# THE PHILADELPHIA PARKING AUTHORITY - PHILADELPHIA INTERNATIONAL AIRPORT DIVISION

## SPECIAL-PURPOSE FINANCIAL REPORT

## MARCH 31, 2020 AND 2019

B&R Boyer & Ritter LLC
Certified Public Accountants and Consultants

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Boyer & Ritter LLC
Certified Public Accountants and Consultants

# INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Philadelphia Parking Authority
Philadelphia, Pennsylvania

## Report on the Special-Purpose Financial Statements

We have audited the accompanying special-purpose financial statements of The Philadelphia Parking Authority - Philadelphia International Airport Division (the "Authority") which comprise the statements of net position as of March 31, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

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

## Opinion

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Philadelphia Parking Authority - Philadelphia International Airport Division as of March 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As disclosed in Note 8, to the financial statements, the Authority's management determined it was necessary to restate its beginning net position amounts as a result of the implementation of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Boyer & Ritter

Camp Hill, Pennsylvania
December 23, 2020

**THE PHILADELPHIA PARKING AUTHORITY -**
**PHILADELPHIA INTERNATIONAL AIRPORT DIVISION**

**STATEMENTS OF NET POSITION**
**March 31, 2020 and 2019**

| | | **2020** | | 2019 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | **$** | **3,640,697** | $ | 10,475,802 |
| Accrued interest receivable | | **107,057** | | 68,063 |
| Prepaid expense | | **98,700** | | - |
| **Total current assets** | | **3,846,454** | | 10,543,865 |
| Restricted cash and investments | | **71,935,634** | | 76,681,692 |
| Property and Equipment | | | | |
| Construction-in-progress | | **-** | | 6,967,640 |
| Parking facilities and improvements | | **312,677,148** | | 304,609,355 |
| Improvements, equipment and furniture | | **4,745,260** | | 4,484,454 |
| Less accumulated depreciation | | **(213,943,741)** | | (205,135,033) |
| Total property and equipment | | **103,478,667** | | 110,926,416 |
| **Total assets** | | **179,260,755** | | 198,151,973 |
| **Deferred Outflows of Resources** | | | | |
| Deferred amount on refunding | | **2,328,879** | | 2,576,194 |
| Deferred outflows for pension | | **1,272,619** | | 1,839,398 |
| Deferred outflows for OPEB | | **2,282,855** | | - |
| **Total deferred outflows of resources** | | **5,884,353** | | 4,415,592 |
| **Total assets and deferred outflows** | **$** | **185,145,108** | $ | 202,567,565 |
| **Liabilities** | | | | |
| Accounts payable and accrued expenses | **$** | **1,990,066** | $ | 2,462,470 |
| Accrued interest payable | | **327,829** | | 350,631 |
| Due to the City of Philadelphia - Division of Aviation | | **33,702,374** | | 35,297,366 |
| Current portion of revenue bonds | | **13,760,000** | | 13,195,000 |
| Due to/from other funds | | **2,421,497** | | 4,091,267 |
| **Total current liabilities** | | **52,201,766** | | 55,396,734 |
| Revenue bonds payable | | **57,694,392** | | 72,046,555 |
| Notes payable | | **18,281,793** | | 18,281,793 |
| Net other postemployment benefits (OPEB) liability | | **3,152,444** | | 2,668,991 |
| Net pension liability | | **4,832,254** | | 5,267,789 |
| Total long-term liabilities | | **83,960,883** | | 98,265,128 |
| **Total liabilities** | | **136,162,649** | | 153,661,862 |
| **Deferred Inflows of Resources** | | | | |
| Deferred inflows for pension | | **1,180,325** | | 1,516,883 |
| Deferred inflows for OPEB | | **16,313** | | 123,332 |
| Total deferred inflows of resources | | **1,196,638** | | 1,640,215 |
| **Total liabilities and deferred inflows** | **$** | **137,359,287** | $ | 155,302,077 |
| **Net Position** | | | | |
| Net investment in capital assets | **$** | **50,168,447** | $ | 46,389,738 |
| Restricted | | **3,513,517** | | 3,865,742 |
| Unrestricted | | **(5,896,143)** | | (2,989,992) |
| **Total net position** | **$** | **47,785,821** | $ | 47,265,488 |

See Notes to Financial Statements.

**THE PHILADELPHIA PARKING AUTHORITY -**
**PHILADELPHIA INTERNATIONAL AIRPORT DIVISION**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
**Years Ended March 31, 2020 and 2019**

| | 2020 | 2019 |
|---|---|---|
| Operating Revenues | **$ 70,145,372** | $ 72,463,076 |
| Operating Expenses | | |
| Direct operating expenses | **13,884,904** | 15,645,203 |
| Administrative expenses | **2,889,429** | 3,716,742 |
| Expense to the City of Philadelphia - Division of Aviation | **34,168,891** | 35,732,664 |
| Depreciation and amortization expense | **8,808,708** | 8,692,010 |
| **Total operating expenses** | **59,751,932** | 63,786,619 |
| **Operating income** | **10,393,440** | 8,676,457 |
| Nonoperating Revenues (Expenses) | | |
| Investment (loss) income | **(5,442,219)** | 8,662,433 |
| Interest expense | **(4,430,888)** | (5,108,423) |
| **Total nonoperating (expenses) revenues - net** | **(9,873,107)** | 3,554,010 |
| **Change in net position** | **520,333** | 12,230,467 |
| Net Position: | | |
| Beginning (as previously reported) | **47,265,488** | 38,252,264 |
| Prior period adjustment (see Note 8) | **-** | (3,217,243) |
| Net Position - Beginning (restated) | **47,265,488** | 35,035,021 |
| Ending | **$ 47,785,821** | $ 47,265,488 |

See Notes to Financial Statements.

**THE PHILADELPHIA PARKING AUTHORITY -**
**PHILADELPHIA INTERNATIONAL AIRPORT DIVISION**

## STATEMENTS OF CASH FLOWS
**Years Ended March 31, 2020 and 2019**

| | **2020** | 2019 |
|---|---|---|
| Cash Flows From Operating Activities | | |
| Cash received from customers and others | **$ 70,145,372** | $ 72,463,076 |
| Salaries and administrative costs paid to employees | **(5,177,682)** | (11,315,523) |
| Payments to suppliers for services | **(15,949,260)** | (9,367,984) |
| Payments to the City of Philadelphia - Division of Aviation | **(35,763,883)** | (32,526,888) |
| **Net cash provided by operating activities** | **13,254,547** | 19,252,681 |
| Cash Flows From Capital and Related Financing Activities | | |
| Purchases of property and equipment, net | **(1,360,959)** | (5,065,003) |
| Principal paid on revenue bonds and notes payable | **(13,195,000)** | (12,725,000) |
| Interest paid on revenue bonds and notes payable | **(4,798,538)** | (5,067,526) |
| **Net cash used in capital and related financing activities** | **(19,354,497)** | (22,857,529) |
| Cash Flows From Investing Activities | | |
| Investment income | **1,652,147** | 8,636,807 |
| Net sale (purchase) of investments | **4,809,528** | (13,181,165) |
| **Net cash provided by (used in) investing activities** | **6,461,675** | (4,544,358) |
| **Net increase (decrease) in cash and cash equivalents** | **361,725** | (8,149,206) |
| Cash and Cash Equivalents: | | |
| Beginning (including restricted cash - see Note 3) | **20,507,306** | 28,656,512 |
| Ending (including restricted cash - see Note 3) | **$ 20,869,031** | $ 20,507,306 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | | |
| Operating income | **$ 10,393,440** | $ 8,676,457 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation | **8,808,708** | 8,692,010 |
| Change in assets and liabilities: | | |
| Prepaid expenses | **(98,700)** | - |
| Accounts payable and other accrued expenses | **(472,404)** | (781,102) |
| Net pension liability and related items | **(205,314)** | (228,097) |
| Net OPEB liability and related items | **(1,906,421)** | (424,920) |
| Due to other funds within the Authority | **(1,669,770)** | 112,557 |
| Due to the City of Philadelphia - Division of Aviation | **(1,594,992)** | 3,205,776 |
| **Net cash provided by operating activities** | **$ 13,254,547** | $ 19,252,681 |

See Notes to Financial Statements.

**THE PHILADELPHIA PARKING AUTHORITY -**
**PHILADELPHIA INTERNATIONAL AIRPORT DIVISION**

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Organization and History

General

The Philadelphia Parking Authority (the "Authority") was created on January 11, 1950, by an ordinance of the Philadelphia City Council 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 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. Philadelphia International Airport, the only major airport serving the nation's 7th largest metropolitan area, is a large hub airport serving 31.7 million passengers annually. The Philadelphia Parking Authority provides the only on-site parking at Philadelphia International Airport.

The Authority's Philadelphia International Airport Division (the "Division") owns and operates many parking facilities in and around Philadelphia International Airport and is party to leases with the City of Philadelphia, the revenue from certain of which is pledged for the payment of debt service under September 5, 2008 and December 10, 2009, trust indentures.

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

### Note 2. Summary of Significant Accounting Policies

Basis of Presentation: The financial statements of the Authority are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board ("GASB"). Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows. The statements of net position and statements of revenues, expenses and changes in net position include all fund activity of the Authority.

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 are carried at fair value. Unrealized gains and losses, if any, are included in investment income as non-operating revenues or expenses.

## Note 2. Summary of Significant Accounting Policies (Continued)

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

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

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

The Authority reports the difference between the expectation of the actuarial valuation of the net pension liability and the actual result in the prior pension plan fiscal year as a deferred outflow or deferred inflow, based on the differences in actual results. Additionally, contributions made subsequent to the plan's fiscal year end and within the Authority's fiscal year are reported as deferred outflows.

The Authority reports various items as deferred outflows of resources that are identified within the actuarial valuations of the pension and other post-employment benefit plans. The specific items reported can be found in the following footnotes.

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

The Authority reports various items as deferred inflows of resources that are identified within the actuarial valuations of the pension and other post-employment benefit plans. The specific items reported can be found in the following footnotes.

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

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

## Note 2. Summary of Significant Accounting Policies (Continued)

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.

Interest Capitalization: The Authority capitalizes related interest charges incurred and interest income during the development of its facilities. During the years ended March 31, 2020 and 2019, the Authority had no capitalized interest expense.

Administrative Expenses: Pursuant to an agreement with the City of Philadelphia and Federal Aviation Administration, administrative expenses of the Authority 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 December 23, 2020, the date the financial statements were available to be issued. See Note 11.

New Accounting Pronouncement: The Authority adopted GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* ("GASB 95"). GASB 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Recent Accounting Pronouncements Not Yet Effective: The Authority's management is in the process of evaluating but has not yet determined how the adoption of the following GASB guidance will impact the Authority's financial statements.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations* ("GASB 83"). GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The Authority is required to adopt GASB 83 for its March 2021 financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities* ("GASB 84"). GASB 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments and separate criteria to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. The Authority is required to adopt GASB 84 for its March 2021 financial statements.

**Note 2. Summary of Significant Accounting Policies (Continued)**

Recent Accounting Pronouncements Not Yet Effective (Continued):

In June 2017, the GASB issued Statement No. 87, *Leases* ("GASB 87"). GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Authority is required to adopt GASB 87 for its March 2023 financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* ("GASB 88"). GASB 88 will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The Authority is required to adopt GASB 88 for its March 2021 financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* ("GASB 89"). GASB 89 will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The Authority is required to adopt GASB 89 for its March 2022 financial statements.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61* ("GASB 90"). GASB 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The Authority is required to adopt GASB 90 for its March 2021 financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations* ("GASB 91"). GASB 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice. The Authority is required to adopt GASB 91 for its March 2023 financial statements.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020* ("GASB 92"). GASB 92 enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of various GASB standards previously issued. The Authority is required to adopt GASB 92 for its March 2023 financial statements.

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## Note 2. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements Not Yet Effective (Continued):

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* ("GASB 93"). GASB 93 will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. As a result, more comparable reporting will improve the usefulness of information for users of state and local government financial statements. The Authority is required to adopt GASB 93 for its March 2023 financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* ("GASB 94"). GASB 94 improves financial reporting by addressing issues related to public-private and public-public partnerships. The Authority is required to adopt GASB 94 for its March 2024 financial statements.

In May 2020, GASB issued Statement No. 96 *Subscription-Based Information Technology Arrangements* ("GASB 96"). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The Authority is required to adopt GASB 96 for its March 2024 financial statements.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* ("GASB 97"). GASB 97, (1) increases consistency and comparability related to the reporting of fiduciary component units where a governing board does not exist and the primary government performs the duties that a governing board typically would perform; (2) mitigates costs associated with the reporting of certain defined contribution pension and OPEB plans and other employee benefit plans as fiduciary component units; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan. The Authority is required to adopt GASB 96 for its March 2023 financial statements.

## Note 3. Cash, Cash Equivalents, Investments and Fair Value of Financial Instruments

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

**Note 3. Cash, Cash Equivalents, Investments and Fair Value of Financial Instruments (Continued)**

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

Cash and cash equivalents are comprised of cash on hand at Authority locations, deposits with financial institutions and cash equivalents invested with investment firms in liquid investments, such as money market and mutual funds.

The cash and cash equivalent balances as of March 31, 2020 and 2019, are comprised of the following:

| | 2020 | 2019 |
|---|---|---|
| Cash on hand | $ 49,550 | $ 54,380 |
| Demand deposits | 6,610,727 | 14,403,692 |
| Cash equivalents | 14,208,754 | 6,049,234 |
| Total cash and cash equivalents | $ 20,869,031 | $ 20,507,306 |

The cash and cash equivalent balances as of March 31, 2020 and 2019, are classified in the Statements of Net Position as follows:

| | 2020 | 2019 |
|---|---|---|
| Cash and equivalents (unrestricted) | $ 3,640,697 | $ 10,475,802 |
| Restricted cash | 17,228,334 | 10,031,504 |
| Total cash and cash equivalents | $ 20,869,031 | $ 20,507,306 |

At March 31, 2020 and 2019, the carrying amount of the Authority's demand deposits with financial institutions was $6,610,727 and $14,403,692, respectively, compared to bank balances of $6,610,727 and $13,327,985, respectively. The differences are primarily caused by items in-transit and outstanding checks. The 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, 2020 and 2019, $500,000 of the Authority's bank balance was insured by the FDIC. At March 31, 2020 and 2019, $6,110,727 and $12,827,982, respectively, of the remaining balance was collateralized by securities pledged and held by the financial institution in accordance with Act 72. At March 31, 2020 and 2019, $-0- of the balances were uncollateralized.

**Note 3. Cash, Cash Equivalents, Investments and Fair Value of Financial Instruments (Continued)**

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. Short-term maturities have little interest rate risk as noted in the Authority's investment policy.

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.

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 U.S. government are not considered a credit risk.

The Authority has no exposure to foreign currency risk.

As of March 31, 2020, the Authority had the following investments:

| | Ratings | Average Duration | Fair Value |
|---|---|---|---|
| Cash and cash equivalents | N/A | N/A | $ 20,869,031 |
| U.S. government fixed income | Aaa | 0.68 | 23,435,667 |
| U.S. government sponsored fixed income | Aaa | 4.12 | 20,577,402 |
| Guaranteed investments contract | N/A | 9.43 | 10,694,231 |
| Total | | | $ 75,576,331 |

As of March 31, 2019, the Authority had the following investments:

| | Ratings | Average Duration | Fair Value |
|---|---|---|---|
| Cash and cash equivalents | N/A | N/A | $ 20,507,306 |
| U.S. government fixed income | Aaa | 0.42 | 12,626,148 |
| U.S. government sponsored fixed income | Aaa | 5.16 | 43,329,810 |
| Guaranteed investments contract | N/A | 10.43 | 10,694,230 |
| Total | | | $ 87,157,494 |

## Note 3. Cash, Cash Equivalents, Investments and Fair Value of Financial Instruments (Continued)

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

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

The fair value hierarchy is as follows:

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

The recurring fair value measurements for investments as of March 31, 2020, are as follows:

| Investment Type | Quoted Prices in Active Markets (Level 1) | Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|---|---|---|---|---|
| Cash and cash equivalents | | | | |
| U.S. government mutual fund | $ 14,208,754 | $ - | $ - | $ 14,208,754 |
| U.S. government fixed income | | | | |
| U.S. treasury note | - | 23,435,667 | - | 23,435,667 |
| U.S. owned electric and gas | - | - | - | - |
| U.S. government sponsored fixed income | | | | |
| Mortgage backed securities | - | 19,495,686 | - | 19,495,686 |
| Commercial lending securities | - | 1,081,716 | - | 1,081,716 |
| Total | $ 14,208,754 | $ 44,013,069 | $ - | $ 58,221,823 |

**Note 3. Cash, Cash Equivalents, Investments and Fair Value of Financial Instruments (Continued)**

The recurring fair value measurements for investments as of March 31, 2019, are as follows:

| Investment Type | Quoted Prices in Active Markets (Level 1) | Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|---|---|---|---|---|
| Cash and cash equivalents | | | | |
| U.S. government mutual fund | $ 6,049,234 | $ - | $ - | $ 6,049,234 |
| U.S. government fixed income | | | | |
| U.S. treasury note | - | 12,426,588 | - | 12,426,588 |
| U.S. owned electric and gas | - | 199,560 | - | 199,560 |
| U.S. government sponsored fixed income | | | | |
| Mortgage backed securities | - | 41,017,525 | - | 41,017,525 |
| Commercial lending securities | - | 2,312,285 | - | 2,312,285 |
| Total | $ 6,049,234 | $ 55,955,958 | $ - | $ 62,005,192 |

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

- U.S. government mutual fund: These are investments in professionally managed funds consisting of various U.S. treasury and governmental investments. They are considered a Level 1 input in the hierarchy.
- U.S. government treasury: These are investments in asset backed, fixed income securities. These securities provide a return in the form of fixed periodic payments and the eventual return of principal at maturity. They are traded in active markets and values are based on unadjusted quoted prices. They are considered a Level 2 input in the hierarchy.
- Fixed income (government and government sponsored entities): Valued at fair value based upon quoted market prices, if available, or estimated using quoted market prices for similar securities. They are considered a Level 2 input in the hierarchy.

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Capital Assets

The following is a summary of changes in capital assets as of March 31, 2020:

| | Balance at March 31, 2019 | Increases | Decreases | Balance at March 31, 2020 |
|---|---|---|---|---|
| Property and equipment not being depreciated | | | | |
| Land | $ - | $ - | $ - | $ - |
| Construction-in-progress | 6,967,640 | 1,100,153 | 8,067,793 | - |
| Total property and equipment not being depreciated | 6,967,640 | 1,100,153 | 8,067,793 | - |
| Property and equipment being depreciated | | | | |
| Parking facilities and improvements | 304,609,355 | 8,067,793 | - | 312,677,148 |
| Improvements, equipment and furniture | 4,484,454 | 260,806 | - | 4,745,260 |
| Total property and equipment being depreciated | 309,093,809 | 8,328,599 | - | 317,422,408 |
| Total property and equipment | 316,061,449 | 9,428,752 | 8,067,793 | 317,422,408 |
| Less Accumulated Depreciation: | | | | |
| Parking facilities and improvements | 201,422,491 | 8,364,629 | - | 209,787,120 |
| Improvements, equipment and furniture | 3,712,542 | 444,079 | - | 4,156,621 |
| Total Accumulated Depreciation | 205,135,033 | 8,808,708 | - | 213,943,741 |
| Total property and equipment being depreciated, net | 103,958,776 | (480,109) | - | 103,478,667 |
| Property and equipment, net | $ 110,926,416 | $ 620,044 | $ 8,067,793 | $ 103,478,667 |

## Note 4. Capital Assets (Continued)

The following is a summary of changes in capital assets as of March 31, 2019:

| | Balance at March 31, 2018 | Increases | Decreases | Balance at March 31, 2019 |
|---|---|---|---|---|
| Property and equipment not being depreciated | | | | |
| Land | $ - | $ - | $ - | $ - |
| Construction-in-progress | 6,412,065 | 4,997,853 | 4,442,278 | 6,967,640 |
| Total property and equipment not being depreciated | 6,412,065 | 4,997,853 | 4,442,278 | 6,967,640 |
| Property and equipment being depreciated | | | | |
| Parking facilities and improvements | 300,167,077 | 4,442,278 | - | 304,609,355 |
| Improvements, equipment and furniture | 4,417,304 | 67,150 | - | 4,484,454 |
| Total property and equipment being depreciated | 304,584,381 | 4,509,428 | - | 309,093,809 |
| Total property and equipment | 310,996,446 | 9,507,281 | 4,442,278 | 316,061,449 |
| Less Accumulated Depreciation: | | | | |
| Parking facilities and improvements | 193,150,405 | 8,272,086 | - | 201,422,491 |
| Improvements, equipment and furniture | 3,292,618 | 419,924 | - | 3,712,542 |
| Total Accumulated Depreciation | 196,443,023 | 8,692,010 | - | 205,135,033 |
| Total property and equipment being depreciated, net | 108,141,358 | (4,182,582) | - | 103,958,776 |
| Property and equipment, net | $ 114,553,423 | $ 815,271 | $ 4,442,278 | $ 110,926,416 |

## Note 5. Revenue Bonds and Notes Payable

A summary of revenue bonds outstanding as of March 31, 2020 and 2019, is as follows:

| Bond Issue | Issuance Date | Amount Issued | Maturity Date | Principal Outstanding March 31, 2020 | Principal Outstanding March 31, 2019 | Interest Rate | Sinking Fund Requirements | Purpose of Bond Issue |
|---|---|---|---|---|---|---|---|---|
| Airport Parking Revenue Bonds, Series 2009 | December 10, 2009 | $ 131,050,000 | September 1, 2029 | $ 70,085,000 | $ 83,280,000 | 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. |
| Total Revenue bonds outstanding | | | | 70,085,000 | 83,280,000 | | | |
| Unamortized debt premium | | | | 1,369,392 | 1,961,555 | | | |
| Total revenue bonds outstanding net of deferred amount | | | | $ 71,454,392 | $ 85,241,555 | | | |

## Note 5. Revenue Bonds and Notes Payable (Continued)

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. The current maturity is $13,760,000 at March 31, 2020.

Notes Payable

On January 29, 2015, the Authority borrowed $6,000,000 for the Philadelphia Airport Parking Garage Project in anticipation of a future bond financing. The structure of the loan is a tax-exempt bond anticipation note to be paid over a two-year period at a fixed interest rate of 3.07% and matures April 1, 2021, as a result of a two-year extension. The balance of the note payable at March 31, 2020 and 2019, is $4,793,700, respectively.

On January 29, 2015, the Authority borrowed $15,000,000 for the Philadelphia Airport Parking Garage Project in anticipation of a future bond financing. The structure of the loan is a tax-exempt bond anticipation note to be paid over a two-year period at a fixed interest rate of 3.07% and matures April 1, 2021, as a result of a two-year extension. The balance of the note payable at March 31, 2020 and 2019, is $13,488,083, respectively.

## Note 5. Revenue Bonds and Notes Payable (Continued)

The aggregate annual principal and sinking fund payments of debt at March 31, 2020, are as follows:

| Fiscal Year Ending March 31, | Revenue Bonds Principal Amount | Revenue Bonds Interest Amount | Notes Payable Principal Amount | Notes Payable Interest Amount | Total |
|---|---|---|---|---|---|
| 2021 | $ 13,760,000 | $ 3,205,834 | $ - | $ 397,556 | $ 17,363,390 |
| 2022 | 11,995,000 | 2,563,326 | 18,281,793 | - | 32,840,119 |
| 2023 | 12,610,000 | 1,941,606 | - | - | 14,551,606 |
| 2024 | 13,255,000 | 1,278,788 | - | - | 14,533,788 |
| 2025 | 6,955,000 | 760,981 | - | - | 7,715,981 |
| 2026-2030 | 11,510,000 | 1,310,634 | - | - | 12,820,634 |
| | $ 70,085,000 | $ 11,061,169 | $ 18,281,793 | $ 397,556 | $ 99,825,518 |

The following table provides a summary of changes in revenue bonds outstanding and notes payable for the year ended March 31, 2020:

| | Balance at March 31, 2019 | Proceeds | Bonds Refunded | Principal Repayments | Balance at March 31, 2020 |
|---|---|---|---|---|---|
| Revenue Bonds | $ 83,280,000 | $ - | $ - | $ (13,195,000) | $ 70,085,000 |
| Notes Payable | 18,281,793 | - | - | - | 18,281,793 |
| Total | $ 101,561,793 | $ - | $ - | $ (13,195,000) | $ 88,366,793 |

## Note 6. 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:

| Trust Indenture | 2020 | 2019 |
|---|---|---|
| December 10, 2009 | $ 10,694,231 | $ 10,694,231 |
| | $ 10,694,231 | $ 10,694,231 |

The balances in the bond reserve funds noted above are included in restricted cash and investments on the statements of net position.

## Note 7. Restricted Cash and Investments and Net Position

Restricted cash and investments consist of the following at March 31, 2020 and 2019:

| | 2020 | 2019 |
|---|---|---|
| Indentures | | |
| Series of 2008: | | |
| Debt service fund | $ 1,082,938 | $ 1,053,011 |
| Maintenance fund | 3,200,968 | 3,110,100 |
| Bond redemption fund | 8,600,816 | 8,445,558 |
| Subtotal | 12,884,722 | 12,608,669 |
| Series of 2009: | | |
| Debt service reserve fund | 10,763,764 | 13,129,682 |
| Bond reserve fund | 10,694,231 | 10,694,231 |
| Subtotal | 21,457,995 | 23,823,913 |
| Total restricted for indentures | 34,342,717 | 36,432,582 |
| Restricted for airport construction | 3,890,543 | 4,951,744 |
| Restricted for the City of Philadelphia - Division of Aviation | 33,702,374 | 35,297,366 |
| Total restricted cash and investments | $ 71,935,634 | $ 76,681,692 |

## Note 8. Other Post-Employment Benefits (Other than Pensions)

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 and welfare benefits. Eligible employees include those employees who are either (a) regular, full-time, non-represented employees, or (b) employees represented by District Council 21, District Council 33, or District Council 47. Further, at time of retirement, employees are permitted to purchase additional benefits with accumulated sick leave. The Authority does not issue stand-alone financial statements for the OPEB plan.

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

The employees of The Philadelphia Parking Authority - Philadelphia International Airport Division are part of a larger group of employees included in this plan. Please see The Philadelphia Parking Authority's entity wide financial statements for additional information related to the OPEB Plan.

During the year ended March 31, 2019, management determined it was necessary to restate its beginning net position amounts as a result of the implementation of GASB Statement No. 75 *Accounting and Financial reporting for Postemployment Benefits Other than Pensions*. Please see The Philadelphia Parking Authority's entity wide statements for additional information.

## Note 9. Pension Plan

Plan Description

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

The employees of The Philadelphia Parking Authority - Philadelphia International Airport Division are part of a larger group of employees included in this plan. Please see The Philadelphia Parking Authority's entity wide financial statements for additional information related to the Pension Plan.

## NOTES TO FINANCIAL STATEMENTS

### Note 10. 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. The Authority recognized $34.2 million as expense related to their agreement with the Philadelphia Division of Aviation for fiscal year ended 2020.

### Note 11. Subsequent Events

The City of Philadelphia initiated a bond refunding on October 8, 2020, of $389,215,000 that consisted of Series 2020A, 2020B and 2020C for the sole purposes to refund all of the City's outstanding Airport Revenue bonds, refinance certain outstanding Commercial Paper and pay for all issuance costs of these bonds. There was a mention that the City would utilize these available funds to retire the outstanding debt that is presently paid by the Parking Authority from revenues at the Airport but no such transaction has taken place as of the date of this audit. There is $70,085,000 outstanding to Bank of New York Mellon, the principal trustee on the 2009 Bonds and a total of $18,281,793 outstanding to PNC for the bond Anticipation Notes that were offered in May of 2015, to pay for critical repairs in lieu of additional bonds being offered or refunded.

Recent developments arising from the coronavirus pandemic and efforts to mitigate the disease's domestic and global impacts have impacted the operations and finances of the Authority. Changes in service approach, labor and personnel changes, facility closings, contracted service disruptions, personal protective equipment purchases, and technological equipment acquisitions have affected the Authority. Unstable conditions enhance the Authority's risk factors as they have significant reliance on revenues generated from residents of the City of Philadelphia to fund their operations. These factors impact revenue recognition, cash flows and liquidity, and contingencies. Presently, the ultimate effects of this crisis on financial position, results of operations, and cash flows are indeterminable because the duration of the crisis is also indeterminable; however, management continues to monitor developments.