \$17.0 million for fiscal year 2015 in Parking Privilege Tax.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The Authority also paid to the National Park Service (Department of the Interior) \$876,102 for fiscal year 2016 and \$756,217 for fiscal year 2015 under its operating agreement for the parking garage at 2nd & Sansom.

Governmental Accounting Standards Board Statement No. 34 ("GASB 34") requires capital purchases to be recorded as assets in the financial statements. A reconciliation is necessary to determine the cash amount to be paid to the City/School District of Philadelphia, since the amount due to the City as recorded on the operating statement may be higher than the cash available, especially if there were capital assets purchased during the year. After deducting cash spent on capital asset purchases, the payment to the City, including the School District, from the On-Street Programs was \$46.2 million in fiscal year 2016 and \$47.5 million in fiscal year 2015.

The Philadelphia Division of Aviation ("DOA") receives the excess of revenues over expenses of the Authority's economy lot and parking garage facilities at the Philadelphia International Airport. After adjusting for depreciation expense and capital assets purchased, the total payment to the DOA for the March 31, 2016 year end that was made on June 30, 2016 was \$28.5 million, an increase of \$1.1 million from the prior year.

Since the Disney Quest project at 8th & Chestnut Streets has not been completed, the debt service for its bond issue (1999A Indenture) usually exceeds the revenue generated from its present parking facility. The City of Philadelphia guarantees this bond issue. During fiscal year 2016, the 1999A indenture (i.e., the parking lot at 8th & Chestnut Streets) did operate at a deficit. The City provided almost \$.8 million to cover debt service payments during fiscal year 2016. As of March 31, 2016, the City of Philadelphia has provided slightly over \$12.9 million in funds in its role as guarantor of these bonds. The 1999A Indenture provides for the Authority to repay the City for any funds paid by the City as a result of its guarantee. The Authority would repay these funds if the facility becomes profitable.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following factors were taken into consideration in preparing the Authority's budget for the fiscal year ending March 31, 2017:

- During fiscal year 2014, a long planned renovation of the parking garage at 8th & Filbert Streets began. When completed, the facility will have new facades, completely renovated retail spaces as well as streetscape improvements. Most importantly, structural issues will be addressed and concrete restoration completed to insure the integrity of the structure. This project will continue into 2017.
- Capital projects for the 2017 fiscal year total just under \$19.3 million. Major capital funding for garage repairs are as follows: Market Street East garage \$0.8 million, Independence Mall garage \$1.0 million, 2nd & Sansom garage \$1.9 million, and the Airport \$15 million. Additional capital outlays are budgeted for vehicles and communication equipment totaling \$0.6 million dollars.
- Airport revenue is expected to increase 6.8% based upon improving economic factors.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

- The budgeted pension amounts for the 2017 fiscal year are based on actuarially determined contribution rates that increased from 306.913% to 367.796% for Plan J and from 9.585% to 10.621% for Plan Y.

SUBSEQUENT EVENTS

Taxicab & Limousine Division: During the year the Authority has worked to determine how Transportation Network Companies (TNC) may be legalized in Philadelphia. The Pennsylvania General Assembly is currently debating various bills to legalize TNCs throughout the Commonwealth, including Philadelphia. The Authority has met with all interested parties and will continue to provide information and assistance to law makers when requested.

8th & Filbert Streets Garage: Renovation work is substantially complete on the facility. A recommendation has been made to the Board in June 2016 to retain a Commercial Real Estate Broker to rent the remaining retail spaces in the facility.

Administration: Construction has begun on the Authority's expansion space at the headquarters building. The space will accommodate Red Light Camera and Auction departments as well as provide direct access from the offices to the Authority garage, improving operating efficiency. Occupancy was approved in July 2016.

On-Street Parking: Legislative proposals have been submitted to the Mayor to increase certain fines and fees to address declining vacancy rates in City buildings and to improve payments to the City and School District.

Off-Street Parking: The Authority made its final draw of \$10 million from the \$25 million 2014 Series B bond issue for Center City garage improvements in June 2016.

Red Light Program: On June 27, 2016 the life of the Red Light Camera Program was extended to July 15, 2027 by the Pennsylvania House legislature by S.B. 1267.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Office, Philadelphia Parking Authority, 701 Market Street, Suite 5400, Philadelphia, Pennsylvania 19106.

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Philadelphia Parking Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of The Philadelphia Parking Authority (the "Authority"), which comprise the statement of net position as of March 31, 2016 and 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Philadelphia Parking Authority as of March 31, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As disclosed in Notes 2 and 10 to the financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, for the year ended March 31, 2016 to conform with accounting principles generally accepted in the United States of America. The Authority recognized its net pension liability, restated its beginning net position for this adoption, expanded its note disclosures and included supplementary information with respect to employees' pension benefits. Our opinion was not modified with respect to this adoption.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") on pages i through xi, the Schedule of Funding Progress for Postemployment Benefit Plan on page 36 and the Schedule of Employer's Proportionate Share of the Net Pension Liability and Schedule of Employer Contributions on page 37 be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedules at pages 38-48 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Baker Tilly Viechow Krause, LLP

Philadelphia, Pennsylvania
August 18, 2016

THE PHILADELPHIA PARKING AUTHORITY

Statement of Net Position

March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS:		
Cash and cash equivalents	\$ 60,918,247	\$ 61,827,382
Investments	26,079,198	22,842,266
Accrued interest receivable	181,841	202,265
Accounts receivable	402,405	728,325
Prepaid expenses	96,020	143,884
Total current assets	<u>87,677,711</u>	<u>85,744,122</u>
Restricted cash and investments	107,178,258	100,989,451
Property and equipment:		
Parking facilities and improvements	295,467,355	294,965,990
Land	15,254,524	15,254,524
Improvements, equipment and furniture	97,965,732	75,300,520
Lease acquisition costs	589,837	589,837
Less: accumulated depreciation	<u>(228,829,497)</u>	<u>(213,920,191)</u>
Total property and equipment	<u>180,447,951</u>	<u>172,190,680</u>
Total assets	<u>375,303,920</u>	<u>358,924,253</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows on refunding	4,188,977	4,806,965
Deferred outflows for pension	26,097,704	-
Total deferred outflows of resources	<u>30,286,681</u>	<u>4,806,965</u>
Total assets and deferred outflows	<u>405,590,601</u>	<u>363,731,218</u>
LIABILITIES:		
Accounts payable and accrued expenses	22,180,101	19,199,841
Accrued interest payable	592,120	635,775
Due to the City/ School District of Philadelphia	43,206,251	41,186,804
Due to the Pennsylvania Department of Transportation	1,669,616	2,303,833
Current portion of revenue bonds	13,170,000	12,570,000
Current portion of notes payable	2,100,000	600,000
Total current liabilities	<u>82,918,088</u>	<u>76,496,253</u>
Revenue bonds payable	133,785,000	146,955,000
Notes payable	18,300,000	5,400,000
Accrued claims payable	5,842,940	5,584,581
Payable for post retirement benefits, other than pensions	12,617,461	10,915,620
Net pension liability	145,553,733	-
Total liabilities	<u>399,017,222</u>	<u>245,351,454</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred revenue	933,421	308,040
Total liabilities and deferred inflows	<u>399,950,643</u>	<u>245,659,494</u>
NET POSITION:		
Net investment in capital assets	82,384,354	72,228,323
Restricted	2,492,702	2,673,402
Unrestricted	<u>(79,237,098)</u>	<u>43,169,999</u>
Net position	<u>\$ 5,639,958</u>	<u>\$ 118,071,724</u>

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

THE PHILADELPHIA PARKING AUTHORITY
Statement of Revenues and Expenses and Changes in Net Position
For the Years Ended March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 242,855,463	\$ 234,461,546
Operating expenses:		
Direct operating expenses	109,602,667	106,941,874
Administrative expenses	27,276,609	25,772,094
Expense to the City/School District of Philadelphia	74,794,277	75,559,524
Expense to the Pennsylvania Department of Transportation	5,181,749	4,314,765
Depreciation and amortization expense	14,909,306	15,660,806
Total operating expenses	<u>231,764,608</u>	<u>228,249,063</u>
Operating income	<u>11,090,855</u>	<u>6,212,483</u>
Nonoperating revenues (expenses):		
Investment income	1,657,253	2,028,058
Interest expense	(7,807,115)	(7,821,105)
Medallion Fund transfers from the Commonwealth	2,166,720	333,280
Total nonoperating revenues (expenses), net	<u>(3,983,142)</u>	<u>(5,459,767)</u>
Change in net position	7,107,713	752,716
Net position, beginning of year	118,071,724	117,319,008
Effect of adoption of GASB 68	<u>(119,539,479)</u>	<u>-</u>
Net position, end of the year	<u>\$ 5,639,958</u>	<u>\$ 118,071,724</u>

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

THE PHILADELPHIA PARKING AUTHORITY
Statement of Cash Flows
For the Years Ended March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and others	\$ 242,855,463	\$ 234,461,546
Salaries and administrative costs paid to employees	(92,627,370)	(91,687,649)
Payments to suppliers for services	(39,247,518)	(38,186,861)
Payments to the City/ School District of Philadelphia	(72,480,812)	(75,671,748)
Payments to the Pennsylvania Department of Transportation	(5,815,966)	(4,868,029)
Net cash provided by operating activities	<u>32,683,797</u>	<u>24,047,259</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of property and equipment, net	(23,166,577)	(16,857,232)
Proceeds from medallion fund transfers	2,166,720	-
Proceeds from the issuance of bonds and notes payable	15,000,000	21,000,000
Principal paid on revenue bonds and notes payable	(13,170,000)	(13,596,914)
Interest paid on revenue bonds and notes payable	(7,850,770)	(7,821,105)
Net cash used in financing activities	<u>(27,020,627)</u>	<u>(17,275,251)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments, net	(3,030,873)	(14,879,793)
Investment income	1,677,677	2,028,058
Net cash used in investing activities	<u>(1,353,196)</u>	<u>(12,851,735)</u>
Net increase (decrease) in cash and cash equivalents	4,309,974	(6,079,727)
Cash and cash equivalents, beginning of the year (including restricted cash of \$42,155,312)	<u>103,982,694</u>	<u>110,062,421</u>
Cash and cash equivalents, end of the year (including restricted cash of \$47,374,421)	<u>\$ 108,292,668</u>	<u>\$ 103,982,694</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 11,090,855	\$ 6,212,483
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	14,909,306	15,660,806
Change in assets and liabilities:		
Accounts receivable	325,920	(16,299)
Prepaid expenses and other assets	68,288	(25,621)
Accounts payable and other accrued expenses	2,936,605	2,119,456
Deferred revenue	625,381	(333,280)
Other liabilities	1,342,212	698,116
Due to the City/School District of Philadelphia	2,019,447	284,862
Due to the Pennsylvania Department of Transportation	(634,217)	(553,264)
Net cash provided by operating activities	<u>\$ 32,683,797</u>	<u>\$ 24,047,259</u>

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

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements

March 31, 2016 and March 31, 2015

1. ORGANIZATION AND HISTORY

General

The Philadelphia Parking Authority (the “Authority”) was created on January 11, 1950 by an ordinance of the Council of the City of Philadelphia (the “City”) pursuant to an Act of the General Assembly of the Commonwealth of Pennsylvania. The legal life of the Authority extends through December 5, 2037. The power to appoint members of the Authority’s Board rests with the Governor of Pennsylvania, with certain nominations from the Pennsylvania Legislature.

The Authority owns and operates many parking facilities within the City, and is party to leases with the United States of America, the Commonwealth, and the City relative to other parking facilities, the revenue from certain of which is pledged for the payment of debt service under May 27, 1999, September 5, 2008 and December 10, 2009 trust indentures.

The Authority is a component unit of the City for financial reporting purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Authority are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (“GASB”). Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows. The statements of net position and statements of revenues, expenses and changes in net position include all fund activity of the Authority and other financial information has been provided to reflect Funds not under Trust Indenture and the Funds under Trust Indenture. Material balances and transactions among the funds have been eliminated.

Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements *March 31, 2016 and March 31, 2015*

Cash and Cash Equivalents

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments, in general, are carried at fair value. Money market investments, consisting of short-term, highly-liquid debt instruments, including U.S. Treasury and agency obligations, are recorded at cost if the remaining maturity at time of purchase of the investment is three months or more. Unrealized gains and losses, if any, are included in investment income as non-operating revenues or expenses.

Deferred Outflows of Resources

A deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources have a positive effect on net position, similar to assets, however the actual outflow of resources (net decrease in assets or net increase in liabilities) was incurred in a prior period and the outflow of resources is applicable to a later period. In the periods following the initial outflow of resources, the outflow of resources will now be reported as a decrease in the previously reported deferred outflow of resources without a further change in net position.

The Authority reports the difference between the reacquisition price and the net carrying amount of the old debt as the deferred amount of refunding as a deferred outflow of resources. The deferred amount of refunding is amortized over the life of the new debt.

The Authority reports the difference between the expectation of the actuarial valuation of the net pension liability and the actual result in the prior pension plan fiscal year as a deferred outflow or deferred inflow, based on the differences in the actual results. The impact of these differences is amortized over a period of 3.5 years. As of March 31, 2016 the Authority reported \$8,542,060 related to these types of deferred outflows. Additionally, contributions made subsequent to the plan fiscal year end and within the Authority's fiscal year are reported as deferred outflows. As of March 31, 2016 the Authority reported \$17,555,644 related to this type of deferred outflow.

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements *March 31, 2016 and March 31, 2015*

Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources have a negative effect on net position, similar to liabilities, however the actual inflow of resources (net increase in assets or net decrease in liabilities) was incurred in a prior period and the inflow of resources is applicable to a later period. In the periods following the initial inflow of resources, the inflow of resources will now be reported as a decrease in the previously reported deferred inflow of resources without a further change in net position.

The Authority had received money from the Public Utility Commission for the transfer of regulatory authority of the Taxis and Limousines operating in Philadelphia with the balance to be used to fund operating deficits in later years. The Authority recognizes the inflow of these resources when a deficit is incurred. The balance of this deferred revenue was \$933,421 and \$308,040 as of March 31, 2016 and 2015, respectively.

Net Position

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds or notes that are attributable to the acquisition, construction, or improvement of those assets.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Interest Capitalization

The Authority capitalizes related interest charges incurred and interest income during the development of its facilities. During the years ended March 31, 2016 and 2015 the Authority had no capitalized interest expense.

THE PHILADELPHIA PARKING AUTHORITY

*Notes to Financial Statements
March 31, 2016 and March 31, 2015*

Property and Equipment, and Depreciation

Property and equipment are stated at cost, which includes interest and other expenses capitalized during the period of construction. Depreciation is computed using the straight line method over the estimated useful lives of the assets ranging from five to forty years. Property and equipment consists of the following:

	Balance at March 31, 2015	Additions	Retirements	Balance at March 31, 2016
Land	\$ 15,254,524	\$ -	\$ -	\$ 15,254,524
Lease acquisition costs	589,837	-	-	589,837
Total property and equipment not being depreciated	<u>15,844,361</u>	<u>-</u>	<u>-</u>	<u>15,844,361</u>
Parking facilities and improvements	294,965,990	501,365	-	295,467,355
Improvements, equipment and furniture	<u>75,300,520</u>	<u>22,665,212</u>	<u>-</u>	<u>97,965,732</u>
Total property and equipment being depreciated	<u>370,266,510</u>	<u>23,166,577</u>	<u>-</u>	<u>393,433,087</u>
Total	<u>386,110,871</u>	<u>23,166,577</u>	<u>-</u>	<u>409,277,448</u>
<u>Less Accumulated Depreciation:</u>				
Parking facilities	157,985,108	7,874,755	-	165,859,863
Improvements, equipment and furniture	<u>55,935,083</u>	<u>7,034,551</u>	<u>-</u>	<u>62,969,634</u>
Total Accumulated Depreciation	<u>213,920,191</u>	<u>14,909,306</u>	<u>-</u>	<u>228,829,497</u>
Total property and equipment being depreciated, net	<u>156,346,319</u>	<u>8,257,271</u>	<u>-</u>	<u>164,603,590</u>
Property and equipment, net	<u><u>\$ 172,190,680</u></u>	<u><u>\$ 8,257,271</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 180,447,951</u></u>

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements *March 31, 2016 and March 31, 2015*

	Balance at March 31, 2014	Additions	Retirements	Balance at March 31, 2015
Land	\$ 15,254,524	\$ -	\$ -	\$ 15,254,524
Lease acquisition costs	589,837	-	-	589,837
Total property and equipment not being depreciated	15,844,361	-	-	15,844,361
Parking facilities and improvements	294,186,368	779,622	-	294,965,990
Improvements, equipment and furniture	59,222,910	16,077,610	-	75,300,520
Total property and equipment being depreciated	353,409,278	16,857,232	-	370,266,510
Total	369,253,639	16,857,232	-	386,110,871
<u>Less Accumulated Depreciation:</u>				
Parking facilities	150,110,351	7,874,757	-	157,985,108
Improvements, equipment and furniture	48,149,034	7,786,049	-	55,935,083
Total Accumulated Depreciation	198,259,385	15,660,806	-	213,920,191
Total property and equipment being depreciated, net	155,149,893	1,196,426	-	156,346,319
Property and equipment, net	\$ 170,994,254	\$ 1,196,426	\$ -	\$ 172,190,680

Operating Revenues and Non-Operating Revenues

Operating revenues of the Authority consist of revenue generated from parking garages and surface lots. In addition, governmental and private grants and contracts in which the grantor received equal value for the funds given to the Authority, are recorded as operating revenue. Transactions related to capital and financing activities, noncapital financing activities, investing activities and any state, local and federal appropriations are components of non-operating revenue.

Administrative Expenses

Pursuant to an agreement with the City of Philadelphia, administrative expenses are allocated among the various facilities based principally upon the direct operating expenses of the applicable facility. Management believes this is a reasonable measure of the administrative effort required for each facility.

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements *March 31, 2016 and March 31, 2015*

Reclassification

Certain 2015 balances have been reclassified to conform with the 2016 presentation.

Subsequent Events

Subsequent events were evaluated through August 18, 2016, the date the financial statements were available to be issued.

New Accounting Pronouncement

The Authority adopted the Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* for the year ended March 31, 2016. This improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of *Statement No. 27, Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The effect of this adoption decreased the Authority's net position at April 1, 2015 by \$119,539,479 for the recording of the Authority's net pension liability, and expanded note disclosures and required supplementary information. The Authority did not restate the prior period as the earliest actuarial information under GASB 67 was not available to measure the net position as of April 1, 2014 since there is a 15 month lag between the measurement date and the financial statement date.

Recent Accounting Pronouncements Not Yet Effective

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* ("GASB 72"). The objective of GASB 72 is to address accounting and financial reporting issues related to fair value measurements. The requirements of GASB 72 will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques and will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes, for applying fair value to certain investments, and for disclosures related to all fair value measurements. The Authority's management is in the process of evaluating, but has not yet determined how the adoption of GASB 72 will impact the Authority's financial statements. The Authority is required to adopt the provisions of GASB 72 for its March 2017 financial statements.

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements *March 31, 2016 and March 31, 2015*

In June of 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (“GASB 73”). GASB 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and GASB 68 for pension plans and pensions that are within their respective scopes. GASB 73 extends the approach to accounting and financial reporting established in GASB 68 to all pensions. It also requires that information similar to that required by GASB 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities. The Authority is required to adopt provisions of GASB 73 related to accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68 for its March 2018 financial statements. The Authority is required to adopt provisions of GASB 73 related to financial reporting for assets accumulated for purposes of providing those pensions for its March 2017 financial statements.

In June of 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (“GASB 74”) and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB 75”), which replace Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. GASB 74 follows the framework for financial reporting of defined benefit OPEB plans in GASB 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. GASB 74 requires more extensive note disclosures and required supplementary information related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. GASB 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, and it identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. The requirements of GASB 74 and GASB 75 will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The Authority is required to adopt GASB 74 for its March 2018 financial statements and GASB 75 for its March 2019 financial statements.

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements *March 31, 2016 and March 31, 2015*

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* ("GASB 76"). The objective of GASB 76 is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles ("GAAP"). GASB 76 reduces the GAAP hierarchy to two categories of authoritative literature and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Authority is required to adopt GASB 76 for its March 2017 financial statements.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* ("GASB 78"). GASB 78 amends the scope and applicability of GASB 68 to exclude pensions provided to employees of governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). GASB 78 establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that fall under the scope indicated. The Authority is required to adopt GASB 78 for its March 2017 financial statements.

3. CASH, CASH EQUIVALENTS, & INVESTMENTS

The Authority is authorized to invest by the Commonwealth of Pennsylvania in United States government obligations and its agencies or instrumentalities, direct obligations of this state or agencies and instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, obligations of states, agencies, counties, cities and other political subdivisions of any state rated to investment quality by a nationally recognized investment firm, with not less than an A rating, fully collateralized repurchase agreements and reverse repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, insured or collateralized certificates of deposits. Also, the Authority is limited by its trust indentures as to the types of investments it may make. Allowable investments include certificates of deposits, certain repurchase and investment agreements, and United States government obligations. The Authority's internal policy for investments is the preservation of capital and the protection of investment principal and to strive to maximize the return on the portfolio by avoiding or assuming unreasonable investment risk.

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements *March 31, 2016 and March 31, 2015*

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. It is the Authority's policy to require that time deposits in excess of the Federal Deposit Insurance Corporation (the "FDIC") insurable limits be secured by collateral or private insurance to protect all deposits in a single financial institution if it were to default. Investments in United States government obligations are not subject to custodial credit risk.

Cash and cash equivalents are comprised of cash on hand at Authority locations, deposits with financial institutions, and cash equivalents invested with investment firms in liquid investments, such as money market funds. The cash and cash equivalent balances as of the March 31 comprised of the following:

	<u>2016</u>	<u>2015</u>
Cash on hand	\$ 80,781	\$ 90,941
Demand deposits	88,047,660	91,048,022
Cash equivalents	<u>20,164,227</u>	<u>12,843,731</u>
Total cash and cash equivalents	<u>\$ 108,292,668</u>	<u>\$ 103,982,694</u>

At March 31, 2016 and 2015, the carrying amount of the Authority's demand deposits with financial institutions was \$88,047,660 and \$91,048,022, respectively, compared to bank balances of \$89,543,012 and \$91,768,612, respectively. The differences are primarily caused by items in-transit and outstanding checks. Commonwealth of Pennsylvania Act 72 of 1971 ("Act 72"), as amended, allows banking institutions to satisfy the collateralization requirement by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institutions' trust departments. At both March 31, 2016 and 2015, \$1,500,000 of the Authority's bank balance was insured by the FDIC. At March 31, 2016 and 2015, \$85,435,641 and \$90,268,612, respectively, of the remaining balance was collateralized by securities pledged and held by the financial institution in accordance with Act 72. At March 31, 2016 \$2,607,371 of the balances was uncollateralized and at March, 31, 2015 the balance was fully collateralized.

Interest rate risk is the risk that changes in the market interest rate will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority's investment policy does not have a provision that limits investment maturity as a means of managing exposure to fair value losses arising from increasing interest rates.

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements *March 31, 2016 and March 31, 2015*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority limits credit risk by requiring all fixed-income securities to have an A or better rating as determined by Moody's or generally accepted rating agencies. Obligations of the U.S. government or obligations explicitly guaranteed by the United States government are not considered a credit risk.

Concentration of credit risk is the risk of loss attributed to magnitude of the Authority's investment in a single issuer. The Authority's investment policy seeks diversification to reduce overall portfolio risk while attaining market rates of return to enable the Authority to meet all anticipated cash requirements.

The carrying value (fair value) of the Authority's investments at March 31, 2016 is presented below:

	Ratings	Average Duration	Fair Value
Cash and cash equivalents	N/A	N/A	\$ 108,292,666
U.S. government treasury	Aaa	1.84	16,977,329
U.S. government fixed income	Aaa	5.27	38,055,794
Corporate fixed income	Aaa	1.38	2,277,495
Certificates of deposit	N/A	2.15	9,395,805
Guaranteed investments contract	N/A	9.58	19,176,614
Total			<u>\$ 194,175,703</u>

The carrying value (fair value) of the Authority's investments at March 31, 2015 is presented below:

	Ratings	Average Duration	Fair Value
Cash and cash equivalents	N/A	N/A	\$ 103,892,244
U.S. government treasury	Aaa	1.38	18,315,652
U.S. government fixed income	Aaa	6.88	30,363,626
Corporate fixed income	Aaa	1.88	5,539,230
Certificates of deposit	N/A	2.44	8,371,734
Guaranteed investments contract	N/A	10.58	19,176,613
Total			<u>\$ 185,659,099</u>

(1) N/A - Not applicable

The Authority has no exposure to foreign currency risk.

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements

March 31, 2016 and March 31, 2015

4. BOND RESERVE FUNDS

In accordance with the terms of the governing trust indentures, certain restricted funds are required to be maintained for debt service requirements as follows:

<u>Trust Indenture</u>	<u>March 31, 2016</u>	<u>March 31, 2015</u>
May 27, 1999	\$ 3,220,181	\$ 3,220,181
September 5, 2008	5,262,201	5,262,201
December 10, 2009	10,694,231	10,694,231

If there is a deficiency in the funds within the 1999 Trust Indenture, the City is required to pay such deficiency. The deficiency due from the City is \$829,875 and \$373,718 as of March 31, 2016 and 2015, respectively, and is included as a reduction in the amount due to the City of Philadelphia on the statement of net position. The balances in the bond reserve funds noted above are included in restricted cash and investments on the statement of net position.

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5. REVENUE BONDS & NOTES PAYABLE

A summary of revenue bonds outstanding is as follows:

Bond Issue	Issuance Date	Amount Issued	Maturity Date	Principal Outstanding March 31, 2016	Principal Outstanding March 31, 2015	Interest Rate	Sinking Fund Requirements	Purpose of Bond Issue
Parking System Revenue Bonds, Series 1999A	May 27, 1999	\$ 47,390,000	February 15, 2029	\$ 12,355,000	\$ 13,020,000	4.00% - 5.25%	Mandatory, beginning February 15, 2018 through 2029	Project has been abandoned and there was a partial defeasance on these bonds.
Airport Parking Revenue Bonds, Series 2008	September 5, 2008	49,560,000	September 1, 2018	15,055,000	19,625,000	4.125% - 5.00%	Mandatory, beginning September 1, 2009 through 2018	Current refunding of February 6, 1997 bonds outstanding. To finance certain capital improvements to the Airport parking facilities.
Airport Parking Revenue Bonds, Series 2009	December 10, 2009	131,050,000	September 1, 2029	105,295,000	112,030,000	3.00% - 5.25%	Mandatory, beginning September 1, 2026 through 2029	Current refunding of July 8, 1999 bonds outstanding. To finance construction of two multi-level parking garages.
Tax Exempt Private Placement Bonds, Series 2014A	December 22, 2014	15,000,000	December 22, 2029	14,250,000	14,850,000	3.01%	none	Renovations of multiple parking garages located in the City of Philadelphia, including, 10th & Ludlow, Independence Mall, 2nd & Sansom, 8th & Filbert, 15th & Arch, and Market Street East.
Total revenue bonds outstanding				146,955,000	159,525,000			
Deferred amount on refunding				(4,188,977)	(4,806,965)			
Total revenue bonds outstanding net of deferred amount				<u>\$ 142,766,023</u>	<u>\$ 154,718,035</u>			

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Revenue Bonds

On May 27, 1999, the Authority issued \$47,390,000 Series of 1999A Parking System Revenue Bonds with interest rates ranging from 4.00% to 5.25% and having various maturity dates through 2029. The Bonds were issued to provide the Authority with proceeds to acquire a parking facility (the “Garage”) at 8th & Chestnut Streets (the “Chestnut Street Parcel”). In fiscal year 2002, the governing body of the Authority resolved to comply with all of the prerequisites to partially defease the 1999A Parking System Revenue Bonds. Construction costs, interest expense and income on the Bonds associated with the acquisition of the Garage were written off in the Statement of Revenues, Expenses and Changes in Net Position in 2002. These costs were previously capitalized as construction-in-progress on the statement of net position. During fiscal year 2003, \$27,200,000 of the remaining principal outstanding on the Bonds was defeased.

The City of Philadelphia guarantees this bond issue. During fiscal year 2016, the 1999A indenture (i.e., the parking lot at 8th & Chestnut Streets) did operate at a deficit. The City provided almost \$.8 million to cover debt service payments during fiscal year 2016. As of March 31, 2016, the City of Philadelphia has provided slightly over \$12.9 million in funds in its role as guarantor of these bonds. The 1999A Indenture provides for the Authority to repay the City for any funds paid by the City as a result of its guarantee. In the event of a sale of the parking lot, any funds received in excess of the bond principal and accrued interest will be used to repay the City. The current portion is \$695,000 as of March 31, 2016.

On September 5, 2008, the Authority issued \$49,560,000 Series of 2008 Airport Parking Revenue Bonds with interest rates ranging from 4.125% to 5.00% for the purpose of refunding \$50,280,000 of outstanding Series of 1997 Airport Revenue Bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3,466,031. This difference is being charged to operations through 2019. The Authority completed the refunding to reduce its total debt service payments over the next 10 years by \$2,164,422 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$2,090,437. The current portion is \$4,790,000 as of March 31, 2016.

On December 10, 2009, the Authority issued \$131,050,000 Series of 2009 Airport Parking Revenue Bonds with interest rates ranging from 3% to 5.250% for the purpose of refunding \$135,069,352 of the July 8, 1999 bonds that were outstanding. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4,803,945. This difference is being charged to operations through 2030. The Authority completed the refunding to reduce its total debt service payments over the next 20 years by \$15,294,298 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$5,128,997. The current portion is \$7,085,000 as of March 31, 2016.

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On December 22, 2014 the authority issued \$25 million of tax exempt bonds, a private placement of Series A and B bonds, with an interest rate of 3.0132% with a term of fifteen years and an amortization of twenty-five years, having a maturity date of December 22, 2029. The A series is for \$15 million and the B series totals \$10 million. The Authority has eighteen months from the initial date of the bond issue to draw on the Series B bonds. The Authority has only drawn from the Series A as of March 31, 2016. The purpose of this bond issue was for the renovations of multiple parking garages located in the City of Philadelphia at the following locations: 2nd & Sansom, 8th & Filbert, 15th & Arch and Market Street East. The current portion is \$600,000 as of March 31, 2016.

Notes Payable

On January 29, 2015, The Authority borrowed \$6,000,000 for the Philadelphia Airport Parking Garage Project in anticipation of a future bond financing. The structure of the loan is a tax-exempt bond anticipation note to be paid over a two year period at a fixed interest rate of 1.017%. The balance of the note payable at March 31, 2016 is \$5,400,000.

On March 31, 2016, The Authority borrowed \$15,000,000 for the Philadelphia Airport Parking Garage in anticipation of a future bond financing. The structure of the loan is a tax-exempt bond anticipation note to be paid over a two year period at a variable interest rate equal to 67% of 1 month LIBOR Rate plus 0.60% (60 basis points). The balance of the note payable at March 31, 2016 is \$15,000,000.

The aggregate annual principal and sinking fund payments of debt at March 31, 2016 are as follows:

Year Ending March 31,	Revenue Bonds Principal Amount	Revenue Bonds Interest Amount	Notes Payable Principal Amount	Notes Payable Interest Amount	Total
2017	\$ 13,170,000	\$ 6,790,140	\$ 2,100,000	\$ 178,807	\$ 22,238,947
2018	13,800,000	6,129,942	18,300,000	164,627	38,394,569
2019	14,095,000	5,475,584			19,570,584
2020	14,605,000	4,801,471			19,406,471
2021	15,210,000	4,070,640			19,280,640
2022-2026	56,485,000	13,452,522			69,937,522
2027-2030	19,590,000	3,213,229			22,803,229
	<u>\$ 146,955,000</u>	<u>\$ 43,933,528</u>	<u>\$ 20,400,000</u>	<u>\$ 343,434</u>	<u>\$ 211,631,962</u>

THE PHILADELPHIA PARKING AUTHORITY***Notes to Financial Statements
March 31, 2016 and March 31, 2015***

The following tables provide a summary of changes in revenue bonds outstanding and notes payable for the years ended March 31, 2016 and 2015:

	<u>Balance at March 31, 2015</u>	<u>Proceeds</u>	<u>Bonds Refunded</u>	<u>Principal Repayments</u>	<u>Balance at March 31, 2016</u>
Revenue Bonds					
Outstanding	\$ 159,525,000	-	-	(12,570,000)	\$ 146,955,000
Notes Payable	\$ 6,000,000	15,000,000	-	(600,000)	\$ 20,400,000

	<u>Balance at March 31, 2014</u>	<u>Proceeds</u>	<u>Bonds Refunded</u>	<u>Principal Repayments</u>	<u>Balance at March 31, 2015</u>
Revenue Bonds					
Outstanding	\$ 156,100,000	15,000,000	-	(11,575,000)	\$ 159,525,000
Notes Payable	\$ 2,021,914	6,000,000	-	(2,021,914)	\$ 6,000,000

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*Notes to Financial Statements
March 31, 2016 and March 31, 2015*

6. RESTRICTED NET POSITION, CASH AND INVESTMENTS

Restricted cash and investments consist of the following at March 31:

Restricted Investments:	<u>2016</u>	<u>2015</u>
<u>Series of 1999A:</u>		
Bond reserve fund	\$ 3,220,181	\$ 3,220,181
Revenue fund	435,475	78,481
Construction fund	102,156	102,150
Bond redemption fund	28,199	28,188
Subtotal	<u>3,786,011</u>	<u>3,429,000</u>
<u>Series of 2008:</u>		
Debt service fund	3,172,957	2,547,283
Bond reserve fund	5,262,201	5,262,201
Maintenance fund	2,992,702	2,979,433
Bond redemption fund	2,829,271	3,016,298
Subtotal	<u>14,257,131</u>	<u>13,805,215</u>
<u>Series of 2009:</u>		
Debt service reserve fund	5,292,498	2,386,230
Bond reserve fund	10,694,231	10,694,231
Subtotal	<u>15,986,729</u>	<u>13,080,461</u>
Total restricted investments	34,029,871	30,314,676
Attributable for future debt service	(8,304,402)	-
Less revenue bonds payable attributable to above funds	<u>(23,232,767)</u>	<u>(27,835,244)</u>
Restricted Airport Indenture investments	<u>\$ 2,492,702</u>	<u>\$ 2,479,432</u>
Restricted Airport Indenture investments	\$ 2,492,702	\$ 2,479,432
Restricted for Airport construction	14,700,309	6,000,000
Restricted for Center City Garage construction	6,794,514	15,043,970
Net of related Airport and Garage construction debt	<u>(21,494,823)</u>	<u>(20,850,000)</u>
Restricted net position	<u>\$ 2,492,702</u>	<u>\$ 2,673,402</u>
Restricted indenture and construction investments	\$ 55,524,694	\$ 51,358,646
Restricted Taxicab and Limousine Division cash	933,421	308,040
Restricted for the City of Philadelphia	43,206,251	41,186,804
Restricted for Pennsylvania Department of Transportation	1,669,616	2,303,833
Investments pledged	<u>5,844,276</u>	<u>5,832,128</u>
Total restricted cash and investments	<u>\$ 107,178,258</u>	<u>\$ 100,989,451</u>

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Notes to Financial Statements March 31, 2016 and March 31, 2015

7. DESIGNATION OF UNRESTRICTED NET POSITION

	2016	2015
Designated for OPEB obligation	\$ 12,617,461	\$ 10,915,620
Designated for insurance	5,842,940	5,584,581
Designated for future capital projects	13,118,961	19,731,440
Designated for paid time off	6,924,759	6,938,358
Designated for health insurance	1,798,260	-
Net pension liability	(119,539,479)	-
Total unrestricted net position	<u>\$ (79,237,098)</u>	<u>\$ 43,169,999</u>

8. RISK MANAGEMENT

The Authority elected to self-insure potential obligations applicable to workers' compensation, casualty/liability and automobile insurance. The Authority is exposed to various risks of loss (i.e., theft, damage/destruction of assets; injuries to employees; and natural disasters, etc.). While it purchases insurance coverage for these exposures, the Authority has deductibles under most of the policies. The current levels of deductibles, limits of insurance coverage per occurrence, and aggregate limit of insurance coverage are shown below:

RISK MANAGEMENT ANALYSIS

Coverage	Deductible	Limit per Occurrence	Overall Aggregate Coverage Limit
Auto Liability	\$ 100,000	\$ 1,000,000	\$ 2,000,000
Employment Practices	150,000	10,000,000	10,000,000
General Liability	100,000	1,000,000	2,000,000
Workers' Compensation	300,000	statutory benefits	statutory benefits
Garage Liability	100,000	1,000,000	2,000,000
Garagekeepers' Liability (comprehensive and collision)	100,000	1,000,000	(per location)
Garagekeepers' Liability (1500-1508 Vine Street)	500 -10,000	1,000,000	(per location)
Garage Liability (1500-1508 Vine St.)	-	100,000	2,000,000
Crime	25,000	250,000	-
Commerical Property (Blanket)	-	150,000,000	-
Umbrella Liability	-	10,000,000	10,000,000
Excess Umbrella Liability	-	15,000,000	15,000,000

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The Authority makes payments to its insurance carrier for amounts needed to pay current year claims. The Authority is also required to maintain both a reserve for catastrophic losses and letters of credit issued to the Authority's insurance carrier as collateral for amounts needed to pay prior year claims. The amount of outstanding letters of credit at March 31, 2016 and 2015 is approximately \$6.5 million and \$11.6 million, respectively. The Authority is required to record a liability for claims if information prior to the issuance of the financial statements indicates that it is both probable that a liability has been incurred by the date of the financial statements and the amount of the loss can be reasonably estimated.

The Authority's accrued claims liability of \$5,842,940 and \$5,584,581 as of March 31, 2016 and 2015, respectively, was established according to a third-party actuarial study.

Balances in the Authority's accrued claims liability account were:

	Balance March 31, 2015	Current Year claims and changes in estimates	Claims Payments	Balance March 31, 2016
Workers Compensation	\$ 3,830,490	\$ 3,341,107	\$ 2,796,866	\$ 4,374,731
General Liability	1,754,091	154,935	440,817	1,468,209
	<u>\$ 5,584,581</u>	<u>\$ 3,496,042</u>	<u>\$ 3,237,683</u>	<u>\$ 5,842,940</u>
	Balance March 31, 2014	Current Year claims and changes in estimates	Claims Payments	Balance March 31, 2015
Workers Compensation	\$ 5,384,000	\$ 488,663	\$ 2,042,173	\$ 3,830,490
General Liability	1,490,925	707,120	443,954	1,754,091
	<u>\$ 6,874,925</u>	<u>\$ 1,195,783</u>	<u>\$ 2,486,127</u>	<u>\$ 5,584,581</u>

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9. OTHER POST-EMPLOYMENT BENEFITS (OTHER THAN PENSION)

Plan Description

The Authority self-administers its single-employer, other post-employment benefit program (“OPEB plan”). After ten years of service with the Authority, eligible employees become entitled to five years of Authority-provided, post-employment health & welfare benefits. Eligible employees include those employees who are either (a.) regular, full-time, non-represented employees, or (b.) employees represented by District Council 21, District Council 33, or District Council 47. Further, at time of retirement, employees are permitted to purchase additional benefits with accumulated sick leave. The Authority does not issue stand-alone financial statements for the OPEB plan.

Effective January 1, 2014, The Philadelphia Parking Authority will reimburse eligible retirees for their portion of Medicare Part B Premiums on a quarterly basis. Eligible retirees include those who are covered by the extension of health care benefits.

Funding Policy

The contribution requirements of the Authority are established and may be amended by the Authority’s Board. It is the Authority’s policy to annually designate investments to fund these obligations in the amount of the liability that it recognizes for the year, which in turn is computed according to the 30-year method. There are no required contributions on the part of the program participants (i.e., retirees).

Annual OPEB Cost & Net OPEB Obligation

The Authority's annual OPEB cost (expense) is calculated based on the annual required contribution (“ARC”) of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed during the year, and changes to the Authority's net OPEB obligation.

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Annual Required Contribution	\$ 2,610,255
Interest on Net OPEB Obligation	491,203
Adjustment to Annual Required Contribution	<u>(328,480)</u>
Annual OPEB Cost (Expense)	2,772,978
Contributions Made	<u>(1,071,137)</u>
Increase in Net OPEB Obligation	1,701,841
Net OPEB Obligation - March 31, 2015	<u>10,915,620</u>
Net OPEB Obligation - March 31, 2016	<u><u>\$ 12,617,461</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for March 31, 2016 and the five preceding years was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
March 31, 2016	\$ 2,772,978	22.0%	\$ 12,617,461
March 31, 2015	2,607,223	23.9%	10,915,620
March 31, 2014	1,129,908	11.8%	9,545,148
March 31, 2013	1,037,005	11.3%	9,180,619
March 31, 2012	2,602,515	17.8%	8,818,505
March 31, 2011	2,304,872	15.8%	6,680,301

Funding Status & Funding Progress

The funded status of the plan as of March 31, 2016, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability ("AAL")	\$ 24,534,346
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability ("UAAL")	\$ 24,534,346
Funded ratio	<u>0.0%</u>
Covered payroll	\$ 23,157,637
UAAL as percentage of covered payroll	105.9%

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Actuarial valuations of an ongoing obligation involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the obligation and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods & Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In calculating the March 31, 2016 valuation, the projected unit cost method was used. The actuarial assumptions included a 4.5% discount rate (investment rate of return, net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. Initial cost trend assumptions for annual healthcare & prescription costs, annual dental costs, and annual vision costs are 9.0% and are subsequently reduced by decrements of 0.5% over the next eight years to ultimate rates of 5.0%. Further, these rates included a 2.5% inflation assumption. The UAAL is being amortized on the "Level Dollar" open basis, with an end-of-year interest component. The remaining amortization period at March 31, 2016 is 30 years.

10. PENSION PLAN

Plan Description

The City of Philadelphia Municipal Pension (the "Plan") is a cost-sharing multiple-employer defined benefit pension plan, administered by the Philadelphia Board of Pensions, which provides pensions for all officers and employees of the City of Philadelphia (the "City"), as well as those of three quasi-governmental agencies (per applicable enabling legislation and contractual agreements) that are considered component units of the City, including the Authority. Employer contributions to the Plan are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

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At July 1, 2014, the data used for the June 30, 2015 valuation, employees covered by the Plan consisted of the following:

Retirees and beneficiaries receiving benefits	30,315
Terminated employees entitled to benefits but not yet receiving them	1,224
Disabled	3,954
Deferred retirement option plan (DROP) participants	2,264
Active plan participants	<u>27,065</u>
 Total membership	 <u><u>64,822</u></u>
 Number of participating employers	 <u><u>4</u></u>

Benefits Provided

The Plan provides retirement, disability, and death benefits according to the provisions of Title 22 of the Philadelphia Code. These provisions prescribe retirement benefit calculations, vesting thresholds, and minimum retirement ages that vary based on bargaining unit, uniform/non-uniform status, and entry date into the System.

Non-uniform employees may retire at either age 55 with up to 80% of average final compensation (AFC) or age 60 with up to either 100% or 25% of AFC, depending on entry date into the System. Uniform employees may retire at either age 45 with up to 100% of AFC or age 50 with up to either 100% or 35% of AFC, depending on entry date into the System. Survivorship selections may result in an actuarial reduction to the calculated benefit.

Members may qualify for service-connected disability benefits regardless of length of service. Service connected disability benefits are equal to 70% of a member's final rate of pay, and are payable immediately without an actuarial reduction. These applications require approval by the Board.

The Plan includes a Deferred Retirement Option Plan ("DROP Plan"). The DROP Plan allows a participant to declare that they will retire within 4 years. During the 4-year period, the City will make no further contributions for the participant. The participant would continue to work and to receive their salary; however, any increases would not be counted towards their pension benefit. During the 4-year period the individual participates in the DROP Plan, their pension benefits will be paid into an escrow account in the participant's name. After the 4-year period, the participant would begin to receive their pension benefits and the amount that has been accumulated in the escrow account in a lump sum payment. The balance in the DROP Plan as of June 30, 2015 is \$155.5 million.

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Notes to Financial Statements *March 31, 2016 and March 31, 2015*

Funding Policy and Contributions

Per Title 22 of the Philadelphia Code, members contribute to the System at various rates based on bargaining unit, uniform/non-uniform status, and entry date into the System. Beginning July 1, 2014, uniform employees contribute either 5.00%, 5.50%, or 6.00% of pensionable earnings; non-uniform employees contribute either 1.95%, 2.71%, 2.95%, 3.23%, 3.38%, 3.75%, or 6.00% of pensionable earnings; and elected employees contribute either 8.33% or 9.94% of pensionable earnings.

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

Within the AVR, two contribution amounts are determined based upon two different sets of rules for determining the way the unfunded actuarial liability is funded. The first method is defined in accordance with Act 205 and defines the Minimum Municipal Obligation (MMO), which is the City's minimum required contribution under Pennsylvania state law. The second method is in accordance with the City's Funding Policy, which predates the Act 205 rules and calls for contributions that are greater than the MMO until the initial unfunded liability determined in 1984 is fully funded.

Under both funding methods there are two components: the normal cost and the amortized unfunded actuarial liability. The actuarial unfunded liability is the amount of the unfunded actuarial liability that is paid each year based upon the given or defined amortization periods. The amortization periods are different under the MMO and City's Funding Policy.

Under the City's Funding Policy, the initial July 1, 1985 unfunded actuarial liability (UAL) is amortized over 34 years ending June 30, 2019 with payments increasing at 3.3% per year, the assumed payroll growth. Other changes in the actuarial liability are amortized in level-dollar payments. In fiscal year 2015, the City and other employers' contributions of \$577.2 million was less than the actuarially determined employer contribution (ADEC) of \$798.0 million. In the event that the City contributes less than the funding policy, an experience loss will be created that will be amortized in accordance with funding policy over 20 years.

Under the MMO, for the purposes of the MMO under Act 205 reflecting the fresh start amortization schedule, the July 1, 2009 UAL was "fresh started" to be amortized over 30 years ending June 30, 2039. This is a level dollar amortization of the UAL. All future amortization periods will follow the City's Funding Policies as outlined above. In fiscal year 2015, the City and other employers' contributions of \$577.2 million exceeded the Minimum Municipal Obligation of \$556.0 million.

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The annual required contribution was determined based on the most recent annual actuarial valuation dated June 30, 2015. The entry age normal actuarial cost method of funding was used in the valuation, which does not identify or separately amortize unfunded actuarial liabilities. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.80% per year compounded annually; (b) salary increases based on an age based salary scale; and (c) no postretirement benefit increases. The rate of return includes an inflation component of 1.8%. The method used to determine the actuarial value of assets is a 10-year smoothed market value.

Long-Term Expected Rate of Return

The Plan allows funds to be invested pursuant to a strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of asset classes, as approved by the Philadelphia Board of Pensions, and established the following target allocation across asset categories:

Asset Class	Target	Long-term Expected Real Rate of Return
US equity	19.00 %	6.95 %
Non-US equity – developed	15.00	6.95
Non-US equity – emerging	6.00	7.95
Fixed income – investment grade	6.50	2.05
Fixed income – non-investment grade	15.00	5.20
Fixed income – BDCs	2.00	5.70
Real assets – private real estate	2.00	8.90
Real assets – MLP's	5.00	7.20
Real assets – private energy	2.00	9.95
Private equity	12.00	9.95
Private debt	7.50	7.65
Hedge funds	6.00	6.85
Cash and cash equivalents	2.00	1.35

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Plan's target asset allocation for the 2015 measurement period are listed in the table above.

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Rate of Return

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.93%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

Net Pension Liability

The Authority's net pension liability was measured at June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The components of the net pension liability of the Plan as of June 30, 2015 were as follows:

Total pension liability	\$ 10,578,665,968
Plan fiduciary net position	<u>4,679,761,576</u>
Plan net pension liability (asset)	<u>\$ 5,898,904,392</u>
Plan fiduciary net position as a percentage of total pension liability	<u>44.2%</u>

At June 30, 2015, the Authority reported a liability of \$145,553,735 for its proportionate share of the Plan net pension liability.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of June 30, 2015 using the following actuarial methods and assumptions:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry-age normal
Actuarial assumptions:	
Projected salary increases	Age based salary scale
Discount rate	7.80 %
Amortization growth rate	3.30 %
	10-year smoothed
Asset valuation method	market

Mortality rates were based on the sex distinct RP-2000 combined mortality with adjustments and improvements. The actuarial assumptions used in the June 30, 2015 valuation were based on past experience under the Plan and reasonable future expectations which represent a best estimate of anticipated experience under the Plan.

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements

March 31, 2016 and March 31, 2015

The significant changes in assumptions from the prior year include a change in the discount rate from 7.85% to 7.80%.

Discount Rate

The discount rate used to measure the total pension liability for the Plan was 7.80%, the same as the prior valuation. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that Authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Discount Rate Sensitivity

The following is a sensitivity analysis of the Authority's proportionate share of the net pension liability to changes in the discount rate. The table below presents the Authority's proportionate share of the Plan pension liability calculated using the discount rate of 7.80% as well as what the net pension liability would be if it were to be calculated using a discount rate that is 1 percentage point lower (6.80%) or 1 percentage point higher (8.80%) than the current rate:

	1% Decrease (6.80%)	Current Discount Rate	1% Increase (8.80%)
Proportionate share of the Plan net pension liability	\$ 171,445,105	\$ 145,553,733	\$ 123,478,138

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended March 31, 2016, the Authority recognized pension expense of \$21,773,265. At March 31, 2016, the Authority reported the proportionate share of 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	\$ 646,036	\$ -
Changes in assumptions	890,998	-
Difference between projected and actual earnings on investments	7,005,026	-
Contributions made subsequent to measurement date	17,555,644	-
Total	<u>\$ 26,097,704</u>	<u>\$ -</u>

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements

March 31, 2016 and March 31, 2015

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

Year ended March 31:	
2017	\$ 19,991,124
2018	2,435,480
2019	2,435,480
2020	1,235,620

At March 31, 2016, the Authority reported a payable of \$5,048,814 for the outstanding amount of contributions to the pension plan required for the year ended March 31, 2016.

The Plan issues a publicly available annual financial reporting, including financial statements, which may be obtained by writing to the Board of Pensions and Retirement, Two Penn Center Plaza, 16th Floor, Philadelphia, Pennsylvania 19102 or by visiting the City of Philadelphia Board of Pensions' website.

11. COMMITMENTS

The Authority leases land for its parking facilities at the Philadelphia International Airport from the City of Philadelphia under long-term land leases, which expire on September 1, 2029. Payment for these land leases is equal to parking revenues after deducting all expenses and debt service requirements as defined by the governing trust indentures. These payments are remitted to the Philadelphia Division of Aviation on or about June 30th following the close of each fiscal year, and totaled just over \$28.5 million for fiscal year ended 2016.

The Authority, through an Agreement of Cooperation with the City of Philadelphia, conducts On-Street parking operations which involves enforcement of most parking laws and ordinances in the City, as well as most peripheral issues. Payments to the City/School District under terms of this Agreement as amended in 2005 are based upon total revenue received (e.g., from tickets, meters, etc.) less expenses (excluding depreciation) and On-Street capital assets purchased. In connection with this Agreement, \$35.9 million is recognized as expense to the City of Philadelphia General Fund and \$10.3 million as expense to the School District of Philadelphia for fiscal year ended 2016.

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements *March 31, 2016 and March 31, 2015*

During fiscal 1998, the Authority entered into a fifteen-year non-cancelable agreement to lease administrative office space and other facilities at 3101 Market Street. The terms of the agreement provide for lease payments on a graduated scale. In conjunction with this agreement, the Authority has subleased a portion of the office space to the City of Philadelphia and the related receivable amount is reflected as a reduction of the liability to City/School District Payments. Due to the City of Philadelphia's distressed financial outlook for the immediate future, the receivable of \$4.5 million is being considered as doubtful to its collectability and the balance has been reserved as of March 31, 2016 and 2015. The Authority vacated these facilities in the beginning of fiscal year 2014 and relocated to a new facility.

In June of 2012, The Authority initiated a 25 year lease for its new headquarters at 701 Market Street. The new facility provides approximately 20,000 additional square feet of space at a lower rent than previously paid. The terms of the agreement provide for lease payments on a graduated scale.

On April 1, 2007, the Taxi & Limousine Division moved its operating headquarters to 2415 South Swanson Street in South Philadelphia. The Authority currently has a lease that expires on December 31, 2021 on this property.

Further, the Authority leases two of its parking garages. One is leased from the City of Philadelphia, namely the facilities located on Independence Mall at 5th & Market, and a second from the United States National Park Service (Department of the Interior) located at 2nd & Sansom.

Future minimum annual lease and sublease payments under the Authority's various operating leases at March 31, 2016 are as follows:

Year Ended March 31,	Future Minimum Lease Payments	Less: Sublease Income	Net Future Minimum Lease Payments
2017	\$ 4,639,511	\$ 668,210	\$ 3,971,301
2018	4,674,931	662,847	4,012,084
2019	4,755,427	677,270	4,078,157
2020	4,792,199	613,886	4,178,313
2021	4,718,845	613,886	4,104,959
2022-2026	12,140,603	1,182,740	10,957,863
2027-2031	9,740,689	-	9,740,689
2032-2036	10,659,999	-	10,659,999
2037-2041	9,153,130	-	9,153,130
Total	<u>\$ 65,275,334</u>	<u>\$ 4,418,839</u>	<u>\$ 60,856,495</u>

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements *March 31, 2016 and March 31, 2015*

Rental expense for the fiscal years ended March 31, 2016 and 2015 was \$2,624,910 and \$2,505,327, respectively.

12. SERVICE AGREEMENTS

The Authority has a contract with Xerox for the collection of On-Street parking violation citations and the collection of fines and other costs imposed in connection with such violations. According to the terms of the agreement, Xerox is reimbursed based upon both the number of tickets processed and a percentage of the revenue collected from overdue parking tickets. In addition, as a result of a contract recently entered into with Xerox, they began taking over the rental and servicing of the Red Light Cameras utilized by The Authority as well as the collection activity related to that program. The Authority has another agreement with Xerox to maintain Revenue Control Equipment at the Airport. Total expense to Xerox for the fiscal years ended March 31, 2016 and 2015 were \$15,088,005 and \$14,300,423, respectively.

13. SUBSEQUENT EVENTS

Administration: Construction has begun on the Authority's expansion space at the headquarters building. The space will accommodate Red Light Camera and Auction departments as well as provide direct access from the offices to the Authority garage, improving operating efficiency. Occupancy was approved in July 2016.

On-Street Parking: Legislative proposals have been submitted to the Mayor to increase certain fines and fees to address declining vacancy rates in City buildings and to improve payments to the City and School District.

Off-Street Parking: The Authority made its final draw of \$10 million from the \$25 million 2014 Series B bond issue for Center City garage improvements in June 2016.

Red Light Program: On June 27, 2016 the life of the Red Light Camera Program was extended to July 15, 2027 by the Pennsylvania House legislature by S.B. 1267.

THE PHILADELPHIA PARKING AUTHORITY
Required Supplementary Information
Schedule of Funding Progress for Postemployment Benefit Plan
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a /c)
March 31, 2016	\$ -	\$ 24,534,346	\$ 24,534,346	0.00%	\$23,157,637	105.9%
March 31, 2015	-	23,402,938	23,402,938	0.00%	22,592,817	103.6%
March 31, 2014	-	12,945,891	12,945,891	0.00%	21,673,454	59.7%
March 31, 2013	-	12,322,124	12,322,124	0.00%	21,114,294	58.4%
March 31, 2012	-	20,166,849	20,166,849	0.00%	21,010,937	96.0%
March 31, 2011	-	17,141,100	17,141,100	0.00%	21,103,394	81.2%

Notes: The number of active participants in 2016 increased from the prior years as a result of changes to eligibility that resulted in 87 union personnel adopting the Authority plan as of March 31, 2016

The actuarial methods and assumptions used were updated for the 2013 valuation resulting in a decrease of the actuarial accrued liability as of March 31, 2013.

THE PHILADELPHIA PARKING AUTHORITY
Required Supplementary Information
Schedule of Employer's Proportionate Share of the Net Pension Liability
and Schedule of Employer Contributions
(Unaudited)

Schedule of Employer's Proportionate Share of the Net Pension Liability					
Actuarial Valuation Date	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered payroll	Proportionate share of the net pension liability as a percentage of its covered-employee payroll	
June 30, 2015	2.47%	\$ 145,553,735	\$ 37,986,088	383.2%	

Schedule of Employer Contributions					
Fiscal Year Ending	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Authority's covered-employee payroll	Contributions as a percentage of covered-employee payroll
June 30, 2015	\$ 18,390,598	\$ 19,090,652	\$ (700,054)	\$ 37,986,088	50.3%

The Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, for the year ended March 31, 2016 to conform with accounting principles generally accepted in the United States of America. Therefore, information for years prior to 2015 is not available for reporting.

THE PHILADELPHIA PARKING AUTHORITY
Combining Schedule of Net Position
March 31, 2016 and 2015

Schedule 1

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	Funds Under Trust Indenture								
	May 27, 1999		September 5, 2008 and December 10, 2009		Funds Not Under Trust	Red Light Camera	On-Street	Combined Totals	Combined Totals
	Restricted	Unrestricted	Restricted	Unrestricted	Indenture	Enforcement	Parking	2016	2015
Assets:									
Cash and cash equivalents	\$ -	\$ 187,758	\$ 8,617	\$ 12,900,000	\$ 32,433,876	\$ 658,423	\$ 14,729,575	\$ 60,918,249	\$ 61,827,383
Investments	-	-	-	-	22,969,763	-	3,109,435	26,079,198	22,842,266
Accrued interest receivable	14,289	-	17,961	101,356	48,233	-	-	181,839	202,265
Accounts receivable	-	-	-	-	13,600	-	388,805	402,405	728,325
Prepaid expenses	-	-	-	-	27,966	-	68,054	96,020	143,885
Total current assets	14,289	187,758	26,578	13,001,356	55,493,438	658,423	18,295,869	87,677,711	85,744,124
Restricted cash and investments	3,786,011	47,997	47,640,200	24,020,818	14,598,359	1,669,616	15,415,257	107,178,258	100,989,451
Property and equipment:									
Parking facilities and improvements	-	-	253,502,772	-	41,964,583	-	-	295,467,355	294,965,990
Land	10,300,000	-	-	-	4,954,524	-	-	15,254,524	15,254,524
Improvements, equipment, and furniture	-	469,890	-	17,715,249	53,655,084	647,152	25,478,357	97,965,732	75,300,520
Lease acquisition costs	-	-	-	-	589,837	-	-	589,837	589,837
Total property and equipment	10,300,000	469,890	253,502,772	17,715,249	101,164,028	647,152	25,478,357	409,277,448	386,110,871
Total assets	14,100,300	705,645	301,169,550	54,737,423	171,255,825	2,975,191	59,189,483	604,133,417	572,844,446
Deferred Outflows of Resources:									
Deferred outflows on refunding	-	-	4,188,977	-	-	-	-	4,188,977	4,806,965
Deferred outflows for pension	-	-	-	1,041,298	9,797,077	73,074	15,186,255	26,097,704	-
Total deferred outflows of resources	-	-	4,188,977	1,041,298	9,797,077	73,074	15,186,255	30,286,681	4,806,965
Total assets and deferred outflows	\$ 14,100,300	\$ 705,645	\$ 305,358,527	\$ 55,778,721	\$ 181,052,902	\$ 3,048,265	\$ 74,375,738	\$ 634,420,098	\$ 577,651,411
Liabilities:									
Accounts payable and accrued expenses	\$ -	\$ 160,799	\$ -	\$ 2,966,820	\$ 9,667,119	\$ 1,255,721	\$ 8,129,642	\$ 22,180,101	\$ 19,199,843
Accrued interest payable	92,022	-	500,098	-	-	-	-	592,120	635,775
Due to City/School District of Philadelphia	-	47,997	-	26,716,849	1,026,148	-	15,415,257	43,206,251	41,186,804
Due to the Pennsylvania Department of Transportation	-	-	-	-	-	1,669,616	-	1,669,616	2,303,833
Current portion of revenue bond	695,000	-	11,875,000	-	600,000	-	-	13,170,000	12,570,000
Current portion of notes payable	-	-	2,100,000	-	-	-	-	2,100,000	600,000
Due to (from) other funds	-	20,425	-	2,792,989	(8,898,966)	(381,350)	6,466,902	-	-
Total current liabilities	787,022	229,221	14,475,098	32,476,658	2,394,301	2,543,987	30,011,801	82,918,088	76,496,255
Revenue bonds payable	11,660,000	-	108,475,000	-	13,650,000	-	-	133,785,000	146,955,000
Notes payable	-	-	18,300,000	-	-	-	-	18,300,000	5,400,000
Accrued claims payable	-	-	-	-	5,842,940	-	-	5,842,940	5,584,581
Payable for post employment benefits, other than pensions	-	-	-	-	12,617,461	-	-	12,617,461	10,915,620
Net pension liability	-	-	-	5,807,594	54,640,870	407,550	84,697,719	145,553,733	-
Total liabilities	12,447,022	229,221	141,250,098	38,284,252	89,145,572	2,951,537	114,709,520	399,017,222	245,351,456
Deferred Inflows of Resources:									
Deferred revenue	-	-	-	-	933,421	-	-	933,421	308,040
Total liabilities and deferred inflows	12,447,022	229,221	141,250,098	38,284,252	90,078,993	2,951,537	114,709,520	399,950,643	245,659,496
Net Position:									
Net investment in capital assets	1,653,278	517,890	162,089,247	33,913,899	86,914,028	647,152	25,478,357	311,213,851	286,148,514
Restricted	-	-	2,492,702	-	-	-	-	2,492,702	2,673,402
Unrestricted	-	(41,466)	(473,520)	(16,419,430)	4,059,881	(550,424)	(65,812,139)	(79,237,098)	43,169,999
Net position	1,653,278	476,424	164,108,429	17,494,469	90,973,909	96,728	(40,333,782)	234,469,455	331,991,915
Total liabilities, deferred inflows, and net position	\$ 14,100,300	\$ 705,645	\$ 305,358,527	\$ 55,778,721	\$ 181,052,902	\$ 3,048,265	\$ 74,375,738	\$ 634,420,098	\$ 577,651,411

These supplementary schedules do not include depreciation and reflect rounding.

THE PHILADELPHIA PARKING AUTHORITY
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
For the Years Ended March 31, 2016 and 2015

Schedule 1

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	Funds Under Trust Indenture		Funds Not Under Trust Indenture	Red Light Camera Enforcement	On-Street Parking	Combined Totals 2016	Combined Totals 2015
	May 27, 1999	December 10, 2009*					
Operating revenues	\$ 717,670	\$ 68,721,287	\$ 28,370,897	\$ 15,004,357	\$ 130,041,252	\$ 242,855,463	\$ 234,461,546
Operating expenses:							
Direct operating expenses	117,772	18,748,923	15,128,380	7,805,501	67,802,091	109,602,667	106,941,874
Administrative expenses	65,084	4,609,512	5,861,091	1,689,850	15,051,072	27,276,609	25,772,094
Expense to the City/School District of Philadelphia	(661,461)	28,488,211	775,309	-	46,192,218	74,794,277	75,559,524
Expense to the Pennsylvania Department of Transportation	-	-	-	5,181,749	-	5,181,749	4,314,765
Total operating expenses	<u>(478,605)</u>	<u>51,846,646</u>	<u>21,764,780</u>	<u>14,677,100</u>	<u>129,045,381</u>	<u>216,855,302</u>	<u>212,588,257</u>
Operating income	1,196,275	16,874,641	6,606,117	327,257	995,871	26,000,161	21,873,289
Nonoperating revenues (expenses):							
Investment income	170,637	1,249,798	235,703	511	604	1,657,253	2,028,058
Interest expense	(674,375)	(6,632,146)	(446,534)	(4,193)	(49,867)	(7,807,115)	(7,821,105)
Medallion Fund transfers from the Commonwealth	-	-	2,166,720	-	-	2,166,720	333,280
Total nonoperating revenues (expenses)	<u>(503,738)</u>	<u>(5,382,348)</u>	<u>1,955,889</u>	<u>(3,682)</u>	<u>(49,263)</u>	<u>(3,983,142)</u>	<u>(5,459,767)</u>
Changes in net position before transfers	692,537	11,492,293	8,562,006	323,575	946,608	22,017,019	16,413,522
Operating transfers							
Interfund transfers in (out)	(3,308)	643,700	1,171,434	-	(1,811,826)	-	-
Total operating transfers in (out)	<u>(3,308)</u>	<u>643,700</u>	<u>1,171,434</u>	<u>-</u>	<u>(1,811,826)</u>	<u>-</u>	<u>-</u>
Changes in net position after transfers	689,229	12,135,993	9,733,440	323,575	(865,218)	22,017,019	16,413,522
Net position, beginning of year	1,440,473	174,236,531	126,115,588	107,863	30,091,460	331,991,915	315,578,393
Effect of adoption of GASB 68	-	(4,769,626)	(44,875,119)	(334,710)	(69,560,024)	(119,539,479)	-
Net position, end of the year	<u>\$ 2,129,702</u>	<u>\$ 181,602,898</u>	<u>\$ 90,973,909</u>	<u>\$ 96,728</u>	<u>\$ (40,333,782)</u>	<u>\$ 234,469,455</u>	<u>\$ 331,991,915</u>

* Bonds relating to the December 10, 2009 and September 5, 2008 Trust Indenture are combined for presentation purposes under the December 10, 2009 Trust Indenture.

These supplementary schedules do not include depreciation and reflect rounding.

THE PHILADELPHIA PARKING AUTHORITY
Trust Indenture of May 27, 1999
Combining Schedule of Net Position
March 31, 2016 and 2015

Schedule 2
Page 1 of 2

	Construction Fund	Revenue Fund	Bond Fund		Bond Reserve Fund	Rebate Fund	Combined Totals 2016	Combined Totals 2015
			Interest	Principal				
Assets:								
Cash and cash equivalents	\$ -	\$ 187,758	\$ -	\$ -	\$ -	\$ -	\$ 187,758	\$ 355,270
Accrued interest receivable	18	71	-	-	14,196	4	14,289	14,202
Total current assets	18	187,829	-	-	14,196	4	202,047	369,472
Restricted cash and investments	102,156	483,472	-	-	3,220,181	28,199	3,834,008	3,370,655
Property and equipment:								
Land	10,300,000	-	-	-	-	-	10,300,000	10,300,000
Improvements, equipment, and furniture	-	469,890	-	-	-	-	469,890	469,890
Total property and equipment	10,300,000	469,890	-	-	-	-	10,769,890	10,769,890
Total assets	<u>\$ 10,402,174</u>	<u>\$ 1,141,191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,234,377</u>	<u>\$ 28,203</u>	<u>\$ 14,805,945</u>	<u>\$ 14,510,017</u>
Liabilities:								
Accounts payable and accrued expenses	\$ -	\$ 160,799	\$ -	\$ -	\$ -	\$ -	\$ 160,799	\$ 85,455
Accrued interest payable	-	-	92,022	-	-	-	92,022	92,022
Due to City/School District of Philadelphia	-	47,997	-	-	-	-	47,997	(120,417)
Current portion of revenue bond	695,000	-	-	-	-	-	695,000	665,000
Due to (from) other funds	-	20,425	-	-	-	-	20,425	(7,516)
Total current liabilities	695,000	229,221	92,022	-	-	-	1,016,243	714,544
Revenue bond payable	11,660,000	-	-	-	-	-	11,660,000	12,355,000
Total liabilities	12,355,000	229,221	92,022	-	-	-	12,676,243	13,069,544
Net Position:								
Net investment in capital assets	(1,952,843)	967,649	(92,022)	-	3,220,181	28,203	2,171,168	160,515
Unrestricted	17	(55,679)	-	-	14,196	-	(41,466)	1,279,958
Net position	<u>(1,952,826)</u>	<u>911,970</u>	<u>(92,022)</u>	<u>-</u>	<u>3,234,377</u>	<u>28,203</u>	<u>2,129,702</u>	<u>1,440,473</u>
Total liabilities and net position	<u>\$ 10,402,174</u>	<u>\$ 1,141,191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,234,377</u>	<u>\$ 28,203</u>	<u>\$ 14,805,945</u>	<u>\$ 14,510,017</u>

These supplementary schedules do not include depreciation and reflect rounding.

THE PHILADELPHIA PARKING AUTHORITY
Trust Indenture of May 27, 1999
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
For the Years Ended March 31, 2016 and 2015

Schedule 2

Page 2 of 2

	Construction Fund	Revenue Fund	Bond Fund		Bond Reserve Fund	Rebate Fund	Combined Totals 2016	Combined Totals 2015
			Interest	Principal				
Operating revenues	\$ -	\$ 717,670	\$ -	\$ -	\$ -	\$ -	\$ 717,670	\$ 871,513
Operating expenses:								
Direct operating expenses	-	117,772	-	-	-	-	117,772	127,213
Administrative and other expenses	-	65,084	-	-	-	-	65,084	61,430
Expense to the City of Philadelphia	-	-	(661,461)	-	-	-	(661,461)	(506,154)
Total operating expenses	-	182,856	(661,461)	-	-	-	(478,605)	(317,511)
Operating income	-	534,814	661,461	-	-	-	1,196,275	1,189,024
Nonoperating revenue (expense):								
Investment income	54	170,554	15	-	-	14	170,637	170,456
Interest expense	-	(674,375)	-	-	-	-	(674,375)	(705,875)
Total nonoperating revenues (expenses)	54	(503,821)	15	-	-	14	(503,738)	(535,419)
Changes in net position before transfers	54	30,993	661,476	-	-	14	692,537	653,605
Operating transfers in (out)								
Interfund transfers in (out)	664,967	55,273	(723,548)	-	-	-	(3,308)	26,331
Total operating transfers in (out)	664,967	55,273	(723,548)	-	-	-	(3,308)	26,331
Changes in net position after transfers	665,021	86,266	(62,072)	-	-	14	689,229	679,936
Net position, beginning of year	(2,617,847)	825,704	(29,950)	-	3,234,377	28,189	1,440,473	760,537
Net position, end of the year	\$ (1,952,826)	\$ 911,970	\$ (92,022)	\$ -	\$ 3,234,377	\$ 28,203	\$ 2,129,702	\$ 1,440,473

These supplementary schedules do not include depreciation and reflect rounding.

THE PHILADELPHIA PARKING AUTHORITY
Trust Indentures of December 10, 2009 and September 5, 2008
Philadelphia International Airport Facility
Combining Schedule of Net Position
March 31, 2016 and 2015

Schedule 3
Page 1 of 2

	Construction Fund	Revenue Fund	Debt Service Fund		Bond Reserve Fund	Maintenance Fund	Bond Redemption & Improvement Fund	Combined Totals 2016	Combined Totals 2015
			Principal	Interest					
Assets:									
Cash and cash equivalents	\$ -	\$ 12,900,000	\$ 7,710	\$ -	\$ -	\$ 469	\$ 438	\$ 12,908,617	\$ 388,989
Accrued interest receivable	-	101,356	952	-	-	9,536	7,473	119,317	139,830
Total current assets	-	13,001,356	8,662	-	-	10,005	7,911	13,027,934	528,819
Restricted cash and investments	-	41,417,158	8,465,455	-	15,956,432	2,992,702	2,829,271	71,661,018	71,140,234
Property and equipment									
Parking facilities and improvements	230,575,663	-	-	22,927,109	-	-	-	253,502,772	253,011,157
Improvements, equipment, and furniture	-	17,715,249	-	-	-	-	-	17,715,249	14,506,197
Total property and equipment	230,575,663	17,715,249	-	22,927,109	-	-	-	271,218,021	267,517,354
Deferred Outflows of Resources:									
Deferred outflows on refunding	4,188,977	-	-	-	-	-	-	4,188,977	4,806,965
Deferred outflows for pension	-	1,041,298	-	-	-	-	-	1,041,298	-
Total assets and deferred outflows	<u>\$ 234,764,640</u>	<u>\$ 73,175,061</u>	<u>\$ 8,474,117</u>	<u>\$ 22,927,109</u>	<u>\$ 15,956,432</u>	<u>\$ 3,002,707</u>	<u>\$ 2,837,182</u>	<u>\$ 361,137,248</u>	<u>\$ 343,993,372</u>
Liabilities:									
Accounts payable and accrued expenses	\$ -	\$ 2,966,820	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,966,820	\$ 2,289,574
Accrued interest payable	-	-	441,193	58,905	-	-	-	500,098	543,753
Due to City of Philadelphia	-	26,716,849	-	-	-	-	-	26,716,849	26,052,660
Current portion of revenue bond	11,875,000	-	-	-	-	-	-	11,875,000	11,305,000
Current portion of notes payable	-	2,100,000	-	-	-	-	-	2,100,000	600,000
Due to other funds	-	2,792,989	-	-	-	-	-	2,792,989	3,215,854
Total current liabilities	11,875,000	34,576,658	441,193	58,905	-	-	-	46,951,756	44,006,841
Revenue bond payable	108,475,000	-	-	-	-	-	-	108,475,000	120,350,000
Notes payable	-	18,300,000	-	-	-	-	-	18,300,000	5,400,000
Net pension liability	-	5,807,594	-	-	-	-	-	5,807,594	-
Total liabilities	120,350,000	58,684,252	441,193	58,905	-	-	-	179,534,350	169,756,841
Net Position:									
Net investment in capital assets	114,414,640	31,421,477	8,032,924	22,868,204	15,956,432	510,005	2,799,464	196,003,146	77,350,951
Restricted	-	-	-	-	-	2,492,702	-	2,492,702	2,479,432
Unrestricted	-	(16,930,668)	-	-	-	-	37,718	(16,892,950)	94,406,148
Net position	114,414,640	14,490,809	8,032,924	22,868,204	15,956,432	3,002,707	2,837,182	181,602,898	174,236,531
Total liabilities and net position	<u>\$ 234,764,640</u>	<u>\$ 73,175,061</u>	<u>\$ 8,474,117</u>	<u>\$ 22,927,109</u>	<u>\$ 15,956,432</u>	<u>\$ 3,002,707</u>	<u>\$ 2,837,182</u>	<u>\$ 361,137,248</u>	<u>\$ 343,993,372</u>

These supplementary schedules do not include depreciation and reflect rounding.

THE PHILADELPHIA PARKING AUTHORITY
Trust Indentures of December 10, 2009 and September 5, 2008
Philadelphia International Airport Facility
Combining Schedule of Revenue, Expense, and Changes in Net Position
For the Years Ended March 31, 2016 and 2015

Schedule 3

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	Construction Fund	Revenue Fund	Debt Service Fund		Bond Reserve Fund	Maintenance Fund	Bond Redemption & Improvement Fund	Combined Totals 2016	Combined Totals 2015
			Principal	Interest					
Operating revenues	\$ -	\$ 68,721,287	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,721,287	\$ 64,950,665
Operating expenses:									
Direct operating expenses	-	18,748,923	-	-	-	-	-	18,748,923	18,454,979
Administrative and other expenses	-	4,609,512	-	-	-	-	-	4,609,512	4,175,010
Expense to the City of Philadelphia	-	28,488,211	-	-	-	-	-	28,488,211	27,388,724
Total operating expenses	-	51,846,646	-	-	-	-	-	51,846,646	50,018,713
Operating income	-	16,874,641	-	-	-	-	-	16,874,641	14,931,952
Nonoperating revenue (expense)									
Investment income	-	1,193,549	20,172	-	5	14,378	21,694	1,249,798	1,546,656
Interest expense	(310,656)	(6,321,490)	-	-	-	-	-	(6,632,146)	(6,960,579)
Total nonoperating revenues (expenses)	(310,656)	(5,127,941)	20,172	-	5	14,378	21,694	(5,382,348)	(5,413,923)
Changes in net position before transfers	(310,656)	11,746,700	20,172	-	5	14,378	21,694	11,492,293	9,518,029
Operating transfers in (out)									
Interfund transfers in (out)	694,282	(3,413,781)	3,543,257	19,041	(199,103)	4	-	643,700	(26,331)
Debt service	10,795,000	(10,795,000)	-	-	-	-	-	-	-
Total operating transfers in (out)	11,489,282	(14,208,781)	3,543,257	19,041	(199,103)	4	-	643,700	(26,331)
Changes in net position after transfers	11,178,626	(2,462,081)	3,563,429	19,041	(199,098)	14,382	21,694	12,135,993	9,491,698
Net position, beginning of year	103,236,014	21,722,516	4,469,495	22,849,163	16,155,530	2,988,325	2,815,488	174,236,531	164,744,833
Effect of adoption of GASB 68	-	(4,769,626)	-	-	-	-	-	(4,769,626)	-
Net position, end of the year	<u>\$ 114,414,640</u>	<u>\$ 14,490,809</u>	<u>\$ 8,032,924</u>	<u>\$ 22,868,204</u>	<u>\$ 15,956,432</u>	<u>\$ 3,002,707</u>	<u>\$ 2,837,182</u>	<u>\$ 181,602,898</u>	<u>\$ 174,236,531</u>

These supplementary schedules do not include depreciation and reflect rounding.

THE PHILADELPHIA PARKING AUTHORITY
Trust Indentures of December 10, 2009 and September 5, 2008
Philadelphia International Airport Facility
Schedule of Direct Operating Expenses
For the Years Ended March 31, 2016 and 2015

Schedule 4

Page 1 of 1

	<u>2016</u>	<u>2015</u>
Salary and wage expense		
Salaries and wages	\$ 7,183,939	\$ 7,274,609
Pension plan expense	<u>1,727,317</u>	<u>1,721,512</u>
Total salary and wage expense	8,911,256	8,996,121
Payroll related expense		
Employees' benefits	3,260,158	3,765,784
Payroll taxes	<u>544,425</u>	<u>532,307</u>
Total salary and wage and payroll related expense	12,715,839	13,294,212
Direct operating expenses		
Professional fees	442,459	228,909
Utilities	293,284	312,341
Miscellaneous and office expenses	2,910,617	2,601,079
Repairs and maintenance	1,401,054	1,264,409
Insurance	572,890	417,411
Auto expenses	117,421	129,124
Supplies and tickets	50,248	74,254
Telephone	21,855	20,497
Equipments expenses	<u>223,256</u>	<u>112,743</u>
Total direct operating expenses	<u><u>\$ 18,748,923</u></u>	<u><u>\$ 18,454,979</u></u>

THE PHILADELPHIA PARKING AUTHORITY
Trust Indentures of December 10, 2009 and September 5, 2008
Philadelphia International Airport Facility
Debt Service Coverage Schedule
For the Years Ended March 31, 2016 and 2015

Schedule 5

Page 1 of 1

	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 68,721,287	\$ 64,950,665
Operating expenses		
Direct operating expenses	18,748,923	18,454,979
Administrative expenses	4,609,512	4,175,010
Interest income	<u>(1,249,798)</u>	<u>(1,546,656)</u>
Total operating expenses	22,108,637	21,083,333
Operating income, net	<u>\$ 46,612,650</u>	<u>\$ 43,867,332</u>
Debt service	\$ 17,318,199	\$ 16,284,931
Debt service coverage ratio	2.69	2.69
Debt service coverage requirement	1.50	1.50
Ratio over (under)	1.19	1.19

THE PHILADELPHIA PARKING AUTHORITY
Tax Exempt Bond of December 22, 2014, Series A & B
Center City Garage Improvements
Debt Service Coverage Schedule
For the Year Ended March 31, 2016

Schedule 6

Page 1 of 1

	<u>2016</u>	<u>2015</u>
Operating revenues		
Market Street East garage	\$ 2,062,012	\$ 2,073,910
2nd & Sansom garage	2,440,278	2,146,338
Independence Mall garage	2,710,930	2,465,649
Family Court 15th & Arch St garage	1,087,080	293,962
8th & Filbert St garage	2,377,759	2,671,394
10th & Ludlow St garage	<u>1,589,656</u>	<u>1,526,320</u>
Total operating revenues	12,267,715	11,177,573
Operating expenses		
Direct operating expenses	4,624,294	4,356,609
Administrative expenses	3,594,210	3,101,793
Interest income	<u>2,552</u>	<u>-</u>
Total operating expenses	8,221,056	7,458,402
Operating income, net	<u>\$ 4,046,659</u>	<u>\$ 3,719,171</u>
Debt service	\$ 522,000	\$ 1,957,060
Debt service coverage ratio	7.75	1.90
Debt service coverage requirement	1.20	1.20
Ratio over (under)	6.55	0.70

THE PHILADELPHIA PARKING AUTHORITY

Reformatted Statements of Net Position

March 31, 2016 and 2015 (in thousands)

	2016	2015
ASSETS:		
Cash and cash equivalents on deposit and on hand	\$ 48,018	\$ 49,564
Investments - short term	26,079	22,842
Accounts receivable	403	728
Other current assets	278	346
Restricted cash and investments	120,078	113,253
Capital assets, net	180,448	172,191
Total assets	<u>375,304</u>	<u>358,924</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows on refunding	4,189	4,807
Deferred outflows for pension	<u>26,098</u>	<u>-</u>
Total assets and deferred outflows	<u>\$ 405,591</u>	<u>\$ 363,731</u>
LIABILITIES:		
Accounts payable and accrued expenses	\$ 22,180	\$ 19,200
Accrued interest payable	592	636
Due to the City /School District of Philadelphia	43,206	41,187
Due to the Pennsylvania Department of Transportation	1,670	2,304
Current portion of notes payable	2,100	600
Current portion of other long-term obligations	13,170	12,570
Non-current portion of notes payable	18,300	5,400
Non-current portion of other long-term obligations	133,785	146,955
Accrued claims payable	5,843	5,584
Payable for post retirement benefits, other than pensions	12,617	10,915
Net pension liability	<u>145,554</u>	<u>-</u>
Total liabilities	<u>399,017</u>	<u>245,351</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred revenue	<u>934</u>	<u>308</u>
Total liabilities and deferred inflows	<u>399,951</u>	<u>245,659</u>
NET POSITION:	<u>\$ 5,640</u>	<u>\$ 118,072</u>

THE PHILADELPHIA PARKING AUTHORITY
Reformatted Statements of Revenues, Expenses, and Changes in Fund Net Position
For the Years Ended March 31, 2016 and 2015 (in thousands)

	2016	2015
EXPENSES:		
Operating expenses	\$ 109,603	\$ 106,942
Expense to the City/School District of Philadelphia	74,794	75,559
Expense to the Pennsylvania Department of Transportation	5,182	4,315
Interest on long-term debt	7,807	7,821
Administrative expenses	27,277	25,772
Depreciation & amortization expense	14,909	15,661
Total expenses	<u>239,572</u>	<u>236,070</u>
PROGRAM REVENUES:		
Charges for services	<u>242,856</u>	<u>234,462</u>
Net program revenues	3,284	(1,608)
GENERAL REVENUES:		
Interest and investment earnings	1,657	2,028
Other income	<u>2,167</u>	<u>333</u>
Increase in net position	7,108	753
Net position, beginning of year	118,072	117,319
Effect of adoption of GASB 68	<u>(119,540)</u>	<u>-</u>
Net position, end of year	<u><u>\$ 5,640</u></u>	<u><u>\$ 118,072</u></u>