The Parking Authority of the City of Lancaster (A Component Unit of the City of Lancaster, Pennsylvania)

Financial Statements and Required Supplementary Information

Years Ended December 31, 2021 and 2020
with Independent Auditor's Report

MaherDuessel

THE PARKING AUTHORITY OF THE CITY OF LANCASTER

YEARS ENDED DECEMBER 31, 2021 AND 2020

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Independent Auditor's Report

Board of Directors
The Parking Authority of the City of Lancaster

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of The Parking Authority of the City of Lancaster (Authority), a component unit of the City of Lancaster, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of December 31, 2021 and 2020, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the

Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Maher Duessel

Harrisburg, Pennsylvania
May 31, 2022

Introduction

The Parking Authority of the City of Lancaster (the Authority) was incorporated on January 4, 1967 to serve the City of Lancaster, Pennsylvania's (the City) parking needs. The Authority is incorporated under the "Parking Authority Law" of 1947, State of Pennsylvania. The Authority may acquire, construct, improve, and maintain parking projects; conduct research related to parking problems; establish a permanent, coordinated system of parking facilities; borrow money; and issue bonds.

The governing body of the Authority is a five-member Board of Directors appointed by the Mayor of the City for a term of five years. Each of the five appointments are staggered allowing for one new or reappointed member each year. The Board proceedings are governed by the adopted by-laws of the Authority. Twelve monthly board meetings are held per year. The board members are actively involved in strategic planning and approval of major lease arrangements, new construction, major maintenance, financial management (including budget review and approval), and marketing of the Authority.

The Authority owns and operates six parking garages including the Penn Square Garage, East King Street Garage, Duke Street Garage, Prince Street Garage, Water Street Garage and North Queen Street Garage. The Authority owns and operates three surface lots on Cherry Street and Mifflin Street. The Authority operates over 1000 metered parking spaces which reside both on city streets and at an off-street lot at the Lancaster Public Library.

In March 2014, the Authority began managing the North Queen Street Garage under an agreement with the Redevelopment Authority of the City of Lancaster. The initial term of the agreement is five years and is automatically renewable for up to five successive ten-year terms. The Authority purchased the North Queen Street Garage in June 2019 from the Redevelopment Authority through the issuance of a $3,000,000 unsecured note payable.

In January 2017, the Authority began managing most aspects of parking enforcement operations under an agreement with the City. The term of the agreement is three years with no automatic renewal option. The City reviewed the performance of the Authority and proposed an extension of the agreement to December 31, 2022. The Authority approved, accepted, and agreed to the extension.

Financial Requirements

The Authority is a self-supporting municipal authority with financial responsibility to manage and maintain its properties on behalf of the City and the Authority's bondholders. To meet its obligations, the Authority must perform productively and efficiently with a high standard of accountability. The City guarantees the debt of the Authority and plays a significant role in the management of the Authority through appointment of the Authority's Board of Directors by the Mayor of the City.

The Authority issued bonds in 1969 to purchase the Watt & Shand Garage, currently known as the Penn Square Garage. Bonds were issued in 1970 and 1971 to construct the Duke Street Garage and the Prince Street Garage, respectively. In 1987, bonds were issued for the construction of the Water Street Garage. The Authority issued new revenue bonds in October 2007 to retire the existing debt and issue new bonds to construct the East King Street Garage.

In December 2016, the Authority advance refunded and defeased the 2007 Series A and Series B Revenue Bonds with the issuance of 2016 Parking Revenue Bonds (Series of 2016 and Series of 2016A).

The Authority issued bonds in October 2019 to finance the construction of a new parking facility and public library.

In December 2020, the Authority issued bonds to finance additional costs associated with construction of the Christian Street Garage project and to refinance the Series of 2016 bonds to obtain a more favorable interest rate to reduce interest expense.

The following discussion and analysis of the Authority's activities and financial performance provides an introduction and overview to the Authority's basic financial statements for the fiscal years ended December 31, 2021, 2020, and 2019. Please read it in conjunction with the Authority's financial statements.

Financial Highlights

- The Authority's net position increased by $1,713,924 for the year ended December 31, 2021. This compares to a $98,167 and $8,342,398 increase in net position for the years ended December 31, 2020 and 2019, respectively.

- The Authority's operating revenues increased by 23%, or $1,580,516 to $8,338,265 for the year ended December 31, 2021 compared to operating revenues of $6,757,749 and $9,193,904 for the years ended December 31, 2020 and 2019, respectively. The 2021 increase is attributable to increased garage revenue as pandemic measures lightened. The 2020 decrease is attributable to a large decrease in garage revenue and smaller decreases in enforcement revenue and meter revenue due to the significant decrease in parking usage due to business shutdowns and other emergency measures taken due to the pandemic. The 2019 decrease is attributable to decreases in enforcement revenue due to a reduction in collection of citation revenue.

- The Authority's operating expenses increased by 15% or $663,067 to $6,595,483. This compares to operating expenses of $5,908,719 and $6,848,759 for the years ended December 31, 2020 and 2019, respectively. The 2021 increase in operating expense is the result of the reopening of the downtown city businesses and on street parking. The 2020 decrease in operating expense is the result of significant staff reductions and expense reductions due to decreased volume of business resulting from business shutdowns during the pandemic. The 2019 increase in operating expenses is a result of general inflation of costs of personnel and materials. Operating expenses included depreciation expense, which is a noncash expense, of $1,520,860, $1,497,160, and $1,402,729 for the years ending December 31, 2021, 2020, and 2019, respectively.

Overview of the Financial Statements

The Authority's basic financial statements include a statement of net position, statement of revenues, expenses, and changes in net position, statement of cash flows, and notes to the financial statements. This report also includes required supplementary information in addition to the basic financial statements themselves.

The Authority's financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Statement of Net Position. The statement of net position presents the financial position of the Authority. It presents information on the Authority's assets, deferred outflows and inflows of resources, liabilities, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Statement of Revenues, Expenses, and Changes in Net Position. The statement of revenues, expenses, and changes in net position presents information showing how the Authority's net position changed during each fiscal year presented. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues are recognized when earned, not when they are received. Expenses are recognized when incurred, not when they are paid. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., earned, but unused vacation leave).

Statement of Cash Flows. The statement of cash flows presents information on the effects of changes in assets, deferred outflows and inflows of resources, and liabilities have on cash during the course of the fiscal year.

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

Financial Analysis

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets and deferred outflows of resources were greater than liabilities and deferred inflows of resources by $15,186,408 as of December 31, 2021, compared to $13,472,484 and $13,374,317 as of December 31, 2020 and 2019, respectively.

A condensed summary of the Authority's statement of net position at December 31 is presented below:

Condensed Statement of Net Position

	2021	2020	2019
Current unrestricted assets	**$ 4,550,136**	$ 4,786,780	$ 4,417,831
Current restricted assets	**13,226,617**	28,053,906	32,254,229
Capital assets, net	**58,182,261**	40,310,678	31,526,792
Prepaid bond insurance	**349,504**	374,365	201,880
Net pension asset	**89,566**	-	-
Total Assets	**76,398,084**	73,525,729	68,400,732
Total Deferred Outflows of Resources	**805,732**	1,048,693	1,173,727
Current unrestricted liabilities	**7,309,895**	4,261,175	3,093,289
City of Lancaster note payable	**2,550,000**	2,700,000	2,850,000
Bond payable	**49,585,000**	51,275,000	47,605,000
Unamortized bond premium (discount)	**2,447,562**	2,718,444	2,504,534
Net pension liability	**-**	94,828	94,828
Total Liabilities	**61,892,457**	61,049,447	56,147,651
Total Deferred Inflows of Resources	**124,951**	52,491	52,491
Net investment in capital assets	**12,029,500**	9,916,552	9,784,696
Unrestricted	**3,156,908**	3,555,932	3,589,621
Total Net Position	**$ 15,186,408**	$ 13,472,484	$ 13,374,317

The net investment in capital assets portion of the Authority's net position, $12,029,500 reflects its investment in capital assets, net of related debt, (e.g., land, garages, garage equipment, office equipment, vehicles, and parking meters) as of December 31, 2021, compared to $9,916,552 and $9,784,696 as of December 31, 2020 and 2019, respectively. The Authority's operating revenues are derived primarily from user fees. The patrons are primarily employees of downtown businesses and their customers who commute from the suburban areas to the City on a regular basis as well as fees collected from special events held at the Lancaster County Convention Center and other large venues. During the year ended December 31, 2021 and 2020, the Authority invested in purchases of parking equipment for garages and construction of the Christian Street Garage project. During the year ended December 31, 2019, the Authority invested in the purchase of the North Queen Street Garage, land for the proposed Christian Street Garage and structural improvements and repairs to the garages, as well as the purchase of a new vehicle.

Changes in net position. A condensed summary of the Authority's statements of revenues, expenses, and changes in net position for the years ended December 31 is presented below:

Statements of Revenues, Expenses, and Changes in Net Position

	2021	2020	2019
Operating Revenues			
Parking garages and lots	**$ 4,335,266**	$ 3,624,575	$ 5,161,425
Parking meters	**1,195,603**	912,831	1,445,433
Parking violations and fines	**2,807,396**	2,220,343	2,567,046
Parking management	**-**	-	20,000
Total Operating Revenues	**8,338,265**	6,757,749	9,193,904
Operating Expenses, Excluding Depreciation	**5,074,623**	4,411,556	5,446,030
Provision for Depreciation	**1,520,860**	1,497,160	1,402,729
Total Operating Expenses	**6,595,483**	5,908,716	6,848,759
Operating Income	**1,742,782**	849,033	2,345,145
Non-Operating Revenues (Expense)			
Intra-entity transfers	**-**	-	5,372,280
Contributions from CRIZ	**1,451,429**	596,407	1,489,897
Gain (loss) on sale of assets	**15,491**	18,305	-
Investment income	**(43,617)**	285,830	223,952
Interest expense	**(1,568,281)**	(1,775,561)	(1,217,693)
Miscellaneous income	**116,120**	124,153	128,817
Total Net Non-Operating Revenues (Expenses)	**(28,858)**	(750,866)	5,997,253
Increase (Decrease) in Net Position	**1,713,924**	98,167	8,342,398
Net Position (Deficit), Beginning	**13,472,484**	13,374,317	5,031,919
Net Position (Deficit), Ending	**$ 15,186,408**	$ 13,472,484	$ 13,374,317

The Authority's major expenses are salaries, fringe benefits, facility maintenance, and interest expense.

Capital Assets

Capital Acquisitions

The Authority's investment in capital assets includes land, parking garages, administrative building, gate/revenue control systems, parking meters, vehicles, and office equipment. Capital acquisitions are recorded at cost. Acquisitions are funded by revenue generated by Authority patrons as well as by bonds.

Capital acquisitions for the years ended December 31, 2021, 2020, and 2019 totaled $19,400,751, $10,372,862, and $14,247,495, respectively. The Authority's investments in capital assets as of December 31, 2021, 2020, and 2019, net of accumulated depreciation was as follows:

	Capital Assets at December 31		
	2021	**2020**	**2019**
Construction in progress	**$ 32,029,137**	$ 13,631,806	$ 3,522,014
Land	**5,811,820**	5,811,820	5,743,454
Parking garages/lots and office building	**46,141,647**	45,268,026	45,268,026
Office furnishings and equipment	**121,141**	121,766	134,396
Equipment	**3,894,621**	3,861,682	3,784,130
Vehicles	**304,924**	247,224	294,174
	83,303,290	68,942,324	58,746,194
Less accumulated depreciation	**30,121,029**	28,631,646	27,219,402
Net Capital Assets	**$ 53,182,261**	$ 40,310,678	$ 31,526,792

Additional information on capital assets can be found in Note 4.

Debt Administration

As of December 31, 2021, the Authority had $51,275,000 of outstanding bonded debt compared to $52,780,000 and $48,575,000 for the years ended December 31, 2020 and 2019, respectively.

In June 2019, the Authority purchased the North Queen Street Garage from the Redevelopment Authority of the City of Lancaster through the issuance of a $3,000,000 unsecured note payable. The Authority will make an annual payment of $150,000 over a 20-year period to satisfy the unsecured note payable to the City.

More detailed information about the Authority's long-term debt is presented in Notes 5, 6, and 10 to the financial statements.

Economic Condition and Outlook

The Lancaster Parking Authority remains well positioned for long-term success and sustainability in supporting the ongoing economic vitality and development of the City. The Authority aggressively managed through the 2021 Delta and Omicron Covid strains by controlling costs while maintaining a solid revenue stream; to the point where we were still able to fully renovate the Penn Square Garage. The capital plan is to refurbish the Duke Street Garage in 2022, while also opening the Christian Street Garage in the second quarter of 2022.

The Authority fully expects parking demand to recover from the pandemic and related disruptions in 2021 and with the expectation is the resurgence that began at the end of 2021 will continue into 2022 and beyond for both on-street and off-street parking. Anticipated growth in parking demand at/or above the pre-pandemic levels is expected due to full utilization of newly constructed and existing office and residential spaces, the return of workers downtown, the re-opening of entertainment and convention spaces, and the resumption of in-person instruction at both Millersville University and the Pennsylvania College of Art and Design. In addition, the expectation is the return of the pre-pandemic tourism and hospitality industries in Lancaster City. We look forward to the return of robust revenue that will be reinvested in continuing improvements to our existing infrastructure and information systems over the next three-year horizon to better service the needs of residents, visitors, and businesses of Lancaster City.

Contacting the Authority's Financial Management

This financial report is designed to provide our customers, creditors, and funding agencies with a general overview of the Authority's finances and to show the Authority's accountability for the funds it receives. If there are any questions about this report, or if additional financial information is required, please contact the Director of Finance and Administration, The Parking Authority of the City of Lancaster at P.O. Box 866, Lancaster, Pa. 17608-0866.

Supporting Subsequent Events

The monthly parking garage rates have been increased by $5 per month as of January 1, 2022, and as approved by the LPA's Board of Directors. In addition, a meter rate increase of $1/hour has been approved by the Lancaster City Council in March 2022 and the LPA Board. The LPA expects to see the full impact of the rate increase beginning in May 2022.

THE PARKING AUTHORITY OF THE CITY OF LANCASTER

STATEMENTS OF NET POSITION

DECEMBER 31, 2021 AND 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	$ 3,817,943	$ 3,773,066
Investments	232,892	212,797
Accounts receivable, net	300,424	620,714
Prepaid expenses	198,877	180,203
Total current assets	4,550,136	4,786,780
Restricted assets:		
Investments	13,226,617	28,053,906
Capital assets:		
Capital assets not being depreciated:		
Construction in progress	32,029,137	13,631,806
Land	5,811,820	5,811,820
	37,840,957	19,443,626
Capital assets being depreciated:		
Parking garages, lots, rental complex, and administrative building	46,141,647	45,268,026
Office furnishings and equipment	121,141	121,766
Equipment	3,894,621	3,861,682
Vehicles	304,924	247,224
	50,462,333	49,498,698
Less accumulated depreciation	(30,121,029)	(28,631,646)
	20,341,304	20,867,052
Capital assets, net	58,182,261	40,310,678
Net pension asset	89,566	-
Prepaid bond insurance	349,504	374,365
Total Assets	76,398,084	73,525,729
Deferred Outflows of Resources		
Deferred charge on debt refunding, net of accumulated amortization	722,844	852,235
Deferred outflows of resources - pension	82,888	196,458
Total Deferred Outflows of Resources	805,732	1,048,693

(Continued)

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

	2021	2020
Liabilities		
Current liabilities:		
Accounts payable	2,786,080	453,320
Retainage payable	1,338,097	965,231
Due to the City of Lancaster	715,743	606,273
Accrued salaries	81,228	68,558
Revenue received in advance	153,380	117,250
Accrued interest	395,367	395,543
Current portion of note payable to City of Lancaster	150,000	150,000
Current portion of revenue bonds payable	1,690,000	1,505,000
Total current liabilities	7,309,895	4,261,175
Non-current liabilities:		
Note payable to City of Lancaster, net of current maturities	2,550,000	2,700,000
Revenue bonds payable, net of current maturities	49,585,000	51,275,000
Net pension liability	-	94,828
Unamortized bond premium	2,447,562	2,718,444
Total non-current liabilities	54,582,562	56,788,272
Total Liabilities	61,892,457	61,049,447
Deferred Inflows of Resources		
Deferred inflows of resources - pension	124,951	52,491
Net Position		
Net investment in capital assets	12,029,500	9,916,552
Unrestricted	3,156,908	3,555,932
Total Net Position	$ 15,186,408	$ 13,472,484

THE PARKING AUTHORITY OF THE CITY OF LANCASTER

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Operating Revenues:		
Parking garages and lots	$ 4,335,266	$ 3,624,575
Parking meters	1,195,603	912,831
Parking violations and fines	2,807,396	2,220,343
Total operating revenues	8,338,265	6,757,749
Operating Expenses:		
Operating expenses, excluding depreciation	(5,074,623)	(4,411,556)
Operating income before depreciation	3,263,642	2,346,193
Provision for depreciation	(1,520,860)	(1,497,160)
Operating Income	1,742,782	849,033
Nonoperating Revenues (Expenses):		
Contributions from CRIZ	1,451,429	596,407
Gain on disposal of assets	15,491	18,305
Investment income (loss)	(43,617)	285,830
Interest expense	(1,568,281)	(1,775,561)
Miscellaneous income	116,120	124,153
Total nonoperating revenues (expenses)	(28,858)	(750,866)
Change in Net Position	1,713,924	98,167
Net Position:		
Beginning of year	13,472,484	13,374,317
End of year	$ 15,186,408	$ 13,472,484

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

THE PARKING AUTHORITY OF THE CITY OF LANCASTER

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities:		
Cash received from customers	$ 8,782,679	$ 7,064,625
Cash payments to suppliers for goods and services	(3,663,350)	(2,673,722)
Cash payments to employees for services	(1,639,617)	(1,569,123)
Net cash provided by operating activities	3,479,712	2,821,780
Cash Flows from Capital and Related Financing Activities:		
Capital asset purchases	(16,328,510)	(9,854,367)
Interest paid on debt	(1,709,948)	(1,554,517)
Contribution from CRIZ	1,451,429	596,407
Proceeds from issuance of debt	-	19,224,014
Cash paid for debt issuance cost	-	(237,863)
Cash paid for City of Lancaster loan payable	(150,000)	(150,000)
Payments for bond insurance	-	(187,219)
Payments to redeem debt	(1,505,000)	(14,725,000)
Net cash used in capital and related financing activities	(18,242,029)	(6,888,545)
Cash Flows from Investing Activities:		
Sale of investments	14,807,194	15,134,306
Purchases of investments	-	(10,539,379)
Interest received on investments	-	317,101
Net cash provided by investing activities	14,807,194	4,912,028
Net Increase in Cash and Cash Equivalents	44,877	845,263
Cash and Cash Equivalents:		
Beginning of year	3,773,066	2,927,803
End of year	$ 3,817,943	$ 3,773,066

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

		2021		2020
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income	$	1,742,782	$	849,033
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation		1,520,860		1,497,160
Gain on dispoal of assets		15,491		18,305
Investment income/(loss), net		(36,846)		8,257
Miscellaneous income		109,349		97,591
Amortization of deferred outflows and inflows of resources - pension		6,057		-
(Increase) decrease in assets and deferred outflows of resources:				
Accounts receivable		320,290		206,403
Prepaid expenses		6,187		32,524
Net pension asset		(89,566)		-
Deferred outflows of resources - pension		120,241		-
Increase (decrease) in liabilities and deferred inflows of resources:				
Accounts payable and other accrued expenses		(345,637)		(3,050)
Due to City of Lancaster		109,470		139,237
Net pension liability		(94,828)		-
Revenue received in advance		36,130		(23,680)
Deferred inflows of resources - pension		59,732		-
Net cash provided by operating activities	$	3,479,712	$	2,821,780

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

1. Nature of Activity

The Parking Authority of the City of Lancaster (Authority) was incorporated January 4, 1967, by an ordinance of the City of Lancaster (City), under the Commonwealth of Pennsylvania Parking Authority Law. The governing body of the Authority is a board consisting of five members, all of whom are appointed by the Mayor for a term of five years. The Authority owns various parking garages throughout the City and has issued revenue bonds to acquire or construct the parking facilities. Each of the bond issues is secured by a trust indenture.

As noted in Note 9, the Authority began enforcement of all on-street and off-street parking regulations of the City during the year ended December 31, 2017.

2. Summary of Significant Accounting Policies

<u>Reporting Entity</u>

The criteria used by the Authority to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. There were no additional entities required to be included in the reporting entity under these criteria for the periods covered by the financial statements.

<u>Component Unit</u>

A component unit is a legally separate entity that satisfies at least one of the following criteria: 1) elected officials of a primary government are financially accountable for the entity, or 2) the nature and significance of the relationship between the entity and primary government are such that to exclude the entity from the financial reporting entity would render the financial statements misleading or incomplete. The Authority is a component unit of the City.

<u>Measurement Focus, Basis of Accounting, and Financial Statement Presentation</u>

The financial statements are reported using the economic resources measurement focus and 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 a liability is incurred, regardless of timing of related cash flows.

Operating revenues and expenses are distinguished from nonoperating items in the statement of revenues, expenses, and changes in net position. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for parking services and violations and fines for parking enforcement. Operating expenses include the cost of providing parking services, parking enforcement, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Authority considers all short-term investments with a maturity of one month or less to be cash and cash equivalents.

Investments

Investments are carried at fair value. The Authority categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The Board of Directors is permitted to invest the Authority's funds as defined in the Pennsylvania Parking Authorities Law. Authorized types of investments include U.S. Treasury bills, other short-term U.S. government obligations, short-term commercial paper issued by a public corporation, banker's acceptances, insured or collateralized time deposits, and certificates of deposit. Investment income is recognized when earned.

Accounts Receivable

Accounts receivable are stated at outstanding balances. With the exception of accrued parking enforcement revenue, which is adjusted for estimated uncollectible amounts, the Authority considers accounts receivable to be fully collectible. If collection becomes doubtful, an allowance for doubtful accounts will be established, or accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged-off accounts are recorded when received. As of December 31, 2021 and 2020, the Authority's allowance for uncollectible accrued parking enforcement revenue was $832,085 and $1,069,935 respectively.

Restricted Assets

The terms of the bond indentures require that certain assets be restricted in favor of the bondholders and for capital projects. Restricted assets represent monies held or receivable by the independent trustee.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. Prepaid debt issuance costs are being amortized using the effective interest rate method over the terms of the bonds.

Capital Assets

Capital assets are carried in the basis of cost. Donated capital assets are recorded at acquisition value at the date of donation. Except for assets acquired through an intra-entity transaction, acquisition value is the price that the Authority would have paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Capital assets are defined by the Authority as assets with a useful life in excess of one year and an initial individual cost of more than $5,000. Expenditures for maintenance and repairs are charged against income, whereas major additions and betterments are capitalized. Depreciation is computed on the straight-line method. Estimated useful lives assigned to the various assets are as follows:

Parking garages, lots, rental complex, and administrative building	10 to 40 years
Office furnishings and equipment	5 to 10 years
Equipment	7 to 10 years
Vehicles	5 years

Provisions for depreciation amounted to $1,520,860 and $1,497,160 for the years ended December 31, 2021 and 2020, respectively.

Revenue Received in Advance

Parking fees, contract parking income, and lease rental revenues are recognized in the period for which such revenues pertain. Any amounts collected in advance of such periods are reflected in the statements of net position as revenue received in advance.

Deferred Outflows and Inflows of Resources for Pension

In conjunction with pension accounting requirements, the effect of the differences in the Authority's expected and actual experience, changes in assumptions, difference between projected and actual earnings on pension plan investments, and Authority contributions subsequent to the measurement date are recorded as deferred outflows and inflows of resources related to pension on the statements of net position. These amounts are determined based on the most recently available actuarial valuation performed for the pension plan.

Net Position

Net position is classified between two categories as follows:

> Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding debt associated with capital assets. Deferred outflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Debt related to unspent proceeds or other restricted investments are excluded from the determination.
>
> Unrestricted net position consists of amounts that are not restricted for any project or other purpose and are available for Authority operations.

When restricted and unrestricted resources are available for its use, it is the Authority's policy to use unrestricted resources first, then restricted resources as they are needed.

Use of Estimates

The preparation of the 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 and disclosures. Actual results could differ from those estimates and such differences may be material.

Risk Management

The Authority is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. There were no significant reductions in insurance coverages in 2021. Settlement amounts have not exceeded insurance coverage for the current year or the two prior years.

Pending Change in Accounting Principles

In June of 2017, the GASB issued Statement No. 87, *"Leases."* This Statement improves the accounting and financial reporting for leases. The provisions of GASB Statement No. 87 are effective for the Authority's December 31, 2022 financial statements.

The effect of implementation of this Statement has not yet been determined.

3. Deposits and Investments

Deposits

The Authority's available cash is invested in demand deposit accounts and petty cash. The carrying amounts of the cash deposits at December 31 consist of the following:

	2021	2020
Cash deposits:		
Cash and cash equivalents	$ 3,796,929	$ 3,753,402
Petty cash	21,014	19,664
	$ 3,817,943	$ 3,773,066

Custodial credit risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority has custodial credit risk on cash deposits. The Authority has a deposit policy for custodial credit risk that requires depository institutions to pledge securities as collateral for deposits that exceed depository insurance.

As of December 31, 2021 and 2020, the Authority's cash deposits were $3,817,943 and $3,773,066, respectively. The bank balances as of December 31, 2021 and 2020 were $4,185,384 and $3,859,076, respectively. At December 31, 2020 and 2020, $250,000 was covered by federal depository insurance and $3,935,384 and $3,609,076, respectively, was collateralized under Act No. 72 (Act) of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits.

In July 2017, the Board approved a Board Restricted Cash Reserve Policy (Policy) as a reserve fund to be designated for uses approved by the Board. The Policy sets a target reserve amount of $3,000,000, with the initial $500,000 funded by accumulated liquid net assets as the beginning balance, and the remaining $2,500,000 to be funded over the next five years in increments of $500,000 per year through funding strategies incorporated into the Authority's annual operating budget.

Investments

The Authority is authorized by statutes to invest its funds in certain governmental obligations as described in Note 2. The Authority's investment policy is consistent with these limitations.

The Authority's investments in money market funds are considered Level 1 based on quoted market prices. The Authority's investments in negotiable certificates of deposits and Commercial paper are considered level 2 investments. As of December 31, 2021 and 2020, the Authority had the following investments:

Investments	Fair Value
December 31, 2021	
Unrestricted:	
Money market funds	$ 232,892
Restricted:	
Money market funds	$ 9,159,655
Negotiable certificates of deposits	2,427,643
Commercial paper, fixed income	1,639,319
Total restricted investments	$ 13,226,617
December 31, 2020	
Unrestricted:	
Money market funds	$ 212,797
Restricted:	
Money market funds	$ 21,299,095
Negotiable certificates of deposits	6,454,811
Government agency fixed income	300,000
Total restricted investments	$ 28,053,906

Custodial credit risk - Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in possession of an outside party. The Authority does not have a formal policy that would limit its investment choices with regard to custodial credit risk. At

December 31, 2021, all investments of the Authority are held by the financial institution's trust department or agency, in the Authority's name.

Concentration of credit risk - The Authority places no limits on the amount the Authority may invest in any one issuer.

Credit risk - The Authority does not have a formal policy that would limit its investment choices with regard to credit risk. As of December 31, 2021, the Authority's investments in the money market funds were rated AAA. The commercial paper and the negotiable certificates of deposit were not rated.

Interest rate risk - As a means of managing its exposure to fair value losses arising from changes in interest rates, the Authority's investment policy permits investments with a maturity date in excess of 18 months, provided market conditions and projected use of funds warrant a longer term. At December 31, 2021, the Authority's investments had average maturities of approximately 2.5 years.

4. Capital Assets

Capital asset activity for the years ended December 31 is as follows:

	Balance January 1, 2021	Additions	Deletions	Balance December 31, 2021
Capital assets not being depreciated:				
Construction in process	$ 13,631,806	$ 18,397,331	$ -	$ 32,029,137
Land	5,811,820	-	-	5,811,820
Total capital assets not being depreciated	19,443,626	18,397,331	-	37,840,957
Capital assets being depreciated:				
Parking garages, lots, and rental complex	45,268,026	875,896	2,275	46,141,647
Office furnishings and equipment	121,767	-	626	121,141
Equipment	3,861,681	46,424	13,484	3,894,621
Vehicles	247,224	81,100	23,400	304,924
Total capital assets being depreciated	49,498,698	1,003,420	39,785	50,462,333
Less accumulated depreciation for:				
Parking garages, lots, and rental complex	24,859,448	1,193,238	2,275	26,050,411
Office furnishings and equipment	81,954	12,923	625	94,252
Equipment	3,501,342	270,776	13,485	3,758,633
Vehicles	188,901	43,923	15,091	217,733
Total accumulated depreciation	28,631,645	1,520,860	31,476	30,121,029
Total capital assets being depreciated, net	20,867,053	(517,440)	8,309	20,341,304
	$ 40,310,679	$ 17,879,891	$ 8,309	$ 58,182,261

	Balance January 1, 2020	Additions	Deletions	Balance December 31, 2020
Capital assets not being depreciated:				
Construction in process	$ 3,522,014	$ 10,178,158	$ 68,366	$ 13,631,806
Land	5,743,454	68,366	-	5,811,820
Total capital assets not being depreciated	9,265,468	10,246,524	68,366	19,443,626
Capital assets being depreciated:				
Parking garages, lots, and rental compl	45,268,026	-	-	45,268,026
Office furnishings and equipment	134,396	-	12,630	121,766
Equipment	3,784,129	108,338	30,785	3,861,682
Vehicles	294,174	-	46,950	247,224
Total capital assets being depreciated	49,480,725	108,338	90,365	49,498,698
Less accumulated depreciation for:				
Parking garages, lots, and rental compl	23,688,202	1,171,246	-	24,859,448
Office furnishings and equipment	81,660	12,923	12,630	81,953
Equipment	3,262,321	269,806	30,785	3,501,342
Vehicles	187,219	43,185	41,501	188,903
Total accumulated depreciation	27,219,402	1,497,160	84,916	28,631,646
Total capital assets being depreciated, net	22,261,323	(1,388,822)	5,449	20,867,052
	$ 31,526,791	$ 8,857,702	$ 73,815	$ 40,310,678

5. Unamortized Bond Premiums and Deferred Charge on Refunding

The bond premiums of the various issues of the Parking Revenue Bonds are being amortized using the effective interest method over the terms of the bonds. The deferred charge on refunding is being amortized using the effective interest rate method over the remaining lives of the new bond issues. Amortized interest expense totaled ($141,491) and ($105,070) during the years ended December 31, 2021 and 2020, respectively.

The net bond premiums and deferred charge on refunding are as follows:

	Series of 2016	Series A of 2016	Series A of 2019	Series A of 2020	Series B of 2020	Total
Balance at December 31, 2019	$ 714,980	$ 11,520	$ (2,253,765)	$ -	$ -	$ (1,527,265)
Issuance of Debt:	(658,918)	-	-	658,918	-	-
Bond Premium	-	-	-	(581,104)	137,090	(444,014)
2020 interest expense	(56,062)	(2,834)	159,126	5,031	(191)	105,070
Balance at December 31, 2020	-	8,686	(2,094,639)	82,845	136,899	(1,866,209)
2021 interest expense	-	(2,737)	159,390	(13,117)	(2,045)	141,491
Balance at December 31, 2021	$ -	$ 5,949	$ (1,935,249)	$ 69,728	$ 134,854	$ (1,724,718)

The bond premium (discount) is presented as an addition (reduction) of the outstanding debt in accordance with accounting principles generally accepted in the United States of America. The deferred charge on refunding is shown as a deferred outflow of resources.

6. Long-Term Debt

The Parking Revenue Bonds of 1992, Parking Revenue Bonds of 1993, and 2003 Note were secured by a trust indenture dated December 31, 1985, and supplemental trust indentures dated January 15, 1992, December 14, 1993, and January 1, 1996, respectively, all issued by the Authority to the Trustee. The bonds were payable out of revenue derived principally from the operation of the parking facilities. The City has guaranteed (under the terms of a lease agreement dated December 31, 1985, as amended by supplemental issues dated January 15, 1992, December 14, 1993, and January 1, 1996) debt service payments to the Trustee. In accordance with the Guaranty Agreement, the City is required to make principal and interest payments on the bonds if the Authority fails to generate sufficient revenues to pay debt service. In accordance with the Reimbursement Agreement, if such payments are made by the City, the Authority is required to reimburse the City from any monies available for that purpose under the Trust Indenture.

On September 15, 2007, the 1992 and 1993 Series Bonds were defeased and the 2003 Note was paid in full with issuance of 2007 Series A and B Parking Revenue Bonds. The 2007 bonds were secured by a trust indenture dated September 15, 2007. Debt service payments were guaranteed by the City with a guaranty agreement dated September 15, 2007. The bonds were payable out of revenue derived principally from the operation of the parking facilities.

On December 15, 2016, the 2007 Series A Bonds were advance refunded and defeased with the issuance of Series of 2016 Parking Revenue Bonds (Series of 2016 Bonds). The Series of 2016 Bonds are secured by a trust indenture dated February 11, 2016. Debt service payments are guaranteed by the City with a guaranty agreement dated February 11, 2016. In accordance with the Guaranty Agreement, the City is required to make principal and interest payments on the bonds if the Authority fails to generate sufficient revenues to pay debt service. In accordance with the Reimbursement Agreement, if such payments are made by the City, the Authority is required to reimburse the City from any monies available for that purpose under the Trust Indenture. The Series of 2016 Bonds are payable out of revenue derived principally from the operation of the parking facilities. Interest rates on the Series of 2016 Bonds are at a fixed rate of 2.85% through December 1, 2026. Thereafter, the Series of 2016 Bonds will bear interest at a variable rate equal to 85% of the prime rate until maturity on December 1, 2035, provided that such variable rate shall not exceed 3.95%. The Series of 2016 Bonds were currently refunded through the issuance of Guaranteed Parking Revenue Bonds, Series A of 2020 (Series A of 2020 Bonds) and no amount was outstanding as of December 31, 2021 and 2020.

On December 15, 2016, the 2007 Series B Bonds were advance refunded and defeased with the issuance of Series A of 2016 Parking Revenue Bonds (Series A of 2016 Bonds). The Series A of 2016 Bonds are secured by a trust indenture dated December 15, 2016. Debt service payments are guaranteed by the City with a guaranty agreement dated December 15, 2016. In accordance with the Guaranty Agreement, the City is required to make principal and interest payments on the bonds if the Authority fails to generate sufficient revenues to pay debt service. In accordance with the Reimbursement Agreement, if such payments are made by the City, the Authority is required to reimburse the City from any monies available for that purpose under the Trust Indenture. The Series A of 2016 Bonds are payable out of revenue derived principally from the operation of the parking facilities. Interest rates on the Series A of 2016 Bonds range from 1.10% to 5.00% through the maturity date of December 1, 2025.

On October 1, 2019, the Authority Issued Series A and B of Guaranteed Parking Revenue Bonds (Series A and B of 2019 Bonds). The issuance of the Series A and B of 2019 Bonds were made to finance the design, planning, acquisition, and construction of an approximately 300 vehicle parking facility and public library. The Series A and B of 2019 Bonds are secured by a trust indenture dated October 1, 2019. Debt service payments are guaranteed by the City with a guaranty agreement dated October 1, 2019. In accordance with the Guaranty Agreement, the City is required to make principal and interest payments on the bonds if the Authority fails to generate sufficient revenues to pay debt service. In accordance with the Reimbursement Agreement, if such payments are made by the City, the Authority is required to reimburse the City from any monies available for that purpose under the Trust Indenture. The Series A and B of 2019 Bonds are payable out of revenue derived principally from the operation of the parking facilities. Interest rates on the Series A and B of 2019 Bonds range from 2.10% to 4.00% through the maturity date of September 1, 2044.

On December 1, 2020, the Series of 2016 Bonds were currently refunded and redeemed with the issuance of Series A of 2020 Bonds. The Series A of 2020 Bonds are secured by a trust indenture dated December 1, 2020. Debt service payments are guaranteed by the City with a guaranty agreement dated December 1, 2020. In accordance with the Guaranty Agreement, the City is required to make principal and interest payments on the bonds if the Authority fails to generate sufficient revenues to pay debt service. In accordance with the Reimbursement Agreement, if such payments are made by the City, the Authority is required to reimburse the City from any monies available for that purpose under the Trust Indenture. Interest rates on the Series A of 2020 Bonds range from 2.00% to 3.00% through the maturity date of December 1, 2035. The current refunding of the Series 2016 Bonds decreased the Authority's total debt service by $884,611 and resulted in a net economic gain (difference between present values of the old and new debt service payments) of $764,200.

On December 1, 2020, the Authority Issued Guaranteed Parking Revenue Bonds, Series B of 2020 (Series B of 2020 Bonds). The issuance of the Series B of 2020 Bonds were made to fund additional costs related to the Christian Street Garage construction project. The Series B of 2020 Bonds are secured by a trust indenture dated December 1, 2020. Debt service payments are guaranteed by the City with a guaranty agreement dated December 1, 2020. In accordance with the Guaranty Agreement, the City is required to make principal and interest payments on the bonds if the Authority fails to generate sufficient revenues to pay debt service. In accordance with the Reimbursement Agreement, if such payments are made by the City, the Authority is required to reimburse the City from any monies available for that purpose under the Trust Indenture. Interest rates on the Series B of 2020 Bonds range from 2.00% to 2.55% through the maturity date of December 1, 2044.

In the event of default by the Authority and the City, the Trustee may take and maintain possession of all or any part of the Parking Facilities, and may hold, manage, and operate such Parking Facilities and collect the amounts payable by reason of such operation.

	Balance January 1, 2021	Additions	Repayments	Balance December 31, 2021	Amounts Due Within One Year
Series A of 2016 Parking Revenue Bonds	$ 4,850,000	$ -	$ 995,000	$ 3,855,000	$ 1,020,000
Series A of 2019 Parking Revenue Bonds	27,825,000	-	-	27,825,000	-
Series B of 2019 Parking Revenue Bonds	1,325,000	-	485,000	840,000	635,000
Series A of 2020 Parking Revenue Bonds	13,520,000	-	25,000	13,495,000	35,000
Series B of 2020 Parking Revenue Bonds	5,260,000	-	-	5,260,000	-
	$ 52,780,000	$ -	$ 1,505,000	$ 51,275,000	$ 1,690,000

	Balance January 1, 2020	Additions	Repayments	Balance December 31, 2020	Amounts Due Within One Year
Series of 2016 Parking Revenue Bonds	$ 13,605,000	$ -	$ 13,605,000	$ -	$ -
Series A of 2016 Parking Revenue Bonds	5,820,000	-	970,000	4,850,000	995,000
Series A of 2019 Parking Revenue Bonds	27,825,000	-	-	27,825,000	-
Series B of 2019 Parking Revenue Bonds	1,325,000	-	-	1,325,000	485,000
Series A of 2020 Parking Revenue Bonds	-	13,520,000	-	13,520,000	25,000
Series B of 2020 Parking Revenue Bonds	-	5,260,000	-	5,260,000	-
	$ 48,575,000	$ 18,780,000	$ 14,575,000	$ 52,780,000	$ 1,505,000

Future maturities are as follows:

	Principal	Interest	Total
2022	$ 1,690,000	$ 1,650,517	$ 3,340,517
2023	2,070,000	1,582,392	3,652,392
2024	2,150,000	1,519,673	3,669,673
2025	2,245,000	1,425,223	3,670,223
2026	2,390,000	1,333,523	3,723,523
2027-2031	13,250,000	5,376,513	18,626,513
2032-2036	12,630,000	3,239,744	15,869,744
2037-2041	8,940,000	1,720,856	10,660,856
2041-2044	5,910,000	369,843	6,279,843
	$ 51,275,000	$ 18,218,284	$ 69,493,284

Interest Expense

Interest expense on the bonds, excluding amortization of deferred charge on debt refunding, premiums (discounts), and prepaid insurance, totaled $1,684,907 and $1,631,541 for the years ended December 31, 2021 and 2020, respectively. In addition, there was a total of $249,090 included in interest expense related to debt issuance costs for the year ended December 31, 2020.

7. Pension Plan

Plan Description

The Authority's defined benefit pension plan, The Parking Authority of the City of Lancaster Employee Pension Plan, provides retirement, disability, and death benefits to all full-time plan members and their beneficiaries. The plan is a single-employer defined benefit pension plan. The pension plan is affiliated with the Pennsylvania Municipal Retirement System (PMRS), an agent multiple-employer pension plan administered by an independent state agency created by the Pennsylvania General Assembly in 1974 to administer local government pension plans. The PMRS issues a publicly available financial report that includes financial statements and required supplementary information for the PERS. The report may be obtained by writing to Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, Pennsylvania 17108-1165, or via PMRS's website.

Benefits Provided

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, grants the authority to establish and amend the benefit terms to the Authority's Board of Directors.

Normal Benefit – Normal retirement age is 62 and the annual benefit is determined by multiplying years of credited service times final average salary times .015, whereby final average salary is the average annual compensation during the highest five consecutive years prior to the effective date of retirement. A member is fully vested after ten years of credited service.

Early Retirement Benefit – Early retirement is available for those who have at least ten years of service and have attained the age of 55. The benefit will be actuarially reduced for each year and month prior to normal retirement age that early retirement takes place.

Survivor Benefit – If a member is eligible to retire at the time of death, their beneficiary receives the present value of the accrued benefit.

Disability Benefit – In the instance of a service or non-service related disability, a 30% disability benefit is provided, offset by applicable worker's compensation benefits, to a member who has ten years of service and who is unable to perform gainful employment.

Cost-of-Living Adjustments – The Authority has the option to award post-retirement adjustments based on investment performance.

Plan Membership

Membership of the Plan consisted of the following at the most recent actuarial valuation date of January 1, 2019:

Active employees	32
Inactive employees and beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	0
Total	44

Contributions

Active members are required to contribute 3.50% of their total compensation. Effective February 1, 2016, active members may also contribute up to an additional 16.5% to fund an optional member annuity. The Authority is required to contribute at an actuarially determined rate, as in accordance with Act 205.

During the year ended December 31, 2021, the Authority made a contribution of $55,502 and the MMO was $55,502. During the year ended December 31, 2020, the Authority made a contribution of $75,417. The MMO for the year ended December 31, 2020 was $75,437. The 2020 contribution is reported as deferred outflows of resources at December 31, 2021.

Changes in the Net Pension Liability (Asset)

Pension information and amounts included in the Authority's Statement of Net Position, footnote disclosures, and Required Supplementary Information are based upon the most currently available information from PMRS. The effects of any differences are not deemed to be material to the Authority's financial statements.

The changes in the net pension liability (asset) of the Authority for the years ended December 31, 2021 and 2020 were as follows:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2019 (based on the measurement date of December 31, 2018)	$ 1,539,426	$ 1,444,598	$ 94,828
Changes for the year:			
Service cost	166,423	-	166,423
Interest	85,763	-	85,763
Differences between expected and actual experience	-	-	-
Contributions - employer	-	64,525	(64,525)
Contributions - employee	-	95,042	(95,042)
Net investment income (loss)	-	281,068	(281,068)
Benefit payments, including refunds	(104,098)	(104,098)	-
Administrative expense	-	(4,055)	4,055
Net changes	148,088	332,482	(184,394)
Balances at December 31, 2020 (based on the measurement date of December 31, 2019)	$ 1,687,514	$ 1,777,080	$ (89,566)
Plan fiduciary net position as a percentage of the total pension liability			105.31%

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2018 (based on the measurement date of December 31, 2017)	$ 1,466,554	$ 1,618,000	$ (151,446)
Changes for the year:			
Service cost	156,403	-	156,403
Interest	81,652	-	81,652
Differences between expected and actual experience	(62,989)	-	(62,989)
Contributions - employer	-	31,163	(31,163)
Contributions - employee	-	81,810	(81,810)
Net investment income (loss)	-	(179,827)	179,827
Benefit payments, including refunds	(102,194)	(102,194)	-
Administrative expense	-	(4,354)	4,354
Net changes	72,872	(173,402)	246,274
Balances at December 31, 2019 (based on the measurement date of December 31, 2018)	$ 1,539,426	$ 1,444,598	$ 94,828
Plan fiduciary net position as a percentage of the total pension liability			93.84%

Actuarial Assumptions - The total pension liability (asset) was determined by an actuarial valuation performed on January 1, 2019, with liabilities rolled forward to December 31, 2019, using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial assumptions:	
Investment rate of return	5.25%
Projected salary increases	2.8% - 7.05%*
* includes inflation rate of 2.8%	
Post-retirement cost-of-living adjustments	2.8%, subject to plan limitations

Actuarial assumptions based on PMRS Experience Study for the period January 1, 2009 to December 31, 2013

Pre-retirement mortality:
Males: RP 2000 Male Non-Annuitant table projected 15 years with Scale AA
Females: RP 2000 Female Non-Annuitant table projected 15 years with Scale AA and then set back 5 years

Post-retirement mortality:
Males: RP 2000 Male Annuitant table projected 5 years with Scale AA
Females: RP 2000 Female Annuitant table projected 10 years with Scale AA

Long-Term Expected Rate of Return – The PMRS System's (System) long-term expected rate of return on plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole, and at different levels of probability or confidence. There are four steps to the method used by the System and an in-depth description of the process, including the anticipated rate of return by asset class, can be found at www.pmrs.state.pa.us. Based on the four-part analysis, the PMRS Board established the System's long-term expected rate of return at 6.7%. The rationale for the difference between the System's long-term expected rate of return and the discount rate can be found at www.pmrs.state.pa.us.

Discount Rate – The discount rate adopted by the PMRS Board and used to measure the individual participating municipalities' total pension liability as of December 31, 2019 was 5.25%. The projection of cash flows for each underlying municipal plan, used to determine if any adjustment to the discount rate was required, used the following assumptions: 1) member contributions will be made at the current contribution rate, 2) participating plan sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate, and 3) the System's long-term expected rate of return will be used in the depletion testing of the projected cash flows. Based on those assumptions, the PMRS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Sensitivity of the Net Pension Asset to Changes in the Discount Rate – The following presents the net pension asset of the Plan calculated using the discount rates described above, as well as what the Plan's net pension (asset) liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

December 31, 2021:

1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
$ 101,428	$ (89,566)	$ (249,367)

December 31, 2020:

1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
$ 269,061	$ 94,828	$ (50,950)

<u>Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension</u>

For the years ended December 31, 2021 and 2020, the Authority recognized pension expense of $57,178 and $75,437, respectively.

At December 31, 2021, the Authority reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,698	$ 41,993
2020 Authority contributions subsequent to the measurement date of December 31, 2019	69,163	-
Changes in assumptions	6,027	-
Net difference between projected and actual earnings on pension plan investments	-	82,958
Total	$ 82,888	$ 124,951

At December 31, 2020, the Authority reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 15,394	$ 52,491
2019 Authority contributions subsequent to the measurement date of December 31, 2018	64,525	-
Changes in assumptions	12,698	-
Net difference between projected and actual earnings on pension plan investments	103,841	-
Total	$ 196,458	$ 52,491

The differences in the Authority's expected and actual experience and changes in assumptions are recognized over the average expected remaining service lives of active and inactive members. The difference between projected and actual earnings on the pension plan investments is recognized over five years. Authority contributions made in 2020 (subsequent to measurement date at December 31, 2019) will be recorded as a reduction to the pension liability during the year ending December 31, 2021. Authority contributions made in 2019 (subsequent to measurement date at December 31, 2018) will be recorded as a reduction to the pension liability during the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31,	
2022	$ (31,478)
2023	(32,045)
2024	2,141
2025	(49,844)
	$ (111,226)

8. Agreements

In 2007, the Authority entered into a lease agreement with Penn Square Partners. The lease provides Penn Square Partners with 300 guaranteed spaces, and the option to modify the Penn Square Garage. As of April 1, 2019, Penn Square Partners leased an additional 117 spaces. All modifications are paid by the Authority upon approval and are then reimbursed by the lessee. In the event of lease termination or cancellation, the lessee is responsible for all expenses required to revert the Penn Square Garage to its original form that existed prior to the lease agreement.

In 2015, the Authority entered into a lease agreement with the Holiday Inn. The lease provides the Holiday Inn with 134 guaranteed spaces for an annual rent of $80,400. As of April 1, 2019, the Holiday Inn leased an additional 84 spaces for monthly rent of $10,900. As of August 1, 2020 the agreement was modified up to 215 spaces for monthly rent of $11,250. The term of the original agreement was for five years, with an option to extend for two additional five-year terms subject to the Authority's right to increase the rent per space based upon then existing market conditions. The agreement has been extended to March 31, 2029, with an option to extend for two additional five-year terms subjects to the Authority's right to increase the rent per space upon then existing market conditions.

9. Transactions with Primary Government – City of Lancaster

During the years ended December 31, 2021 and 2020, the City paid the Authority $166,098 and $165,549 respectively, for employee parking. These transactions are reported as parking garages and lots revenue in the statements of revenues, expenses, and changes in net position.

On June 23, 2016, the City and the Authority entered into an Agreement, with the commencement date of January 1, 2017, whereby the Authority will enforce all on-street and off-street parking regulations of the City. The term of the Agreement is three years and may be extended upon agreement by the City and the Authority. In accordance with the Agreement, the Authority shall receive 10% of gross parking enforcement revenue. The Authority is required to annually pay a minimum guaranteed amount of $500,000 to the City and the City receives the remaining net income for parking enforcement, as defined in Exhibit A of the Agreement. Amounts due to the City, as calculated in accordance with Exhibit A of the Agreement, were $1,766,617 and $1,284,031 for the years ended December 31, 2021 and 2020, respectively. Of these amounts, $715,743 and $606,273 were due to the City as of December 31, 2021 and 2020, respectively.

Eighteen months after the date of the Agreement, the City and Authority agree to meet and review the performance of the Authority and the formula established in Exhibit A of the Agreement. After such meeting, both the City and the Authority have the option to terminate the Agreement upon five months' written notice. On October 22, 2019, the City and the Authority agreed to extend the Enforcement Agreement for an additional three year period to December 31, 2022.

As noted in Note 10, the Authority has a note payable outstanding to the City totaling $2,700,000 and $2,850,000 as of December 31, 2021 and 2020, respectively.

10. Related Party Transactions, Intra-entity Transfers, and Note Payable to the City

On June 19, 2019, the Authority purchased the North Queen Street Garage from the Redevelopment Authority of the City of Lancaster (RACL) through the issuance of a $3,000,000 unsecured note payable. As the Authority and RACL are both component units of the City, the asset purchase was treated as an intra-entity transaction and RACL's net book value of the asset at the time of the transaction was used for recording the acquisition. The Authority recorded $897,583 and $7,474,697 of land and building respectively as part of the transaction in 2019.

During the year ended December 31, 2019, RACL assigned the outstanding note payable to the City. The Authority will make an annual payment in the amount of $150,000 over a 20-year period to satisfy the unsecured note payable to the City. See below for the note maturity schedule as of December 31, 2021:

	Principal
2022	$ 150,000
2023	150,000
2024	150,000
2025	150,000
2026	150,000
2027-2032	750,000
2033-2037	750,000
2038-2039	450,000
	$ 2,700,000

During the year ended December 31, 2018, the Authority and the City of Lancaster City Revitalization and Improvement Zone Authority (CRIZ), a component unit of the City, entered into a contract whereby CRIZ agreed to grant $1,000,000 to the Authority for the purchase of property at 151 North Queen Street. In April 2019, the CRIZ's board approved to increase funding by an additional $200,000 for the property purchase. The property purchase is for the purpose of constructing a building which will house the Lancaster Public Library, retail space, and an approximately 300 space public parking garage. In addition to funding the property purchase, the contract also provides up to 100% of the annual increment created by the tenants of 101 North Queen Street, the Holiday Inn, and tenants of the retail space of the project to the Authority to pay future debt service payments on one or more bonds to be issued by the Authority in order to construct the building. Such CRIZ payments shall continue until the future bonds are retired or the Commonwealth of Pennsylvania City Revitalization and Improvement Zone program ends, whichever is first to occur. CRIZ reasonably estimates that upon completion of the project, the amount of the annual increment to be received by the Authority shall be $2,000,000. On or before October 30 of each year, CRIZ shall certify in writing to the Authority the amount of the annual increment that the Authority shall receive for that year. During the years ended December 31, 2021 and 2020, CRIZ contributions totaled $1,451,429 and $596,407, respectively.

In March 2020, the Authority and the Lancaster Public Library (Library) entered into an agreement whereby the Authority will lease space to the Library in the new Christian Street mixed-use parking garage building upon project completion. If the space is not delivered to the Library in accordance with this agreement on or before October 31, 2021, the Library may terminate the agreement upon written notice to the Authority, as of the date of the issuance of the financial statements the Library has not terminated the lease. The Library is responsible for all costs incurred to complete the work on the library structure in order to prepare it for use as a public library. The lease commences once the Library takes occupancy of the space and the term is 99 years with monthly rent payments of $0.

11. Commitments

The Authority entered into three construction contracts totaling $33,748,671 for development and construction of the Christian Street mixed-use parking garage. The commitments outstanding on the contracts was $2,860,962 as of December 31, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

LANCASTER PARKING AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION -

SCHEDULE OF CHANGES IN THE PENSION PLAN'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

	2020 *	2019 *	2018	2017	2016	2015
Total Pension Liability:						
Service cost	$ 166,423	$ 156,403	$ 97,605	$ 69,238	$ 64,414	$ 34,602
Interest	85,763	81,652	75,453	72,523	71,493	70,961
Benefit payments, including refunds	(104,098)	(102,194)	(107,021)	(123,976)	(119,340)	(137,991)
Changes in assumptions	-	-	-	30,135	3,220	-
Differences between expected and actual experience	-	(62,989)	-	38,482	-	3,085
Net Changes in Total Pension Liability	148,088	72,872	66,037	86,402	19,787	(29,343)
Total Pension Liability - Beginning	1,539,426	1,466,554	1,400,517	1,314,115	1,294,328	1,323,671
Total Pension Liability - Ending (a)	$1,687,514	$1,539,426	$1,466,554	$1,400,517	$1,314,115	$1,294,328
Plan Fiduciary Net Position:						
Contributions - employer	$ 64,525	$ 31,163	$ 19,000	$ 20,875	$ 5,112	$ 7,687
Contributions - employees	95,042	81,810	47,920	31,547	24,532	16,561
Net investment income (loss)	281,068	(179,827)	247,783	143,577	(43,585)	104,945
Benefit payments, including refunds	(104,098)	(102,194)	(107,021)	(123,976)	(119,340)	(137,991)
Administrative expense	(4,055)	(4,354)	(4,314)	(4,590)	(3,948)	(3,843)
Net Change in Plan Fiduciary Net Position	332,482	(173,402)	203,368	67,433	(137,229)	(12,641)
Plan Fiduciary Net Position - Beginning	1,444,598	1,618,000	1,414,632	1,347,199	1,484,428	1,497,069
Plan Fiduciary Net Position - Ending (b)	$1,777,080	$1,444,598	$1,618,000	$1,414,632	$1,347,199	$1,484,428
Net Pension Liability (Asset) - Ending (a-b)	$ (89,566)	$ 94,828	$ (151,446)	$ (14,115)	$ (33,084)	$ (190,100)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	105.3%	93.8%	110.3%	101.0%	102.5%	114.7%
Covered Employee Payroll	$1,535,928	$1,364,462	$ 910,049	$ 696,471	697,602	396,954
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	-5.83%	6.95%	-16.64%	-2.03%	-4.74%	-47.89%

* The amounts presented for each fiscal year were determined as of the measurement date, which is the December 31 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years only for which information is available.

Pension information included in Required Supplementary Information is based upon the most currently available information from PMRS. The effects of any differences are not deemed to be material to the Authority's financial statements.

See accompanying notes to required supplementary information - pension plan.

LANCASTER PARKING AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION -

SCHEDULE OF AUTHORITY PENSION CONTRIBUTIONS

	2020*	2019*	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution under Act 205	$ 64,365	$ 31,043	$ 18,720	$ 20,835	$ 5,032	$ 6,907	$ 2,736	$ 14,139	$ 13,371	$ 10,008
Contribution in relation to the actuarially determined contribution	64,525	31,163	19,000	20,875	5,112	7,687	2,736	14,139	13,371	10,008
Contribution deficiency (excess)	$ (160)	$ (120)	$ (280)	$ (40)	$ (80)	$ (780)	$ -	$ -	$ -	$ -
Covered employee payroll	$ 1,535,928	$ 1,364,462	$ 910,049	$ 696,471	$ 697,602	$ 396,954				
Contributions as a percentage of covered employee payroll	4.20%	2.28%	2.09%	3.00%	0.73%	1.94%				

* The amounts presented for each fiscal year were determined as of the measurement date, which is the December 31 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years only for which information is available.

Pension information included in Required Supplementary Information is based upon the most currently available information from PMRS. The effects of any differences are not deemed to be material to the Authority's financial statements.

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LANCASTER PARKING AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
PENSION PLAN

1. Actuarial Methods and Assumptions

The information presented in the required supplementary information was determined as part of the actuarial valuation at the date indicated. Methods and assumptions used to determine the contribution rate required under Act 205 for the year ended December 31, 2019 (presented as the subsequent year on the preceding schedules) are as follows:

Actuarial valuation date	1/1/2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	Based on periods in Act 205
Asset valuation method	Based on the municipal reserves
Actuarial assumptions:	
Investment rate of return	5.30%
Projected salary increases	Age related scale with merit and inflation component
Underlying inflation rate	2.8%
Post-retirement cost-of-living adjustment increase	2.8%, subject to plan limitations

Pre-retirement mortality:
Male: RP 2000 with Annuitant Male table projected 5 years with Scale AA
Females: RP 2000 with Annuitant Female table projected 10 years with Scale

Post-retirement mortality:
Males: RP 2000 with Annuitant Male table projected 5 years with Scale AA

2. Changes in Actuarial Assumptions

The December 31, 2015 assumptions were based on the PMRS Experience Study for the period covering January 1, 2009 through December 31, 2013 issued by the actuary in July 2015 first effective.

The December 31, 2016 investment return assumption for municipal assets decreased from 5.50% to 5.25%.