

Port Authority of Allegheny County

Single Audit

June 30, 2020

MaherDuessel

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PORT AUTHORITY OF ALLEGHENY COUNTY

JUNE 30, 2020

DIRECTORY

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PORT AUTHORITY OF ALLEGHENY COUNTY

YEARS ENDED JUNE 30, 2020 AND 2019

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Independent Auditor's Report

**Board of Directors
Port Authority
of Allegheny County**

Report on the Financial Statements

We have audited the accompanying financial statements of the Port Authority of Allegheny County (Authority), a component unit of Allegheny County, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through ix and the pension and OPEB information on pages 30 to 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to

prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Maier Duessel

Pittsburgh, Pennsylvania
November 20, 2020

MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)

The following management's discussion and analysis of the financial performance and activity of the Port Authority of Allegheny County (the Authority) is intended to provide an introduction to and an overview and analysis of the basic financial statements of the Authority for the years ended June 30, 2020 (Fiscal Year 2020) and June 30, 2019 (Fiscal Year 2019). The management of the Authority has prepared this discussion, and it should be read in conjunction with the financial statements and the notes which follow this section.

The Authority was established in January 1958 pursuant to the Enabling Act. The Authority began transit operations on March 1, 1964 with the consolidation of 33 private transit carriers, including the Pittsburgh Railways Company and 32 other bus and inclined plane companies. The Authority was formed for the purpose of, among other things, planning, acquiring, holding, constructing, improving, maintaining and operating a comprehensive public transportation system within Allegheny County, which includes the City of Pittsburgh, and outside of Allegheny County to the extent necessary for an integrated system.

HIGHLIGHTS

- In Fiscal Year 2020, the Authority was operational and financially impacted by the COVID-19 Pandemic. Prior to March 2020, the Authority was projected to be on pace for another fiscal year where Operating Revenues and Subsidies exceeded Operating Expenses.
- On January 31, 2020, the United States Department of Health and Human Services declared a public health emergency for the United States to aid the nation's healthcare community in responding to a novel strain of corona virus (COVID-19). On March 6, 2020, Pennsylvania Governor Tom Wolf declared a disaster emergency in the Commonwealth followed by issuance of an order on March 19, 2020 to temporarily close all non-life-sustaining businesses in Pennsylvania; public transportation was permitted to continue to operate as a specifically defined life sustaining business and government-operated business. On March 13, 2020, the President of the United States declared a national State of Emergency.
- In late February and after several weeks of monitoring coronavirus media and industry safety reports via its System Safety Department, Port Authority management briefed its Board and formed a cross-functional COVID-19 Monitoring and Response Working Group chaired by its Chief Legal Officer. The initial focus of the Working Group was: (1) updating the Authority's Pandemic Plan and Department level Continuity of Operations Plans; (2) assessing Port Authority's personal protective equipment and other critical supply chain needs; and (3) developing employee and patron virus and germ prevention communication materials.
- Port Authority rapidly developed and implemented various COVID-19 employee and patron safety protocols via its Working Group and with cooperation from its labor unions including the temporary suspension of employee travel and on-site third party meetings (March 11, 2020); daily disinfecting of transit vehicles, stations and employee work areas (March 18, 2020); service reductions of approximately 25% system-wide (March 25, 2020); passenger vehicle capacity limitations (April 9, 2020); a masking requirement for both employees and patrons with limited exceptions (April 19, 2020 and further modified/strengthened following the July 1, 2020 Pennsylvania Secretary of Health Universal Face Coverings Order); and an employee temperature screening protocol (April 24, 2020). Additionally, Port Authority developed both employee and patron messaging concerning COVID-19 symptoms and safety protocols, which includes a weekly slide set broadcast to all Port Authority operating locations. As Allegheny moved from the Red Phase to the Green Phase of Governor Wolf's Plan to Reopen PA, service levels were gradually restored with a full restoration of service – subject to manpower and equipment

availability – effective as of August 23, 2020. At this time, universal masking, vehicle capacity limitations and daily vehicle and station disinfecting protocols remain in place, along with aggressive employee and public communication efforts reminding everyone of these safety protocols and what can be done to help protect our community from further virus spread

- Total unaudited Passenger Revenues for the period March 1 through June 30, 2020 were down approximately 67% while ridership was down for the same period by over 59%. The Authority also experienced a \$27.4 million reduction in Local Operating Assistance which is primarily derived through a local Drink Tax. Fortunately, Federal CARES ACT funding was available to mitigate the shortfall in this revenue source.
- The Authority was a recipient of \$141.7 million in CARES ACT funding to assist in reducing the pandemic’s operational and financial impact. In FY2020, the Authority utilized \$31.4 million of its \$141.7 million in CARES ACT funding. It is currently anticipated that the remaining CARES ACT funding will be depleted between the end of FY2021 and the first quarter of FY2022 if ridership does not return to historical levels.
- In November 2013, the Pennsylvania State legislature passed the Act 89 Transportation Funding package, which provided additional funding for statewide transportation projects including roads, bridges, and public transportation. Preliminary estimates were that in five years the legislation had the potential to provide \$2.3 billion annually in additional transportation funding, of which public transit agencies would receive almost \$500 million statewide.
- Preliminary projections provided by the Pennsylvania Department of Transportation (PennDOT) were that by the fifth year of legislation, the Authority should receive approximately \$80 million annually in additional capital funding and almost \$50 million in additional operating revenue. Actual additional State capital and operating funding has trended below initial estimates but has remained well above historical levels.
- A portion of this increased funding has been supported via the Pennsylvania Turnpike Bonding \$450 million annually with the proceeds being transferred to the Pennsylvania Department of Transportation (PennDOT). Due to the pandemic, the Turnpike has not made its last two quarterly payments to PennDOT which will impact the Authority’s ability to begin new capital projects. Under Act 89, these payments were due to be reduced in FY2023 to \$50 million annually with the expectation that the Commonwealth’s General Fund would provide the shortfall in funding.
- Act 44 State Operating Assistance in Fiscal Year 2020 increased \$3.9 million over the prior year from \$235.6 million in Fiscal Year 2019 to \$239.5 million in Fiscal Year 2020. Local match requirements of 15% on the additional Commonwealth funding were met through a combination of local Drink Revenue, Regional Asset District (RAD) revenue, County CARES Act funding and Authority CARES Act Funding..
- Prior to the PennDOT required entry to defer grant revenue, the Authority ended Fiscal Year 2020 with a \$1.3 million operating surplus, which is classified as unearned grant revenue per PennDOT’s adopted regulations. Combined with Fiscal Year 2019 Deferred Revenues of \$11.2, Fiscal Year 2018 Deferred Revenues of \$19.0, Fiscal Year 2017 Deferred Revenues of \$19.1 million, Fiscal Year 2016 Deferred Revenues of \$14.2 million, Fiscal Year 2015 Deferred Revenue of 16.3 million, Fiscal Year 2014 Deferred Revenue of \$21.9 million, Fiscal Year 2013 Deferred Revenue of \$24.8 million, and Fiscal Year 2012 deferred grant revenue of \$4.8 million, the Authority continues to improve its cash position. These Deferred Revenues will act as a buffer against prolonged revenue losses from the pandemic.

- The Authority has made operational as well as marketing changes in response to COVID-19. Beginning March 18, 2020, the Authority began nightly disinfecting of vehicles, stations and work areas. In FY2020, this work was completed on overtime with existing employees. In FY2021, the Authority is hiring over 60 new positions in order to continue these disinfecting efforts. From a marketing perspective, the Authority has begun a campaign entitled “OK to Go” which details to the public all the steps the Authority has taken to make riding public transportation safer.
- Prior to the COVID-19 outbreak, the Authority was in the midst of a significant public outreach campaign. It held meetings throughout the region to discuss possible initiatives and receive input from the community on how the Authority can better address needs.
- The Authority also worked towards completion of a Strategic Plan to be better prepared to address future resource needs. In addition, the Authority has begun NEXTransit which is a 25-year Long-Range Plan which has already garnered community and employee input on what are important themes to consider for future long-range plans.
- The Authority’s smart-card based Automated Fare Collection System, branded “Connect Card,” is fully implemented with all products online. The Authority has contracted with a Mobile Application provider that has begun installation of mobile app readers on its bus fleet. The rail fleet will be outfitted with the same readers once the bus fleet is complete.
- Finally, the Authority has begun working with a Fare Consultant to consider future fare policy changes and their impact on total revenue yields.

BASIC FINANCIAL STATEMENTS

The Authority’s financial statements are prepared in conformity with generally accepted accounting principles (GAAP) that apply to U.S. governmental units. The Authority uses the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when incurred. Since the Authority is comprised of a single enterprise fund, no individual fund level financial statements are presented.

The following financial statements, along with the “Notes to Financial Statements,” serve as the basis for the analysis and understanding of the Authority’s financial position:

- ◆ **Statements of Net Position** - These financial statements summarize the Authority’s capital structure as to whether company assets were financed with equity or by incurring a liability. Net position increases when revenues exceed expenses. Increases in assets without a corresponding increase in liabilities generally indicate an improved financial condition.
- ◆ **Statements of Revenues, Expenses, and Changes in Net Position** - These financial statements provide information on the net income generated from the Authority’s continuing operations. Operating Expenses are subtracted from Operating Revenues in order to determine an Operating Gain or Loss. Non-Operating Revenues that are defined as significant recurring federal and state grants are added to the Operating Gain or Loss in order to calculate Gain or Loss Before Capital Grant Funding. The Capital Grant Funding is added to the Gain or Loss Before Capital Grant Funding that results in the Change in Net Position. The Change in Net Position is added to the Total Net Position from the end of the previous fiscal year. This summation results in the Total Net Position for the current fiscal year.

- ◆ **Statements of Cash Flows** - The statements of cash flows detail the cash flows generated by the Authority's operations, non-capital financing, and capital and related financing activities. These statements incorporate a direct approach by adding Fiscal Year 2020 changes in cash flows from operating activities, non-capital financing activities, capital and related financing activities, and investing activities to the fiscal year-end 2020 cash balance.

THE PORT AUTHORITY'S FINANCIAL CONDITION

The *Statements of Net Position* and the *Statements of Revenues, Expenses, and Changes in Net Position* report information about the Authority as a whole and detail changes in the Authority's financial position. These statements include all assets and liabilities using the accrual basis of accounting. An increase or decrease in the Authority's net position is one indicator of whether its financial health has improved or deteriorated over a period of time. Other less tangible factors, such as the age of the revenue vehicle fleet, new service initiatives, health of the local economy, labor union contractual issues, significant capital projects, and the level of inter-governmental financial support, all combine to influence the current and future financial health of the organization.

Public transit service is provided with the assistance of Federal, State and County operating subsidies and grants which are categorized as non-operating revenues on the *Statements of Revenues, Expenses, and Changes in Net Position*. Operating expenses are subtracted from Operating Revenues in order to determine the Authority's operating surplus or loss. Non-Operating Revenues (Expenses) are added to the Operating Loss. This financial result is entitled Loss Before Capital Grant Funding on the *Statement of Revenues, Expenses and Changes in Net Position*.

In Fiscal Year 2020, the Authority completed the fiscal year with net operating expenses exceeding revenues before capital grant funding by \$160.08 million. Adjusting for the effect of the non-cash items such as depreciation and OPEB and pension obligation adjustments, the Authority's *Net Revenues over Expenses before Capital Grant Funding* are balanced. In July 2012, PennDOT adopted new regulations on grant revenue recognition requiring all fixed route public transit agencies to report balanced operating result, i.e., no surplus or deficit of funds after the use of operating grant funds, at the end of each fiscal year and to do so by classifying any surplus as unearned grant revenue. The Authority deferred \$1.3 million in Commonwealth of Pennsylvania Act 44 grant revenue to meet required regulations for surpluses. Once capital items are accounted for, net position decreased by \$64.02 million.

THE PORT AUTHORITY AS TRUSTEE

The Authority is a trustee of the Port Authority of Allegheny County Retirement and Disability Allowance Plan for Employees Represented by Local 29 of the International Brotherhood of Electrical Workers and the Port Authority of Allegheny County Retirement and Disability Allowance Plan for Employees Not Represented by a Union. In addition, the Authority serves as a joint trustee with the Amalgamated Transit Union (ATU) Local #85 on the Port Authority of Allegheny County Retirement and Disability Plan for Employees Represented by Local 85 of the Amalgamated Transit Union. Although not subject to the Employee Retirement Income Security Act (ERISA), the Authority follows its guidelines and has separate, external audits of these plans conducted.

STATEMENTS OF NET POSITION

The Authority's Total Assets in Fiscal Year 2020 decreased by \$40.3 million from the prior year, from \$1.54 billion in Fiscal Year 2019 to \$1.50 billion in Fiscal Year 2020. Total Current Assets increased by \$10.03

million or 5.3%, from \$188.3 million in Fiscal Year 2019 to \$198.3 million in Fiscal Year 2020. Total Non-current Assets during the same period decreased by \$50.4 million. Below are explanations of significant changes in various current and non-current asset classifications.

Current Assets

Cash and cash equivalents: The Authority's ending cash and cash equivalents balance was \$103.7 million, a decrease of \$32.8 million or 24% compared to Fiscal Year 2019.

Capital grants receivable: Capital grants receivable increased by \$28.5 million or 146%, from \$19.5 million in Fiscal Year 2019 to \$48 million in Fiscal Year 2020, due principally to an increase in accounts receivables from the Federal Government.

Other receivables: Other receivables increased \$11.2 million or 68.8%, from \$16.3 million in Fiscal Year 2019 to \$27.4 million in Fiscal Year 2020 as a result of timing of State Operating Assistance and County CARES funding.

Materials and supplies: Materials and supplies increased \$2.8 million or 18%, from \$15.4 million in Fiscal Year 2019 to \$18.2 million in Fiscal Year 2020.

Non-Current Assets

The Authority's major operating facilities include four bus garages, a rail center, a complex housing the Power and Way Departments, the Manchester Administrative Center and General Shops building, South Hills Village Parking Garage, fixed guideways such as the 9.1 mile Martin Luther King, Jr. East Busway, 4.3-mile South Busway, 5.0-mile West Busway, 25.4 miles of Light Rail Transit (LRT) infrastructure, the Monongahela Incline, and other various structures that are situated throughout Allegheny County. Service reductions in March 2011 resulted in the closure of the Harmar Garage, dividing operations among the remaining four garages. The Authority continues to own the Harmar facility. In total, non-current assets in Fiscal Year 2020 decreased by \$50.4 million from Fiscal Year 2019 values.

Restricted assets for capital additions and related debt: In Fiscal Year 2020, restricted assets for capital additions and related debt decreased by \$6.5 million or 37% compared to Fiscal Year 2019.

Reserve fund: During Fiscal Year 2017, the Authority adopted a resolution to implement and maintain an operating reserve fund. Approximately \$40.5 million, or one month of the Authority's operating expenses based on the Fiscal Year 2021 budget was transferred into the fund.

Capital assets, net of accumulated depreciation: Capital assets, net of accumulated depreciation, decreased \$45.89 million or 3.5% from Fiscal Year 2019.

Current Liabilities

Current liabilities include accounts payable; accrued compensation, benefits, and withholdings; unearned revenue; reserves for claims and settlements; current portion of bonds payable; and other current liabilities.

In Fiscal Year 2020, total current liabilities increased by \$6.08 million or 2.7% over Fiscal Year 2019 levels due to increases in Unearned Revenues. Unearned Revenue increased by \$5.5 million or 3.5%, due largely to a deferral of County grants.

Non-Current Liabilities

The Authority's non-current liabilities include long-term debt obligations, reserves for claims and settlement, net pension liability, and OPEB liability. At year-end, net bonds payable totaled \$145.08 million, a decline of \$14.4 million over Fiscal Year 2019. For Fiscal Year 2020, the OPEB liability increased by \$47.9 million from \$624.4 million in Fiscal Year 2019 to \$672.4 million. In Fiscal Year 2019, total non-current liabilities decreased by \$29.8 million over Fiscal Year 2019. The majority of this increase in non-current liabilities is attributable to an decrease in the Net Pension liability due to favorable investment returns of pension investments.

Net Position

The Authority's Net Position decreased by \$64 million from \$223.1 million to \$159.1 million.

FINANCIAL COMPARISON: FISCAL YEAR 2020 OVER FISCAL YEAR 2019

The following discussion measures the financial performance of the Authority by comparing the actual revenues, expenses, and changes in net position. This section comments on revenue and expense categories that exhibited significant dollar variances between Fiscal Year 2020 and Fiscal Year 2019.

Revenues

Total operating revenues in Fiscal Year 2020 decreased by \$21.2 million or 20.5% compared to Fiscal Year 2019. A \$19.4 million decrease in Passenger Fares and a \$2.04 decrease in Shared Ride revenues were the primary drivers in this decrease in total operating revenues. In Fiscal Year 2020, Passenger Fares supported 16.1% of the Authority's Total Operating Expense, excluding OPEB, Depreciation expense and a pension expense accounting entry.

Advertising Revenue increased by \$250,016 from Fiscal Year 2019 levels despite COVID-19's impact on advertisers in the fourth quarter. The expanded advertising space utilization and strategies to entice both national and local advertisers have allowed our Advertising Revenues to remain at historic levels.

The Authority contracts with Transdev Services Inc., a privately-owned transportation company, for professional services to coordinate door-to-door, demand-response transportation service for elderly and handicapped citizens. The Commonwealth of Pennsylvania reimburses the Authority for the costs incurred in providing the Shared Ride program, which is available to persons over 65 years of age. ACCESS Shared Ride revenues in Fiscal Year 2020 decreased by \$2.04 million when compared to Fiscal Year 2019 due to lower ridership from the pandemic.

As indicated in the *Port Authority Ridership Statistics* below, total ridership in Fiscal Year 2020 has decreased by 19.09% compared to Fiscal Year 2019 due to the COVID-19 Pandemic. All sub-categories of ridership decreased in FY2020 as a result of the pandemic. Originating Ridership statistics for bus, light rail, and the incline decreased by 18.45% in Fiscal Year 2020. Contract Services ridership which represents riders from local universities participating in a U-Pass program decreased by 23.50% year-over-year. Senior ridership decreased by approximately 650,430 rides in Fiscal Year 2020 or a 13.97% decrease compared to Fiscal Year 2019. Ridership on ACCESS in Fiscal Year 2020 decreased by 21.93% compared to Fiscal Year 2019. Ridership within the Downtown Free-Zone for light rail mode decreased 22.25% and Transfers decreased by 21.16% vs. Fiscal Year 2019. In January 2017, the Port Authority implemented fare policy changes which removed the Downtown Free-Zone for the bus mode and removed paper transfers as an accepted fare product.

Port Authority Ridership Statistics

	FY2020	FY2019	Percent + / (-)
Originating	37,033,960	45,411,481	(18.45%)
Transfers	1,227,231	1,556,526	(21.16%)
Contracted Services	6,864,210	8,973,169	(23.50%)
Seniors	4,004,259	4,654,689	(13.97%)
ACCESS	1,091,093	1,397,522	(21.93%)
Free Ridership	1,566,397	2,014,557	(22.25%)
	51,787,150	64,007,944	(19.09)%

Expenses

Total Operating Expenses decreased from \$582.7 million in Fiscal Year 2019 to \$581 million in Fiscal Year 2020. The decrease in expenses were driven by a \$2 million decrease in OPEB expense and a \$16.9 million decrease in Pension expense. Excluding the Pension, OPEB and Depreciation expenses; Operating Expenses increased \$3.4 million or roughly .007% compared to Fiscal Year 2019.

Salary and Wages increased by \$10.9 million or 6.7% due to contractual wage increases, increased personnel levels and additional COVID-19 expenses. Total employee benefits in Fiscal Year 2020 increased \$2.4 million compared to Fiscal Year 2019, primarily due to increased pension costs and workers compensation expense. Health care expense decreased by \$799,342 due to the lock on medical premiums and the continued reduction in retiree medical expenses. Pension expense, excluding the non-cash pension expense entries, increased by \$1.4 million due to unfavorable market returns on pension investments.

Services expense in Fiscal Year 2020 decreased by \$1.3 million or 8.6% vs. 2019. The reduction was primarily the result of a reduction in Work-Done-by-Outside Contractors expense.

Fuels and Lubricants decreased by \$1.8 million or 10.3% in Fiscal Year 2020 due to decreased diesel fuel and gasoline rates.

Other Materials and Supplies decreased by \$450,833 or 1.7% from Fiscal Year 2019. The majority of the decrease was attributable to lower expense in the Materials line-item. Miscellaneous Expense decreased by \$808,897 or 12.1% due to decreased expenditures for Marketing Research, General Marketing and Radio Equipment.

Finally, Depreciation expense increased by \$13.8 million or 13% compared to Fiscal Year 2019.

Non-Operating Revenues

In total, non-operating revenues in Fiscal Year 2020 increased \$25.1 million or 7.9% compared to Fiscal Year 2019. Non-operating revenues originate from a number of sources. The Commonwealth of Pennsylvania provides Act 89 subsidy for operating, which in Fiscal Year 2020 increased 6.4% from \$224.4 million in Fiscal Year 2019 to \$238.2 million. In FY 2020, the Authority received a portion of its State Operating Assistance from the Public Transportation Assistance Fund (PTAF). The Authority was required to use a portion of PTAF

revenues towards debt service payments in FY 2020. The operating subsidy from Allegheny County for Fiscal Year 2020 was impacted by the COVID-19 pandemic. The County Operating Budget subsidy originates from a County Drink tax which was lower due to restaurant closures and reduced capacity measures. The County was able to provide the Authority \$9.45 million in County CARES Act funding to offset a portion of the drink tax reduction. The Regional Asset District (RAD) contributed \$2.96 million of the \$17.9 million in local governments Act 44 matching.

Capital funds used for operating assistance increased by \$28.3 million or 46.3% from Fiscal Year 2020. In Fiscal Year 2020, the Authority used higher amounts of Federal and State government Capital Funds in order to support operations of the Authority.

CONDITIONS AFFECTING FUTURE FINANCIAL POSITION

As the Commonwealth's second largest public transportation system, the Authority is an essential partner in the southwestern Pennsylvania region's economy, moving 200,000 people pre-pandemic each weekday to and from work, school, and entertainment. The Authority acknowledges that its services are integral to the lives of many Allegheny County residents. Clearly the Authority wishes it could meet every demand for restoration of bus and rail service, but as a practical matter, this will not be financially possible. Any significant increase in service must be funded through increased operating revenue, either increase fare revenue as a result of ridership increases or advertising revenue.

The Act 89 legislation has a provision whereby the annual \$450 million funding contribution from the Pennsylvania Turnpike Commission (PTC) will be reduced to \$50 million beginning in FY2022 and the Commonwealth's General Fund will fund the funding gap. In early 2018, the Authority together with PTC and Allegheny County formed the Southwest Partnership for Mobility (SPM) to address the challenges facing the region's transportation system and the looming impacts of changes to Act 89. The SPM identified two actions that are needed to address the region's transportation funding challenges. The first of these challenges is to stabilize the public transportation funding structure that is scheduled to transition from PTC funding to the Commonwealth General Fund. Secondly, the SPM raised awareness of the need to explore locally-enacted revenue sources for public transportation services above the status quo. This discussion takes on greater urgency as the pandemic has negatively impacted passenger ridership and local drink tax revenue. It is anticipated the Authority will utilize its CARES Act funding by the end of FY2021. This will leave in excess of \$130 million in deferred revenue that will have to be used judiciously in FY2022.

The Authority will focus on improving the service that is already offered and continue to make improvements in the sanitization methods of its vehicles and facilities. These improvements will continue to be communicated to the riding public in a recently launched "OK TO GO" campaign with the aim of improving the public's confidence in the health and safety of utilizing Port Authority services.

Despite the pandemic, the Authority will continue to plan for the future. The Authority has begun the process to develop a Strategic Plan and a Long-term Plan that will include a new, aspirational service plan. This document can be used to inform policymakers of the Authority's true potential to serve the community with dedicated and growing revenue source. These documents can also be instrumental in educating stakeholders on how the Authority can be the backbone of an economic recovery post COVID-19. The Authority will also continue to monitor current resource levels to make sure the Authority remains on firm financial ground. It will continually monitor the financial impacts of the pandemic on the Authority, and try to determine if these are temporary or lasting changes

The Authority's Board of Directors, management, and employees are energized to continue to fulfill the commitment policymakers made to the Authority with the passage of Act 89. The same energy will be brought

to bear to continue to make the case the public transportation is essential for both economic prosperity and the vitality of the region.

GLOSSARY OF TERMS

ACCESS Program – A program that provides subsidized door-to-door, advanced reservation transportation services for the elderly and handicapped residents of Allegheny County. (The Authority’s demand-responsive service.)

Balanced Budget – A budget where total Revenues, Grants, and Operating Assistance equals total expenses.

Base Fare – Cash fare that is charged to an adult for regular local transit service.

Capital Improvement Program – A financial plan for the allocation of Capital Project funds necessary to acquire, improve, or maintain the Authority’s fixed assets.

Fixed Guideway – A separate right-of-way for the exclusive use of public transportation vehicles.

Fixed Route – An established route where transit vehicles follow a schedule over a prescribed route.

Incline – A fixed facility that is comprised of two (2) vehicles operating in opposite directions on angled, parallel tracks.

Light Rail – A type of electric rail transit system that typically operates on dedicated right-of-way or in mixed traffic with other vehicles. Typically involves short distances between stops.

Operating Budget – Combines the financial plan for the allocation of projected revenues and expenses consumed in the daily operations of the transit system and specific programs to support achievement of the Authority’s mission statement.

North Shore Connector Project -- The 1.2 mile extension of the Authority’s Light Rail Transit System, of which the centerpiece is a tunnel underneath the Allegheny River.

Paratransit – Flexible forms of public transportation services that are not provided over a fixed route. (The Authority’s ACCESS Program.)

Passenger Revenues – Revenues consisting of farebox collections, ticket sales, school permits and pass sales, weekend fare receipts, weekly permit sales, monthly pass sales, and special event fare receipts.

Ridership – Number of customers using the Authority’s transit services.

Vehicle Improvement Program – The terminology used by the Authority for rehabilitation of its revenue vehicle fleet.

SOURCE: American Public Transit Association, [A Glossary of Transit Terminology](#), September 1984.

PORT AUTHORITY OF ALLEGHENY COUNTY

STATEMENTS OF NET POSITION

JUNE 30, 2020 AND 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 103,737,815	\$ 136,523,360
Capital grants receivable	48,016,633	19,449,938
Other receivables	27,542,041	16,311,107
Prepaid expenses	863,259	620,781
Materials and supplies, net	18,183,992	15,400,036
Total current assets	198,343,740	188,305,222
Non-current assets:		
Restricted and designated assets:		
Restricted assets for capital additions and related debt	11,046,880	17,550,232
Designated for reserve fund	40,471,824	38,488,582
Capital assets, net of accumulated depreciation	1,251,124,999	1,297,015,031
Total non-current assets	1,302,643,703	1,353,053,845
Total Assets	1,500,987,443	1,541,359,067
Deferred Outflows of Resources		
Deferred charge on refunding	6,846,311	7,636,269
Related to pensions	36,754,843	86,767,312
Related to OPEBs	115,177,734	47,529,185
Total Deferred Outflows of Resources	158,778,888	141,932,766
Liabilities		
Current liabilities:		
Accounts payable	13,490,327	15,481,019
Accrued compensation, benefits, and withholdings	26,587,064	24,597,035
Unearned revenue	160,426,731	154,935,485
Reserves for claims and settlements	7,884,558	7,755,086
Current portion of bonds payable	13,830,000	13,140,000
Other current liabilities	2,751,963	2,981,029
Total current liabilities	224,970,643	218,889,654
Non-current liabilities:		
Bonds payable, net	145,088,349	159,491,049
Reserves for claims and settlements	3,415,368	3,524,731
OPEB liability	672,396,227	624,412,121
Net pension liability	358,065,922	421,374,849
Total non-current liabilities	1,178,965,866	1,208,802,750
Total Liabilities	1,403,936,509	1,427,692,404
Deferred Inflows of Resources		
Related to pensions	24,990,328	8,782,601
Related to OPEBs	71,751,946	23,704,202
Total Deferred Inflows of Resources	96,742,274	32,486,803
Net Position		
Net investment in capital assets	1,139,459,213	1,178,929,855
Unrestricted	(980,371,665)	(955,817,229)
Total Net Position	\$ 159,087,548	\$ 223,112,626

See accompanying notes to financial statements.

PORT AUTHORITY OF ALLEGHENY COUNTY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Operating Revenues:		
Passenger fares	\$ 69,341,543	\$ 88,789,080
State Shared Ride Program	8,607,351	10,651,848
Advertising	3,089,427	2,839,281
Miscellaneous income	831,987	814,367
Total operating revenues	81,870,308	103,094,576
Operating Expenses:		
Salaries and wages	173,182,412	162,230,726
Fringe benefits	161,585,200	159,198,686
Pension expense, net	2,911,269	19,818,349
OPEB expense, net	28,383,301	30,444,316
Services	13,646,373	14,939,689
Fuel and lubricant	15,248,757	17,008,201
Tires and tubes	1,516,886	2,011,784
Other materials and supplies	25,094,193	25,545,026
Utilities	7,753,214	7,681,199
Casualty and liability	(439,809)	2,853,242
Purchased transportation	24,346,319	26,158,452
Leases and rentals	1,731,318	1,809,535
Miscellaneous expense	5,869,901	6,678,888
Depreciation	120,185,416	106,389,234
Total operating expenses	581,014,750	582,767,327
Operating Loss	(499,144,442)	(479,672,751)
Non-Operating Revenues (Expenses):		
Capital funds used for operating assistance:		
Federal government	67,638,585	44,211,408
Commonwealth of Pennsylvania	14,688,457	8,079,042
Local governments	7,184,610	8,866,008
Operating grants:		
Commonwealth of Pennsylvania	238,200,460	224,432,393
Local governments - matching	17,912,720	35,264,780
Total government subsidies for operations	345,624,832	320,853,631
Interest income	328,622	517,744
Interest expense	(6,891,643)	(7,408,761)
Total non-operating revenues (expenses)	339,061,811	313,962,614
Loss Before Capital Grant Funding	(160,082,631)	(165,710,137)
Capital grant funding:		
Federal	24,732,727	28,012,827
State	63,836,865	70,396,082
Local	7,487,961	7,509,518
Total capital grant funding	96,057,553	105,918,427
Change in Net Position	(64,025,078)	(59,791,710)
Total net position - beginning	223,112,626	282,904,336
Total net position - ending	\$ 159,087,548	\$ 223,112,626

See accompanying notes to financial statements.

PORT AUTHORITY OF ALLEGHENY COUNTY

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash Flows From Operating Activities:		
Receipts from customers	\$ 70,639,374	\$ 95,351,726
Payments for goods and services	(99,973,016)	(101,654,292)
Payments to employees	(332,777,583)	(318,016,889)
Net cash provided by (used in) operating activities	(362,111,225)	(324,319,455)
Cash Flows From Non-Capital Financing Activities:		
Operating subsidies	351,116,078	329,269,239
Cash Flows From Capital and Related Financing Activities:		
Capital grants received	67,490,858	112,952,434
Investments in transit operating property	(74,086,537)	(90,401,955)
Payments on bonds	(13,140,000)	(12,520,000)
Interest paid	(6,903,451)	(7,399,320)
Net cash provided by (used in) capital and related financing activities	(26,639,130)	2,631,159
Cash Flows From Investing Activities:		
Proceeds from (deposits to) restricted/designated assets	4,520,110	(4,041,666)
Interest and dividends on investments	328,622	517,744
Net cash provided by (used in) investing activities	4,848,732	(3,523,922)
Net Increase (Decrease) in Cash and Cash Equivalents	(32,785,545)	4,057,021
Cash and Cash Equivalents:		
Beginning of year	136,523,360	132,466,339
End of year	\$ 103,737,815	\$ 136,523,360
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:		
Operating loss	\$ (499,144,442)	\$ (479,672,751)
Adjustments to reconcile operating loss and depreciation expense to cash and cash equivalents provided by (used in) operating activities:		
Depreciation	120,185,416	106,389,234
Change in assets, liabilities, and deferred outflows and inflows:		
Accounts receivable	(11,230,934)	(7,742,850)
Materials and supplies	(2,783,956)	(476,818)
Prepaid expenses and other current assets	(242,478)	(110,579)
Accounts payable	(2,199,539)	3,874,374
Accrued compensation, benefits, and withholdings	1,990,029	3,412,523
Reserves for claims and settlements	20,109	(255,253)
OPEB liability and related components	28,383,301	30,444,316
Net pension liability and related components	2,911,269	19,818,349
Total adjustments	137,033,217	155,353,296
Net cash provided by (used in) operating activities	\$ (362,111,225)	\$ (324,319,455)

See accompanying notes to financial statements.

PORT AUTHORITY OF ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

1. Organization

The Port Authority of Allegheny County (Authority) was established under the Second-Class County Port Authority Act of 1956 and is responsible for the management and operation of certain transit facilities serving the County of Allegheny, Pennsylvania (County) and portions of adjacent counties. The Authority is not subject to federal or state income taxes.

The financial reporting status of the Authority has been determined to be a component unit of the County for financial reporting purposes in accordance with accounting principles generally accepted in the United States of America (GAAP). The County provides substantial operating subsidies and capital funding. Pursuant to Pennsylvania Act 72 of 2013, signed into law on July 19, 2013, the Authority's board appointments were restructured whereas the County Chief Executive has six appointments, and the remaining five members are appointed by the Governor and legislative leaders of the State Senate and House.

As discussed in Note 6, the Authority contracts with Transdev Services, Inc. for professional services to coordinate ACCESS, a paratransit system, which provides transit service within the Authority's jurisdiction. ACCESS financial statements have not been included in the reporting entity because the Authority has neither control, financial responsibility, nor accountability for ACCESS.

2. Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The Authority's significant accounting policies are as follows:

Basis of Accounting

The Authority's accounts are reported as an Enterprise Fund on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Operating revenues and expenses consist of those revenues and expenses that result from ongoing principal operations of the Authority. Operating revenues consist primarily of user

PORT AUTHORITY OF ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

charges. Non-operating revenues and expenses consist of those revenues and expenses that are related to grants and other financing and investing types of activities.

When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the Authority's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, as well as short-term investments, with a maturity date within three months of the date acquired by the Authority.

Materials and Supplies

The Authority maintains spare parts and supplies that are used to maintain transit equipment. The inventory is stated at cost, net of an allowance for obsolete parts of \$379,905 at June 30, 2020 and 2019.

Capital Assets

Transit operating property and equipment are recorded at cost and include certain property acquired from predecessor private mass transportation companies. Transit operating property and equipment also include certain capitalized labor and overhead expenses incurred to ready such property and equipment for use. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. During both fiscal years 2020 and 2019, no interest expense was capitalized.

Depreciation is recorded using the straight-line method based on estimated useful lives that generally range from four to 30 years.

Projects in progress remaining at June 30, 2020 primarily consist of various infrastructure upgrades and building improvements.

Revenue, Receivables, and Unearned Revenues

The Authority utilizes an automated fare collection system. Fares are recorded as revenue at the time services are performed.

PORT AUTHORITY OF ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Grants and contributions are recorded as revenue when all applicable eligibility requirements are met. The Federal Transit Administration (FTA), the Pennsylvania Department of Transportation, and the County provide financial assistance and make grants directly to the Authority for operation, acquisition of property and equipment, and other capital related expenses. Operating grants and subsidies in the accompanying statements of revenues and expenses include only operating grants from the indicated sources. The Authority is permitted to utilize certain capital funds for operating expenses including labor, fringe benefits, materials and supplies, and other expense classifications. Capital funds used for operating assistance represent capital grant funds applied to these expenses. Capital grants for the acquisition of property and equipment and other capital related expenditures are recorded as capital grant funding.

The Commonwealth of Pennsylvania (Commonwealth) created Act 44 to provide a dedicated source of funding called the Public Transportation Trust Fund (PTTF), which provides both operating and capital assistance to the Authority as well as all other transit agencies in the Commonwealth. PTTF includes several existing sources of state funding as well as some new sources. Also, it eliminates the filing of separate applications to receive those funds.

The sources of revenue available to the Commonwealth to fund PTTF are:

1. A percentage from sales tax (4.4%).
2. Lottery funds for the Free Transit for Senior Citizens Program.
3. State bond funding for capital projects.
4. Remainder of Public Transportation Assistance Fund (PTAF) after funding payments on existing debt.
5. Annual payments from the Turnpike Commission.

Five program accounts have been created within the new trust fund: Transit Operating Assistance, Asset Improvement Program, Capital Improvements Program, New Initiatives, and Programs of Statewide Significance. Local matching funds are required to receive assistance under most of the programs.

Capital and Operating Funding for the Year Ended June 30, 2020

The Authority received \$239.5 million in State Operating Assistance during fiscal year 2020. After recognizing unearned revenue for State Operating Assistance carried forward to future years, the Authority recognized \$238.2 million in State Operating Assistance for fiscal year 2020 under Act 44. The State operating assistance funds required a 15% local match of

PORT AUTHORITY OF ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

\$35.9 million. Due to the COVID-19 Pandemic, local Drink Tax Revenue, which is the traditional source of County match on State Operating Assistance, was severely reduced. Allegheny County provided \$5.5 million in local match from the local Drink Tax with an additional \$2.95 million provided by the Regional Asset District (RAD). Allegheny County was able to provide another \$9.45 million in local match from its designated CARES Funding. At this time, the Authority is not aware of any reduction in State Operating Assistance, given the pandemic's unprecedented impact on local match dollars.

Because of existing debt agreements, the Authority obtained capital funding under PTAF totaling \$21.1 million to use for debt service. Local matching share required for this funding was provided by the County.

The Authority utilized \$173.3 million in capital funding for capital improvements, debt service payments, and to support bus purchases in fiscal year 2020. The Authority applied \$88.1 million of this capital funding in its operating budget.

The Authority utilized a total of \$13.6 million in capital funding from the County during fiscal year 2020, which was required to match federal and state capital grants.

As of June 30, 2020, the primary components of unearned revenue were: \$132.7 million of State operating assistance carryover, \$16.7 million of County funds to be used for capital grant matching, and \$7.9 million of State PTAF funds to be used for 2020 debt service.

Capital and Operating Funding for the Year Ended June 30, 2019

The Authority received \$235.6 million in State Operating Assistance during fiscal year 2019. After recognizing unearned revenue for State Operating Assistance carried forward to future years, the Authority recognized \$224.4 million in State Operating Assistance for fiscal year 2019 under Act 44. The State operating assistance funds required a 15% local match of \$35.3 million. Allegheny County provided \$32.3 million in local match with an additional \$3 million provided by the Regional Asset District (RAD).

Because of existing debt agreements, the Authority obtained capital funding under PTAF totaling \$21.1 million to use for debt service. Local matching share required for this funding was provided by the County.

The Authority utilized \$105.9 million in capital funding for capital improvements, debt service payments, and to support bus purchases in fiscal year 2019. The Authority applied \$61.2 million of this capital funding in its operating budget.

PORT AUTHORITY OF ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

The Authority utilized a total of \$15.8 million in capital funding from the County during fiscal year 2019, which was required to match federal and state capital grants.

At June 30, 2019, the primary components of unearned revenue were: \$131.4 million of State operating assistance carryover, \$9.8 million of County funds to be used for capital grant matching, and \$7.7 million of State PTAF funds to be used for 2019 debt service.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the statement of net position reports separate sections for deferred outflows and inflows of resources. These separate financial statement elements represent a consumption (outflows) or addition (inflow) of net position that applies to a future period and so will not be recognized as an outflow (expense) or inflow (revenue) of resources until then.

Compensated Absences

In accordance with GAAP, the Authority accrues vacation benefits earned by its employees.

Self-Insurance

The Authority has a self-insurance program for public liability, property damage, and workers' compensation claims. Estimated costs of these self-insurance programs are accrued in the year the expenses are incurred, based upon the estimates of the claim liabilities made by management and legal counsel of the Authority. Estimates of claim liabilities are accrued based on projected settlements for claims and include estimates for claims incurred but not reported. Any adjustments made to previously recorded reserves are reflected in current operating results.

Refunding Transactions

In accordance with applicable guidance, the excess of the reacquisition price over the net carrying amount of refunded debt is recorded as a deferred outflow of resources on the statements of net position and amortized as a component of interest expense over the shorter of the term of the refunding issue or refunded bonds.

PORT AUTHORITY OF ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Use of Estimates in the Preparation of Financial Statements

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Classification of Net Position

Accounting standards require the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- Restricted – This component of net position consists of constraints placed on assets through external restrictions, reduced by liabilities related to those assets.
- Unrestricted – This component of net position consists of assets that do not meet the definition of “restricted” or “net investment in capital assets.”

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans, as well as additions to and deductions from the pension plan fiduciary net position have been determined on the same basis as they are reported in the financial statements of the pension plans. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Investments are reported at fair value.

Pending Standards

GASB has issued statements that will become effective in future years including Statement Nos. 84 (Fiduciary Activities), 87 (Leases), 89 (Accounting for Interest Cost), 90 (Majority Equity Interests), 91 (Conduit Debt Obligations), 92 (Omnibus 2020), 93 (Interbank

PORT AUTHORITY OF ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Offered Rates), 94 (Public-Private and Public-Public Partnerships), 96 (Information Technology Arrangements), and 97 (Deferred Compensation Plans). Management has not yet determined the impact of these statements on the financial statements.

Reclassifications

Certain reclassifications have been made in the prior financial statements in order for them to be in conformity with current year presentation.

3. Cash and Investments

The investment and deposit policy of the Authority funds is governed by the by-laws of the Authority and the Second-Class County Port Authority Act. In accordance with these regulations, the Authority has established investment procedures that require that monies be deposited with FDIC-insured banks in demand deposit accounts or certificates of deposit (which are required to be 100% collateralized by separately identified United States obligations, if not covered by FDIC insurance). Investments are limited to United States obligations and repurchase agreements. Repurchase agreements must be purchased from banks located within the Commonwealth and the underlying collateral securities must have a market value of at least 100% of the cost of the related repurchase agreement. The Authority's investment procedures do not require the delivery of the underlying securities to the Authority; however, it is the obligation of the bank to deposit the pledged obligations with either the Federal Reserve Bank, the trust department of the financial institution issuing the repurchase agreement, or another bank, trust company, or depository satisfactory to the Authority. There were no deposit or investment transactions during 2020 and 2019 that were in violation of either state statutes or the policies of the Authority. The Authority does not have a formal investment policy which addresses custodial credit risk, interest rate risk, credit risk, or concentration of credit risk.

The Authority's unrestricted cash and investments are available for general operating purposes and restricted cash and investments in the amount of \$11,046,880 are available for acquisition of assets under capital projects and scheduled payments of the Special Revenue Transportation Bonds (Note 5). Board-designated funds in the amount of \$40,471,824 are available to fund future operating deficits.

GAAP requires disclosures related to the following deposit and investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and

PORT AUTHORITY OF ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

foreign currency risk. The Authority's cash and investments as reported on the statements of net position consist of the following:

	2020		2019	
	Cash and Cash Equivalents	Restricted and Designated	Cash and Cash Equivalents	Restricted and Designated
Deposits	\$ 7,962,492	\$ 40,475,017	\$ -	\$ 28,941,332
INVEST	95,775,323	-	136,523,360	16,053,474
Money Market	-	11,043,687	-	11,044,008
Total	<u>\$ 103,737,815</u>	<u>\$ 51,518,704</u>	<u>\$ 136,523,360</u>	<u>\$ 56,038,814</u>

The following is a description of the Authority's deposit and investment risks:

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of June 30, 2020 and 2019, respectively, \$48,663,195 and \$30,180,671 of the Authority's bank balance of \$49,163,195 and \$30,680,671 were exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the Authority's investments. The investments noted above have maturities of less than one year.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2020, the Authority's investments in INVEST and money markets were rated AAA by Standard & Poor's.

The Authority's investments in money markets and INVEST are reported at cost which approximates fair value. The fair value of the Authority's investments in INVEST is the same as the value of the pool shares. All investments in an external investment pool that is not SEC registered are subject to oversight by the Commonwealth. The Authority can withdraw funds from INVEST without limitations or fees.

PORT AUTHORITY OF ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

4. Capital Assets/Accumulated Depreciation

A summary of changes in capital assets for the year ended June 30, 2020 is as follows:

	June 30, 2019	Increases	Decreases	June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 103,856,963	\$ -	\$ (7,903,868)	\$ 95,953,095
Projects in progress	57,301,367	29,328,055	(30,720,710)	55,908,712
Total capital assets, not being depreciated	<u>161,158,330</u>	<u>29,328,055</u>	<u>(38,624,578)</u>	<u>151,861,807</u>
Capital assets, being depreciated:				
Buildings	366,464,312	25,167,661	(8,683,396)	382,948,577
Transportation equipment	706,933,540	33,239,343	(30,043,353)	710,129,530
Track, roadway, and subway stations	1,442,786,192	10,799,274	(14,529,637)	1,439,055,829
Other property, equipment, and assets	165,218,971	14,385,629	-	179,604,600
Total capital assets being depreciated	<u>2,681,403,015</u>	<u>83,591,907</u>	<u>(53,256,386)</u>	<u>2,711,738,536</u>
Less: accumulated depreciation for:				
Buildings	(180,607,837)	(20,265,064)	8,683,396	(192,189,505)
Transportation equipment	(437,443,531)	(35,564,595)	30,043,353	(442,964,773)
Track, roadway, and subway stations	(810,850,719)	(51,883,107)	14,529,630	(848,204,196)
Other property, equipment, and assets	(116,644,227)	(12,472,643)	-	(129,116,870)
Total accumulated depreciation	<u>(1,545,546,314)</u>	<u>(120,185,409)</u>	<u>53,256,379</u>	<u>(1,612,475,344)</u>
Total capital assets, being depreciated, net	<u>1,135,856,701</u>	<u>(36,593,502)</u>	<u>(7)</u>	<u>1,099,263,192</u>
Total capital assets, net	<u>\$ 1,297,015,031</u>	<u>\$ (7,265,447)</u>	<u>\$ (38,624,585)</u>	<u>\$ 1,251,124,999</u>

PORT AUTHORITY OF ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

A summary of changes in capital assets for the year ended June 30, 2019 is as follows:

	June 30, 2018	Increases	Decreases	June 30, 2019
Capital assets, not being depreciated:				
Land	\$ 103,605,436	\$ 251,527	\$ -	\$ 103,856,963
Projects in progress	91,658,075	1,330	(34,358,038)	57,301,367
Total capital assets, not being depreciated	<u>195,263,511</u>	<u>252,857</u>	<u>(34,358,038)</u>	<u>161,158,330</u>
Capital assets, being depreciated:				
Buildings	357,344,037	28,378,981	(19,258,706)	366,464,312
Transportation equipment	693,346,870	35,989,394	(22,402,724)	706,933,540
Track, roadway, and subway stations	1,649,932,035	36,497,540	(243,643,383)	1,442,786,192
Other property, equipment, and assets	155,497,060	17,082,047	(7,360,136)	165,218,971
Total capital assets being depreciated	<u>2,856,120,002</u>	<u>117,947,962</u>	<u>(292,664,949)</u>	<u>2,681,403,015</u>
Less: accumulated depreciation for:				
Buildings	(187,131,066)	(12,407,107)	18,930,336	(180,607,837)
Transportation equipment	(424,856,960)	(34,989,295)	22,402,724	(437,443,531)
Track, roadway, and subway stations	(1,007,179,927)	(47,314,175)	243,643,383	(810,850,719)
Other property, equipment, and assets	(112,654,076)	(11,678,657)	7,688,506	(116,644,227)
Total accumulated depreciation	<u>(1,731,822,029)</u>	<u>(106,389,234)</u>	<u>292,664,949</u>	<u>(1,545,546,314)</u>
Total capital assets, being depreciated, net	<u>1,124,297,973</u>	<u>11,558,728</u>	<u>-</u>	<u>1,135,856,701</u>
Total capital assets, net	<u>\$ 1,319,561,484</u>	<u>\$ 11,811,585</u>	<u>\$ (34,358,038)</u>	<u>\$ 1,297,015,031</u>

5. Long-Term Debt

On March 1, 2011, the Authority issued \$252,845,000 of the Special Revenue Transportation Bonds, Refunding Series of 2011 (the 2011 Bonds). The proceeds from the sale of the 2011 Bonds together with the amounts on deposit in the 2001 debt service reserve fund were used to provide funds required for 1) refunding the Authority's 2001 Bonds and 2) terminating the Swap Agreement.

Interest on the 2011 Bonds is payable semiannually on each March 1 and September 1, commencing September 1, 2011. Interest rates range from 2% to 5.25% throughout the term of the 2011 Bonds. The 2011 Bonds were issued at a premium of \$10.3 million, which is being amortized over the life of the 2011 Bonds.

PORT AUTHORITY OF ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

The 2011 Bonds are subject to optional redemption prior to maturity by the Authority on any date on or after March 1, 2021 and also include \$59.4 million of term bonds due March 1, 2029 that are subject to mandatory redemption prior to maturity beginning March 1, 2027. Subsequent to the year ended June 30, 2020, the Authority currently refunded the bonds with the issuance of the Series 2020 bonds.

The 2011 Bonds are secured by funds distributed to the Authority by the Commonwealth pursuant to Section 1310 of the Public Transportation Assistance Law, specifically including all monies distributed from PTAF.

The following is a summary of debt transactions of the Authority for the year ended June 30, 2020:

	Balance at July 1, 2019	Issuance	Amortization/ Payments and Retirements	Balance at June 30, 2020
Series of 2011 Bonds	\$ 167,095,000	\$ -	\$ (13,140,000)	\$ 153,955,000
Unamortized net bond premium	5,536,049	-	(572,700)	4,963,349
Net outstanding	\$ 172,631,049	\$ -	\$ (13,712,700)	158,918,349
Less: current amount:				
Series of 2011 Bonds				(13,830,000)
Total long-term bonds payable, net				\$ 145,088,349

The following is a summary of debt transactions of the Authority for the year ended June 30, 2019:

	Balance at July 1, 2018	Issuance	Amortization/ Payments and Retirements	Balance at June 30, 2019
Series of 2011 Bonds	\$ 179,615,000	\$ -	\$ (12,520,000)	\$ 167,095,000
Unamortized net bond premium	6,108,749	-	(572,700)	5,536,049
Net outstanding	\$ 185,723,749	\$ -	\$ (13,092,700)	172,631,049
Less: current amount:				
Series of 2011 Bonds				(13,140,000)
Total long-term bonds payable, net				\$ 159,491,049

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YEARS ENDED JUNE 30, 2020 AND 2019

The annual debt service requirements related to the Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 13,830,000	\$ 8,255,888	\$ 22,085,888
2022	14,555,000	7,534,050	22,089,050
2023	15,315,000	6,769,913	22,084,913
2024	16,115,000	5,965,875	22,080,875
2025	16,965,000	5,119,838	22,084,838
2026-2029	77,175,000	11,157,950	88,332,950
Total	<u>\$ 153,955,000</u>	<u>\$ 44,803,514</u>	<u>\$ 198,758,514</u>

Restricted assets include approximately \$11 million of cash invested in a debt service fund restricted for debt service on the above bonds.

6. ACCESS Program Services

The Authority has a contract with Transdev Services, Inc., which provides professional services to coordinate the paratransit system, ACCESS, which provides transit services within the County for elderly and handicapped individuals. Expenses under this contract amounted to \$24.3 million and \$26.2 million for fiscal years 2020 and 2019, respectively.

The Authority currently receives partial reimbursement for these services from the Commonwealth in the form of a grant. The amount is based on ridership and average fare statistics. Revenue under this program totaled \$8.6 million and \$10.7 million in fiscal years 2020 and 2019, respectively.

7. Public Liability, Property Damage, and Workers' Compensation Claims

The Supreme Court of Pennsylvania has held the Authority to be a Commonwealth Agency as defined in the Political Subdivision Tort Claims Act. As such, the Authority is immune from certain claims and its liability is limited to \$1,000,000 per occurrence and \$250,000 per plaintiff claim arising out of an occurrence. As the result of this holding, it has not been necessary for the Authority to purchase excess public liability insurance, and it is self-insured for public liability claims.

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The Authority is self-insured for its compensation and occupational disease liability in accordance with the provisions of Article III, Section 305 of the Pennsylvania Workmen's Compensation Act (Act). On a yearly basis, the Authority carries excess workers' compensation insurance in the amount of \$5,000,000 over its self-insurance retention of \$1,000,000 per occurrence to further ensure that it can meet its obligation under the Workers' Compensation Act.

The Authority maintains an estimate of its potential liability related to claims that have been filed as of June 30, 2020. The reserve balance is approximately \$11.3 million at June 30, 2020 and 2019, respectively.

8. Commitments and Contingencies

In the ordinary course of the Authority's operations and capital grants projects, there have been various legal proceedings brought against the Authority. Based on an evaluation that included consultation with an outside legal counsel concerning the legal and factual issues involved, management is of the opinion that these matters will not result in material adverse effect on the Authority's operations and financial position.

The Authority is subject to state and federal audits by grantor agencies. These laws and regulations are complex and subject to interpretation. The Authority is not aware of any pending audit involving prior or current years; however, compliance with such laws and regulations can be subject to future reviews and interpretation which could result in disallowed costs.

9. Pension Plans

General Information About the Pension Plans. The Authority offers three single-employer defined benefit retirement and disability plans for eligible employees. The three plans are as follows: Plan for Employees Represented by Local 85 of the Amalgamated Transit Union (the ATU Plan), Plan for Employees Represented by Local Union 29 of the International Brotherhood of Electrical Workers (the IBEW Plan), and Plan for Employees who are Not Represented by a Union (the NonRep Plan). The IBEW and NonRep Plans are closed to new participation.

Under each of the three plans, employees' eligibility for normal benefits begins at age 65, at which time the individual is entitled to an annual retirement benefit, payable monthly for

PORT AUTHORITY OF ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

life. This benefit is equal to 2.25% of the average annual compensation for the last 16 quarters of employment times the years and months of continuous service or the average of the highest four of the last eight years immediately preceding the date of retirement, whichever is highest.

Early retirement is available to all participants who have reached the age of 55 and have at least 10 years of service or who meet certain continuous service requirements. Early retirement with full pension benefits is available after 25 years of continuous service for all plans. Early retirement with full pension benefits is also available after age 55 to those participants meeting certain service requirements. Individuals not meeting these requirements who retire after age 55 but prior to the date for normal benefits receive reduced benefits. The cost sharing of health care benefits is provided from Authority operating revenues for ATU and IBEW employees. Health care benefits for retirees in the NonRep Plan were eliminated for those retiring on or after July 1, 2007.

For new hires, the plans have been amended to replace the eligibility requirement for unreduced early retirement benefits from 25 years of service without regard to age, to 25 years of service and age 55. These amendments were effective as of December 1, 2005 for the ATU and NonRep Plans and May 1, 2006 for the IBEW Plan.

No new employees are permitted to start participation in the NonRep and IBEW Plans effective September 2011 and January 2012, respectively. Current participants in the Plans have the option to continue participation in the Plan or to exit the Plan and roll their current accumulated contributions to a Section 457 deferred compensation plan. New employees are required to participate in the newly offered Section 457 deferred compensation plan.

Benefit provisions for the ATU and IBEW Plans are established and amended by the Retirement and Disability Allowance Committees for each plan, as stated in written agreements.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Employees Covered by Benefit Terms. As of the most recent actuarial valuations, the following employees were covered by the benefit terms:

	ATU	IBEW	NonRep	Total
Inactive plan members or beneficiaries				
currently receiving benefits	3,043	141	424	3,608
Participants who transferred to another plan	38	31	58	127
Inactive plan members entitled to but				
not yet receiving benefits	28	-	23	51
Active plan members	2,189	32	116	2,337
Total plan members	5,298	204	621	6,123

Contributions. Participants in the ATU Plan, IBEW Plan, and NonRep Plan contribute 10.5% of earnings to their respective plans. The Authority's contributions to the plans are based on actuarially determined rates.

Net Pension Liability. The Authority's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of January 1, 2019. There were no plan changes between the January 1, 2019 valuation date and the December 31, 2019 liability measurement date. Standard actuarial techniques were used to roll forward the total pension liability from the valuation date to the measurement date.

Actuarial Assumptions. The total pension liability in the January 1, 2019 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method Individual entry age normal

Actuarial assumptions:

Investment rate of return: 7.25%
 Underlying inflation rate 2.50%
 Salary projection: 3.50%*

*with exceptions for years covered by the ATU and IBEW collective bargaining agreement

ATU. For healthy lives, mortality is in accordance with the RP-2000 Combined Mortality Table adjusted for blue collar employees with separate rates for employees and

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YEARS ENDED JUNE 30, 2020 AND 2019

annuitants. Mortality improvements use 2004 as a base year and are projected through 2014 using 100% of Scale AA after 2014 using 50% of Scale AA. For disabled lives, mortality is in accordance with the disabled mortality table specified in IRS Revenue Ruling 96-7 for disabilities occurring prior to 1995.

IBEW and NonRep. For healthy lives, mortality is in accordance with the RP-2000 Combined Mortality Table adjusted for white collar employees and with fully generational projected mortality improvement under Scale BB2D. For disabled lives, mortality is in accordance with the disabled mortality table specified in IRS Revenue Ruling 96-7 for disabilities occurring prior to 1995.

Actuarial assumptions are based on actuarial experience study for the period January 1, 2018 to December 31, 2018.

Change of Actuarial Assumptions. For the ATU Plan, the mortality assumption has been updated following an experience analysis prepared in late 2019. The mortality improvement has also been updated. Mortality improvement for all participant categories is projected under Scale MP-2019. The MP scale is updated annually by the Society of Actuaries. Annual updates to the MP scale will be applied to each future actuarial valuation.

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

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YEARS ENDED JUNE 30, 2020 AND 2019

The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2019:

Asset Class	IBEW and NonRep	
	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	38.0%	7.10%
International equity	19.0%	8.50%
Defensive equity	5.0%	6.30%
Core Real Estate	8.0%	4.70%
Fixed income	29.0%	1.80%
Cash	1.0%	1.00%
	<u>100.0%</u>	

Asset Class	ATU	
	Target Allocation	Long-Term Expected Real Rate of Return
US large cap equity	30.0%	6.20%
US small cap equity	3.0%	7.95%
Non-US developed markets	22.5%	5.55%
Non-US emerging markets	4.5%	7.45%
Private equity	2.5%	9.75%
Equity long/short	5.0%	4.00%
Fixed income	27.5%	2.05%
Absolute return	5.0%	4.00%
	<u>100.0%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Authority's contributions will be made based on the actuarially determined contribution. Based on those assumptions, the fiduciary net position of each plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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YEARS ENDED JUNE 30, 2020 AND 2019

Changes in Net Pension Liability. Changes in the Authority's net pension liability for the year ended June 30, 2020 are as follows:

	Total Pension Liability	Plan Net Position	Net Pension Liability
Balances at 6/30/19	\$ 1,200,438,595	\$ 779,063,746	\$ 421,374,849
Changes for the year:			
Service cost	20,788,121	-	20,788,121
Interest	87,250,948	-	87,250,948
Differences between expected and actual experience	171,340	-	171,340
Changes of assumptions	25,676,170	-	25,676,170
Employer contributions	-	42,162,414	(42,162,414)
Member contributions	-	16,735,992	(16,735,992)
Net investment income	-	139,195,856	(139,195,856)
Benefit payments, including refunds of employee contributions	(83,650,653)	(83,650,653)	-
Employer reimbursement for healthcare expenses	3,134,610	3,134,610	-
Administrative expenses	-	(898,756)	898,756
Balances at 6/30/20	\$ 1,253,809,131	\$ 895,743,209	\$ 358,065,922

Changes in Net Pension Liability. Changes in the Authority's net pension liability for the year ended June 30, 2019 are as follows:

	Total Pension Liability	Plan Net Position	Net Pension Liability
Balances at 6/30/18	\$ 1,175,956,527	\$ 853,159,412	\$ 322,797,115
Changes for the year:			
Service cost	19,849,071	-	19,849,071
Interest	83,549,964	-	83,549,964
Differences between expected and actual experience	(1,388,616)	-	(1,388,616)
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Employer contributions	-	39,035,527	(39,035,527)
Member contributions	-	16,014,190	(16,014,190)
Net investment income	-	(50,695,921)	50,695,921
Benefit payments, including refunds of employee contributions	(80,124,408)	(80,124,408)	-
Employer reimbursement for healthcare expenses	2,616,057	2,616,057	-
Administrative expenses	-	(921,111)	921,111
Balances at 6/30/19	\$ 1,200,458,595	\$ 779,083,746	\$ 421,374,849

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued ATU, IBEW, and NonRep financial reports that can be obtained from the Authority's Finance Department.

Sensitivity of the Net Pension Liability to Changes in Discount Rate. The following presents the net pension liability of the Authority, calculated using the discount rate of 7.25%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
ATU	\$ 419,209,819	\$ 310,769,223	\$ 218,039,127
IBEW	9,655,231	6,999,704	4,744,500
NonRep	53,443,200	40,296,995	29,112,520
	<u>\$ 482,308,250</u>	<u>\$ 358,065,922</u>	<u>\$ 251,896,147</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the years ended June 30, 2020 and 2019, the Authority recognized pension expense of \$46,384,246 and \$60,732,722, respectively. Cash payments into the plan are included in fringe benefits on the statement of revenues, expenses, and changes in net position and any remaining excess (deficiency) is reported as pension expense, net.

At June 30, 2020 and 2019, the Authority reported deferred outflows of resources related to pensions from the following sources:

	2020	2019
Differences between expected and actual experience	\$ 258,459	\$ 102,915
Changes of assumptions	18,923,245	226,792
Net difference between projected and actual earnings on pension plan investments	-	70,175,060
Contributions made subsequent to the measurement date	17,573,139	16,262,545
	<u>\$ 36,754,843</u>	<u>\$ 86,767,312</u>

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

At June 30, 2020 and 2019, the Authority reported deferred inflows of resources related to pensions from the following sources:

	<u>2020</u>	<u>2019</u>
Differences between expected and actual experience	\$ 891,513	\$ 2,529,052
Changes of assumptions	2,655,246	6,253,549
Net difference between projected and actual earnings on pension plan investments	21,443,569	-
	<u>\$ 24,990,328</u>	<u>\$ 8,782,601</u>

Deferred outflows of resources related to Authority pension contributions subsequent to the measurement date of \$17,573,139 and \$16,262,545 are recognized as a reduction of the net pension liability in the years ended June 30, 2021 and 2020, respectively.

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

<u>Year Ending June 30,</u>	
2021	\$ (408,495)
2022	91,726
2023	11,262,810
2024	<u>(16,754,665)</u>
	<u>\$ (5,808,624)</u>

10. Post-Employment Benefits Other Than Pensions

General Information About the OPEB Plans. The Authority provides certain post-retirement healthcare benefits to its retirees. In accordance with the ATU, IBEW, and NonRep Retirement and Disability Allowance Plans, post-retirement benefits are provided to those who become entitled to receive a pension allowance or a disability allowance. Post-retirement benefits consisting of medical, hospital, prescription, dental, and vision insurance coverage, and Medicare Part B premium reimbursement are provided for the retiree.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Plan membership as of the January 1, 2019 valuation was as follows:

	<u>ATU</u>	<u>IBEW</u>	<u>NonRep</u>	<u>Total</u>
Active participants	2,323	61	289	2,673
Retired employees:				
With medical coverage	1,891	61	223	2,175
Without medical coverage, but with other benefits	32	2	21	55
Spouses:				
Surviving spouses	205	2	11	218
Covered dependents under retiree medical	<u>1,273</u>	<u>19</u>	<u>153</u>	<u>1,445</u>
Total plan members	<u>5,724</u>	<u>145</u>	<u>697</u>	<u>6,566</u>

Benefits Provided. Healthcare benefits include medical, dental, and vision coverage for eligible employees as follows:

Effective January 1, 2009, ATU and IBEW employees who were hired prior to July 1, 2012 must meet one of the following conditions to receive lifetime postretirement healthcare benefits:

- Attainment of 30 years of service, or Age 65 with 10 years of service
- Age 62 with 20 years of service
- Attainment of 25 years of service by June 30, 2012

ATU employees hired on and after July 1, 2012 and IBEW employees hired between July 1, 2012 and April 30, 2015 will receive a maximum of 3 years of healthcare benefits following retirement. Eligibility for an unreduced pension benefit is required to receive retiree healthcare coverage. Such participants must meet one of the following conditions:

- Age 55 with 25 years of service, or
- Age 55 with sum of age plus service equal to 85, or
- Age 65 with 10 years of service
- Disabled with 10 years of service

Effective December 31, 2018, ATU retirees are eligible to receive Medicare Part B premium reimbursement upon meeting the following requirements prior to retirement:

- 25 years of service and hired before December 1, 2005
- Age 55 with 10 years of service

PORT AUTHORITY OF ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

- Receiving pension disability allowance

IBEW employees hired on or after May 1, 2015 will not be eligible for postretirement healthcare coverage.

NonRep employees who retired prior to July 1, 2007 receive postretirement healthcare benefits. Effective July 1, 2007, NonRep. employees who retire with eligibility for a pension benefit (25 years of service with no age requirement if hired before December 1, 2005; age 55 with 10 years of service; or disabled with 10 years of service) may elect to continue healthcare coverage with the Authority but are required to pay the full amount of the premiums.

Contributions. The Authority's contribution is based on projected pay-as-you-go financing requirements. For fiscal years 2020 and 2019, the Authority contributed \$25 million and \$25.5 million (excluding the implicit rate subsidy), respectively, to the plans.

Plan members receiving benefits contributed \$2 million and \$2.1 million for fiscal years June 30, 2020 and 2019, respectively, through their contributions as required by the cost sharing provisions of the Plans. Under these provisions, retirees receiving benefits pay a certain percentage of any cost increases after the base year, as determined by the respective plans. Retiree cost sharing percentages for the ATU, IBEW, and Non-Rep Plans are based on the particular health care coverage that is selected by the retiree, the number of family members covered and the age of the retiree and each covered family member, and when retirement became effective.

OPEB Liability. The Authority's OPEB liability was measured as of December 31, 2019 and was determined by an actuarial valuation as of January 1, 2019. During the measurement period ending December 31, 2019, additional retirees became eligible to receive Medicare Part B premium reimbursements resulting in an increase in the OPEB liability of \$6.8 million. Standard actuarial techniques were used to roll forward the total pension liability from the valuation date to the measurement date.

Actuarial Assumptions. The methods and assumptions are as follows:

- Discount rate, using Fidelity Fixed Income Market Data for Municipal GO AA Yield Curve at 20 years: 2.75%
 - Actuarial cost method: Individual Entry Normal Level Percent of Pay
 - Plan participation: 100% of eligible ATU and IBEW employees (medical, dental, and vision coverage), 25% of eligible Non-Rep (medical coverage)
-

PORT AUTHORITY OF ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

- Mortality:
 - IBEW and Non-Rep: Society of Actuaries (SOA) scale MP-2019
 - ATU: RP-2000 Mortality Table, using separate rates for employees and annuitants, and adjusted for white collar employees
- Salary increase: 3.5% per year

Changes in Actuarial Assumptions are as follows:

The assumed discount rate was 2.75% at the December 31, 2019 measurement date.

The following changes were made for the January 1, 2019 valuation:

- Mortality and mortality improvement assumptions were updated for IBEW and Non-rep
- ATU retirement rates were updated
- Short and long term historical trend rates for healthcare costs were updated
- Assumptions related to the removal of the ACA Cadillac Tax

Changes in the Total OPEB Liability. The changes in the total OPEB liability of the Authority for the year ended June 30, 2020 were as follows:

	<u>OPEB Liability</u>
Balance at June 30, 2019	\$ 624,412,121
Changes for the year:	
Service cost	11,451,390
Interest	20,414,417
Changes of benefit terms	6,777,359
Differences between expected and actual	(70,739,444)
Changes of assumptions	107,707,079
Benefits paid	<u>(27,626,695)</u>
Balances at June 30, 2020	<u>\$ 672,396,227</u>

PORT AUTHORITY OF ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Changes in the Total OPEB Liability. The changes in the total OPEB liability of the Authority for the year ended June 30, 2019 were as follows:

	OPEB Liability
Balance at June 30, 2018	\$ 631,119,563
Changes for the year:	
Service cost	10,050,804
Interest	20,705,442
Changes of benefit terms	24,477,127
Changes of assumptions	(30,676,026)
Benefits paid	(31,264,789)
Balances at June 30, 2019	\$ 624,412,121

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following represents the total OPEB liability calculated using the stated discount rate, as well as what the total OPEB liability would be if it was calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

1% Decrease (1.75%)	Current Discount Rate (2.75%)	1% Increase (3.75%)
\$ 774,058,078	\$ 672,396,227	\$ 590,057,410

Sensitivity of the Total OPEB Liability to Changes in the Medical Trend Rate – The following presents the total OPEB liability calculated using the stated medical trend assumption, as well as what the total OPEB liability would be if it was calculated using a medical trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease	Current	1% Increase
Initial rate, pre-Medicare	5.50%	6.50%	7.50%
Initial rate, post-Medicare	3.25%	4.25%	5.25%
Ultimate rate	3.00%	4.00%	5.00%
	\$ 582,086,119	\$ 672,396,227	\$ 783,995,867

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. For the years ended June 30, 2020 and 2019, the Authority recognized

PORT AUTHORITY OF ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

OPEB expense of \$54,056,480 and \$62,431,657, respectively. Cash payments into the plan are included in fringe benefits on the statement of revenues, expenses, and changes in net position and any remaining excess (deficiency) is reported as OPEB expense, net.

At June 30, 2020 and 2019, the Authority reported deferred outflows of resources related to OPEBs from the following sources:

	<u>2020</u>	<u>2019</u>
Changes of assumptions	\$ 100,776,303	\$ 31,174,238
Contributions made subsequent to the measurement date	<u>14,401,431</u>	<u>16,354,947</u>
	<u>\$ 115,177,734</u>	<u>\$ 47,529,185</u>

At June 30, 2020 and 2019, the Authority reported deferred inflows of resources related to OPEBs from the following sources:

	<u>2020</u>	<u>2019</u>
Differences between expected and actual experience	\$ 55,019,568	\$ -
Changes of assumptions	<u>16,732,378</u>	<u>23,704,202</u>
	<u>\$ 71,751,946</u>	<u>\$ 23,704,202</u>

Deferred outflows of resources related to Authority OPEB contributions subsequent to the measurement date of \$14,401,431 and \$16,354,947 are recognized as a reduction of the net pension liability in the years ended June 30, 2021 and 2020, respectively.

PORT AUTHORITY OF ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2021	\$ 15,413,314
2022	4,077,228
2023	5,426,300
2024	<u>4,107,515</u>
	<u>\$ 29,024,357</u>

11. COVID-19

In early 2020, an outbreak of a novel strain of coronavirus was identified, and infections have been found in a number of countries around the world, including the United States. The coronavirus and its associated impacts on supply chains, travel, employee productivity, and other economic activities has had, and may continue to have, a material effect on financial markets and economic activity. The extent of the impact of the coronavirus on the Authority's operational and financial performance is currently uncertain and cannot be predicted.

REQUIRED SUPPLEMENTARY INFORMATION

PORT AUTHORITY OF ALLEGHENY COUNTY

SCHEDULE OF CHANGES IN THE NET
PENSION LIABILITY AND RELATED RATIOS - ATU

YEARS ENDED JUNE 30
LAST TEN YEARS*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability:						
Service cost	\$ 19,539,210	\$ 18,544,833	\$ 17,959,953	\$ 17,641,994	\$ 16,952,228	\$ 14,262,520
Interest	76,265,451	72,730,713	71,007,455	70,211,764	69,033,870	64,022,119
Differences between expected and actual experience	(237,838)	104,701	(2,103,754)	(2,141,941)	3,688,462	-
Changes of assumptions	25,042,154	-	(10,620,990)	(4,479,512)	47,574,706	-
Benefit payments, including refunds of member contributions and certain healthcare expenses	(72,447,485)	(69,091,544)	(66,892,328)	(65,950,889)	(65,427,602)	(64,382,251)
Employer reimbursement for healthcare expenses	2,807,460	2,333,274	2,033,015	1,936,792	1,864,037	1,808,498
Net Changes in Total Pension Liability	50,968,952	24,621,977	11,383,351	17,218,208	73,685,701	15,710,886
Total Pension Liability - Beginning	1,045,315,418	1,020,693,441	1,009,310,090	992,091,882	918,406,181	902,695,295
Total Pension Liability - Ending (a)	<u>\$ 1,096,284,370</u>	<u>\$ 1,045,315,418</u>	<u>\$ 1,020,693,441</u>	<u>\$ 1,009,310,090</u>	<u>\$ 992,091,882</u>	<u>\$ 918,406,181</u>
Plan Fiduciary Net Position:						
Plan member contributions	\$ 15,591,086	\$ 14,831,860	\$ 14,312,058	\$ 13,930,234	\$ 13,482,012	\$ 13,068,460
Employer actuarially recommended contributions	34,211,911	32,676,285	29,117,937	26,080,452	22,261,679	20,047,266
Net investment income	122,543,622	(46,218,752)	100,845,535	35,100,028	(2,750,524)	39,425,414
Benefit payments, including refunds of member contributions and certain healthcare expenses	(72,447,485)	(69,091,544)	(66,892,328)	(65,950,889)	(65,427,602)	(64,382,251)
Employer reimbursement for healthcare expenses	2,807,460	2,333,274	2,033,015	1,936,792	1,864,037	1,808,498
Administrative expense	(719,039)	(751,373)	(582,040)	(496,899)	(583,165)	(530,846)
Net Change in Plan Fiduciary Net Position	101,987,555	(66,220,250)	78,834,177	10,599,718	(31,153,563)	9,436,541
Plan Fiduciary Net Position - Beginning	683,527,592	749,747,842	670,913,665	660,313,947	691,467,510	682,030,969
Plan Fiduciary Net Position - Ending (b)	<u>\$ 785,515,147</u>	<u>\$ 683,527,592</u>	<u>\$ 749,747,842</u>	<u>\$ 670,913,665</u>	<u>\$ 660,313,947</u>	<u>\$ 691,467,510</u>
Net Pension Liability - Ending (a-b)	<u>\$ 310,769,223</u>	<u>\$ 361,787,826</u>	<u>\$ 270,945,599</u>	<u>\$ 338,396,425</u>	<u>\$ 331,777,935</u>	<u>\$ 226,938,671</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>71.65%</u>	<u>65.39%</u>	<u>73.45%</u>	<u>66.47%</u>	<u>66.56%</u>	<u>75.29%</u>
Covered-Employee Payroll	<u>\$ 148,327,726</u>	<u>\$ 140,278,658</u>	<u>\$ 135,837,359</u>	<u>\$ 133,588,113</u>	<u>\$ 127,714,679</u>	<u>123,363,442</u>
Net Pension Liability as a Percentage of Covered-Employee Payroll	209.52%	257.91%	199.46%	253.31%	259.78%	183.96%

* Until a full 10-year trend is compiled, the required information for the Plan is presented for as many years as are available.

See accompanying note to required supplementary pension schedules.

PORT AUTHORITY OF ALLEGHENY COUNTY

SCHEDULE OF CHANGES IN THE NET
PENSION LIABILITY AND RELATED RATIOS - IBEW

YEARS ENDED JUNE 30
LAST TEN YEARS*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability:						
Service cost	\$ 222,168	\$ 231,980	\$ 248,724	\$ 238,162	\$ 252,182	\$ 278,428
Interest	1,846,891	1,825,648	1,850,223	1,860,812	1,830,476	1,804,357
Changes of benefit terms	-	-	-	-	16,606	-
Differences between expected and actual experience	121,451	(454,188)	(234,234)	(259,056)	(327,711)	-
Changes of assumptions	96,811	-	-	650,549	669,288	-
Benefit payments, including refunds of member contributions and certain healthcare expenses	(2,087,052)	(2,010,653)	(2,058,112)	(2,108,295)	(2,095,130)	(2,134,184)
Employer reimbursement for healthcare expenses	85,856	70,829	59,062	60,528	60,633	56,122
Net Changes in Total Pension Liability	286,125	(336,384)	(134,337)	442,700	406,344	4,723
Total Pension Liability - Beginning	26,117,917	26,454,301	26,588,638	26,145,938	25,739,594	25,734,871
Total Pension Liability - Ending (a)	<u>\$ 26,404,042</u>	<u>\$ 26,117,917</u>	<u>\$ 26,454,301</u>	<u>\$ 26,588,638</u>	<u>\$ 26,145,938</u>	<u>\$ 25,739,594</u>
Plan Fiduciary Net Position:						
Plan member contributions	\$ 160,688	\$ 179,201	\$ 184,388	\$ 155,496	\$ 120,620	\$ 106,547
Employer actuarially recommended contributions	821,230	658,157	806,107	913,536	828,090	815,889
Net investment income	3,020,511	(819,490)	2,458,203	1,127,108	(62,544)	1,266,792
Benefit payments, including refunds of member contributions and certain healthcare expenses	(2,087,052)	(2,010,653)	(2,058,112)	(2,108,295)	(2,095,130)	(2,134,184)
Employer reimbursement for healthcare expenses	85,856	70,829	59,062	60,528	60,633	56,122
Administrative expense	(54,392)	(54,678)	(67,221)	(42,495)	(59,812)	(60,407)
Net Change in Plan Fiduciary Net Position	1,946,841	(1,976,634)	1,382,427	105,878	(1,208,143)	50,759
Plan Fiduciary Net Position - Beginning	17,457,497	19,434,131	18,051,704	17,945,826	19,153,969	19,103,210
Plan Fiduciary Net Position - Ending (b)	<u>\$ 19,404,338</u>	<u>\$ 17,457,497</u>	<u>\$ 19,434,131</u>	<u>\$ 18,051,704</u>	<u>\$ 17,945,826</u>	<u>\$ 19,153,969</u>
Net Pension Liability - Ending (a-b)	<u>\$ 6,999,704</u>	<u>\$ 8,660,420</u>	<u>\$ 7,020,170</u>	<u>\$ 8,536,934</u>	<u>\$ 8,200,112</u>	<u>\$ 6,585,625</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>73.49%</u>	<u>66.84%</u>	<u>73.46%</u>	<u>67.89%</u>	<u>68.64%</u>	<u>74.41%</u>
Covered-Employee Payroll	<u>\$ 1,530,373</u>	<u>\$ 1,706,677</u>	<u>\$ 1,845,900</u>	<u>\$ 1,864,753</u>	<u>\$ 1,916,931</u>	<u>\$ 2,130,900</u>
Net Pension Liability as a Percentage of Covered-Employee Payroll	457.39%	507.44%	380.31%	457.81%	427.77%	309.05%

* Until a full 10-year trend is compiled, the required information for the Plan is presented for as many years as are available.

See accompanying note to required supplementary pension schedules.

PORT AUTHORITY OF ALLEGHENY COUNTY

SCHEDULE OF CHANGES IN THE NET
PENSION LIABILITY AND RELATED RATIOS - NonRep

YEARS ENDED JUNE 30
LAST TEN YEARS*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability:						
Service cost	\$ 1,026,743	\$ 1,072,258	\$ 1,116,566	\$ 1,176,670	\$ 1,155,659	\$ 1,190,636
Interest	9,138,606	8,993,603	8,974,766	8,864,104	8,602,050	8,294,767
Differences between expected and actual experience	287,727	(1,039,129)	275,652	904,469	362,560	-
Changes of assumptions	537,205	-	-	1,632,561	2,903,673	-
Benefit payments, including refunds of member contributions and certain healthcare expenses	(9,116,116)	(9,022,211)	(8,878,245)	(8,981,209)	(8,764,596)	(8,512,796)
Employer reimbursement for healthcare expenses	241,294	211,954	203,652	185,834	174,680	166,456
Net Changes in Total Pension Liability	<u>2,115,459</u>	<u>216,475</u>	<u>1,692,391</u>	<u>3,782,429</u>	<u>4,434,026</u>	<u>1,139,063</u>
Total Pension Liability - Beginning	<u>129,005,260</u>	<u>128,788,785</u>	<u>127,096,394</u>	<u>123,313,965</u>	<u>118,879,939</u>	<u>117,740,876</u>
Total Pension Liability - Ending (a)	<u>\$ 131,120,719</u>	<u>\$ 129,005,260</u>	<u>\$ 128,788,785</u>	<u>\$ 127,096,394</u>	<u>\$ 123,313,965</u>	<u>\$ 118,879,939</u>
Plan Fiduciary Net Position:						
Plan member contributions	\$ 984,218	\$ 1,003,129	\$ 1,025,619	\$ 1,090,555	\$ 1,111,025	\$ 1,154,760
Employer actuarially recommended contributions	7,129,273	5,701,085	6,118,561	6,190,809	5,667,461	5,313,090
Net investment income	13,631,723	(3,657,679)	10,398,441	4,657,193	(270,864)	4,854,389
Benefit payments, including refunds of member contributions and certain healthcare expenses	(9,116,116)	(9,022,211)	(8,878,245)	(8,981,209)	(8,764,596)	(8,512,796)
Employer reimbursement for healthcare expenses	241,294	211,954	203,652	185,834	174,680	166,456
Administrative expense	(125,325)	(115,060)	(194,676)	(113,635)	(140,666)	(160,534)
Net Change in Plan Fiduciary Net Position	<u>12,745,067</u>	<u>(5,878,782)</u>	<u>8,673,352</u>	<u>3,029,547</u>	<u>(2,222,960)</u>	<u>2,815,365</u>
Plan Fiduciary Net Position - Beginning	<u>78,078,657</u>	<u>83,957,439</u>	<u>75,284,087</u>	<u>72,254,540</u>	<u>74,477,500</u>	<u>71,662,135</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 90,823,724</u>	<u>\$ 78,078,657</u>	<u>\$ 83,957,439</u>	<u>\$ 75,284,087</u>	<u>\$ 72,254,540</u>	<u>\$ 74,477,500</u>
Net Pension Liability - Ending (a-b)	<u>\$ 40,296,995</u>	<u>\$ 50,926,603</u>	<u>\$ 44,831,346</u>	<u>\$ 51,812,307</u>	<u>\$ 51,059,425</u>	<u>\$ 44,402,439</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>69.27%</u>	<u>60.52%</u>	<u>65.19%</u>	<u>59.23%</u>	<u>58.59%</u>	<u>62.65%</u>
Covered-Employee Payroll	<u>\$ 8,914,879</u>	<u>\$ 9,553,580</u>	<u>\$ 9,767,772</u>	<u>\$ 9,976,365</u>	<u>\$ 10,581,158</u>	<u>\$ 10,997,673</u>
Net Pension Liability as a Percentage of Covered-Employee Payroll	452.02%	533.06%	458.97%	519.35%	482.55%	403.74%

* Until a full 10-year trend is compiled, the required information for the Plan is presented for as many years as are available.

See accompanying note to required supplementary pension schedules.

PORT AUTHORITY OF ALLEGHENY COUNTY

SCHEDULE OF AUTHORITY CONTRIBUTIONS - PENSIONS

YEARS ENDED JUNE 30

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution:										
ATU	\$ 34,211,911	\$ 32,676,285	\$ 29,117,937	\$ 25,162,906	\$ 23,179,225	* \$ 20,047,266	\$ 17,602,620	\$ 13,984,742	\$ 23,546,814	\$ 17,480,911
IBEW	821,230	658,157	806,107	913,536	828,090	815,889	848,189	774,765	653,215	477,378
NonRep	7,129,273	5,701,085	6,118,561	6,190,809	5,667,461	5,313,090	6,100,903	4,674,158	5,254,033	4,734,816
	<u>42,162,414</u>	<u>39,035,527</u>	<u>36,042,605</u>	<u>32,267,251</u>	<u>29,674,776</u>	<u>26,176,245</u>	<u>24,551,712</u>	<u>19,433,665</u>	<u>29,454,062</u>	<u>22,693,105</u>
Contributions in relation to the actuarially determined contribution:										
ATU	34,211,911	32,676,285	29,117,937	25,162,906	23,179,225	20,047,266	17,602,620	13,984,742	23,546,814	17,480,911
IBEW	821,230	658,157	806,107	913,536	828,090	815,889	848,189	774,765	653,215	477,378
NonRep	7,129,273	5,701,085	6,118,561	6,190,809	5,667,461	5,313,090	6,100,903	4,674,158	5,254,033	4,734,816
	<u>42,162,414</u>	<u>39,035,527</u>	<u>36,042,605</u>	<u>32,267,251</u>	<u>29,674,776</u>	<u>26,176,245</u>	<u>24,551,712</u>	<u>19,433,665</u>	<u>29,454,062</u>	<u>22,693,105</u>
Contribution deficiency (excess)	<u>\$ -</u>									
Covered-employee payroll:										
ATU	\$ 144,568,395	\$ 142,111,013	\$ 137,756,902	\$ 133,588,113	\$ 127,714,679	\$ 123,363,442	\$ 120,440,624	\$ 121,432,288	\$ 122,817,450	\$ 128,613,838
IBEW	1,506,183	1,551,817	1,750,302	1,885,119	1,916,931	2,130,900	2,267,698	2,404,723	2,775,982	2,902,075
NonRep	8,829,432	8,822,859	9,632,840	9,976,365	10,581,158	10,997,673	11,821,211	14,030,280	16,665,376	17,946,884
	<u>\$ 154,904,010</u>	<u>\$ 152,485,689</u>	<u>\$ 149,140,044</u>	<u>\$ 145,449,597</u>	<u>\$ 140,212,768</u>	<u>\$ 136,492,015</u>	<u>\$ 134,529,533</u>	<u>\$ 137,867,291</u>	<u>\$ 142,258,808</u>	<u>\$ 149,462,797</u>
Contributions as a percentage of covered-employee payroll										
ATU	23.66%	22.99%	21.14%	18.84%	18.15%	16.25%	14.62%	11.52%	19.17%	13.59%
IBEW	54.52%	42.41%	46.06%	48.46%	43.20%	38.29%	37.40%	32.22%	23.53%	16.45%
NonRep	80.74%	64.62%	63.52%	62.05%	53.56%	48.31%	51.61%	33.31%	31.53%	26.38%

Note to Required Supplementary Pension Schedules:

Valuation date: Actuarial calculations are performed each year as of January 1. Contributions noted above are as of each pension plan's calendar year ending December 31 using actuarially determined contribution rates calculated as of January 1, one year prior to the end of the calendar year in which contributions are reported.

Methods and assumptions used to determine the contribution rates:

Actuarial cost method	Individual Entry Age Normal
Amortization method	Level-dollar monthly payments
Remaining amortization period	15 years
Asset valuation method	Smoothed market value (with phase-in)
Inflation	2.50%
Salary increases	3.50% (with exceptions for years covered by the ATU and IBEW collective bargaining agreement)
Investment rate of return	7.25% IBEW and NonRep (8.00% for 2013 and prior) 7.25% ATU (8.00% for 2016 and prior)
Mortality	ATU: For healthy lives, mortality is in accordance with the RP-2000 Combined Mortality Table adjusted for blue collar employees with separate rates for employees and annuitants. Mortality improvements use 2004 as a base year and are projected through 2014 using 100% of Scale AA after 2014 using 50% of Scale AA. For disabled lives, mortality is in accordance with the disabled mortality table specified in IRS Revenue Ruling 96-7 for disabilities occurring prior to 1995. IBEW and NonRep: For healthy lives, mortality is in accordance with the RP-2000 Combined Mortality Table adjusted for white collar employees with fully-generational projected mortality improvement under Scale BB2D. For disabled lives, mortality is in accordance with the disabled mortality table specified in IRS Revenue Ruling 96-7 for disabilities occurring prior to 1995.

The NonRep plan was closed to new participants effective September 1, 2011

The IBEW plan was closed to new participants effective January 1, 2012

* Preliminary contributions of \$22,261,679 had been determined for the 2015 plan year. The final contribution determination for 2015, reflecting changes approved by the Retirement Committee, was completed in January 2017. A final contribution of \$917,546 toward the 2015 plan year funding was made by the Authority in February 2017.

See accompanying note to required supplementary pension schedules.

PORT AUTHORITY OF ALLEGHENY COUNTY

SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND RELATED RATIOS - ATU

YEARS ENDED JUNE 30
LAST TEN YEARS*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:			
Service cost	\$ 11,063,966	\$ 9,523,002	\$ 7,862,601
Interest	18,376,049	18,351,223	18,970,326
Differences between expected and actual experience	(62,586,492)	-	-
Change in benefit terms	6,327,280	24,477,127	-
Changes of assumptions	104,356,787	(26,986,489)	55,044,733
Benefit payments	<u>(24,118,471)</u>	<u>(27,352,586)</u>	<u>(26,713,212)</u>
Net Changes in Total OPEB Liability	53,419,119	(1,987,723)	55,164,448
Total OPEB Liability - Beginning	<u>556,579,548</u>	<u>558,567,271</u>	<u>503,402,823</u>
Total OPEB Liability - Ending (a)	<u>\$ 609,998,667</u>	<u>\$ 556,579,548</u>	<u>\$ 558,567,271</u>
Covered-Employee Payroll	<u>\$ 140,863,321</u>	<u>\$ 131,806,885</u>	<u>\$ 128,520,603</u>
OPEB Liability as a Percentage of Covered-Employee Payroll	433.04%	422.27%	434.61%

* Until a full 10-year trend is compiled, the required information for the Plan is presented for as many years as are available.

See accompanying notes to required supplementary schedules -
other postemployment benefits (OPEBs).

PORT AUTHORITY OF ALLEGHENY COUNTY

SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND RELATED RATIOS - IBEW

YEARS ENDED JUNE 30
LAST TEN YEARS*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:			
Service cost	\$ 200,062	\$ 301,690	\$ 277,648
Interest	522,209	606,359	644,668
Differences between expected and actual experience	(2,009,026)	-	-
Changes of benefit terms	184,596	-	-
Changes of assumptions	845,192	(1,121,548)	1,169,548
Benefit payments	<u>(661,629)</u>	<u>(737,990)</u>	<u>(696,907)</u>
Net Changes in Total OPEB Liability	(918,596)	(951,489)	1,394,957
Total OPEB Liability - Beginning	<u>17,434,700</u>	<u>18,386,189</u>	<u>16,991,232</u>
Total OPEB Liability - Ending (a)	<u>\$ 16,516,104</u>	<u>\$ 17,434,700</u>	<u>\$ 18,386,189</u>
Covered-Employee Payroll	<u>\$ 3,069,187</u>	<u>\$ 2,950,858</u>	<u>\$ 3,018,623</u>
OPEB Liability as a Percentage of Covered-Employee Payroll	538.13%	590.83%	609.09%

* Until a full 10-year trend is compiled, the required information for the Plan is presented for as many years as are available.

See accompanying notes to required supplementary schedules -
other postemployment benefits (OPEBs).

PORT AUTHORITY OF ALLEGHENY COUNTY

SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND RELATED RATIOS - NonRep

YEARS ENDED JUNE 30
LAST TEN YEARS*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:			
Service cost	\$ 187,362	\$ 226,112	\$ 206,778
Interest	1,516,159	1,747,860	1,924,121
Differences between expected and actual experience	(6,143,926)	-	-
Changes of benefit terms	265,483	-	-
Changes of assumptions	2,505,100	(2,567,989)	3,300,173
Benefit payments	<u>(2,846,595)</u>	<u>(3,174,213)</u>	<u>(3,120,071)</u>
Net Changes in Total OPEB Liability	(4,516,417)	(3,768,230)	2,311,001
Total OPEB Liability - Beginning	<u>50,397,873</u>	<u>54,166,103</u>	<u>51,855,102</u>
Total OPEB Liability - Ending (a)	<u>\$ 45,881,456</u>	<u>\$ 50,397,873</u>	<u>\$ 54,166,103</u>
Covered-Employee Payroll	<u>\$ 21,458,198</u>	<u>\$ 18,269,218</u>	<u>\$ 19,182,175</u>
OPEB Liability as a Percentage of Covered-Employee Payroll	213.82%	275.86%	282.38%

* Until a full 10-year trend is compiled, the required information for the Plan is presented for as many years as are available.

See accompanying notes to required supplementary schedules -
other postemployment benefits (OPEBs).

PORT AUTHORITY OF ALLEGHENY COUNTY

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES OTHER POSTEMPLOYMENT BENEFITS (OPEBS)

YEAR ENDED JUNE 30, 2020

Valuation Date

The actuarial valuation date was performed as of January 1, 2019. The liability measurement date was performed as of December 31, 2019. Standard actuarial techniques were used to roll forward the OPEB liability from the valuation date to the measurement date.

Funding Policy

The Authority's funding policy is to pay for plan benefits when they become due each year, as such no actuarially determined contribution is calculated. There is no accumulation of assets in a trust for the plans.

Actuarial Methods and Assumptions

The methods and assumptions are as follows:

- Discount rate, using Fidelity Fixed Income Market Data for Municipal GO AA Yield Curve at 20 years: 2.75%
- Actuarial cost method: Individual Entry Normal Level Percent of Pay
- Plan participation: 100% of eligible ATU and IBEW employees (medical, dental, and vision coverage), 25% of eligible Non-Rep (medical coverage)
- Mortality:
 - IBEW and Non-Rep: Society of Actuaries (SOA) scale MP-2019
 - ATU: RP-2000 Mortality Table, using separate rates for employees and annuitants, and adjusted for white collar employees
- Salary increase: 3.5% per year

PORT AUTHORITY OF ALLEGHENY COUNTY

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES OTHER POSTEMPLOYMENT BENEFITS (OPEBS)

YEAR ENDED JUNE 30, 2020

- Assumed rates of retirement are as follows:

ATU

Age	Service		Bridge eligible*
	10 to 24 years	25 or more years	
Below 54	0.0%	40%	50%
55-59	0.2%	25%	50%
60-61	0.2%	10%	50%
62	10.0%	90%	60%
63-64	3.0%	30%	35%
65	80.0%	80%	100%
66-69	30.0%	30%	100%
Over 70	100.0%	100%	100%

Rate is 0% for employees hired on or after December 1, 2005

* Employees who attained 25 years service by June 30, 2012, who are eligible for retiree medical benefits

IBEW and Non-Rep

Age	Percentage of retirement based on pension eligibility	
	Reduced benefits for early retirement	Unreduced benefits
Below 54	0.0%	40%
55-59	3.0%	40%
60-64	10.0%	40%
65	0.0%	70%
66-69	0.0%	30%
Over 70	0.0%	100%

Rate is 0% for IBEW employees hired on or after May 1, 2006

PORT AUTHORITY OF ALLEGHENY COUNTY

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES OTHER POSTEMPLOYMENT BENEFITS (OPEBS)

YEAR ENDED JUNE 30, 2020

- Healthcare cost trend rates are as follows:

Year	Medical and Drug		Dental	Vision	Medicare Part B
	Pre-Medicare	Post-Medicare			
Short term:					
2019	6.75%	4.25%	4.00%	2.50%	5.50%
2020	6.50%	4.25%	4.00%	2.50%	5.50%
2021	6.25%	4.25%	4.00%	2.50%	5.50%
2022	6.00%	4.50%	4.00%	2.50%	5.50%
2023	5.75%	4.50%	4.00%	2.50%	5.50%
2024	5.50%	4.75%	4.00%	2.50%	5.50%
2025	5.25%	5.00%	4.00%	2.50%	5.50%
2026	5.00%	5.00%	4.00%	2.50%	5.50%
2027	5.00%	5.00%	4.00%	2.50%	5.50%
Long term:					
2028-2050	5.00%	5.00%	4.00%	2.50%	5.00%
2051-2069	4.50%	4.50%	4.00%	2.50%	4.50%
2070 and later	4.00%	4.00%	4.00%	2.50%	4.00%

Changes in Actuarial Assumptions

The assumed discount rate was 2.75% at the December 31, 2019 measurement date.

The following changes were made for the January 1, 2019 valuation:

- Mortality and mortality improvement assumptions were updated for IBEW and Non-rep
- ATU retirement rates were updated
- Short and long term historical trend rates for healthcare costs were updated
- Assumptions related to the removal of the ACA Cadillac Tax

The assumed discount rate was 3.71% at the December 31, 2018 measurement date.

The assumed discount rate was 3.31% at the December 31, 2017 measurement date.

An update to the retirement assumption for ATU employees was made to reflect plan experience for the December 31, 2017 measurement date.

SUPPLEMENTARY INFORMATION

PORT AUTHORITY OF ALLEGHENY COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantor Number or Pass-Through Grantor Number</u>	<u>Amount Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
DEPARTMENT OF TRANSPORTATION:				
FEDERAL TRANSIT ADMINISTRATION:				
Federal Transit - Capital Investment Grants:				
FY 2010 Fixed Guideway	20.500	PA-05-0076	\$ -	\$ 83,145
FY 2011 Fixed Guideway	20.500	PA-05-0079	-	1,329,871
Total CFDA 20.500			-	1,413,016
Federal Transit - Formula Grants:				
PA-2016-027-00 Trams Grant	20.507	PA-95-0001	-	281,824
2012 Block Grant	20.507	PA-90-X743	-	485,891
PA-2019-045-00 Super Grant	20.507	PA-90-X928	-	23,695,453
PA-2019-045-00 Super Grant	20.507	PA-90-X147	-	6,172,200
COVID-19 - PA-2020-027-00 Trams CARES Grant	20.507	PA-90-X954	-	31,482,531
Total CFDA 20.507			-	62,117,899
Bus and Bus Facilities Formula Program:				
PA-2018-031-00 Trams Grant	20.526	PA-34-0040	-	500,000
PA-2018-045-00 Super Grant	20.526	PA-34-X049	-	3,454,918
PA-2018-045-00 Super Grant	20.526	PA-34-X021	-	24,017,826
Total CFDA 20.526			-	27,972,744
TOTAL FEDERAL TRANSIT CLUSTER			-	91,503,659
TOTAL FEDERAL TRANSIT ADMINISTRATION			-	91,503,659
Metropolitan Transportation Planning:				
Passed through the Commonwealth of Pennsylvania:				
Metropolitan Transportation Planning	20.505	520906-5	-	184,000
Transit Services Programs Cluster:				
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	CSPC	-	615,259
TOTAL TRANSIT SERVICES PROGRAMS CLUSTER			-	615,259
TOTAL METROPOLITAN TRANSPORTATION PLANNING			-	799,259
TOTAL DEPARTMENT OF TRANSPORTATION			-	92,302,918
DEPARTMENT OF HOMELAND SECURITY:				
2019 Transit Security Grant Program	97.075	EMW2018RA00034	-	56,434
TOTAL DEPARTMENT OF HOMELAND SECURITY			-	56,434
DEPARTMENT OF THE TREASURY:				
Passed through Allegheny County:				
COVID-19 - Coronavirus Relief Fund	21.019	00710011-2	-	9,455,577
TOTAL DEPARTMENT OF THE TREASURY			-	9,455,577
DEPARTMENT OF JUSTICE:				
Passed through the Federal Bureau of Investigation:				
Equitable Sharing Program	16.922	AFF19	-	11,961
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 101,826,890

See accompanying notes to schedule of expenditures of federal awards.

PORT AUTHORITY OF ALLEGHENY COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Port Authority of Allegheny County (Authority) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the net position, changes in net position, or cash flows of the Authority.

2. Summary of Significant Accounting Policies

The accompanying schedule is presented using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. For the year ended June 30, 2020, the Authority did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**Port Authority of
Allegheny County**

Independent Auditor's Reports
Required by the Uniform Guidance

Year Ended June 30, 2020

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**Board of Directors
Port Authority
of Allegheny County**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United

States, the financial statements of the Port Authority of Allegheny County (Authority), which comprise the statement of net position as of June 30, 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 20, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Port Authority of Allegheny County
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mahe Duessel

Pittsburgh, Pennsylvania
November 20, 2020

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Port Authority
of Allegheny County

Report on Compliance for Each Major Federal Program

We have audited the Port Authority of Allegheny County's (Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2020. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirement referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Board Directors
Port Authority of Allegheny County
Independent Auditor's Report on Compliance
for Each Major Program

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board Directors
Port Authority of Allegheny County
Independent Auditor's Report on Compliance
for Each Major Program

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mahe Duessel

Pittsburgh, Pennsylvania
November 20, 2020

PORT AUTHORITY OF ALLEGHENY COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2020

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles

2. Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)?
 yes none reported

3. Noncompliance material to financial statements noted? yes no

4. Internal control over major program:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)?
 yes none reported

5. Type of auditor's report issued on compliance for major program: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? yes no

7. Major Programs:

CFDA Number(s)

20.500, 20.507
and 20.526
21.019

Name of Federal Program or Cluster

Federal Transit Cluster
Coronavirus Relief Fund

8. Dollar threshold used to distinguish between type A and type B programs: \$3,054,448

9. Auditee qualified as low-risk auditee? yes no

II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

No matters were reported.

III. Findings and questioned costs for federal awards.

No matters were reported.

PORT AUTHORITY OF ALLEGHENY COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2020

NONE