

**THE PHILADELPHIA  
PARKING AUTHORITY**

Financial Statements,  
Required Supplementary Information  
And Other Financial Information  
For the Years Ended  
March 31, 2012 and 2011  
&  
Independent Auditors' Report



# THE PHILADELPHIA PARKING AUTHORITY

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **(Unaudited)**

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#### **INTRODUCTION**

The following discussion and analysis of the financial performance and activities of The Philadelphia Parking Authority (“Authority”) is presented to provide an introduction and understanding of the financial statements for the year ending March 31, 2012. 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 8<sup>th</sup> & 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 (“Airport”). Pursuant to those contracts, the Authority on several occasions over the past thirty years issued revenue bonds for the construction and renovation of the public parking facilities at the Airport. The Authority owned 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 increase the payment to the City of Philadelphia Division of Aviation.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **(Unaudited)**

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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 nine facilities in Center City with approximately 8,837 spaces which include the neighborhood lots. 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 50 neighborhood parking lots under an Agreement with the City of Philadelphia.

In 1982, an Act of the General Assembly authorized the City of Philadelphia to assign responsibility for the management of on-street parking to the Authority. The City Council enacted an Ordinance the same year and the Authority entered into Agreements of Cooperation with the City to assume those functions. In 1983, functions previously performed by six City departments were transferred to the Authority including; developing and posting parking regulations, installation, maintenance and collection of parking meters, issuing of Residential Parking Permits, issuing, processing and collecting parking tickets, towing and impounding illegally parked vehicles, and booting scofflaw vehicles. Under the terms of the original Agreements, all net revenue is transferred to the City of Philadelphia. On February 10, 2005, the Governor signed Act 9 of 2005 ("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 50 of July 14, 2005 ("Act 50") established a mechanism to enhance the Authority's parking ticket collection tools by providing that, under certain conditions, the Authority may request that the Pennsylvania Department of Motor Vehicles suspend the registration of any vehicle registered in Pennsylvania having six (6) or more outstanding and overdue parking violations in Philadelphia. This program has allowed the Authority to collect amounts that would have otherwise remained uncollectible.

The Authority's role in improving traffic safety expanded in fiscal year 2001 when the City Managing Director requested the Authority to be the exclusive towing and impoundment agent for the Live Stop Program, authorized by an Act 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).

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **(Unaudited)**

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In 2011, the General Assembly authorized the continuation of the pilot program of Red Light Photo Enforcement until June 30, 2012. The legislation established the Authority as the administrator of the program in cooperation with the City of Philadelphia and the Pennsylvania Department of Transportation. To date, 96 cameras have been installed monitoring 21 intersections.

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.

In keeping with the Authority's expanded mission to provide comprehensive parking and transportation services in the City of Philadelphia, regulatory responsibility for the taxicab and limousine industries were vested with the Authority pursuant to Act 94 of 2005. The transfer of responsibility came after years of complaint of substandard service. The Taxicab and Limousine Division (TLD) is modeled after the classic administrative agency design. TLD suggests new regulations to the Authority's Board after an opportunity for public comment. In addition to the promulgation of regulations, the TLD is responsible for the registration of companies, vehicles, drivers and dispatchers as well as enforcement of the regulations and collection of fees and fines for violations. Consistent with the Authority's overall mission, the staff has concentrated on improving public service, including frequent and more comprehensive vehicle inspections, driver training, consistent enforcement, better public information, and implementing other policies to provide a positive experience for people using the system.

Today, the Authority's responsibilities have grown far beyond providing only off-street parking. The Authority's Strategic Plan, established in 2004, established a broad vision of the Authority's mission – to support the region's economic vitality by providing comprehensive parking management and transportation services through our partnership with the City of Philadelphia and the Commonwealth of Pennsylvania. As the elements of the plan evolve, the focus continues to be on making Philadelphia a more mobile city, improve the quality of life and support economic development.

The mobility improvement initiative began in 2009 when the City of Philadelphia permitted periodic meter rate adjustments up to a maximum set at \$3.00 per hour. During FY 2012, in consultation with the City, the Authority implemented a \$.50 per hour rate increase on meter parking in Center City and University City. That adjustment will increase parking availability by stimulating turnover and is expected to generate an additional \$6 million for the School District.

The On-Street Parking Division also implemented a new fee structure for valet parking operators. Legislation enacted during the year increased the fee for valet zones to \$2,500 per space however, that rate may be prorated based on days of operation. The result was the elimination of some seldom used zones and a more rational use of on-street parking spaces.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Unaudited)**

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A major emphasis on customer service highlighted activity in FY 2012. The position of Director of Customer Service was created to oversee all Authority interaction with the public. Those activities include monitoring the service provided by the Parking Violations Branch, interaction with the Bureau of Administrative Adjudication, managing questions and complaints which come through the administrative offices as well as following legislation in both the City and Harrisburg. During the year, an RFP was completed which resulted in the engagement of a company to assist in developing, enhancing and monitoring the Authority's presence in social/electronic media. This important communications tool will facilitate the dissemination of parking information as well as answer questions posed by users.

The lease on the headquarters facility located at 3101 Market Street is set to expire in July 2012. The Authority began discussions with API, the current landlord, on a lease extension. Those discussions resulted in the decision to explore alternate locations. An agreement on terms has been concluded with the Pennsylvania Real Estate Investment Trust to relocate the headquarters to 801 Market Street. Final lease negotiations are not completed however it is anticipated that the operation will move to that facility in the spring of 2013. The new location will provide additional space as well as a direct connection to the Authority's garage at 8<sup>th</sup> and Filbert Streets.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Unaudited)**

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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 Programs 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 Assets* presents information on the Authority's assets and liabilities. Assets are classified as either current assets (cash, investments, and amounts expected to be received within one year) or non-current assets (deposits, 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, 2013). The difference between the total assets and the total liabilities is reported as net assets.

The *Statement of Revenues, Expenses, and Changes in Fund Net Assets* 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 assets. The ending balance of net assets resulting from this increase or decrease is reflected on the Statement of Net Assets.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Unaudited)**

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**FINANCIAL ANALYSIS**

The following table compares the Condensed Statement of Net Assets as of March 31, 2012 and 2011:

|                                     | 3/31/2012         | 3/31/2011        | Increase<br>(Decrease) | % Increase<br>(Decrease) |
|-------------------------------------|-------------------|------------------|------------------------|--------------------------|
|                                     | (in thousands)    | (in thousands)   | (in thousands)         | (rounded)                |
| Current Assets                      | \$ 169,705        | \$ 168,833       | \$ 872                 | 1%                       |
| Property and Equipment, net         | 196,087           | 207,418          | (11,331)               | -5%                      |
| Other Assets                        | 2,033             | 3,095            | (1,062)                | -34%                     |
| Total Assets                        | <u>367,825</u>    | <u>379,346</u>   | (11,521)               | -3%                      |
| Current Liabilities                 | 79,310            | 84,379           | (5,069)                | -6%                      |
| Non-Current Liabilities             | 183,803           | 197,267          | (13,464)               | -7%                      |
| Total Liabilities                   | <u>263,113</u>    | <u>281,646</u>   | (18,533)               | -7%                      |
| Fund Net Assets:                    |                   |                  |                        |                          |
| Capital Assets, net of related debt | 58,683            | 58,143           | 540                    | 1%                       |
| Restricted for capital projects     | 2,411             | 4,327            | (1,916)                | -44%                     |
| Unrestricted                        | <u>43,618</u>     | <u>35,230</u>    | 8,388                  | 24%                      |
| Fund Net Assets                     | <u>\$ 104,712</u> | <u>\$ 97,700</u> | \$ 7,012               | 7%                       |

- Current assets increased approximately \$.9 million, principally resulting from the increase in operating revenues, which increased funding to the Authority's Post Employment Benefit Account. Both of these accounts are in the Authority's cash and cash equivalents balance as of March 31, 2012.
- Property and equipment, net decreased of \$11.3 million, principally due to net additions of \$4.7 million offset by depreciation and amortization expense of \$16.0 million.
- As of March 31, 2012, the amount due to City of Philadelphia included in Current Liabilities is \$44.7 million. The total due to the City includes \$23.7 million that was due to the Philadelphia Division of Aviation for fiscal year 2012, and \$13.96 million which will be remitted to the School District of Philadelphia pursuant to the Act 9 of 2005.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Unaudited)**

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Total remaining amounts due to the City/School District of Philadelphia as of March 31, 2012 and March 31, 2011 are as follows:

|                                       | <u>3/31/2012</u>  | <u>3/31/2011</u>  |
|---------------------------------------|-------------------|-------------------|
| On-Street Operation - Gen'l Fund      | \$ 3,597,234      | \$ 4,645,419      |
| On-Street Operation - School District | 13,955,844        | 7,557,124         |
| Airport                               | 23,708,442        | 24,598,206        |
| JFK Garage                            | 2,009,476         | 11,832,326        |
| Independence Mall                     | 771,074           | 781,854           |
| Disney Quest                          | 686,614           | 509,428           |
|                                       | <u>44,728,684</u> | <u>49,924,357</u> |
| Total                                 | \$ 44,728,684     | \$ 49,924,357     |

- Non-Current Liabilities decreased by \$13.5 million, principally due to decreases in the non-current portion of revenue bonds and notes payable offset by increases in the payable for post retirement benefits.
- Net Assets increased \$7.0 million, although this is not available cash. The excess of revenue over expenses generated by both the Authority's On-Street & Airport Parking activities is turned over to the City of Philadelphia and the City's Division of Aviation, respectively.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Unaudited)**

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The following table compares the amounts of revenues, expenses, and change in fund net assets for the fiscal years ending March 31, 2012 and 2011:

**The Philadelphia Parking Authority's Changes in Revenues, Expenses, & Fund Net Assets**

|  | <u>FY 2012</u><br>(in thousands) | <u>FY 2011</u><br>(in thousands) | Increase<br>(Decrease)<br>(in thousands) | % Increase<br>(Decrease)<br>(rounded) |
|--|----------------------------------|----------------------------------|--|---------------------------------------|
| Operating revenues:                    | \$ 230,269                       | \$ 222,665                       | \$ 7,604                                 | 3%                                    |
| Operating expenses:                    |                                  |                                  |  |                                       |
| Direct operating expenses              | 99,974                           | 98,412                           | 1,562                                    | 2%                                    |
| Administrative expenses                | 17,539                           | 18,362                           | (823)                                    | -4%                                   |
| Expense to the City                    | 79,467                           | 70,881                           | 8,586                                    | 12%                                   |
| Expense to the PA DOT                  | 2,930                            | 7,646                            | (4,716)                                  | -62%                                  |
| Depreciation and amortization          | 16,039                           | 14,579                           | 1,460                                    | 10%                                   |
| Total operating expenses               | <u>215,949</u>                   | <u>209,880</u>                   | <u>6,069</u>                             | 3%                                    |
| Operating income                       | <u>14,320</u>                    | <u>12,785</u>                    | <u>1,535</u>                             | 12%                                   |
| Non-operating revenues:                |                                  |                                  |  |                                       |
| Investment income                      | <u>2,419</u>                     | <u>1,986</u>                     | <u>433</u>                               | 22%                                   |
| Total non-operating revenues           | <u>2,419</u>                     | <u>1,986</u>                     | <u>433</u>                               | 22%                                   |
| Total non-operating expenses:          |                                  |                                  |  |                                       |
| Interest expense                       | 9,727                            | 10,635                           | (908)                                    | -9%                                   |
| Total non-operating expenses           | <u>9,727</u>                     | <u>10,635</u>                    | <u>(908)</u>                             | -9%                                   |
| Increase in fund net assets            | 7,012                            | 4,136                            | 2,876                                    | 70%                                   |
| Fund net assets, beginning of the year | <u>97,700</u>                    | <u>93,564</u>                    | <u>4,136</u>                             | 4%                                    |
| Fund net assets, end of the year       | <u>\$ 104,712</u>                | <u>\$ 97,700</u>                 | <u>\$ 7,012</u>                          | 7%                                    |

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Unaudited)**

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**FINANCIAL ANALYSIS** (continued)

- Operating revenues increased \$7.6 million from the prior fiscal year. Contributing factors include a \$4.6 million increase in ticketing revenue. The increase in meter revenue amounting to a \$5.7 million increase and a \$1 million increase in vehicle storage fees. This was offset by a decrease in Red Light camera revenue of \$3.7 million.
- Direct operating expenses increased \$1.6 million from the prior year primarily from pension and repairs and maintenance.
- Administrative Expenses decreased by \$.8 million primarily from decreases in salary expense in Support, Security and Fleet.
- With regard to the Taxicab & Limousine Regulation Division, \$2.0 million of the original \$11.8 million transfer grant (from the Pennsylvania Utility Commission) remains on the books as deferred revenue. These funds will be recognized as revenue as they are spent on the program's capital expenditures and new initiatives.
- Expense to the City increased by \$8.6 million from the prior fiscal year due to overall increased revenue and reduction of expenses.
- Expense to the Pennsylvania Department of Transportation decreased \$4.7 million from the prior year due to construction taking place at various intersections and some scheduled intersections did not go live as soon as expected.
- Depreciation & amortization expense increased \$1.5 million from the prior fiscal year.
- Interest expense decreased \$.9 million from the prior year due to the retirement of the 15<sup>th</sup> & Arch Streets related note payable.
- During fiscal year 2012, the Authority recognized no change in its insurance expense. After analyzing the Authority's recent experience and claims payment patterns, the insurance reserve requirement was established at \$8.7 million.
- The Authority is required to report its liability for post employment retirement benefits. Per an actuarial study, the liability at March 31, 2012 was estimated at \$8.8 million.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Unaudited)**

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**Expense to City/School District of Philadelphia and Pennsylvania**  
**Department of Transportation**

|  | <b>FYE 2012</b>       | <b>FYE 2011</b>       |
|--|-----------------------|-----------------------|
|  | <u>(in thousands)</u> | <u>(in thousands)</u> |
| On-Street (including both Gen'l<br>Fund & School District of Phila.) | \$ 51,300             | \$ 41,785             |
| Airport  | 25,119                | 25,934                |
| Revenue Bond Maint Fund Transfer                                     | 2,000                 | 2,000                 |
| PA Dept. of Transportation   | 2,930                 | 7,646                 |
| Off-Street   | 1,048                 | 1,162                 |
| Totals   | <u>\$ 82,397</u>      | <u>\$ 78,527</u>      |

The City/School District of Philadelphia receives 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 both direct expenses and an allocation of support costs (excluding depreciation). In addition to the expenses noted above, there is also a deduction for capital assets purchased during the fiscal year. For the fifth time since fiscal year 2004, the Authority exceeded the threshold resulting in a \$13.95 million payment to the School District of Philadelphia. These funds were remitted on June 6, 2012.

In addition to the net revenue payments from operations, the Authority collected and remitted to the City of Philadelphia \$16.5 million for fiscal year 2012 and \$17.1 million for fiscal year 2011 in Parking Privilege Tax.

Government 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 \$51.3 million in fiscal year 2012 and \$41.8 million in fiscal year 2011.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Unaudited)**

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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 made on June 30, 2012 was \$25.0 million, a decrease of almost \$.9 million from the prior year.

Since the Disney Quest project at 8<sup>th</sup> & 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, thus contributing in great part to the Off-Street payment to the City of Philadelphia being negative. The City of Philadelphia guarantees this bond issue. During fiscal year 2012, the 1999A indenture (i.e., the parking lot at 8<sup>th</sup> & Chestnut Streets) did operate at a deficit. The City provided almost \$1.2 million to cover debt service payments during fiscal year 2012. As of March 31, 2012, the City of Philadelphia has provided slightly over \$9.9 million in funds in its role as guarantor of these bonds. The 1999A Indenture provides for the Authority to repay the City for any funds paid by the City as a result of its guarantee. The Authority would repay these funds as/if the facility becomes profitable.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The following factors were taken into consideration in preparing the Authority's budget for the fiscal year ending March 31, 2013:

- Capital projects for the 2013 fiscal year total just under \$36.4 million. Major capital funding for garage repairs are as follows: 10<sup>th</sup> & Ludlow Garage \$4.2 million, Market Street East garage \$3.5 million, Independence Mall garage \$3.2 million, 8<sup>th</sup> & Filbert garage \$16.0 million, 2<sup>nd</sup> & Sansom garage \$7.0 million. Additional capital outlays are budgeted for vehicles and communication equipment totaling \$2.5 million dollars.
- Airport revenue is expected to increase by \$4.2 million based upon an anticipated increase in enplanements of approximately 4%.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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Application of Technology to Improve Public Service and Increase Efficiency: A new sign management system was developed for the Planning & Analysis Department to improve the efficiency with which staff installs new regulation signs, performs maintenance and designs and orders new signs. Additionally, Requests for Proposals are being prepared for ongoing maintenance of the Taxicab & Limousine system and for the development of a system for the application, tracking and review process for reserved parking zones for people with disabilities. The ticketing branch is also expanding the use of mobile digital license plate recognition technology for the enforcement of residential permit parking areas.

The On-Street Parking division implemented a pilot program to test the effectiveness of a License Plate Recognition system for enforcing Residential Permit Parking blocks. If it proves to be effective this technology will greatly increase the efficiency with which these blocks are enforced and improve customer service in residential areas throughout the city.

Several technology enhancements were implemented at the Airport Parking Operation including; License Plate Recognition (LPR), Credit Card In and Out (CCIO), conversion of five (5) main toll plaza lanes to automated self-service toll lanes, new Economy Lot toll plaza, upgrade of the security surveillance system, and installation of Automated Vehicle Interface (AVI) technology.

Productivity: The Authority will continue its management focus in the areas of Workers' Compensation and absenteeism, which affect productivity.

Investment Management: We will continue to focus on Investment Management of our short-term and long-term investments. Our banking relationships are continually monitored to ensure lowest cost and highest earnings.

Taxi and Limousine Regulation: As a result of rulings by the Pennsylvania Supreme Court, the Authority completed a comprehensive review of the TLD regulations by the Pennsylvania Independent Regulatory Review Commission. That process was successfully completed and new regulations implemented eliminating ambiguity in regarding the PPA's regulatory authority.

Capital Projects: A comprehensive review of maintenance needs for the 8<sup>th</sup> and Filbert Streets garage was completed and a plan developed to address structural and aesthetic issues involving that facility.

The Authority also began the process, with the City Department of Public Property to completely renovate the garage at John F. Kennedy Plaza including the renovation of the street level plaza. Request for proposals for design and engineering services has been solicited and will be reviewed and awarded in fiscal 2013.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Unaudited)**

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**SUBSEQUENT EVENTS**

Red Light Cameras. Philadelphia City Council granted approval for four additional Red Light Cameras to be placed in service. The sites will be placed in service this coming fiscal year namely at the intersections of Grant and Academy, Bustleton and Byberry, Knights and Woodhaven and Byberry and Worthington Roads. The plan is to have these operational in fiscal year 2013.

The program ended on June 30, 2012. Legislation was passed on the senate floor on July 1<sup>st</sup>, 2012 that extended the program for an additional five years. All violations between June 30, 2012 and up until the signing of the legislation on July 3<sup>rd</sup>, 2012 were deemed void.

On July 5, 2012, Governor Corbett signed House Bill 2390 into law, as Act 119 of 2012. Act 119 made several amendments to Chapter 57 of Title 53, the primary source of the Authority's power to regulate taxicabs and limousines in Philadelphia. Several changes amended statutory language relied upon by the Pennsylvania Commonwealth Court in a decision that prohibited the Authority from conducting certain taxicab impoundments. Those changes were favorable to the Authority, as were several others. Act 119 also authorized the Authority to release 15 new taxicab medallions, each year, over the next 10 years. The first 15 medallions issued must be attached to wheelchair accessible vehicles. The Authority must public auction the medallions.

On July 2, 2012, Governor Corbett signed House Bill 254 into law, as Act 84 of 2012. Act 84 made certain minor modifications to 75 Pa.C.S. § 3116, the statute enabling the Philadelphia's Red Light Cameras ("RLC"). Act 84 also extended the sunset date on the RLC Program through July 15, 2017. Act 84 also amended 75 Pa.C.S. § 6109 to permanently assign the duties of on street parking regulation in Philadelphia to the Authority, effective March 31, 2014. This provision has a protracted effective date in light of the continuing effectiveness of Act 9 of 2004, which does not expire until March 31, 2014. Act 9 assigned this same task to the Authority, with additional budgetary review and auditing requirements that are not included in Act 84.

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Philadelphia Parking Authority:

We have audited the accompanying statement of net assets of The Philadelphia Parking Authority (the "Authority") as of March 31, 2012 and 2011 and the related statements of revenues, expenses and changes in fund net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of March 31, 2012 and 2011, and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") on pages i through xiii and the Schedule of Funding Progress for Postemployment Benefit Plan on page 29 are 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 the financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.



Our audit was conducted for the purpose of forming an opinion on the financial statement of the Authority. The other financial information at pages 30 - 38 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Parente Beard LLC*

Philadelphia, Pennsylvania  
August 28, 2012

**THE PHILADELPHIA PARKING AUTHORITY**

*Statement of Net Assets*

*As of March 31, 2012 and 2011*

|   | <u>2012</u>           | <u>2011</u>          |
|---|-----------------------|----------------------|
| <b>ASSETS:</b>  |                       |                      |
| Cash and cash equivalents                                 | \$ 92,441,586         | \$ 76,916,916        |
| Investments   | 75,704,657            | 90,457,357           |
| Accrued interest receivable                               | 248,827               | 274,251              |
| Accounts receivable                                       | 1,091,684             | 974,005              |
| Prepaid expenses  | 218,552               | 210,891              |
| Total current assets                                      | <u>169,705,306</u>    | <u>168,833,420</u>   |
| Deposits  | -                     | 451,886              |
| Restricted Cash   | 2,032,588             | 2,642,559            |
| Property and equipment:                                   |                       |                      |
| Parking facilities  | 294,799,717           | 293,436,671          |
| Land  | 15,979,653            | 15,979,653           |
| Improvements, equipment and furniture                     | 51,302,293            | 47,957,571           |
| Lease acquisition costs                                   | 589,837               | 589,837              |
| Less: accumulated depreciation                            | <u>(166,584,416)</u>  | <u>(150,545,318)</u> |
| Total property and equipment                              | <u>196,087,084</u>    | <u>207,418,414</u>   |
| Total assets  | <u>367,824,978</u>    | <u>379,346,279</u>   |
| <b>LIABILITIES:</b>                                       |                       |                      |
| Accounts payable and accrued expenses                     | 15,371,054            | 15,375,411           |
| Accrued interest payable                                  | 775,776               | 807,048              |
| Deferred Revenue  | 2,032,588             | 2,642,559            |
| Due to the City/ School District of Philadelphia          | 44,728,684            | 49,924,357           |
| Due to the Pennsylvania Department of Transportation      | 789,226               | 2,354,754            |
| Current portion of revenue bonds                          | 10,520,000            | 7,985,000            |
| Current portion of notes payable                          | 5,092,722             | 5,289,580            |
| Total current liabilities                                 | <u>79,310,050</u>     | <u>84,378,709</u>    |
| Revenue bonds payable                                     | 167,070,000           | 177,590,000          |
| Deferred amount on refunding                              | (6,655,809)           | (7,273,797)          |
| Notes payable   | 5,893,714             | 11,594,913           |
| Accrued claims payable                                    | 8,676,309             | 8,676,309            |
| Payable for post retirement benefits, other than pensions | 8,818,505             | 6,680,301            |
| Total liabilities   | <u>263,112,769</u>    | <u>281,646,435</u>   |
| <b>FUND NET ASSETS:</b>                                   |                       |                      |
| Capital assets, net of related debt                       | 58,682,778            | 58,143,518           |
| Restricted for capital projects                           | 2,411,711             | 4,326,550            |
| Unrestricted  | 43,617,720            | 35,229,776           |
| Fund net assets   | <u>\$ 104,712,209</u> | <u>\$ 97,699,844</u> |

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

**THE PHILADELPHIA PARKING AUTHORITY**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*For the Years Ended March 31, 2012 and 2011*

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|  | <b>2012</b>    | <b>2011</b>    |
|--|----------------|----------------|
| Operating revenues                                       | \$ 230,269,125 | \$ 222,665,270 |
| Operating expenses:                                      |                |                |
| Direct operating expenses                                | 99,974,053     | 98,411,953     |
| Administrative expenses                                  | 17,538,889     | 18,362,250     |
| Expense to the City/School District of Philadelphia      | 79,466,906     | 70,881,088     |
| Expense to the Pennsylvania Department of Transportation | 2,930,159      | 7,645,683      |
| Depreciation and amortization expense                    | 16,039,098     | 14,579,276     |
| Total operating expenses                                 | 215,949,105    | 209,880,250    |
| Operating income   | 14,320,020     | 12,785,020     |
| Nonoperating revenues (expenses):                        |                |                |
| Investment income  | 2,418,968      | 1,985,583      |
| Interest expense   | (9,726,623)    | (10,635,204)   |
| Total nonoperating revenues (expenses)                   | (7,307,655)    | (8,649,621)    |
| Increase in fund net assets                              | 7,012,365      | 4,135,399      |
| Fund net assets, beginning of year                       | 97,699,844     | 93,564,445     |
| Fund net assets, end of the year                         | \$ 104,712,209 | \$ 97,699,844  |

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, 2012 and 2011

|   | <b>2012</b>    | <b>2011</b>    |
|---|----------------|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                |                |
| Cash received from customers and others   | \$ 232,820,723 | \$ 225,188,779 |
| Salaries and administrative costs paid to employees                                     | (78,332,277)   | (76,971,015)   |
| Payments to suppliers for services  | (42,296,773)   | (40,326,008)   |
| Payments to the City/ School District of Philadelphia                                   | (81,635,512)   | (59,827,913)   |
| Payments to the Pennsylvania Department of Transportation                               | (4,495,682)    | (6,996,647)    |
| Net cash provided by operating activities   | 26,060,479     | 41,067,196     |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                         |                |                |
| Purchases of property and equipment, net  | (4,707,768)    | (9,272,454)    |
| Principal paid on revenue bonds and notes payable                                       | (13,883,057)   | (13,957,477)   |
| Interest paid on revenue bonds and notes payable  | (9,726,623)    | (10,635,204)   |
| Net cash used in financing activities   | (28,317,448)   | (33,865,135)   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                |                |
| Sale of investments, net  | 14,752,700     | 342,339        |
| Investment income   | 2,418,968      | 1,985,583      |
| Net cash provided by investing activities   | 17,171,668     | 2,327,922      |
| Net increase in cash and cash equivalents   | 14,914,699     | 9,529,983      |
| Cash and cash equivalents (including restricted cash), beginning of the year            | 79,559,475     | 70,029,493     |
| Cash and cash equivalents (including restricted cash), end of the year                  | \$ 94,474,174  | \$ 79,559,475  |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  |                |                |
| Operating income  | \$ 14,320,020  | \$ 12,785,020  |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                |                |
| Depreciation and amortization   | 16,039,098     | 14,579,276     |
| Change in assets and liabilities:   |                |                |
| Accounts receivable   | 334,207        | 800,650        |
| Other assets  | 17,763         | 85,307         |
| Accounts payable and other accrued expenses   | 2,720,563      | 3,727,915      |
| Deferred Revenue  | (609,971)      | (90,086)       |
| Due to the City/School District of Philadelphia   | (5,195,673)    | 8,529,666      |
| Due to the Pennsylvania Department of Transportation                                    | (1,565,528)    | 649,448        |
| Net cash provided by operating activities   | \$ 26,060,479  | \$ 41,067,196  |

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

# THE PHILADELPHIA PARKING AUTHORITY

## *Notes to Financial Statements*

*March 31, 2012 and March 31, 2011*

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### **1. ORGANIZATION AND HISTORY**

#### General

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

The Authority owns and operates many parking facilities within the City, and is party to leases with the United States of America, the Commonwealth, and the City relative to other parking facilities, the revenue from certain of which is pledged for the payment of debt service under May 27, 1999, September 5, 2008 and December 10, 2009 trust indentures. The revenues of the 10<sup>th</sup> & Ludlow garage have been pledged as security for a 2003 tax-exempt loan.

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 Government 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 assets and statements of revenues, expenses and changes in fund net assets 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. The Authority applies the Financial Accounting Standards Board (“FASB”) pronouncements issued before November 30, 1989 only, except for those that conflict with GASB pronouncements.

**THE PHILADELPHIA PARKING AUTHORITY**  
*Notes to Financial Statements*  
*March 31, 2012 and March 31, 2011*

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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.

Cash and Cash Equivalents

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

Investments

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

**THE PHILADELPHIA PARKING AUTHORITY**  
*Notes to Financial Statements*  
**March 31, 2012 and March 31, 2011**

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Property and Equipment, and Depreciation

Property and equipment are stated at cost, which includes interest and legal 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:

|  | <b>Balance</b>        |                  |                    | <b>Balance</b>        |
|--|-----------------------|------------------|--------------------|-----------------------|
|  | <b>Balance</b>        | <b>Additions</b> | <b>Retirements</b> | <b>Balance</b>        |
|  | <b>March 31, 2011</b> |                  |                    | <b>March 31, 2012</b> |
| <b>Land</b>  | \$ 15,979,653         |                  |                    | \$ 15,979,653         |
| <b>Lease acquisition costs</b>                             | 589,837               |                  |                    | 589,837               |
| <b>Total property and equipment not being depreciated</b>  | 16,569,490            | -                | -                  | 16,569,490            |
| <b>Parking facilities</b>                                  | 293,436,671           | 1,363,046        | -                  | 294,799,717           |
| <b>Improvements, equipment and furniture</b>               | 47,957,571            | 3,344,722        | -                  | 51,302,293            |
| <b>Total property and equipment being depreciated</b>      | 341,394,242           | 4,707,768        | -                  | 346,102,010           |
| <b>Total</b>   | 357,963,732           |                  | -                  | 362,671,500           |
| <b><u>Less Accumulated Depreciation:</u></b>               |                       |                  |                    |                       |
| <b>Parking facilities</b>                                  | 124,486,994           | 8,766,796        |                    | 133,253,790           |
| <b>Improvements, equipment and furniture</b>               | 26,058,324            | 7,272,302        |                    | 33,330,626            |
| <b>Total Accumulated Depreciation</b>                      | 150,545,318           | 16,039,098       | -                  | 166,584,416           |
| <b>Total property and equipment being depreciated, net</b> | 190,848,924           | (11,331,330)     | -                  | 179,517,594           |
| <b>Property and equipment, net</b>                         | \$ 207,418,414        | \$ (11,331,330)  | \$ -               | \$ 196,087,084        |

**THE PHILADELPHIA PARKING AUTHORITY**  
*Notes to Financial Statements*  
*March 31, 2012 and March 31, 2011*

|  | Balance<br>March 31, 2010 | Additions             | Retirements | Balance<br>March 31, 2011 |
|--|---------------------------|-----------------------|-------------|---------------------------|
| Land   | \$ 15,979,653             |                       |             | \$ 15,979,653             |
| Lease acquisition costs                                    | 589,837                   |                       |             | 589,837                   |
| <b>Total property and equipment not being depreciated</b>  | <b>16,569,490</b>         | -                     | -           | <b>16,569,490</b>         |
| Parking facilities   | 291,725,141               | 1,711,530             | -           | 293,436,671               |
| Improvements, equipment and furniture                      | 40,396,647                | 7,560,924             | -           | 47,957,571                |
| <b>Total property and equipment being depreciated</b>      | <b>332,121,788</b>        | <b>9,272,454</b>      | -           | <b>341,394,242</b>        |
| <b>Total</b>   | <b>348,691,278</b>        | <b>9,272,454</b>      | -           | <b>357,963,732</b>        |
| <b><u>Less Accumulated Depreciation:</u></b>               |                           |                       |             |                           |
| Parking facilities   | 115,511,113               | 8,975,881             |             | 124,486,994               |
| Improvements, equipment and furniture                      | 20,454,929                | 5,603,395             |             | 26,058,324                |
| <b>Total Accumulated Depreciation</b>                      | <b>135,966,042</b>        | <b>14,579,276</b>     | -           | <b>150,545,318</b>        |
| <b>Total property and equipment being depreciated, net</b> | <b>196,155,746</b>        | <b>(5,306,822)</b>    | -           | <b>190,848,924</b>        |
| <b>Property and equipment, net</b>                         | <b>\$ 212,725,236</b>     | <b>\$ (5,306,822)</b> | <b>\$ -</b> | <b>\$ 207,418,414</b>     |

**Restricted Assets**

The Authority has received money from the Public Utility Commission for the transfer of regulatory authority of the Taxis and Limousines operating in Philadelphia. The balance of this deferred revenue was \$2,032,589 and \$2,642,559 as of March 31, 2012 and 2011, respectively.

**Interest Capitalization**

The Authority capitalizes related interest charges incurred and interest income during the development of its facilities. During the years ended March 31, 2012 and 2011 the Authority had no capitalized interest expense.



## THE PHILADELPHIA PARKING AUTHORITY

### *Notes to Financial Statements* *March 31, 2012 and March 31, 2011*

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#### Operating Revenues and Non-Operating Revenues

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

#### Administrative Expenses

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

#### Subsequent Events

Subsequent events were evaluated through August 28, 2012, the date the financial statements were available to be issued.

#### Recent Accounting Pronouncements Not Yet Effective

In November 2009, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* ("GASB 60"). The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The Authority's management is in the process of evaluating, but has not yet determined how the adoption of GASB 60 will impact the Authority's financial statements. The Authority is required to adopt the provisions of GASB 60 for its March 2013 financial statements.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* ("GASB 62"). The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 which does not conflict or contradict GASB pronouncements. The Authority's management is in the process of evaluating, but has not yet determined how the adoption of GASB 62 will impact the Authority's financial statements. The Authority is required to adopt the provisions of GASB 62 for its March 2013 financial statements.

## THE PHILADELPHIA PARKING AUTHORITY

### *Notes to Financial Statements* *March 31, 2012 and March 31, 2011*

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In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* ("GASB 63"). This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and incorporates deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Authority's management is in the process of evaluating, but has not yet determined how the adoption of GASB 63 will impact the Authority's financial statements. The Authority is required to adopt the provisions of GASB 63 for its March 2013 financial statements.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53* ("GASB 64"). The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider and sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The Authority's management is in the process of evaluating, but has not yet determined how the adoption of GASB 64 will impact the Authority's financial statements. The Authority is required to adopt the provisions of GASB 64 for its March 2013 financial statements.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"). This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Authority's management is in the process of evaluating, but has not yet determined how the adoption of GASB 65 will impact the Authority's financial statements. The Authority is required to adopt the provisions of GASB 65 for its March 2014 financial statements.

In March 2012, GASB issued Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62* ("GASB 66"). The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The Authority's management is in the process of evaluating, but has not yet determined how the adoption of GASB 66 will impact the Authority's financial statements. The Authority is required to adopt the provisions of GASB 66 for its March 2014 financial statements.

## THE PHILADELPHIA PARKING AUTHORITY

### *Notes to Financial Statements*

*March 31, 2012 and March 31, 2011*

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In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* ("GASB 68"). The objective of this Statement is to improve financial reporting by state and local governmental pension plans. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The Authority's management is in the process of evaluating, but has not yet determined how the adoption of GASB 68 will impact the Authority's financial statements. The Authority is required to adopt the provisions of GASB 68 for its March 2016 financial statements

### **3. CASH, CASH EQUIVALENTS, & INVESTMENTS**

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

The Authority's internal policy for investments is the preservation of capital and the protection of investment principal and to strive to maximize the return on the portfolio by avoiding or assuming unreasonable investment risk. All deposits are collateralized by securities held by the pledging financial institutions' trust department or agent but not in the Authority's name.

## THE PHILADELPHIA PARKING AUTHORITY

### *Notes to Financial Statements March 31, 2012 and March 31, 2011*

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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.

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

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

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 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.

Deposits are comprised of demand deposit accounts with financial institutions. At March 31, 2012 and 2011, the carrying amount of the Authority's deposits was \$94,474,174 and \$79,559,475, respectively, compared to bank balances of \$92,163,412 and \$79,128,359, 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, 2012 and 2011, \$1,750,000 of the Authority's bank balance was insured by the Federal Deposit Insurance Corporation. The remaining balance of \$90,413,412 and \$77,378,359 at March 31, 2012 and 2011, respectively, is fully collateralized by securities pledged and held by the financial institution in accordance with Act 72, as indicated above.

**THE PHILADELPHIA PARKING AUTHORITY**  
*Notes to Financial Statements*  
**March 31, 2012 and March 31, 2011**

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The carrying value (fair value) of the Authority's investments at March 31, 2012 is presented below:

|   | <b>Fair Value</b>    | <b>Moody's<br/>Rating (1)</b> | <b>Modified<br/>Duration<br/>(Average) (1)</b> |
|---|----------------------|-------------------------------|--|
| Government securities                     | \$ 35,861,798        | AAA                           | 1.81   |
| Fixed income corporate issue              | 7,521,353            | AAA                           | 2.24   |
| Other investments (money market accounts) | 32,321,506           | N/A                           | N/A  |
|   | <u>\$ 75,704,657</u> |                               |  |

The carrying value (fair value) of the Authority's investments at March 31, 2011 is presented below:

|   | <b>Fair Value</b>    | <b>Moody's<br/>Rating (1)</b> | <b>Modified<br/>Duration<br/>(Average) (1)</b> |
|---|----------------------|-------------------------------|--|
| Government securities                     | \$ 55,187,384        | AAA                           | 1.77   |
| Fixed income corporate issue              | 6,703,278            | AAA                           | 2.18   |
| Other investments (money market accounts) | 28,566,695           | N/A                           | N/A  |
|   | <u>\$ 90,457,357</u> |                               |  |

(1) N/A – Not applicable

The Authority has no exposure to foreign currency risk.

#### **4. DEPOSITS**

Deposits at March 31, 2011 were \$451,886, which the Authority paid to the United States National Park Service (Department of the Interior) as prepaid rent under its recently negotiated lease renewal for the parking garage at 2<sup>nd</sup> & Sansom Streets. This lease commenced on March 1, 2009 and was paid in full during the current fiscal year.

**THE PHILADELPHIA PARKING AUTHORITY**  
*Notes to Financial Statements*  
*March 31, 2012 and March 31, 2011*

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**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:

| <b>Trust Indenture - Required Net Assets</b> | <b>3/31/2012</b> | <b>3/31/2011</b> |
|--|------------------|------------------|
| 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 May 27, 1999 Trust Indenture, the City is required to pay such deficiency. The deficiency due from the City is \$1,166,204 and \$1,163,363 as of March 31, 2012 and 2011, respectively, and is included as a reduction in the amount due to the City of Philadelphia on the statement of net assets.

**THE PHILADELPHIA PARKING AUTHORITY**  
*Notes to Financial Statements*  
*March 31, 2012 and March 31, 2011*

A summary of revenue bonds outstanding is as follows:

| Bond Issue                                 | Issuance Date     | Amount Issued | Maturity Date     | Principal Outstanding |                | Interest Rate  | Sinking Fund Requirements                           | Purpose of Bond Issue   |
|--|-------------------|---------------|-------------------|-----------------------|----------------|----------------|---|---|
|  |                   |               |                   | March 31, 2012        | March 31, 2011 |                |   |   |
| Parking System Revenue Bonds, Series 1999A | May 27, 1999      | \$ 47,390,000 | February 15, 2029 | \$ 14,820,000         | \$ 15,365,000  | 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 | 34,400,000            | 40,380,000     | 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 | 128,370,000           | 129,830,000    | 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.                    |
|  |                   |               |                   | 177,590,000           | 185,575,000    |                |   |   |
| Deferred Bond Refunding                    |                   |               |                   | (6,655,809)           | (7,273,797)    |                |   |   |
|  |                   |               |                   | \$ 170,934,191        | \$ 178,301,203 |                |   |   |

## 6. REVENUE BONDS & NOTES PAYABLE

### Revenue Bonds

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.

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.

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 8<sup>th</sup> & 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 Fund Net Assets in 2002. These costs were previously capitalized as construction-in-progress on the statement of net assets. During fiscal year 2003, \$27,200,000 of the remaining principal outstanding on the Bonds was defeased.



## Notes Payable

During fiscal year 2010, the Authority borrowed \$11,000,000 for the installation and cost of the Multi-space parking meters that are being placed in the Center City and University City Districts of the City of Philadelphia. The structure of the loan is a capital lease that is to be paid over a five year period. The fixed rate of interest is 4.377%. The balance of the loan at March 31, 2012 and 2011 is \$4,300,838 and \$7,146,920, respectively.

On December 18, 2008 the Authority borrowed \$10,000,000 for concrete restoration at the Airport Garages. The \$10,000,000 was taken out in two loans. The first was a bank qualified loan of \$8,845,275 with a floating interest rate not to go below 4.25%, based on a floating prime rate and in addition the Authority pays 70% of the prime rate which means a current rate of 2.975%. At March 31, 2012 the rate was 2.975%. The principal balance of this note payable at March 31, 2012 and 2011 is \$3,094,068 and \$4,863,122, respectively. The second loan of \$1,154,725 has an interest rate of 4.25% and is also tied to the prime rate. The principal balance of this note payable at March 31, 2012 and 2011 is \$403,803 and \$634,856, respectively. Both loans have a five year term.

On July 29, 2003, the Authority borrowed \$6,000,000 from a bank at 4.06%. The loan is due on April 1, 2014. The Authority has used the proceeds for capital projects and acquisition of capital assets. The balance of the note payable at March 31, 2012 and 2011 is \$2,792,761 and \$3,171,476, respectively.

During the fiscal year 1998, the Authority borrowed \$1,500,000 for the development of the municipal government's records department facility located at 3101 Market Street, which the City of Philadelphia subleases from the Authority. This borrowing is a fifteen-year bank note with principal payable annually, and interest payable semiannually at the fixed rate of 5.99% per annum. The balance of this note at March 31, 2012 and 2011 is \$115,486 and \$253,459, respectively. The City of Philadelphia guarantees this loan.

During the fiscal year 1998, the Authority also borrowed \$5,500,000 for further improvements to the building located at 3101 Market Street. This borrowing is also a fifteen-year bank note with principal payable annually, and interest payable semiannually at the fixed rate of 6.50% per annum. The balance of this note at March 31, 2012 and 2011 is \$279,480 and \$814,660, respectively.

The aggregate annual principal and sinking fund payments of debt at March 31, 2012 is as follows:

| <b>Year Ending<br/>March 31,</b> | <b>Revenue Bonds</b>        |  | <b>Notes Payable</b>        |  |
|----------------------------------|-----------------------------|--|-----------------------------|--|
|                                  | <b>Principal<br/>Amount</b> | <b>Revenue Bonds<br/>Interest Amount</b> | <b>Principal<br/>Amount</b> | <b>Notes Payable<br/>Interest<br/>Amount</b> |
| 2013                             | \$ 10,520,000               | \$ 8,616,710                             | \$ 5,092,722                | \$ 322,976                                   |
| 2014                             | 10,970,000                  | 8,081,420                                | 4,012,974                   | 165,664                                      |
| 2015                             | 11,425,000                  | 7,522,910                                | 484,569                     | 82,603                                       |
| 2016                             | 11,970,000                  | 6,961,181                                | 504,512                     | 62,660                                       |
| 2017                             | 12,570,000                  | 6,369,798                                | 525,584                     | 41,588                                       |
| 2018-2022                        | 68,200,000                  | 22,015,146                               | 366,075                     | 21,382                                       |
| 2023-2027                        | 43,555,000                  | 6,486,731                                | -                           | -  |
| 2028-2030                        | 8,380,000                   | 751,641                                  | -                           | -  |
|                                  | <u>\$ 177,590,000</u>       | <u>\$ 66,805,537</u>                     | <u>\$ 10,986,436</u>        | <u>\$ 696,873</u>                            |

The following tables provide a summary of changes in revenue bonds outstanding and notes payable for the years ended March 31, 2012 and 2011:

|               | <b>Balance at<br/>March 31, 2011</b> | <b>Proceeds</b> | <b>Bonds Refunded</b> | <b>Principal<br/>Repayments</b> | <b>Balance at<br/>March 31, 2012</b> |
|---------------|--------------------------------------|-----------------|-----------------------|---------------------------------|--------------------------------------|
| Revenue Bonds |                                      |                 |                       |                                 |                                      |
| Outstanding   | \$ 185,575,000                       | \$ -            | \$ -                  | \$ (7,985,000)                  | \$ 177,590,000                       |
| Notes Payable | \$ 16,884,493                        | \$ -            | \$ -                  | \$ (5,898,057)                  | \$ 10,986,436                        |

|               | <b>Balance at<br/>March 31, 2010</b> | <b>Proceeds</b> | <b>Bonds Refunded</b> | <b>Principal<br/>Repayments</b> | <b>Balance at<br/>March 31, 2011</b> |
|---------------|--------------------------------------|-----------------|-----------------------|---------------------------------|--------------------------------------|
| Revenue Bonds |                                      |                 |                       |                                 |                                      |
| Outstanding   | \$ 193,010,000                       | \$ -            | \$ -                  | \$ (7,435,000)                  | \$ 185,575,000                       |
| Notes Payable | \$ 23,406,970                        | \$ -            | \$ -                  | \$ (6,522,477)                  | \$ 16,884,493                        |

## 7. RESTRICTED NET ASSETS

Restricted net assets consist of the following at March 31, 2012 and 2011:

|  | <u>2012</u>         | <u>2011</u>         |
|--|---------------------|---------------------|
| <u>Series of 1999A:</u>                                |                     |                     |
| Bond Reserve Fund                                      | \$ 3,220,181        | \$ 3,220,181        |
| Revenue fund   | 42,599              | 42,617              |
| Construction Fund                                      | 102,151             | 102,156             |
| Bond Redemption Fund                                   | 28,159              | 28,147              |
| Subtotal   | <u>3,393,090</u>    | <u>3,393,101</u>    |
| Total Rev bonds payable attributable to above funds    | <u>(3,393,090)</u>  | <u>(3,393,101)</u>  |
| Restricted net assets, Series of 1999A                 | <u>-</u>            | <u>-</u>            |
| <u>Series of 2008:</u>                                 |                     |                     |
| Debt service fund                                      | 4,116,732           | 3,863,812           |
| Bond reserve fund                                      | 5,458,862           | 5,263,728           |
| Maintenance fund                                       | 2,911,698           | 4,826,431           |
| Bond redemption fund                                   | 3,186,697           | 4,106,120           |
| Subtotal   | <u>15,673,989</u>   | <u>18,060,091</u>   |
| Less revenue bonds payable attributable to above funds | <u>(13,262,278)</u> | <u>(13,733,647)</u> |
| Restricted net assets, Series of 2008                  | <u>2,411,711</u>    | <u>4,326,444</u>    |
| <u>Series of 2009:</u>                                 |                     |                     |
| Debt service reserve fund                              | 3,328,102           | 1,781,855           |
| Bond reserve fund                                      | 10,694,231          | 10,694,231          |
| Construction fund                                      | -                   | 9,517               |
| Rebate fund  | -                   | 106                 |
| Subtotal   | <u>14,022,333</u>   | <u>12,485,709</u>   |
| Less revenue bonds payable attributable to above funds | <u>(14,022,333)</u> | <u>(12,485,603)</u> |
| Restricted net assets, Series of 2009                  | <u>-</u>            | <u>106</u>          |
| Total restricted net assets                            | <u>\$ 2,411,711</u> | <u>\$ 4,326,550</u> |

## 8. PENSION PLAN

The Authority contributes to the City of Philadelphia Public Employees Retirement System (the “Plan”). The City is required by the Philadelphia Home Rule Charter to maintain an actuarially sound Public Employee Retirement System (“PERS”) as a cost-sharing multiple employer plan, covering all officers and employees of the City, and the officers and employees of certain other governmental and quasi-governmental organizations, which includes the Authority.

The PERS issues a publicly available annual financial report, including financial statements, which may be obtained by writing to Board of Pensions and Retirement, Two Penn Center Plaza, 16<sup>th</sup> Floor, Philadelphia, Pennsylvania, 19102.

The contribution requirements of both the Authority and its employee plan members are established and amended by the PERS. Employees are required to contribute a percentage of their gross compensation, which is determined by hire date. The required employee percentages ranged from 2% to 6% for 2012. The Authority’s required contribution to the Plan is actuarially determined based on the benefits to which employees are entitled. The Authority contributed \$14,525,797, \$12,522,265, and \$12,714,018 to the Plan during 2012, 2011 and 2010, respectively.

The Plan’s funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase over time so that sufficient assets will be available to pay benefits when due. For the years ended March 31, 2012, 2011 and 2010, the contribution rates for the Authority’s qualified employee groups are 176.387%, 151.463%, and 116.161% of salaries for employees hired prior to March 21, 1996 (the “J” plan) and 7.816%, 6.36%, and 6.009% for employees hired on or after March 21, 1996 (the “Y” plan). Full-time employees commence participation on their date of employment; temporary employees commence participation after the completion of six months of employment.

Employees covered by certain collective bargaining agreements do not participate in the PERS plan but instead participate in the plan provided by their union. For fiscal years ended March 31, 2012, 2011 and 2010, payments for these pension benefits totaled \$474,403, \$400,582, and \$329,772, respectively.

## 9. 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 30<sup>th</sup> following the close of each fiscal year, and totaled just over \$27.1 million for fiscal year ended 2012. \$25.1 million came from operations and \$2 million from the airport indenture maintenance fund.

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, \$37.30 million is recognized as expense to the Philadelphia City General Fund and \$13.95 million as expense to the School District of Philadelphia for fiscal year ended 2012.

During fiscal 1998, the Authority entered into a fifteen-year non-cancelable agreement to lease administrative office space and other facilities at 3101 Market Street. The terms of the agreement provide for lease payments on a graduated scale. In conjunction with this agreement, the Authority has subleased a portion of the office space to the City of Philadelphia and the related receivable amount is reflected as a reduction of the liability to City/School District Payments. Due to the City of Philadelphia's distressed financial outlook for the immediate future, the receivable of \$4.5 million is being considered as doubtful to its collectability and the balance has been reserved as of March 31, 2012 and 2011.

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.

Future minimum annual lease and sublease payments under the Authority's various operating leases at March 31, 2012 is as follows:

| <u>Year Ended<br/>March 31,</u> | <u>Future Minimum<br/>Lease Payments</u> | <u>Less:<br/>Sublease<br/>Income</u> | <u>Net Future<br/>Minimum Lease<br/>Payments</u> |
|---------------------------------|--|--------------------------------------|--|
| 2013                            | \$ 1,880,318                             | \$ 732,250                           | \$ 1,148,068                                     |
| 2014                            | 1,287,453                                | 610,402                              | 677,051  |
| 2015                            | 1,133,551                                | 586,033                              | 547,518  |
| 2016                            | 1,179,422                                | 586,033                              | 593,389  |
| 2017                            | 1,239,284                                | 586,033                              | 653,251  |
| Total                           | <u>\$ 6,720,028</u>                      | <u>\$ 3,100,751</u>                  | <u>\$ 3,619,277</u>                              |

Rental expense for the fiscal years ended March 31, 2012 and 2011 were \$1,690,298 and \$1,625,594, respectively.

Further, the Authority leases three of its parking garages, two from the City of Philadelphia, namely the facilities located on JFK Blvd. at 15<sup>th</sup> Street and Independence Mall, and a third from the United States National Park Service (Department of the Interior). Since rent for these facilities is calculated per a formula using gross parking fees along with other variables, amounts expected to be due per these lease agreements have neither been estimated nor included in the above table of Future Minimum Lease Payments.

## **10. SERVICE AGREEMENTS**

The Authority has a contract with ACS State and Local Solutions, Inc., a Xerox corporation ("ACS") 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, ACS is reimbursed based upon both the number of tickets processed and a percentage of the revenue collected from overdue parking tickets. The Authority has another agreement with ACS to perform Parking Guidance System upgrades at the Airport. PPA is billed based on phase of the project and billing milestones detailed in the agreement. Total expense to ACS for the fiscal years ended March 31, 2012 and 2011 were \$12,396,521 and \$11,108,795, respectively.

## 11. RISK MANAGEMENT

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 outstanding letters of credit at March 31, 2012 and 2011 is approximately \$11,982,618 and \$10,681,000, respectively. The Authority is required to record a liability for claims if information prior to the issuance of the financial statements indicates that it is both probable that a liability has been incurred by the date of the financial statements and the amount of the loss can be reasonably estimated.

The Authority's accrued claims liability of \$8,676,309 as of March 31, 2012 and 2011, respectively, and was established according to a third-party actuarial study. Starting fiscal year 2012, the Parking Authority changed the method of evaluating the insurance reserves. The change is from an undiscounted method to a discounted method using 2.5% as the discount.

|                      | Balance,<br>April 1,<br>2011 | Current Year<br>claims and<br>changes in<br>estimates | Claims<br>Payments | Balance,<br>March 31,<br>2012 |
|----------------------|------------------------------|---|--------------------|-------------------------------|
| Workers Compensation | \$6,289,719                  | \$2,756,476   | \$2,756,476        | \$6,289,719                   |
| General Liability    | 2,386,590                    | 553,011   | 553,011            | \$2,386,590                   |
|                      | <u>\$8,676,309</u>           | <u>\$3,309,487</u>                                    | <u>\$3,309,487</u> | <u>\$8,676,309</u>            |

|                      | Balance,<br>April 1,<br>2010 | Current Year<br>claims and<br>changes in<br>estimates | Claims<br>Payments | Balance,<br>March 31,<br>2011 |
|----------------------|------------------------------|---|--------------------|-------------------------------|
| Workers Compensation | \$5,622,621                  | \$2,869,958   | \$2,202,860        | \$6,289,719                   |
| General Liability    | 1,747,688                    | 1,175,014   | 536,112            | \$2,386,590                   |
|                      | <u>\$7,370,309</u>           | <u>\$4,044,972</u>                                    | <u>\$2,738,972</u> | <u>\$8,676,309</u>            |

## 12. 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.

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



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

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

|  |                            |
|--|----------------------------|
| Annual Required Contribution                       | \$ 2,694,398               |
| Interest on Net OPEB Obligation                    | 300,614                    |
| Adjustment to Annual Required Contribution         | <u>(392,497)</u>           |
| Annual OPEB Cost (Expense)                         | 2,602,515                  |
| Contributions Made ( <i>pay-as-you-go expds.</i> ) | <u>(464,311)</u>           |
| Increase in Net OPEB Obligation                    | 2,138,204                  |
| Net OPEB Obligation - April 1, 2011                | <u>6,680,301</u>           |
| Net OPEB Obligation - March 31, 2012               | <u><u>\$ 8,818,505</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, 2012 and the four preceding years was as follows:

| Fiscal Year Ended | Annual OPEB cost | Percentage of Annual OPEB cost contributed | Net OPEB Obligation |
|-------------------|------------------|--|---------------------|
| March 31, 2012    | \$ 2,602,515     | 17.8%                                      | \$ 8,818,505        |
| March 31, 2011    | 2,304,872        | 15.8%                                      | 6,680,301           |
| March 31, 2010    | 2,032,985        | 24.6%                                      | 4,738,949           |
| March 31, 2009    | 1,920,625        | 25.2%                                      | 3,205,964           |
| March 31, 2008    | 2,289,000        | 22.7%                                      | 1,770,000           |

Funding Status & Funding Progress.

The funded status of the plan as of March 31, 2012, the most recent actuarial valuation date, was as follows:

|   |               |
|---|---------------|
| Actuarial accrued liability ("AAL")           | \$ 20,166,849 |
| Actuarial value of plan assets                | <u>\$ -</u>   |
| Unfunded actuarial accrued liability ("UAAL") | \$ 20,166,849 |
| Funded ratio                                  | <u>0%</u>     |
| Covered payroll                               | \$ 21,010,937 |
| UAAL as percentage of covered payroll         | 96.0%         |

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

Actuarial Methods & Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In calculating the March 31, 2012 valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5% discount rate (investment rate of return, net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. Initial cost trend assumptions for annual healthcare & prescription costs, annual dental costs, and annual vision costs are 9%, 5%, and 4%, respectively, and are subsequently reduced by decrements (where applicable) to ultimate rates of 5%, 5%, and 4% respectively, after four years. Further, these rates included a 3% 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, 2012 is 25 years.

### 13. SUBSEQUENT EVENTS

Red Light Cameras. Philadelphia City Council granted approval for four additional Red Light Cameras to be placed in service. The sites will be placed in service this coming fiscal year namely at the intersections of Grant and Academy, Bustleton and Byberry, Knights and Woodhaven and Byberry and Worthington Roads. The plan is to have these operational in fiscal year 2013. The program ended on June 30, 2012.

Legislation was passed on the senate floor on July 1<sup>st</sup>, 2012 that extended the program for an additional five years. All violations between June 30, 2012 and up until the signing of the legislation on July 3<sup>rd</sup>, 2012 were deemed void.

On July 5, 2012, Governor Corbett signed House Bill 2390 into law, as Act 119 of 2012. Act 119 made several amendments to Chapter 57 of Title 53, the primary source of the Authority's power to regulate taxicabs and limousines in Philadelphia. Several changes amended statutory language relied upon by the Pennsylvania Commonwealth Court in a decision that prohibited the Authority from conducting certain taxicab impoundments. Those changes were favorable to the Authority, as were several others. Act 119 also authorized the Authority to release 15 new taxicab medallions, each year, over the next 10 years. The first 15 medallions issued must be attached to wheelchair accessible vehicles. The Authority must public auction the medallions.

On July 2, 2012, Governor Corbett signed House Bill 254 into law, as Act 84 of 2012. Act 84 made certain minor modifications to 75 Pa.C.S. § 3116, the statute enabling the Philadelphia's Red Light Cameras ("RLC"). Act 84 also extended the sunset date on the RLC Program through July 15, 2017. Act 84 also amended 75 Pa.C.S. § 6109 to permanently assign the duties of on street parking regulation in Philadelphia to the Authority, effective March 31, 2014. This provision has a protracted effective date in light of the continuing effectiveness of Act 9 of 2004, which does not expire until March 31, 2014. Act 9 assigned this same task to the Authority, with additional budgetary review and auditing requirements that are not included in Act 84.

**The Philadelphia Parking Authority**  
**Required Supplementary Information**

Schedule of Funding Progress for Postemployment Benefit Plan  
(Unaudited)

| Actuarial<br>Valuation Date | Actuarial<br>Value of<br>Assets (a) | Actuarial<br>Accrued<br>Liability (AAL)<br>(b) | Unfunded<br>AAL (UAAL)<br>(b-a) | Funded<br>Ratio (a/b) | Covered<br>Payroll | UAAL as a<br>percentage of<br>Covered Payroll<br>((b-a)/c) |
|-----------------------------|-------------------------------------|--|---------------------------------|-----------------------|--------------------|--|
| March 31, 2012              | -                                   | 20,166,849                                     | 20,166,849                      | 0.00%                 | 21,010,937         | 96.00%   |
| March 31, 2011              | -                                   | 17,141,100                                     | 17,141,100                      | 0.00%                 | 21,103,394         | 81.20%   |
| March 31, 2010              | -                                   | 15,462,191                                     | 15,462,191                      | 0.00%                 | 21,095,725         | 73.30%   |
| March 31, 2009              | -                                   | 13,078,760                                     | 13,078,760                      | 0.00%                 | 20,696,287         | 63.20%   |
| March 31, 2008              | -                                   | 11,524,000                                     | 11,524,000                      | 0.00%                 | 20,447,420         | 56.40%   |

THE PHILADELPHIA PARKING AUTHORITY  
Combining Balance Sheet  
As of March 31, 2012

|   | Funds Under Trust Indenture |                       |                                       |                   | Red Light<br>Camera<br>Enforcement<br>Program | On-Street<br>Parking | Comparative<br>Totals<br>2012 | Comparative<br>Totals<br>2011 |
|---|-----------------------------|-----------------------|---------------------------------------|-------------------|---|----------------------|-------------------------------|-------------------------------|
|   | September 5, 2008           |                       | Funds Not<br>Under Trust<br>Indenture |                   |   |                      |                               |                               |
|   | May 27, 1999                | and December 10, 2009 | Unrestricted                          | Restricted        |   |                      |                               |                               |
| <b>Assets:</b>  |                             |                       |                                       |                   |   |                      |                               |                               |
| Cash and cash equivalents                                 | \$ -                        | \$ -                  | \$ 4,193,387                          | \$ 54,452,148     | \$ 1,602,148                                  | \$ 31,168,018        | \$ 92,441,586                 | \$ 76,916,916                 |
| Investments   | 3,393,091                   | -                     | 29,696,322                            | 8,351,705         | -   | 3,106,655            | 75,704,657                    | 90,457,357                    |
| Accrued interest receivable                               | 11                          | 72,894                | 127,689                               | 48,233            | -   | -                    | 248,827                       | 274,251                       |
| Accounts receivable                                       | -                           | -                     | 861,094                               | 861,094           | -   | 230,590              | 1,091,684                     | 974,005                       |
| Prepaid expenses  | -                           | -                     | -                                     | 9,405             | -   | 209,147              | 218,552                       | 210,891                       |
| <b>Total current assets</b>                               | <b>3,393,102</b>            | <b>1,025,885</b>      | <b>29,769,216</b>                     | <b>63,722,585</b> | <b>1,602,148</b>                              | <b>34,714,410</b>    | <b>169,705,306</b>            | <b>168,833,420</b>            |
| Deposits  | -                           | -                     | -                                     | -                 | -   | -                    | -                             | 451,886                       |
| Restricted cash   | -                           | -                     | -                                     | 2,032,588         | -   | -                    | -                             | 2,032,588                     |
| Property and equipment:                                   |                             |                       |                                       |                   |   |                      |                               |                               |
| Parking facilities  | -                           | -                     | 252,844,883                           | -                 | -   | -                    | 294,799,717                   | 293,436,671                   |
| Land  | 11,025,129                  | -                     | -                                     | 4,954,524         | -   | -                    | 15,979,653                    | 15,979,653                    |
| Improvements, equipment, and furniture                    | -                           | -                     | 12,499,645                            | 16,698,297        | -   | 21,634,461           | 51,302,293                    | 47,957,571                    |
| Lease acquisition costs                                   | -                           | -                     | -                                     | 589,837           | -   | -                    | 589,837                       | 589,837                       |
| <b>Total assets</b>                                       | <b>11,025,129</b>           | <b>1,495,775</b>      | <b>282,614,099</b>                    | <b>64,197,492</b> | <b>1,602,148</b>                              | <b>56,348,871</b>    | <b>534,409,394</b>            | <b>529,891,597</b>            |
|   | \$ -                        | \$ 24,552             | \$ 2,454,114                          | \$ 4,647,928      | \$ 1,349,765                                  | \$ 6,894,695         | \$ 15,371,054                 | \$ 15,375,411                 |
| <b>Liabilities:</b>                                       |                             |                       |                                       |                   |   |                      |                               |                               |
| Accounts payable and accrued expenses                     | 95,056                      | -                     | 680,720                               | 2,032,588         | -   | -                    | 775,776                       | 807,048                       |
| Accrued interest payable                                  | -                           | -                     | -                                     | 2,780,550         | -   | -                    | 2,032,588                     | 2,642,559                     |
| Deferred Revenue  | -                           | 686,614               | 23,708,442                            | 2,780,550         | -   | 17,553,078           | 44,728,684                    | 49,924,357                    |
| Due to (from) City/School District of Philadelphia        | -                           | -                     | -                                     | -                 | 789,226                                       | -                    | 789,226                       | 2,354,754                     |
| Due to the Pennsylvania Department of Transportation      | 570,000                     | -                     | 9,950,000                             | -                 | -   | -                    | 10,520,000                    | 7,985,000                     |
| Current portion of revenue bond                           | -                           | -                     | 2,000,108                             | 841,714           | -   | 2,250,900            | 5,092,722                     | 5,289,580                     |
| Current portion of notes payable                          | -                           | 19,091                | 1,856,910                             | (6,901,162)       | (536,843)                                     | 5,562,004            | -                             | -                             |
| Due to (from) other funds                                 | 665,056                     | 730,257               | 28,019,466                            | 3,401,618         | 1,602,148                                     | 32,260,677           | 79,310,050                    | 84,378,709                    |
| <b>Total current liabilities</b>                          | <b>14,250,000</b>           | <b>1,495,775</b>      | <b>34,144,099</b>                     | <b>12,630,828</b> | <b>1,602,148</b>                              | <b>53,426,100</b>    | <b>167,070,000</b>            | <b>177,590,000</b>            |
| Revenue bonds payable                                     | -                           | -                     | 152,820,000                           | -                 | -   | -                    | (6,655,809)                   | (7,273,797)                   |
| Deferred amount on refunding                              | -                           | -                     | (6,655,809)                           | -                 | -   | -                    | 5,893,714                     | 11,594,913                    |
| Notes payable   | -                           | -                     | 1,497,762                             | 2,230,529         | -   | 2,165,423            | 8,676,309                     | 8,676,309                     |
| Accrued claims payable                                    | -                           | -                     | -                                     | 8,676,309         | -   | -                    | 8,818,505                     | 6,680,301                     |
| Payable for post employment benefits, other than pensions | -                           | -                     | -                                     | 8,818,505         | -   | -                    | 263,112,769                   | 281,646,435                   |
| <b>Total liabilities</b>                                  | <b>14,915,056</b>           | <b>1,495,775</b>      | <b>160,292,781</b>                    | <b>23,126,961</b> | <b>1,602,148</b>                              | <b>56,348,871</b>    | <b>534,409,394</b>            | <b>529,891,597</b>            |
| <b>FUND NET ASSETS:</b>                                   |                             |                       |                                       |                   |   |                      |                               |                               |
| Capital assets, net of related debt                       | (496,825)                   | 254,058               | 44,886,442                            | 6,758,234         | -   | 7,280,869            | 58,682,778                    | 58,143,518                    |
| Restricted for capital projects                           | -                           | -                     | 2,411,711                             | -                 | -   | -                    | 2,411,711                     | 4,326,550                     |
| Unrestricted  | (496,825)                   | 511,460               | 75,023,165                            | 13,199,905        | -   | 14,641,902           | 210,202,136                   | 185,775,094                   |
| <b>Fund net assets</b>                                    | <b>(496,825)</b>            | <b>765,518</b>        | <b>122,321,318</b>                    | <b>19,958,139</b> | <b>-</b>                                      | <b>21,922,771</b>    | <b>271,296,625</b>            | <b>248,245,162</b>            |
| <b>Total liabilities and fund net assets</b>              | <b>14,418,231</b>           | <b>1,495,775</b>      | <b>282,614,099</b>                    | <b>47,977,605</b> | <b>1,602,148</b>                              | <b>56,348,871</b>    | <b>534,409,394</b>            | <b>529,891,597</b>            |

These supplementary schedules do not include depreciation and reflect rounding.

**THE PHILADELPHIA PARKING AUTHORITY**  
 Combining Statement of Revenues, Expenses, and Changes in Fund Net assets  
 For the Years Ended March 31, 2012 and 2011

Schedule 1  
Page 2 of 2

|  | Funds Under Trust Indenture<br>May 27,<br>1999 | Funds Under Trust Indenture<br>December 10,<br>2009* | Funds Not<br>Under Trust<br>Indenture | Red Light<br>Camera<br>Enforcement | On-Street<br>Parking | Combined<br>Totals<br>March 31, 2012 | Combined<br>Totals<br>March 31, 2011 |
|--|--|--|---------------------------------------|------------------------------------|----------------------|--------------------------------------|--------------------------------------|
| Operating revenues                                       | \$ 356,520                                     | \$ 62,591,276  | \$ 32,432,863                         | \$ 10,056,643                      | \$ 124,831,823       | \$ 230,269,125                       | \$ 222,665,270                       |
| Operating expenses:                                      |  |  |                                       |                                    |                      |                                      |                                      |
| Direct operating expenses                                | 104,940  | 16,776,705   | 17,470,323                            | 6,217,040                          | 59,405,045           | 99,974,053                           | 98,411,953                           |
| Administrative expenses                                  | 50,805   | 2,692,696  | 4,509,668                             | 906,090                            | 9,379,630            | 17,538,889                           | 18,362,250                           |
| Expense to the City/School District of Philadelphia      | (989,017)                                      | 27,118,790   | 2,037,360                             | -                                  | 51,299,773           | 79,466,906                           | 70,881,088                           |
| Expense to the Pennsylvania Department of Transportation | -  | -  | -                                     | 2,930,159                          | -                    | 2,930,159                            | 7,645,683                            |
| Total operating expenses                                 | (833,272)                                      | 46,588,191   | 24,017,351                            | 10,053,289                         | 120,084,448          | 199,910,007                          | 195,300,974                          |
| Operating income   | 1,189,792                                      | 16,003,085   | 8,415,512                             | 3,354                              | 4,747,375            | 30,359,118                           | 27,364,296                           |
| Nonoperating revenues (expenses):                        |  |  |                                       |                                    |                      |                                      |                                      |
| Investment income  | 142,038  | 1,719,185  | 554,858                               | 1,057                              | 1,830                | 2,418,968                            | 1,985,583                            |
| Interest expense   | (790,486)                                      | (8,590,978)  | (144,216)                             | (4,411)                            | (196,531)            | (9,726,623)                          | (10,635,204)                         |
| Total nonoperating revenues (expenses)                   | (648,448)                                      | (6,871,793)  | 410,642                               | (3,354)                            | (194,701)            | (7,307,655)                          | (8,649,621)                          |
| Increase in fund net assets before transfers             | 541,344  | 9,131,292  | 8,826,154                             | -                                  | 4,552,674            | 23,051,463                           | 18,714,675                           |
| Operating transfers                                      |  |  |                                       |                                    |                      |                                      |                                      |
| Interfund transfers in (out)                             | -  | -  | (189,296)                             | -                                  | 189,296              | -                                    | -                                    |
| Total operating transfers in (out)                       | -  | -  | (189,296)                             | -                                  | 189,296              | -                                    | -                                    |
| Increase (decrease) in fund net assets after transfers   | 541,344  | 9,131,292  | 8,636,858                             | -                                  | 4,741,970            | 23,051,463                           | 18,714,675                           |
| Fund net assets, beginning of year                       | (272,651)                                      | 133,148,168  | 98,188,846                            | -                                  | 17,180,800           | 248,245,162                          | 229,530,487                          |
| Fund net assets, end of the year                         | \$ 268,693                                     | \$ 142,279,460                                       | \$ 106,825,704                        | \$ -                               | \$ 21,922,771        | \$ 271,296,625                       | \$ 248,245,162                       |

\* 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 Balance Sheet**  
**March 31, 2012**

Schedule 2  
Page 1 of 2

|  | Construction Fund | Revenue Fund | Bond Fund |           | Bond Reserve Fund | Rebate Fund | Combined Totals 2012 | Combined Totals 2011 |
|--|-------------------|--------------|-----------|-----------|-------------------|-------------|----------------------|----------------------|
|  |                   |              | Interest  | Principal |                   |             |                      |                      |
| <b>Assets</b>                            |                   |              |           |           |                   |             |                      |                      |
| Current Assets                           |                   |              |           |           |                   |             |                      |                      |
| Cash and cash equivalents                | \$ -              | \$ 1,025,885 | \$ -      | \$ -      | \$ -              | \$ -        | \$ 1,025,885         | \$ 879,151           |
| Investments                              | 102,151           | 42,599       | -         | -         | 3,220,181         | 28,159      | 3,393,090            | 3,393,101            |
| Accrued Interest Receivable              | 7                 | 2            | -         | -         | -                 | 2           | 11                   | 28,419               |
| Total current assets                     | 102,158           | 1,068,486    | -         | -         | 3,220,181         | 28,161      | 4,418,986            | 4,300,671            |
| Property and equipment:                  |                   |              |           |           |                   |             |                      |                      |
| Parking Facilities                       | -                 | -            | -         | -         | -                 | -           | -                    | -                    |
| Land                                     | 11,025,129        | -            | -         | -         | -                 | -           | 11,025,129           | 11,025,129           |
| Improvements, Equipment & Furniture      | -                 | 469,890      | -         | -         | -                 | -           | 469,890              | 469,890              |
| Total Assets                             | 11,127,287        | 1,538,376    | -         | -         | 3,220,181         | 28,161      | 15,914,005           | 15,795,690           |
| <b>Liabilities and Fund Net Assets</b>   |                   |              |           |           |                   |             |                      |                      |
| Current Liabilities                      |                   |              |           |           |                   |             |                      |                      |
| Current portion of revenue bond          | 570,000           | -            | -         | -         | -                 | -           | 570,000              | 545,000              |
| Accrued interest payable                 | -                 | 95,056       | -         | -         | -                 | -           | 95,056               | 96,223               |
| A/P and Accrued Expenses                 | -                 | 24,552       | -         | -         | -                 | -           | 24,552               | 24,194               |
| Due to (from) City/School Dist of Phila. | -                 | 686,614      | -         | -         | -                 | -           | 686,614              | 509,428              |
| Due to (from) Other Funds                | -                 | 19,091       | -         | -         | -                 | -           | 19,091               | 73,497               |
| Total current liabilities                | 570,000           | 825,313      | -         | -         | -                 | -           | 1,395,313            | 1,248,342            |
| Revenue bond payable                     | 14,250,000        | -            | -         | -         | -                 | -           | 14,250,000           | 14,820,000           |
| Due to city Long Term                    | -                 | -            | -         | -         | -                 | -           | -                    | -                    |
| Total Liabilities                        | 14,820,000        | 825,313      | -         | -         | -                 | -           | 15,645,313           | 16,068,342           |
| <b>Fund Net Assets</b>                   |                   |              |           |           |                   |             |                      |                      |
| Capital assets, net of related debt      | (4,204,173)       | 713,063      | -         | -         | 3,220,181         | 28,161      | (242,768)            | (756,497)            |
| Restricted for capital projects          | -                 | -            | -         | -         | -                 | -           | -                    | -                    |
| Unrestricted                             | 511,460           | -            | -         | -         | -                 | -           | 511,460              | 483,846              |
| Total Fund Net Assets                    | (3,692,713)       | 713,063      | -         | -         | 3,220,181         | 28,161      | 268,692              | (272,651)            |
| Total Liabilities and Fund Net Assets    | \$ 11,127,287     | \$ 1,538,376 | \$ -      | \$ -      | \$ 3,220,181      | \$ 28,161   | \$ 15,914,005        | \$ 15,795,690        |

These supplementary schedules do not include depreciation and reflect rounding.

**THE PHILADELPHIA PARKING AUTHORITY**  
Trust Indenture of May 27, 1999  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**  
*For the Years Ended March 31, 2012 and 2011*

|  | Construction Fund | Revenue Fund | Bond Fund |           | Bond Reserve Fund | Rebate Fund | Combined Totals 2012 | Combined Totals 2011 |
|--|-------------------|--------------|-----------|-----------|-------------------|-------------|----------------------|----------------------|
|  |                   |              | Interest  | Principal |                   |             |                      |                      |
| Operating revenue:                       |                   | \$ 356,520   | \$ -      | \$ -      | \$ -              | \$ -        | \$ 356,520           | \$ 357,415           |
| Parking revenues                         | -                 | -            | -         | -         | -                 | -           | -                    | -                    |
| Parking rental                           | -                 | -            | -         | -         | -                 | -           | -                    | -                    |
| Other                                    | -                 | -            | -         | -         | -                 | -           | -                    | -                    |
| Total Operating revenue                  | -                 | 356,520      | -         | -         | -                 | -           | 356,520              | 357,415              |
| Operating expenses:                      |                   |              |           |           |                   |             |                      |                      |
| Direct operating expenses                | -                 | 104,940      | -         | -         | -                 | -           | 104,940              | 100,793              |
| Administrative and other expenses        | -                 | 50,805       | -         | -         | -                 | -           | 50,805               | 49,187               |
| Expense to the City of Philadelphia      | -                 | (989,017)    | -         | -         | -                 | -           | (989,017)            | (955,964)            |
| Total operating expenses                 | -                 | (833,273)    | -         | -         | -                 | -           | (833,273)            | (805,984)            |
| Operating Income                         | -                 | 1,189,792    | -         | -         | -                 | -           | 1,189,792            | 1,163,399            |
| Nonoperating revenue (expense):          |                   |              |           |           |                   |             |                      |                      |
| Investment income                        | 39                | 170,379      | -         | -         | (28,391)          | 11          | 142,038              | 173,417              |
| Interest expense                         | -                 | (790,486)    | -         | -         | -                 | -           | (790,486)            | (793,434)            |
| Total nonoperating revenue (expense)     | 39                | (620,107)    | -         | -         | (28,391)          | 11          | (648,448)            | (620,017)            |
| Income (loss) before transfers           | 39                | 569,685      | -         | -         | (28,391)          | 11          | 541,344              | 543,382              |
| Operating transfers in (out)             |                   |              |           |           |                   |             |                      |                      |
| Interfund transfers in (out)             | (74)              | (14,121)     | -         | -         | 14,195            | -           | -                    | -                    |
| Transfer interest earned to revenue fund | (29)              | 29           | -         | -         | -                 | -           | -                    | -                    |
| Debt service                             | 545,000           | (545,000)    | -         | -         | -                 | -           | -                    | -                    |
| Total operating transfers in (out)       | 544,897           | (559,092)    | -         | -         | 14,195            | -           | -                    | -                    |
| Change in net assets                     | -                 | 544,936      | -         | -         | (14,196)          | 11          | 541,344              | 543,382              |
| Fund net assets - beginning of year      | (4,237,649)       | 702,471      | -         | -         | 3,234,377         | 28,150      | (272,651)            | (816,033)            |
| Fund net assets - end of year            | \$ (3,692,713)    | \$ 713,063   | \$ -      | \$ -      | \$ 3,220,181      | \$ 28,161   | \$ 268,692           | \$ (272,651)         |

These supplementary schedules do not include depreciation and reflect rounding.



**THE PHILADELPHIA PARKING AUTHORITY**  
**Trust Indenture of December 10, 2009 and September 5, 2008**  
**Philadelphia International Airport Facility**  
**Combining Balance Sheet**  
**March 31, 2012**

|  | Construction Fund | Revenue Fund  | Debt Service Fund |               | Bond Reserve Fund | Maintenance Fund | Bond Redemption & Improvement Fund |      | Rebate & Escrow Fund | Combined Totals 2012 | Combined Totals 2011 |
|--|-------------------|---------------|-------------------|---------------|-------------------|------------------|------------------------------------|------|----------------------|----------------------|----------------------|
|  |                   |               | Principal         | Interest      |                   |                  |                                    |      |                      |                      |                      |
| <b>Assets</b>                          |                   |               |                   |               |                   |                  |                                    |      |                      |                      |                      |
| Current Assets                         |                   |               |                   |               |                   |                  |                                    |      |                      |                      |                      |
| Cash and cash equivalents              | \$ -              | \$ 4,193,387  | \$ -              | \$ -          | \$ -              | \$ -             | \$ -                               | \$ - | \$ -                 | \$ 4,193,387         | \$ 3,916,201         |
| Investments                            | 0                 | 31,156,884    | 7,444,834         | -             | 16,153,093        | 2,911,698        | 3,186,697                          | -    | -                    | 60,853,206           | 64,932,283           |
| Accrued Interest Receivable            | -                 | 127,688       | 35,628            | -             | -                 | 12,301           | 24,966                             | -    | -                    | 200,582              | 195,328              |
| Accounts Receivable                    | -                 | -             | -                 | -             | -                 | -                | -                                  | -    | -                    | -                    | -                    |
| Total Current Assets                   | 0                 | 35,477,960    | 7,480,462         | -             | 16,153,093        | 2,923,999        | 3,211,663                          | -    | -                    | 65,247,176           | 69,043,812           |
| Property and equipment                 |                   |               |                   |               |                   |                  |                                    |      |                      |                      |                      |
| Parking Facilities                     | 229,917,774       | 12,499,645    | -                 | 22,927,109    | -                 | -                | -                                  | -    | -                    | 252,844,883          | 251,463,458          |
| Improvements, Equip., & Furniture      | -                 | 47,977,605    | 7,480,462         | 22,927,109    | 16,153,093        | 2,923,999        | 3,211,663                          | -    | -                    | 12,499,645           | 10,564,870           |
| Total Assets                           | \$ 229,917,774    | \$ 47,977,605 | \$ 7,480,462      | \$ 22,927,109 | \$ 16,153,093     | \$ 2,923,999     | \$ 3,211,663                       | \$ - | \$ -                 | \$ 330,591,704       | \$ 331,072,140       |
| <b>Liabilities and Fund Net Assets</b> |                   |               |                   |               |                   |                  |                                    |      |                      |                      |                      |
| Current Liabilities                    |                   |               |                   |               |                   |                  |                                    |      |                      |                      |                      |
| Current portion of revenue bond        | \$ 9,950,000      | \$ -          | \$ -              | \$ -          | \$ -              | \$ -             | \$ -                               | \$ - | \$ -                 | \$ 9,950,000         | \$ 7,440,000         |
| Current portion of notes payable       | 2,000,108         | -             | -                 | -             | -                 | -                | -                                  | -    | -                    | 2,000,108            | 2,000,108            |
| Accrued interest payable               | -                 | -             | 539,693           | 141,025       | -                 | -                | -                                  | -    | -                    | 680,718              | 710,825              |
| A/P and Accrued Expenses               | -                 | 2,454,114     | -                 | -             | -                 | -                | -                                  | -    | -                    | 2,454,114            | 2,427,353            |
| Due to (from) City of Philadelphia     | -                 | 23,708,442    | -                 | -             | -                 | -                | -                                  | -    | -                    | 23,708,442           | 24,598,206           |
| Due to (from) Other Funds              | -                 | 1,856,910     | -                 | -             | -                 | -                | -                                  | -    | -                    | 1,856,910            | 1,753,406            |
| Total Current Liabilities              | 11,950,108        | 28,019,465    | 539,693           | 141,025       | -                 | -                | -                                  | -    | -                    | 40,650,292           | 38,929,899           |
| Revenue bond payable                   | 152,820,000       | -             | -                 | -             | -                 | -                | -                                  | -    | -                    | 152,820,000          | 162,770,000          |
| Deferred refunding                     | (6,655,809)       | -             | -                 | -             | -                 | -                | -                                  | -    | -                    | (6,655,809)          | (7,273,797)          |
| Notes payable                          | 1,497,762         | -             | -                 | -             | -                 | -                | -                                  | -    | -                    | 1,497,762            | 3,497,870            |
| Total Liabilities                      | 159,612,061       | 28,019,465    | 539,693           | 141,025       | -                 | -                | -                                  | -    | -                    | 188,312,245          | 197,923,972          |
| <b>Fund Net Assets</b>                 |                   |               |                   |               |                   |                  |                                    |      |                      |                      |                      |
| Capital assets, net of related debt    | -                 | 2,078,497     | 6,940,769         | 22,786,084    | 16,153,093        | 512,288          | 3,173,946                          | -    | -                    | 51,644,676           | 54,707,429           |
| Restricted for capital projects        | -                 | -             | -                 | -             | -                 | 2,411,711        | -                                  | -    | -                    | 2,411,711            | 4,326,550            |
| Unrestricted                           | 70,305,713        | 17,879,643    | -                 | -             | -                 | -                | 37,717                             | -    | -                    | 88,223,072           | 74,114,189           |
| Total Fund Net Assets                  | 70,305,713        | 19,958,141    | 6,940,769         | 22,786,084    | 16,153,093        | 2,923,999        | 3,211,663                          | -    | -                    | 142,279,460          | 133,148,168          |
| Total Liabilities and Fund Net Assets  | \$ 229,917,774    | \$ 47,977,605 | \$ 7,480,462      | \$ 22,927,109 | \$ 16,153,093     | \$ 2,923,999     | \$ 3,211,663                       | \$ - | \$ -                 | \$ 330,591,704       | \$ 331,072,140       |

These supplementary schedules do not include depreciation and reflect rounding.

**THE PHILADELPHIA PARKING AUTHORITY**  
**Trust Indenture of December 10, 2009 and September 5, 2008**  
**Philadelphia International Airport Facility**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**  
*For the Years Ended March 31, 2012 and 2011*

|                                      | Construction Fund | Revenue       |              | Debt Service Fund |   | Interest | Bond Reserve Fund |              | Maintenance Fund | Bond Redemption & Improvement Fund |   | Settlement Fund | Rebate & Escrow Fund | Combined Totals 2012 | Combined Totals 2011 |
|--------------------------------------|-------------------|---------------|--------------|-------------------|---|----------|-------------------|--------------|------------------|------------------------------------|---|-----------------|----------------------|----------------------|----------------------|
|                                      |                   | Fund          |              | Principal         |   |          | Fund              |              |                  | Fund                               |   |                 |                      |                      |                      |
| Operating revenues:                  |                   |               |              |                   |   |          |                   |              |                  |                                    |   |                 |                      |                      |                      |
| Parking revenues                     | -                 | \$ 62,591,276 | \$ -         | -                 | - | -        | \$ -              | -            | -                | -                                  | - | -               | -                    | \$ 62,591,276        | \$ 62,542,791        |
| Total operating revenues             | -                 | 62,591,276    | -            | -                 | - | -        | -                 | -            | -                | -                                  | - | -               | -                    | 62,591,276           | 62,542,791           |
| Operating expenses:                  |                   |               |              |                   |   |          |                   |              |                  |                                    |   |                 |                      |                      |                      |
| Direct operating expenses            | -                 | 16,776,705    | -            | -                 | - | -        | -                 | -            | -                | -                                  | - | -               | -                    | 16,776,705           | 16,747,508           |
| Administrative and other expenses    | -                 | 2,692,696     | -            | -                 | - | -        | -                 | -            | -                | -                                  | - | -               | -                    | 2,692,696            | 2,915,601            |
| Expense to the City of Philadelphia  | -                 | 27,118,790    | -            | -                 | - | -        | -                 | -            | -                | -                                  | - | -               | -                    | 27,118,790           | 27,934,270           |
| Total operating expenses             | -                 | 46,588,191    | -            | -                 | - | -        | -                 | -            | -                | -                                  | - | -               | -                    | 46,588,191           | 47,597,380           |
| Operating Income                     | -                 | 16,003,085    | -            | -                 | - | -        | -                 | -            | -                | -                                  | - | -               | -                    | 16,003,085           | 14,945,412           |
| Nonoperating revenue (expense)       |                   |               |              |                   |   |          |                   |              |                  |                                    |   |                 |                      |                      |                      |
| Investment income                    | 0                 | 1,457,128     | 151,691      | -                 | - | -        | (1,499)           | 69,462       | -                | 42,403                             | - | -               | -                    | 1,719,185            | 1,511,539            |
| Interest expense                     | (210,649)         | (8,380,330)   | -            | -                 | - | -        | -                 | -            | -                | -                                  | - | -               | -                    | (8,590,978)          | (9,364,178)          |
| Total nonoperating revenue (expense) | (210,649)         | (6,923,202)   | 151,691      | -                 | - | -        | (1,499)           | 69,462       | -                | 42,403                             | - | -               | -                    | (6,871,793)          | (7,852,639)          |
| Income (loss) before transfers       | (210,649)         | 9,079,883     | 151,691      | -                 | - | -        | (1,499)           | 69,462       | -                | 42,403                             | - | -               | -                    | 9,131,291            | 7,092,773            |
| Operating transfers in (out)         |                   |               |              |                   |   |          |                   |              |                  |                                    |   |                 |                      |                      |                      |
| Interest earned                      | -                 | -             | -            | -                 | - | -        | -                 | -            | -                | -                                  | - | -               | -                    | -                    | -                    |
| Interfund transfers in (out)         | 3,222,714         | (1,889,678)   | 1,667,751    | 25,187            | - | -        | 196,633           | (2,000,000)  | -                | (1,222,500)                        | - | -               | (106)                | -                    | -                    |
| Debt Service                         | 7,440,000         | (7,440,000)   | -            | -                 | - | -        | -                 | -            | -                | -                                  | - | -               | -                    | -                    | -                    |
| Total operating transfers in (out)   | 10,662,714        | (9,329,678)   | 1,667,751    | 25,187            | - | -        | 196,633           | (2,000,000)  | -                | (1,222,500)                        | - | -               | (106)                | -                    | -                    |
| Change in net assets                 | 10,452,065        | (249,795)     | 1,819,442    | 25,187            | - | -        | 195,134           | (1,930,538)  | -                | (1,180,097)                        | - | -               | (106)                | 9,131,291            | 7,092,774            |
| Fund Net Assets - beginning of year  | 59,853,647        | 20,207,936    | 5,121,327    | 22,760,897        | - | -        | 15,957,959        | 4,854,537    | -                | 4,391,760                          | - | -               | 106                  | 133,148,168          | 126,053,394          |
| Fund Net Assets - end of year        | \$ 70,305,713     | \$ 19,958,141 | \$ 6,940,769 | \$ 22,786,084     | - | -        | \$ 16,153,093     | \$ 2,923,999 | -                | \$ 3,211,663                       | - | -               | \$ -                 | \$ 142,279,460       | \$ 133,148,168       |

These supplementary schedules do not include depreciation and reflect rounding.

**THE PHILADELPHIA PARKING AUTHORITY**  
*Trust Indenture of December 10, 2009 and September 5, 2008*  
*Philadelphia International Airport Facility*  
*Schedule of Direct Operating Expenses*  
*For the Years Ended March 31, 2012 and 2011*

Schedule 4  
Page 1 of 1

|                                   | 2012          | 2011          |
|-----------------------------------|---------------|---------------|
| Salaries and wages                | \$ 7,249,842  | \$ 7,233,349  |
| Pension plan expense              | 1,056,150     | 1,013,170     |
|                                   | 8,305,991     | 8,246,519     |
| Employees' benefits               | 3,367,268     | 3,345,221     |
| Payroll taxes                     | 544,355       | 547,618       |
|                                   | 12,217,614    | 12,139,357    |
| Professional fees                 | 143,740       | 171,965       |
| Utilities                         | 398,221       | 277,914       |
| Miscellaneous and office expenses | 2,341,574     | 2,443,948     |
| Repairs and maintenance           | 883,196       | 941,721       |
| Insurance                         | 453,516       | 538,300       |
| Auto expenses                     | 55,328        | 84,808        |
| Supplies and tickets              | 83,672        | 59,976        |
| Telephone                         | 11,268        | 11,386        |
| Equipments expenses               | 188,577       | 78,133        |
| Total direct operating expenses   | \$ 16,776,705 | \$ 16,747,508 |

**THE PHILADELPHIA PARKING AUTHORITY**  
*Reformatted Statement of Net Assets*  
*As of March 31, 2012 and 2011 (in thousands)*

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|   | 2012           | 2011          |
|---|----------------|---------------|
| <b>ASSETS:</b>  |                |               |
| Cash and cash equivalents on deposit and on hand              | \$ 92,442      | \$ 76,917     |
| Investments - short term                                      | 75,705         | 90,457        |
| Accounts receivable   | 1,092          | 974           |
| Other current assets  | 467            | 485           |
| Deposits  | -              | 452           |
| Restricted cash   | 2,032          | 2,643         |
| Capital assets, net   | 196,087        | 207,418       |
| Total assets  | 367,825        | 379,346       |
| <br><b>LIABILITIES:</b>                                       |                |               |
| Accounts payable and accrued expenses                         | 15,371         | 15,375        |
| Accrued interest payable                                      | 776            | 807           |
| Deferred Revenue  | 2,032          | 2,643         |
| Due to the City /School District of Phila.                    | 44,729         | 49,924        |
| Due to the Penna.Dept of Transportation                       | 789            | 2,355         |
| Current portion of notes payable                              | 5,093          | 5,290         |
| Current portion of other long-term obligations                | 10,520         | 7,985         |
| Non-current portion of notes payable                          | 5,894          | 11,595        |
| Non-current portion of other long-term obligations            | 167,070        | 177,590       |
| Unamortized loss and discount related to long-term obligation | (6,656)        | (7,274)       |
| Accrued claims payable  | 8,676          | 8,676         |
| Payable for post retirement benefits, other than pensions     | 8,819          | 6,680         |
| Total liabilities   | 263,113        | 281,646       |
| <br><b>FUND NET ASSETS</b>                                    | <br>\$ 104,712 | <br>\$ 97,700 |

**THE PHILADELPHIA PARKING AUTHORITY**  
*Reformatted Statement of Activities*  
*For the Years Ended March 31, 2012 and 2011 (in thousands)*

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|   | 2012       | 2011      |
|---|------------|-----------|
| <b>EXPENSES:</b>                                    |            |           |
| Operating expenses                                  | \$ 99,974  | \$ 98,412 |
| Expense to the City/School District of Philadelphia | 79,467     | 70,881    |
| Expense to the Penna Dept.of Transportation         | 2,930      | 7,646     |
| Interest on long-term debt                          | 9,727      | 10,635    |
| Administrative expenses                             | 17,539     | 18,362    |
| Depreciation & amortization expense                 | 16,039     | 14,579    |
| Total expenses                                      | 225,676    | 220,514   |
| <br><b>PROGRAM REVENUES:</b>                        |            |           |
| Charges for services                                | 230,269    | 222,665   |
| Net program revenues                                | 4,593      | 2,151     |
| <br><b>GENERAL REVENUES:</b>                        |            |           |
| Interest and investment earnings                    | 2,419      | 1,986     |
| Increase in net assets                              | 7,012      | 4,136     |
| Net assets, beginning of year                       | 97,700     | 93,564    |
| Net assets, end of year                             | \$ 104,712 | \$ 97,700 |