Public Parking Authority of Pittsburgh

(A Component Unit of the
City of Pittsburgh, Pennsylvania)

Financial Statements and
Required Supplementary Information

For the Years Ended December 31, 2015 and 2014
with Independent Auditor's Report

MaherDuessel
Certified Public Accountants

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

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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Independent Auditor's Report

Board of Directors
Public Parking Authority of Pittsburgh

We have audited the accompanying financial statements of the Public Parking Authority of Pittsburgh (Authority), a component unit of the City of Pittsburgh, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic 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. Those standards require that we plan and perform the audits 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 December 31, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *"Accounting and Financial Reporting for Pensions,"* and GASB Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date,"* which requires the Authority to record its net pension asset and related items on the financial statements. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other postemployment benefits schedules on pages 1 through 8 and 45 through 47, respectively, 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.

Maher Duessel

Pittsburgh, Pennsylvania
April 14, 2016

Management's Discussion and Analysis

Fiscal Year 2015 Financial Statements

Overview of the Financial Statements and Financial Analysis

The Public Parking Authority of Pittsburgh (the "Authority") is proud to present its financial statements for 2015. This discussion and analysis of the Authority's financial statements provides an overview of the Authority's financial activities for 2015 as required supplemental information. The emphasis of this discussion will focus on current year 2015 data in comparison to the prior year 2014. There are three financial statements presented in this report: 1) the Statements of Net Position; 2) the Statements of Revenues, Expenses, and Changes in Net Position; and 3) the Statements of Cash Flows.

Statements of Net Position

The Statements of Net Position present the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the Authority as of the end of each fiscal year. The Statements of Net Position are a "point of time" financial statement that presents a fiscal snapshot of the Authority at year-end. The Statements of Net Position present data concerning the Authority's assets (current and non-current), deferred outflows of resources, liabilities (current and non-current), deferred inflows of resources, and net position (assets plus deferred outflows of resources minus liabilities and deferred inflows of resources). The definitions of current and non-current assets and liabilities are discussed in the notes to the financial statements.

From the data on the Statements of Net Position, readers can determine the assets and deferred outflows of resources available to the Authority at the end of the year to support its continuing operations. Readers can also determine how much the Authority owes at year-end. Finally, readers can determine the Authority's net position and its availability for expenditure.

Net position is divided into three major categories. The first category, "net investment in capital assets" presents the Authority's equity in its property, plant, and equipment, net of related debt. The second net position category, "restricted net position," is divided into two categories: expendable and non-expendable (permanently restricted). Expendable restricted net position is available for expenditure but must be spent for purposes determined by external entities that have placed time or use restrictions on the assets. Within the expendable net position category are balances that have been restricted under the terms of the Authority's trust indentures. The Authority does not have any non-expendable restricted net position. The third major category, "unrestricted net position," is available to the Authority to pay future operating expenses. The Authority's Board of Directors has designated $6 million of unrestricted net position to assist in funding the structural remediation to extend the useful life of the four oldest facilities.

Public Parking Authority of Pittsburgh
Statements of Net Position

	2015	2014	2013
Assets			
Current assets	$ 43,930,874	$ 31,494,413	$ 29,250,523
Capital assets, including leasehold improvements	124,025,767	120,304,854	121,502,245
Other noncurrent assets	28,906,647	32,385,829	26,978,516
Total Assets	196,863,288	184,185,096	177,731,284
Deferred Outflows of Resources			
Deferred charge on refunding	5,565,451	1,776,955	1,942,632
Net difference between projected and actual earnings on pension investments	704,063	78,246	-
Total Deferred Outflows of Resources	6,269,514	1,855,201	1,942,632
Liabilities			
Current liabilities	24,789,806	13,553,620	12,345,248
Noncurrent liabilities	70,508,930	75,532,007	81,052,396
Total Liabilities	95,298,736	89,085,627	93,397,644
Deferred Inflows of Resources			
Deferred gain on refunding	3,070,372	-	-
Difference between expected and actual experience for pension plan	53,229	70,854	-
Total Deferred Inflows of Resources	3,123,601	70,854	-
Net Position			
Net investment in capital assets	50,858,204	43,464,257	39,292,402
Restricted for, expendable:			
Capital	11,670,674	10,133,454	7,655,418
Debt service	569,669	3,088,399	3,202,392
Indenture funds	22,197,746	17,875,065	17,264,588
Total restricted	34,438,089	31,096,918	28,122,398
Unrestricted*	19,414,172	22,322,641	18,861,472
Total Net Position*	$ 104,710,465	$ 96,883,816	$ 86,276,272

* As restated due to the recording of the net pension asset in accordance with GASB Statement No. 68. See Note 2 to the financial statements.

Total assets of the Authority increased by $12.7 million from fiscal year 2014. Current assets increased by $12.4 million. The majority of the increase is in investments and is the result of the later release of the payments to the City of Pittsburgh. Previously, that payment was made each December 15th. Beginning with fiscal year 2015, the release of those payments was moved to no later than March 15th of the following year, to ensure the debt service ratio requirement was met prior to releasing the subordinated payments. Total noncurrent assets increased approximately $242 thousand in 2015. Capital assets and leasehold improvements increased $3.7 million, while noncurrent investments decreased by $2.2 million. The decrease in noncurrent investments was primarily due to the new Trust Indenture and the release of some restricted funds required by the prior indenture. Prepaid bond insurance decreased $622 thousand, while the net pension asset decreased $635 thousand.

Statements of Revenues, Expenses, and Changes in Net Position

The changes in total net position, as presented on the Statements of Net Position, are based on the activities presented in the Statement of Revenues, Expenses, and Changes in Net Position (the "SRECNP"). The purpose of the SRECNP is to present the revenues and expenses (both operating and non-operating), other revenues, expenses, gains, and losses of the Authority during the fiscal year.

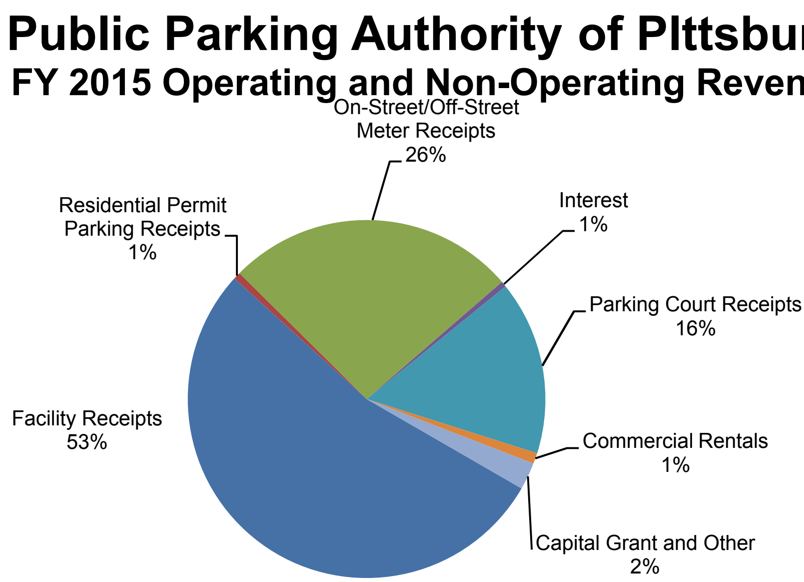
Operating revenues are revenues earned from providing services to customers or the collections from parking tickets issued by its employees. Operating expenses are those expenses incurred by the Authority to acquire goods and services provided to generate operating revenues. Revenues earned for which goods and services are not provided are reported as non-operating revenues. For example, interest the Authority earns on its bank accounts is reported as non-operating revenue because the Authority does not provide services in return for those revenues.

Public Parking Authority of Pittsburgh
Statements of Revenues, Expenses and Changes in Net Position

	2015	2014	2013
Operating revenues	$ 63,390,219	$ 56,905,800	$ 53,344,906
Operating expenses	35,003,371	33,060,853	31,852,818
Net operating income	28,386,848	23,844,947	21,492,088
Net non-operating revenues (expenses)	(20,560,199)	(14,796,384)	(13,382,963)
INCREASE IN NET POSITION	7,826,649	9,048,563	8,109,125
NET POSITION—Beginning of year*	96,883,816	87,835,253	78,167,147
NET POSITION—End of year	$ 104,710,465	$ 96,883,816	$ 86,276,272

* Net position as of January 1, 2014 and January 1, 2015 have been restated due to the recording of the net pension asset in accordance with GASB Statement No. 68. See Note 2 to the financial statements.

The Authority's net position increased by approximately $7.8 million in 2015. Operating revenues increased approximately $6.5 million. Parking facility receipts increased $3.3 million, on/off-street meter receipts increased almost $2.8 million in 2015, and parking court revenues saw a slight increase of $326 thousand. Operating expenses increased approximately $1.9 million, with taxes and licenses increasing almost $900 thousand due to increased parking facilities receipts. Repairs and maintenance increased a little more than $460 thousand, with $103 thousand of that for the maintenance agreement costs of the multi-space meters, $63 thousand increase in snow removal for 2015, and the remaining $294 thousand for increased maintenance costs of the facilities. Personnel related costs increased approximately $483 thousand, while security costs increased approximately $141 thousand. Net non-operating expenses increased by almost $5.8 million. This includes increases for payments to the City of Pittsburgh of $7.3 million for on-street meter revenue, $1 million for Pittsburgh Parking Court shared revenue, and increase in the payment in lieu of real estate taxes of approximately $600 thousand. With the increase to the City's share of on-street meter revenue, the Authority eliminated the $2.6 million additional payment. There was also a decrease of $500 thousand in interest expense due to the 2015 bond issue refinancing.

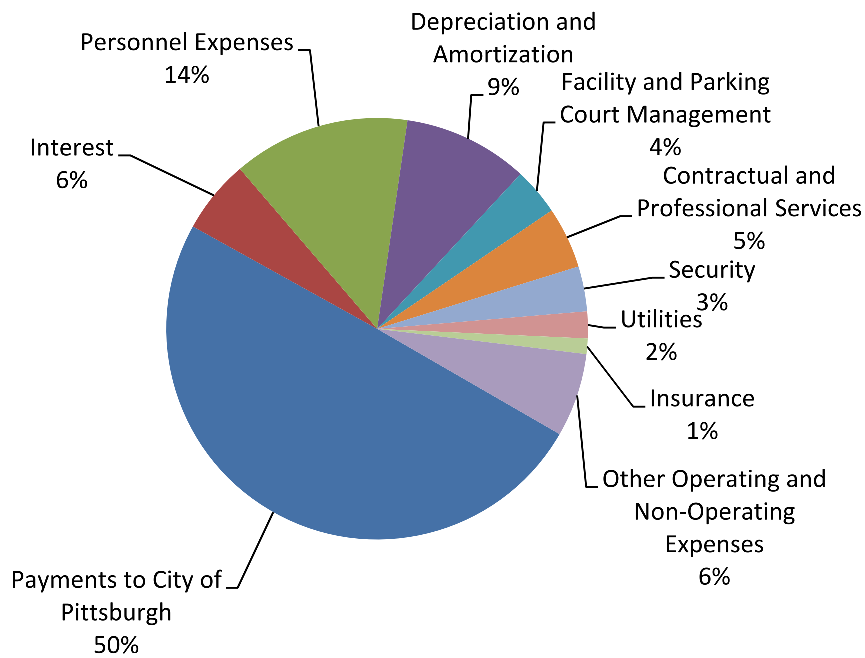


Parking facility receipts increased by almost $3.3 million in 2015. This primarily was due to the rate increases that went into effect in August of 2014 and 2015 at most Authority Garages. The increase was tempered by construction projects at the Smithfield Liberty and Third Avenue parking garages. First Avenue Garage, Forbes/Semple, and Shadyside all saw increased utilization in 2015. Grant Street Transportation Center also saw increased utilization with strong convention center activity, and lost spaces near the old Mellon Arena and Strip District, as well as capturing parkers displaced during our Smithfield Liberty Garage renovations. Evening weekend receipts were up with a slight increase in the evening weekend parking rate at the 9th & Penn and Ft. Duquesne and Sixth Garages, which traditionally have very strong evening weekend utilization with the various sporting and cultural events taking place in that area.

On-street meter receipts increased almost $2.6 million, as the City increased its on-street rates in 12 of the revenue areas. The bike lane expansions in Downtown and Oakland also had an impact on on-street meter revenues.

Pittsburgh Parking Court revenues saw a slight increase of approximately $326 thousand. Although ticket issuance was down due to increased compliance, the City of Pittsburgh increased some of parking fines in 2015.

Public Parking Authority of Pittsburgh
FY 2015 Operating and Non-Operating Expenses



Personnel costs remain the second largest category of expense, behind payments to the City of Pittsburgh, equaling 13.6% of total expenses in 2015. These costs increased by approximately $483 thousand over 2014 or almost 6.6%. This was a combination of 4.1% or $214 thousand in salaries for raises and filling vacant positions, along with 48.0% or $177 thousand increase in retirement costs mostly due to the Governmental Accounting Standards Board (GASB) Statement No. 68 recognition, and 6.2% or $81 thousand in health benefit costs.

Repairs and maintenance costs (included in other operating expenses in the chart above) increased over $460 thousand or 26.6% in 2015. Almost a quarter of that increase, or $103 thousand, was the maintenance contracts for the multi-space meters. As the machines age, the contracted maintenance costs increase. Snow removal costs increased almost $63 thousand due to higher snowfalls in early 2015. The remainder of the increase is for maintenance to the infrastructure of the parking facilities.

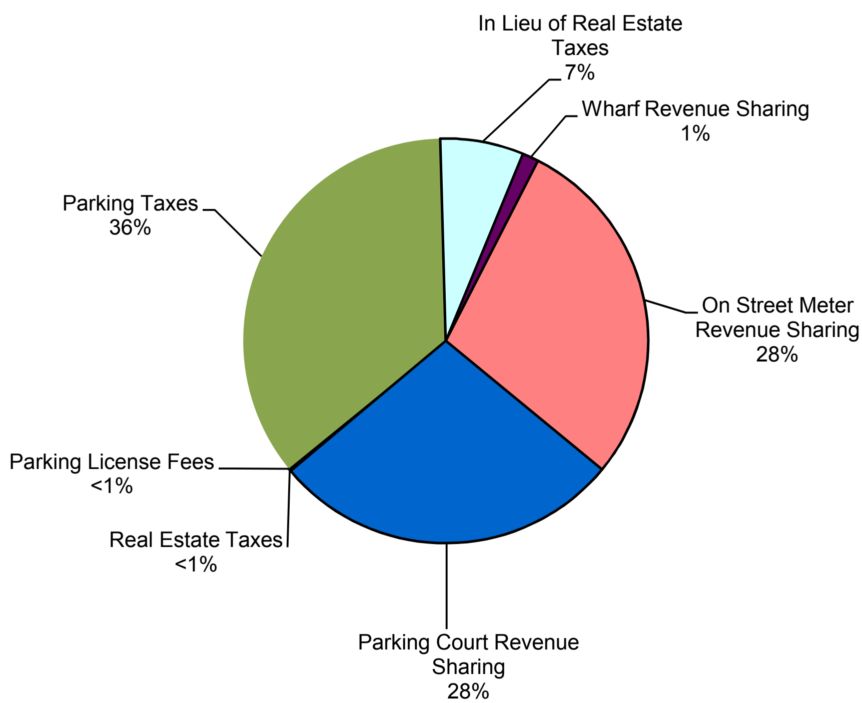
Facility and Parking Court management fees decreased approximately $103 thousand in 2015. With a newly awarded parking court operations contract, the overall contract costs were reduced.

Contractual and professional fees increased approximately $27 thousand or 1% during 2015. While some fees were reduced, Trustee/bank fees increased due to the Authority's initiative to provide more convenient ways to customers to pay for their parking. With the addition of pay-by-phone and online lease payments, more customers are using their debit and credit cards to pay their parking fees.

Payments to the City of Pittsburgh continue to be the largest expense to the Authority at 50% of total expenses, up from 43% in 2014. Taxes and licenses saw an increase of approximately $900 thousand mostly for parking taxes due to the increased parking revenue. With the Amendment to Parking Agreements between the City of Pittsburgh and the Authority that was effective for 2015, the City's share of meter revenue increased $7.3 million over 2014, and the payment in lieu of real estate taxes increased approximately $600 thousand in 2015. Pittsburgh Parking Court shared revenue payments to the City increased a little over $1 million in 2015. With the Amended agreements, the City receives 100% of the net sharable parking court revenues. This was also impacted by the new park court operations contract that reduced the overall contract costs, along with some parking violation increases implemented by the City.

Net non-operating expenses increased approximately $5.8 million over 2014. While payments to the City from this category increased a combined $6.4 million due to the new agreement and interest expense on bonds saw a decrease of approximately $534 thousand due to the refinancing of the bonds in 2015.

Public Parking Authority of Pittsburgh
FY 2015 Expense - Payments to the City of Pittsburgh
Total $28,505,255



Statements of Cash Flows

The Statements of Cash Flows present detailed information regarding the cash activities of the Authority during the fiscal year. The statements are comprised of five sections. The first section presents operating cash flows, showing the net cash provided by or used in the operating activities of the Authority. The second section presents cash flows from non-capital financing activities, showing the cash received and disbursed for non-operating, non-investing, and non-capital financing purposes. The third section presents cash flows from capital and related financing activities, showing the cash used for the acquisition and construction of capital assets and related items, and related funding received. The fourth section presents the cash flows from investing activities, which primarily shows interest received from investing activities, and sale or purchases of investments. The fifth section reconciles the net cash provided from operating activities to the operating income reflected in the SRECNP.

Public Parking Authority of Pittsburgh
Statements of Cash Flows

	2015	2014	2013
Net cash provided by operating activities	$ 33,386,791	$ 29,629,668	$ 27,112,443
Net cash used in non-capital financing activities	(7,252,304)	(12,051,721)	(10,023,961)
Net cash used in capital and related financing activities	(16,059,370)	(11,938,962)	(15,643,204)
Net cash used in investing activities	(10,032,351)	(3,579,851)	(799,216)
NET INCREASE (DECREASE) IN CASH	42,766	2,059,134	646,062
CASH—Beginning of year	10,794,018	8,734,884	8,088,822
CASH—End of year	$ 10,836,784	$ 10,794,018	$ 8,734,884

Net cash provided by operating activities was up by approximately $3.8 million over 2014. This was primarily due to the almost $6.5 million increase in operating revenue from the parking facilities, on-street/off-street meters, and parking court, offset by an increase in operating expenses of approximately $1.9 million and an increase in accounts payable of approximately $600 thousand. Net cash used in noncapital and related financing activities decreased by approximately $4.8 million. This is primarily due to the timing of the payments of the subordinated payments to the City being changed from December 15th to no later than March 15th of the following fiscal year. Net cash used in capital and related financing activities increased approximately $4.1 million in 2015, mainly due to the increased spending for capital projects in 2015 of approximately $4.5 million and an increase in accounts payable for capital projects. Net cash used in investing activities increased almost $6.5 million, primarily due to the change in timing of the payment to the City of Pittsburgh.

Capital Assets and Debt Administration

Additions to capital assets in 2015 were approximately $9.2 million, of which approximately $649 thousand was spent on machinery and equipment (mostly revenue control equipment); $79 thousand went to multi-space meters; and approximately $8.4 million went to construction in progress. One of the most significant ongoing projects was the structural renovations at the Smithfield/Liberty Garage, which were completed in 2015. Disposals of capital assets were approximately $1.7 million in 2015. Facility disposals were a little over $1.3 million, with the majority of that for the Smithfield/Liberty Garage renovations. Disposals for machinery and equipment was approximately $371 thousand, mostly for revenue control equipment replacements. Also for 2015, due to the Amendment to Parking Agreements between the City and the Authority, the on-street parking meters were no longer leasehold improvements. They became the property of the Authority and were moved from the Leasehold Improvements to Capital Assets of approximately $5.6 million.

Additionally, in 2015 the Authority issued Parking System Revenue Refunding Bonds, Series A and B of 2015 totaling $69,885,000. The proceeds were used to pay the Authority's existing bonds on both a current and advance refunding basis, as well as to cover all costs of issuance including a premium on a municipal bond debt service reserve policy. The Authority's refunding decreased the total debt service over the next 11 years by approximately $8.5 million. The 2015 bond issue also resulted in an economic gain of approximately $7 million. In December, the Authority paid a little more than $7 million on the principal of its 2015 bond issue.

Economic Outlook

The Authority increased its facility parking rates in August 2015 and has one additional increase scheduled for 2017. With this rate increase, the Authority continues to be the low-cost provider of public parking in the City of Pittsburgh and strives to maintain that status, while meeting its debt service requirements, and continuing to self-fund its smaller capital projects.

The Amendment to Parking Agreements between the City and the Authority was effective for 2015. This amendment changed the previous revenue sharing agreements between the City and the Authority. First and foremost, it delayed the payment of the City's share of subordinated payments (on-street meter revenue, Monongahela Wharf revenue, and payment in lieu of real estate taxes) from December 15th to no later than March 15th of the following year. This was to ensure that the debt service ratio was in compliance for the year, prior to releasing the subordinated payments to the City. The revenue sharing also changed for the on-street meter revenue. The Authority now retains the first $4.6 million of on-street meter revenue, and also retains the credit card fees associated with on-street meter revenue and the operating expenses associated with the multi-space parking meters. For 2015, the total on-street meter revenue was $14.7 million, of which the Authority received $6.6 million and the City received $8.1 million. Another change to the agreements was that the Authority would no longer retain 10% of the net sharable revenue from Pittsburgh Parking Court. The Amendment also established a maximum, whereby, excluding parking tax payments, if total payments to the City exceed $18.5 million with respect to any fiscal year of the Authority, any such excess amount will be split equally. For 2015, the maximum of $18.5 million was not reached. The amendment also states that the City and Authority agree to negotiate in good faith beginning in 2019, at a reduction to the maximum of $18.5 million, to allow the Authority to engage in long-term capital needs planning.

The Authority's Board of Directors has previously dedicated $6 million of unrestricted net position to fund a portion of the needed improvements to its oldest four facilities. The Authority anticipates using these dedicated funds, along with issuing new debt in 2017 in anticipation of renovating the Ninth and Penn Garage.

PUBLIC PARKING AUTHORITY OF PITTSBURGH

(A COMPONENT UNIT OF THE CITY OF PITTSBURGH, PENNSYLVANIA)

STATEMENTS OF NET POSITION

DECEMBER 31, 2015 AND 2014

	2015	2014
Assets		
Current assets:		
Cash	$ 10,836,784	$ 10,794,018
Escrow cash	242,315	232,635
Investments	7,738,861	9,694,473
Investments - restricted	23,887,707	9,363,407
Accounts receivable	885,502	686,821
Note receivable - current portion	12,644	12,029
Accrued interest receivable and other assets	327,061	711,030
Total current assets	43,930,874	31,494,413
Noncurrent assets:		
Investments	15,481,873	13,573,766
Investments - restricted	8,822,232	12,940,504
Note receivable	3,189,524	3,202,168
Prepaid bond insurance	271,365	892,926
Capital assets, net	118,843,298	110,804,346
Leasehold improvements, net	5,182,469	9,500,508
Net pension asset	1,141,653	1,776,465
Total noncurrent assets	152,932,414	152,690,683
Total Assets	196,863,288	184,185,096
Deferred Outflows of Resources		
Deferred charge on refunding	5,565,451	1,776,955
Net difference between projected and actual earnings on pension investments	704,063	78,246
Total Deferred Outflows of Resources	6,269,514	1,855,201
Liabilities		
Current liabilities:		
Accounts payable	3,410,346	2,796,167
Accounts payable - retention	318,570	421,178
Accounts payable - City of Pittsburgh	13,401,976	2,739,578
Accrued expenses	743,146	681,160
Accrued interest payable	243,787	1,508,455
Unearned revenue	913,495	886,432
Current portion of capital lease obligations	18,486	60,855
Current maturities of bonds payable	5,740,000	4,459,795
Total current liabilities	24,789,806	13,553,620
Noncurrent liabilities:		
Bonds payable - noncurrent portion	65,415,946	70,131,948
Other noncurrent liabilities	5,092,984	5,400,059
Total noncurrent liabilities	70,508,930	75,532,007
Total Liabilities	95,298,736	89,085,627
Deferred Inflows of Resources		
Deferred gain on refunding	3,070,372	-
Differences between expected and actual experience for pension plan	53,229	70,854
Total Deferred Inflows of Resources	3,123,601	70,854
Net Position		
Net investment in capital assets	50,858,204	43,464,257
Restricted for, expendable:		
Capital	11,670,674	10,133,454
Debt service	569,669	3,088,399
Indenture funds	22,197,746	17,875,065
Total restricted	34,438,089	31,096,918
Unrestricted	19,414,172	22,322,641
Total Net Position	$ 104,710,465	$ 96,883,816

See accompanying notes to financial statements.

PUBLIC PARKING AUTHORITY OF PITTSBURGH

(A COMPONENT UNIT OF THE CITY OF PITTSBURGH, PENNSYLVANIA)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Operating Revenues:		
Parking facility receipts	$ 34,800,280	$ 31,504,256
On-street/off-street meter receipts	17,111,656	14,344,531
Residential permit parking receipts	417,899	377,012
Commercial rentals	647,378	684,606
Parking court	10,238,112	9,912,536
Other income	174,894	82,859
Total operating revenues	63,390,219	56,905,800
Operating Expenses:		
Salaries	5,404,188	5,190,680
Retirement	544,022	367,518
Payroll taxes	455,460	443,280
Health benefits	1,378,899	1,297,859
Supplies and equipment	370,101	439,704
Utilities	1,183,552	1,183,592
Insurance	677,471	666,357
Repairs and maintenance	2,192,201	1,731,929
Fleet expenses	102,027	82,573
Facility and parking court management fees	2,070,215	2,172,750
Taxes and licenses	10,171,397	9,271,657
Contractual and professional services	2,698,859	2,672,280
Security	1,984,293	1,843,333
Depreciation and amortization	5,489,504	5,452,206
Other expenses	281,182	245,135
Total operating expenses	35,003,371	33,060,853
Operating income	28,386,848	23,844,947
Nonoperating Revenues (Expenses):		
Interest income	314,068	328,331
Other income	1,425,709	659,935
Interest expense	(3,237,812)	(3,771,394)
In lieu of real estate taxes to the City of Pittsburgh	(1,900,000)	(1,301,716)
Meter, wharf, and parking court payments to the City of Pittsburgh	(16,433,858)	(8,068,942)
Other payment to the City of Pittsburgh	-	(2,600,000)
Other expenses	(728,306)	(42,598)
Total nonoperating revenues (expenses)	(20,560,199)	(14,796,384)
Change in Net Position	7,826,649	9,048,563
Net Position:		
Beginning of year, as restated	96,883,816	87,835,253
End of year	$ 104,710,465	$ 96,883,816

See accompanying notes to financial statements.

PUBLIC PARKING AUTHORITY OF PITTSBURGH

(A COMPONENT UNIT OF THE CITY OF PITTSBURGH, PENNSYLVANIA)

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash Flows From Operating Activities:		
Parking facility receipts	$ 34,761,060	$ 31,384,639
On-street/off-street meter receipts	17,111,593	14,344,471
Residential permit parking and commercial rental receipts	852,850	857,675
Parking court receipts	10,199,027	9,929,908
Payments to and on behalf of employees	(7,886,887)	(7,257,307)
Payments to suppliers	(545,816)	(200,753)
Payments for utilities, insurance, repairs, and maintenance	(4,072,231)	(3,449,729)
Facility management fees	(2,083,732)	(2,130,443)
Taxes and licenses	(10,157,170)	(9,155,619)
Contractual and professional services	(2,696,953)	(2,687,738)
Security	(1,971,468)	(1,842,325)
Other receipts (expenditures), net	(123,482)	(163,111)
Net cash provided by (used in) operating activities	33,386,791	29,629,668
Cash Flows From Noncapital Financing Activities:		
In lieu of real estate taxes of the City of Pittsburgh	-	(1,306,017)
Meter, wharf, and parking court payments to the City of Pittsburgh	(7,671,460)	(7,614,351)
Other payment to the City of Pittsburgh	-	(2,600,000)
Deposits to escrow cash	(9,680)	(6,415)
Other receipts (expenditures), net	428,836	(524,938)
Net cash provided by (used in) noncapital financing activities	(7,252,304)	(12,051,721)
Cash Flows From Capital and Related Financing Activities:		
Additions to property, plant, and equipment	(6,290,176)	(3,115,844)
Additions to leasehold improvements	(1,867,028)	(535,479)
Capital lease payments	(71,206)	(60,765)
Capital grants	596,764	556,360
Proceeds from long term debt	78,482,564	-
Repayment of bonds and refunding escrow transfers	(77,555,740)	(4,518,420)
Bond issue costs and other	(5,784,983)	-
Proceeds from sale of capital assets	9,400	2,010
Interest paid	(3,578,965)	(4,266,824)
Net cash provided by (used in) capital and related financing activities	(16,059,370)	(11,938,962)
Cash Flows From Investing Activities:		
Sale of investments	201,947,936	120,750,798
Purchase of investments	(212,306,458)	(124,655,919)
Payments received on notes receivable	12,029	10,511
Interest received	314,142	314,759
Net cash provided by (used in) investing activities	(10,032,351)	(3,579,851)
Increase (Decrease) in Cash and Cash Equivalents	42,766	2,059,134
Cash and Cash Equivalents:		
Beginning of year	10,794,018	8,734,884
End of year	$ 10,836,784	$ 10,794,018

See accompanying notes to financial statements.

(Continued)

PUBLIC PARKING AUTHORITY OF PITTSBURGH

(A COMPONENT UNIT OF THE CITY OF PITTSBURGH, PENNSYLVANIA)

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(Continued)

	2015	2014
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:		
Operating income	$ 28,386,848	$ 23,844,947
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,489,504	5,452,206
Change in:		
Accounts receivable	(124,098)	(45,324)
Other assets	(10,251)	276,108
Net pension asset	634,812	(224,876)
Deferred outflows related to pension plan	(625,817)	-
Deferred inflows related to pension plan	(17,625)	-
Accounts payable and accrued expenses	(346,582)	326,607
Net adjustments	4,999,943	5,784,721
Net cash provided by (used in) operating activities	$ 33,386,791	$ 29,629,668
Noncash Transactions:		
Capital additions in accounts payable	$ 3,410,345	$ 1,078,978

(Concluded)

See accompanying notes to financial statements.

1. ORGANIZATION

The Public Parking Authority of Pittsburgh (Authority), which is a component unit of the City of Pittsburgh, Pennsylvania (City), was organized on August 6, 1947, as a public corporation under the laws of the Commonwealth of Pennsylvania by the City pursuant to the Parking Authority Law of Pennsylvania Act of June 5, 1947, as amended and supplemented.

The Authority was created for the purpose of conducting the necessary activity to plan, acquire, construct, improve, maintain and operate, and own and lease land and facilities devoted to the parking of vehicles. In addition, the Authority is responsible for the enforcement of city and state parking codes throughout the City, including the responsibility for the operations of parking court.

Under the provisions of the Governmental Accounting Standards Board (GASB), the Authority is considered to be a component unit of the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

Financial Statement Presentation

GASB establishes standards for external financial reporting for state and local governments and components thereof. Net position is classified into four categories according to external donor restrictions or availability of assets for the satisfaction of Authority obligations. The Authority's net position is classified as follows:

Net Investment in Capital Assets - This represents the Authority's total investment in capital assets, net of outstanding debt obligations related to those capital assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position, Expendable - This includes resources in which the Authority is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted Net Position, Nonexpendable - This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The Authority does not have any restricted nonexpendable net position as of December 31, 2015 or 2014.

Unrestricted Net Position - Unrestricted net position represents resources derived from operations that may be used at the discretion of the Board of Directors (Board) to meet current expenses for any purpose. The Authority's Board designated $6 million of unrestricted net position to assist in funding the structural remediation to extend the useful life of the four oldest facilities: Smithfield Liberty Garage, Fort Duquesne & Sixth Garage, Ninth and Penn Garage, and Third Avenue Garage.

In October 2014, the Board adopted a policy that requires the Authority, as of the first business day of each fiscal year, to maintain a balance of unencumbered funds equal to 15% of that year's operating expenses, as detailed in the annual budget. As of January 1, 2016 and 2015, that designated balance was $5,833,051 and $8,216,732, respectively.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Authority's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

Basis of Accounting

For financial reporting purposes, the Authority is considered a proprietary fund. Accordingly, the Authority's financial statements have been prepared on the accrual basis of accounting with a flow of economic resources measurement focus. Revenues are reported when earned, and expenditures are reported when materials or services are received.

Trust Indenture

The Authority entered into a new Trust Indenture on October 15, 2015, which replaced the previous Trust Indenture dated January 1, 2000. The Trust Indenture requires that revenues of the Authority be deposited with The Bank of New York Mellon Trust

Company N.A., (Trustee). The Trust Indenture further requires that the Trustee and the Authority establish certain funds and reserves for the operation of the parking system (System). The System includes all Authority garages, lots, and meters. The Authority is required to establish rates to operate the System, maintain debt service coverage ratios specified in covenants of the Trust Indenture, maintain a balance of $3.0 million for maintenance and capital addition requirements, and maintain an amount equal to two months of estimated operating expenses, as defined by the Trust Indenture. The amounts necessary to meet these reserves are recorded as a restriction of net position in accordance with the Trust Indenture.

Investments

Investments are stated at fair value and amortized cost, as applicable. Fair value is determined by quoted market prices or by readily determinable fair values. The Authority does not have any investments without readily determinable fair values. Terms and agreements of the Authority restrict the majority of the investments.

Restricted Cash and Investments

As required by the Trust Indenture of the Authority, certain monies are to be deposited periodically to the following funds for a specific purpose:

Revenue Fund - To collect all system revenues, except as to the extent provided within the indenture, and to disburse funds as required by the Indenture to the other funds listed. As an account within the Revenue Fund as outlined in the Indenture, the Authority established:

Coop Account - To collect and disburse for the funds necessary to address the 2015 Governmental Cooperation Agreement with the City of Pittsburgh

Bond Fund (Debt Service Fund) - To pay current interest and principal on bonds

Debt Service Reserve Fund – To hold funds to meet the debt service reserve requirement, including a specific subaccount, the 2015 Debt Service Reserve Account

Operating Reserve Fund – To have available funds to meet the Indenture requirements

Renewal and Replacement Fund - To have available funds for maintenance and capital addition requirements

Rebate Fund – to accumulate funds for arbitrage rebate as needed

Construction Funds - To pay the costs of acquiring and constructing capital additions and improvements

Noncurrent Investments

Investments that are (1) externally restricted to make debt service payments (2) externally restricted reserve funds, and (3) held to purchase capital or other noncurrent assets, are classified as noncurrent assets in the statements of net position.

Capital Assets

Capital assets are stated at cost. Depreciation on capital assets is calculated on the straight-line method over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in revenue or expense for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

In certain instances, the Authority has acquired capital assets at a nominal cost from other government units. These assets are recorded at the nominal cost, which is less than fair market value even after giving consideration to the effect of associated use restrictions. Management believes that the difference between recorded nominal cost and fair value at date of acquisition for these assets acquired through non-exchange transactions is immaterial.

The Authority considers renovation projects as construction in progress until the project is complete, although portions of the facilities may be in use and appropriately being depreciated.

Interest is capitalized, net of related interest income, on qualifying capital expenditures by the weighted-average of the expenditure. The interest rate used reflects the average rate on all Authority borrowings. For the years ended December 31, 2015 and 2014, capitalized interest was $43,783 and $12,949, respectively.

Prepaid Bond Insurance Costs

Prepaid bond insurance costs are considered an asset on the statement of net position and are deferred and amortized over the life of the related bond issue.

Compensated Absences

The Authority provides paid vacation to employees after completion of 12 months of service. Earned vacation benefits must be taken during the anniversary year in which the service is rendered. Benefits not used during this period are forfeited. Upon termination of service, employees are compensated for vacation benefits earned but not yet taken during the anniversary year of termination.

Classification of Revenues

The Authority has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues - Operating revenues include activities that have the characteristics of exchange transactions related to the core mission of Authority, such as (1) parking facility receipts, (2) on-street/off-street meter receipts, (3) residential permit parking receipts, (4) commercial rentals, and (5) parking court receipts.

Nonoperating Revenues - Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts, contributions, and other revenues that are defined as nonoperating revenues by GASB, such as investment income and capital grants.

Income Taxes

The Authority is exempt from income taxes as a governmental unit under federal income tax laws and regulations of the Internal Revenue Service (IRS).

Cash Flows

Cash for the purpose of the statements of cash flows includes only the cash line item of current assets and excludes escrow cash.

Premiums and Discounts

Original issue bond premiums and discounts were amortized over the life of the related bonds using the straight-line method, which approximated the effective interest method of amortization for those issues through October 2015. Beginning with the Parking System Revenue Refunding Bonds of 2015, the original issue premium is amortized over the life of the related bonds using the effective interest method.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Authority has two items that qualify for reporting in this category:

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In conjunction with pension accounting requirements, the difference between expected and actual investment earnings is recorded as a deferred outflow of resources related to pensions. This amount is determined based on the actuarial valuation performed for the plan and will be recognized over five years.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The Authority has two items that qualify for reporting in this category:

A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In conjunction with pension accounting requirements, the difference between expected and actual experience is recorded as a deferred inflow of resources related to pensions. This amount is determined based on the actuarial valuation performed for the plan and will be recognized over five years.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks and values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net position.

Pensions

For purposes of measuring the net pension asset, deferred outflows 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 accrual basis of accounting. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Investments are reported at fair value.

Recently Adopted GASB Statements

The requirements of the following GASB Statements were adopted for the Authority's financial statements:

GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions,"* and Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date."* These statements revise and establish reporting requirements for most governments that provide employees with pensions.

As a result of adopting GASB Statement No. 68 and GASB Statement No. 71, the Authority's net position as of January 1, 2014 and January 1, 2015 have been restated by $1,558,981 and $1,783,857, respectively, and comparative amounts for 2014 have been adjusted over amounts previously reported. Additionally, expenses over the amounts previously reported were reduced in the amount of $224,876 for the year ended December 31, 2014.

GASB Statement No. 78, *"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans."* This statement amends the scope of Statement No. 68 to exclude certain pensions provided to employees of state and local governmental employers through a cost-sharing multiple-employer defined benefit plan.

Recent Statements Issued by GASB

GASB has issued the following statements that will become effective in future years as shown below. Management has not yet determined the impact of these statements on the Authority's financial statements:

GASB Statement No. 72, *"Fair Value Measurement and Application,"* effective for fiscal years beginning after June 15, 2015. This statement addresses accounting and financial reporting issues related to fair value measurements.

GASB Statement No. 73, *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,"* effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016. This statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by Statements No. 67 and 68).

GASB Statement No. 74, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,"* effective for fiscal years beginning after June 15, 2016. This statement addresses reporting by OPEB plans that administer benefits on behalf of governments. This statement replaces Statement No. 43.

GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,"* effective for fiscal years beginning after June 15, 2017. This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement replaces the requirements of Statement No. 45.

GASB Statement No. 76, *"Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,"* effective for fiscal years beginning after June 15, 2015. This statement identifies the hierarchy of generally accepted accounting principles (GAAP), reduces this hierarchy to two categories of authoritative GAAP, and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes Statement No. 55.

GASB Statement No. 77, *"Tax Abatement Disclosures,"* effective for fiscal years beginning after December 15, 2015. This statement requires state and local governments for the first time to disclose information about tax abatement agreements, and is designed to provide financial statement users with essential information about these agreements and the impact that they have on a government's finances.

GASB Statement No. 79, *"Certain External Investment Pools and Pool Participants,"* effective for fiscal years beginning after June 15, 2015 (certain provisions are effective for fiscal years beginning after December 15, 2015). This statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized costs for financial reporting purposes.

GASB Statement No. 80, *"Blending Requirements for Certain Component Units,"* effective for fiscal years beginning after June 15, 2016. This statement clarifies the financial statement presentation requirements for certain component units, amending Statement No. 14.

GASB Statement No. 81, *"Irrevocable Split-Interest Agreements,"* effective for fiscal years beginning after December 15, 2016. This statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

3. CASH AND INVESTMENTS

Cash

The following is a summary of the Authority's cash deposits which are insured by the Federal Deposit Insurance Company or which were not insured or collateralized in the Authority's name, but were 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:

	2015	2014
Cash in bank	$ 10,734,349	$ 10,648,973
Cash on hand	102,435	145,045
Total	$ 10,836,784	$ 10,794,018

Cash shown above includes $10,668,902 and $10,541,274 as of December 31, 2015 and 2014, respectively, subject to provisions required by the Authority Trust Indenture and the Cooperation Agreement with the City of Pittsburgh.

Investments

Investments of the Authority include the following:

Investments - Unrestricted - Investments held by the Authority for discretionary future projects and obligations of the Authority are $23,220,734 and $23,268,239 as of December 31, 2015 and 2014, respectively.

Investments - Restricted - Investments held by the Authority that are restricted as to their use by terms and agreements of the Authority. These funds, at fair value and amortized cost, as applicable, as of December 31, 2015 and 2014, are as follows:

	2015	2014
1992 Trust Indenture - City Meter/Wharf Fund	$ 88	$ 601,029
2000 Trust Indenture:		
Renewal and Replacement Fund	74	3,209,636
Bond Fund	167	970,092
Rebate Fund	3	126,126
Debt Service Reserve Fund	2	3,626,762
Revenue Fund	399	8,654,087
Operating Reserve Fund	115	5,007,888
Coop Fund	37	108,291
Total 2000 Trust Indenture	797	21,702,882
2015 Trust Indenture:		
Renewal and Replacement Fund	3,000,081	-
Bond Fund	813,288	-
Rebate Fund	-	-
Debt Service Reserve Fund	-	-
Revenue Fund	13,565,122	-
Operating Reserve Fund	5,008,502	-
Coop Fund	10,322,061	-
Total 2015 Trust Indenture	32,709,054	-
Total Investments, Restricted	$ 32,709,939	$ 22,303,911

As of December 31, 2015, the Authority had the following investments that are mutual fund investment pools:

				December 31, 2015 Rating	
Investment	Amount	Percentage of Total Investment	Maturity	Standard & Poor's	Moody's Investors Service
Morgan Stanley Institutional Liquidity Funds Government Portfolio	$ 32,709,955	58.5%	n/a	AAAm	Aaa-mf
Blackrock FedFund	23,220,718	41.5%	n/a	AAAm	AAA-mf
Federal Home Loan Bank Discount	-	0.0%	n/a		
Total	$ 55,930,673	100%			

As of December 31, 2014, the Authority had the following investments that are mutual fund investment pools:

				December 31, 2014 Rating	
Investment	Amount	Percentage of Total Investment	Maturity	Standard & Poor's	Moody's Investors Service
J.P. Morgan U.S. Government Securities	$ 19,448,011	42.7%	n/a	AAAm	Aaa-mf
BlackrockPif Temporary Fund	22,576,291	49.5%	n/a	AAAm	Aaa
Federal Home Loan Bank Discount	3,547,848	7.8%	5/29/2015	A-1+	P-1
Total	$ 45,572,150	100%			

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Authority has no formal investment policy that limits its investment choices. The deposit and investment strategy of the Authority adheres to state statutes, related trust indentures, and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the strategy of the Authority.

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer.

4. NOTE RECEIVABLE

The note receivable is a non-interest-bearing note from the Urban Redevelopment Authority of Pittsburgh (URA), due December 1, 2068, which is the result of a sale transaction effective December 17, 1998. The note's carrying value, net of imputed interest at a rate of 5%, is $3,202,168 and $3,214,197 at December 31, 2015 and 2014, respectively.

5. CAPITAL ASSETS AND LEASEHOLD IMPROVEMENTS

Capital assets and leasehold improvements activity for the year ended December 31, 2015 is as follows:

	December 31, 2014 Balance	Additions	Disposals	Transfers	December 31, 2015 Balance	Estimated Useful Lives
Nondepreciable capital assets:						
Land	$ 26,053,516	$ -	$ (4,529)	$ -	$ 26,048,987	
Construction in progress	2,475,323	8,358,015	-	(5,928,529)	4,904,809	
Total nondepreciable capital assets	28,528,839	8,358,015	(4,529)	(5,928,529)	30,953,796	
Depreciable capital assets:						
Parking facilities	161,033,598	85,773	(1,347,965)	5,813,756	165,585,162	3-50 years
Machinery and equipment	7,229,194	649,415	(370,659)	5,727,627	13,235,577	3-10 years
Total depreciable capital assets	168,262,792	735,188	(1,718,624)	11,541,383	178,820,739	
Total capital assets	196,791,631	9,093,203	(1,723,153)	5,612,854	209,774,535	
Less accumulated depreciation	85,987,285	5,095,291	(1,699,231)	1,547,892	90,931,237	
Net capital assets	110,804,346	3,997,912	(23,922)	4,064,962	118,843,298	
Leasehold improvements	12,977,516	78,711	-	(5,612,854)	7,443,373	5-50 years
Less accumulated amortization	3,477,008	331,788	-	(1,547,892)	2,260,904	
Net leasehold improvements	9,500,508	(253,077)	-	(4,064,962)	5,182,469	
Total capital assets and leasehold improvements, net	$ 120,304,854	$ 3,744,835	$ (23,922)	$ -	$ 124,025,767	

The terms of the 2015 Governmental Cooperation Agreement with the City of Pittsburgh transferred legal ownership of the parking meters from the City to the Authority. As a result, the Authority transferred the use of the parking meters that had been presented as leasehold improvements, net of amortization, to machinery and equipment and accumulated depreciation.

Capital assets and leasehold improvements activity for the year ended December 31, 2014 was as follows:

	December 31, 2013 Balance	Additions	Disposals	Transfers	December 31, 2014 Balance	Estimated Useful Lives
Nondepreciable capital assets:						
Land	$ 26,053,516	$ -	$ -	$ -	$ 26,053,516	
Construction in progress	344,260	3,868,848	-	(1,737,785)	2,475,323	
Total nondepreciable capital assets	26,397,776	3,868,848	-	(1,737,785)	28,528,839	
Depreciable capital assets:						
Parking facilities	164,750,133	-	(4,990,300)	1,273,765	161,033,598	3-50 years
Machinery and equipment	7,060,679	201,546	(320,374)	287,343	7,229,194	3-10 years
Total depreciable capital assets	171,810,812	201,546	(5,310,674)	1,561,108	168,262,792	
Total capital assets	198,208,588	4,070,394	(5,310,674)	(176,677)	196,791,631	
Less accumulated depreciation	87,013,899	4,279,683	(5,306,297)	-	85,987,285	
Net capital assets	111,194,689	(209,289)	(4,377)	(176,677)	110,804,346	
Leasehold improvements	12,688,759	125,000	(12,920)	176,677	12,977,516	5-50 years
Less accumulated amortization	2,381,203	1,135,964	(40,159)	-	3,477,008	
Net leasehold improvements	10,307,556	(1,010,964)	27,239	176,677	9,500,508	
Total capital assets and leasehold improvements, net	$ 121,502,245	$ (1,220,253)	$ 22,862	$ -	$ 120,304,854	

6. CHANGES IN LONG-TERM LIABILITIES

A summary of long-term obligation transactions for the Authority for the years ended December 31, 2015 and 2014 follows. Additional information regarding bonds payable is included in Note 7:

2015	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable - revenue bonds payable	$ 75,856,353	$ 78,754,450	$ (83,454,857)	$ 71,155,946	$ 5,740,000
Other noncurrent liabilities:					
Greyhound (unearned rent/revenue)	$ 4,941,583	$ -	$ (208,066)	$ 4,733,517	$ 208,066
Other postemployment benefits	661,122	-	(147,011)	514,111	-
Capital lease obligations	66,275	66,488	(60,855)	71,908	18,486
	$ 5,668,980	$ 66,488	$ (415,932)	$ 5,319,536	$ 226,552

2014	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable - revenue bonds payable	$ 81,021,274	$ 615,079	$ (5,780,000)	$ 75,856,353	$ 4,459,795
Other noncurrent liabilities:					
Greyhound (unearned rent/revenue)	$ 5,149,651	$ -	$ (208,068)	$ 4,941,583	$ 208,066
Other postemployment benefits	661,727	31,127	(31,732)	661,122	-
Capital lease obligations	180,549	-	(114,274)	66,275	60,855
	$ 5,991,927	$ 31,127	$ (354,074)	$ 5,668,980	$ 268,921

An Agreement of Sale in Lieu of Condemnation (Agreement) was executed on April 14, 2004, between the Authority and Greyhound Lines, Inc. (Greyhound). As stipulated in the Agreement, the Authority purchased from Greyhound the property located at the corner of Liberty Avenue and 11th Street for the purchase price of $6,242,000, which was immediately remitted to the Authority for construction of the Bus Terminal. Pursuant to the terms of the Agreement, the Authority was responsible for constructing the new Bus Terminal in accordance with approved plans and specifications, and Greyhound leases the Bus Terminal from the Authority for an annual base rent of $1 for an initial term of 30 years. There are three consecutive 10-year extension terms, each with an annual base rent of $100,000. The $6,242,000 is being recognized as revenue over the term of the lease, which commenced on October 1, 2008.

The Authority has entered into various four-year capital leases for equipment. The leases are to be paid in cumulative monthly installments of $1,664, and have expiration dates ranging from September 17, 2019 through October 1, 2019 with interest of 2.12% -

3.25%. The carrying value of the leased equipment is $73,247 and $64,467 at December 31, 2015 and 2014, respectively.

7. REVENUE BONDS PAYABLE

On October 29, 2015, the Authority issued $67,395,000 in Parking System Revenue Refunding Bonds, Series A of 2015 and $2,490,000 in Parking System Revenue Refunding Bonds, Taxable Series B of 2015.

Proceeds from the Series A of 2015 was used to (1) refund on a current refunding basis a portion of the Authority's outstanding Parking System Revenue Bonds, Series A of 2005, (2) refund on a current refunding basis a portion of the Authority's outstanding Parking System Revenue Bonds, Series B of 2005, (3) refund on an advance refunding basis a portion of the 2005B Bonds, (4) refund on a current refunding basis all of the Authority's outstanding Parking System Revenue Bonds, Refunding Series A of 2005 and Parking System Revenue Bonds, Refunding Series B of 2005, (5) fund a Debt Service Reserve Fund Requirement relating to the 2015 Refunding Bonds by paying a premium on a Municipal Bond Debt Service Reserve Policy, and (6) pay a portion of costs of issuance of the 2015 Refunding bonds.

Net proceeds from the Taxable Series B of 2015 were used to (1) refund on an advance refunding basis a portion of the 2005A Bonds, and (2) pay a portion of the costs of issuance of the 2015 Refunding bonds.

The Authority's refundings through the 2015 Series A and B issues decreased the total debt service over the next 11 years by approximately $8.5 million. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and new bonds) of approximately $7 million. The principal amount of defeased 2005A and 2005B bonds outstanding, without consideration of accreted interest, at December 31, 2015 is approximately $6,100,000.

The net carrying value of the 2005 Series Bonds, current interest bonds, upon redemption was $31,434,149. The difference of $4,195,851 between the reacquisition price and net carrying value of the 2005 Series Bonds, current interest bonds, is being amortized as a component of interest expense over 11 years, which is the shorter of the life of the 2005 Series Bonds and the term of the 2015 Series Bonds. The net carrying value of the 2005 Series Bonds, refunding series bonds, upon redemption was $31,607,371. The difference of $(179,306) between the reacquisition price and net carrying value of the 2005 Series Bonds, refunding series, is being amortized as a component of interest expense over 11 years, which is the shorter of the life of the 2005 Series Bonds and the term of the 2015

Series Bonds. These bonds were refunded together and, as such, the unamortized balances have been netted together on the statements of net position. The net carrying value of the 2005 Series Bonds, capital appreciation bonds, upon redemption was $13,614,925. The difference of $(3,117,250) between the reacquisition price and net carrying value of the 2005 Series Bonds, capital appreciation bonds, is being amortized as a component of interest expense over 11 years, which is the shorter of the life of the 2005 Series Bonds and the term of the 2015 Series Bonds.

2015 Refunding Series	12/31/2015
Series A refunding	$ 62,830,000
Series B refunding	-
Subtotal	62,830,000
Plus unamortized premium	8,325,946
Subtotal	8,325,946
Total	$ 71,155,946

The aggregate maturities of the 2015 Series Bonds for fiscal years ending after December 31, 2015 are as follows:

Year Ended December 31,	Principal	Interest	Total
2016	$ 5,740,000	$ 2,925,450	$ 8,665,450
2017	5,215,000	2,753,250	7,968,250
2018	4,910,000	2,544,650	7,454,650
2019	5,105,000	2,348,250	7,453,250
2020	5,360,000	2,093,000	7,453,000
2021-2025	29,815,000	6,257,250	36,072,250
2026	6,685,000	334,250	7,019,250
	$ 62,830,000	$ 19,256,100	$ 82,086,100

On February 3, 2005, the Authority issued $45,673,962 in new parking system revenue bonds (2005 Series Bonds) to partially refund the outstanding principal balance of the 2000 Series A Bonds (face value $7,405,000) and establish the Project Fund for the Grant

Street Transportation Center Garage ($40,000,000). The net carrying value of the 2000 Series A Bonds upon redemption was $7,496,815. The difference of $494,536 between the reacquisition price and net carrying value of the 2000 Series Bonds is being amortized as a component of interest expense over 20 years, which is the shorter of the life of the 2000 Series Bonds and the term of the 2005 Series Bonds. The amount of amortization charged to interest expense during the years ended December 31, 2015 and 2014 was $24,321 and $24,321, respectively. The 2005 Series Bonds were a combination of current interest bonds (Series A, $2,010,000, and Series B, $29,780,000) and capital appreciation bonds (Series A, $4,439,665, and Series B, $9,444,297). Interest was paid semi-annually on the current interest bonds at fixed coupon rates that range from 2% to 5%. The difference between the issued value and the maturity value of the capital appreciation bonds (Series A, issued $4,439,665, Series B, issued $9,444,297, versus Series A, maturity $7,000,000, Series B, $15,300,000) was being accreted over the life of the bonds. The portion of accreted interest attributable to bonds scheduled to mature within one year was reported as a component of accrued interest payable, while the portion of accreted interest attributable to long-term bonds was reported as a component of long-term debt for the year ended December 31, 2014.

2005 Series Bonds	12/31/2014
Series A current interest bonds	$ 1,400,000
Series B current interest bonds	29,650,000
Series A capital appreciation bonds	2,556,155
Series B capital appreciation bonds	5,990,755
Subtotal	39,596,910
Plus unamortized premium	289,911
Appreciated value - Series A capital appreciation bonds	778,555
Appreciated value - Series B capital appreciation bonds	2,541,943
Unamortized discount	(18,006)
Subtotal	3,592,403
Total	$ 43,189,313

There was no outstanding balance on these bonds at December 31, 2015 due to the 2015 refunding Series Bonds.

On June 2, 2005, the Authority issued $37,905,000 in new parking system revenue bonds (2005 Refunding Series) to refund the outstanding principal of the 2000 Series A Bonds (face value $19,850,000) and the outstanding principal of the Pittsburgh Parking Development Corporation, URA Revenue Bonds, Series 1997 (face value $13,520,000) covered by the 1992 Trust Indenture. The net carrying value of the 2000 Series A Bonds was $19,359,715 and $13,423,106 on the 1997 URA Revenue Bonds. The difference between the reacquisition price and net carrying value of $2,145,388 on the 2000 Bonds and $730,451 on the URA Bonds is being amortized as a component of interest expense over 20 and 21 years, respectively, which is the shorter of the remaining life of the issue and the term of the 2005 Refunding Bonds. The amount of amortization charged to interest expense during the years ended December 31, 2015 and 2014 was $141,357 and $141,357, respectively.

2005 Refunding Series	12/31/2014
Series A refunding	$ 30,430,000
Series B refunding	250,000
Subtotal	30,680,000
Plus unamortized premium	738,168
Unamortized discount	(15,738)
Subtotal	722,430
Total	$ 31,402,430

There was no outstanding balance on these bonds at December 31, 2015 due to the 2015 Refunding Series.

A reconciliation of the principal outstanding per Note 6 to the outstanding principal amounts recorded in the statements of net position is as follows:

	2015	2014
2015 Refunding series	$ 71,155,946	$ -
2005 Series Bonds	-	43,189,313
2005 Refunding Series	-	31,402,430
Bonds payable per statements of net position	71,155,946	74,591,743
Accreted interest reported as accrued interest payable on statements of net position	-	1,264,610
Total	$ 71,155,946	$ 75,856,353

The bond agreements contain certain financial covenants that require, among other things, the maintenance of specified debt coverage ratios. As of December 31, 2015 and 2014, the Authority was in compliance with these covenants.

8. OPERATIONS

Location	Date Opened	Line/Stacked Spaces
Parking facilities:		
Third Avenue Garage	November 1952	570/100
Mellon Square Garage	June 1955	798/250
Ninth and Penn Garage	November 1958	586/45
Fort Duquesne/Sixth Garage	July 1959	920/30
Smithfield/Liberty Garage	June 1965	587/0
Forbes/Semple Garage	October 1978	449/50
Wood/Allies Garage	June 1984	542/50
Shadyside Garage	November 1992	208/19
Monongahela Wharf	Pre-1950	458/0
First Avenue Parking Garage	May 2001	1,243/100
Second Avenue Parking Plaza	October 1997	810/0
Oliver Garage	November 1998	476/150
Grant Street Transportation Center	September 2008	991/0
On-street meters	Various	7,302
Metered lots	Various	1,705

Parking Facilities

The Authority operates the Mellon Square, Ninth and Penn, Smithfield/Liberty, Forbes/Semple, Wood/Allies, Shadyside, Monongahela Wharf, First Avenue, Second Avenue, Grant Street Transportation Center, Oliver, and the Ft. Duquesne/Sixth facilities with its own personnel.

The Authority operates the Third Avenue parking facility under a management agreement with a parking facility operator. The operator has guaranteed minimum revenue for the facility, expense limits on certain items and other expenses are completely reimbursable. The agreement expires April 30, 2017 with two, one-year renewal options.

The Mellon Square facility, which is operated by the Authority, has been leased from the City since 1954. The current agreement expires January 31, 2050.

Under an agreement with the City, the Authority operates the Monongahela Wharf parking facility. Under the terms of the agreement, the Authority receives 50% of the revenue net of parking tax and incurs all costs of operations for the facility. The City receives 50% of the revenue from the parking facility after the parking tax deduction and before operating expenses. This agreement expires January 31, 2050.

Meter Operations

The Authority operates metered lots in various neighborhood business districts of the City. The Authority receives all revenue and receipts from the lots and incurs all costs of operations.

Through 2014, under the terms of an agreement with the City, the Authority operated all on-street metered parking within the City. The Authority's share of on-street meter revenue was 93.5%, and the City received the remaining 6.5%. The Authority incurred all costs of operations, as well as all costs of the Parking Enforcement program. Under the terms of this agreement, the City maintained its authority to set the on-street meter rates and maintained legal title of the on-street parking meters. A new agreement was entered into and is effective beginning in 2015. Under the terms of the new agreement, the Authority will receive the first $4.6 million of on-street meter revenue. The Authority will also receive the operating expenses associated with the on-street multi-space parking meters including credit card fees. The City maintains its authority to set the on-street meter rates. The Authority now maintains legal title of the on-street meters. This agreement expires January 31, 2050.

Pittsburgh Parking Court

In November 2004, the Pennsylvania State Legislature approved Act 237 decriminalizing the Authority's parking tickets and transferring the management, adjudication, and collection of parking tickets issued by the Authority from the City to the Authority. As part of the transfer process, the Authority and the City entered into a Cooperation Agreement that spells out the respective duties and responsibilities of each entity. The primary function of the Cooperation Agreement is to formalize the revenue-sharing agreement between the Authority and the City. From 2005 through 2014, the net revenues of the Pittsburgh Parking Court (net of all expenses) were shared 90% to the City and 10% to the Authority. The City and the Authority have amended the Cooperation Agreement effective 2015, thereby giving the City of Pittsburgh 100% of the net revenues of the Pittsburgh Parking Court (net of all expenses). The management of the Pittsburgh Parking Court has been contracted out to a third-party service organization. The current contract expires April 30, 2018.

Residential Permit Parking

The Residential Permit Parking Program provides for on-street parking permits in designated areas of the City. The Authority administers and incurs all costs related to this program and collects all fees. Under the terms of this agreement, the City maintained its authority to set Residential Permit Parking permit fees and for the designation and recertification of RPP areas and related planning activities.

Governmental Cooperation Agreement with the City of Pittsburgh

Through December 31, 2014, the Authority and the City were governed by the February 2000 Amended Cooperation Agreement. Among other things, the February 2000 Amended Cooperation Agreement increased the Authority's annual payment in lieu of real estate taxes to the City from $1.4 million to $1.9 million. Under the terms of the agreement, however, the payment to the City is made only when the Authority successfully meets its annual debt service requirements, determined each year on December 15. This amendment effectively subordinates the Authority's annual payment in lieu of taxes, providing additional security for Authority bondholders. As of January 1, 2015, the City and the Authority have entered into the 2015 Governmental Cooperation Agreement.

The City had agreed that the annual payment in lieu of real estate taxes will be offset by the Oliver Garage Parking Tax. In June 2005, the Authority paid off the outstanding URA Bonds on the Oliver Parking Facility with proceeds from the June 2005 Refunding Series. Since the URA Bonds were paid in full, the Oliver Garage Parking Tax Incremental

Financing (TIF) lapsed. In consideration of the increase in parking taxes received by the City for the Oliver Garage as a result of the lapse of the Parking Tax TIF defined in the URA Cooperation Agreement, the City agreed that the Authority would reduce the payment in lieu of real estate taxes in an amount equal to the Oliver Garage Parking Tax, being revenue neutral for both parties. The reduction reduced the annual payment in lieu of real estate taxes from $1.9 million to $1,301,716 for the year ended December 31, 2014. Effective for 2015, the 2015 Governmental Cooperation Agreement eliminates the reduction to the payment in lieu of real estate taxes by the Oliver Garage Parking. As a result, the annual payment in lieu of real estate taxes paid to the City was $1.9 million for the year ended December 31, 2015. The payment is due no later than March 15th of each year.

Beginning in 2015, the City and the Authority have also agreed, in the event that total amounts of all payments from the Authority to the City (excluding parking tax payments), exceeds $18.5 million with respect to any fiscal year of the Authority, any such excess amounts will be split equally by the City and the Authority. The parties also agree to negotiate in good faith beginning in 2019, a reduction to the $18.5 million beginning in 2020, to allow the Authority to engage in long-term capital needs planning.

As a result of the 2015 Amended Agreements with the City, there was no additional payment to the City for 2015. In 2014, the Authority made an additional payment of $2.6 million, since it had met its debt service ratio coverage.

Collective Bargaining Agreements

Some of the employees of the Authority are covered by collective bargaining agreements. The Automotive Chauffeurs, Parts and Garage Employees, Local Union No. 926 (Teamsters Union), which covers facility employees, represents approximately 39% of the labor force. The current collective bargaining agreement began on October 1, 2015, and expires December 31, 2018.

The American Federation of State, County, and Municipal Employees, District Council 84, Local 2719, which covers employees of the Meter Operations, Parking Enforcement, and Residential Permit Parking programs, represents approximately 33% of the labor force. The current collective bargaining agreement expired September 30, 2015 and the two sides were still negotiating at the issuance of these statements.

9. PENSION PLANS

General Information. The Authority established the Public Parking Authority of Pittsburgh Pension Plan (Plan) effective January 1, 1980. The Plan is a defined benefit plan covering substantially all employees not covered by another plan and is funded by employer and employee contributions. The Plan, established and administered by the Authority, provides retirement, disability, and death benefits to Plan members and beneficiaries. Medical insurance benefit payments are provided to a limited number of retirees, and a limited number of participants are eligible for future medical insurance benefits. The medical insurance benefits are not significant in relation to overall Plan activity. The Authority has the ability to establish and amend benefit provisions. The Plan does not issue a stand-alone financial report.

Under the plan, eligibility for normal benefits begins at age 60, at which time the individual is entitled to an annual retirement benefit, payable monthly for life. This benefit is equal to 1.50% of the average monthly compensation, plus 0.50% of average monthly compensation in excess of $1,000 times the years of service plus a longevity payment.

Early retirement is available to all participants who have reached the age of 50 and have at least eight years of service. Individuals who begin receiving benefits prior to the normal retirement date receive reduced benefits.

Employees Covered by Benefit Terms. As of the date of the most recent valuations, participants in the Plan were as follows:

	2015	2014
Inactive plan members or beneficiaries currently receiving benefits	28	27
Inactive plan members entitled to but not yet receiving benefits	8	9
Active plan members	61	62
	97	98

Contributions. Participants contribute 5.0% of earnings. The Authority's contribution to the plan is based on actuarially determined rates.

Net Pension Asset. The Authority's net pension asset was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset was determined by actuarial valuations as of January 1, 2015. There were no plan changes between the January 1, 2015 valuation date and the December 31, 2015 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, 2015 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal (level % of salary)
Actuarial assumptions:	
Investment rate of return	7.00%
Underlying inflation rate	2.50%
Salary projection	5.00%

For healthy lives, mortality is in accordance with the RP-2000 Mortality Table with scale AA projections to the valuation date. For disabled lives, mortality is in accordance with the RP-2000 Mortality Table set forward 10 years.

Actuarial assumptions based on actuarial experience study for the period January 1, 2014 to December 31, 2014.

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. Best estimates of real rates of return for each major asset class included in the plan's target asset allocation are summarized in the following table as of December 31, 2015:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	44.0%	5.75%
International equity	16.0%	5.75%
Fixed income	40.0%	2.25%
	100.0%	

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions would continue at the current rates and that the Authority would contribute the Minimum Municipal Obligation (MMO) in the future. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through the lifetime of the plan. The long-term expected rate of return on pension plan investments is applied to all periods of projected benefit payments where assets are available. For periods of projected benefit payments where assets are insufficient to meet benefit payments, an average 20 year municipal bond rate for bonds rated Aa and above as of December 31, 2015 of 4.00% is applied. A single level discount rate is determined that is equivalent to the two individual rates used to discount cash flows. Since assets are projected to cover all future benefit payments, the long-term expected rate of return on pension plan investments of 7.00% is used as the discount rate.

Changes in Net Pension Asset. Changes in the Authority's net pension asset are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at 12/31/14	$ 11,034,673	$ 12,811,138	$ (1,776,465)
Changes for the year:			
Service cost	440,031	-	440,031
Interest	776,343	-	776,343
Employer contributions	-	330,521	(330,521)
Member contributions	-	157,012	(157,012)
Net investment income	-	95,527	(95,527)
Benefit payments	(328,144)	(328,144)	-
Other	-	(1,498)	1,498
Balances at 12/31/15	$ 11,922,903	$ 13,064,556	$ (1,141,653)

Pension Plan Fiduciary Net Position. The plan fiduciary net position at December 31, 2015 and 2014 consisted of the following:

	2015	2014
Assets:		
Cash and deposits	$ 2,333	$ 3,057
Miscellaneous receivable	22,541	23,927
Investments:		
Money markets & other cash equivalents	458,987	202,986
Stocks and other equities	7,750,054	7,737,145
Bonds and other fixed income	4,850,671	4,864,053
Total investments	13,059,712	12,804,184
Total assets	13,084,586	12,831,168
Less:		
Other liabilities	20,030	20,030
Plan fiduciary net position	$ 13,064,556	$ 12,811,138

Sensitivity of the Net Pension Liability (Asset) to Changes in Discount Rate. The following presents the net pension liability/(asset) of the Authority, calculated using the discount rate of 7.00%, as well as what the Authority's net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate:

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
$ (2,289,447)	$ (1,141,653)	$ 187,369

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions. For the year ended December 31, 2015, the Authority recognized pension expense of $321,891 and for December 31, 2014 (as restated), $162,030. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2015	2014
Deferred outflows of resources:		
Net difference between projected and actual earnings on pension plan investments	$ 704,063	$ 78,246
Deferred inflows of resources:		
Difference between expected and actual experience	(53,229)	(70,854)
	$ 650,834	$ 7,392

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

2016	$ 163,281
2017	163,281
2018	163,281
2019	160,991
	$ 650,834

Multiple-Employer Defined Benefit Plan

The Authority had 52 facility employees in the years ended December 31, 2015 and 2014 who are participants in a cost-sharing multiple-employer defined benefit plan administered through the Western Pennsylvania Teamsters and Employers Pension Fund (Pension Fund) that is not a state or local governmental pension plan; provides defined benefit pensions both to employees of local governments and to employees of employers that are not governmental employers; and the plan has no predominant local governmental employer. Financial information for the Pension Fund is available, for a fee, by writing the Western Pennsylvania Teamsters and Employers Pension Fund, 49 Auto Way, Pittsburgh, PA 15206-0260. The Authority is required to make weekly payments based upon the number of participating employees to the Pension Fund as defined in the Teamsters Union labor agreement that expires 12/31/2018. No employee contributions are required or permitted. Total pension expense for the participating employees was \$222,131 and \$205,488 for the calendar years 2015 and 2014, respectively. Under federal law, this Pension Fund has been certified as being in critical status, because it has funding or liquidity problems, or both. Future employer contributions are likely to rise. Substantial withdrawal payments would be required if the Authority chose to withdraw and the withdrawal was approved.

10. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The Public Parking Authority of Pittsburgh Post-Employment Healthcare Plan is a single-employer defined benefit healthcare plan administered by the Authority. There is no separate audit requirement. The plan provides medical, dental, and life insurance benefits to eligible retirees and their spouses. Benefits are provided according to retirees' date of retirement and the benefits allotted as of the plan benefits at that date. The retiree is responsible for any premium cost in excess of the provided benefit. Payments to retirees are made on a reimbursement basis.

The Authority does not have a funding policy for post-employment benefits at this time. Retirees as of and prior to October 31, 1994, do not contribute to the cost of benefits. Retirees after October 31, 1994, who are eligible for benefits, contribute a portion of their costs. The Authority's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actuarially contributed to the plan, and the changes in the net OPEB obligation:

	2015	2014
Annual required contribution	$ 90,110	$ 109,961
Interest on net OPEB obligation	32,086	39,703
Adjustment to annual required contribution	(222,149)	(118,538)
Annual OPEB cost (expense)	(99,953)	31,126
Contribution made	(47,058)	(31,731)
Change in net OPEB obligation	(147,011)	(605)
Net OPEB obligation - beginning of year	661,122	661,727
Net OPEB obligation - end of year	$ 514,111	$ 661,122

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ended December 31	Annual OPEB Costs	Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$ (99,953)	100.00%	$ 514,111
2014	31,126	100.00%	661,122
2013	23,734	141.00%	661,727

As of January 1, 2015, the date of the most recent actuarial valuation, the actuarial accrued liability for benefits was $494,424, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) is $2,741,885, and the ratio of unfunded actuarial accrued liability to covered payroll was 18.0%. The contributions made as a percentage of required contributions for the years ended December 31, 2015, 2014, and 2013 were 100.00%, 100.00%, and 141.00%, respectively. The contributions were made on a pay-as-you-go basis. Since active employees and certain retirees participate in the same healthcare plan, the projected healthcare benefits for retirees are calculated using age-adjusted premiums. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following actuarial assumptions were used in the January 1, 2015 valuation:

Actuarial cost method	Entry age normal
Interest rate	6%
Amortization method	Level dollar
Amortization period	Seven years

11. Deferred Compensation Plan

The Authority offers its employees a Deferred Compensation Plan (Deferred Plan) sponsored by the Allegheny League of Municipalities, created in accordance with Internal Revenue Code Section 457. The Deferred Plan, available to all full-time employees, excluding Teamsters Union employees, permits them to defer a portion of their salary until future years. Participation in the Deferred Plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participants' rights under the Deferred Plan are equal to the fair market value of the deferred account for each participant. In compliance with IRS regulations, the deferred compensation assets were placed in trust and thereby removed from the claims of general creditors of the Authority.

12. Commitments and Contingencies

There are various matters of pending litigation in which the Authority is involved. The Authority's legal counsel has advised that it is not able to determine the outcome of any of the pending litigation; however, management believes that it is unlikely such matters would significantly affect the financial position of the Authority. Accordingly, the Authority's financial statements do not include any adjustment for possible effects.

The Authority maintains insurance through independent carriers for all types of business losses. Management believes the insurance coverage is sufficient to cover the Authority against potential losses. There have been no significant changes in insurance coverage since the prior fiscal year. Settled claims have not exceeded insured levels for the last three years.

13. Natural Classifications with Functional Classifications

The operating expenses within both natural and functional classifications for the years ended December 31, 2015 and 2014 are as follows:

2015

	Salaries, Wages, and Benefits	Supplies and Equipment	Utilities, Insurance, Repairs, and Maintenance	Facilities Management Fees	Taxes and Licenses	Contractual Professional Fees	Security	Depreciation and Amortization	Other	Total
Parking facility operations	$ 3,589,573	$ 89,236	$ 2,499,831	$ 331,055	$ 9,503,593	$ 913,625	$ 1,951,230	$ 3,984,701	$ 231,465	$ 23,094,309
Parking enforcement and meter services	2,166,924	114,679	1,508,626	-	667,804	1,274,274	32,041	1,264,803	44,241	7,073,392
Parking court	252,100	3,720	14,660	1,739,160	-	91,050	1,022	-	-	2,101,712
Administrative	1,773,972	162,466	132,134	-	-	419,910	-	240,000	5,476	2,733,958
Total	$ 7,782,569	$ 370,101	$ 4,155,251	$ 2,070,215	$ 10,171,397	$ 2,698,859	$ 1,984,293	$ 5,489,504	$ 281,182	$ 35,003,371

2014

	Salaries, Wages, and Benefits	Supplies and Equipment	Utilities, Insurance, Repairs, and Maintenance	Facilities Management Fees	Taxes and Licenses	Contractual Professional Fees	Security	Depreciation and Amortization	Other	Total
Parking facility operations	$ 3,408,320	$ 92,522	$ 2,278,996	$ 340,042	$ 8,628,995	$ 868,039	$ 1,843,333	$ 4,022,288	$ 198,913	$ 21,681,448
Parking enforcement and meter services	2,205,673	185,990	1,233,090	-	642,662	1,159,826	-	1,102,693	30,566	6,560,500
Parking court	226,648	3,602	27,212	1,832,708	-	106,696	-	-	620	2,197,486
Administrative	1,458,696	157,590	125,153	-	-	537,719	-	327,225	15,036	2,621,419
Total	$ 7,299,337	$ 439,704	$ 3,664,451	$ 2,172,750	$ 9,271,657	$ 2,672,280	$ 1,843,333	$ 5,452,206	$ 245,135	$ 33,060,853

Required Supplementary Information

PUBLIC PARKING AUTHORITY OF PITTSBURGH

(A COMPONENT UNIT OF THE CITY OF PITTSBURGH, PENNSYLVANIA)

SCHEDULE OF CHANGES IN THE NET PENSION ASSET AND RELATED RATIOS

	2015	2014
Total Pension Liability:		
Service cost	$ 440,031	$ 424,077
Interest	776,343	726,765
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(88,479)
Changes of assumptions	-	-
Benefit payments	(328,144)	(396,009)
Net Changes in Total Pension Liability	888,230	666,354
Total Pension Liability - Beginning	11,034,673	10,368,319
Total Pension Liability - Ending (a)	$ 11,922,903	$ 11,034,673
Plan Fiduciary Net Position:		
Plan member contributions	$ 157,012	$ 153,149
Employer actuarially recommended contributions	330,521	396,234
Net investment income	95,527	741,289
Benefit payments	(328,144)	(396,009)
Other	(1,498)	(1,497)
Net Change in Plan Fiduciary Net Position	253,418	893,166
Plan Fiduciary Net Position - Beginning	12,811,138	11,917,972
Plan Fiduciary Net Position - Ending (b)	$ 13,064,556	$ 12,811,138
Net Pension Liability (Asset) - Ending (a-b)	$ (1,141,653)	$ (1,776,465)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	109.58%	116.10%
Covered Employee Payroll	$ 2,917,558	$ 2,861,666
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	-39.13%	-62.08%

See accompanying notes to required supplementary pension schedules.

PUBLIC PARKING AUTHORITY OF PITTSBURGH

(A COMPONENT UNIT OF THE CITY OF PITTSBURGH, PENNSYLVANIA)

SCHEDULE OF AUTHORITY CONTRIBUTIONS - PENSION

YEAR ENDED DECEMBER 31, 2015

Authority Plan*

	2015	2014
Actuarially determined contribution	$ 330,521	$ 396,234
Contributions in relation to the actuarially determined contribution	330,521	396,234
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 2,917,558	$ 2,861,666
Contributions as a percentage of covered employee payroll	11.33%	13.85%

*This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years only for which information is available.

Notes to Required Supplementary Pension Schedules:

Valuation date: Actuarial calculations are performed each year as of January 1. Contributions noted above are as of the 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	Entry Age Normal (Level % of Salary)
Amortization method	Funding adjustment is equal to 10% of the unfunded actuarial accrued liability
Remaining amortization period	Not applicable
Asset valuation method	Adjusted market value where asset gains or losses are calculated each year as the difference between the expected market value (based on the funding rate of interest) and the actual market value of the assets on the valuation date. These gains or losses are then recognized over a four-year period at 25% per year, with the actuarial value of assets subject to the minimum of 80% and a maximum of 120% of the market value.
Inflation	2.50%
Salary increases	5.00%
Investment rate of return	7.00%
Mortality	For healthy lives, mortality is in accordance with the RP-2000 Mortality Table with scale AA projections to the valuation date. For disabled lives, mortality is in accordance with the RP-2000 Mortality Table set forward 10 years.

Authority participation in the Teamsters cost-sharing multiple-employer defined benefit plan

	2015	2014
Required contributions (all made by the Authority)	$ 222,131	$ 205,488

PUBLIC PARKING AUTHORITY OF PITTSBURGH

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SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability	(Overfunded) Unfunded Actuarial Accrued Liability	(a/b) Funded Ratio	(c) Covered Payroll	(Overfunded)/Unfunded Actuarial Accrued Liability (b-a) as a Percentage of Covered Payroll ((b-a)/c)
10/01/10	$ -	$ 857,983	$ 857,983	0.0%	$ 2,675,858	32.06%
*01/01/13	-	602,901	602,901	0.0%	2,710,122	22.25%
01/01/15	-	494,424	494,424	0.0%	2,741,885	18.03%

Source: Actuarial Reports. Valuation performed on a biennial basis.

*This valuation was performed as of January 1, 2013 to coincide with a change in the Authority's fiscal year.