

THE PHILADELPHIA PARKING AUTHORITY
(A COMPONENT UNIT OF THE CITY OF PHILADELPHIA, PENNSYLVANIA)

Financial Statements,
Required Supplementary Information
And Other Financial Information
For the Years Ended
March 31, 2017 and 2016
&
Independent Auditors' Report



BAKER TILLY

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THE PHILADELPHIA PARKING AUTHORITY

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THE PHILADELPHIA PARKING AUTHORITY
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, 2017 as compared to the year end March 31, 2016. 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.

The Authority is close to moving forward, with the DOA, to request City Council approval for a \$55 million revenue bond issue to address structural conditions in the garage and introduce new technology to improve the customer experience and introduce new sources of revenue. The Authority anticipates requesting legislation in the fall of 2017.

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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, \$25 million has been drawn on the loan with projects under way at four of the facilities. 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 development and posting of parking regulations; installation, maintenance and collection of parking meters; issuance of residential parking permits; issuance, processing and collection of parking tickets; towing and impoundment of illegally parked vehicles; and booting of 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. Unfortunately, Pango did not have the financial resources to maintain the program and the contract was terminated in fiscal year 2017. It is anticipated that we will recommend a new vendor for this service to the Board in August 2017.

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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 2016, the General Assembly authorized the continuation of the pilot program of Red Light Photo Enforcement until June 15, 2027, through Senant Bill 1267. 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.

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. Act 164 of 2016 expanded the Authority's for-hire car service regulatory oversight to include companies such as Uber and Lyft, technically referred to as "transportation network services" ("TNCs").

The legalization of TNC services added an estimated 20,000 to 25,000 for-hire vehicles to both the Philadelphia market and the Authority's regulatory responsibility. However, financial support for effective regulatory oversight was not included in Act 164. That inadequate funding is further pronounced by the statutes direction that two-thirds of the TNC regulatory assessments be paid to the Philadelphia School District. Act 164 also effectively reduced the Authority's taxicab regulatory funding by 68% (or \$2 million), as noted in the fiscal note to Act 164. These funding issues have caused a reduction to the Taxicab and Limousine Division staff of nearly 50%.

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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, 2018). 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 in 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 in 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.

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FINANCIAL ANALYSIS

The following table compares the condensed Statement of Net Position as of March 31, 2017 and 2016:

	March 31, 2017 (in thousands)	March 31, 2016 (in thousands)	Increase (Decrease) (in thousands)	% Increase (Decrease) (rounded)
Current Assets	\$ 84,597	\$ 87,678	\$ (3,081)	-4%
Restricted Cash and Investments	127,283	107,178	20,105	19%
Property Plant and Equipment, net	179,596	183,699	(4,103)	-2%
Total Assets	391,476	378,555	12,921	3%
Deferred Outflows	89,727	30,287	59,440	196%
Current Liabilities	105,238	82,918	22,320	27%
Non-Current Liabilities	361,925	319,351	42,574	13%
Total Liabilities	467,163	402,269	64,894	16%
Deferred Inflows	-	933	(933)	-100%
Net Position:				
Net investment in capital assets	83,125	82,384	741	1%
Restricted for capital projects	4,522	2,493	2,029	81%
Unrestricted	(73,607)	(79,237)	5,630	-7%
Net Position	\$ 14,040	\$ 5,640	\$ 8,400	149%

- Current assets decreased approximately \$3.1 million principally due to funds transferred to restricted cash balances to meet short term commitments.
- Restricted cash increased approximately \$20.1 million principally due to the unused proceeds of the \$15 million bond issue for Airport facility construction and the \$10 million bond issue for renovations relating to multiple parking garages.
- Property and equipment decreased a net amount of approximately \$4.1 million. Parking facilities and improvements increased \$10.0 million, related to the 8th & Filbert garage, less depreciation expense of \$14.1 million.
- Deferred outflows increased approximately \$59.4 million primarily due to increases in the deferred amounts related to the Authority's net pension liability as a result of the actuarial valuation of the net pension liability.

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- As of March 31, 2017, the amount due to the City of Philadelphia, included in current liabilities, is \$49.2 million. The total due to the City includes \$30.5 million that was due to the Philadelphia Division of Aviation for fiscal year 2017, and \$10.3 million which will be remitted to the School District of Philadelphia pursuant to the Act 9 of 2005.

Total remaining amounts due to the City/School District of Philadelphia as of March 31, 2017 and 2016 are as follows:

	March 31, 2017 (in thousands)	March 31, 2016 (in thousands)
On-Street Operation - City	\$ 7,075	\$ 5,136
On-Street Operation - School District	10,274	10,279
City of Philadelphia, Division of Aviation	30,489	26,717
Independence Mall	1,268	1,026
8th and Chestnut	59	48
	<hr/>	<hr/>
Total	<u>\$ 49,165</u>	<u>\$ 43,206</u>

- Current liabilities increased approximately \$22.3 million due to the following factors:
 - An increase in the current portion of long term debt of approximately \$17.3 million based on the timing of the debt maturities and short term borrowings.
 - An increase of approximately \$6.0 million in the payment to the City/School District of Philadelphia based on timing of payments.
 - An increase of \$1.7 million in the payment to the Pennsylvania Department of Transportation based on the timing of the payments and new intersections going operational.
 - A decrease of \$2.7 million in accounts payable and accrued expenses.
- Non-current liabilities increased approximately \$42.6 million primarily as a result of the increase in the Authority's proportionate share of the net pension liability of \$64.2 million as a result of the actuarial valuation of the net pension liability. Post employment employee benefits other than pension, increased by \$2.4 million while accrued claims payable decreased by \$1.0 million. Additionally, there was an \$18.3 million decrease in Airport notes payable, as the balance is now a current obligation, and a decrease of \$4.5 million in bonds payable as a result of principal payments.
- Net position increased approximately \$8.4 million. This increase was due to increases in the net investment of capital assets of approximately \$0.7 million and restricted funds of \$2.0 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, resulting in an increase of unrestricted net position of \$5.6 million.

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The following table compares the amounts of the Statement of Revenues, Expenses, and Change in Net Position for the fiscal years ending March 31, 2017 and 2016:

	March 31, 2017	March 31, 2016	Increase	% Increase
	(in thousands)	(in thousands)	(Decrease)	(Decrease)
			(in thousands)	(rounded)
Operating revenues	\$ 259,531	\$ 242,855	\$ 16,676	7%
Operating expenses				
Direct operating expenses	116,771	109,602	7,169	7%
Administrative expenses	26,417	27,277	(860)	-3%
Expense to the City and School District	77,970	74,794	3,176	4%
Expense to the PA Dept of Transportation	10,542	5,182	5,360	103%
Depreciation and amortization	14,138	14,909	(771)	-5%
Total operating expenses	245,838	231,764	14,074	6%
Operating income	13,693	11,091	2,602	23%
Non-operating revenues (expense)				
Investment income	1,431	1,657	(226)	-14%
Interest expense	(7,658)	(7,807)	149	-2%
Medallion Fund transfers from State	934	2,166	(1,232)	-57%
Total non-operating expense	(5,293)	(3,984)	(1,309)	33%
Increase in net position	8,400	7,107	1,293	18%
Net position, beginning of the year	5,640	118,072	(112,432)	-95%
Effect of adoption of GASB 68	-	(119,539)	119,539	-100%
Net position, end of the year	\$ 14,040	\$ 5,640	\$ 8,400	149%

- Operating revenues increased approximately \$16.7 million from the prior fiscal year primarily due to the following factors:
 - Ticketing revenue increased \$2.9 million and towing revenue increased \$1.0 million.
 - Meter revenue increased by \$.5 million. Credit card revenue increased by \$.5 million.
 - Transient revenue increased by \$.5 million at the 8th & Filbert Garage.
 - Red Light Camera ticketing revenue increased approximately \$6.1 million due to an increase in the cameras operating during 2017.
 - There was an increase in airport transient revenue of approximately \$4.9 million due to improvements to the long term parking lot facilities and services.

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- Direct operating expenses increased approximately \$7.2 million from the prior year based primarily on the following factors:
 - Other post-employment benefits (OPEB) expense increased by approximately \$.7 million from the previous year.
 - Pension contribution rates increased to 367.736% and 10.621% in 2017 for plan J and Y, respectively, from 306.913% and 9.585%, which resulted in an increase in direct operating pension expense of approximately \$8.4 million.
 - Salary expense decreased from the previous year by approximately \$1.5 million.
- Administrative expenses decreased by approximately \$.9 million primarily due to decreases in salaries and overtime expense.
- Expense to the City and School District increased by approximately \$3.2 million from the prior fiscal year primarily due to the decrease in direct operating and administrative expenses.
- Expense to the Pennsylvania Department of Transportation increased approximately \$5.4 million due to increased Red Light Camera ticket revenues as a result of an increase in the cameras operating during 2017.

Total expense to City and School District of Philadelphia and to the Pennsylvania Department of Transportation for the year ended March 31, 2017 and 2016 are as follows:

	<u>FY 2017</u> <u>(in thousands)</u>	<u>FY 2016</u> <u>(in thousands)</u>
On-Street (including both City & School District of Philadelphia)	\$ 44,807	\$ 46,192
City of Philadelphia, Division of Aviation	32,373	28,488
Pennsylvania Department of Transportation	10,541	5,182
Off-Street	<u>790</u>	<u>114</u>
Totals	<u><u>\$ 88,511</u></u>	<u><u>\$ 79,976</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 \$21.3 million for fiscal year 2017 and \$19.2 million for fiscal year 2016 in Parking Privilege Tax.

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The Authority also paid to the National Park Service (Department of the Interior) \$0.9 million for fiscal years 2017 and 2016 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 \$44.8 million in fiscal year 2017 and \$46.2 million in fiscal year 2016.

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, 2017 year end that was made on June 30, 2017 was \$32.4 million, an increase of \$3.9 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 2017, the 1999A indenture (i.e., the parking lot at 8th & Chestnut Streets) did operate at a deficit. The City provided almost \$.2 million to cover debt service payments during fiscal year 2017. As of March 31, 2017, the City of Philadelphia has provided slightly over \$12.8 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.

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") (a component unit of the City of Philadelphia, Pennsylvania), which comprise the statement of net position as of March 31, 2017 and 2016, 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, 2017 and 2016, 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.

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 ix, the Schedule of Funding Progress for Postemployment Benefit Plan on page 39 and the Schedule of Employer's Proportionate Share of the Net Pension Liability and Schedule of Employer Contributions on page 40 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 41-51 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 Virchow Krause, LLP

Philadelphia, Pennsylvania
September 18, 2017

THE PHILADELPHIA PARKING AUTHORITY

Statement of Net Position

March 31, 2017 and 2016

	2017	2016
ASSETS:		
Cash and cash equivalents	\$ 56,520,847	\$ 60,918,247
Investments	27,159,792	26,079,198
Accrued interest receivable	124,838	181,841
Accounts receivable	688,836	402,405
Prepaid expenses	102,917	96,020
Total current assets	<u>84,597,230</u>	<u>87,677,711</u>
Restricted cash and investments	127,282,761	107,178,258
Property and equipment:		
Land	15,254,524	15,254,524
Construction in progress	9,191,114	35,971,044
Parking facilities and improvements	332,777,999	298,718,824
Improvements, equipment and furniture	65,340,067	62,584,525
Less: accumulated depreciation	<u>(242,967,896)</u>	<u>(228,829,497)</u>
Total property and equipment	<u>179,595,808</u>	<u>183,699,420</u>
Total assets	<u>391,475,799</u>	<u>378,555,389</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows on refunding	3,570,989	4,188,977
Deferred outflows for pension	86,156,507	26,097,704
Total deferred outflows of resources	<u>89,727,496</u>	<u>30,286,681</u>
Total assets and deferred outflows	<u>481,203,295</u>	<u>408,842,070</u>
LIABILITIES:		
Accounts payable and accrued expenses	19,613,431	22,180,101
Accrued interest payable	559,668	592,120
Due to the City/ School District of Philadelphia	49,164,795	43,206,251
Due to the Pennsylvania Department of Transportation	3,374,327	1,669,616
Current portion of revenue bonds	14,225,515	13,170,000
Current portion of notes payable	18,300,000	2,100,000
Total current liabilities	<u>105,237,736</u>	<u>82,918,088</u>
Revenue bonds payable	132,284,493	137,036,469
Notes payable	-	18,300,000
Accrued claims payable	4,818,016	5,842,940
Payable for post retirement benefits, other than pensions	15,065,915	12,617,461
Net pension liability	<u>209,757,358</u>	<u>145,553,733</u>
Total liabilities	<u>467,163,518</u>	<u>402,268,691</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred revenue	<u>-</u>	<u>933,421</u>
Total liabilities and deferred inflows	<u>467,163,518</u>	<u>403,202,112</u>
NET POSITION:		
Net investment in capital assets	83,124,832	82,384,354
Restricted	4,521,477	2,492,702
Unrestricted deficit	<u>(73,606,532)</u>	<u>(79,237,098)</u>
Net position	<u>\$ 14,039,777</u>	<u>\$ 5,639,958</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 259,531,181	\$ 242,855,463
Operating expenses:		
Direct operating expenses	116,770,815	109,602,667
Administrative expenses	26,417,140	27,276,609
Expense to the City/School District of Philadelphia	77,970,111	74,794,277
Expense to the Pennsylvania Department of Transportation	10,541,496	5,181,749
Depreciation and amortization expense	14,138,399	14,909,306
Total operating expenses	<u>245,837,961</u>	<u>231,764,608</u>
Operating income	<u>13,693,220</u>	<u>11,090,855</u>
Nonoperating revenues (expenses):		
Investment income	1,431,012	1,657,253
Interest expense	(7,657,834)	(7,807,115)
Medallion Fund transfers from the Commonwealth	933,421	2,166,720
Total nonoperating revenues (expenses), net	<u>(5,293,401)</u>	<u>(3,983,142)</u>
Change in net position	8,399,819	7,107,713
Net position, beginning of year	5,639,958	118,071,724
Effect of adoption of GASB 68	<u>-</u>	<u>(119,539,479)</u>
Net position, end of the year	<u><u>\$ 14,039,777</u></u>	<u><u>\$ 5,639,958</u></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, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and others	\$ 259,531,181	\$ 242,855,463
Salaries and administrative costs paid to employees	(100,358,257)	(92,627,370)
Payments to suppliers for services	(40,121,344)	(39,247,518)
Payments to the City/ School District of Philadelphia	(72,011,567)	(72,480,812)
Payments to the Pennsylvania Department of Transportation	(8,836,785)	(5,815,966)
Net cash provided by operating activities	<u>38,203,228</u>	<u>32,683,797</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of property and equipment, net	(10,034,787)	(23,166,577)
Proceeds from medallion fund transfers	933,421	2,166,720
Proceeds from the issuance of bonds and notes payable	10,000,000	15,000,000
Principal paid on revenue bonds and notes payable	(15,589,136)	(13,170,000)
Interest paid on revenue bonds and notes payable	(7,279,623)	(7,850,770)
Net cash used in financing activities	<u>(21,970,125)</u>	<u>(27,020,627)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	610,365	-
Purchase of investments	(630,264)	(3,030,873)
Investment income	1,488,015	1,677,677
Net cash provided by (used in) investing activities	<u>1,468,116</u>	<u>(1,353,196)</u>
Net increase in cash and cash equivalents	17,701,219	4,309,974
Cash and cash equivalents, beginning of the year (including restricted cash of \$47,374,421)	<u>47,374,421</u>	<u>103,982,694</u>
Cash and cash equivalents, end of the year (including restricted cash of \$69,473,040)	<u>\$ 65,075,640</u>	<u>\$ 108,292,668</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 13,693,220	\$ 11,090,855
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	14,138,399	14,909,306
Change in assets and liabilities:		
Accounts receivable	(286,431)	325,920
Prepaid expenses and other assets	(6,897)	68,288
Accounts payable and other accrued expenses	(2,566,670)	3,561,986
Other liabilities	5,568,352	1,342,212
Due to the City/School District of Philadelphia	5,958,544	2,019,447
Due to the Pennsylvania Department of Transportation	1,704,711	(634,217)
Net cash provided by operating activities	<u>\$ 38,203,228</u>	<u>\$ 32,683,797</u>

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

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements ***March 31, 2017 and March 31, 2016***

1. ORGANIZATION AND HISTORY

General

The Philadelphia Parking Authority (the “Authority”) was created on January 11, 1950 by an ordinance of the Philadelphia City Council (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, 2017 and March 31, 2016*

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 are carried at fair value. 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 actual results. The impact of these differences is amortized over a period of 3.5 years. As of March 31, 2017 and 2016 the Authority reported \$65,741,047 and \$8,542,060, respectively, 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, 2017 and 2016 the Authority reported \$20,415,460 and \$17,555,644, respectively, related to this type of deferred outflow.

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements *March 31, 2017 and March 31, 2016*

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. There was no deferred revenue balance as of March 31, 2017. The balance of this deferred revenue was \$933,421 as of March 31, 2016.

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, 2017 and 2016 the Authority had no capitalized interest expense.

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements *March 31, 2017 and March 31, 2016*

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, 2016	Additions	Reclassification/ Retirements	Balance at March 31, 2017
Land	\$ 15,254,524	\$ -	\$ -	\$ 15,254,524
Construction in progress	35,971,044	6,935,242	(33,715,172)	9,191,114
Total property and equipment not being depreciated	<u>51,225,568</u>	<u>6,935,242</u>	<u>(33,715,172)</u>	<u>24,445,638</u>
Parking facilities and improvements	298,718,824	344,003	33,715,172	332,777,999
Improvements, equipment and furniture	<u>62,584,525</u>	<u>2,755,542</u>	<u>-</u>	<u>65,340,067</u>
Total property and equipment being depreciated	<u>361,303,349</u>	<u>3,099,545</u>	<u>33,715,172</u>	<u>398,118,066</u>
Total	<u>412,528,917</u>	<u>10,034,787</u>	<u>-</u>	<u>422,563,704</u>
<u>Less Accumulated Depreciation:</u>				
Parking facilities	165,859,863	7,874,753	-	173,734,616
Improvements, equipment and furniture	<u>62,969,634</u>	<u>6,263,646</u>	<u>-</u>	<u>69,233,280</u>
Total Accumulated Depreciation	<u>228,829,497</u>	<u>14,138,399</u>	<u>-</u>	<u>242,967,896</u>
Total property and equipment being depreciated, net	<u>132,473,852</u>	<u>(11,038,854)</u>	<u>33,715,172</u>	<u>155,150,170</u>
Property and equipment, net	<u>\$ 183,699,420</u>	<u>\$ (4,103,612)</u>	<u>\$ -</u>	<u>\$ 179,595,808</u>

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements *March 31, 2017 and March 31, 2016*

	Balance at March 31, 2015	Additions	Reclassification/ Retirements	Balance at March 31, 2016
Land	\$ 15,254,524	\$ -	\$ -	\$ 15,254,524
Construction in progress	14,820,375	21,374,373	(223,704)	35,971,044
Total property and equipment not being depreciated	30,074,899	21,374,373	(223,704)	51,225,568
Parking facilities and improvements	298,524,791	194,033	-	298,718,824
Improvements, equipment and furniture	61,069,982	1,290,839	223,704	62,584,525
Total property and equipment being depreciated	359,594,773	1,484,872	223,704	361,303,349
Total	389,669,672	22,859,245	-	412,528,917
<u>Less Accumulated Depreciation:</u>				
Parking facilities	157,985,108	7,874,755	-	165,859,863
Improvements, equipment and furniture	55,935,083	7,034,551	-	62,969,634
Total Accumulated Depreciation	213,920,191	14,909,306	-	228,829,497
Total property and equipment being depreciated, net	145,674,582	(13,424,434)	223,704	132,473,852
Property and equipment, net	\$ 175,749,481	\$ 7,949,939	\$ -	\$ 183,699,420

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, proceeds from the transfer of medallion funds, 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.

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Notes to Financial Statements *March 31, 2017 and March 31, 2016*

Reclassification

Certain 2016 balances have been reclassified to conform with the 2017 presentation.

Subsequent Events

Subsequent events were evaluated through September 18, 2017, the date the financial statements were available to be issued.

New Accounting Pronouncement

The Authority adopted the Governmental Accounting Standards Board (“GASB”) 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 adoption of this standard resulted in additional disclosures for the Authority’s investments and related fair value.

The Authority adopted GASB 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. The adoption of this portion of GASB 73 did not materially impact the financial statements of the Authority.

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Notes to Financial Statements *March 31, 2017 and March 31, 2016*

The Authority adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* ("GASB 76"). The primary objective of Statement No. 76 is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles ("GAAP"). Statement No. 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 adoption of GASB 76 did not impact the presentation or disclosure of the Authority's financial statements and did not impact the application of accounting principles applied by the Authority.

The Authority adopted GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* ("GASB 78"). GASB 78 amends the financial reporting requirements of 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 non-state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively) in the 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 adoption of GASB 78 resulted in additional disclosures regarding the multiple-employer defined benefit pension plans offered under the Authority's collective bargaining agreements.

Recent Accounting Pronouncements Not Yet Effective

Authority management is in the process of evaluating, but has not yet determined how the adoption of the following GASB guidance will impact the Authority's financial statements.

In June of 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* ("GASB 74"). 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 Statement No. 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 74 also sets forth note disclosure requirements for defined contribution OPEB plans. The Authority is required to adopt GASB 74 for its March 2018 financial statements.

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Notes to Financial Statements *March 31, 2017 and March 31, 2016*

In June of 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB 75”) which replaces the requirements of GASB Statement No. 45. GASB 75 establishes that governments with a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. Additionally, GASB 75 requires governments in all types of OPEB plans to present more extensive note disclosures, including a sensitivity analysis of the discount rate and a healthcare cost trend rate assumptions used for the valuation, and required supplementary information about their OPEB liabilities. The Authority is required to adopt GASB 75 for its March 2019 financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* (“GASB 82”). GASB 82 addresses certain issues that have been raised with respect to Statements No. 67, Statement No. 68, and Statement No. 73. Specifically, GASB 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Authority is required to adopt GASB 82 for its March 2018 financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities* (“GASB 84”). GASB 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments and separate criteria to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Authority is required to adopt GASB 84 for its March 2020 financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017* (“GASB 85”). GASB 85 addresses a variety of topics, including issues related to blending component units, goodwill, fair value measurement, and postemployment benefits, that have been identified during implementation and application of certain GASB Statements. The Authority is required to adopt GASB 85 for its March 2019 financial statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues* (“GASB 86”). GASB 86 provides additional guidance on the accounting and financial reporting for in-substance defeasance of debt, for prepaid insurance on debt that is extinguished, and notes to financial statements for debt that is defeased in substance. The Authority is required to adopt GASB 86 for its March 2019 financial statements.

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Notes to Financial Statements *March 31, 2017 and March 31, 2016*

In June 2017, the GASB issued Statement No. 87, *Leases* (“GASB 87”). GASB 87 increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The Authority is required to adopt GASB 87 for its March 2021 financial statements.

3. CASH, CASH EQUIVALENTS, INVESTMENTS & FAIR VALUE OF FINANCIAL INSTRUMENTS

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 while avoiding unreasonable investment risk.

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 and mutual funds.

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Notes to Financial Statements
March 31, 2017 and March 31, 2016

The cash and cash equivalent balances as of March 31 comprised of the following:

	<u>2017</u>	<u>2016</u>
Cash on hand	\$ 73,110	\$ 80,781
Demand deposits	109,648,838	88,047,660
Cash equivalents	<u>16,271,939</u>	<u>20,164,227</u>
Total cash and cash equivalents	<u>\$ 125,993,887</u>	<u>\$ 108,292,668</u>

The cash and cash equivalent balances as of March 31 are classified in the statement of net position as follows:

	<u>2017</u>	<u>2016</u>
Cash and equivalents (unrestricted)	\$ 56,520,847	\$ 60,918,247
Restricted cash	<u>69,473,040</u>	<u>47,374,421</u>
Total cash and cash equivalents	<u>\$ 125,993,887</u>	<u>\$ 108,292,668</u>

At March 31, 2017 and 2016, the carrying amount of the Authority's demand deposits with financial institutions was \$109,648,838 and \$88,047,660, respectively, compared to bank balances of \$109,935,991 and \$89,543,012, 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 March 31, 2017 and 2016, \$1,750,000 and \$1,500,000, respectively, of the Authority's bank balance was insured by the FDIC. At March 31, 2017 and 2016, \$106,445,467 and \$85,435,641, respectively, of the remaining balance was collateralized by securities pledged and held by the financial institution in accordance with Act 72. At March 31, 2017 and 2016, \$1,740,524 and \$2,607,371, respectively, of the balances was uncollateralized.

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.

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.

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Notes to Financial Statements *March 31, 2017 and March 31, 2016*

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.

The Authority has no exposure to foreign currency risk.

As of March 31, 2017 the Authority had the following investments:

	Ratings	Average Duration	Fair Value
Cash and cash equivalents	N/A	N/A	\$ 125,993,887
U.S. government fixed income	Aaa	1.51	16,615,644
U.S. government sponsored fixed income	Aaa	4.80	42,393,484
Certificates of deposit	N/A	1.75	6,783,771
Guaranteed investments contract	N/A	8.58	19,176,614
Total			<u>\$ 210,963,400</u>

As of March 31, 2016 the Authority had the following investments:

	Ratings	Average Duration	Fair Value
Cash and cash equivalents	N/A	N/A	\$ 108,292,669
U.S. government fixed income	Aaa	1.84	19,547,200
U.S. government sponsored fixed income	Aaa	5.27	37,763,416
Certificates of deposit	N/A	1.38	9,395,804
Guaranteed investments contracts	N/A	9.58	19,176,614
Total			<u>\$ 194,175,703</u>

N/A - Not applicable

Guaranteed investment contracts are valued at contract value based on the related financial institutions ability to pay the guaranteed interest rate in accordance with the terms of the contract. The contracts provide a contractual guaranteed interest rates of between 5.29% and 5.90%. Management believes the credit ratings of the related financial institutions as of the measurement date uphold the firm's ability to meet obligations set forth in the contracts.

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Notes to Financial Statements *March 31, 2017 and March 31, 2016*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the reporting entity's own belief about the assumptions market participants would use in pricing the asset or liability based upon the best information available in the circumstances. Additionally, the inputs are prioritized based on a three-level hierarchy that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The fair value hierarchy is as follows:

- Level 1 - valuations are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, assets or liabilities.
- Level 2 - valuations are based on quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 - valuations are based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported by little or no market activity).

The recurring fair value measurements for investments as of March 31, 2017 are as follows:

Investment Type	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents				
U.S. government mutual fund	\$ 5,864,386	\$ -	\$ -	\$ 5,864,386
U.S. government treasury				
U.S. treasury note	-	14,776,058	-	14,776,058
U.S. owned electric and gas	-	1,839,587	-	1,839,587
U.S. government sponsored fixed income				
Mortgage backed securities	-	39,989,150	-	39,989,150
Farm lending securities	-	1,245,552	-	1,245,552
Commercial lending securities	-	1,158,782	-	1,158,782
Certificate of deposits	-	6,783,770	-	6,783,770
Total	<u>\$ 5,864,386</u>	<u>\$ 65,792,899</u>	<u>\$ -</u>	<u>\$ 71,657,285</u>

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Notes to Financial Statements *March 31, 2017 and March 31, 2016*

The recurring fair value measurements for investments as of March 31, 2016 are as follows:

Investment Type	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents				
U.S. government mutual fund	\$ 5,844,276	\$ -	\$ -	\$ 5,844,276
U.S. government treasury				
U.S. treasury note	-	16,977,328	-	16,977,328
U.S. owned electric and gas	-	2,569,872	-	2,569,872
U.S. government sponsored fixed income				
Mortgage backed securities	-	35,284,169	-	35,284,169
Farm lending securities	-	652,184	-	652,184
Commercial lending securities	-	1,827,063	-	1,827,063
Certificate of deposits	-	9,395,805	-	9,395,805
Total	<u>\$ 5,844,276</u>	<u>\$ 66,706,421</u>	<u>\$ -</u>	<u>\$ 72,550,697</u>

The following is a description of the valuation methodologies used for assets measured at fair value:

U.S. government mutual fund: These are investments in professionally managed funds consisting of various U.S. treasury and governmental investments. They are considered a Level 1 input in the hierarchy.

U.S. Government treasury: These are investments in asset backed, fixed income securities. These securities provide a return in the form of fixed periodic payments and the eventual return of principal at maturity. They are traded in active markets and values are based on unadjusted quoted prices. They are considered a Level 2 input in the hierarchy.

Fixed income (government and government sponsored entities): Valued at fair value based upon quoted market prices, if available, or estimated using quoted market prices for similar securities. They are considered a Level 2 input in the hierarchy.

Certificates of deposit: These investments have a fixed-maturity and stated interest rate. They are valued at fair value using the stated rates and maturity and by comparing to the pricing and value offered for deposits of similar remaining maturities. They are considered a Level 2 input in the hierarchy.

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4. 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, 2017	Principal Outstanding March 31, 2016	Interest Rate	Sinking Fund Requirements	Purpose of Bond Issue
Parking System Revenue Bonds, Series 1999A	May 27, 1999	\$ 47,390,000	February 15, 2029	\$ 11,660,000	\$ 12,355,000	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	10,265,000	15,055,000	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	98,210,000	105,295,000	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	13,650,000	14,250,000	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.
Tax Exempt Private Placement Bonds, Series 2014B	June 21, 2016	10,000,000	December 22, 2039	9,680,864	-	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				143,465,864	146,955,000			
Unamortized debt premium				3,044,144	3,251,469			
Total revenue bonds outstanding net of deferred amount				\$ 146,510,008	\$ 150,206,469			

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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 2017, the 1999A indenture (i.e., the parking lot at 8th & Chestnut Streets) did operate at a deficit. The City provided almost \$.2 million to cover debt service payments during fiscal year 2017. As of March 31, 2017, the City of Philadelphia has provided slightly over \$13.1 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 \$730,000 as of March 31, 2017.

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 \$5,020,000 as of March 31, 2017.

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 \$7,450,000 as of March 31, 2017.

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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 drew the Series B \$10 million funds on June 21, 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: 10th & Ludlow, Independence Mall, 2nd & Sansom, 8th & Filbert, 15th & Arch and Market Street East. The current portion on Series A is \$600,000 and on Series B is \$425,515 as of March 31, 2017.

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% and matures March 31, 2018. The balance of the note payable at March 31, 2017 is \$4,800,000.

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) and matures March 31, 2018. The balance of the note payable at March 31, 2017 is \$13,500,000.

These notes payable are anticipated to be refunded and issued into long term bonds in the 2018 fiscal year.

The aggregate annual principal and sinking fund payments of debt at March 31, 2017 are as follows:

Year Ending March 31,	Revenue Bonds Principal Amount	Revenue Bonds Interest Amount	Notes Payable Principal Amount	Notes Payable Interest Amount	Total
2018	\$ 14,225,515	\$ 6,427,575	\$ 18,300,000	\$ 164,627	\$ 39,117,717
2019	14,520,615	5,759,750	-	-	20,280,365
2020	15,030,515	5,074,085	-	-	20,104,600
2021	15,635,515	4,328,298	-	-	19,963,813
2022	13,915,515	3,612,432	-	-	17,527,947
2023-2027	48,682,573	8,889,842	-	-	57,572,415
2028-2032	18,157,573	1,998,148	-	-	20,155,721
2033-2037	2,127,583	350,124	-	-	2,477,707
2038-2040	1,170,460	54,001	-	-	1,224,461
	<u>\$ 143,465,864</u>	<u>\$ 36,494,255</u>	<u>\$ 18,300,000</u>	<u>\$ 164,627</u>	<u>\$ 198,424,746</u>

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements *March 31, 2017 and March 31, 2016*

The following tables provide a summary of changes in revenue bonds outstanding and notes payable for the years ended March 31, 2017 and 2016:

	<u>Balance at March 31, 2016</u>	<u>Proceeds</u>	<u>Bonds Refunded</u>	<u>Principal Repayments</u>	<u>Balance at March 31, 2017</u>
Revenue Bonds					
Outstanding	\$ 146,955,000	10,000,000	-	(13,489,136)	\$ 143,465,864
Notes Payable	\$ 20,400,000	-	-	(2,100,000)	\$ 18,300,000
	<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

5. 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, 2017</u>	<u>March 31, 2016</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 \$245,116 and \$829,875 as of March 31, 2017 and 2016, 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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*Notes to Financial Statements
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6. RESTRICTED CASH AND INVESTMENTS AND NET POSITION

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

	2017	2016
<u>Series of 1999A:</u>		
Bond reserve fund	\$ 3,220,181	\$ 3,220,181
Revenue fund	408,587	435,475
Construction fund	102,161	102,156
Bond redemption fund	28,230	28,199
Subtotal	<u>3,759,159</u>	<u>3,786,011</u>
<u>Series of 2008:</u>		
Debt service fund	3,521,182	3,172,957
Bond reserve fund	5,262,201	5,262,201
Maintenance fund	3,012,706	2,992,702
Bond redemption fund	2,990,388	2,829,271
Subtotal	<u>14,786,477</u>	<u>14,257,131</u>
<u>Series of 2009:</u>		
Debt service reserve fund	6,118,468	5,292,498
Bond reserve fund	10,694,231	10,694,231
Subtotal	<u>16,812,699</u>	<u>15,986,729</u>
Restricted for Indentures	35,358,335	34,029,871
Restricted for Airport construction	16,324,444	14,700,309
Restricted for Center City Garage construction	17,196,442	6,794,514
Restricted Taxicab and Limousine Division cash	-	933,421
Restricted for the City of Philadelphia	49,164,794	43,206,251
Restricted for Pennsylvania Department of Transportation	3,374,327	1,669,616
Investments pledged	<u>5,864,419</u>	<u>5,844,276</u>
Total restricted cash and investments	<u>\$ 127,282,761</u>	<u>\$ 107,178,258</u>

Restricted net position consist of the following at March 31:

	2017	2016
Restricted cash and investments for Airport Indentures and Airport and Garage construction	\$ 68,879,221	\$ 55,524,694
Less balances restricted for Airport Indenture debt service	(9,639,650)	(8,304,402)
Less balances attributable for Airport Indenture debt service	(21,197,208)	(23,232,767)
Less balances attributable for construction debt	<u>(33,520,886)</u>	<u>(21,494,823)</u>
Restricted net position	<u>\$ 4,521,477</u>	<u>\$ 2,492,702</u>

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Notes to Financial Statements *March 31, 2017 and March 31, 2016*

7. 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	
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

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 restricted cash held in lieu of a letter of credit at March 31, 2017 and 2016 is approximately \$5.7 million. The amount of outstanding letters of credit at March 31, 2017 and 2016 is approximately \$0.8 million. 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 \$4,818,016 and \$5,842,940 as of March 31, 2017 and 2016, respectively, was established according to a third-party actuarial study.

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

	Balance March 31, 2016	Current Year claims and changes in estimates	Claims Payments	Balance March 31, 2017
Workers Compensation	\$ 4,374,731	\$ 2,022,176	\$ (2,428,495)	\$ 3,968,412
General Liability	1,468,209	(186,521)	(432,084)	849,604
	<u>\$ 5,842,940</u>	<u>\$ 1,835,655</u>	<u>\$ (2,860,579)</u>	<u>\$ 4,818,016</u>

	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>

8. 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).

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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.

Annual Required Contribution	\$ 2,916,146
Interest on Net OPEB Obligation	504,698
Adjustment to Annual Required Contribution	<u>(494,573)</u>
Annual OPEB Cost (Expense)	2,926,271
Contributions Made	<u>(477,817)</u>
Increase in Net OPEB Obligation	2,448,454
Net OPEB Obligation - March 31, 2016	<u>12,617,461</u>
Net OPEB Obligation - March 31, 2017	<u><u>\$ 15,065,915</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, 2017 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, 2017	\$ 2,926,271	19.4%	\$ 15,065,915
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

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Funding Status & Funding Progress

The funded status of the plan as of March 31, 2017, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability ("AAL")	\$	23,591,954
Actuarial value of plan assets		<u>-</u>
Unfunded actuarial accrued liability ("UAAL")	\$	23,591,954
Funded ratio		<u>0.0%</u>
Covered payroll	\$	23,702,224
UAAL as percentage of covered payroll		99.5%

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. Employees who retire from the Authority may be eligible for postemployment medical, prescription drugs, dental and vision benefits for a limited period of time in retirement. Authority subsidized coverage is provided for sixty (60) months upon retirement and can be extended one additional month for each 2.5 unused sick leave days accumulated at time of retirement. Based on the results of recent retirees, the average number of additional years of coverage accumulated based on unused sick leave days is approximately four to five years. For valuation purposes, it is assumed that current active employees will receive a total of ten years of subsidized health & welfare coverage upon retirement from the Authority.

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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, 2017 valuation, the projected unit cost method was used. The actuarial assumptions included a 4.0% 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 10.0% 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 1.0% 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, 2017 is 30 years.

9. 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.

At July 1, 2015, the data used for the June 30, 2016 valuation, employees covered by the Plan consisted of the following:

Retirees and beneficiaries receiving benefits	30,811
Terminated employees entitled to benefits but not yet receiving them	1,334
Disabled	4,016
Deferred retirement option plan (DROP) participants	1,784
Active plan participants	<u>27,951</u>
Total membership	<u><u>65,896</u></u>
Number of participating employers	<u><u>4</u></u>

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements *March 31, 2017 and March 31, 2016*

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, 2016 is \$113.9 million.

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, 2015, members contributed at one of the following rates:

	Plan 67	Plan 87	Plan 10
Uniform Employees Rates	6.00%	5.00% or 6.00%	5.50%
Non-Uniform Employees Rates	3.75%, 4.25%, 5.62%, 6.00% or 6.50%	1.97%, 2.47%, 2.64%, 3.14%, 3.29%, 3.47% or 4.14%	3.16%
Elected Officials Rates	N/A	8.48%, 9.11%, 9.48% or 10.11%	3.16%

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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 2016, the City and other employers' contributions of \$660.2 million was less than the actuarially determined employer contribution (ADEC) of \$846.2 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 2016, the City and other employers' contributions of \$660.2 million exceeded the Minimum Municipal Obligation of \$595.0 million.

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Notes to Financial Statements *March 31, 2017 and March 31, 2016*

The annual required contribution was determined based on the most recent annual actuarial valuation dated June 30, 2016. 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 2.5%. 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.

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

The following is the Philadelphia Board of Pensions' approved asset allocation policy and the best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation as of June 30, 2016:

Asset Class	Target	Long-term Expected Real Rate of Return
US equity	29.80 %	7.90 %
Non-US equity – developed	16.80	7.60
Non-US equity – emerging	5.20	7.20
Fixed income – investment grade	19.00	2.80
Fixed income – non-investment grade	7.50	5.80
Fixed income – private real estate	2.60	12.70
Real assets – public real estate	1.40	7.20
Real assets – MLP's	1.90	7.80
Private equity	9.10	10.95
Private debt	1.90	3.38
Hedge funds	3.70	5.50
Cash and other	1.10	0.40

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements *March 31, 2017 and March 31, 2016*

Rate of Return

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (3.20)%. 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, 2016, 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, 2016 were as follows:

Total pension liability	\$ 10,877,209,958
Plan fiduciary net position	<u>4,357,975,073</u>
Plan net pension liability (asset)	<u>\$ 6,519,234,885</u>
Plan fiduciary net position as a percentage of total pension liability	<u>40.07%</u>

At June 30, 2016, the Authority reported a liability of \$209,757,358 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, 2016 using the following actuarial methods and assumptions:

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry-age normal
Actuarial assumptions:	
Projected salary increases	Age based salary scale
Discount rate	7.75%
Amortization growth rate	3.30%
Asset valuation method	10-year smoothed 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, 2016 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, 2017 and March 31, 2016

Discount Rate

The discount rate used to measure the total pension liability for the Plan was 7.75%, 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 7.75% 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 (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate	1% Increase (8.75%)
Proportionate share of the Plan net pension liability	\$ 244,881,225	\$ 209,757,358	\$ 179,823,295

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

For the years ended March 31, 2017 and 2016, the Authority recognized pension expense of \$23,293,902 and \$21,773,265, respectively.

At March 31, 2017, 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	\$ 4,227,615	\$ -
Changes in assumptions	2,829,290	-
Difference between projected and actual earnings on investments	19,854,430	-
Change in proportionate share	31,243,249	-
Difference between projection and actual contributions	7,586,463	-
Contributions made subsequent to measurement date	20,415,460	-
Total	<u>\$ 86,156,507</u>	<u>\$ -</u>

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements *March 31, 2017 and March 31, 2016*

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:	
2018	\$ 21,464,807
2019	21,464,807
2020	19,584,595
2021	3,226,838

At March 31, 2017, the Authority reported a payable of \$5,582,177 for the outstanding amount of contributions to the pension plan required for the year ended March 31, 2017.

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.

10. COLLECTIVE BARGAINING AGREEMENTS

There are several collective bargaining agreements in place during the fiscal year ended March 31, 2017 and 2016 covering Authority employees. Collective bargaining agreement terms and the related union employee participation is as follows:

	<u>Current Contract Term</u>	<u>Number of Participants at March 31, 2017</u>	<u>Number of Participants at March 31, 2016</u>
American Federation of State, County and Municipal Employees ("AFSCME") District Council 33	9/1/2013-8/31/2017	455	467
AFSCME Locals 2186 & 2187, District Council 47	9/1/2013-8/31/2017	110	114
International Union of Painters and Allied Trades District Council 21, Local 252	5/1/2013-4/30/2017	28	26
Teamsters Union Local No 115	6/1/2013-5/31/2018	76	81
Transport Workers Union of America, Local 700	1/15/2014-1/14/2018	44	46

The number of employees covered in collective bargaining agreements represents 64.1% and 65.5% of the Authority's employees as of March 31, 2017 and 2016, respectively.

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements ***March 31, 2017 and March 31, 2016***

Participants in Teamsters Union Local No. 115 and International Union of Painters and Allied Trades District Council 21, Local 252 receive health and welfare benefits through the Authority. Participants in AFSCME District Council 33 and AFSCME Locals 2186 & 2187 District Council 47 have the option to participate in the union plan or receive health and welfare benefits through the Authority. Participants in Transport Workers Union of America, Local 700 receive health and welfare benefits through the union. For benefits received through a union, the Authority contributes to the plan in accordance with notice from the union administrators. These benefits are funded as incurred and there are no balances payable for union health and welfare benefits as of the years ended March 31, 2017 and 2016.

Participants in AFSCME District Council 33, AFSCME Locals 2186 & 2187 District Council 47, and International Union of Painters and Allied Trades District Council 21, Local 252 receive retirement benefits through the Authority in the City of Philadelphia Municipal Pension. Participants in the Transport Workers Union of America, Local 700 receive retirement benefits through a defined contribution plan, in which the Authority matches a portion of the employee contribution. Participants in the Teamsters Union Local No 115 receive retirement benefits through a defined benefit pension plan through a self-sponsored, cost-sharing, multiemployer, defined-benefit pension plan that provides benefits to both governmental and non-governmental employees and whose are held in a trust.

Employees in Teamsters Union Local No. 115 participate in the Teamsters Local Union No 115 Pension Plan (the “Local 115 Plan”). Under current provisions of the Local 115 Plan, a participant is eligible for a normal retirement pension upon attaining age 65 with 5 years of vesting service, for an early retirement pension upon attaining age 55 with 5 years of vesting service, and for a disability retirement pension upon total and permanent disability with 5 years of vesting service. For a participant whose employer contributes on a weekly basis, the minimum normal retirement benefit is \$200. A \$3,000 death benefit is payable upon the death of a retiree to his or her beneficiary. Amendments to the Local 115 Plan require approval from the board of trustees of the Local 115 Plan’s trust. There is no minimum contribution for future periods’ requirement under the Local 115 Plan; however a withdrawal liability would be assessed if the Authority employees were to exit the Local 115 Plan. The annual reports of the Local 115 Plan are available on the Department of Labor employee benefits security administration website.

Pursuant to a collective-bargaining agreement, the Authority contributes to the plan at agreed upon rates based on the weeks participants are employed. Effective June 1, 2014 the Authority contributed \$104.93 per week for participating employees, effective June 1, 2015 the Authority contributed \$112.69 per week for participating employees, and effective June 1, 2016 the Authority contributed \$121.03 per week for participating employees. The contribution rates to the Local 115 Plan are subject to review and approval by the Local 115 Plan actuary.

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements *March 31, 2017 and March 31, 2016*

The Authority contributed \$506,205 and \$493,252 to the Local 115 Plan for the years ended March 31, 2017 and 2016, respectively. The Authority reported \$47,706 and \$39,940 payable to the Local 115 Plan as of March 31, 2017 and 2016, respectively.

A schedule of Authority's required contributions and actual contributions to the Local 115 Plan for the last 10 years is as follows:

<u>Fiscal Year ending</u>	<u>Teamsters Local Union No 115 Pension Plan required contributions</u>	<u>Authority's Contributions to Teamsters Local Union No 115 Pension Plan</u>
March 31, 2017	\$ 506,205	\$ 506,205
March 31, 2016	491,212	491,212
March 31, 2015	615,010	615,010
March 31, 2014	483,262	483,262
March 31, 2013	444,958	444,958
March 31, 2012	474,402	474,402
March 31, 2011	464,839	464,839
March 31, 2010	424,591	424,591
March 31, 2009	452,398	452,398
March 31, 2008	395,666	395,666

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 approximately \$32.4 million for fiscal year ended 2017.

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, \$34.5, 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 2017.

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements
March 31, 2017 and March 31, 2016

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, 2017 are as follows:

Year Ended March 31,	Future Minimum Lease Payments	Less: Sublease Income	Net Future Minimum Lease Payments
2018	\$ 4,496,717	\$ 662,847	\$ 3,833,870
2019	4,512,413	677,230	3,835,183
2020	4,549,185	613,886	3,935,299
2021	4,585,959	613,886	3,972,073
2022	4,595,559	613,886	3,981,673
2023-2027	9,296,351	598,855	8,697,496
2028-2032	9,924,551	-	9,924,551
2033-2037	10,843,861	-	10,843,861
2038-2040	6,910,813	-	6,910,813
Total	<u>\$ 59,715,409</u>	<u>\$ 3,780,590</u>	<u>\$ 55,934,819</u>

Rental expense for the fiscal years ended March 31, 2017 and 2016 was \$4,672,872 and \$4,276,321, respectively.

THE PHILADELPHIA PARKING AUTHORITY

Notes to Financial Statements

March 31, 2017 and March 31, 2016

12. SERVICE AGREEMENTS

The Authority has a contract with Conduent through March 31, 2019 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, Conduent is reimbursed based upon both the number of tickets processed and a percentage of the revenue collected from overdue parking tickets. In addition, the Authority has a contract with Conduent through September 2022 for the rental and servicing of the equipment utilized for the Red Light Camera Program and for collection activity related to that program. The Authority has another agreement with Conduent to maintain Revenue Control Equipment at the Airport. Total expense to Conduent for the fiscal years ended March 31, 2017 and 2016 were \$17,557,104 and \$15,088,005, respectively.

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, 2017	\$ -	\$ 23,591,954	\$ 23,591,954	0.00%	\$ 23,702,224	99.5%
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%

Notes: Demographic changes in the active population (e.g. changes in ages and average years of service) resulted in a decrease in the actuarial accrued liability as of March 31, 2017.

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, 2016	3.22%	\$ 209,757,356	\$ 41,025,610	511.28%	
June 30, 2015	2.47	145,553,735	37,986,088	383.20	

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, 2016	\$ 25,345,907	\$ 28,126,464	\$ (2,780,556)	\$ 41,025,610	68.56%
June 30, 2015	18,390,598	19,090,652	(700,054)	37,986,088	50.30

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, 2017 and 2016

Schedule 1

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	Funds Under Trust Indenture								
	May 27, 1999		September 5, 2008 and December 10, 2009		Funds Not Under Trust Indenture	Red Light Camera Enforcement	On-Street Parking	Combined Totals 2017	Combined Totals 2016
	Restricted	Unrestricted	Restricted	Unrestricted					
Assets:									
Cash and cash equivalents	\$ -	\$ 310,054	\$ 495,930	\$ 6,236,552	\$ 28,456,395	\$ 698,307	\$ 20,323,609	\$ 56,520,847	\$ 60,918,249
Investments	-	-	-	-	27,059,781	-	100,011	27,159,792	26,079,198
Accrued interest receivable	14,330	-	19,838	42,437	48,233	-	-	124,838	181,839
Accounts receivable	-	-	-	-	176,324	-	512,512	688,836	402,405
Prepaid expenses	-	-	-	-	10,123	-	92,794	102,917	96,020
Total current assets	14,330	310,054	515,768	6,278,989	55,750,856	698,307	21,028,926	84,597,230	87,677,711
Restricted cash and investments	3,759,159	58,829	33,330,242	45,553,238	23,858,296	3,374,327	17,348,669	127,282,760	107,178,258
Property and equipment:									
Land	10,300,000	-	-	-	4,954,524	-	-	15,254,524	15,254,524
Construction in progress	-	-	-	3,385,566	4,457,543	-	1,348,005	9,191,114	35,971,044
Parking facilities and improvements	-	-	256,754,241	-	76,023,758	-	-	332,777,999	298,718,824
Improvements, equipment, and furniture	-	469,890	-	15,573,816	22,239,266	647,152	26,409,943	65,340,067	62,584,525
Total property and equipment	10,300,000	469,890	256,754,241	18,959,382	107,675,091	647,152	27,757,948	422,563,704	412,528,917
Total assets	14,073,489	838,773	290,600,251	70,791,609	187,284,243	4,719,786	66,135,543	634,443,694	607,384,886
Deferred Outflows of Resources:									
Deferred outflows on refunding	-	-	3,570,989	-	-	-	-	3,570,989	4,188,977
Deferred outflows for pension	-	-	-	3,437,644	32,343,152	241,239	50,134,472	86,156,507	26,097,704
Total deferred outflows of resources	-	-	3,570,989	3,437,644	32,343,152	241,239	50,134,472	89,727,496	30,286,681
Total assets and deferred outflows	\$ 14,073,489	\$ 838,773	\$ 294,171,240	\$ 74,229,253	\$ 219,627,395	\$ 4,961,025	\$ 116,270,015	\$ 724,171,190	\$ 637,671,567
Liabilities:									
Accounts payable and accrued expenses	\$ -	\$ 26,210	\$ -	\$ 2,898,927	\$ 7,684,800	\$ 1,814,831	\$ 7,188,663	\$ 19,613,431	\$ 22,180,101
Accrued interest payable	89,054	-	470,614	-	-	-	-	559,668	592,120
Due to City/School District of Philadelphia	-	58,829	-	30,489,389	1,267,908	-	17,348,669	49,164,795	43,206,251
Due to the Pennsylvania Department of Transportation	-	-	-	-	-	3,374,327	-	3,374,327	1,669,616
Current portion of revenue bond	730,000	-	12,470,000	-	1,025,515	-	-	14,225,515	13,170,000
Current portion of notes payable	-	-	18,300,000	-	-	-	-	18,300,000	2,100,000
Due to (from) other funds	-	228,846	-	1,764,779	(10,625,422)	(1,127,899)	9,759,696	-	-
Total current liabilities	819,054	313,885	31,240,614	35,153,095	(647,199)	4,061,259	34,297,028	105,237,736	82,918,088
Revenue bonds payable	10,930,000	-	99,049,144	-	22,305,349	-	-	132,284,493	137,036,469
Notes payable	-	-	-	-	-	-	-	-	18,300,000
Accrued claims payable	-	-	-	-	4,818,016	-	-	4,818,016	5,842,940
Payable for post employment benefits, other than pensions	-	-	-	-	15,065,915	-	-	15,065,915	12,617,461
Net pension liability	-	-	-	8,369,319	78,742,912	587,320	122,057,807	209,757,358	145,553,733
Total liabilities	11,749,054	313,885	130,289,758	43,522,414	120,284,993	4,648,579	156,354,835	467,163,518	402,268,691
Deferred Inflows of Resources:									
Deferred revenue	-	-	-	-	-	-	-	-	933,421
Total liabilities and deferred inflows	11,749,054	313,885	130,289,758	43,522,414	120,284,993	4,648,579	156,354,835	467,163,518	403,202,112
Net Position:									
Net investment in capital assets	2,324,435	469,891	159,360,005	34,023,231	101,510,065	647,152	27,757,948	326,092,727	311,213,851
Restricted	-	-	4,521,477	-	-	-	-	4,521,477	2,492,702
Unrestricted	-	54,997	-	(3,316,392)	(2,167,663)	(334,706)	(67,842,768)	(73,606,532)	(79,237,098)
Net position	2,324,435	524,888	163,881,482	30,706,839	99,342,402	312,446	(40,084,820)	257,007,672	234,469,455
Total liabilities, deferred inflows, and net position	\$ 14,073,489	\$ 838,773	\$ 294,171,240	\$ 74,229,253	\$ 219,627,395	\$ 4,961,025	\$ 116,270,015	\$ 724,171,190	\$ 637,671,567

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, 2017 and 2016

Schedule 1
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	Funds Under Trust Indenture		Funds Not	Red Light		Combined	Combined
	May 27, 1999	December 10, 2009*	Under Trust Indenture	Camera Enforcement	On-Street Parking	Totals 2017	Totals 2016
Operating revenues	\$ 1,115,488	\$ 73,613,027	\$ 28,419,943	\$ 21,213,679	\$ 135,169,044	\$ 259,531,181	\$ 242,855,463
Operating expenses:							
Direct operating expenses	112,290	19,098,064	14,644,567	8,678,918	74,236,976	116,770,815	109,602,667
Administrative expenses	52,010	4,456,656	4,985,949	1,778,697	15,143,828	26,417,140	27,276,609
Expense to the City/School District of Philadelphia	(234,284)	32,372,710	1,024,754	-	44,806,931	77,970,111	74,794,277
Expense to the Pennsylvania Department of Transportation	-	-	-	10,541,496	-	10,541,496	5,181,749
Total operating expenses	(69,984)	55,927,430	20,655,270	20,999,111	134,187,735	231,699,562	216,855,302
Operating income	1,185,472	17,685,597	7,764,673	214,568	981,309	27,831,619	26,000,161
Nonoperating revenues (expenses):							
Investment income	171,216	1,127,561	129,380	2,259	596	1,431,012	1,657,253
Interest expense	(637,325)	(6,322,021)	(651,428)	(1,109)	(45,951)	(7,657,834)	(7,807,115)
Medallion Fund transfers from the Commonwealth	-	-	933,421	-	-	933,421	2,166,720
Total nonoperating revenues (expenses)	(466,109)	(5,194,460)	411,373	1,150	(45,355)	(5,293,401)	(3,983,142)
Changes in net position before transfers	719,363	12,491,137	8,176,046	215,718	935,954	22,538,218	22,017,019
Operating transfers							
Interfund transfers in (out)	258	23,815	662,919	-	(686,992)	-	-
Total operating transfers in (out)	258	23,815	662,919	-	(686,992)	-	-
Changes in net position after transfers	719,621	12,514,952	8,838,965	215,718	248,962	22,538,218	22,017,019
Net position, beginning of year	2,129,702	181,602,898	90,973,909	96,728	(40,333,782)	234,469,455	331,991,915
Effect of adoption of GASB 68	-	-	-	-	-	-	(119,539,479)
Net position, end of the year	<u>\$ 2,849,323</u>	<u>\$ 194,117,850</u>	<u>\$ 99,812,874</u>	<u>\$ 312,446</u>	<u>\$ (40,084,820)</u>	<u>\$ 257,007,673</u>	<u>\$ 234,469,455</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, 2017 and 2016

Schedule 2
Page 1 of 2

	Construction Fund	Revenue Fund	Bond Fund		Bond Reserve Fund	Rebate Fund	Combined Totals 2017	Combined Totals 2016
			Interest	Principal				
Assets:								
Cash and cash equivalents	\$ -	\$ 310,054	\$ -	\$ -	\$ -	\$ -	\$ 310,054	\$ 187,758
Accrued interest receivable	26	101	-	-	14,196	7	14,330	14,289
Total current assets	26	310,155	-	-	14,196	7	324,384	202,047
Restricted cash and investments	102,161	467,416	-	-	3,220,181	28,230	3,817,988	3,834,008
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>\$ 10,402,187</u>	<u>\$ 1,247,461</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,234,377</u>	<u>\$ 28,237</u>	<u>\$ 14,912,262</u>	<u>\$ 14,805,945</u>
Liabilities:								
Accounts payable and accrued expenses	\$ -	\$ 26,210	\$ -	\$ -	\$ -	\$ -	\$ 26,210	\$ 160,799
Accrued interest payable	-	-	89,054	-	-	-	89,054	92,022
Due to City/School District of Philadelphia	-	58,829	-	-	-	-	58,829	47,997
Current portion of revenue bond	730,000	-	-	-	-	-	730,000	695,000
Due to (from) other funds	-	228,846	-	-	-	-	228,846	20,425
Total current liabilities	730,000	313,885	89,054	-	-	-	1,132,939	1,016,243
Revenue bond payable	10,930,000	-	-	-	-	-	10,930,000	11,660,000
Total liabilities	11,660,000	313,885	89,054	-	-	-	12,062,939	12,676,243
Net Position:								
Net investment in capital assets	(1,257,813)	878,579	(89,054)	-	3,234,377	28,237	2,794,326	2,171,168
Unrestricted	-	54,997	-	-	-	-	54,997	(41,466)
Net position	(1,257,813)	933,576	(89,054)	-	3,234,377	28,237	2,849,323	2,129,702
Total liabilities and net position	<u>\$ 10,402,187</u>	<u>\$ 1,247,461</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,234,377</u>	<u>\$ 28,237</u>	<u>\$ 14,912,262</u>	<u>\$ 14,805,945</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, 2017 and 2016

Schedule 2

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	Construction Fund	Revenue Fund	Bond Fund		Bond Reserve Fund	Rebate Fund	Combined Totals 2017	Combined Totals 2016
			Interest	Principal				
Operating revenues	\$ -	\$ 1,115,488	\$ -	\$ -	\$ -	\$ -	\$ 1,115,488	\$ 717,670
Operating expenses:								
Direct operating expenses	-	112,290	-	-	-	-	112,290	117,772
Administrative and other expenses	-	52,010	-	-	-	-	52,010	65,084
Expense to the City of Philadelphia	-	-	(234,284)	-	-	-	(234,284)	(661,461)
Total operating expenses	-	164,300	(234,284)	-	-	-	(69,984)	(478,605)
Operating income	-	951,188	234,284	-	-	-	1,185,472	1,196,275
Nonoperating revenue (expense):								
Investment income	123	171,059	-	-	-	34	171,216	170,637
Interest expense	-	(637,325)	-	-	-	-	(637,325)	(674,375)
Total nonoperating revenues (expenses)	123	(466,266)	-	-	-	34	(466,109)	(503,738)
Changes in net position before transfers	123	484,922	234,284	-	-	34	719,363	692,537
Operating transfers in (out)								
Interfund transfers in (out)	694,890	(463,316)	(231,316)	-	-	-	258	(3,308)
Total operating transfers in (out)	694,890	(463,316)	(231,316)	-	-	-	258	(3,308)
Changes in net position after transfers	695,013	21,606	2,968	-	-	34	719,621	689,229
Net position, beginning of year	(1,952,826)	911,970	(92,022)	-	3,234,377	28,203	2,129,702	1,440,473
Net position, end of the year	<u>\$ (1,257,813)</u>	<u>\$ 933,576</u>	<u>\$ (89,054)</u>	<u>\$ -</u>	<u>\$ 3,234,377</u>	<u>\$ 28,237</u>	<u>\$ 2,849,323</u>	<u>\$ 2,129,702</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 Net Position
March 31, 2017 and 2016

Schedule 3
Page 1 of 2

	Construction Fund	Revenue Fund	Debt Service Fund		Bond Reserve Fund	Maintenance Fund	Bond Redemption & Improvement Fund	Combined Totals 2017	Combined Totals 2016
			Principal	Interest					
Assets:									
Cash and cash equivalents	\$ -	\$ 6,707,023	\$ 24,550	\$ -	\$ 2	\$ 469	\$ 438	\$ 6,732,482	\$ 12,908,617
Accrued interest receivable	-	45,591	2,500	-	-	7,092	7,092	62,275	119,317
Total current assets	-	6,752,614	27,050	-	2	7,561	7,530	6,794,757	13,027,934
Restricted cash and investments	-	47,284,304	9,639,650	-	16,100,488	3,012,706	2,846,332	78,883,480	71,661,018
Property and equipment									
Construction in progress	-	3,385,566	-	-	-	-	-	3,385,566	2,141,433
Parking facilities and improvements	233,827,132	-	-	22,927,109	-	-	-	256,754,241	256,754,240
Improvements, equipment, and furniture	-	15,573,816	-	-	-	-	-	15,573,816	15,573,816
Total property and equipment	233,827,132	18,959,382	-	22,927,109	-	-	-	275,713,623	274,469,489
Deferred Outflows of Resources:									
Deferred outflows on refunding	3,570,989	-	-	-	-	-	-	3,570,989	4,188,977
Deferred outflows for pension	-	3,437,644	-	-	-	-	-	3,437,644	1,041,298
Total assets and deferred outflows	\$ 237,398,121	\$ 76,433,944	\$ 9,666,700	\$ 22,927,109	\$ 16,100,490	\$ 3,020,267	\$ 2,853,862	\$ 368,400,493	\$ 364,388,716
Liabilities:									
Accounts payable and accrued expenses	\$ -	\$ 2,898,927	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,898,927	\$ 2,966,820
Accrued interest payable	-	-	411,709	58,905	-	-	-	470,614	500,098
Due to City of Philadelphia	-	30,489,389	-	-	-	-	-	30,489,389	26,716,849
Current portion of revenue bond	12,470,000	-	-	-	-	-	-	12,470,000	11,875,000
Current portion of notes payable	-	18,300,000	-	-	-	-	-	18,300,000	2,100,000
Due to other funds	-	1,764,779	-	-	-	-	-	1,764,779	2,792,989
Total current liabilities	12,470,000	53,453,095	411,709	58,905	-	-	-	66,393,709	46,951,756
Revenue bond payable	99,049,144	-	-	-	-	-	-	99,049,144	111,726,468
Notes payable	-	-	-	-	-	-	-	-	18,300,000
Net pension liability	-	8,369,319	-	-	-	-	-	8,369,319	5,807,594
Total liabilities	111,519,144	61,822,414	411,709	58,905	-	-	-	173,812,172	182,785,818
Net Position:									
Net investment in capital assets	125,878,977	17,965,639	7,246,220	22,868,204	16,100,490	507,561	2,816,145	193,383,236	196,003,146
Restricted	-	-	2,008,771	-	-	2,512,706	-	4,521,477	2,492,702
Unrestricted	-	(3,354,109)	-	-	-	-	37,717	(3,316,392)	(16,892,950)
Net position	125,878,977	14,611,530	9,254,991	22,868,204	16,100,490	3,020,267	2,853,862	194,588,321	181,602,898
Total liabilities and net position	\$ 237,398,121	\$ 76,433,944	\$ 9,666,700	\$ 22,927,109	\$ 16,100,490	\$ 3,020,267	\$ 2,853,862	\$ 368,400,493	\$ 364,388,716

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 Revenues, Expenses, and Changes in Net Position
For the Years Ended March 31, 2017 and 2016

Schedule 3

Page 2 of 2

	Construction Fund	Revenue Fund	Debt Service Fund		Bond Reserve Fund	Maintenance Fund	Bond Redemption & Improvement Fund	Combined Totals 2017	Combined Totals 2016
			Principal	Interest					
Operating revenues	\$ -	\$ 73,613,027	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,613,027	\$ 68,721,287
Operating expenses:									
Direct operating expenses	-	19,098,064	-	-	-	-	-	19,098,064	18,748,923
Administrative and other expenses	-	4,456,656	-	-	-	-	-	4,456,656	4,609,512
Expense to the City of Philadelphia	-	32,372,710	-	-	-	-	-	32,372,710	28,488,211
Total operating expenses	-	55,927,430	-	-	-	-	-	55,927,430	51,846,646
Operating income	-	17,685,597	-	-	-	-	-	17,685,597	16,874,641
Nonoperating revenue (expense)									
Investment income	-	1,043,180	46,986	-	2	20,713	16,680	1,127,561	1,249,798
Interest expense	(410,663)	(5,911,358)	-	-	-	-	-	(6,322,021)	(6,632,146)
Total nonoperating revenues (expenses)	(410,663)	(4,868,178)	46,986	-	2	20,713	16,680	(5,194,460)	(5,382,348)
Changes in net position before transfers	(410,663)	12,817,419	46,986	-	2	20,713	16,680	12,491,137	11,492,293
Operating transfers in (out)									
Interfund transfers in (out)	1,080,000	(2,372,169)	1,175,081	-	-	(3,153)	144,056	23,815	643,700
Debt service	10,795,000	(10,795,000)	-	-	-	-	-	-	-
Total operating transfers in (out)	11,875,000	(13,167,169)	1,175,081	-	-	(3,153)	144,056	23,815	643,700
Changes in net position after transfers	11,464,337	(349,750)	1,222,067	-	2	17,560	160,736	12,514,952	12,135,993
Net position, beginning of year	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
Effect of adoption of GASB 68	-	-	-	-	-	-	-	-	(4,769,626)
Net position, end of the year	<u>\$ 125,878,977</u>	<u>\$ 14,141,059</u>	<u>\$ 9,254,991</u>	<u>\$ 22,868,204</u>	<u>\$ 15,956,434</u>	<u>\$ 3,020,267</u>	<u>\$ 2,997,918</u>	<u>\$ 194,117,850</u>	<u>\$ 181,602,898</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, 2017 and 2016

Schedule 4

Page 1 of 1

	<u>2017</u>	<u>2016</u>
Salary and wage expense		
Salaries and wages	\$ 6,923,119	\$ 7,183,939
Pension plan expense	<u>2,323,227</u>	<u>1,727,317</u>
Total salary and wage expense	9,246,346	8,911,256
Payroll related expense		
Employees' benefits	4,090,277	3,260,158
Payroll taxes	<u>539,976</u>	<u>544,425</u>
Total salary and wage and payroll related expense	13,876,599	12,715,839
Direct operating expenses		
Professional fees	147,656	442,459
Utilities	372,574	293,284
Miscellaneous and office expenses	2,838,569	2,910,617
Repairs and maintenance	1,176,274	1,401,054
Insurance	489,597	572,890
Auto expenses	106,312	117,421
Supplies and tickets	63,721	50,248
Telephone	18,133	21,855
Equipments expenses	<u>8,629</u>	<u>223,256</u>
Total direct operating expenses	<u><u>\$ 19,098,064</u></u>	<u><u>\$ 18,748,923</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, 2017 and 2016

Schedule 5

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	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 73,613,027	\$ 68,721,287
Operating expenses		
Direct operating expenses	19,098,064	18,748,923
Administrative expenses	4,456,656	4,609,512
Interest income	<u>(1,127,561)</u>	<u>(1,249,798)</u>
Total operating expenses	22,427,159	22,108,637
Operating income, net	<u>\$ 51,185,868</u>	<u>\$ 46,612,650</u>
Debt service	\$ 18,342,968	\$ 17,318,199
Debt service coverage ratio	2.79	2.69
Debt service coverage requirement	1.50	1.50
Ratio over (under)	1.29	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, 2017

Schedule 6

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	<u>2017</u>	<u>2016</u>
Operating revenues		
Market Street East garage	\$ 2,098,734	\$ 2,062,012
2nd & Sansom garage	2,464,504	2,440,278
Independence Mall garage	2,741,218	2,710,930
Family Court 15th & Arch St garage	1,181,892	1,087,080
8th & Filbert St garage	3,378,936	2,377,759
10th & Ludlow St garage	1,658,580	1,589,656
Total operating revenues	<u>13,523,864</u>	<u>12,267,715</u>
Operating expenses		
Direct operating expenses	5,107,907	4,624,294
Administrative expenses	4,137,015	3,594,210
Interest income	6,785	2,552
Total operating expenses	<u>9,251,707</u>	<u>8,221,056</u>
Operating income, net	<u>\$ 4,272,157</u>	<u>\$ 4,046,659</u>
Debt service	\$ 830,340	\$ 522,000
Debt service coverage ratio	5.15	7.75
Debt service coverage requirement	1.20	1.20
Ratio over (under)	3.95	6.55

THE PHILADELPHIA PARKING AUTHORITY

Reformatted Statements of Net Position

March 31, 2017 and 2016 (in thousands)

	2017	2016
ASSETS:		
Cash and cash equivalents on deposit and on hand	\$ 56,521	\$ 60,918
Investments - short term	27,159	26,079
Accounts receivable	689	403
Other current assets	228	278
Restricted cash and investments	127,283	107,178
Capital assets, net	179,596	183,699
Total assets	<u>391,476</u>	<u>378,555</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows on refunding	3,571	4,189
Deferred outflows for pension	<u>86,156</u>	<u>26,098</u>
Total assets and deferred outflows	<u>481,203</u>	<u>408,842</u>
LIABILITIES:		
Accounts payable and accrued expenses	19,613	22,180
Accrued interest payable	560	592
Due to the City /School District of Philadelphia	49,165	43,206
Due to the Pennsylvania Department of Transportation	3,374	1,670
Current portion of notes payable	18,300	2,100
Current portion of other long-term obligations	14,226	13,170
Non-current portion of notes payable	-	18,300
Non-current portion of other long-term obligations	132,284	137,036
Accrued claims payable	4,818	5,843
Payable for post retirement benefits, other than pensions	15,066	12,617
Net pension liability	<u>209,757</u>	<u>145,554</u>
Total liabilities	<u>467,163</u>	<u>402,268</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred revenue	<u>-</u>	<u>934</u>
Total liabilities and deferred inflows	<u>467,163</u>	<u>403,202</u>
NET POSITION:	<u>\$ 14,040</u>	<u>\$ 5,640</u>

THE PHILADELPHIA PARKING AUTHORITY
Reformatted Statements of Revenues, Expenses, and Changes in Fund Net Position
For the Years Ended March 31, 2017 and 2016 (in thousands)

	<u>2017</u>	<u>2016</u>
EXPENSES:		
Operating expenses	\$ 116,771	\$ 109,603
Expense to the City/School District of Philadelphia	77,970	74,794
Expense to the Pennsylvania Department of Transportation	10,541	5,182
Interest on long-term debt	7,658	7,807
Administrative expenses	26,417	27,277
Depreciation & amortization expense	14,138	14,909
Total expenses	<u>253,495</u>	<u>239,572</u>
PROGRAM REVENUES:		
Charges for services	<u>259,531</u>	<u>242,856</u>
Net program revenues	6,036	3,284
GENERAL REVENUES:		
Interest and investment earnings	1,431	1,657
Other income	<u>933</u>	<u>2,167</u>
Increase in net position	8,400	7,108
Net position, beginning of year	5,640	118,072
Effect of adoption of GASB 68	<u>-</u>	<u>(119,540)</u>
Net position, end of year	<u><u>\$ 14,040</u></u>	<u><u>\$ 5,640</u></u>