

Allegheny County Airport Authority

(A Component Unit of County of Allegheny,
Pennsylvania)

Financial Statements as of and for the Years
Ended December 31, 2009 and 2008, and
Independent Auditors' Report

ALLEGHENY COUNTY AIRPORT AUTHORITY
(A Component Unit of County of Allegheny, Pennsylvania)

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INDEPENDENT AUDITORS' REPORT

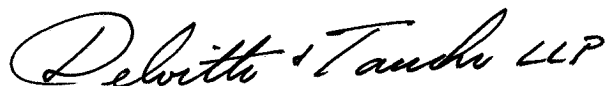
To the Board of Directors of
Allegheny County Airport Authority:

We have audited the accompanying statements of net assets of the Allegheny County Airport Authority (the "Authority"), a component unit of County of Allegheny, Pennsylvania, as of December 31, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, on pages 2 to 10, which is the responsibility of the Authority's management, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



March 25, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Allegheny County Airport Authority's (the "Authority") discussion and analysis is presented to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, and (c) identify changes in the Authority's financial position. Management encourages the reader to consider Management's Discussion and Analysis ("MD&A") of the Authority's financial performance in conjunction with the information contained in the Authority's financial statements.

THE AIRLINE OPERATING AGREEMENT

Pittsburgh International Airport ("PIT" or the "Airport") is operated by the Authority pursuant to the Airline Operating Agreement and the Amended and Restated Airline Operating Agreement (collectively, the "AOA"). The AOA is structured as a residual agreement and has been signed by: Air Tran, American Airlines, British Airways, Chautauqua Airlines, Continental Air, Delta Airlines, JetBlue Airways, Mesa Airlines, Northwest Airlines, Southwest Airlines, United Airlines, and US Airways.

Airline revenue at PIT is based upon a residual arrangement as determined in the AOA. Airlines that sign this agreement ("Signatory Airlines") agree to pay for the operations of the Airport based upon a Rates and Charges calculation that takes into account all revenues, expenses and debt service at PIT, as well as creating certain funds to be used for capital expenditures. The AOA is designed to minimize the landing fee, terminal rent and ramp fee costs to the Signatory Airlines while assuring the payment of all net operating costs and debt service related to PIT. The importance of this ratemaking methodology is critical to protect the Authority against the financial impact of airline bankruptcies, especially in consideration of the filings for the past couple of years by US Airways, Independence Air (now liquidated), Delta Airlines, Northwest Airlines, and United Airlines under the United States Bankruptcy Code. These bankruptcy filings, also underscore the continued uncertainty and the absence of consistent profitability in the airline industry. Note that US Airways emerged from bankruptcy on September 29, 2005, and United Airlines emerged from bankruptcy on February 1, 2006. Delta Airlines and Northwest Airlines, both of which began 2007 under bankruptcy protection, emerged from this protection in the spring of 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. Revenues are recognized when earned, and expenses are recognized when incurred. Capital assets are recorded in Land, Building and Equipment accounts and are depreciated over their useful lives (except land). See notes to the financial statements for a summary of the Authority's Organization and significant financial policies.

The Authority is responsible for the operation of the facilities at PIT and the Allegheny County Airport ("AGC").

Following this discussion and analysis are the basic financial statements of the Authority, including the notes, which are essential to a full understanding of the data contained in the financial statements. The Authority's basic financial statements are designed to provide readers with a broad overview of the Authority's financial position and activities.

The *Statement of Net Assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the Authority's financial position.

The *Statement of Revenues, Expenses and Changes in Net Assets* presents information showing the change in the Authority's net assets during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are recorded and reported in this statement for some items that will result in cash flows in future periods.

The *Statement of Cash Flows* relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in this statement. Reconciliation is provided at the bottom of the Statement of Cash Flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

SIGNIFICANT EVENTS/FINANCIAL HIGHLIGHTS

Throughout 2009, the Authority continued to experience service changes made by passenger carriers serving Pittsburgh International Airport. Enplaned passengers at the Airport declined 7.8% as compared to 2008. While significant changes to passenger levels in previous years were primarily driven by the "de-hubbing" of US Airways at PIT, the recent declines are due to the airline's continued a gradual downsizing of its operation at the Airport in 2009. US Airways passenger levels fell to 28.5% by the end of 2009 and US Airways mainline service alone accounted for 70% of the total passenger reduction in 2009 at the Airport. Additional carriers that materially contributed to the reduction in enplaned passengers include Delta/Northwest, whose merger was completed in 2009, with a reduction of 20.2% and United, which dropped 16.7%. On a positive note, two carriers experienced passenger level increases during the year. They include Southwest, with an increase of 3.0% and AirTran whose passenger levels rose 24.7%. Although passengers decreased as compared to 2008, management remains pleased that O&D traffic (non-connecting passengers who begin or end their trip at Pittsburgh International) remains strong. Management continues to attribute the strong performance in O&D enplanements to lower fares charged by the low cost carriers operating at PIT that have succeeded in attracting more travelers. PIT's average fare of \$151 continues to be below the national average of \$166 (per Aviation Data Group 3rd quarter 2009) as a result of increased competition. Similar sized airport cities such as Cleveland (average fare \$174) and Cincinnati (average fare \$209) reflect dominant carrier pricing. In addition, passengers that flew from PIT are, as a result of the lower fares, coming from a broader geographic area.

Pursuant to Federal Aviation Administration ("FAA") approval received, the Authority continued to apply Passenger Facility Charges ("PFC") revenue to reduce debt service costs, resulting in decreased airline rates and charges. The total amount of PFC's allocated to debt service in 2009 was \$13.2 million. In accordance with the approved PFC program, the Authority anticipates future application of PFC revenues in a similar fashion.

Through the end of 2009, Allegheny County (the "County") was a designee as a recipient of revenues generated from casinos and racinos authorized to operate pursuant to the Pennsylvania Race Horse Development and Gaming Act (the "Gaming Act"). Originally the Gaming Act legalized slot machine parlors in race tracks and stand-alone facilities. In 2010, the Gaming Act was amended to allow table games. The County is eligible to receive up to five percent (5%) of the annual net revenues, on an annual basis not to exceed \$150 million for up to a twelve-year period, generated from gaming operations in Pennsylvania. The County, the direct recipient of the funds, received \$42.5 million of these revenues prior to the close of 2009 to complete the repayment of the \$42.5 million capital contribution that the County made toward the original construction of the Airport, which the County funded with the issuance of its General Obligation Bonds. The balance of the amounts due to the Authority of \$107.5 million ("Gaming Revenues") is payable to the Authority over the next ten years. In June 2009, the Authority executed a grant anticipation loan (the "Grant Anticipation Loan") with PNC Bank, N.A. in the amount of \$20 million. The proceeds of this transaction were used to reimburse the Authority for \$6.5 million utilized to reduce rates and charges in 2008 and to apply \$4.6 million to reduce airline rates and charges in 2009. The Grant Anticipation Loan was secured by a

pledge of the future installments of the Gaming Revenues to be received throughout the remaining ten year period. The Authority repaid \$5 million of the Grant Anticipation Loan in January 2010, which was in excess of, and in advance of, the first installment of \$4 million which would have otherwise been due on January 15, 2011. Amended legislation was enacted in early 2010, designating the Authority as the formal recipient of the Gaming Revenues. The Authority anticipates applying the remaining \$107.5 million to: (i) repay the Gaming Grant Anticipation loan; (ii) reduce debt service payments on the Authority's General Airport Revenue Bonds ("GARBs"), thereby reducing the costs charged to the airlines operating from PIT; and (iii) for other purposes permitted under the Gaming Act.

The parking operation at PIT is the largest non-aviation revenue generator for the Airport. Almost \$24 million of parking revenue was included in the results of the Airport for 2009. Management expects net parking revenues to decrease slightly in 2010 because of necessary capital improvements that will have a short-term impact on space availability. The Airport currently has approximately 2,100 short term parking spaces, 3,100 long term parking spaces, and 8,000 extended term parking spaces.

As a result of US Airways' reduction in operations at the Airport, and to mitigate the costs of operating the terminal facilities, the Authority decided in January 2008 to decommission a portion of the A and B Concourses that were not expected to be needed for current airline activity levels. These areas are the extensions of the A and B Concourses and consist of 26 gates and approximately 97,500 square feet. The annual savings from reduced utilities, custodial costs, and contracted maintenance and repair on the moving sidewalks was approximately \$950,000. These areas continue to be maintained with necessary heating and cooling to preserve facility conditions and either, or both, areas on the two concourses could be reactivated and ready for occupancy in several days if needed for future operational expansion.

In addition to the annual application of approximately \$10 million in Gaming Act Revenues, the Authority plans on continuing to apply \$15 million per year of collected PFC's towards Airport debt service. Consistent with the AOA, the net cost of operating the Airport is passed through on to signatory air carriers through airline rates and charges. This reduction in fees directly benefited carriers' level of profitability at the Airport. The Authority intends to continue the application of these funds throughout the duration of the receipt of Gaming Act Revenues and the PFC authorization applicable to the use of PFC funds. Management is actively monitoring and adjusting the operation of the Airport to match the activity of the airline tenants. Operating costs have been reduced wherever possible, non-airline revenues enhanced, and innovative ideas that improve the efficiency of the Airport implemented.

The following represents the Authority's summary of changes in net assets (in thousands):

	2009	2008	2007	% Change 2009 / 2008
Operating Revenue	\$ 135,854	\$ 131,922	\$ 143,445	3.0 %
Operating Expenses	<u>84,120</u>	<u>85,031</u>	<u>82,347</u>	(1.1)%
Operating Income before Depreciation and Amortization	<u>51,734</u>	<u>46,891</u>	<u>61,098</u>	10.3 %
Depreciation and Amortization	<u>68,988</u>	<u>66,411</u>	<u>69,159</u>	3.9 %
Operating Loss	(17,254)	(19,520)	(8,061)	(11.6)%
Non-Operating Income	44,305	42,891	50,460	3.3 %
Non-Operating Expenses	<u>(26,855)</u>	<u>(28,746)</u>	<u>(30,574)</u>	(6.6)%
Increase (Decrease) in Net Assets	196	(5,375)	11,825	(103.6)%
Net Assets, beginning of year	<u>366,370</u>	<u>371,745</u>	<u>359,920</u>	(1.4)%
Net Assets, end of year	<u>\$ 366,566</u>	<u>\$ 366,370</u>	<u>\$ 371,745</u>	0.1 %

REVENUES

A summary of revenues for the years ended December 31, 2009, 2008 and 2007 is as follows (in thousands):

Operating Revenue	2009	2008	2007	% Change 2009 / 2008
Landing fees	15,798	16,241	17,727	(2.7)%
Terminal area airline fees	60,004	53,134	64,881	12.9 %
Other aeronautical revenue	9,912	8,063	8,275	22.9 %
Parking revenues	23,960	24,488	24,696	(2.2)%
Rent-a-car revenues	10,391	11,141	11,360	(6.7)%
Terminal concessions	6,773	10,465	7,605	(35.3)%
Other non-aeronautical revenue	6,495	6,118	6,553	6.2 %
AGC revenues	<u>2,521</u>	<u>2,272</u>	<u>2,348</u>	11.0 %
Total Operating Revenue	<u>\$ 135,854</u>	<u>\$ 131,922</u>	<u>\$ 143,445</u>	3.0 %

Operating Expense	2009	2008	2007	% Change 2009 / 2008
Salaries, wages and benefits	\$ 32,162	\$ 31,326	\$ 32,125	2.7 %
Utilities	12,211	12,886	12,629	(5.2)%
Cleaning and maintenance services	14,077	14,125	13,983	(0.3)%
Professional services	14,925	15,818	13,410	(5.6)%
Other	<u>8,215</u>	<u>7,962</u>	<u>7,195</u>	3.2 %
Pittsburgh International Airport expenses	81,590	82,117	79,342	
Allegheny County Airport expenses	2,530	2,913	3,005	(13.1)%
Depreciation and amortization	<u>68,988</u>	<u>66,412</u>	<u>69,159</u>	
Total Operating Expense	<u>\$ 153,108</u>	<u>\$ 151,442</u>	<u>\$ 151,506</u>	1.1 %
Nonoperating Revenue (Expense)	2009	2008	2007	% Change 2009 / 2008
Interest expense	\$ (26,572)	\$ (28,259)	\$ (30,742)	(6.0)%
Interest income	4,298	5,494	9,845	(21.8)%
Passenger facility charge income	16,530	17,680	20,519	(6.5)%
Grants from governmental agencies	23,455	19,180	19,946	22.3 %
(Loss) gain on disposal of assets	(4)	(436)	150	(99.1)%
Miscellaneous income (expense)	(279)	539	197	(151.8)%
Other	<u>22</u>	<u>(52)</u>	<u>(29)</u>	(142.3)%
Total Nonoperating Revenue (Expense)	<u>\$ 17,450</u>	<u>\$ 14,146</u>	<u>\$ 19,886</u>	23.4 %

2009

Total operating revenues finished the year \$3.9 million, or 3%, higher compared to 2008. Changes in landing and terminal fees were primarily a result of airline rate changes between 2008 and 2009 as well as from changes in airline operations. Parking and rent-a-car revenues finished the year \$1.28 million lower than 2008. These were due, in part, to the temporary closure of some parking spaces during repair activities, changes in passenger activity levels and industry/national economic conditions.

Total operating expenses were \$1.67 million more in 2009 as compared to 2008. This amount is directly related to the increase in depreciation and amortization of \$2.1 million as compared to 2008. This non-cash expense does not factor into the Authority's airline rate calculation and does not impact airline user fees. The Authority has remained diligent in containing operating costs. Excluding depreciation and amortization, the Authority's operating expenses decreased \$446,000 compared to 2008.

Driven by sliding investment rates, interest income in 2009 was \$1.2 million less than 2008. Interest expense was \$1.69 million lower reflecting the amortization of long-term debt and lower interest payments required on short-term, variable rate instruments. PFC revenues decreased \$1.15 million due to fewer enplaned passengers as compared to the previous year. Government grants were \$4.28 million higher and included federal government stimulus funds from the American Recovery and Reinvestment Act of 2009 ("ARRA") of approximately \$766,000. The total amount awarded under ARRA is \$11.5 million. The Allegheny County Airport Authority was the first in the nation to receive such funds for Pittsburgh International and County Airport.

2008

Total operating revenues finished the year \$11.5 million, or 8%, lower compared to 2007. Changes in Aviation and Rentals are primarily a result of lower net costs passed through to the airlines via the rate base primarily due to lower debt service costs in 2008.

Total operating expenses were \$64,000 less in 2008 as compared to 2007. A reduction in headcount of ten full time employees contributed to a decrease in salaries, wages and benefits. Additionally, the depreciation expense was less due to certain assets becoming fully depreciated. The increase in professional services expense is principally due to police expenses, including the arbitration award of police, and legal fees in connection with litigation which has since been settled.

Interest income in 2008 was almost \$4.4 million less than in 2007, which was partially offset by lower interest expenses of nearly \$2.5 million – both being driven by lower interest rates in general. Also, as Authority debt matures or is refunded, as in the case of a portion of the Series 1997 Bonds, interest expense will continue to decline. Additionally, PFC revenues were about \$2.8 million lower. Approximately \$10.0 million of the PFC revenues were used to offset debt service as approved by the FAA. Additionally \$6.5 million of other internal financing was applied to debt service.

FINANCIAL POSITION

The following represents the Authority's financial position at December 31, 2009, 2008 and 2007:

Assets	2009	2008	2007	% Change 2009 / 2008
Current Assets — Unrestricted	\$ 26,114	\$ 24,047	\$ 22,620	8.6 %
Current Assets — Restricted	145,121	124,085	173,370	17.0 %
Net Property and Equipment	764,131	792,390	796,179	(3.6)%
Other Assets	<u>4,441</u>	<u>5,212</u>	<u>5,769</u>	(14.8)%
Total Assets	<u>\$939,807</u>	<u>\$945,734</u>	<u>\$997,938</u>	(0.6)%
Liabilities	2009	2008	2007	% Change 2009 / 2008
Current payable from Unrestricted Assets	\$ 15,570	\$ 16,865	\$ 16,808	(7.7)%
Current payable from Restricted Assets	81,740	68,599	80,628	19.2 %
Long-Term Liabilities	<u>475,931</u>	<u>493,899</u>	<u>528,757</u>	(3.6)%
Total Liabilities	<u>\$ 573,241</u>	<u>\$ 579,363</u>	<u>\$ 626,193</u>	(1.1)%
Net Assets	2009	2008	2007	% Change 2009 / 2008
Invested in Capital Assets, net of Related Debt	\$ 329,379	\$ 316,592	\$ 266,109	4.0 %
Restricted Net Assets	66,024	74,007	99,791	(10.8)%
Unrestricted Net Assets (Deficit)	<u>(28,837)</u>	<u>(24,229)</u>	<u>5,845</u>	19.0 %
Total Net Assets	<u>\$ 366,566</u>	<u>\$ 366,370</u>	<u>\$ 371,745</u>	0.1 %

The increase in current assets – restricted is due to the increase in cash and cash equivalents and investments attributable to receipt of the Grant Anticipation Loan proceeds coupled with the increase in grants receivable from governmental agencies. Net assets continue to moderately fluctuate each year as a result of the reduction of long-term liabilities from year to year as well as benefiting from PFC’s and grant income. The unrestricted net assets deficit at December 31, 2009 was principally a result of borrowings on the revolving line of credit and the Gaming Grant Anticipation loan.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets — The Authority’s capital assets at cost, net of depreciation as of December 31, 2009 and 2008, respectively, amounted to \$764,130,921 and \$792,389,920. The capital assets include land and land improvements (including runways and taxiways), buildings and building improvements, equipment, furniture and fixtures, as well as construction in progress. The total increase in the Authority’s capital assets before accumulated depreciation for 2009 and 2008 was 2.2% and 3.3%, respectively.

Major capital projects in progress and expenditures incurred during 2009 included the following:

• Rehabilitation of Taxiways and runways	\$11,760,717
• Security system enhancements	481,565
• Terminal enhancements	4,019,129
• Non-airfield property development	10,920,317
• Snow removal and deicing facilities	9,901,224

Major capital projects in progress and expenditures incurred during 2008 included the following:

• Rehabilitation of Taxiways and runways @ PIT	\$17,773,523
• Security system enhancements	8,633,464
• Terminal enhancements	10,352,337
• Non-airfield property development	6,159,808
• Snow removal and deicing facilities	12,225,686

Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method.

Acquisitions are funded using a variety of financing techniques, including Federal grants, State grants, PFC’s, debt issuance, and airline rates and charges. Further detailed information can be found in the notes to the financial statements.

Debt Administration — As of December 31, 2009 and 2008, the Authority’s long-term debt outstanding totaled \$484,642,459 and \$499,414,823, respectively. Principal payments of \$37,487,277 and \$54,250,276 were made in 2009 and 2008. The reduction in principal payments in 2009 compared to 2008 is the result of debt service payments due to the bondholders on January 1, 2009 being paid at the end of December 2008 of \$35,450,000.

Detailed information regarding the Authority’s long-term debt can be found in the notes to the financial statements.

BUDGETARY HIGHLIGHTS

The Authority is required to prepare an estimate of the Signatory Airlines Annual Rates and Charges to be submitted to the Signatory Airlines for review and comment. In order to prepare the estimated Annual Rates and Charges calculation the Authority prepares an operating budget for all revenues, expenses and capital

items. The budget is prepared in accordance with the covenants contained in bond indentures and the AOA. The Authority is not required to demonstrate statutory compliance with its operating budget. Accordingly, budgetary data is not included in the basic financial statements. Unexpended operating appropriations lapse at fiscal year-end.

ECONOMIC FORECAST

Economic conditions expected for 2010 are essentially highlighted by the demonstrated stability of the region. While the county suffered job losses, personal income declines and lagging home prices during the current recession, the Pittsburgh region has not experienced the magnitude of such troubles as compared to other parts of the nation. It is anticipated that the region will continue to outperform the national averages in areas such as unemployment and job growth throughout 2010. Much of the stability in the region can be attributed to the presence of respected educational and healthcare institutions. While the region did not see dramatic increases in housing prices that occurred in other parts of the U.S. as a result of housing speculation, Pittsburgh did maintain a level of steadiness in housing prices during the current recession. The bottom line is that the Pittsburgh region has remained more stable than other areas and did not experience as many negative impacts as a result of the lethargic national economic conditions.

Statistics for 2009 indicate that domestic air travel declined overall during the year as compared to 2008. Looking forward to 2010, national passenger growth is expected to remain relatively flat as compared to 2009. While this is not entirely comforting news for the air service industry it does, however, indicate a stabilization of passenger levels that have suffered declines over the last several years. Total enplanements at PIT were 4.0 million in 2009, a decrease of 7.8% compared to 2008. Several airlines added service at the Airport in 2009, increasing their capacity and enplanements, resulting in US Airways now serving less than 29% of the travelers at PIT, down from a high of 87.6% in 2001. Throughout the year US Airways eliminated flights to seven different cities from the Airport but all of these flights were added back by other carriers demonstrating the strength of PIT's O&D market. Delta began non-stop service to Paris (CDG) in June 2009, United Airlines added new service to San Francisco and Los Angeles in September of 2009 and, most notably, AirTran added 2 daily flights to Fort Lauderdale, increased their service to Orlando and added service to Ft. Meyers, FL. Southwest Airlines is now the second most active carrier at PIT measured by the number of enplanements with 18.6% of 2009's total.

Strategically, the Authority is committed to making PIT a low cost airport while maintaining its high quality services and customer focus. Management believes that this goal will be achieved by limiting incurring occurrences of new debt, diligently managing expenditures for both operating and capital items, and maximizing non-airline revenues. It is expected that the Authority will make continued extensive use of PFC's to fund capital projects. The use of PFC's will be critical to performing the routine capital repair and replacement projects that can be expected of a facility that is now 19 years old. Planning for these capital expenditures now is a key to managing the projects on a cost effective basis. Additional expansion of PFC funding levels will assist the Authority in achieving these goals. The Authority, consistent with the practice of most commercial airport sponsors, has relied upon federal grant funding for various capital projects at the Airports.

The Authority is very fortunate to have approximately 8,800 acres of land surrounding the Airport, of which approximately 1,300 acres are developable for landside commercial development.. The Authority has been actively engaged in the development of its property to stimulate regional economic growth and to develop additional Airport revenues from all sources. The main areas of development include:

- Clinton Industrial Park: The infrastructure for the 100 acre industrial park was completed in 2007. Construction of a build-to-suit facility for a printing company was completed in 2008 and is currently occupied. Additionally, a 200,000 square foot building designed for bulk warehousing was completed

in 2008. The majority of the 200,000 square feet is now leased and the developer has expanded the building to 400,000 square feet total. The expanded portion of the building is fully leased. An additional building totaling 225,000 square feet was completed in 2009. This building is fully occupied by a solar panel manufacturer.

- Cherrington Commerce Park: The infrastructure for the 160 acre business park was completed in 2008. The Authority is in discussions with a developer to begin the first building on the site.
- Northfield Development: Phase I is a 100 acre warehouse and cargo business park which began in 2008 and for which the earthwork and infrastructure improvements were substantially complete in late 2009. The lead developer for this project is also in conversations with a tenant who would be the lead tenant for the first building. Dicks Sporting Goods relocated its world corporate headquarters in phase II of the Northfield development. Dick's, through its developer, currently leases 116 acres of airport property and has constructed a 661,000 square foot office complex and a 70,000 square foot corporate hangar. Dick's took occupancy of the facilities in February 2010.

The Authority's plan for the next ten years is to maintain a low cost environment for the airlines that operate from PIT. Through 2018, management expects to apply \$15 million of PFC revenues and \$10 million of gaming revenues to reduce the annual debt service payments and, therefore, reduce the cost for airlines operating out of the Airport.

ALLEGHENY COUNTY AIRPORT AUTHORITY
(A Component Unit of County of Allegheny, Pennsylvania)

STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2009 AND 2008

ASSETS	2009	2008
CURRENT ASSETS:		
Unrestricted assets:		
Cash and cash equivalents	\$ 18,650,800	\$ 15,819,245
Accounts receivable — trade — net of allowance for doubtful accounts of \$14,767 and \$23,068 in 2009 and 2008, respectively	4,191,270	4,955,671
Inventory	1,723,391	1,686,117
Other unrestricted assets	<u>1,548,345</u>	<u>1,585,962</u>
Total unrestricted assets	<u>26,113,806</u>	<u>24,046,995</u>
RESTRICTED ASSETS:		
Cash and cash equivalents	121,265,143	104,154,426
Short-term investments	8,459,534	10,022,204
Grants receivable from governmental agencies	13,232,463	8,578,697
Accrued interest receivable	781,965	59,000
Other receivables	<u>1,382,177</u>	<u>1,270,283</u>
Total restricted assets	<u>145,121,282</u>	<u>124,084,610</u>
Total current assets	<u>171,235,088</u>	<u>148,131,605</u>
NONCURRENT ASSETS:		
Cash and cash equivalents	818,165	795,942
Capital assets — at cost — net of accumulated depreciation	764,130,921	792,389,920
Deferred financing costs	<u>3,622,458</u>	<u>4,416,306</u>
Total noncurrent assets	<u>768,571,544</u>	<u>797,602,168</u>
TOTAL	<u>\$939,806,632</u>	<u>\$945,733,773</u>

(Continued)

ALLEGHENY COUNTY AIRPORT AUTHORITY
(A Component Unit of County of Allegheny, Pennsylvania)

STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2009 AND 2008

	2009	2008
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES — Payable from unrestricted assets:		
Accounts payable	\$ 6,375,766	\$ 5,197,154
Due to County of Allegheny	1,400,463	1,105,803
Accrued liabilities	3,249,065	3,833,438
Amounts due to airlines	362,080	555,301
Deferred revenue	<u>4,182,424</u>	<u>6,173,384</u>
Total current liabilities — payable from unrestricted assets	<u>15,569,798</u>	<u>16,865,080</u>
CURRENT LIABILITIES — Payable from restricted assets:		
Revolving line of credit	27,000,000	16,500,000
Accounts payable	5,521,998	4,513,113
Accrued liabilities	4,461,875	5,402,438
Retainage payable	2,064,887	2,226,132
Accrued interest payable	415,022	
Other liabilities	1,766,454	1,380,724
Deferred revenue	1,089,749	1,089,749
Current maturities of long-term debt and loans repayable on demand	<u>39,420,086</u>	<u>37,487,275</u>
Total current liabilities — payable from restricted assets	<u>81,740,071</u>	<u>68,599,431</u>
LONG-TERM LIABILITIES:		
Long-term debt — net — less current maturities	435,173,500	452,010,454
Advance airline fundings	32,163,666	32,204,743
Accrued postemployment benefits	717,614	798,942
Deferred revenue	7,655,263	8,745,012
Other long-term liabilities	<u>220,830</u>	<u>140,072</u>
Total long-term liabilities	<u>475,930,873</u>	<u>493,899,223</u>
Total liabilities	<u>573,240,742</u>	<u>579,363,734</u>
NET ASSETS:		
Invested in capital assets — net of related debt	<u>329,378,831</u>	<u>316,591,776</u>
Restricted net assets (expendable):		
Capital	5,624,657	10,454,946
Debt service	<u>60,399,555</u>	<u>63,552,177</u>
Total restricted net assets (expendable)	<u>66,024,212</u>	<u>74,007,123</u>
Unrestricted net deficit	<u>(28,837,153)</u>	<u>(24,228,860)</u>
Total net assets	<u>366,565,890</u>	<u>366,370,039</u>
TOTAL	<u>\$939,806,632</u>	<u>\$945,733,773</u>

See notes to financial statements.

(Concluded)

ALLEGHENY COUNTY AIRPORT AUTHORITY
(A Component Unit of County of Allegheny, Pennsylvania)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
OPERATING REVENUES:		
Landing fees	\$ 15,797,800	\$ 16,240,642
Terminal area airline fees	60,003,960	53,134,522
Other aeronautical revenue	9,911,913	8,063,082
Parking revenues	23,960,285	24,487,506
Rent-a-car revenues	10,390,528	11,141,096
Terminal concessions	6,773,408	10,464,954
Other nonaeronautical revenue	<u>6,495,226</u>	<u>6,118,442</u>
Total Pittsburgh International Airport revenues	133,333,120	129,650,244
Allegheny County Airport revenues	<u>2,520,991</u>	<u>2,271,848</u>
Total operating revenues	<u>135,854,111</u>	<u>131,922,092</u>
OPERATING EXPENSES:		
Salaries, wages, and related expenses	32,162,176	31,326,349
Utilities	12,210,573	12,886,072
Cleaning and maintenance services	14,076,866	14,125,009
Professional services	14,925,129	15,818,541
Other	<u>8,215,086</u>	<u>7,962,123</u>
Pittsburgh International Airport expenses	81,589,830	82,118,094
Allegheny County Airport expenses	2,530,068	2,913,385
Depreciation and amortization	<u>68,988,438</u>	<u>66,411,104</u>
Total operating expenses	<u>153,108,336</u>	<u>151,442,583</u>
LOSS FROM OPERATIONS	<u>(17,254,225)</u>	<u>(19,520,491)</u>
NONOPERATING INCOME (EXPENSE):		
Interest expense	(26,572,399)	(28,258,783)
Investment income	4,298,369	5,493,686
Passenger Facility Charge income	16,530,149	17,679,620
Grants from governmental agencies	23,454,904	19,179,858
Loss on disposal of capital assets	(3,600)	(435,552)
Miscellaneous income (expense) — net	(279,277)	538,817
Net increase (decrease) in fair value of investments	<u>21,930</u>	<u>(51,743)</u>
Total nonoperating income	<u>17,450,076</u>	<u>14,145,903</u>
INCREASE (DECREASE) IN NET ASSETS	195,851	(5,374,588)
NET ASSETS — Beginning of year	<u>366,370,039</u>	<u>371,744,627</u>
NET ASSETS — End of year	<u>\$ 366,565,890</u>	<u>\$ 366,370,039</u>

See notes to financial statements.

ALLEGHENY COUNTY AIRPORT AUTHORITY
(A Component Unit of County of Allegheny, Pennsylvania)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 85,595,326	\$ 75,999,616
Concession and parking receipts	39,142,917	47,700,869
Payments to and on behalf of employees	(31,531,648)	(33,017,625)
Payments for utilities and maintenance	(26,426,862)	(27,237,658)
Professional services	(14,358,358)	(16,326,653)
Other revenue payments — net	<u>(1,426,853)</u>	<u>(1,065,425)</u>
Net cash provided by operating activities	<u>50,994,522</u>	<u>46,053,124</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Receipt of Passenger Facility Charges	16,418,255	18,014,411
Additions to capital assets	(40,412,270)	(66,306,291)
Proceeds from revolving line of credit	10,500,000	12,500,000
Proceeds from borrowings	22,709,883	3,855,767
Proceeds from Swaption	2,053,748	833,995
Interest paid on long-term debt	(25,544,313)	(31,976,411)
Principal payments of long-term debt	(37,487,277)	(54,250,276)
Capital grants received	18,801,138	27,610,776
Other	<u>(723,720)</u>	<u>94,372</u>
Net cash used in capital and related financing activities	<u>(33,684,556)</u>	<u>(89,623,657)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Maturities of investment securities	168,492,049	153,682,936
Purchases of investment securities	(166,907,450)	(140,355,571)
Interest received on investments	<u>1,069,930</u>	<u>4,215,394</u>
Net cash provided by investing activities	<u>2,654,529</u>	<u>17,542,759</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19,964,495	(26,027,774)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>120,769,613</u>	<u>146,797,387</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 140,734,108</u>	<u>\$ 120,769,613</u>
CASH AND CASH EQUIVALENTS — End of year consist of:		
Unrestricted cash and cash equivalents	\$ 18,650,800	\$ 15,819,245
Restricted cash and cash equivalents	121,265,143	104,154,426
Cash and cash equivalents designated for noncurrent uses	<u>818,165</u>	<u>795,942</u>
	<u>\$ 140,734,108</u>	<u>\$ 120,769,613</u>

(Continued)

ALLEGHENY COUNTY AIRPORT AUTHORITY
(A Component Unit of County of Allegheny, Pennsylvania)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
NONCASH TRANSACTIONS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
(Decrease) increase in additions to capital assets included in accounts payable	<u>\$ (315,739)</u>	<u>\$ 3,264,780</u>
Additional capital costs	<u>\$ 5,029</u>	<u>\$ 255,511</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net loss from operations	\$ (17,254,225)	\$ (19,520,491)
Adjustments to reconcile net loss from operations to net cash provided by operating activities:		
Depreciation and amortization	68,988,438	66,411,104
Bad debt recovery	(8,301)	(83,012)
Changes in asset and liabilities:		
Decrease in accounts receivable	772,702	5,062
Increase in inventories	(37,274)	(121,289)
Decrease (increase) in other unrestricted assets	12,055	(383,177)
Increase in due to Allegheny County	294,660	165,310
Decrease in other current liabilities	(1,563,869)	(94,959)
Decrease in deferred operating revenues	(168,017)	(168,017)
Decrease in deferred funding reserve	(41,077)	(150,094)
Increase (decrease) in accrued vested sick benefits	(96,754)	34,852
Increase (decrease) in other long-term liabilities	<u>96,184</u>	<u>(42,165)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 50,994,522</u>	<u>\$ 46,053,124</u>

See notes to financial statements.

(Concluded)

ALLEGHENY COUNTY AIRPORT AUTHORITY

(A Component Unit of County of Allegheny, Pennsylvania)

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

1. ORGANIZATION

Organization — The Allegheny County Airport Authority (the “Authority”) presently leases and operates the Pittsburgh International Airport (PIT) and the Allegheny County Airport (AGC), (collectively, the “Airport System”). The Authority’s activities are commercial in nature and are intended to be self sustaining. The Authority is a body corporate and politic existing under the laws of the Commonwealth of Pennsylvania pursuant to the Municipality Authorities Act of 1945, approved May 2, 1945, P.L. 382, subsequently amended by the Municipal Authority Act, Act 22 of 2001. The Authority was organized by the County of Allegheny, Pennsylvania (the “County”) on June 17, 1999. On September 16, 1999, pursuant to an Airport Operation, Management and Transfer Agreement and Lease between the County and the Authority, (the “Transfer Agreement”), as amended the County transferred and leased the Airport System to the Authority, for an initial term of 25 years with two 25-year extension options exercisable at the option of the Authority. In connection with the Transfer Agreement, the County transferred to the Authority all of the County’s rights, title, and interest in the property utilized by the County in connection with the Airport System. In addition, all contractual rights and obligations and liabilities pertaining to the Airport System, including revenue and general obligation bonds issued by the County to finance construction and development of PIT, were transferred to the Authority by the County. Prior to the organization of the Authority, the operations were included in the County’s Department of Aviation.

Board members of the Authority are appointed by the County Executive subject to confirmation by a majority of County Council. The Authority’s financial statements are presented as a component unit in the County’s General Purpose Financial Statements and Comprehensive Annual Financial Report. Given the relationship of the parties to the Transfer Agreement, no adjustments were made to the historical carrying values of the Airport System’s assets and liabilities and equity. The accompanying financial statements reflect the financial position and results of operations of the Authority as of and for the years ended December 31, 2009 and 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Pronouncements — In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority follows all GASB pronouncements, as well as Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, and has elected to apply the FASB statements and interpretations issued after November 30, 1989, which do not conflict with or contradict GASB statements to its financial statements.

Financial Statement Presentation — During fiscal 2002, the Authority adopted GASB Statement No. 34, *Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments: Omnibus — an amendment of GASB Statements No. 21 and No. 34*; and GASB Statement No. 38, *Certain Financial Statement*

Note Disclosures. These statements establish standards for external financial reporting for state and local governments and components thereof. GASB Statement No. 34 reports equity as “net assets” rather than “fund equity.” Net assets are classified into four categories according to external donor restrictions or availability of assets for satisfaction of Authority obligations. The Authority’s net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt — This represents the Authority’s total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets — net of related debt.

Restricted Net Assets, 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 Assets, 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 assets as of December 31, 2009 or 2008.

Unrestricted Net Assets — Unrestricted net assets represent resources derived from operations that may be used at the discretion of the Board of Directors to meet current expenses for any purpose.

Basis of Accounting — The Authority’s financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the related obligations are incurred. The Authority is accounted for as an enterprise fund since its operations are financed and operated in a manner similar to private business. Authority transactions are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded at the time the liability is incurred.

Recognition of Revenue, Receivables, and Deferred Revenue — Aviation and terminal building lease rental revenues include amounts computed in accordance with the Airline Operating Agreement, as amended and restated (AOA), the term of which will expire no earlier than May 8, 2018, or when all of the debt service requirements have been funded, between the Authority and signatory airlines serving PIT. Such revenues are also realized from certain fixed fees for nonscheduled airlines and private users of AGC. US Airways, one of the scheduled airlines, which together with its affiliated commuter airlines, accounted for approximately 28% and 33% of total enplaned passengers at PIT in 2009 and 2008, respectively. The AOA provides that the aggregate of airline fees and charges together with other revenues, including nonairline revenues, for each fiscal year should be sufficient to pay the operating expenses of the cost centers included in the AOA and to make all deposits and payments under bond ordinances and indentures issued in connection with financings of capital projects for the Authority.

Concession and rental car fees are generally based on a fixed percentage of tenant revenues subject to certain minimum monthly fees. Concessions are operated under a Master Lease Development and Concession Agreement (the “Master Lease”). During 2002, the Master Lease was extended through December 31, 2017. As part of the extension, the lessee had agreed to provide \$10,000,000 in future years to inure to the benefit of both parties. During 2005, the agreement was amended to reduce the up-front fee paid to the

Authority from \$10,000,000 to \$6,666,667 (received \$3,333,333 in 2003 and \$3,333,333 in 2004) and the percentage of net revenues to be received by the Authority increased effective April 1, 2006. The deferred amount is being amortized over the term of the Master Lease.

Parking fees are revenues less operating expenses and a management fee, which is based on a fixed percentage of net revenues.

The Authority began imposing Passenger Facility Charges (PFC) on October 1, 2001. PFC revenues are classified as nonoperating in the statements of revenues, expenses, and changes in net assets, as the amounts are restricted for capital improvements, debt service, and certain other uses approved by the Federal Aviation Administration (FAA).

Transactions that are capital, financing, or investing related are reported as nonoperating revenues. Grants from governmental agencies for eligible construction projects are recognized as nonoperating revenue as the related expenditures are made.

Current unrestricted deferred revenue consists of prepayments made by the airlines and concessionaires for aviation and rental revenues for the following year.

Current and noncurrent restricted revenue consists of deferred interest income being amortized into income over the term of forward delivery agreements entered into by the Authority in connection with certain bond finance transactions.

Noncurrent deferred revenue also includes amounts funded by tenants of the Authority for certain capital assets. The deferred revenue amounts are being amortized using the straight-line method over the depreciable lives of the related assets through credits to current rents payable.

Cash and Cash Equivalents — Unrestricted and restricted equity in pooled cash and cash equivalents represents the accounts maintained by the Authority. Airport revenue bond investments are held in trust in accordance with the bond ordinances and/or trust indentures (see Note 7).

Short-Term Investments — Investments are carried at fair value, based on quoted market prices.

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 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 assets.

Inventories — Inventories are stated at the lower of cost or market (net realizable value). Cost is determined using the weighted-average method of accounting. Inventories comprise of construction-related materials and parts used for maintenance of the facilities and equipment.

Capital Assets — Land, buildings, and equipment are stated at historical cost. Capitalized interest costs, net of interest income, are recognized during the construction stage on all projects, except for those financed with grants-in-aid or funds restricted through agreements with scheduled airlines serving PIT. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Grants receivable from governmental agencies that are included in restricted assets in the accompanying statements of net assets represent earned but uncollected grants that are restricted for use in the qualifying construction projects. Gains or losses on the retirement or disposal of land, buildings, and equipment are reflected in the statements of revenues, expenses, and changes in net assets in the year of retirement or disposal. Repair and maintenance costs are expensed when incurred.

Deferred Issuance Costs — Costs incurred in connection with the issuance of all long-term debt of the Authority are deferred and amortized using the interest method. Unamortized costs are shown in the balance sheets as noncurrent deferred financing costs.

Advance Airline Fundings — The AOA provides for advance airline fundings (which are primarily maintained in the restricted cash funding reserve account) to cover capital, operating, and debt service amounts as approved by the airlines and as defined in the AOA.

Vested Sick Benefits — Certain firefighters employed by the Authority earn vested sick benefits that are paid at termination or retirement based upon current rates of compensation. Liabilities for such benefits are accrued at current rates of compensation.

Statements of Cash Flows — For purposes of the accompanying statements of cash flows, the Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification — Certain prior-year amounts for revenues and expenses have been reclassified to conform to the new fiscal year 2009 presentation. These amounts have been reclassified to disclose expanded categories to meet industry disclosures practices.

Recently Adopted Governmental Accounting Standards Board Statement —The GASB has also issued GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for fiscal years beginning after December 15, 2007. This statement provides guidance that addresses the challenges unique to assessing and measuring pollution and contamination cleanup obligations. The Authority adopted GASB Statement No. 49 beginning with the 2008 fiscal year. There was no financial impact as a result of the adoption of this statement as of or for the year ended December 31, 2008.

The GASB has also issued GASB Statement No. 50, *Pension Disclosures — an amendment of GASB Statements No. 25 and No. 27*, effective for fiscal years beginning after June 15, 2007. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits, thus enhancing the information disclosed in the notes to the financial statements or presented as required supplementary information. The Authority has adopted GASB Statement No. 50 and has added the additional disclosures beginning in 2008.

The GASB has also issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement incorporates the hierarchy of GAAP for state and local governments into the GASB authoritative literature. The adoption of this statement by the Authority during its 2009 fiscal year did not result in any changes to current practices.

The GASB has also issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance contained in the AICPA Statements on Auditing Standards*. This statement incorporates into the GASB authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. These issues included related-party transactions, going-concern considerations, and subsequent events.

The adoption of this statement by the Authority during its 2009 fiscal year did not result in any changes to current practice.

Recent Statements Issued by GASB — The GASB has also issued GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for fiscal years beginning after June 15, 2009. This statement provides guidance regarding whether and when intangible assets should be considered capital assets for financial reporting purposes. The Authority has not yet determined the effect, if any, that adoption of GASB Statement No. 51 may have on its financial statements.

The GASB has also issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal years beginning after June 15, 2009. This statement requires governmental entities to measure most derivative instruments at fair value as assets or liabilities. It also improves disclosure requirements surrounding the entity’s derivative instrument activity, its objectives for entering into the derivative instrument, and the instrument’s significant terms and risks. The Authority has not yet determined the effect, if any, that the adoption of GASB Statement No. 53 may have on its financial statements.

The GASB has also issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal years beginning after June 15, 2010. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Authority has not yet determined the effect, if any, that the adoption of GASB Statement No. 54 may have on its financial statements.

3. CASH AND INVESTMENTS

Cash and Deposits — The following is a summary of the Authority’s cash deposits and time deposits, which are insured by the Federal Depository 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:

	2009	2008
Cash and deposits — in bank	\$ 83,838,490	\$ 79,837,509
Outstanding checks	(174,977)	(981,569)
Petty cash	<u>100</u>	<u>100</u>
Total cash and deposits	83,663,613	78,856,040
Cash equivalents	<u>57,070,495</u>	<u>41,913,573</u>
Book balance	<u>\$ 140,734,108</u>	<u>\$ 120,769,613</u>

Cash shown above includes \$60,871,287 and \$64,061,319 of restricted cash as of December 31, 2009 and 2008, respectively, for use as required by the Authority Trust Indentures.

Investments and Cash and Cash Equivalents — Investments and cash and cash equivalents of the Authority include the following:

Unrestricted — Investments and Cash and Cash Equivalents — Investments and cash and cash equivalents held by the Authority for discretionary future projects and obligations of the Authority are \$19,468,965 and \$16,615,187 as of December 31, 2009 and 2008, respectively.

Restricted — Investments and Cash and Cash Equivalents — Investments and cash and cash equivalents 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, 2009 and 2008, consist of the following:

	2009	2008
Revenue bond funds:		
1988 Indenture:		
Rebate — Principal Fund	\$ 102,772	\$ 102,548
Rebate — Income Fund	1,287,160	1,284,360
1990 Indenture:		
Rebate — Principal Fund	527,179	526,032
Rebate — Income Fund	177,254	176,869
1992 Indenture — Capital Addition Number 2 Project Account	557,302	556,089
1993 Indenture:		
Midfield Completion Construction Fund	614,975	613,637
Midfield Claims Construction Fund	88,941	88,747
1997 Indenture:		
1997 A and B Clearing Fund	140,384	140,079
1997 B Interest Account		
1997 B Principal Account	1	1
1997 A1 & A2 Interest Account	5,706	2,694,965
1997 A1 & A2 Principal Account	5,543	22,418
1997 A1 & A2 Debt Service Reserve	36,303,129	36,998,408
1997 Capital Projects MII9-97 Construction Fund	349,603	348,843
1997 Capital Projects MII2-98 Construction Fund	515,557	514,435
1997 Parking Garage Construction Fund	1,044,008	1,041,737
1999 Indenture:		
1999 Debt Service Reserve	5,857,468	6,146,957
1999 Debt Service Fund	118,021	121,223
2001 Subordinate Lien Indenture — Series A&B 2001 Sub Lien Bond	1	1
2001 Fixed Rate Indenture:		
2001 A & B Debt Service Fund	1	1
2001 A & B Debt Service Reserve Fund	8,838,863	8,766,873
2001 A & B Rebate Fund	845,103	843,264
2001 A & B Principal Fund		1,489
2002 Fixed Rate Indenture:		
2002 A & B Clearing Fund	183	183
2002 A & B Debt Service Fund	1	1,838
2002 A & B Debt Service Reserve Fund	9,286,402	9,643,323
2002 A & B ACAP Clearing Fund	145	145
2007 Indenture:		
2007 A & B Debt Service Fund	1,571	3,199
2007 A & B Clearing Fund	41,746	41,655
	<u>66,709,019</u>	<u>70,679,319</u>
Total revenue bond funds		

	2009	2008
Capital funds:		
Airport Development Fund	\$ 4,058,651	\$ 6,877,462
Airport System Capital Fund — Discretionary 1	3,359,740	420,039
Airport System Capital Fund — Discretionary 2	5,811,091	356,270
Airport System Capital Fund — Restricted 1	4,592,540	374,554
Airport System Capital Fund — Restricted 2	7,408,382	622,059
Passenger Facility Charge Fund	980,732	
Artwork — Grant	26,923	26,923
Ground Transportation Fund	1,252,490	920,788
Capital Development Funds	988,010	
Equipment and Capital Outlay Fund	1,430,148	17,475
Prefunding Reserve Fund	32,163,666	32,204,743
Tax Increment Funding Reserve Fund	459,395	459,672
Hangar Loan Fund	<u>483,890</u>	<u>1,217,326</u>
Total capital funds	<u>63,015,658</u>	<u>43,497,311</u>
Total	<u>\$ 129,724,677</u>	<u>\$ 114,176,630</u>

* See Note 7.

As of December 31, 2009 and 2008, the Authority had the following cash equivalents and investments:

2009	Amount	Percentage of Total Investment	Maturity	Standard & Poor's	Moody's Investors Service
Wells Fargo:					
Federal Home Loan MTG Corporation	\$ 4,213,579	6 %	3/2/2010	A1+	P-1
Federal Home Loan MTG Corporation	15,989	0 %	6/14/2010	A1+	P-1
Irish Permanent Treasury CPDN	<u>4,229,966</u>	7 %	6/15/2010	BBB+	A2
Total short-term investments	<u>8,459,534</u>				
Blackrock — Blackrock Federal Trust Fund	5,010,690	8 %	*	AAAm	
Mellon — Blackrock Federal Fund 30 Institutional 30	<u>52,059,805</u>	<u>79 %</u>	*	AAAm	Aaa
Total cash equivalents	<u>57,070,495</u>				
Total	<u>\$65,530,029</u>	<u>100 %</u>			

2008	Amount	Percentage of Total Investment	Maturity	Standard & Poor's	Moody's Investors Service
Wells Fargo:					
Citigroup Funding in CPDN	\$ 4,208,033	8 %	1/2/2009	A1	P-1
Crimson Commercial CPDN	5,749,171	11 %	1/2/2009	A1+	P-1
General Electric Capital Corporation	<u>65,000</u>	0 %	1/2/2009	A1+	P-1
Total short-term investments	<u>10,022,204</u>				
Blackrock — Blackrock Federal Trust Fund					
	4,994,005	10 %	*	AAAm	Aaa
Mellon:					
Goldman Sachs Fin. Sq. Govt. Fund	36,885,454	71 %	*	AAAm	Aaa
American Beacon US Govt. Fund A1901	2,777	0 %	*	AAAm	Aaa
American Beacon US Govt. Fund A0064	2,709	0 %	*	AAAm	Aaa
Fidelity Govt. Oblg. Tax Managed	25,615	0 %	*	AAAm	Aaa
Fifth Third Inst. Govt. Fund	<u>3,013</u>	<u>0 %</u>	*	AAAm	Aaa
Total cash equivalents	<u>41,913,573</u>				
Total	<u>\$51,935,777</u>	<u>100 %</u>			

*The underlying investments have maturities of less than 90 days.

Restricted revenue bond cash and investments of the Authority are as follows:

Capital projects (\$3,170,386 and \$3,163,488 at December 31, 2009 and 2008, respectively) represent remaining proceeds of the Airport revenue bonds restricted for capital projects at PIT.

Debt service (\$63,538,633 and \$67,515,831 at December 31, 2009 and 2008, respectively) represent funding reserves of the Airport revenue bonds restricted for debt service payments on the Airport revenue bonds.

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 Pennsylvania Municipality Authorities Act of 1945 provides for investment of governmental funds into certain authorized investment types, including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. Statutes do not prescribe regulations related to demand deposits; however, they do allow pooling of governmental funds for investment. The Authority has no investment policy that would further limit its investment choices. The deposit and investment policy 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 statutes or the policy of the Authority.

Concentration of Credit Risk — The Authority places no limit on the amount the Authority may invest in any one issuer.

As of December 31, 2009 and 2008, the Authority's investments summarized below are categorized by the level of credit risk assumed at year-end. Category 1 includes investments that are insured or registered, or the securities held by the Authority or its agent in the Authority's name. Category 2

includes investments that are uninsured and unregistered, with the securities held by the broker/dealer's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker/dealer, or by its trust department or agent, but not in the Authority's name.

	Total Category 1	Total Category 3	Bank Balance
Cash and deposits — December 31, 2009	<u>\$1,250,000</u>	<u>\$139,658,985</u>	<u>\$140,908,985</u>
Cash and deposits — December 31, 2008	<u>\$1,317,203</u>	<u>\$120,433,879</u>	<u>\$121,751,082</u>

In 2002, the Authority entered into Forward Delivery Agreements with financial institutions for the continuous investment of the Series 1997 A-1 and 1997 A-2 principal and interest investments through December 2015; Series 1997 B principal and interest investments through November 2018; and Series A and B of 2002 principal and interest investments through January 2022. The future investment earnings under these contracts, discounted at the financial institution's cost of funds on the contract date, were received by the Authority up front in lump-sum payments totaling \$6,978,000. The amount of the up-front payments is recorded as deferred interest income and is being amortized into income over the term of the agreements. The unearned amounts at December 31, 2009 and 2008, were \$3,506,019 and \$3,983,312, respectively.

4. CAPITAL ASSETS

Capital assets activity for the years ended December 31, 2009 and 2008, is as follows:

	2009					Useful Lives
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance	
Fixed assets:						
Land and site development	\$ 129,999,492	\$ -	\$ -	\$ 7,125,500	\$ 137,124,992	
Facilities and equipment:						
Terminal buildings	686,757,059		(1,513)	7,673,074	694,428,620	10–30 years
Airfield (runways/ taxiways)	459,093,386		(45,150)	8,822,189	467,870,425	20 years
Parking garage/lots/etc.	80,466,538			2,604,810	83,071,348	15–40 years
Hangars	40,956,484			1,569,094	42,525,578	5–30 years
Other structures	154,331,585		(21,321)	947,986	155,258,250	10–30 years
Roadways	60,562,059		1	1,296,426	61,858,486	10–20 years
Mobile and other equipment	49,454,811		(36,000)	1,566,930	50,985,741	10–20 years
Computer/security equipment and systems	35,572,242		(1,609)	14,579,035	50,149,668	5–20 years
Utilities	46,322,826				46,322,826	10–40 years
Other assets	23,552,424			(2,722,428)	20,829,996	10–30 years
Construction in progress	<u>40,592,588</u>	<u>40,757,481</u>		<u>(43,462,616)</u>	<u>37,887,453</u>	
Total fixed assets	1,807,661,494	40,757,481	(105,592)	-	1,848,313,383	
Less accumulated depreciation	<u>(1,015,271,574)</u>	<u>(68,988,438)</u>	<u>77,550</u>		<u>(1,084,182,462)</u>	
Net fixed assets	<u>\$ 792,389,920</u>	<u>\$ (28,230,957)</u>	<u>\$ (28,042)</u>	<u>\$ -</u>	<u>\$ 764,130,921</u>	

2008

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance	Useful Lives
Fixed assets:						
Land and site development	\$ 119,371,602	\$ -	\$ -	\$ 10,627,890	\$ 129,999,492	
Facilities and equipment:						
Terminal buildings	686,822,250		(1,440,744)	1,375,553	686,757,059	10–30 years
Airfield (runways/taxiways)	447,758,474		(3,271,698)	14,606,610	459,093,386	20 years
Parking garage/lots/etc.	77,722,396			2,744,142	80,466,538	15–40 years
Hangars	39,643,570			1,312,914	40,956,484	5–30 years
Other structures	139,428,272	16,500		14,886,813	154,331,585	10–30 years
Roadways	60,408,054			154,005	60,562,059	10–20 years
Mobile and other equipment	47,606,321	2,600	(415,532)	2,261,422	49,454,811	10–20 years
Computer/security equipment and systems	29,409,256		(519,441)	6,682,427	35,572,242	5–20 years
Utilities	46,322,826				46,322,826	10–40 years
Other assets	23,437,045			115,379	23,552,424	10–30 years
Construction in progress	32,045,042	63,385,299	(70,598)	(54,767,155)	40,592,588	
Total fixed assets	1,749,975,108	63,404,399	(5,718,013)	-	1,807,661,494	
Less accumulated depreciation	(953,796,544)	(66,411,104)	4,936,074		(1,015,271,574)	
Net fixed assets	\$ 796,178,564	\$ (3,006,705)	\$ (781,939)	\$ -	\$ 792,389,920	

As of December 31, 2009 and 2008, construction in progress related primarily to runway and taxiway rehabilitation, security system upgrades, and the terminal enhancements and nonairfield property development.

As of December 31, 2009, the Authority had equipment purchase and construction commitments of approximately \$28.5 million.

The Authority maintains various collections of inexhaustible assets to which no value can be determined. Such collections could include contributed works of art, historical treasures, literature, etc., that are held for exhibition and public service. These collections are neither disposed of for financial gain nor encumbered in any means. Accordingly, such collections are not capitalized or recognized for financial statement purposes.

5. REVOLVING LINE OF CREDIT

On November 29, 2005, the Authority entered into a credit agreement with Citizens Bank of Pennsylvania for the borrowing of aggregate principal not to exceed \$40,000,000. This credit facility is a revolving line of credit (RLOC) and will be used to finance projects for which use of PFC revenue has been approved by the FAA pursuant to the PFC Statute and/or the PFC Regulations. The interest rate on this RLOC was based on the London Interbank Offered Rate (LIBOR) plus 60 basis points.

On September 29, 2008, the Authority received a Reservation of Rights under Credit Agreement letter from Citizens Bank. This letter advised of an Event of Default due to PFC revenues collected for the four previous quarters ending June 30, 2008, falling below the \$20,000,000 level as stipulated in the loan agreement. Citizens Bank elected not to exercise its rights and remedies under the Agreement; however, it ceased the opportunity to require an amendment to reset the financial covenant, line of credit, and pricing terms of the agreement. An Administrative Action was approved by the Authority Board in February 2009 allowing an amendment to be entered into with Citizens Bank. The amendment changes the financial covenant requiring the minimum TTM collection level of PFC revenues from

\$20,000,000 to \$16,000,000, commitment amount of the revolving line of credit from \$40,000,000 to \$35,000,000, and pricing from 30-day LIBOR advantage + 0.6%; plus 0.125% unused line fee to 30-day LIBOR advantage + 2.5%; plus 0.25% unused line fee. Additionally the amendment will modified the terms on the AGC Hangar loan from 30-day LIBOR + 0.65% to 30-day LIBOR + 2.5%.

Interest rate on this RLOC is 2.73% and 2.5% at December 31, 2009 and 2008 respectively. The amount outstanding at December 31, 2009 and 2008, was \$27,000,000 and \$16,500,000, respectively.

6. CHANGES IN LONG-TERM LIABILITIES

Long-term obligation activity for the Authority for the years ended December 31, 2009 and 2008, is as follows:

2009	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	\$ 478,961,632	\$ -	\$ (37,416,697)	\$ 441,544,935	
Industry drive loan	1,408,049	5,029	(50,493)	1,362,585	
PA Department of Transportation loan	896,330		(86,865)	809,465	
Tax increment financing	4,596,718			4,596,718	
Business-in-our-Sites Program loan	2,000,000			2,000,000	
Moon Township Municipal Authority loan	400,000			400,000	
Hangar loan	1,235,000		(65,000)	1,170,000	
Northfield tax increment financing		2,709,883		2,709,883	
Gaming grant anticipation loan		20,000,000		20,000,000	
Subtotal	489,497,729	22,714,912	(37,619,055)	474,593,586	<u>\$39,420,086</u>
Other long-term liability	140,072	80,758		220,830	
Advance airline fundings	32,204,743		(41,077)	32,163,666	
Accrued postemployment benefits	798,942	15,426	(96,754)	717,614	
Deferred revenues	9,834,761		(1,089,749)	8,745,012	<u>\$ 1,089,749</u>
	<u>\$ 532,476,247</u>	<u>\$ 22,811,096</u>	<u>\$ (38,846,635)</u>	<u>\$ 516,440,708</u>	
2008	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	\$ 533,156,034	\$ -	\$ (54,194,402)	\$ 478,961,632	
Industry drive loan	1,456,228		(48,179)	1,408,049	
PA Department of Transportation loan	979,691		(83,361)	896,330	
Tax increment financing	4,185,440	411,278		4,596,718	
Business-in-our-Sites Program loan		2,000,000		2,000,000	
Moon Township Municipal Authority loan		400,000		400,000	
Hangar loan		1,300,000	(65,000)	1,235,000	
Subtotal	539,777,393	4,111,278	(54,390,942)	489,497,729	<u>\$37,487,275</u>
Other long-term liability	182,237		(42,165)	140,072	
Advance airline fundings	32,354,837		(150,094)	32,204,743	
Accrued postemployment benefits	764,090	86,100	(51,248)	798,942	
Deferred revenues	10,924,510		(1,089,749)	9,834,761	<u>\$ 1,089,749</u>
	<u>\$ 584,003,067</u>	<u>\$ 4,197,378</u>	<u>\$ (55,724,198)</u>	<u>\$ 532,476,247</u>	

7. LONG-TERM DEBT

At December 31, 2009 and 2008, long-term debt consisted of the following:

	2009	2008
Airport Revenue Refunding Bonds, Series 2007 A, interest rate of 5%, due through 2016	\$ 53,445,000	\$ 53,445,000
Airport Revenue Refunding Bonds, Series 2007 B, interest rate of 5%, due through 2019	100,375,000	100,375,000
Airport Revenue Refunding Bonds, Series 2002 A, interest rates of 4%–4.50%, due through 2015	27,980,000	34,045,000
Airport Revenue Refunding Bonds, Series 2002 B, interest rates of 4.5%–5%, due through 2023	50,075,000	50,075,000
Airport Revenue Refunding Bonds, Series A 2001, interest rates of 4%–4.5%, due through 2016	27,980,000	32,960,000
Airport Revenue Refunding Bonds, Series B 2001, interest rates of 5%, due through 2022	45,500,000	45,500,000
Airport Revenue Bonds, Subordinate Lien Series A 2001, interest rate of 5.5%, due through 2017	2,445,000	2,445,000
Airport Revenue Bonds, Subordinate Lien Series B 2001, interest rates of 6.03%–6.73%, due through 2017	8,675,000	9,895,000
Airport Revenue Refunding Bonds, Series 1999, interest rates of 4.75%–6.125%, due through 2018	35,660,000	39,095,000
Airport Revenue Refunding Bonds, Series 1997 A-1, interest rates of 5%–5.75%, due through 2016	99,350,000	120,890,000
General Obligation Refunding Bonds, Series C-56, County of Allegheny, interest rates of 1.25%–5%, due through 2016	<u>108,808</u>	<u>153,726</u>
Total bonds outstanding	451,593,808	488,878,726
Industry Drive loan, interest rate of 4.7%, due through 2028	1,362,585	1,408,049
Commonwealth of PA Department of Transportation		
Infrastructure Bank Aviation Loan, interest rate of 4.125%, due through 2017	809,465	896,330
Tax increment financing, interest rate of 5.75%, due through 2025	4,596,718	4,596,718
Business in Our Sites program loan, interest rate of 3%, due through 2030	2,000,000	2,000,000
Moon Township Municipal Authority loan, interest rate of 3%, due through 2013	400,000	400,000
Hangar loan, variable interest rate, due through 2028	1,170,000	1,235,000
Northfield tax increment financing, interest rate of 6.50%, due through 2019	2,709,883	
Gaming grant anticipation loan, variable interest rate, due through 2015	<u>20,000,000</u>	
Total long-term debt	484,642,459	499,414,823
Deferred amount on refundings	(21,474,508)	(23,571,990)
Plus net unamortized premium	11,425,635	13,654,896
Less current maturities	<u>(39,420,086)</u>	<u>(37,487,275)</u>
	<u>\$ 435,173,500</u>	<u>\$ 452,010,454</u>

The scheduled debt service requirements of long term debt and net swap payments (see note 15) for years subsequent to December 31, 2009 assuming the current interest rates remain the same for the term of the debt and swaps, are as follows:

	Principal	Interest *	Swaps, Net *	Total
2010	\$ 39,420,086	\$ 24,888,360	\$ (737,363)	\$ 63,571,083
2011	45,567,610	22,893,596	(681,524)	67,779,682
2012	47,722,064	20,655,197	(623,801)	67,753,460
2013	50,416,965	18,273,123	(564,169)	68,125,919
2014	52,297,110	15,784,272	(502,285)	67,579,097
2015–2019	219,743,630	37,142,105	(1,504,727)	255,381,008
2020–2024	28,425,192	3,554,403	(191,278)	31,788,317
2025–2029	<u>1,049,802</u>	<u>85,168</u>	<u>0</u>	<u>1,134,970</u>
	<u>\$ 484,642,459</u>	<u>\$ 143,276,224</u>	<u>\$ (4,805,147)</u>	<u>\$ 623,113,536</u>

* The interest and net swap payments have been estimated as noted above, such estimated values are subject to uncertainty and, therefore, may differ from the values that will be paid in future and such differences could be material.

Airport Revenue Bonds — On October 6, 1997, the County issued Airport Revenue Refunding Bonds, Series 1997A-1 (AMT), 1997A-2 (AMT), and 1997B (Non-AMT) (the “1997 Bonds”), in the amounts of \$337,530,000, \$10,015,000, and \$103,045,000, respectively. The proceeds of the Series 1997A-1 and Series 1997A-2 bonds have been used to redeem the remaining Series 1988 Revenue Bonds not refunded by the 1993 Bonds. The Series 1997B bonds were issued to advance refund a portion of the 1990 Bonds and 1992 Bonds. The total amount of the bonds refunded was \$457,505,000, consisting of \$433,020,000 of the 1998 Bonds, \$5,340,000 of the 1990 Bonds, and \$19,145,000 of the 1992 Bonds. Included in the 1997 Bonds were escrowed funds to advance refund \$6,790,000 of the 1992 Series A bonds (the “Non-Defeased Bonds”). The 1997 Bonds are secured by a pledge of certain net revenues of the Authority and are also guaranteed by various third-party insurers and guarantors.

The proceeds from the sale of the 1997 Bonds are being held in escrow under an escrow refunding agreement and have been invested in U.S. Treasury obligations. The principal amount of such obligations, together with interest earned thereon, will permit the payment of principal and interest on the refunded bonds up to and including their respective call dates. The refunded bonds are treated in the financial statements as defeased obligations. Accordingly, neither the trust account assets nor the refunded bonds appear in the accompanying financial statements. The Non-Defeased Bonds are included in the financial statements along with the respective portion of the trust account assets. As a result of the refunding, the Authority will experience a reduction in the future cash outflows of \$181,986,253 and an economic gain of \$97,247,836. Based upon the requirements of GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, the Authority recorded a deferred amount on refunding of \$21,095,769. This amount is being amortized over the life of the 1997 Bonds. The deferred amount is recorded as a component of long-term debt in the accompanying statements of net assets. Effective January 1, 2002, the defeased bonds were fully refunded.

On December 1, 1999, the Authority issued Airport Revenue Refunding Bonds, Series 1999 (the “1999 Bonds”), in the amount of \$63,130,000. The proceeds of the bonds, together with investment income thereon and other funds, were used (1) to pay a portion of the costs of currently refunding \$61,350,000 of the outstanding 1990 Bonds and (2) to pay the costs of issuance of the 1999 Bonds. The refunding of the 1990 Bonds resulted in a loss of defeasance of \$2,615,341. The amount is being

amortized over the life of the 1999 Bonds. The 1999 Bonds are secured on a parity basis with \$681,590,000 in aggregate principal amount of promissory notes to be issued under the trust indenture by the Authority to PNC Bank, N.A., as successor in interest to National City Bank of Pennsylvania, as paying agent and trustee for the holders of all outstanding airport revenue bonds that were issued by the County and the debt service obligations that have been assumed by the Authority.

On July 1, 2001, the Authority issued Subordinate Lien Airport Revenue Bonds, Series A 2001 (Pittsburgh International Airport Energy System Project) (the "Series A Bonds"), in the amount of \$2,445,000, and the Subordinate Lien Airport Revenue Bonds, Series B Bonds (Taxable) (Pittsburgh International Airport Energy System Project) (the "Series B Bonds"), in the amount of \$16,670,000. The Series A Bonds and Series B Bonds are referred to together as the "2001 Bonds." The proceeds of the 2001 Bonds were used to (1) acquire the equipment constituting the Energy Service Facility (the "Facility") located at PIT and (2) pay the costs of issuance of the 2001 Bonds. The 2001 Bonds are subordinated and limited obligations of the Authority; the principal of, interest on, and premium, if any, on the 2001 Bonds are payable by the Authority only out of net revenues and from such other monies as may be available for such purpose. The general credit of the Authority is not pledged for the payment of the 2001 Bonds; accordingly, the 2001 Bonds shall not be deemed a general obligation of the Authority.

On October 1, 2001, the Authority issued the Airport Revenue Bonds, Refunding Series A of 2001, in the amount of \$52,600,000, and the Airport Revenue Bonds, Refunding Series B of 2001, in the amount of \$52,575,000 (individually, the "Series A 2001 Refunding Bonds" and the "Series B 2001 Refunding Bonds," and collectively, the "2001 Refunding Bonds"). The proceeds of the 2001 Refunding Bonds were used to (1) pay a portion of the cost of refunding the Authority's Airport Revenue Notes, Series 1999A (PIT) outstanding under the Trust Indenture dated as of December 1, 1999, by and between the Authority and National City Bank of Pennsylvania, as Trustee, and the concomitant refunding of the County of Allegheny Airport Revenue Bonds Series A and B of 1992 outstanding under the Certain Resolution of the County of Allegheny dated July 22, 1988, as supplemented and amended (collectively, the "2001 Refunded Bonds") and (2) pay the cost of issuance of the 2001 Refunded Bonds. The Authority recorded a deferred amount on refunding of \$8,035,439, which is being amortized over the life of the 2001 Bonds.

On October 1, 2002, the Authority issued Airport Revenue Bonds, Refunding Series A of 2002, in the amount of \$57,250,000 and Airport Revenue Bonds, Refunding Series B of 2002, in the amount of \$57,250,000 (individually, the "Series A Refunding Bonds" and the "Series B Refunding Bonds", and collectively, the "2002 Refunding Bonds"). The proceeds of the 2002 Refunding Bonds were used to refund the outstanding principal balance of the County of Allegheny Airport Revenue Bonds Series 1993 A, B, and C, which are equal to and represented by the outstanding principal balance of the Authority's Airport Revenue Note, Series 1999 B. The Authority recorded a deferred amount on refunding of \$8,208,615, which is being amortized over the life of the 2002 bonds.

On November 30, 2006, the Authority remarketed the 2001 Airport Revenue Bonds, Series A and Series B, and the 2002 Airport Revenue Bonds, Series A and Series B, for the purpose of changing the nature of the bonds from variable rate auction bonds to fixed rate serial bonds. The remarketed bonds have substantially the same repayment terms, except for the interest rate. The Authority recorded a deferred amount on the remarketing of \$8,335,129, which is being amortized over the life of the 2001 and 2002 bonds.

On October 3, 2007, the Authority issued Airport Revenue Bonds, Refunding Series A of 2007, in the amount of \$53,445,000 and Airport Revenue Bonds, Refunding Series B of 2007, in the amount of \$100,375,000 (the “2007 Refunding Bonds”). The proceeds of the 2007 Refunding Bonds together with investment income were used to (1) refund the County of Allegheny Airport Revenue Bonds Series 1997 A-1 (AMT) (\$54,130,000) and 1997 Series B (\$103,045,000) and (2) pay the cost of issuance of the 2007 Refunding Bonds. The Authority recorded a deferred loss on refunding of \$1,657,212, which is being amortized over the life of the 2007 Bonds. Proceeds of the 2007 A and B Bonds were placed in escrow and with interest earned were used to redeem the refunded bonds on January 1, 2008. In accordance with the Trust Indenture, all funds related to the 1997 A-1 and B Bonds were held in their existing accounts until the bonds were redeemed on January 1, 2008. Upon the redemption of the 1997 A-1 and B Bonds, all remaining funds related to the 2007 A and B Bonds will be transferred over to the new accounts.

The Refunding Bonds are limited obligations of the Authority. The principal, interest, and premium, if any, on the Refunding Bonds are payable by the Authority solely from net revenue and proceeds of Refunding Bonds held or set aside under the indenture. Neither the general credit of the Authority nor the credit or taxing power of the County, the Commonwealth, or any political subdivision thereof is pledged for the payment of the Refunding Bonds. The Refunding Bonds carry interest based on a variable auction rate basis. The interest rate is determined by an auction every 35 days, where the lowest interest rate bids that were received are accepted, up to a maximum rate of 15% per annum (the “Maximum Rate”). Offers to sell the Refunding Bonds are only accepted, to the extent that offers to purchase at rates below the Maximum Rate were received, any offers to sell the Refunding Bonds in excess thereof are rejected (“Insufficient Clearing Bids”). Neither the Authority, nor the Refunding Bonds trustee, nor the auction agent shall have any liability in the event of Insufficient Clearing Bids.

In connection with the issuance of the Airport Revenue Bonds, the Authority agreed to certain restrictive rates and other covenants as defined in the ordinances. Additionally, the net revenues (defined as operating and other revenues after certain adjustments minus the operation and maintenance expenses) and any unexpended bond proceeds were pledged to secure the payment of the principal and interest on the Airport Revenue Bonds.

The Airport Revenue Bonds provide for both optional and mandatory redemption of certain series of the debt prior to scheduled maturities. Certain bonds within all series of debt are subject to redemption, at the option of the Authority, as a whole or in part, from time to time, beginning January 1, 2002, or at any time thereafter, upon payment of the stipulated redemption price which ranges from 100% to 102% of the principal amount plus accrued interest to the date fixed for redemption.

Airport Revenue Bond obligations (the “Revenue Bonds”) of the Authority totaled \$451,485,000 and \$488,725,000 at December 31, 2009 and 2008, respectively. The principal, interest, and redemption premiums, if any, related to the Revenue Bonds are payable by the Authority only out of net revenues as defined and from such other monies as may be available for such purposes (“Debt Service Reserve Funds”). The Revenue Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any of the Authority’s properties, including PIT, or upon any of its income or receipts of revenues except as noted above. The holders of the Revenue Bonds have no claim upon the taxing power or tax revenues of the County.

Payment of Airport Revenue Bonds Under Operating Agreements — The Authority’s ability to derive net revenues from the operation of PIT depends upon various factors, many of which are not within the control of the Authority. The primary source of net revenues is the AOA between the Authority and the signatory airlines, of which US Airways is the primary airline, directly accounting for approximately 31.4% and 34.2% of the total operating revenues of PIT in 2009 and 2008, respectively.

The AOA provides for the landing fees, terminal rentals, and ramp fees to be charged to the airlines. In addition, the signatory airlines are also obligated to pay costs associated with aircraft support systems and tenant improvements, and US Airways is obligated to pay costs associated with certain exclusive-use systems and facilities.

At any point in time, the U.S. economy, excess airline capacity, and industrywide competition through airfare discounting may create significant constraints on the operations of the airlines. Due to these factors, the financial results of PIT are largely dependent upon conditions in the national economy and the U.S. airline industry, and the financial condition of carriers, such as US Airways, which provide significant levels of service at PIT.

The scheduled payments of principal and interest on the Revenue Bonds when due are guaranteed by various third-party insurers and guarantors. Payment of the principal and interest on the Series 1997 Bonds is insured by MBIA. Payment of the principal and interest on the Series 1999 Bonds and the Series 2002 Bonds is insured by FGIC. Payment of the principal and interest on the Series 2001 Bonds is insured by MBIA. Payments of the principal and interest on the Series 2007 Bonds are insured by FSA, Inc. The ultimate ability of such insurers and guarantors to meet their obligations with respect to the Revenue Bonds will be predicated on their future financial condition.

Industry Drive Loan — On March 26, 2003, the Authority entered into an agreement with the Redevelopment Authority of Allegheny County (RAAC), an authority organized by the County of Allegheny, Pennsylvania, under the Urban Redevelopment Law of Pennsylvania, the Act of May 24, 1945, P.L. 991, et seq., as amended. This agreement provides funding for the construction of an extension of the existing public road known as Industry Drive to permit further development of the undeveloped land lying mostly to the north of the Industry Drive Extension right-of-way between the right-of-way and the Pennsylvania Route 60 By-Pass. RAAC has agreed to lend \$4,000,000 to the Authority for this project, and the Authority has agreed to contribute \$2,800,000. Total disbursements from RAAC toward the Industry Drive Project at both December 31, 2009 and 2008, was \$1,484,629. The Authority repaid \$50,493 and \$48,179 in 2009 and 2008, respectively. The repayment terms are \$9,652 per month on a 20-year term expiring in 2027.

Commonwealth of Pennsylvania Department of Transportation Loan — On September 12, 2007, the Authority entered into a loan agreement with the Commonwealth of Pennsylvania, Department of Transportation, to provide a portion of funding necessary to complete the Authority's South Ramp Taxilanes Relocation and Hangar Redevelopment Project at the Allegheny County Airport. The estimated project cost is \$4,100,000, of which the Department of Transportation agreed to loan the Authority \$1,000,000 at an annual interest rate of 4.125%. The term of the loan is 120 months and requires monthly payments of \$10,184. The remaining project costs are to be funded through Authority funds, FAA grants, Pennsylvania Department of Transportation grants, and an additional \$1,300,000 10-year term loan. The Authority repaid \$86,865 and \$83,361 in 2009 and 2008, respectively. The Authority has the ability to prepay this loan, in \$1,000 increments, without penalty.

Tax Increment Financing — On November 1, 2005, the Authority entered into an agreement with the RAAC. This agreement provides Tax Increment Financing (TIF) for the development and financing of the Clinton Industrial Park Project, which includes certain substantial public on-site and off-site improvements. RAAC has issued a series of TIF Notes in an aggregate principal of \$5,000,000 to fund public improvements relating to Phase I of the Clinton Industrial Park Project with another \$500,000 unissued notes. At both December 31, 2009 and 2008, the amounts borrowed are \$4,596,718 for construction fund deposit, debt service reserve fund, and financing fees and expenses. Interest only payments are required through December 1, 2010. Semi-annual principal and interest commence June 1, 2011. The source of repayment of this TIF is limited to the tax revenues, generated by the project.

Commonwealth Financing Authority Business in Our Sites Program — On January 18, 2007, the Authority entered into a loan agreement with the Commonwealth Finance Authority to provide a \$2,000,000 loan for the purpose of completing the Cherrington Parkway Extension. Terms of this loan are 20 years with a 3% interest rate. All principal and interest payments will be deferred, and interest will not accrue, until one of the following occurs: sale of the property, property is leased, or if five years have passed since completion of the site development work.

Moon Township Municipal Authority Loan — On September 1, 2007, the Authority entered into a loan agreement with the Moon Township Municipal Authority to provide a \$400,000 loan for the purpose of completing the Cherrington Parkway extension and the related extension of water and sanitary wastewater pipelines. Terms of this loan are five years with interest-only payments (\$12,000) due August 1, 2009, 2010, 2011, and 2012. Repayment of principal and final interest payment is due (total \$412,000) on August 1, 2013.

Allegheny County Airport Hangar Loan — On January 11, 2008, the Authority entered into a loan agreement with Citizens Bank to provide a \$1,300,000 loan for the purpose of constructing 18 new T-hangars and certain taxiway improvements. Terms of this loan are 40 equal consecutive quarterly payments of \$16,250, which commenced in April 2008, and one final payment of all outstanding balances of principal and interest accrued. The interest rate was increased to 30-day LIBOR +2.50% effective January 1, 2009. The Authority repaid \$65,000 in both 2009 and 2008.

Northfield Tax Increment — On May 1, 2008, the Authority entered into an agreement with RAAC for a second TIF for the development of the Northfield site located on the north side of the airfield. The TIF proceeds will fund certain on-site and off-site public infrastructure and improvements. RAAC issued a TIF note in the amount of \$5,000,000 to fund the improvements related to the Northfield site. As of December 31, 2009 the amount borrowed was \$2,709,883 for construction fund deposit, debt service reserve fund, and financing fees and expenses. Monthly interest only payments are required through the fifth anniversary of the first draw by the Authority. Semi-annual principal and interest payments commence June 30, 2014. The source of repayment of the TIF is limited to the tax revenues generated by the project.

Gaming Grant Anticipation Loan — On June 22, 2009, the Authority entered into a loan agreement with PNC Bank, National Association to provide a \$20,000,000 loan for anticipated gaming revenue grants to finance projects authorized by Section 3(2)(I)(e) of Act 53 in advance of the receipt of Airport Development Grants from the Gaming Fund. Terms of this loan include principal payments commencing on January 15, 2011 with consecutive annual payments of \$4,000,000 through January 15, 2015. The interest rate will be LIBOR +2.00%. The interest rate at December 31, 2009 was 3.68%.

8. UNRESTRICTED NET ASSETS

Unrestricted net assets at December 31, 2009 and 2008, are as follows:

	2009	2008
Unrestricted net assets available for operations	\$ 9,180,880	\$ 12,772,856
Restricted deficit net — Gaming funds	(11,190,000)	
Restricted deficit net — PFC funds	<u>(26,828,033)</u>	<u>(37,001,716)</u>
Unrestricted net assets per statement of net assets	<u>\$ (28,837,153)</u>	<u>\$ (24,228,860)</u>

The Authority has made PFC reimbursable expenditures in excess of PFC revenues as of December 31, 2009 and 2008. The Authority has also advanced the utilization of gaming revenue that the Authority expects to start receiving in 2010. The Gaming and PFC deficits result in the reductions of the unrestricted net assets as set forth above.

9. PASSENGER FACILITY CHARGES

On October 1, 2001, the airlines began collecting PFCs on qualifying enplaning passengers at PIT on behalf of the Authority. PFCs are fees imposed on enplaning passengers by airports to finance eligible airport-related projects that preserve or enhance safety, capacity, or security of the national air transportation system; fund noise mitigation at the airport; or furnish opportunities for enhanced competition between or among air carriers. Recent regulations have been promulgated by the FAA that enhance the eligibility of PFC usage to include, among other things, debt service payments. Both the fee imposed and the intended uses must be reviewed and approved by the FAA.

The Authority chose to establish, and received approval to impose and use a \$3 PFC. Effective December 1, 2004, the FAA approved an increase to the PFC, allowing the Authority to collect at the current maximum rate of \$4.50. The project summary was approved by the FAA in its Record of Decision, dated July 2001, and subsequently amended through November 16, 2007 as follows:

Reimbursement for preapplication projects (to be applied to debt service)	\$ 215,055,143
Safety and security-related projects	174,503,105
Environmental-related projects	86,395,101
Terminal development projects	<u>50,819,327</u>
	<u>\$ 526,772,676</u>

The Authority has disbursed \$187,997,390 on these projects through December 31, 2009.

10. TRANSACTIONS WITH THE COUNTY OF ALLEGHENY

The Authority has entered into intergovernmental agreements with the County that provide for, among other things, contractual services for County police services and certain A-133 accounting and professional services. Expenses relating to these services are included in professional services for the years ended December 31, 2009 and 2008, in the accompanying statements of revenues, expenses, and changes in net assets, and amounted to \$8,787,745 and \$8,924,952, respectively.

11. RISK MANAGEMENT AND INSURANCE ARRANGEMENTS

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; illnesses or injuries to employees; and natural disasters. The Authority carries commercial insurance to cover these risks of loss. The commercial insurance coverage is on a guaranteed cost basis covering any expense of the Authority. Claims on this coverage have not exceeded commercial premiums.

At the time the Authority was created and the Airport System transferred from the County, workers' compensation claims of Airport personnel were transferred to the Authority. Self-insured employee medical benefit claims are accrued as incurred in accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. The liability for reported claims and claims incurred, but not reported, an estimate of which is based on historical experience and management projections, is reflected as a long-term liability due to the County in the financial

statements and is no longer part of the County program. As such, no new claims can occur under this plan.

Changes in the estimated claims payable liability for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Balance — beginning of year	\$ 140,072	\$ 182,237
Claim payments	(31,226)	(42,165)
Increase in reserve liability	<u>111,984</u>	<u> </u>
Balance — end of year	<u>\$ 220,830</u>	<u>\$ 140,072</u>

12. RETIREMENT BENEFITS

Retirement Plan Description — The County sponsors the Allegheny County Retirement System (“the Retirement System”), a single-employer, defined benefit, contributory retirement plan covering substantially all employees. Employees contribute to the Retirement System through payroll withholdings based on a contracted rate.

The Retirement System membership as of January 1, 2009 and 2008 consisted of the following:

	2009	2008
Participants:		
Retirees and beneficiaries receiving benefits	4,454	4,491
Terminated employees entitled to benefits, but not yet receiving them	<u>159</u>	<u>134</u>
	<u>4,613</u>	<u>4,625</u>
Current employees:		
Vested:		
Non-uniform	4,062	3,948
Police and fire	145	152
Nonvested:		
Non-uniform	3,033	3,118
Police and fire	<u>103</u>	<u>107</u>
	<u>7,343</u>	<u>7,325</u>
Total	<u>11,956</u>	<u>11,950</u>

Benefit and contribution provisions for the Retirement System are determined under statutes enacted by the General Assembly of the Commonwealth of Pennsylvania. The Retirement Board, pursuant to express statutory authority, has the right to increase the employee contributions in the event it is actuarially determined that a contribution increase is required in order for the Board to meet its funding requirements. Any increase in employee contributions imposes a statutory requirement upon the County to match the employee contributions. Also, the obligation of the fund to pay retirement benefits is further secured by statutory obligation imposed upon the County to utilize its taxing authority to meet the Retirement Board’s obligation to make monthly benefit payments to retirees.

Monthly benefit payments are determined for each individual according to the retirement option selected and the age and length of service at retirement. Under normal retirement (attainment of age 50 with 20 years of service for police and firefighters; age 55 with 20 years of service for jail guards, deputy sheriffs, and probation officers; and age 60 with 20 years of service for non-uniformed employees), the retirement benefit is equal to 50% of final average salary plus 1% of final average salary for each full year of service between 20 and 40 years. Final average salary is the monthly average of the 24 highest months of compensation in the last 48 months of employment preceding retirement.

The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to:

Allegheny County Retirement Board
 106 County Office Building
 542 Forbes Avenue
 Pittsburgh, PA 15219

Funding Policy, Annual Pension Cost, and Schedule of Funding — Effective January 1, 2003 and continuing through December 31, 2009, employees were required to contribute 6% of covered compensation. For the period January 1, 2002 through December 31, 2002, employees were required to contribute 5% of covered compensation. For the period January 1, 2000 through December 31, 2001, employees were required to contribute 3.8% of covered compensation. For the period February 1, 1998 through December 31, 1999, employees were required to contribute 6% of covered compensation. Prior to February 1, 1998, employees were required to contribute 7.5%. Employee contributions are matched equally by the County, as prescribed by the Second Class County Code, and deposited in the Pension Trust Fund. Employees with at least 24 months of service who terminate prior to satisfying the minimum service requirements for a retirement benefit are entitled to refunds of their contributions plus interest thereon. Interest earned for 2009 was at 2.4% per annum on contributions. Employees with less than 24 months of service who terminate prior to satisfying the minimum service requirements for a retirement benefit are entitled to refunds of their contributions only.

The annual required contribution for the current year was determined as part of an actuarial valuation as of January 1, 2009, using the entry-age normal actuarial cost method. Significant actuarial assumptions and amortization methods used include (1) a level dollar amortization method with an open, 15-year amortization period; (2) a rate of return on the investment of present and future assets of 11% for 2009 and 8% per year thereafter compounded annually; (3) projected salary increases ranging from 3.5% per year to 6.0% per year according to age, compounded annually, attributable to inflation and seniority/merit; (4) non-investment expenses equal to 1% of total contributions, and; (5) the actuarial value of the assets is the fair market value of plan assets.

The annual pension cost for the Retirement System is as follows:

Fiscal Years Ending December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$62,952,238	30.6 %	\$71,537,960
2008	28,662,118	64.8	27,842,515
2007	26,548,600	69.4	17,757,629

The schedule of funding progress for the Retirement System is as follows (amounts are in thousands):

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as a Percentage of Covered Payroll
January 1, 2009	\$ 582,099	\$ 1,067,015	\$(484,916)	54.6 %	\$ 326,803	148.4 %
January 1, 2008	798,203	979,599	(181,396)	81.5	317,380	57.2
January 1, 2007	757,476	915,208	(157,732)	82.8	291,731	54.1

Pension expense of the Authority for the three years ended December 31, 2009, 2008 and 2007, was \$1,405,711, \$1,398,876, and \$1,397,845, respectively.

Other Postemployment Benefits:

Postemployment Medical Benefits — The Authority Postemployment Medical Benefits Plan is a single-employer defined benefit health care plan administered by the Authority. There is no separate audit requirement. The plan provides reimbursement for medical benefits to eligible firefighter retirees hired before May 1, 2005, and their spouses. Benefits are provided according to the retiree’s 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 the retirees are made on a reimbursement basis. The Authority does not have a funding policy for postemployee benefits at this time.

The Authority’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, 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. An actuarial valuation was performed for 2007; thus, the net OPEB obligation is an estimate for 2009 and 2008. An actuarial calculation will be performed again for 2010. 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:

	2009	2008
Annual required contribution	\$ 39,466	\$ 39,466
Interest on net OPEB obligation	4,827	4,827
Adjustment to annual required contribution	<u>57,088</u>	<u>57,088</u>
Annual OPEB cost	101,381	101,381
Contributions made	<u>70,308</u>	<u>85,955</u>
Increase in net OPEB obligation	31,073	15,426
Net OPEB obligation — beginning of year	<u>46,024</u>	<u>30,598</u>
Net OPEB obligation — end of year	<u>\$ 77,097</u>	<u>\$ 46,024</u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and 2008 are as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed
December 31, 2009	\$ 101,381	69.4 %
December 31, 2008	101,381	84.8

As of January 1, 2007, the date of the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$921,404, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,960,910, and the ratio of unfunded actuarial accrued liability to cover payroll was 31%. The contributions made as a percentage of required contributions were 179%. The OPEB obligation as of January 1, 2008, involves estimates using covered payroll of \$2,857,133, and the ratio of unfunded actuarial accrued liability to cover payroll was 45%. The contributions made as a percentage of required contributions were 218%. The contributions were made on a pay-as-you-go basis. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and health care 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. There is no schedule of funding progress, presented as required supplementary information following the notes to the financial statements, which would present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits, since 2007 was the initial year of calculation and there is no funding as of December 31, 2009.

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.

In the January 1, 2007, actuarial valuation, the following actuarial assumptions were used:

Actuarial cost method	Projected unit credit
Interest rate	5% compounded annually
Amortization method	Level dollar
Amortization period	30 years

13. PURCHASE COMMITMENTS

Natural Gas — The Authority has entered into a contract with a natural gas provider for the purchase of approximately 200,000 dth of natural gas each year. The Authority will pay the provider at the New York Mercantile Exchange rate, plus \$0.535 per dth beginning January 1, 2010 through December 31, 2013. The Authority is responsible for the nominations under the contract and can adjust the monthly nominations of the natural gas purchases up to 20% each year. The Authority anticipates using the full amount of the commitment.

Electricity — The Authority has entered into a contract with an electricity provider for the purchase of electricity for specific meters at rates ranging from \$6.235/kWh to \$6.94/kWh. The contract is in effect until December 1, 2011, and includes most of the Authority’s forecasted electricity usage.

14. CONTINGENCIES

De-icing — The Pennsylvania Department of Environmental Protection (DEP) issued an Administrative Order dated January 26, 1998, to the County, which alleges violations of a January 1994 Consent Order and Adjudication and violations of the Pennsylvania Clean Streams Law at the Pittsburgh International Airport. The Administrative Order cited several areas, all of which have been resolved, except for the de-icing. The Authority has withdrawn a previous appeal without prejudice and continues to negotiate with the DEP to reach a resolution of the matter. The Authority continues to address the de-icing issues and has spent and continues to budget for significant funds in capital projects in the near future to attempt to resolve the de-icing problem.

Financial Assistance — The Authority receives significant financial assistance from federal and Commonwealth of Pennsylvania governmental agencies in the form of grants and other entitlements primarily for capital improvement projects. The disbursement of resources received under such programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. The Authority’s management believes disallowances, if any, will be immaterial.

Other — In the ordinary course of the Authority’s operations, there have been various legal proceedings brought against the Authority. Authority management is of the opinion that these matters will not have a materially adverse effect on the Authority’s financial position or results of operations.

15. DERIVATIVE FINANCIAL INSTRUMENTS

On November 14, 2006, the Authority entered into a Constant Maturity Swap (CMS) for the purpose of reducing debt service by taking advantage of the flat interest rate curves that were in effect at the time of the remarketing of the Series 2001 and Series 2002 Bonds. The transaction is effective beginning July 1, 2007, and continues until January 1, 2023. The CMS is structured so that the Authority receives funds quarterly at the rate of 67% of the USD-ISDA-Swap Rate, minus 0.11% times a notional amount that is initially \$182,000,000 and which decreases annually as debt payments are made on the Series 2001 and Series 2002 bonds, and the Authority pays the counterparty quarterly at the USD-BMA-Municipal Swap Index rate times the notional amount as described above. At December 31, 2009, the USD-SDA-Swap Rate was 3.43% and the USD-BMA-Municipal Swap Index rate was 0.25%. The swap counter party was rated AAA by Fitch Ratings, AAA by Standard & Poor’s and Aa3 by Moody’s Investors Service as of December 31, 2009. The fair market value of the CMS as of December 31, 2009 and 2008, was \$6,972,467 and \$(2,708,924) with notational amounts of \$161,745,000 and \$172,435,000, respectively.

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