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, 2014 and 2013
with Independent Auditor's Report

MaherDuessel
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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MaherDuessel
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1990 | 2015 25 YEARS OF PROMOTING THE PUBLIC GOOD

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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, 2014 and 2013, 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 Authority'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 Authority'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, 2014 and 2013, 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.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress on pages 1 through 8 and 38 through 40, 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, 2015

Management's Discussion and Analysis

Fiscal Year 2014 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 2014. This discussion and analysis of the Authority's financial statements provides an overview of the Authority's financial activities for 2014 as required supplemental information. The emphasis of this discussion will focus on current year 2014 data in comparison to the prior year 2013. 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, 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), and net position (assets plus deferred outflows of resources minus liabilities). 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: Smithfield Liberty Garage, Fort Duquesne and Sixth Garage, Ninth and Penn Garage, and Third Avenue Garage.

Public Parking Authority of Pittsburgh
Statements of Net Position

	2014	2013	2012
Assets			
Current assets	$ 31,494,413	$ 29,250,523	$ 28,378,417
Capital assets, including leasehold improvements	120,304,854	121,502,245	121,335,229
Other noncurrent assets	30,609,364	26,978,516	25,891,406
Total Assets	182,408,631	177,731,284	175,605,052
Deferred Outflows of Resources			
Deferred charge on refunding	1,776,955	1,942,632	2,108,311
Liabilities			
Current liabilities	13,553,620	12,345,248	13,214,174
Noncurrent liabilities	75,532,007	81,052,396	86,332,042
Total liabilities	89,085,627	93,397,644	99,546,216
Net Position			
Net investment in capital assets	43,464,257	39,292,402	34,071,847
Restricted for, expendable:			
Capital	10,133,454	7,655,418	6,133,523
Debt service	3,088,399	3,202,392	2,957,025
Indenture funds	17,875,065	17,264,588	15,452,000
Total restricted	31,096,918	28,122,398	24,542,548
Unrestricted	20,538,784	18,861,472	19,552,752
Total net position	$ 95,099,959	$ 86,276,272	$ 78,167,147

Total assets of the Authority increased by $4.7 million from fiscal year 2013. Current assets increased by $2.2 million. The majority of the increase is in cash and is the result of increased revenues, with most of that increase required to be transferred to the trust as required by the trust indenture. There was also a slight increase in accounts receivable. Capital assets and leasehold improvements decreased by $1.2 million. Other noncurrent assets increased by $3.7 million in fiscal year 2014, with $3.2 million of the increase being in noncurrent securities that are to be used for the capital improvement projects in progress. Deferred outflows of resources decreased by $166 thousand and were amortized as a component of interest expense. Total liabilities decreased by $4.3 million from fiscal year 2013. The majority of this decrease is attributable to principal payments of approximately $4.5 million made on outstanding bonds.

Statements of Revenues, Expenses, and Changes in Net Position

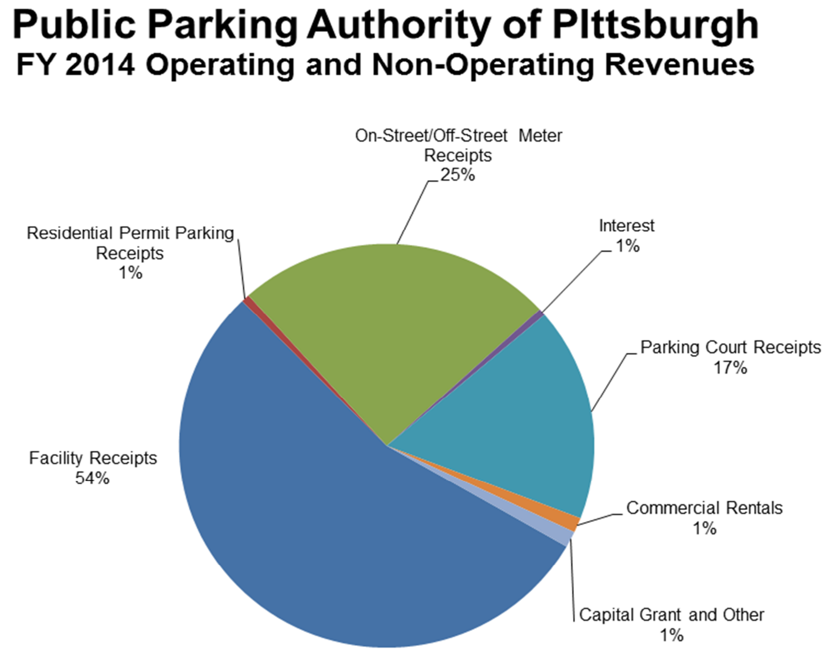
The changes in total net position, as presented on the Statements of Net Position, are based on the activities presented in the Statement of Revenues, Expenses, and Changes in Net Position (the "SRECNP"). The purpose of the SRECNP is to present the revenues and expenses (both operating and non-operating),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

	2014	2013	2012
Operating revenues	$ 56,905,800	$ 53,344,906	$ 48,932,542
Operating expenses	33,285,729	31,852,818	30,245,673
Net operating income	23,620,071	21,492,088	18,686,869
Net non-operating expenses	(14,796,384)	(13,382,963)	(13,576,343)
INCREASE IN NET POSITION	8,823,687	8,109,125	5,110,526
NET POSITION—Beginning of year	86,276,272	78,167,147	73,056,621
NET POSITION—End of year	$ 95,099,959	$ 86,276,272	$ 78,167,147

The Authority's net position increased by approximately $8.8 million in 2014. Operating revenues increased approximately $3.6 million. Parking facility receipts increased $2.3 million, on/off-street meter receipts increased almost $800 thousand, and parking court revenues increased almost $500 thousand. Operating expenses increased approximately $1.4 million, with taxes and licenses increasing almost $660 thousand due to increased parking taxes from higher parking facilities receipts. Contractual and professional services increased approximately $350 thousand, mostly due to increased credit card usage by our patrons. Repairs and maintenance increased a little more than $350 thousand, due to increases in the maintenance agreement costs of the multi-space meters, snow removal due to more snow in 2014, and other repair costs of our facilities. Net non-operating expenses increased by $1.4 million, mostly due to the $1.3 million dollar increase in the additional payment to the City of Pittsburgh.

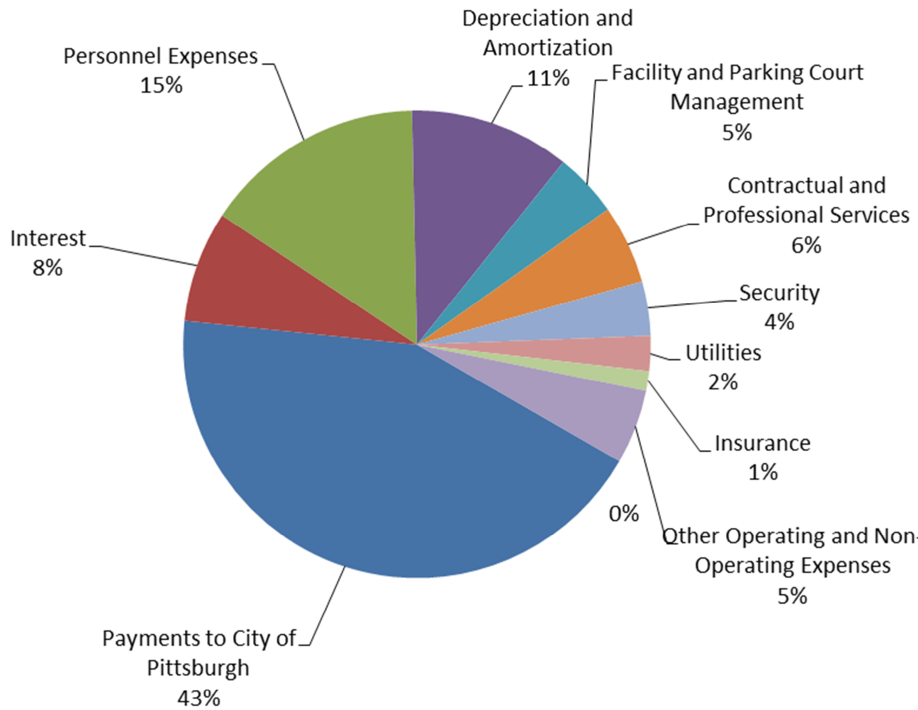


Parking facility receipts increased by almost $2.3 million in 2014 due to a rate increase in August of 2014 at most of our parking facilities, coupled with 35,257 additional transient parkers (both day and evening/weekend) in 2014, or a 1.3% increase over 2013, and the return of the Fort Duquesne and Sixth Garage to full operational status in 2014 after undergoing significant renovations in 2012 and 2013. Shadyside Garage also experienced steady growth, with an increase of 9.5% over 2013. The Grant Street Transportation Center continues increasing its utilization and saw a 2.5% increase in 2014. The parking facility receipts increase was tempered by the Smithfield/Liberty Garage renovation project that began in July of 2014, with the actual loss of 300 parking spaces per day to accommodate the renovation project. The evening/weekend patronage was also increased in 2014 by approximately a 2% increase in parkers. The largest contributors by far were the Fort Duquesne and Sixth Garage and the Ninth and Penn Garage, two of the Authority's garages traditionally with the strongest evening/weekend activity.

On-street meter receipts increased a little more than $600 thousand in 2014, primarily due to having the multi-space meters that were installed during 2013 operational for the entire year in 2014. Off-street meter receipts increased approximately $140 thousand. Half of this increase is attributable to the lease rate increase that was implemented in August 2014, while the other half was due to increased utilization in the neighborhood lots.

The Pittsburgh Parking Court Revenues saw an increase of $450 thousand as average cost per ticket issued increased. The Authority also increased its boot and tow activities, which resulted in an increase in booted vehicles.

Public Parking Authority of Pittsburgh
FY 2014 Operating and Non-Operating Expenses



Personnel costs remain the second largest category of expense, behind payments to the City of Pittsburgh, equaling 15.4% of total expenses in 2014. These costs increased by approximately $96 thousand over 2013 or almost 1.3%.

Repairs and maintenance costs (included in other operating expenses in the chart above) increased over $351 thousand in 2014. The majority of the increase was due to the maintenance contracts for the multi-space meters. As the machines age, the contracted maintenance costs increase. Snow removal costs also increased due to higher snowfalls in 2014, as well as increased maintenance to the infrastructure of the parking facilities.

Facility and Parking Court Management Fees increased a little over $73 thousand in 2014, the majority of which was for Parking Court fees. Due to an increase in booting and towing activities, there were increased costs associated with the booting and towing activities, as well as for auto storage and auction costs of towed vehicles unclaimed by the owners.

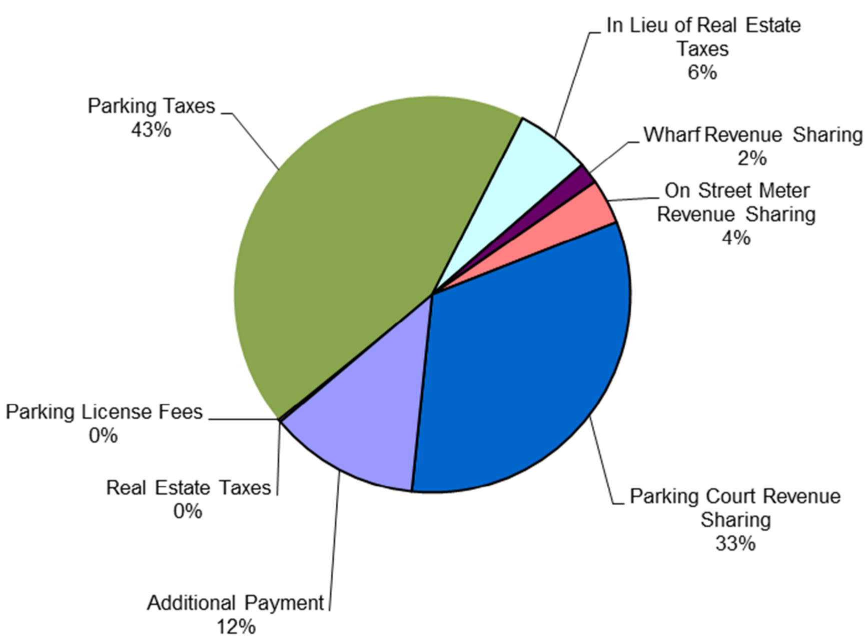
Contractual and professional fees increased approximately $352 thousand during 2014. Trustee/bank fees accounts for the majority of this increase due to more customers using debit and credit cards to pay their parking fees. Attorney fees also saw an increase due to agreement and contract reviews, renewals, and amendments.

Depreciation and amortization saw a decrease of approximately 2.5% or $139 thousand. The agreement between the City and the Authority for the operations of the Mellon Square Garage had expired in 2013, and therefore the original improvement costs were fully depreciated as of the end of 2013.

Payments to the City of Pittsburgh continue to be the largest expense to the Authority at 43% of total expenses, up from 41% in 2013. Taxes and licenses saw an increase of approximately $657 thousand mostly for parking taxes due to the increased parking revenue. Meter, Wharf, and PPC Shared Revenue payments to the City combined, increased almost $460 thousand in 2014. The Authority also increased the additional payment to the City of Pittsburgh from $1.3 million in 2013 to $2.6 million in 2014.

Net non-operating expenses increased approximately $1.4 million over 2013. While payments to the City from this category increased a combined $1.7 million, interest expense on bonds saw a decrease of approximately $218 thousand due to the principal payments made in 2014, and other operating income saw a slight increase of $100 thousand in 2014.

Public Parking Authority of Pittsburgh
FY 2014 Expense - Payments to the City of Pittsburgh
Total $21,242,315



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

	2014	2013	2012
Net cash provided by operating activities	$29,629,668	$27,112,443	$ 24,286,361
Net cash used in non-capital financing activities	(12,051,721)	(10,023,961)	(11,449,004)
Net cash used in capital and related financing activities	(11,938,962)	(15,643,204)	(13,210,946)
Net cash used in investing activities	(3,579,851)	(799,216)	(1,239,741)
NET INCREASE (DECREASE) IN CASH	2,059,134	646,062	(1,613,330)
CASH—Beginning of year	8,734,884	8,088,822	9,702,152
CASH—End of year	$10,794,018	$ 8,734,884	$ 8,088,822

Net cash provided by operating activities was up by approximately $2.5 million over 2013. This was primarily due to the almost $3.6 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 $2.1 million and an increase in accounts payable of approximately $900 thousand. Net cash used in noncapital and related financing activities increased by approximately $2 million. This is primarily due to the $1.3 million dollar increase in the additional payment to the City of Pittsburgh, along with the increased payments to the City of Pittsburgh for the Wharf, Meter, and Pittsburgh Parking Court revenue sharing agreements. Net cash used in capital and related financing activities decreased approximately $3.7 million in 2014, mainly due to less spending on property, plant, and equipment combined with an increase in related accounts payable. Net cash used in investing activities increased almost $2.8 million, due to investments increasing primarily as the result of an increase in net position.

Capital Assets and Debt Administration

During 2014, additions to capital assets were approximately $4.2 million, of which a little more than $195 thousand was spent on machinery and equipment (mostly revenue control equipment); $125 thousand went to multi-space meters; and approximately $3.9 million went to construction in progress. One of the most significant ongoing projects is the structural renovations at the Smithfield/Liberty Garage. Almost $2 million was spent on this project in 2014, with targeted completion in late 2015. Disposals of capital assets were approximately $5.3 million in 2014. Facility disposals were almost $5 million, with a little more than $4.4 million due to the major renovations of the Mellon Square Park by the Pittsburgh Parks

Conservancy; approximately $171 thousand for the disposal of the HVAC system at the Wood/Allies Garage; and approximately $370 thousand in neighborhood lot disposals due to significant replacements in 12 neighborhood lots. There were approximately $320 thousand in machinery and equipment disposals, the majority of which related to the replacement of revenue control equipment. There were also disposals of a few vehicles and other miscellaneous equipment.

Additionally, in 2014, the Authority paid approximately $4.5 million on the principal of its bonds.

Economic Outlook

The Authority increased its facility parking rates in 2014 and has scheduled increases in 2015 and 2017. However, 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. The new technology multi-space meters, along with City Council's on-street rate increases in 2011, 2012, and 2013, have had a positive impact on the Authority's revenue. Accordingly, the Authority was able to give the City of Pittsburgh additional payments of $2.6 million, $1.3 million, and $1.3 million in 2014, 2013, and 2012, respectively. In addition, for 2015 the City and the Authority have amended the various revenue sharing agreements. There were a number of significant changes in this amendment. The on-street meter sharing change is effective in 2015. Under this new agreement, the Authority will keep the first $4.6 million of on-street meter revenue. The Authority will also recover the operating expenses associated with the on-street multi-space parking meters including credit/debit card fees. The City will receive the remaining on-street meter revenue and the City's share will remain subordinate to debt service requirements. In addition, the Authority will have title of the on-street meters beginning in 2015. The Pittsburgh Parking Court shared revenue also changes, so that the City will receive 100% of the net sharable revenue of the Pittsburgh Parking Court. The Authority will no longer keep 10% of the net sharable revenue of the Pittsburgh Parking Court beginning in 2015. A maximum has also been established, whereby, excluding parking tax payments, if total payments from the Authority to the City exceed $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 agreed to negotiate in good faith beginning in 2019, at a reduction to the maximum of $18.5 million beginning in 2020, to allow the Authority to engage in long-term capital needs planning.

Four of the Authority's garages that are over 50 years of age need either major improvements or potential demolition and replacement in the coming years. The staff has begun to assess the needs and plan for these projects. The Authority's Board of Directors has dedicated $6 million of unrestricted net position to fund a portion of these needed improvements. The Authority anticipates issuing new debt in 2017 in anticipation of renovating the Ninth and Penn Garage.

The Authority also anticipates refinancing its current debt in 2015 to achieve savings due to reduced interest rates.

PUBLIC PARKING AUTHORITY OF PITTSBURGH

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

STATEMENTS OF NET POSITION

DECEMBER 31, 2014 AND 2013

	2014	2013
Assets		
Current assets:		
Cash	$ 10,794,018	$ 8,734,884
Escrow cash	232,635	226,220
Investments	9,694,473	8,080,644
Investments - restricted	9,363,407	10,789,906
Accounts receivable	686,821	578,509
Note receivable - current portion	12,029	10,511
Accrued interest receivable and other assets	711,030	829,849
Total current assets	31,494,413	29,250,523
Noncurrent assets:		
Investments	13,573,766	10,373,134
Investments - restricted	12,940,504	12,423,348
Note receivable	3,202,168	3,214,197
Prepaid bond insurance	892,926	967,837
Capital assets, net	110,804,346	111,194,689
Leasehold improvements, net	9,500,508	10,307,556
Total noncurrent assets	150,914,218	148,480,761
Total Assets	182,408,631	177,731,284
Deferred Outflows of Resources		
Deferred charge on refunding	1,776,955	1,942,632
Liabilities		
Current liabilities:		
Accounts payable	2,796,167	1,959,152
Accounts payable - retention	421,178	369,445
Accounts payable - City of Pittsburgh	2,739,578	2,289,288
Accrued expenses	681,160	781,304
Accrued interest payable	1,508,455	1,393,009
Unearned revenue	886,432	934,873
Current portion of capital lease obligations	60,855	114,363
Current maturities of bonds payable	4,459,795	4,503,814
Total current liabilities	13,553,620	12,345,248
Noncurrent liabilities:		
Bonds payable - noncurrent portion	70,131,948	75,382,900
Other noncurrent liabilities	5,400,059	5,669,496
Total noncurrent liabilities	75,532,007	81,052,396
Total Liabilities	89,085,627	93,397,644
Net Position		
Net investment in capital assets	43,464,257	39,292,402
Restricted for, expendable:		
Capital	10,133,454	7,655,418
Debt service	3,088,399	3,202,392
Indenture funds	17,875,065	17,264,588
Total restricted	31,096,918	28,122,398
Unrestricted	20,538,784	18,861,472
Total Net Position	$ 95,099,959	$ 86,276,272

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, 2014 AND 2013

	2014	2013
Operating Revenues:		
Parking facility receipts	$ 31,504,256	$ 29,238,374
On-street/off-street meter receipts	14,344,531	13,594,423
Residential permit parking receipts	377,012	364,174
Commercial rentals	684,606	669,655
Parking court	9,912,536	9,462,438
Other income	82,859	15,842
Total operating revenues	56,905,800	53,344,906
Operating Expenses:		
Salaries	5,190,680	5,198,785
Retirement	601,722	581,259
Payroll taxes	443,280	431,678
Health benefits	1,297,859	1,225,634
Supplies and equipment	439,704	414,559
Utilities	1,183,592	1,156,351
Insurance	666,357	689,230
Repairs and maintenance	1,731,929	1,380,712
Fleet expenses	82,573	72,359
Facility and parking court management fees	2,172,750	2,099,412
Taxes and licenses	9,271,657	8,614,319
Contractual and professional services	2,672,280	2,320,149
Security	1,843,333	1,815,653
Depreciation and amortization	5,452,206	5,591,773
Other expenses	235,807	260,945
Total operating expenses	33,285,729	31,852,818
Operating income	23,620,071	21,492,088
Nonoperating Revenues (Expenses):		
Interest income	328,331	325,236
Other income	659,935	558,342
Interest expense	(3,771,394)	(3,989,266)
In lieu of real estate taxes to the City of Pittsburgh	(1,301,716)	(1,340,787)
Meter, wharf, and parking court payments to the City of Pittsburgh	(8,068,942)	(7,609,009)
Other payment to the City of Pittsburgh	(2,600,000)	(1,300,000)
Other expenses	(42,598)	(27,479)
Total nonoperating revenues (expenses)	(14,796,384)	(13,382,963)
Change in Net Position	8,823,687	8,109,125
Net Position:		
Beginning of year	86,276,272	78,167,147
End of year	$ 95,099,959	$ 86,276,272

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, 2014 AND 2013

	2014	2013
Cash Flows From Operating Activities:		
Parking facility receipts	$ 31,384,639	$ 29,195,003
On-street/off-street meter receipts	14,344,471	13,594,385
Residential permit parking and commercial rental receipts	857,675	830,530
Parking court receipts	9,929,908	9,397,116
Payments to and on behalf of employees	(7,257,307)	(7,000,653)
Payments to suppliers	(200,753)	(513,332)
Payments for utilities, insurance, repairs, and maintenance	(3,449,729)	(3,372,806)
Facility management fees	(2,130,443)	(2,099,218)
Taxes and licenses	(9,155,619)	(8,572,840)
Contractual and professional services	(2,687,738)	(2,294,424)
Security	(1,842,325)	(1,827,551)
Other receipts (expenditures), net	(163,111)	(223,767)
Net cash provided by (used in) operating activities	29,629,668	27,112,443
Cash Flows From Noncapital Financing Activities:		
In lieu of real estate taxes of the City of Pittsburgh	(1,306,017)	(1,511,094)
Meter, wharf, and parking court payments to the City of Pittsburgh	(7,614,351)	(6,752,767)
Other payment to the City of Pittsburgh	(2,600,000)	(1,300,000)
Deposits to escrow cash	(6,415)	(5,175)
Other receipts (expenditures), net	(524,938)	(454,925)
Net cash provided by (used in) noncapital financing activities	(12,051,721)	(10,023,961)
Cash Flows From Capital and Related Financing Activities:		
Additions to property, plant, and equipment	(3,115,844)	(4,391,784)
Additions to capital meters and leasehold improvements	(535,479)	(2,936,521)
Capital lease payments	(60,765)	(78,011)
Capital grants	556,360	532,676
Repayment of bonds	(4,518,420)	(4,553,238)
Proceeds from sale of capital assets	2,010	7,315
Interest paid	(4,266,824)	(4,223,641)
Net cash provided by (used in) capital and related financing activities	(11,938,962)	(15,643,204)
Cash Flows From Investing Activities:		
Sale of investments	120,750,798	102,288,264
Purchase of investments	(124,655,919)	(103,437,682)
Payments received on notes receivable	10,511	11,818
Interest received	314,759	338,384
Net cash provided by (used in) investing activities	(3,579,851)	(799,216)
Increase (Decrease) in Cash and Cash Equivalents	2,059,134	646,062
Cash and Cash Equivalents:		
Beginning of year	8,734,884	8,088,822
End of year	$ 10,794,018	$ 8,734,884

(Continued)

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, 2014 AND 2013

(Continued)

	2014	2013
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:		
Operating income	$ 23,620,071	$ 21,492,088
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,452,206	5,591,773
Change in:		
Accounts receivable	(45,324)	(88,616)
Other assets	276,108	(92,991)
Accounts payable and accrued expenses	326,607	210,189
Net adjustments	6,009,597	5,620,355
Net cash provided by (used in) operating activities	$ 29,629,668	$ 27,112,443
Noncash Transactions:		
Capital additions in accounts payable	$ 1,078,978	$ 517,766

(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, 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 resources 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, 2014 or 2013.

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, 2015, that designated balance was $8,216,732.

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.

<u>Basis of Accounting</u>

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. All inter-fund accounts and transactions have been eliminated.

Trust Indenture

The Trust Indenture, dated January 1, 2000, requires that revenues of the Authority be deposited with The Bank of New York 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, 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:

Operating Reserve Fund - To have available two months of estimated operating expenses.

Debt Service Fund/Bond Fund - To pay current interest and principal on bonds.

Debt Service Reserve Fund - To pay principal and interest at maturity or redeem prior to maturity.

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

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

Revenue Fund - To collect Authority revenue receipts and disburse monies collected to other funds as required by the Trust Indenture.

City Meter/Wharf Funds - To pay the City its share of wharf and meter collections after debt service requirements have been satisfied.

Excess Coverage Fund - Funds available for compliance with the rate covenant.

Noncurrent Cash and Investments

Cash and investments that are (1) externally restricted to make debt service payments, or to maintain sinking or reserve funds, and (2) 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, 2014 and 2013, capitalized interest was $12,949 and $14,523, 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, 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

Any cash escrowed, restricted for noncurrent assets, or in funded reserves has not been included as cash for the purpose of the statements of cash flows.

Premiums and Discounts

Original issue bond premiums and discounts are amortized over the life of the related bonds using the straight-line method, which approximates the effective interest method of amortization.

Deferred Outflows 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 only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statements of net position. 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.

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.

Recently Adopted GASB Statements

The Authority has adopted GASB Statement No. 67, *"Financial Reporting for Pension Plans,"* effective for periods beginning after June 15, 2013. This Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement and addresses accounting and financial reporting for the activities of pension plans that are administered through trusts that have certain characteristics. The adoption of this Statement has no impact on the financial statements.

The Authority has adopted GASB Statement No. 69, *"Government Combinations and Disposals of Government Operations,"* effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The adoption of this Statement has no impact on the financial statements.

The Authority has adopted GASB Statement No. 70, *"Accounting and Financial Reporting for Non-exchange Financial Guarantees,"* effective for periods beginning after June 15, 2013. This Statement specifies the information required to be disclosed by governments that extend non-exchange financial guarantees, and requires a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The adoption of this Statement has no impact on the financial statements.

Recent Statements Issued by GASB

GASB has issued Statement No. 68, *"Accounting and Financial Reporting for Pensions,"* effective for periods beginning after June 15, 2014 and Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date*," effective for periods beginning after June 15, 2014. These Statements revise existing guidance for the financial reports of most pension plans, and establish new financial reporting requirements for most governments that provide their employees with pension benefits. The effect of implementation of these Statements has not yet been determined.

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

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:

	2014	2013
Cash in bank	$ 10,648,973	$ 8,529,632
Cash on hand	145,045	205,252
Total	$ 10,794,018	$ 8,734,884

Cash shown above includes $10,541,274 and $8,506,801 of restricted cash as of December 31, 2014 and 2013, respectively, as required by the Authority Trust Indenture, the Cooperation Agreement with the City of Pittsburgh with respect to the Pittsburgh Parking Court operations, and other escrow items.

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 $23,268,239 and $18,453,778 as of December 31, 2014 and 2013, 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, 2014 and 2013, are as follows:

	2014	2013
1992 Trust Indenture - City Meter/Wharf Fund	$ 601,029	$ 594,360
2000 Trust Indenture:		
Renewal and Replacement Fund	3,209,636	3,209,636
Bond Fund	970,092	969,526
Rebate Fund	126,126	126,126
Debt Service Reserve Fund	3,626,762	3,625,876
Revenue Fund	8,654,087	10,082,954
Operating Reserve Fund	5,007,888	4,492,184
Coop Fund	108,291	112,592
Total 2000 Trust Indenture	21,702,882	22,618,894
Total Investments, Restricted	$ 22,303,911	$ 23,213,254

As of December 31, 2014, the Authority had the following investments. Blackrock and J.P. Morgan are invested in 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%		AAAm	Aaa-mf
BlackrockPif Temporary Fund	22,576,291	49.5%		AAAm	Aaa
Federal Home Loan Bank Discount	3,547,848	7.8%	5/29/2015	A-1+	P-1
Total	$ 45,572,150	100%			

As of December 31, 2013, the Authority had the following investments. Blackrock and J.P. Morgan are invested in mutual fund investment pools.

				December 31, 2013 Rating	
Investment	Amount	Percentage of Total Investment	Maturity	Standard & Poor's	Moody's Investors Service
J.P. Morgan U.S. Government Securities	$ 20,387,593	48.9%		AAAm	Aaa-mf
BlackrockPif Temporary Fund	17,732,479	42.6%		AAAm	Aaa
Federal Home Loan Bank Discount	3,546,960	8.5%	5/30/2014	A-1+	P-1
Total	$ 41,667,032	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 $3,214,197 and $3,224,708 at December 31, 2014 and 2013, respectively.

5. Capital Assets and Leasehold Improvements

Capital assets and leasehold improvements activity for the year ended December 31, 2014 is 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	

Capital assets and leasehold improvements activity for the year ended December 31, 2013 was as follows:

	December 31, 2012 Balance	Additions	Disposals	Transfers	December 31, 2013 Balance	Estimated Useful Lives
Nondepreciable capital assets:						
Land	$ 26,053,516	$ -	$ -	$ -	$ 26,053,516	
Construction in progress	2,623,789	5,248,679	-	(7,528,208)	344,260	
Total nondepreciable capital assets	28,677,305	5,248,679	-	(7,528,208)	26,397,776	
Depreciable capital assets:						
Parking facilities	160,761,463	60,698	(1,173,833)	5,101,805	164,750,133	3-50 years
Machinery and equipment	6,671,706	400,234	(327,863)	316,602	7,060,679	3-10 years
Total depreciable capital assets	167,433,169	460,932	(1,501,696)	5,418,407	171,810,812	
Total capital assets	196,110,474	5,709,611	(1,501,696)	(2,109,801)	198,208,588	
Less accumulated depreciation	83,876,645	4,638,950	(1,501,696)	-	87,013,899	
Net capital assets	112,233,829	1,070,661	-	(2,109,801)	111,194,689	
Leasehold improvements	10,877,199	-	(298,241)	2,109,801	12,688,759	5-50 years
Less accumulated amortization	1,775,799	878,377	(272,973)	-	2,381,203	
Net leasehold improvements	9,101,400	(878,377)	(25,268)	2,109,801	10,307,556	
Total capital assets and leasehold improvements, net	$ 121,335,229	$ 192,284	$ (25,268)	$ -	$ 121,502,245	

6. CHANGES IN LONG-TERM LIABILITIES

A summary of long-term obligation transactions for the Authority for the years ended December 31, 2014 and 2013 is as follows:

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

2013	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable - revenue bonds payable	$ 85,974,566	$ 736,708	$ (5,690,000)	$ 81,021,274	$ 4,503,814
Other noncurrent liabilities:					
Greyhound (unearned rent/revenue)	$ 5,357,717	$ -	$ (208,066)	$ 5,149,651	$ 208,068
Other postemployment benefits	671,540	23,734	(33,547)	661,727	-
Capital lease obligations	240,450	46,094	(105,995)	180,549	114,363
	$ 6,269,707	$ 69,828	$ (347,608)	$ 5,991,927	$ 322,431

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 three- to five-year capital leases for equipment. The leases are to be paid in cumulative monthly installments of $10,632, and have expiration dates ranging from June 1, 2015 through April 20, 2016 with imputed interest of 4.25% - 12%. The carrying value of the leased equipment is $64,467 and $167,824 at December 31, 2014 and 2013, respectively.

Additional information regarding bonds payable is included in Note 7.

7. REVENUE BONDS PAYABLE

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 remaining 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, 2014 and 2013 was $24,321 and $24,321, respectively. The 2005 Series Bonds are 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 is 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) is being accreted over the life of the bonds. The portion of accreted interest attributable to bonds scheduled to mature within one year is reported as a component of accrued interest payable, while the portion of accreted interest attributable to long-term bonds is reported as a component of long-term debt.

	2005 Series Bonds	
	2014	2013
Series A current interest bonds	$ 1,400,000	$ 1,400,000
Series B current interest bonds	29,650,000	29,650,000
Series A capital appreciation bonds	2,556,155	3,731,665
Series B capital appreciation bonds	5,990,755	7,414,058
Subtotal	39,596,910	42,195,723
Plus unamortized premium	289,911	314,240
Appreciated value - Series A capital appreciation bonds	778,555	1,185,964
Appreciated value - Series B capital appreciation bonds	2,541,943	2,842,251
Unamortized discount	(18,006)	(19,517)
Subtotal	3,592,403	4,322,938
Total	$ 43,189,313	$ 46,518,661

The aggregate maturities of the 2005 Series Bonds for fiscal years ending after December 31, 2014 are as follows:

Year Ended December 31,	Principal	Interest	Total
2015	$ 2,454,795	$ 2,840,205	$ 5,295,000
2016	2,247,586	2,922,414	5,170,000
2017	1,978,363	2,931,637	4,910,000
2018	1,866,166	3,028,834	4,895,000
2019	3,550,000	1,430,000	4,980,000
2020-2024	15,750,000	4,896,500	20,646,500
2025-2026	11,750,000	793,590	12,543,590
	$ 39,596,910	$ 18,843,180	$ 58,440,090

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, 2014 and 2013 was $141,357 and $141,357, respectively.

	2005 Refunding Series	
	2014	2013
Series A refunding	$ 30,430,000	$ 32,335,000
Series B refunding	250,000	250,000
Subtotal	30,680,000	32,585,000
Plus unamortized premium	738,168	800,112
Unamortized discount	(15,738)	(17,059)
Subtotal	722,430	783,053
Total	$ 31,402,430	$ 33,368,053

The aggregate maturities of the 2005 Refunding Series Bonds for fiscal years ending after December 31, 2014 are as follows:

Year Ended December 31,	Principal	Interest	Total
2015	$ 2,005,000	$ 1,496,130	$ 3,501,130
2016	2,100,000	1,398,830	3,498,830
2017	2,210,000	1,293,830	3,503,830
2018	2,325,000	1,185,830	3,510,830
2019	2,435,000	1,074,380	3,509,380
2020-2024	14,190,000	3,430,110	17,620,110
2025-2026	5,415,000	359,780	5,774,780
	$ 30,680,000	$ 10,238,890	$ 40,918,890

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

	2014	2013
2005 Series Bonds	$ 43,189,313	$ 46,518,661
2005 Refunding Series	31,402,430	33,368,053
Bonds payable per statements of net position	74,591,743	79,886,714
Accreted interest reported as accrued interest payable on statements of net position	1,264,610	1,134,560
Total	$ 75,856,353	$ 81,021,274

The bond agreements contain certain financial covenants that require, among other things, the maintenance of specified debt coverage ratios. As of December 31, 2014 and 2013, 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	596/0
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	480/150
Grant Street Transportation Center	September 2008	991/0
On-street meters	Various	7,046
Metered lots	Various	1,765

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 contract expired on December 31, 2014 and the parties operated on a month-to-month basis until April 2015 when a new contract was executed. 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.

Cooperation Agreement with the City of Pittsburgh

In February 2000, the Authority and the City amended the Cooperation Agreement between them dated February 5, 1995. Among other things, the 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.

The City has 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 has reduced the annual payment in lieu of real estate taxes from $1.9 million to $1,301,716 and $1,340,787 for the years ended December 31, 2014 and 2013, respectively. Effective for 2015, the City and the Authority amended the Cooperation Agreement, eliminating the reduction to the payment in lieu of real estate taxes by the Oliver Garage Parking. The payment will be due on 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.

At the City's request, the Board authorized additional payments of $2.6 million and $1.3 million, respectively, to the City of Pittsburgh, provided the Authority was able to meet its debt service ratio coverage each year. The Authority made the additional payments of $2.6 million and $1.3 million dollars to the City in 2014 and 2013, respectively.

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, 2012, and expires September 30, 2015.

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 began on October 1, 2012, and expires September 30, 2015.

9. PENSION PLANS

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.

As of the date of the most recent valuations, participants in the Plan were as follows:

	2014	2013
Participants:		
Retirees and beneficiaries	27	28
Deferred vested	8	8
Deferred nonvested	1	1
Active employees:		
Vested	39	39
Partially vested	15	16
Nonvested	8	9
	98	101

<u>Contributions and Funding Policy</u>

The annual required Authority contribution for the Plan years beginning January 1, 2014 and 2013 was determined as part of the January 1, 2014 and 2013 actuarial valuation, respectively; using the entry age normal cost method. The normal cost for each active participant is the level percentage of compensation required annually from his or her employment to his or her assumed retirement date to fund his or her expected benefits. The normal percentage of payroll was 14.74% and 14.47%, per the January 1, 2014 and 2013 actuarial valuations, respectively. The accrued liability at any time is the excess of the present value of the future benefits of all Plan participants over the present value of the future normal costs for active participants. The excess of that liability over the actuarial value of assets represents the unfunded accrued liability. Per the January 1, 2014 and 2013 actuarial valuations, the Plan has an unfunded accrued liability of ($715,121) and $223,342, respectively. The actuarial assumptions included a 7% investment rate of return and a 5% projected salary increase per year for both 2014 and 2013. The assets of the Plan are primarily invested in equities and mutual funds. The actuarial value of the assets is based on the actuarial valuation method where asset gains and losses are determined each year by calculating the difference between the expected market value (based on the funding rate of investment) 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 a minimum of 80% and a maximum of 120% of the fair value. Employees are required to contribute 5% of their gross pay into the Plan with interest paid on these funds at 6% for both 2014 and 2013.

For the Plan years ended December 31, 2014, 2013, and 2012, the Authority's annual required pension contributions were $396,234, $392,223, and $377,246, respectively. The Authority contributed 100% of the required amount in each respective year.
Administrative costs, including investment and custodial trustee fees, are charged to the Plan and funded from investment earnings. Information relating to the funding status of the Plan is disclosed in the Required Supplementary Information.

Defined Benefit Plan

The Authority had 52 and 53 facility employees in the years ended December 31, 2014 and 2013, respectively, who are participants in a multiple-employer defined benefit plan administered through the Western Pennsylvania Teamsters and Employers Pension Fund (Pension Fund). 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. No employee contributions are required or permitted. Total pension expense for the participating employees was $205,488, $189,036, and $166,134 for the calendar years 2014, 2013, and 2012, 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.

Other Post-Employment Benefits

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:

	2014	2013
Annual required contribution	$ 109,961	$ 103,737
Interest on net OPEB obligation	39,703	40,292
Adjustment to annual required contribution	(118,538)	(120,295)
Annual OPEB cost (expense)	31,126	23,734
Contribution made	(31,731)	(33,547)
Change in net OPEB obligation	(605)	(9,813)
Net OPEB obligation - beginning of year	661,727	671,540
Net OPEB obligation - end of year	$ 661,122	$ 661,727

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
2014	$ 31,126	100.00%	$ 661,123
2013	23,734	141.00%	661,727
2012	88,639	217.00%	671,540

As of January 1, 2013, the date of the most recent actuarial valuation, the actuarial accrued liability for benefits was $602,901, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) is $2,710,122, and the ratio of unfunded actuarial accrued liability to covered payroll was 22.2%. The contributions made as a percentage of required contributions for the years ended December 31, 2014, 2013, and 2012 were 100.00%, 141.00%, and 217.00%, 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. Therefore, the contributions made on behalf of retirees is subsidized by premiums paid on behalf of active employees in the amount of $29,037, $27,221, and $31,855 for the years ended December 31, 2014, 2013, and 2012, respectively. 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, 2013 valuation:

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

10. 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.

11. 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.

12. Natural Classifications with Functional Classifications

The operating expenses within both natural and functional classifications for the years ended December 31, 2014 and 2013 are as follows:

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	1,692,900	157,590	125,153	-	-	537,719	-	327,225	5,708	2,846,295
Total	$ 7,533,541	$ 439,704	$ 3,664,451	$ 2,172,750	$ 9,271,657	$ 2,672,280	$ 1,843,333	$ 5,452,206	$ 235,807	$ 33,285,729

2013

	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	$ 3,289,171	$ 77,856	$ 2,140,321	$ 343,792	$ 8,010,371	$ 822,108	$ 1,815,653	$ 4,424,886	$ 202,480	$ 21,126,638
Parking enforcement and meter services	2,258,412	172,267	1,007,497	-	603,948	911,481	-	855,940	52,894	5,862,439
Parking court	251,581	3,408	24,078	1,755,620	-	107,668	-	-	637	2,142,992
Administrative	1,638,192	161,028	126,756	-	-	478,892	-	310,947	4,934	2,720,749
Total	$ 7,437,356	$ 414,559	$ 3,298,652	$ 2,099,412	$ 8,614,319	$ 2,320,149	$ 1,815,653	$ 5,591,773	$ 260,945	$ 31,852,818

Required Supplementary Information

PUBLIC PARKING AUTHORITY OF PITTSBURGH

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

SCHEDULE OF FUNDING PROGRESS FOR PENSION PLAN

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
1/1/2012	$ 8,767,808	$ 10,049,713	$ (1,281,905)	87.24%	$ 2,832,998	-45.25%
1/1/2013	9,925,273	10,148,615	(223,342)	97.80%	2,829,059	-7.89%
1/1/2014	11,083,440	10,368,319	715,121	106.90%	2,877,895	24.85%

Source: Actuarial reports. Valuation performed on an annual basis.

See accompanying note to schedule of funding progress for pension plan.

NOTE TO SCHEDULE OF FUNDING PROGRESS

YEAR ENDED DECEMBER 31, 2014

Actuarial valuation date	January 1, 2014
Actuarial cost method	Entry age normal
Amortization method	Funding adjustment is equal to 10% of the unfunded actuarial accrued liability.
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.

Acturial assumptions:	
Investment rate of return (net of expenses)	7.0%
Projected salary increases	5.0%
Change in benefit provisions:	
Cost of living adjustments	N/A
Killed-in-service benefit	N/A

PUBLIC PARKING AUTHORITY OF PITTSBURGH

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

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)
10/01/08	$ -	$ 974,839	$ 974,839	0.0%	$ 527,280	184.88%
10/01/10	-	857,983	857,983	0.0%	2,675,858	32.06%
*1/1/2013	-	602,901	602,901	0.0%	2,710,122	22.25%

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.