

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)



ALLEGHENY COUNTY
AIRPORT AUTHORITY

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2016 and 2015**

Christina A. Cassotis, Chief Executive Officer

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)

Contents

Part 1 - Introductory Section [Unaudited]

Letter of Transmittal.....	i-v
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	vi
Listing of Board of Directors and Officers.....	vii
Organizational Chart	viii

Part 2 - Financial Section

Independent Auditor’s Report	1
Management’s Discussion and Analysis [Unaudited].....	3
Statements of Net Position	11
Statements of Revenues, Expenses and Changes in Net Position	13
Statements of Cash Flows	14
Notes to Financial Statements	16

Part 3 - Required Supplementary Information [Unaudited]

Schedules of Authority’s Proportionate Share of the Net Pension Liability	50
Schedules of Authority Contributions	51

Part 4 - Statistical Section [Unaudited]

Schedule of Contents.....	52
Statements of Revenues, Expenses and Changes in Net Position Information	53
Operating Revenue by Category.....	55
Operating Expenses by Business Unit.....	56
Net Position by Component.....	57
Summary of Airline Rate Base Fees.....	58
Airline Revenue Derived by Carrier.....	59
Rates and Cost Per Enplaned Passenger.....	60
History of Total Concessions Per Enplanement	61

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)

Outstanding Debt by Type and Revenue Bond Debt Service Ratios	62
Revenue Bond Debt Service Coverage	63
Enplaned Passengers by Airline Group	64
Activity Statistics.....	65
Count of Employees by Department	66
Capital Asset and Other Airport Information	67
Allegheny County - Demographic and Economic Statistics	73
Allegheny County - Principal Employers.....	74

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)



ALLEGHENY COUNTY
AIRPORT AUTHORITY

INTRODUCTORY SECTION



April 26, 2017

To the Board of the Allegheny County Airport Authority,

This Comprehensive Annual Financial Report, (CAFR), of the Allegheny County Airport Authority (the "Authority"), is hereby submitted for the fiscal years ended December 31, 2016 and 2015. Responsibility for the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the Finance Department of the Authority. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the operations of the Authority.

This Letter should be read in conjunction with the accompanying Management Discussion & Analysis ("MD&A") in order to gather a more complete financial and business picture of the Authority. It is our intent to submit the FY2016 Comprehensive Annual Report to the Government Finance Officers Association for their review and seek the Certificate of Achievement for Excellence in Financial Reporting award.

REPORTING ENTITY

The Authority was created on June 17, 1999 and exists pursuant to the Municipality Authorities Act of May 2, 1945, P.L. 382, as amended. The Authority is governed by a nine member Board of Directors appointed by the Chief Executive of Allegheny County.

The Authority manages the operations of two airports that include Pittsburgh International Airport (PIT), and Allegheny County Airport (AGC). Pittsburgh International Airport is the larger facility and is located 16 miles west of downtown Pittsburgh. Allegheny County Airport is a small general aviation airport located in West Mifflin approximately 15 miles south east of downtown Pittsburgh.

Pittsburgh International Airport
Landside Terminal, 4th Floor Mezz.
PO Box 12370 Pittsburgh, PA 15231-0370
(412) 472-3500 FLYPITTSBURGH.COM

ECONOMIC CONDITION AND OUTLOOK

Pittsburgh International Airport is transitioning from a mega-connecting hub market to a strong local O&D market providing passengers with increasing customer amenities and a growing list of air service options. With a new approach to working with the airlines, the community, and utilizing the momentum of the Pittsburgh economy, the airport has increased service from 37 to 68 airports non-stop during 2015 and 2016 with over 170 daily peak season flights on 16 airlines with a key focus on increasing service to the unserved and underserved destinations. In addition to air service, customer amenities specifically relating to the food and beverage program have been a priority to ensure residents and visitors alike have a positive experience at the airport. In 2016, passenger traffic has increased by 2.2% to bring total passenger traffic to over 8.3 million passengers. Ensuring the enhancement of these amenities and the transition of Pittsburgh to a strong local O&D market are continuing priorities of management.

MAJOR INITIATIVES

During 2016, the Authority continued its economic strategic goal of improving its financial condition. During the year, and in addition to scheduled bond debt service payments, the Authority repaid approximately \$2.2 million in debt principal and took on no additional debt. The \$2.2 million represents principal payments towards the energy savings loan, hangar loan and development area loans.

Also during 2016, the Authority received an additional \$0.9 million of gas drilling rental payments bringing the total bonus and rent payments received to date to \$49.6 million. The Authority is receiving, or accreting, \$10.7 million per year in rental and bonus payments. Drilling on the first completed well pad began in June 2016 with the Authority to receive monthly royalty payments equal to 18% of the production value. The Authority received \$2.0 million of these royalty payments during 2016. Net revenues from the natural gas lease are being used to reduce airline rates and charges and for capital expenditures, including economic development, at the Airport.

Two of the three major bond rating agencies, Fitch and Standard and Poor's, reviewed the Authority's credit and upgraded the Authority's rating to A with a stable outlook. This is evidence that the Authority continues to be viewed as a sound business entity whose financial viability remains highly stable.

LONG-TERM FINANCIAL PLANNING

The Authority's long-term planning is based on maintaining a safe, customer-centric and cost-competitive environment for the airlines and passengers at its two airports. This includes the continued application of passenger facility charges, customer facility charges, gaming and gas drilling revenues to reduce annual debt service requirements. The Authority is planning for the transition from the current residual airline operating agreement that expires in 2018. The majority of the current bond debt will be defeased by that time.

The Master Plan project is ongoing and is anticipated to be completed during 2017. This plan will address all potential major construction projects including replacement of the parking garage and the potential right-sizing of the entire facility.

The Authority is very fortunate to have approximately 8,800 acres of land surrounding the Airport, of which approximately 1,300 acres are available for 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. The Authority has constructed infrastructure and installed utility services to select areas to provide "pad ready" development sites. Revenues from the various developers and land tenants are used by the Authority for further investment in development activities.

FINANCIAL INFORMATION

The Finance Department is responsible for implementing and maintaining an internal control structure to ensure the integrity of the Authority's operations and to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable assurance that the assets, resources, and operations of the Authority are handled in a manner that protects against waste, theft or neglect and other irregularities that may hinder operations. This objective is being met by adequate supervision of employees, segregation of duties and multiple levels of approvals of expenditures.

BUDGETARY CONTROLS

The budget process is designed to ensure that the Authority will have adequate funding to meet its operational objectives. The Airline Operating Agreement specifies a residual rate-making methodology for the calculation of airline rates and charges. Under this methodology, total operating, maintenance expenses and debt service (including coverage) are calculated for each cost-revenue center and offset by non-airline revenues. This agreement provides that the aggregate of airport fees and charges paid by the Signatory Airlines must be sufficient to pay for the net cost of operating, maintaining and developing Pittsburgh International Airport (excluding the commercial and industrial areas) including the satisfaction of debt service coverage, deposit and payment requirements of the bond ordinance and bond indentures. The Authority's annual operating and capital budgets are reviewed with the board and subsequently approved at the regular meeting in October for the upcoming fiscal year that begins January 1.

INDEPENDENT AUDIT

The Authority's independent auditor, **BKD, LLP**, has performed the annual audits as of and for the years ended December 31, 2016 and 2015, and rendered an unmodified opinion as to the Authority's financial statements. The audits were conducted in accordance with auditing standards generally accepted in the United States of America. The report is contained herein.

INTERNAL CONTROLS

The Authority's management is responsible for the establishment and maintenance of internal accounting controls that ensure assets are safeguarded and financial transactions are properly recorded and adequately documented. To ensure that the costs of controls do not exceed the benefits obtained, management is required to use cost estimates and judgments to attain reasonable assurance as to the adequacy of such controls. The Authority has established internal controls to fulfill these requirements and these controls are reviewed annually by an external audit firm for applicability, relevance and effectiveness.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Allegheny County Airport Authority for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2015. This was the sixth consecutive year that the Authority has achieved this prestigious award. In order to receive the Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Management believes our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program requirements, and it will be submitted to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The completion of this report would not have been possible without the support of the Authority's Board of Directors and their commitment to the continuous improvement of corporate governance and the financial reporting function. In addition, key members of the Finance Department played a major role in compiling and completing this expanded report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Christina A. Cassotis". The signature is fluid and cursive, with the first name being the most prominent.

Christina A. Cassotis
Chief Executive Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Allegheny County Airport Authority
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO

PIT – ALLEGHENY COUNTY AIRPORT AUTHORITY

BOARD MEMBERS AND OFFICERS

On November 5th, 1999, a new era began when the Airport Authority assumed administration of both Pittsburgh International and Allegheny County Airports from Allegheny County.

Under a lease with an initial term of 25 years and two additional 25 year option terms, the Allegheny County Airport Authority, governed by a board appointed by the Allegheny County Chief Executive, operates the two premier airports that serve the Pittsburgh region.



Chairman

David Minnotte

Vice Chairman

Robert Lewis

Treasurer

Jennifer Liptak

Secretary

Ashley Henry Shook

Anthony Bridge

Hon. Jan Rea

Cynthia Shapira

Hon. Matthew Smith

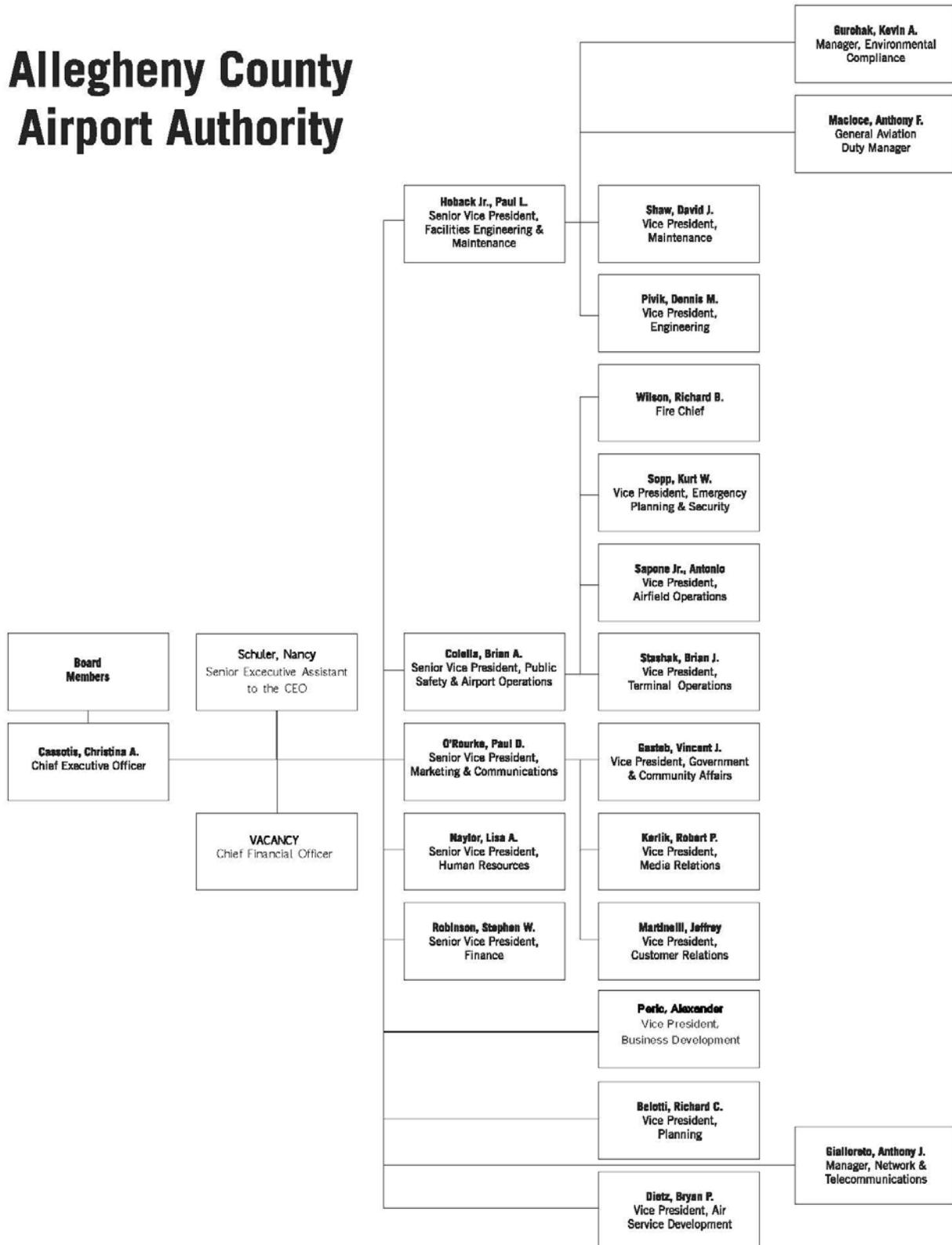
Rich Stanizzo

Officers

Chief Executive Officer

Christina A. Cassotis

Allegheny County Airport Authority



Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)



ALLEGHENY COUNTY
AIRPORT AUTHORITY

FINANCIAL SECTION

Independent Auditor's Report

To the Board of Directors of
Allegheny County Airport Authority
Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of Allegheny County Airport Authority (Authority), a component unit of the County of Allegheny, Pennsylvania, as of and for the years ended December 31, 2016 and 2015, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Allegheny County Airport Authority as of December 31, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Introductory and Statistical Sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Indianapolis, Indiana
April 26, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The Allegheny County Airport Authority's (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

The Authority is responsible for the operation of the facilities at Pittsburgh International Airport (PIT or the Airport) and the Allegheny County Airport (AGC). PIT is operated by the Authority pursuant to an Amended and Restated Airline Operating Agreement (the AOA). The AOA has been signed by American Airlines/US Airways, British Airways, Chautauqua Airlines, Delta Airlines, JetBlue Airways, Mesa Airlines, PEOPLExpress, Republic Airlines, Southwest Airlines, United Airlines, and Allegiant Airlines (the Signatory Airlines).

Airline revenue at PIT is based upon a residual arrangement as determined in the AOA. Signatory Airlines agree to pay for the operations of the Airport, as well as fund certain capital expenditures, based upon rates and charges that take into account all revenues, expenses and debt service at PIT. 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.

Overview of the Financial Statements

The Authority's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB). 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 1 and 2 to the financial statements for a summary of the Authority's organization and significant accounting policies. 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 Position presents information on all of the Authority's assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Authority's financial condition.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing the change in the Authority's net position during the fiscal year. All changes in net position 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 provide or use cash are recorded in this statement. A 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

Enplaned passengers at the Airport increased by 2.4% in 2016 as compared to 2015, which followed a 1.3% increase in 2015. The Airport has maintained a diversified portfolio of airlines. As of June 2017, fourteen carriers will be providing regularly scheduled service to 68 airports nonstop, up from 37 at the beginning of 2015. This diversification has led to growth from leisure carriers such as Allegiant, which has grown to serve nine destinations. Business-focused carriers, like OneJet, serve seven nonstop destinations, with five more expected by the end of 2017. Both of those carriers now base aircraft here and OneJet has selected Pittsburgh as its focus city in 2016.

Management is pleased to see the growth in passenger levels through the strength of the origin and destination traffic (nonconnecting passengers who begin or end their trip at PIT), and is optimistic the added routes and frequencies in 2015, 2016 and 2017 will continue predictable passenger levels. The Pittsburgh economy continues to improve and management attributes the performance in 2016 passenger levels to new carriers and routes at PIT that have succeeded in attracting more travelers with the growth of the regional economy. Pursuant to Federal Aviation Administration (FAA) approval, 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 PFCs allocated to debt service in 2016 and 2015 was \$16.0 and \$15.3 million, respectively. The Authority anticipates future applications of PFC revenues will predominantly be used for eligible debt service costs.

The Authority has been designated a recipient of revenues generated from casinos and racinos authorized to operate pursuant to the Pennsylvania Race Horse Development and Gaming Act (Gaming Act). The Authority is eligible to receive up to 5% of the annual net revenues, on an annual basis not to exceed \$150 million for up to a 12-year period, generated from gaming operations in Pennsylvania. The County of Allegheny (County), the prior 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.

In June 2009, the Authority executed a grant anticipation loan (Gaming 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 Gaming Grant Anticipation Loan was secured by a pledge of the future installments of the Gaming Revenues to be received. 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 due on January 15, 2011. Additionally in January 2011, the Authority repaid \$8 million of principal against the loan. In January 2012, the Authority repaid the remaining \$7 million of principal on the Gaming Grant Anticipation Loan. The Authority anticipates applying the remaining \$18.5 million of gaming grants to (i) 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 (ii) for other purposes permitted under the Gaming Act.

The parking operation at PIT is the largest non-aeronautical operating revenue generator for the Airport. There was \$31.4 million of parking revenue included in the results of the Airport for 2016. Management expects net parking revenues to continue to improve in 2017 as they are directly related to enplanements. The Airport currently has approximately 2,100 short-term parking spaces, 3,100 long-term parking spaces, and 8,000 extended-term parking spaces.

Consistent with the AOA, the net cost of operating the Airport is passed on to the Signatory air carriers through airline rates and charges. Therefore, any reduction in fees directly benefits the 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.

On December 5, 2012, the Authority opened bids for the exploration, drilling and production of minerals, namely Marcellus Shale natural gas, on the properties of PIT and AGC. CNX Gas Company LLC was the sole qualified bidder. On February 8, 2013, the Authority Board awarded the bid and authorized execution of a lease with CNX Gas Company LLC. Upon execution, the Authority received an up-front bonus payment of \$42.8 million with an additional \$3.5 million held in escrow until certain property deed mineral rights issues are resolved, but not later than two years from the date of the lease execution. These bonus payments, along with the associated ground and surface rental payments, are being accreted proratably over the five-year initial term of the lease based upon straight-line methodology. Lease execution with CNX occurred on February 22, 2013. During the years 2013 through 2016, all bonus and rent payments covering the initial term were received. The total of all such payments received was \$49.6 million. In addition to these initial payments, the Authority began receiving monthly royalty revenue payments during 2016. Royalty revenues over the life of the drilling operations will be recognized as earned. These payments are being amortized over the remaining life of the lease from the date of payment. Net revenues from the natural gas lease are being used to reduce airline rates and charges and for capital expenditures, including economic development, at the Airport. During 2016 and 2015, \$10.7 million and \$10.2 million, respectively, was accreted from the bonus and rental payments with \$8.4 million and \$5.2 million, respectively, allocated to reduce airline rates and charges.

The following is a summary of the Authority's statements of revenues, expenses and changes in net position for the years ended December 31, 2016, 2015 and 2014 (in thousands):

	2016	2015	2014	% Change 2016/2015
Total operating revenues	\$ 139,882	\$ 137,227	\$ 151,326	1.9%
Total nonoperating revenues	49,174	44,714	46,021	10.0%
Total revenues	<u>189,056</u>	<u>181,941</u>	<u>197,347</u>	3.9%
Operating expenses	162,693	153,577	148,751	5.9%
Total nonoperating expenses	10,990	12,769	15,288	-13.9%
Total expenses	<u>173,683</u>	<u>166,346</u>	<u>164,039</u>	4.4%
Income before capital contributions and grants and grants	15,373	15,595	33,308	-1.4%
Capital contributions and grants	<u>23,401</u>	<u>14,759</u>	<u>20,144</u>	58.6%
Increase in net position	<u>38,774</u>	<u>30,354</u>	<u>53,452</u>	27.7%
Net Position - beginning of year, as previously reported	508,937	530,269	476,817	-4.0%
Change in accounting principle	<u>-</u>	<u>(51,686)</u>	<u>-</u>	
Net Position - beginning of year	<u>508,937</u>	<u>478,583</u>	<u>476,817</u>	6.3%
Net Position - end of year	<u>\$ 547,711</u>	<u>\$ 508,937</u>	<u>\$ 530,269</u>	7.6%

2016

Total operating revenues finished the year approximately \$2.7 million, or 1.9%, higher compared to 2015. The increase in landing and terminal fees of \$1.7 million were primarily a result of increases in operating expenses which were partially offset by increases in nonaeronautical revenues. Other aeronautical revenues were essentially flat compared to 2015 as the majority of those revenues are at contracted rates. Parking and rent-a-car revenues finished the year \$0.9 million higher compared to 2015. A slight decrease in rental car revenues was offset by a \$0.3 million increase in ground transportation fees. Parking garage and lot revenues also increased by \$0.3 million due to higher passenger traffic.

Total operating expenses (including depreciation) were \$9.1 million, or 5.9%, more in 2016 as compared to 2015. The largest drivers for this increase are salaries, wages and benefits, cleaning and maintenance and professional services. Salaries, wages and benefits increased approximately \$7.1 million or 17.7% due to normal pay increases and the continued application of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, related to recognition of pension expense. Cleaning and maintenance increased by \$0.7 million due to normal contractual increases. Professional services increased by \$1.5 million versus 2015 primarily due to an increase of \$1.0 million for security guard services and an increase of \$0.5 million for marketing consulting services.

Total net nonoperating revenues (expenses) were approximately \$6.2 million higher in 2016 as compared to 2015, or 19.5%. Interest expense was approximately \$2.9 million lower, reflecting the amortization of long-term debt and lower interest payments required on short-term, variable-rate instruments. Investment income was \$0.3 million higher compared to 2015 due to the recovery of investment rates during 2016. Passenger facility charges are \$0.3 million higher than 2015 and this is directly related to the increase in passengers. During 2016, the Authority began receiving gas drilling royalty revenue, which totaled \$3.2 million for the year. This is the primary driver in the increase of total gas drilling revenues of \$3.7 for 2016 as compared to 2015.

Capital contributions and grants were up approximately \$8.6 million in 2016 compared to 2015, or 58.5%. Grant funding represented \$7.9 million of the increase, which can be attributed to the usage of previously granted funds for airfield rehabilitation projects at PIT and AGC and also funds for various development projects including the Clinton Commerce Park.

2015

Total operating revenues finished the year approximately \$14 million, or 9.3%, less compared to 2014. The decrease in landing and terminal fees of \$3.7 million were primarily a result of airline rate changes between 2015 and 2014, as well as changes in airline operations. Other aeronautical revenues were \$11.1 million lower in 2015 compared to 2014 with the major contributor to this unfavorable variance being a \$11.2 million settlement from an American Airlines bankruptcy claim in 2014. Parking and rent-a-car revenues finished the year approximately essentially flat compared to 2014. This can be attributed to a drop in rental car revenue of approximately \$.6 million along with an increase in parking revenue of approximately \$.6 million. The decrease in rental car revenue is attributed to the downturn in the natural gas drilling industry and worker related travel. Additionally, price wars between the rental car companies occurred due to an overstock of rental vehicle inventory related to an unexpected loss of gas drilling customers and the rental car companies attempting to mitigate their loss in revenues from idle vehicles.

Total operating expenses (including depreciation) were \$4.8 million, or 3.2%, more in 2015 as compared to 2014. The largest drivers for this increase are salaries, wages and benefits, cleaning and maintenance, professional services, other services and depreciation. Salaries, wages and benefits contributed approximately \$1.2 million or 2.0% due to normal pay increases and the implementation of GASB 68. Utilities decreased by \$0.6 million due to opportunistic buying practices of natural gas and water and sewage rate decrease of \$.2 million from 2014 due to repairing several water main leaks discovered in the hangar and field area. Cleaning and maintenance increased by \$0.3 million due to on-call usage and normal contractual increases. Professional services increased by \$1.1 million versus 2014 primarily due to (1) an increase of \$244k for air service consulting services, (2) an increase of \$227k in contracted security guards primarily for the FIS reconfiguration, (3) an increase of \$166k for maintenance related to shared use terminal equipment, (4) \$111k related to the design and implementation of an employee performance measurement system and employee coaching, and (5) \$185k in police costs due to annual contractual increase offset somewhat by a decrease in overtime. Other services increased \$0.8 million principally related to deicing materials used during winter operations. Finally, depreciation was \$2.0 million higher than 2014 due to the capitalization of \$37.0 million of new assets during 2015.

Total nonoperating revenues (expenses) were approximately \$1.2 million higher in 2015 as compared to 2014, or 3.9%. Interest expense was approximately \$2.5 million lower, reflecting the amortization of long-term debt and lower interest payments required on short-term, variable-rate instruments. Investment income is \$2.2 million lower in 2015 as compared to 2014 due to lower investment rates. Passenger facility charges are \$0.3 million higher than 2014 and this is directly related to the increase in passengers. Accretion of gas drilling revenues was \$1.1 million higher in 2015 as compared to 2014 due to completion of the legal remedies for defective land deeds and final escrow release.

Capital contributions and grants were down approximately \$5.4 million in 2015 compared to 2014, or 26.7%. Grant funding decreased by \$673,000 primarily due to timing of the related capital expenditures. Capital contributions were \$1.8 million in 2015 versus \$6.6 million for 2014, a decrease of \$4.7 million, primarily due to the receipt of the majority (\$4.7 million) of the Airmall Blue Sky Project contributions during 2014.

Financial Position

The following represents a summary of the Authority's statements of financial position at December 31, 2016, 2015 and 2014 (in thousands):

	2016	2015	2014	% Change 2016/2015
Assets and Deferred Outflows of Resources				
Assets				
Current assets - unrestricted	\$ 78,876	\$ 83,364	\$ 84,254	-5.38%
Current assets - restricted	126,378	131,275	136,645	-3.73%
Net property and equipment	617,284	627,507	649,456	-1.63%
Other assets	3,387	3,750	4,021	-9.68%
Total assets	<u>825,925</u>	<u>845,896</u>	<u>874,376</u>	-2.36%
Deferred Outflows of Resources	<u>37,436</u>	<u>11,310</u>	<u>5,239</u>	231.00%
Total assets and deferred outflows of resources	<u>\$ 863,361</u>	<u>\$ 857,206</u>	<u>\$ 879,615</u>	0.72%
	2016	2015	2014	% Change 2016/2015
Liabilities and Deferred Inflows of Resources				
Liabilities				
Current payables from unrestricted assets	\$ 29,422	\$ 29,764	\$ 28,251	-1.15%
Current payables from restricted assets	63,366	62,438	58,726	1.49%
Long-term liabilities	212,423	244,108	260,763	-12.98%
Total liabilities	<u>305,211</u>	<u>336,310</u>	<u>347,740</u>	-9.25%
Deferred Inflows of Resources	<u>10,439</u>	<u>11,959</u>	<u>1,606</u>	-12.71%
Total liabilities and deferred inflows of resources	<u>315,650</u>	<u>348,269</u>	<u>349,346</u>	-9.37%
Net Position				
Net investment in capital assets	492,846	453,273	432,655	8.73%
Restricted	63,998	65,143	61,237	-1.76%
Unrestricted	(9,133)	(9,479)	36,377	-3.65%
Total net position	<u>\$ 547,711</u>	<u>\$ 508,937</u>	<u>\$ 530,269</u>	7.62%

The Authority's total net position increased \$38.8 million from 2015 and is directly related to gas drilling bonus payments and contracts from governmental agencies.

Capital Asset and Debt Administration

Capital Assets - The Authority's capital assets, net of depreciation as of December 31, 2016 and 2015, amounted to \$617,284,478 and \$627,507,169, respectively. 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 2016 was 1.4% compared to 1.6% in 2015.

Major capital projects in progress and expenditures incurred during 2016 included the following:

2016		
Rehabilitation of taxiways and runways	\$	13,237,000
People mover		2,608,000
Garage and parking lots		5,059,000

Major capital projects in progress and expenditures incurred during 2015 included the following:

2015		
Rehabilitation of taxiways and runways	\$	7,099,000
People mover		3,621,000
Roadways		8,079,000

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, PFCs, debt issuance and cost recovery through airline rates and charges. Major commitments include \$7.5 million of grant funds for runway and taxiway rehab, industrial site development and other projects, \$3.5 million in discretionary capital funds primarily for terminal repairs and upgrades and master plan updates and \$1.8 million in restricted capital funds primarily for runway rehabilitation and security system upgrades. Further detailed information on the Authority's capital assets can be found in Note 5 to the financial statements.

Debt Administration - As of December 31, 2016 and 2015, the Authority's long-term debt outstanding totaled \$180,205,608 and \$237,414,298, respectively. Principal payments of \$57,208,690 and \$53,905,335 were made in 2016 and 2015, respectively. During 2016, the Authority received credit rating upgrades from Fitch and Standard and Poor's. The Authority currently has the highest ratings in its history – Fitch A, Moody's A3, S&P A and all outlooks are stable. Detailed information regarding the Authority's long-term debt can be found in Note 7 to the financial statements.

Economic Factors and Other Matters

Statistics, as provided by the Allegheny County Airport Authority Traffic Statistics for 2016, indicate that domestic air travel increased as compared to 2015. Total passengers at PIT were over 8.3 million in 2016, an increase of 2.2% compared to 2015, the highest total since 2008. The increase can be attributed to new carriers and routes at PIT that have succeeded in attracting more travelers with the growth of the regional economy. In 2016, Pittsburgh International Airport began service on 19 routes on a diverse mix of international, ultra-low cost, business, and incumbent airlines. In addition, a total of four carriers experienced more than one million passengers. Existing carriers accounting for the increase in passengers versus 2015 include OneJet at 337.5%, Porter at 208.3%, Allegiant at 121.6%, Southern Airways at 56.5%, Air Canada at 45.0%, Southwest at 10.5% and JetBlue at 6.4%. Pittsburgh International Airport welcomed Frontier Airlines to the airport in 2016. American, United, and Delta showed passenger level decreases in 2016 of 14.0%, 1.2% and 0.7%, respectively.

The Airport has maintained a diversified portfolio of airlines with eleven carriers currently providing regularly scheduled service to 54 airports nonstop as of the end of 2016, up from 37 at the beginning of 2015. This is welcomed news and confirms the stabilization and rebound of service levels for our traveling public.

The Authority's key metrics have improved dramatically over the last two years. Airlines costs per passenger have continued to decline and finances have stabilized. The team has established a new vision of becoming a global aviation leader and the organization's momentum is getting recognized in the industry. During January 2017, Pittsburgh International was named Air Transport World magazine's 2017 Airport of the Year for its impressive turnaround story. Pittsburgh was the first U.S. airport to win this global award and joins the company of London Heathrow, Hong Kong and Singapore. In February 2017, Spirit Airlines announced it will begin service during the year to seven domestic destinations. In addition, Pittsburgh will begin direct service in June 2017 to Frankfurt, Germany via Condor Airlines and Reykjavik, Iceland via WOW Airlines.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives and expends. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to Christina A. Cassotis, Chief Executive Officer, Landside Terminal, 4th Floor Mezz., Pittsburgh, PA 15231-0370 or via the "Contact Us" area of the Authority's website at www.flypittsburgh.com.

Allegheny County Airport Authority
(A Component Unit of the County of Allegheny, Pennsylvania)
Statements of Net Position
December 31, 2016 and 2015

	2016	2015
Assets and Deferred Outflows of Resources		
Current Assets		
Unrestricted Assets		
Cash and cash equivalents	\$ 51,506,471	\$ 70,202,448
Accounts receivable, trade - net allowance for doubtful accounts of \$218,464 and \$115,102 in 2016 and 2015, respectively	4,399,227	4,039,470
Grants receivable from governmental agencies	17,192,502	6,789,323
Inventory	1,788,467	1,659,069
Other receivables and assets	3,988,910	673,482
Total unrestricted current assets	78,875,577	83,363,792
Restricted Assets		
Cash and cash equivalents	120,173,632	120,903,247
Investments	4,226,063	8,476,744
Accrued interest receivable	34,718	3,188
Passenger and customer facility charge receivables	1,943,434	1,891,363
Total restricted current assets	126,377,847	131,274,542
Total current assets	205,253,424	214,638,334
Noncurrent Assets		
Cash and cash equivalents - unrestricted	2,001,203	1,990,282
Derivative instruments - forward delivery agreements	1,175,115	1,408,617
Prepaid bond insurance costs	211,007	351,217
Capital assets, at cost - net of accumulated depreciation of \$1,464,817,503 and \$1,425,095,647 in 2016 and 2015, respectively	617,284,478	627,507,169
Total noncurrent assets	620,671,803	631,257,285
Total assets	825,925,227	845,895,619
Deferred Outflows of Resources		
Total assets and deferred outflows of resources	37,435,837	11,309,670
	863,361,064	857,205,289

Allegheny County Airport Authority
(A Component Unit of the County of Allegheny, Pennsylvania)
Statements of Net Position (Continued)
December 31, 2016 and 2015

	2016	2015
Liabilities and Deferred Inflows of Resources		
Current Liabilities		
Payable From Unrestricted Assets		
Accounts payable	\$ 6,921,391	\$ 6,801,891
Due to County of Allegheny	1,466,230	1,259,053
Accrued liabilities	4,076,526	4,173,172
Amounts due to airlines	1,040,037	2,128,776
Unearned revenue	15,918,440	15,399,678
Total current liabilities - payable from unrestricted assets	29,422,624	29,762,570
Payable From Restricted Assets		
Accounts payable	4,761,092	2,465,361
Accrued liabilities	3,247,831	2,298,450
Retainage payable	586,594	1,153,082
Accrued interest payable	15,132	19,131
Other liabilities	1,067,874	997,923
Current portion of long-term debt	53,687,234	55,504,167
Total current liabilities - payable from restricted assets	63,365,757	62,438,114
Total current liabilities	92,788,381	92,200,684
Long-Term Liabilities		
Long-term debt	126,518,374	181,910,131
Net pension liability	83,549,481	48,915,429
Unearned revenue	2,278,899	13,148,785
Other long-term liabilities	76,028	133,796
Total long-term liabilities	212,422,782	244,108,141
Total liabilities	305,211,163	336,308,825
Deferred Inflows of Resources		
Total liabilities and deferred inflows of resources	10,438,747	11,959,118
	315,649,910	348,267,943
Net Position		
Net investment in capital assets	492,846,022	453,272,524
Restricted for:		
Capital	44,539,284	45,164,846
Debt service	19,458,747	19,978,735
Total restricted	63,998,031	65,143,581
Unrestricted	(9,132,899)	(9,478,759)
Total net position	\$ 547,711,154	\$ 508,937,346

Allegheny County Airport Authority
(A Component Unit of the County of Allegheny, Pennsylvania)
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Landing fees	\$ 13,470,508	\$ 12,448,844
Terminal area airline rentals and fees	57,810,845	57,159,010
Other aeronautical revenue	8,633,244	8,695,472
Parking revenues	31,417,166	30,554,032
Rental car revenues	11,460,088	11,519,067
Terminal concessions	7,890,938	7,455,056
Other nonaeronautical revenue	6,203,074	6,414,724
Total Pittsburgh International Airport revenues	<u>136,885,863</u>	<u>134,246,205</u>
Allegheny County Airport revenues	2,995,960	2,980,767
Total operating revenues	<u>139,881,823</u>	<u>137,226,972</u>
Operating Expenses		
Salaries, wages and benefits	47,003,628	39,943,997
Utilities	10,355,357	10,596,853
Cleaning and maintenance services	17,143,416	16,479,835
Professional services	18,949,222	17,468,184
Other	9,627,834	9,387,942
Total Pittsburgh International Airport expenses	<u>103,079,457</u>	<u>93,876,811</u>
Allegheny County Airport expenses	2,808,271	2,917,479
Depreciation	56,805,124	56,782,417
Total operating expenses	<u>162,692,852</u>	<u>153,576,707</u>
Operating Loss	<u>(22,811,029)</u>	<u>(16,349,735)</u>
Nonoperating Revenues (Expenses)		
Interest expense	(9,901,627)	(12,769,066)
Investment income	841,899	559,527
Customer facility charges	4,990,737	5,030,877
Passenger facility charges	16,176,674	15,856,825
Gain (loss) on disposal of capital assets	(1,088,113)	39,551
Gaming act revenues	12,400,000	12,400,000
Gas drilling revenues	13,918,971	10,192,316
Miscellaneous	894,399	599,277
Net increase (decrease) in fair value of investments	(49,040)	35,676
Total nonoperating revenues, net	<u>38,183,900</u>	<u>31,944,983</u>
Income Before Capital Contributions and Grants	15,372,871	15,595,248
Capital Contributions and Grants	<u>23,400,937</u>	<u>14,759,396</u>
Increase in Net Position	38,773,808	30,354,644
Net Position, Beginning of Year	<u>508,937,346</u>	<u>478,582,702</u>
Net Position, End of Year	<u>\$ 547,711,154</u>	<u>\$ 508,937,346</u>

Allegheny County Airport Authority
(A Component Unit of the County of Allegheny, Pennsylvania)
Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities		
Cash receipts from customers and users	\$ 138,907,499	\$ 137,905,731
Cash payments to vendors for goods and services	(61,131,506)	(55,272,235)
Cash payments for employee services	(40,505,866)	(39,686,184)
Net cash provided by operating activities	37,270,127	42,947,312
Cash Flows From Capital and Related Financing Activities		
Receipt of passenger facility charges	16,114,169	15,464,120
Additions to capital assets	(43,813,998)	(32,713,253)
Interest paid on long-term debt	(11,131,085)	(13,690,577)
Principal payments of long-term debt	(56,218,893)	(52,582,272)
Grants from governmental agencies received	12,997,758	10,381,102
Proceeds from sale of capital assets	114,728	89,498
Net cash used in capital and related financing activities	(81,937,321)	(73,051,382)
Cash Flows From Noncapital and Related Financing Activities		
Receipt of customer facility charges	5,001,171	5,041,017
Gas drilling rent and royalty receipts	2,839,342	3,007,562
Gaming Act receipts	12,400,000	12,400,000
Net cash provided by noncapital and related financing activities	20,240,513	20,448,579
Cash Flows From Investing Activities		
Maturities of investment securities	16,655,936	12,490,607
Purchases of investment securities	(12,454,295)	(16,691,117)
Investment income	810,369	558,172
Net cash provided by (used in) investing activities	5,012,010	(3,642,338)
Net Decrease in Cash and Cash Equivalents	(19,414,671)	(13,297,829)
Cash and Cash Equivalents, Beginning of Year	193,095,977	206,393,806
Cash and Cash Equivalents, End of Year	\$ 173,681,306	\$ 193,095,977
Cash and Cash Equivalents, End of Year, Consists of:		
Unrestricted cash and cash equivalents	\$ 51,506,471	\$ 70,202,448
Restricted cash and cash equivalents	120,173,632	120,903,247
Cash and cash equivalents designated for noncurrent uses	2,001,203	1,990,282
	\$ 173,681,306	\$ 193,095,977

Allegheny County Airport Authority
(A Component Unit of the County of Allegheny, Pennsylvania)
Statements of Cash Flows (Continued)
Years Ended December 31, 2016 and 2015

	2016	2015
Noncash Transactions From Capital and Related Financing Activities		
Capital asset acquisitions included in accounts payable	\$ 8,595,517	\$ 5,916,893
Contributed capital assets	-	337,117
	\$ 8,595,517	\$ 6,254,010
Noncash Transactions From Noncapital and Related Financing Activities - amortization of gas drilling deposit	\$ 10,333,744	\$ 9,960,741
Noncash Transactions From Investing Activities - net increase (decrease) in fair value of investments	\$ (49,040)	\$ 35,676
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$ (22,811,029)	\$ (16,349,735)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	56,805,124	56,782,417
Pension expense in excess of contributions made	6,304,236	452,052
Amortization of unearned operating revenue	(582,456)	(582,456)
Changes in assets and liabilities:		
Accounts receivable - trade	534,642	856,195
Inventories	(129,398)	279,574
Other current assets	(2,096,745)	973,221
Accounts and other payables	(969,239)	854,886
Due to County of Allegheny	207,177	(507,097)
Other current liabilities	65,583	199,275
Other long-term liabilities	(57,768)	(11,020)
	\$ 37,270,127	\$ 42,947,312

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Note 1: Organization

Organization

The Allegheny County Airport Authority (Authority) presently leases and operates the Pittsburgh International Airport (PIT or the Airport) 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 (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 (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, 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 the 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, 2016 and 2015.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Note 2: Summary of Significant Accounting Policies

Financial Statement Presentation

The Governmental Accounting Standards Board (GASB) establishes standards for external financial reporting for state and local governments and components thereof. The Authority's net position is classified into three categories according to external donor restrictions or availability of assets for satisfaction of Authority obligations. The Authority's net position is classified as follows:

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

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

Unrestricted Net Position - Unrestricted net position represents resources derived from operations that may be used at the discretion of the Board of Directors for any purpose.

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

Basis of Accounting

The Authority is accounted for as single-purpose, business-type entity since its operations are financed and operated in a manner similar to a private business. The Authority's financial statements are presented on the accrual basis of accounting using the economic resources measurement focus. Revenues are recognized when earned or when services are provided, and expenses are recognized when the related obligations are incurred.

Revenues and Expenses

Revenues from airlines, concessionaires, lessees and parking are reported as operating revenues. Operating expenses include the cost of administering the airport system, plus depreciation and amortization of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions and grants.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Recognition of Revenue and Unearned Revenue

Airline Operating Agreement—Landing fees and terminal building lease rental revenues include amounts computed in accordance with the Airline Operating Agreement (AOA) between the Authority and those airlines serving PIT that sign this agreement (Signatory Airlines). The term of the AOA will expire no earlier than May 8, 2018, or when all of the Authority's debt service requirements have been funded. Such revenues are also realized from certain fixed fees for nonscheduled airlines and private users of AGC.

American Airlines, together with its affiliated commuter airlines, accounted for approximately 28% and 33% of total enplaned passengers at PIT in 2016 and 2015, respectively. The American Airlines revenue represents 32% of PIT operating revenue in 2016 and 2015. No other airline represents more than 10% of operating revenue.

The AOA provides that the aggregate of airline fees and charges together with other revenues, including non-airline 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 ordinance and indentures issued in connection with financings of capital projects for the Authority.

Concession and rental car revenues—Concession and rental car revenues 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 (Master Lease). During 2002, the Master Lease was extended through December 31, 2017. In return for the extension, the concessionaire agreed to provide a nonrefundable up-front payment of \$6,666,667, which has been recorded as unearned revenue and is being amortized to operating revenues over the initial extended term of the Master Lease.

Parking revenues—Parking revenues are derived from a third-party operator and are based on a fixed percentage of net revenues, as defined in the associated management agreement.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Gas drilling revenues—In February 2013, a lease was executed with CNX Gas Company LLC for the exploration, drilling and production of minerals, namely Marcellus Shale natural gas, on the properties of Pittsburgh International and Allegheny County Airports. The Authority’s contract includes an approximate \$46.3 million nonrefundable bonus amount, of which approximately \$3.5 million was held in escrow until certain property deed mineral rights issues are resolved. The initial bonus payments received of \$42.8 million have been recognized as unearned revenue and are being amortized to nonoperating revenues over the five-year initial term (March 2013 through February 2018) of the lease based upon straight-line methodology. Any amounts received from the escrow will be recognized over the remaining term of the initial lease period. In 2015, escrow funds of approximately \$2.7 million were released from the remaining balance. No funds were released from escrow during 2016. During 2016, the Authority began receiving royalty revenue payments for mineral production of one oil pad. Total royalty revenue approximated \$3.2 million during 2016. The Authority also receives surface and ground rents for the completed oil pads that are amortized over the remaining life of the contract. The total cash rent payments received during 2016 and 2015 approximated \$857,000 and \$278,000, respectively. The Authority will continue to receive additional funds for surface and ground rents as the oil pads are completed.

Passenger Facility Charges (PFCs)—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 Federal Aviation Administration (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.

Previously, the Authority received approval to impose and use a \$3.00 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 October 6, 2016, as follows:

Reimbursement for preapplication projects (to be applied to debt service)	\$ 215,055,143
Safety- and security-related projects	160,695,520
Environmental-related projects	82,427,857
Terminal development projects	<u>45,745,644</u>
	<u><u>\$ 503,924,164</u></u>

The Authority has expended \$275,118,051 on these projects through December 31, 2016.

PFC revenues are classified as nonoperating in the statements of revenues, expenses and changes in net position and are restricted for capital improvements, debt service and certain other uses approved by the FAA.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Customer Facility Charges (CFCs)—Beginning June 1, 2011, the Authority began collecting CFCs from all rental car concessionaires that operate at PIT. Currently, \$3.00 is charged to each on-airport rental car concessionaire customer on a per transaction day basis. CFC revenues are classified as nonoperating in the statements of revenues, expenses and changes in net position. Such amounts are restricted for operating and maintenance expense, capital improvements, and debt service related to the rental car operation at the Airport or for any rental car related purpose the Authority determines is a reasonable use of such funds.

Federal and state grants—Outlays for airport capital improvements and, from time to time, certain airport operating expenses are subject to reimbursement from federal grant programs. Funds are also received for airport development from the State of Pennsylvania. Funding provided from government grants is considered earned as the related approved capital outlays or expenses are incurred and are recorded as a component of capital contributions and grants. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency.

Tenant financed improvements—Unearned revenues also include amounts funded by tenants of the Authority for certain capital assets. These unearned revenue amounts are being amortized to contribution revenue using the straight-line method over the depreciable lives of the related assets through credits to current rents payable.

Cash and Cash Equivalents

For purposes of the accompanying statements of cash flows, the Authority considers all cash on hand and highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents. Cash equivalents at December 31, 2016 and 2015 consisted of money market mutual funds and commercial paper.

Investments

Investments are carried at fair value, based on quoted market prices, and changes in the fair value of investments are reported as nonoperating revenues in the statement of revenues, expenses and changes in net position. All money market mutual funds are stated at net asset value (NAV).

Inventories

Inventories are stated at cost, which is determined using the weighted-average method of accounting. Inventories are comprised of construction-related materials and parts used for maintenance of facilities and equipment.

Capital Assets

Capital assets are stated at historical cost unless contributed, in which case they are recorded at acquisition value as of the date contributed. The Authority's capitalization threshold for capital assets is \$5,000. Costs incurred for major improvements are carried in construction in progress until the assets are placed in service or are available for use, whichever occurs first. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Deferred Outflows of Resources

As of December 31, 2016 and 2015, deferred outflows of resources consisted of the following components:

	<u>2016</u>	<u>2015</u>
Net difference between projected and actual earnings on pension plan investments	\$ 2,923,318	\$ 4,428,606
Changes of assumptions - net pension liability	27,514,596	598,367
Changes in proportion - net pension liability	1,777,318	2,300,058
Differences between expected and actual experience	2,154,746	-
Deferred losses on refunding of debt	<u>3,065,859</u>	<u>3,982,639</u>
Total deferred outflows of resources	<u>\$ 37,435,837</u>	<u>\$ 11,309,670</u>

Deferred Inflows of Resources

As of December 31, 2016 and 2015, deferred inflows of resources consisted of the following components:

	<u>2016</u>	<u>2015</u>
Changes of assumptions - net pension liability	\$ 8,052,544	\$ 10,469,622
Differences between expected and actual experience	60,151	80,879
Changes in proportion - net pension liability	1,150,937	-
Forward delivery agreements	<u>1,175,115</u>	<u>1,408,617</u>
Total deferred inflows of resources	<u>\$ 10,438,747</u>	<u>\$ 11,959,118</u>

Capitalized Interest

Interest incurred during construction periods is capitalized and included in the cost of property and equipment. Interest capitalized on projects funded by internally generated funds is based on the weighted-average borrowing rate of the Authority and actual expenditures during the period of construction. Interest capitalized on projects funded from bond proceeds is based on the interest cost of the specific borrowing, less interest earned on unspent construction-related bond proceeds during the construction period. Interest is not capitalized on project costs that are reimbursed from government grants or PFCs.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Total interest expense for the Authority was approximately \$9.9 million and \$12.8 million for the years ended December 31, 2016 and 2015, respectively, while interest capitalized as part of the cost of constructed assets was approximately \$1.3 million and \$1.1 million, respectively. For December 31, 2016 and 2015, total interest paid for the Authority was approximately \$11.2 million and \$13.9 million, respectively.

Compensated Absences

In accordance with the vesting method provided under GASB Statements No. 16, *Accounting for Compensated Absences*, accumulated vacation is accrued based on assumptions concerning the probability that certain employees will become eligible to receive these benefits in the future.

Certain firefighters employed by the Authority earn vested sick benefits that are paid at termination or retirement. Liabilities for such benefits are accrued at current rates of compensation, plus appropriate taxes.

Defined-Benefit Pension Plan

The Authority participates in a single-employer defined-benefit pension plan sponsored by the County, known as the Allegheny County Employees' Retirement System (the Plan). For reporting and accounting purposes, the Plan is treated as a cost sharing multiple-employer defined-benefit plan, as the Plan covers both Authority and County employees. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, deferred outflows of resources, liabilities and deferred inflows of resources, as well as the 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.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 financial statement presentation. These reclassifications had no effect on the change in net position.

Adoption of New Accounting Standard

During 2016, the Authority adopted and implemented GASB Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68 and No. 73*. The implementation of these GASB Statements did not impact the net position or the change in net position of the Authority.

Future Accounting Standards

In fiscal year 2018, the Authority will implement GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). This statement requires governments to recognize their unfunded accrued OPEB obligation on the face of their financial statements along with incorporating more extensive note disclosures and required supplementary information about their OPEB liabilities.

In fiscal year 2019, the Authority will implement GASB Statement No. 83, *Certain Asset Retirement Obligations*. This statement standardizes requirements on the recognition and measurement for asset retirement obligations, other than landfills, to reduce inconsistency in financial reporting and enhance comparability.

In fiscal year 2018, the Authority will implement GASB Statement No. 85, *Omnibus 2017*. This statement addresses practice issues that have arisen during implementation of other GASB standards, including blending of component units for business-type activity that reports in a single column, presentation of goodwill from acquisitions that occurred prior to GASB 69, valuation of money market and certain other investments, and certain issues relating to pensions and other postemployment benefits.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Note 3: Cash, Cash Equivalents and Investment Securities

Deposits

Commonwealth of Pennsylvania law requires that the Authority's deposits be placed in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC), the Federal Savings and Loan Insurance Corporation, or the National Credit Union Insurance Fund. To the extent that such accounts are so insured, and for any amounts above the insured maximum, the approved collateral as provided by law shall be pledged by the depository.

The Authority's cash deposits are insured up to \$250,000 at financial institutions insured by the FDIC. Any cash deposits in excess of the \$250,000 FDIC limits are uninsured and collateralized by financial institutions via single collateral pool arrangements as permitted by Act No. 72 of the 1971 session of the Pennsylvania General Assembly for the protection of public depositors.

Investments

The Authority's investment policy is to follow Section 5611 of the Commonwealth of Pennsylvania Municipality Authorities Act and Act 131 of 2014 (Section 2) (collectively "the Acts"). In accordance with the Acts, the Authority is authorized to invest in (1) U.S. Treasury bills; (2) short-term obligations of the U.S. government or its agencies or instrumentalities; (3) obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or any political subdivision of the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision; (4) commercial paper rated in the highest rating category, without reference to a subcategory, by a rating agency; and (5) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933 if the only investments of that company are in the authorized investments for authority funds listed (1) through (5) above.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

The maturity ranges and credit ratings for the Authority's investment securities at December 31, 2016 and 2015 follow:

2016					
	Carrying Amount	Percentage of Total Investments	Maturity Date	Standard & Poor's	Moody's
Commercial Paper					
Bank of China, LTD CPDN	\$ 4,202,129	4.1%	2/5/2017	A-1	P-1
Korea Development BK CPDN	4,226,063	4.2%	6/1/2017	A-1+	P-1
Total Commercial Paper	<u>8,428,192</u>	<u>8.3%</u>			
Money market mutual funds					
BNY Mellon - Blackrock Federal Trust Fund	5,024,699	4.9%	< 90 days	AAAm	Aaa-mf
Wells Fargo Investments - Wells Fargo					
Advantage Government Fund	55,975,839	55.0%	< 90 days	AAAm	Aaa-mf
Mellon Investments - JP Morgan U.S.					
Government Money Market Fund	32,255,447	31.8%	< 90 days	AAAm	Aaa-mf
Total money market mutual funds	<u>93,255,985</u>	<u>91.7%</u>			
Total investments	<u>\$ 101,684,177</u>	<u>100.0%</u>			
2015					
	Carrying Amount	Percentage of Total Investments	Maturity Date	Standard & Poor's	Moody's
U.S. Government-sponsored enterprise securities (GSEs)					
Federal Home Loan Bank	\$ 4,250,932	4.0%	5/25/2016	AA+	Aaa
Federal National Mortgage Association	4,225,812	4.0%	4/15/2016	AA+	Aaa
Total GSEs	<u>8,476,744</u>	<u>8.0%</u>			
Money market mutual funds					
BNY Mellon - Blackrock Federal Trust Fund	5,015,818	4.8%	< 90 days	AAAm	AAA-mf
Wells Fargo Investments - Wells Fargo					
Advantage Government Fund	59,672,944	56.7%	< 90 days	AAAm	Aaa-mf
Mellon Investments - JP Morgan U.S.					
Government Money Market Fund	32,166,592	30.5%	< 90 days	AAAm	Aaa-mf
Total money market mutual funds	<u>96,855,354</u>	<u>92.0%</u>			
Total investments	<u>\$ 105,332,098</u>	<u>100.0%</u>			

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Interest Rate Risk: the risk that changes in interest rates of debt securities will adversely affect the value of an investment. The Authority does not have an investment policy that manages exposure to fair value losses arising from rising interest rates.

Credit Risk: the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Act provides for investment of governmental funds into certain authorized investment types. 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.

Custodial Credit Risk: the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2016 and 2015, the Authority's investments were not exposed to custodial credit risk. The Authority's investments in commercial paper and U.S. GSEs are held by the pledging financial institution's trust department or agent in the Authority's name. The Authority's open-end money market mutual funds are not subject to custodial credit risk at December 31, 2016 and 2015 as their existence is not evidenced by securities that exist in physical or book entry form. The Authority's investment policy does not address how investment securities and securities underlying repurchase agreements are to be held.

Concentration of Credit Risk: The Authority places no limit on the amount the Authority may invest in any one issuer. At December 31, 2016 and 2015, the Authority's investment in two money market mutual funds constituted 86.8% and 87.2%, respectively, of its total investments.

Foreign Currency Risk: This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The Authority's exposure to foreign currency risk derives from its investments in commercial paper issued by Asian corporations. The Authority's investment policy permits it to hold commercial paper rated in the highest rating category, without reference to a subcategory, by a rating agency. At December 31, 2016, the Authority's investment in commercial paper matured in less than one year and had a fair value of \$8,428,192. The Authority had no investments denominated in foreign currency at December 31, 2015.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Summary of Carrying Values

Cash, cash equivalents, and investment securities included in the statements of net position are classified as follows:

	2016	2015
Cash and cash equivalents		
Current - unrestricted	\$ 51,506,471	\$ 70,202,448
Current - restricted	120,173,632	120,903,247
Noncurrent - unrestricted	2,001,203	1,990,282
Total cash and cash equivalents	173,681,306	193,095,977
Investments securities		
Restricted investments	4,226,063	8,476,744
	\$ 177,907,369	\$ 201,572,721

Investment Income

Investment income for the years ended December 31, 2016 and 2015 consisted of:

	2016	2015
Interest and dividend income	\$ 841,899	\$ 559,527

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Restricted Cash, Cash Equivalents and Investments

Cash, cash equivalents and investment securities are restricted as follows:

	<u>2016</u>	<u>2015</u>
2012 Capital projects fund	\$ 435,266	\$ 3,669,421
Debt service funds	3,107,222	3,662,740
Debt service reserve funds	60,861,544	60,817,527
Operation and maintenance reserve	16,223,328	15,623,970
Renewal and replacement fund	2,000,000	2,000,000
Debt service coverage fund	16,331,938	16,331,938
Airport system capital fund	21,753,931	21,617,066
Equipment and capital outlay fund	1,480,622	1,983,776
Other aviation facilities fund	1,137,969	1,696,361
Hangar loan project account	-	626,959
Deposits held for others	1,067,875	997,923
PFC account	-	352,310
	<u>\$ 124,399,695</u>	<u>\$ 129,379,991</u>

Bond Ordinance Number 1008-88 was adopted by the Board of County Commissioners of Allegheny County on July 22, 1988, and supplemented on June 7, 1990; February 20, 1992; June 3, 1993; and August 8, 1997 by the County and supplemented on December 1, 1999; October 1, 2001; October 3, 2002; October 3, 2007; August 11, 2010; and May 8, 2012 by the Authority (Bond Ordinance). The Bond Ordinance provides, among other things, that certain accounting procedures be followed and certain Funds (as therein defined) be established and maintained to provide bondholders a degree of security against certain contingencies.

Under the AOA, the Authority must also maintain certain Funds and Accounts (as therein defined). The AOA further requires the use of a cost-center structure. In general, revenues from Included Cost Centers are pledged to the payment of the Authority's Revenue Bonds, while revenues from Excluded Cost Centers are not.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

The Bond Ordinance requires the Authority to maintain, charge, and collect rates, rentals, and other charges for the use of the Included Cost Centers, which, together with Other Available Funds, will be sufficient to provide in each fiscal year: (a) Revenues equal to the total amounts required to be deposited to the Funds established by the Bond Ordinance and (b) Net Revenues at least equal to 125% of the Debt Service Requirement with respect to the Authority's Revenue Bonds during the then current fiscal year. The Bond Ordinance generally defines the Debt Service Requirements as the sum of the amounts required to be deposited in respect of interest on (to the extent not payable as Capitalized Interest) and principal of the Authority's Revenue Bonds outstanding in any fiscal year. The Bond Ordinance defines Other Available Funds as all unexpended and unencumbered amounts in the Revenue Fund remaining after all transfers and payments required to be made have been made.

All revenues of the Authority are deposited into the Revenue Fund and disbursed in accordance with the Authority's annual budget to provide for current operations and maintenance expenses and to replenish balances in the Funds to their required levels under the Bond Ordinance. Withdrawals from the Revenue Fund for deposit in any of the Funds and Accounts established under the AOA may only be made after all required deposits under the Bond Ordinance have been satisfied. Amounts in the Revenue Fund are pledged to secure the Authority's Revenue Bonds, but all current operations and maintenance expenses of the Authority are paid prior to debt service on the Authority's Revenue Bonds.

The Debt Service and Debt Service Reserve Funds are used for the payment of bond principal and interest and redemption premiums, if any, on the Authority's Revenue Bonds. The Operation and Maintenance Reserve Fund must be maintained at a balance at least equal to one-sixth of the Authority's current operating budget as a reserve for payment of operation and maintenance expenses. The balance of the Renewal and Replacement Fund must be maintained at \$2,000,000 and can be disbursed by the Authority only for extraordinary repairs and replacements to property within the Included Cost Centers. Finally, amounts in the Debt Service Coverage Fund are used for the purpose of establishing future coverage on the Authority's Revenue Bonds.

The Passenger Facility Charge Fund provides for the segregation of PFC receipts, as required by the FAA. Such revenues are to be expended only for allowable capital projects, or to repay debt issued for allowable capital projects, under a Record of Decision granted by the FAA.

All other restricted Funds and Accounts (including those established under the AOA) of the Authority represent amounts held for specific capital projects or deposits held on behalf of others.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Note 4: Derivative Financial Instruments

The Authority is a party to two forward delivery agreements (the Forward Delivery Agreements). The Forward Delivery Agreements require the counterparties to deposit securities in certain of the Authority's debt service and debt service reserve trust accounts and provide the Authority with a guaranteed rate of return. The securities that are deposited into these accounts are timed to mature prior to scheduled debt service payment dates on the associated revenue bonds.

Eligible securities under the Forward Delivery Agreements are generally limited to: (a) obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America; (b) U.S. government-sponsored enterprises; and (c) commercial paper and prime commercial paper, in each case, with an original maturity of not more than 365 days (and in some cases, 270 days) rated in the highest categories by Moody's and Standard and Poor's and issued by any corporation, finance company or banking institution organized and existing under the laws of the United States of America or any state thereof.

Objective of the Forward Delivery Agreements

The Forward Delivery Agreements allow the Authority to earn a guaranteed fixed rate of return over the life of the investments. These agreements are utilized by the Authority to earn a rate of return in excess of a rate that would otherwise be feasible by investing in securities with a shorter term.

Terms

The general terms of each agreement are set forth in the table below:

	Effective Date of Agreement	Termination Date	Scheduled Amount	Guaranteed Rate	Fair Value at December 31	
					2016	2015
Series 2001 Debt Service Reserve Account	10/4/2001	7/1/2022	8,329,078	4.7200%	\$ 1,065,712	\$ 1,246,061
Series 2010 Bond Account	9/1/2000	1/1/2018	453,611	5.6869%	109,403	162,556
					<u>\$ 1,175,115</u>	<u>\$ 1,408,617</u>

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Fair Value

The fair value of each Forward Delivery Agreement is based on the value of the future discounted cash flows expected to be received over the life of the agreement relative to an estimate of discounted cash flows that could be received over the same term based on current market conditions. The fair values of the Forward Delivery Agreements are classified as a noncurrent asset in the Authority's statements of net position for the years ended December 31, 2016 and 2015. As the Forward Delivery Agreements are effective hedging instruments, the offsetting balances are reflected as deferred inflows. The changes in fair value of the Forward Delivery Agreements of \$233,502 and \$197,925 for the years ended December 31, 2016 and 2015, respectively, are shown as an adjustment to the carrying amount of the related deferred inflows in the statements of net position.

Credit Risk

Credit risk is the risk that a counterparty will not fulfill its obligations. Under the terms of the Forward Delivery Agreements, the Authority is either holding cash or an approved security within certain debt service and debt service reserve funds. None of the principal amount of an investment under the Forward Delivery Agreements is at risk to the credit of the counterparty. Should the counterparty default, the Authority's maximum exposure is the positive termination value, if any, related to these agreements.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the Authority's financial instruments or cash flows. The fair market values of the Forward Delivery Agreements are expected to fluctuate over the life of the agreements in response to changes in interest rates. The Authority does not have a formally adopted policy related to interest rate risk on the Forward Delivery Agreements.

Termination Risk

The Authority or the counterparties may terminate the Forward Delivery Agreements if the other party fails to perform under the terms of the contract. If the Forward Delivery Agreements have a negative fair value at the time of termination, the Authority would be liable to the counterparty for a payment equivalent to the fair market value of the instrument at the time of termination.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Note 5: Capital Assets

Capital assets activity for the years ended December 31, 2016 and 2015, is as follows:

	2016				Ending Balance	Useful Lives
	Beginning Balance	Additions	Disposals	Transfers		
Capital assets, not being depreciated:						
Land	\$ 91,354,480	\$ -	\$ -	\$ 2,457,388	\$ 93,811,868	
Construction in progress	20,013,586	44,587,168	(1,159,123)	(26,218,899)	37,222,732	
Total capital assets, not being depreciated	<u>111,368,066</u>	<u>44,587,168</u>	<u>(1,159,123)</u>	<u>(23,761,511)</u>	<u>131,034,600</u>	
Capital assets, being depreciated:						
Terminal buildings	756,861,572	220,761	-	4,349,180	761,431,513	10-30 years
Airfield (runways/taxiways/deicing)	531,612,372	657,412	(4,972,706)	10,293,039	537,590,117	20 years
Site development	81,493,578	-	-	-	81,493,578	30-50 years
Parking garage/lots/etc.	116,463,282	251,248	-	4,043,322	120,757,852	15-40 years
Hangars	44,449,815	-	-	-	44,449,815	5-30 years
Other structures	163,665,660	2,040,364	-	828,959	166,534,983	10-30 years
Roadways	68,779,899	18,302	-	25,725	68,823,926	10-20 years
Mobile and other equipment	55,296,284	10,020	(12,154,281)	3,237,777	46,389,800	10-20 years
Computer/security equipment and systems	54,091,880	-	-	982,366	55,074,246	5-20 years
Utilities	48,319,861	-	-	-	48,319,861	10-40 years
Other assets	20,200,547	-	-	1,143	20,201,690	10-30 years
Total capital assets being depreciated	<u>1,941,234,750</u>	<u>3,198,107</u>	<u>(17,126,987)</u>	<u>23,761,511</u>	<u>1,951,067,381</u>	
Less accumulated depreciation for:						
Terminal buildings	(605,662,107)	(18,434,150)	-	-	(624,096,257)	
Airfield (runways/taxiways/deicing)	(373,115,037)	(17,572,531)	4,972,706	-	(385,714,862)	
Site development	(43,417,716)	(1,761,942)	-	-	(45,179,658)	
Parking garage/lots/etc.	(66,152,972)	(4,861,061)	-	-	(71,014,033)	
Hangars	(39,035,642)	(796,913)	-	-	(39,832,555)	
Other structures	(106,999,310)	(5,273,653)	-	-	(112,272,963)	
Roadways	(60,038,247)	(626,368)	-	-	(60,664,615)	
Mobile and other equipment	(47,586,093)	(1,672,113)	12,110,562	-	(37,147,644)	
Computer/security equipment and systems	(31,536,797)	(3,095,689)	-	-	(34,632,486)	
Utilities	(38,329,450)	(1,446,445)	-	-	(39,775,895)	
Other assets	(13,222,276)	(1,264,259)	-	-	(14,486,535)	
Total accumulated depreciation	<u>(1,425,095,647)</u>	<u>(56,805,124)</u>	<u>17,083,268</u>	<u>-</u>	<u>(1,464,817,503)</u>	
Net depreciable assets	<u>516,139,103</u>	<u>(53,607,017)</u>	<u>(43,719)</u>	<u>23,761,511</u>	<u>486,249,878</u>	
Net capital assets	<u>\$ 627,507,169</u>	<u>\$ (9,019,849)</u>	<u>\$ (1,202,842)</u>	<u>\$ -</u>	<u>\$ 617,284,478</u>	

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)

Notes To Financial Statements
December 31, 2016 and 2015

	2015					Useful Lives
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance	
Capital assets, not being depreciated:						
Land	\$ 90,923,010	\$ 252,564	\$ -	\$ 178,906	\$ 91,354,480	
Construction in progress	22,193,728	32,793,072	-	(34,973,214)	20,013,586	
Total capital assets, not being depreciated	<u>113,116,738</u>	<u>33,045,636</u>	<u>-</u>	<u>(34,794,308)</u>	<u>111,368,066</u>	
Capital assets, being depreciated:						
Terminal buildings	733,482,725	558,175	-	22,820,672	756,861,572	10-30 years
Airfield (runways/taxiways/deicing)	525,810,034	338,691	(1,771,357)	7,235,004	531,612,372	20 years
Site development	81,493,578	-	-	-	81,493,578	30-50 years
Parking garage/lots/etc.	116,032,404	91,371	-	339,507	116,463,282	15-40 years
Hangars	44,299,125	-	-	150,690	44,449,815	5-30 years
Other structures	162,332,399	806,944	-	526,317	163,665,660	10-30 years
Roadways	68,068,138	43,130	-	668,631	68,779,899	10-20 years
Mobile and other equipment	54,831,149	-	(380,209)	845,344	55,296,284	10-20 years
Computer/security equipment and systems	53,690,610	-	-	401,270	54,091,880	5-20 years
Utilities	48,292,770	-	-	27,091	48,319,861	10-40 years
Other assets	18,420,765	-	-	1,779,782	20,200,547	10-30 years
Total capital assets being depreciated	<u>1,906,753,697</u>	<u>1,838,311</u>	<u>(2,151,566)</u>	<u>34,794,308</u>	<u>1,941,234,750</u>	
Less accumulated depreciation for:						
Terminal buildings	(588,410,298)	(17,251,809)	-	-	(605,662,107)	
Airfield (runways/taxiways/deicing)	(356,509,141)	(18,377,253)	1,771,357	-	(373,115,037)	
Site development	(41,655,774)	(1,761,942)	-	-	(43,417,716)	
Parking garage/lots/etc.	(61,176,359)	(4,976,613)	-	-	(66,152,972)	
Hangars	(38,235,890)	(799,752)	-	-	(39,035,642)	
Other structures	(101,279,770)	(5,719,540)	-	-	(106,999,310)	
Roadways	(59,432,011)	(606,236)	-	-	(60,038,247)	
Mobile and other equipment	(46,329,266)	(1,587,089)	330,262	-	(47,586,093)	
Computer/security equipment and systems	(28,508,767)	(3,028,030)	-	-	(31,536,797)	
Utilities	(36,782,900)	(1,546,550)	-	-	(38,329,450)	
Other assets	(12,094,673)	(1,127,603)	-	-	(13,222,276)	
Total accumulated depreciation	<u>(1,370,414,849)</u>	<u>(56,782,417)</u>	<u>2,101,619</u>	<u>-</u>	<u>(1,425,095,647)</u>	
Net depreciable assets	<u>536,338,848</u>	<u>(54,944,106)</u>	<u>(49,947)</u>	<u>34,794,308</u>	<u>516,139,103</u>	
Net capital assets	<u>\$ 649,455,586</u>	<u>\$ (21,898,470)</u>	<u>\$ (49,947)</u>	<u>\$ -</u>	<u>\$ 627,507,169</u>	

As of December 31, 2016 and 2015, construction in progress related primarily to runway and taxiway rehabilitation, garage and parking lots, terminal enhancements and non-airfield property development.

As of December 31, 2016, the Authority had equipment purchase and construction commitments of approximately \$17.5 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.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Note 6: Changes in Long-Term Liabilities

Long-term obligation activity for the Authority for the years ended December 31, 2016 and 2015, is as follows:

	2016				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable, net	\$ 229,952,019	\$ -	\$ (54,979,797)	\$ 174,972,222	\$ 52,210,000
Industry Drive loan	1,010,120	-	(69,845)	940,275	73,200
PA Department of Transportation loan	215,430	-	(115,489)	99,941	99,941
Business-in-Our-Sites Program loan	1,606,572	-	(122,977)	1,483,595	126,718
Hangar loan	780,000	-	(780,000)	-	-
Ewing Road loan	625,020	-	(98,653)	526,367	102,673
Energy savings equipment lease purchase	3,225,137	-	(1,041,929)	2,183,208	1,074,702
Subtotal	237,414,298	-	(57,208,690)	180,205,608	53,687,234
Net pension liability	48,915,429	37,175,582	(2,541,530)	83,549,481	-
Other long-term liabilities	133,796	-	(57,768)	76,028	-
Unearned revenue	28,548,463	949,475	(11,300,599)	18,197,339	15,918,440
Total long-term liabilities	<u>\$ 315,011,986</u>	<u>\$ 38,125,057</u>	<u>\$ (71,108,587)</u>	<u>\$ 282,028,456</u>	

	2015				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable, net	\$ 282,405,082	\$ -	\$ (52,453,063)	\$ 229,952,019	\$ 53,990,000
Industry Drive loan	1,071,330	-	(61,210)	1,010,120	70,119
PA Department of Transportation loan	317,197	-	(101,767)	215,430	115,489
Business-in-Our-Sites Program loan	1,725,920	-	(119,348)	1,606,572	122,977
Hangar loan	845,000	-	(65,000)	780,000	65,000
Ewing Road loan	719,812	-	(94,792)	625,020	98,653
Energy savings equipment lease purchase	4,235,292	-	(1,010,155)	3,225,137	1,041,929
Subtotal	291,319,633	-	(53,905,335)	237,414,298	55,504,167
Net pension liability	40,088,306	11,292,783	(2,465,660)	48,915,429	-
Other long-term liabilities	144,816	-	(11,020)	133,796	-
Unearned revenue	36,189,064	3,134,172	(10,774,773)	28,548,463	15,399,678
Total long-term liabilities	<u>\$ 367,741,819</u>	<u>\$ 14,426,955</u>	<u>\$ (67,156,788)</u>	<u>\$ 315,011,986</u>	

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Note 7: Long-Term Debt

At December 31, 2016 and 2015, long-term debt consisted of the following:

	2016	2015
Airport Revenue Bonds, Series 2012 A-1 (AMT), interest rates of 4.0% - 5.0%, due through 2028	\$ 21,130,000	\$ 21,130,000
Airport Revenue Bonds, Series 2012 A-2 (AMT), interest rate of 2.05%, due through 2020	6,405,000	8,455,000
Airport Revenue Bonds, Series 2012 B (Non-AMT), interest rate of 4.0%, due through 2032	13,900,000	13,900,000
Airport Revenue Refunding Bonds, Series 2010 A (AMT), interest rates of 3.0% - 5.0%, due through 2018	3,045,000	8,120,000
Airport Revenue Refunding Bonds, Series 2007 B, interest rate of 5.0%, due through 2019	65,705,000	96,625,000
Airport Revenue Refunding Bonds, Series 2002 B, interest rates of 4.5% - 5.0%, due through 2023	29,400,000	37,155,000
Airport Revenue Refunding Bonds, Series B 2001, interest rate of 5.0%, due through 2022	33,675,000	39,955,000
Airport Revenue Bonds, Subordinate Lien Series A 2001, interest rate of 5.5%	-	1,910,000
Total revenue bond debt	173,260,000	227,250,000
Hangar loan, variable interest rate, due through 2018	-	780,000
Commonwealth of PA Department of Transportation Infrastructure Bank Aviation Loan, interest rate of 4.125%, due through 2017	99,941	215,430
Industry Drive loan, interest rate of 4.7%, due through 2028	940,275	1,010,120
Business-in-Our-Sites Program loan, interest rate of 3.0%, due through 2027	1,483,595	1,606,572
Ewing Road loan, interest rate of 4.0%, due through 2021	526,367	625,020
Energy savings equipment lease purchase loan, interest rate of 3.101%, due through 2018	2,183,208	3,225,137
Total other debt	5,233,386	7,462,279
Total long-term debt	178,493,386	234,712,279
Plus: net unamortized premiums	1,712,222	2,702,019
Total long-term debt including premiums	180,205,608	237,414,298
Less: current maturities	(53,687,234)	(55,504,167)
	\$ 126,518,374	\$ 181,910,131

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

The scheduled debt service requirements of long-term debt for years subsequent to December 31, 2016, assuming the current interest rates remain the same for the term of the debt are as follows:

	<u>Principal*</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 53,687,234	\$ 8,433,805	\$ 62,121,039
2018	51,592,649	5,868,154	57,460,803
2019	12,176,152	3,391,918	15,568,070
2020	12,668,637	2,851,244	15,519,881
2021	13,116,049	2,221,866	15,337,915
2022 - 2026	18,276,520	5,791,592	24,068,112
2027 - 2031	<u>16,976,145</u>	<u>2,116,323</u>	<u>19,092,468</u>
	<u>\$ 178,493,386</u>	<u>\$ 30,674,902</u>	<u>\$ 209,168,288</u>

* Principal includes the bonds due January 1 of the succeeding years, as the Authority has paid January 1, 2017, in December 2016 and plans to continue that practice.

Airport Revenue Bonds

In July 2001, the Authority issued its Subordinate Lien Airport Revenue Bonds, Series A 2001 (Pittsburgh International Airport Energy System Project) (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) (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 Subordinate Lien Bonds. The proceeds of the 2001 Subordinate Lien Bonds were used to (1) acquire the equipment constituting the Energy Service Facility (Facility) located at PIT and (2) pay the costs of issuance of the 2001 Bonds. The 2001 Subordinate Lien Bonds are limited obligations of the Authority, secured by a pledge of Net Revenues (as defined in the Original Indenture) of the Authority that is subordinate to the pledge of Net Revenues made to support the Authority's other outstanding revenue bond debt. All remaining principal on the 2001 Series A and B Subordinate Lien Airport Revenue Bonds was paid in full during 2016 and 2015, respectively.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

In October 2001, the Authority issued its Airport Revenue Bonds, Refunding Series A of 2001, in the amount of \$52,600,000, and 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 (Original 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 and (2) pay the cost of issuance of the 2001 Refunding Bonds. All remaining principal on the Series A 2001 Refunding Bonds was paid in full during 2015.

In October 2002, the Authority issued its 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, which were equal to and represented by the outstanding principal balance of the Authority's Airport Revenue Notes, Series 1999B. All remaining principal on the 2002 Series A Refunding Bonds was paid in full during 2014.

In October 2007, the Authority issued its Airport Revenue Bonds, Refunding Series 2007A, in the amount of \$53,445,000, and Airport Revenue Bonds, Refunding Series 2007B, 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. All remaining principal on the 2007 Refunding Series A Bonds was paid in full during 2015.

In September 2010, the Authority issued its Airport Revenue Bonds, Refunding Series 2010A (AMT), in the amount of \$30,310,000 (the 2010 Refunding Bonds). The proceeds of the 2010 Refunding Bonds together with investment income were used to (1) refund the County of Allegheny Airport Revenue Bonds, Series 1999, (2) pay the bond insurance premium, and (3) pay the cost of issuance of the 2010 Refunding Bonds.

On May 8, 2012, the Authority issued its Airport Revenue Bonds: Series 2012 A-1 (AMT), 2012 A-2 (AMT), and Series 2012B (Non-AMT) (the 2012 Bonds) in the amounts of \$21,130,000, \$14,365,000 and \$13,900,000, respectively. The proceeds of the 2012 Bonds were used to pay (1) a portion of the costs of certain projects under the Authority's long-term capital improvement plan, (2) the costs of funding capitalized interest on and a debt service reserve account for the 2012 Bonds, and (3) the costs of issuing the 2012 Bonds.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Airport Revenue Bond obligations (Revenue Bonds) of the Authority totaled \$173,260,000 and \$227,250,000 at December 31, 2016 and 2015, 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 in the Original Indenture) and from such other monies as may be available for such purpose. Certain of the Authority's Revenue Bonds are subject to various optional and mandatory sinking fund redemption requirements. 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. The AOA provides for the landing fees, terminal rentals, and ramp fees to be charged to the airlines. In addition, the Signatory Airlines are obligated to pay costs associated with aircraft support systems and tenant improvements.

At any point in time, the U.S. economy, excess airline capacity, and industry-wide 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 air carriers serving 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 2001 Refunding Bonds is insured by Municipal Bond Insurance Association. Payment of the principal and interest on the Series 2002 Refunding Bonds is insured by Financial Guaranty Insurance Company. Payments of the principal and interest on the Series 2007 Refunding Bonds and 2010 Refunding Bonds is insured by AGM (formerly, Financial Security Assurance, Inc.). The ultimate ability of such insurers and guarantors to meet their obligations with respect to the Authority's Revenue Bonds will be predicated on their future financial condition.

Allegheny County Airport Hangar Loan

In January 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 taxi lane improvements. Terms of this loan were 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 variable and was based on the one-month LIBOR, plus 1.5%. During 2016, the remaining loan balance was paid in full.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Commonwealth of Pennsylvania Department of Transportation Loan

In September 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 Taxi lanes Relocation and Hangar Redevelopment Project at the Allegheny County Airport. The estimated project cost was \$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 were funded through Authority funds, FAA grants, Pennsylvania Department of Transportation grants, and an additional \$1,300,000 10-year term loan. The Authority has the ability to prepay this loan, in \$1,000 increments, without penalty.

Industry Drive Loan

In March 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 Bypass. RAAC agreed to lend \$4,000,000 at an annual interest rate of 4.7% to the Authority for this project and the Authority agreed to contribute \$2,800,000. The repayment terms are \$9,652 per month on a 20-year term.

Commonwealth Financing Authority Business-in-Our-Sites Program

In January 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. Per requirements of the agreement, all principal and interest payments were initially deferred; however, monthly payments began in August 2012.

Ewing Road Loan

In March 2009, the Authority entered into a loan agreement with the RAAC to provide a \$1,003,000 loan for the construction of roadway improvements at the intersection of Ewing Road and Hookstown Grade Road and Business Route I-376 to promote the development of US Airways Operations Control Center and the further development of the Cherrington office complex, both located in Moon Township. While the loan document was executed in 2009, the proceeds were not distributed and the repayment schedule did not begin until September 2011. The term of the loan is 10 years and the interest rate is 4%.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Energy Savings Equipment Lease Purchase Agreement

In July 2011, the Authority entered into a lease purchase agreement with Grant Capital Management to provide a \$7,000,000 loan for energy savings projects at PIT. Grant Capital Management assigned this lease purchase agreement to Capital One Public Funding on July 14, 2011. Deutsche Bank National Trust Company was named as the servicing agent on behalf of Capital One. Terms of the loan include an interest rate of 3.101% with repayment schedule beginning January 1, 2012 through December 1, 2018. Capital One Public Funding has a secured interest in the equipment purchased under this agreement with no revenues pledged as security. The loan is collateralized by any unexpended loan proceeds and capital assets with a net book value of approximately \$8,836,000 as of December 31, 2016.

Pledge of Revenues

On November 1, 2005, the Authority entered into a Funding and Development Agreement with the RAAC. This agreement provided Tax Increment Financing (TIF) for the development and financing of the Clinton Industrial Park Project, which included certain substantial public on-site and off-site improvements. RAAC issued a series of TIF Notes (the 2005 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.

On May 1, 2008, the Authority entered into a Funding and Development Agreement with RAAC for a second TIF for the development of the Northfield Site Phase I Project. RAAC issued a TIF Note (the 2008 TIF Note) in the amount of \$5,000,000 to fund the improvements related to the Northfield site. Proceeds from the financing were used to fund certain on-site and off-site public infrastructure and improvements. The source of repayment of this TIF is the tax revenues and lease rental income, generated by the project, as defined in the agreements. Repayment terms are through April 1, 2028, at 6.0% interest rate.

On December 15, 2015, the Authority entered into a Funding and Development Agreement with RAAC for a third TIF for the continued development of the Clinton Industrial Park Project - Phase II. RAAC issued a TIF Note (the 2015 TIF Note) in the amount of \$5,700,000 to fund the development. Proceeds from the financing were used to fund certain public infrastructure and improvements. Repayment terms are through December 1, 2025, at 5.0% interest rate.

The 2005 TIF Notes, 2008 TIF Note and 2015 TIF Note (collectively, the TIF Notes) are limited obligations of the RAAC and are generally payable from the positive tax increments realized from the associated tax increment districts and 75% of the gross revenues received by the Authority from leasing the land in the Clinton Industrial Park and Northfield Site Phase I Projects. As additional security and credit enhancement, the Commonwealth Financing Authority has agreed to guarantee payment of the TIF Notes. While the Authority has pledged to assign certain of its revenues to the trustee for the TIF Notes, the Authority is not a party to the respective trust indentures and is under no obligation to repay the TIF Notes; therefore, the TIF Notes are not reflected as liabilities of the Authority in these financial statements.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Note 8: 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 accounting and professional services. Expenses relating to these services are included in professional services for the years ended December 31, 2016 and 2015, in the accompanying statements of revenues, expenses, and changes in net position and amounted to \$10,733,650 and \$10,633,602, respectively.

Note 9: 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. Settled claims have not exceeded this commercial coverage in any of the past three years. The range of deductibles is from \$0 on aviation liability to a maximum of \$100,000 on employees and officers and property insurance.

Note 10: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2016 and 2015:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2016				
Investments by fair value level				
Commercial paper	\$ 8,428,192	\$ -	\$ 8,428,192	\$ -
Money market mutual funds	93,255,985	93,255,985	-	-
Total investments by fair value level	<u>\$ 101,684,177</u>	<u>\$ 93,255,985</u>	<u>\$ 8,428,192</u>	<u>\$ -</u>
Investment derivative instruments				
Forward delivery agreements	<u>\$ 1,175,115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,175,115</u>
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2015				
Investments by fair value level				
Commercial paper	\$ 8,476,744	\$ -	\$ 8,476,744	\$ -
Money market mutual funds	96,855,354	96,855,354	-	-
Total investments by fair value level	<u>\$ 105,332,098</u>	<u>\$ 96,855,354</u>	<u>\$ 8,476,744</u>	<u>\$ -</u>
Investment derivative instruments				
Forward delivery agreements	<u>\$ 1,408,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,408,617</u>

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 and Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

For investments measured at the net asset value (NAV) per share (or its equivalent), the Authority does not have any unfunded commitments and redemption period is immediately.

Derivative Investments

The fair value of the forward delivery agreements is estimated by the counterparty using a proprietary model and, therefore, are classified within Level 3 of the valuation hierarchy.

Note 11: Pension Plan

Plan Description

The County sponsors the Allegheny County Employees' Retirement System (Retirement System), a single-employer defined-benefit pension plan that covers substantially all Authority employees.

Benefit and contribution provisions for the Retirement System are determined under statutes enacted by the General Assembly of the Commonwealth of Pennsylvania. The Retirement System Board (Board) administers the Retirement System and consists of seven members: the County Executive, the County Controller, the County Treasurer, two members elected by the County employees and retirees, one member appointed by the County Executive and one member appointed by the County Council. The 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 Retirement System to meet its funding requirements. Also, the obligation of the Retirement System to pay retirement benefits is further secured by a statutory obligation imposed upon the County to utilize its taxing authority to meet such obligation.

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 Employees' Retirement System, 106 County Office Building, 542 Forbes Avenue, Pittsburgh, PA 15219.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Benefits Provided

Monthly benefit payments are determined for each individual member according to the retirement option selected and the age and length of service at retirement. Under normal retirement, employees hired prior to February 21, 2014 (generally, attainment of 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.

Act 125, signed into law December 23, 2013, became effective 60 days later and applies to participating employees hired or re-hired on or after February 21, 2014. Act 125 revises the Retirement System's vesting requirement from eight to ten years and the service requirement from 20 to 25 years. The determination of final average salary is changed to equal the monthly average of the highest 48 months of compensation out of the last eight years of service. Additionally, overtime compensation is limited to 10% of base pay.

In addition to retirement benefits, the Retirement System also provides disability and survivor benefits. Any eligible employee who has completed at least 12 years of service and who was employed prior to attaining age 55 who becomes mentally incapacitated or totally and permanently disabled is eligible to receive a disability retirement benefit. There is no age requirement to receive this benefit. Additionally, any eligible employee may elect the spouse's benefit at any time prior to retirement. The election is irrevocable after attained age 50. If this election is made, the surviving spouse shall be eligible to receive certain benefits, depending on type of coverage selected.

Contributions

Beginning 2014, Authority employees were required to contribute 9.0% of covered compensation effective December 28, 2014. Employee contributions are matched equally by the County, as prescribed by the Second Class County Code of the Commonwealth of Pennsylvania, and deposited in the Pension Trust Fund. The Board, pursuant to express statutory authority, has the right to increase or decrease the contribution rate in the event it is actuarially determined that a contribution change is required in order for the Board to meet its funding requirements. 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. 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, 2016, and are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the years ended December 31, 2016 and 2015, contributions to the pension plan from the Authority were \$2,541,530 and \$2,559,020 (or 9.0% of covered payroll), respectively. The Authority contributed all required amounts for the years ended December 31, 2016 and 2015.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016 and 2015, the Authority reported a liability of \$83,549,481 and \$48,915,429, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of January 1, 2016 and 2015, rolled forward to the measurement date. Member census data as of December 31, 2015 and 2014 was used in the valuations and adjusted, where appropriate, to reflect changes between December 31, 2015 and 2014 and measurement dates. Standard actuarial roll forward techniques were used to project the total pension liability computed as of the January 1, 2016 and 2015 valuation dates to the respective measurement dates. The Authority's proportion of the net pension liability was based on the wages reported by the Authority and County relative to the collective wages of the plan. This basis of allocation is consistent with the manner in which contributions to the pension plan are determined. At December 31, 2016, the Authority's proportion was 7.4804%, which was a decrease of .2917% from its proportion measured as of December 31, 2015.

For the years ended December 31, 2016 and 2015, the Authority recognized pension expense of \$8,845,766 and \$3,011,072, respectively. At December 31, 2016 and 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,154,746	\$ 60,151
Changes of assumptions	27,514,596	8,052,544
Net difference between projected and actual earnings on pension plan investments	2,923,318	-
Changes in proportion	1,777,318	1,150,937
Total	\$ 34,369,978	\$ 9,263,632

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

	2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 80,879
Changes of assumptions	598,367	10,469,622
Net difference between projected and actual earnings on pension plan investments	4,428,606	-
Changes in proportion	2,300,058	-
Total	\$ 7,327,031	\$ 10,550,501

Amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2016, related to pensions will be recognized in pension expense as follows:

2017	\$ 5,363,043
2018	5,363,043
2019	5,259,468
2020	6,571,686
2021	2,549,106
	\$ 25,106,346

Actuarial Assumptions

The total pension liability in the actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

2016

Inflation	2.75%
Salary increases	3.25% - 5.75% average, including inflation
Ad hoc cost of living adjustments	\$20/month
Long-term expected rate of return	7.75% net of pension plan investment expense

2015

Inflation	2.75%
Salary increases	3.25% - 5.75% average, including inflation
Ad hoc cost of living adjustments	\$20/month
Long-term expected rate of return	7.75% net of pension plan investment expense

Mortality rates were based on the RP-2000 Combined Healthy Annuitants Mortality Table (Base Year – 2010), with blue-collar adjustments and adjustments for mortality improvements based on Scale AA. The most recent experience study was for the period 2011 to 2014.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
U.S. Equity	16%	4.55%
Non-U.S. Equity	19%	4.75%
Private Equity/Venture Capital	20%	7.10%
Core Fixed Income	10%	1.65%
High Yield	12%	3.45%
Real Estate	10%	4.00%
TIPS	5%	1.20%
Commodities	8%	2.00%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 5.37% and 7.75% in the January 1, 2016 and 2015 valuations, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions in the January 1, 2016 valuation, the pension plan's fiduciary net position was projected reach a depletion date in 2038. Therefore, in the determination of the discount rate, the long-term expected rate of return was applied through 2038 to projected benefit payments and a municipal bond rate of 3.71% was applied to projected benefit payments thereafter to determine the total pension liability. For this purpose, the index used was the S&P Municipal Bond 20 Year High Grade Index as of December 31, 2016.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The Authority's proportionate share of the net pension liability at December 31, 2016 has been calculated using a discount rate of 5.37%. The following presents the Authority's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (4.57%)	Current Discount Rate	1% Increase (6.37%)
Authority's proportionate share of the net pension liability	\$ 102,131,983	\$ 83,549,481	\$ 67,968,369

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of Allegheny County Employees' Retirement System.

Note 12: Purchase Commitments

Natural Gas

The Authority has a contract with a natural gas provider for the purchase of approximately 246,000 dth of natural gas each year. A Blend and Extend Agreement was executed in December 2011 reducing the purchase rate to \$0.373 per dth beginning January 1, 2012 through December 31, 2017. The Authority subsequently executed a Blend and Extend Agreement in February 2014 that further reduced the purchase rate to \$.20 per dth effective March 1, 2014 through December 31, 2018. 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 had previously executed a contract with an electricity provider for the purchase of electricity for specific meters at a rate of \$0.0568/kWh through December 31, 2015. The Authority executed another contract for the period December 29, 2015 through December 26, 2017 that further reduced rates to \$0.0539/kWh. The commitment includes all of the Authority's forecasted electricity usage.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)
Notes To Financial Statements
December 31, 2016 and 2015

Note 13: Contingencies

Deicing

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 PIT. The Administrative Order cited several violations, all of which have been resolved, except for the deicing. 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 deicing issues and has spent, and continues to budget for, significant capital funding in an attempt to resolve the deicing issue.

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.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)



ALLEGHENY COUNTY
AIRPORT AUTHORITY

**REQUIRED
SUPPLEMENTARY
INFORMATION**

Allegheny County Airport Authority
(A Component Unit of the County of Allegheny, Pennsylvania)
Schedules of Required Supplementary Information
Schedules of the Authority's Proportionate Share of the Net Pension Liability
Allegheny County Employees' Retirement System
Last 3 Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability	7.4804%	7.7721%	7.2608%
Authority's proportionate share of the net pension liability	\$ 83,549,481	\$ 48,915,429	\$ 40,088,306
Authority's covered payroll	\$ 28,239,219	\$ 28,433,558	\$ 26,486,921
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	296%	172%	151%
Plan fiduciary net position as a percentage of the total pension liability	43.44%	56.62%	60.26%

Notes to Schedule:

Benefit changes: None noted

Changes of assumptions: Decrease in discount rate from 7.75% at December 31, 2015 to 5.37% at December 31, 2016.

*The amounts presented for each fiscal year were determined as of December 31 (measurement date).

Note: Ten years of information is required to be disclosed and will be added as the information becomes available.

Allegheny County Airport Authority
(A Component Unit of the County of Allegheny, Pennsylvania)
Schedules of Required Supplementary Information
Schedules of Authority Contributions
Allegheny County Employees' Retirement System
Last 3 Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 2,541,530	\$ 2,559,020	\$ 2,245,908
Contributions in relation to the statutorily required contribution	\$ 2,541,530	\$ 2,559,020	\$ 2,245,908
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 28,239,219	\$ 28,433,558	\$ 26,486,921
Contributions as a percentage of covered payroll	9.00%	9.00%	8.48%

* The amounts presented for each fiscal year were determined as of December 31 (Authority's most recent fiscal year-end).

Note: Ten years of information is required to be disclosed and will be added as the information becomes available.

Allegheny County Airport Authority
(A Component Unit of County of Allegheny, Pennsylvania)



ALLEGHENY COUNTY
AIRPORT AUTHORITY

STATISTICAL SECTION

Allegheny County Airport Authority
(a Component Unit of County of Allegheny, Pennsylvania)
Statistical Section (Unaudited)
December 31, 2016

This part of the Authority’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information say about the Authority’s overall financial health.

Contents

Financial Trends

These tables contain trend information to help the reader understand how the Authority’s financial performance and well-being have changed over time. [Tables I through II]

Revenue Capacity

These tables contain information to help the reader assess the Authority’s most significant revenue sources. [Tables III through V]

Debt Capacity

These tables present information to help the reader assess the affordability of the Authority’s current levels of outstanding debt and the Authority’s ability to issue additional debt in the future. [Tables VI through VII]

Operating Information

These tables and narrative information are intended to provide contextual information about the Authority’s operations and resources in order for readers to understand and assess its economic condition. [Tables VIII through X and narrative section entitled *Capital Asset and Other Airport Information*]

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the Authority’s financial activities take place. [Tables XI through XII]

Table I

Allegheny County Airport Authority
(a Component Unit of County of Allegheny, Pennsylvania)
Statements of Revenues, Expenses and Changes in Net Position Information
Past Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating Revenues										
Landing fees	\$ 13,470,508	\$ 12,448,844	\$ 14,361,523	\$ 16,175,824	\$ 17,143,051	\$ 19,201,040	\$ 18,342,746	\$ 15,797,800	\$ 16,240,642	\$ 17,726,767
Terminal area airline rentals and fees	57,810,845	57,159,010	58,931,950	58,843,123	57,404,063	60,386,937	58,522,518	60,003,960	56,448,471	64,881,121
Other aeronautical revenue	8,633,244	8,695,472	19,765,780	8,361,062	8,303,814	8,088,975	8,414,687	9,911,913	8,384,548	8,274,783
Parking revenues	31,417,166	30,554,032	29,964,552	28,319,696	28,421,320	27,093,789	25,752,667	23,960,285	24,487,505	24,695,652
Rental car revenues	11,460,088	11,519,067	12,117,122	11,229,331	10,743,783	11,019,172	10,685,157	10,390,528	11,141,095	11,360,311
Terminal concessions	7,890,938	7,455,056	7,261,383	7,084,889	6,846,108	6,667,693	6,515,999	6,773,408	7,151,005	7,605,024
Other nonaeronautical revenue	6,203,074	6,414,724	5,975,443	6,472,957	7,210,668	7,096,012	6,025,208	6,495,226	5,796,978	6,552,703
Pittsburgh International Airport revenues	136,885,863	134,246,205	148,377,753	136,486,882	136,072,807	139,553,618	134,258,982	133,333,120	129,650,244	141,096,361
Allegheny County Airport revenues	2,995,960	2,980,767	2,948,259	2,791,541	2,977,693	2,933,006	3,007,121	2,520,991	2,271,848	2,348,152
Total operating revenues	139,881,823	137,226,972	151,326,012	139,278,423	139,050,500	142,486,624	137,266,103	135,854,111	131,922,092	143,444,513
Operating Expenses										
Salaries, wages, and benefits	47,003,628	39,943,997	38,706,910	37,787,004	35,922,495	34,316,615	34,108,583	32,162,176	31,326,349	32,125,222
Utilities	10,355,357	10,596,853	11,173,533	10,867,128	10,134,704	11,953,353	12,398,369	12,210,573	12,886,072	12,629,142
Cleaning and maintenance services	17,143,416	16,479,835	16,134,004	15,863,165	15,464,350	14,598,330	14,287,536	14,076,866	14,125,009	13,983,067
Professional services	18,949,222	17,468,184	16,392,772	15,203,481	17,386,131	16,026,779	15,541,273	14,925,129	15,818,541	13,409,405
Other	9,627,834	9,387,942	8,597,630	8,433,613	6,461,705	7,174,810	7,512,679	8,215,086	7,962,123	7,194,985
Pittsburgh International Airport expenses	103,079,457	93,876,811	91,004,849	88,154,391	85,369,385	84,069,887	83,848,440	81,589,830	82,118,094	79,341,821
Allegheny County Airport expenses	2,808,271	2,917,479	2,964,068	2,761,368	2,712,854	2,658,304	2,726,922	2,530,068	2,913,385	3,004,784
Depreciation	56,805,124	56,782,417	54,781,801	54,065,640	63,242,378	67,679,727	69,157,568	68,988,438	66,411,104	69,159,246
Total operating expenses	162,692,852	153,576,707	148,750,718	144,981,399	151,324,617	154,407,918	155,732,930	153,108,336	151,442,583	151,505,851
Income (Loss) From Operations	(22,811,029)	(16,349,735)	2,575,294	(5,702,976)	(12,274,117)	(11,921,294)	(18,466,827)	(17,254,225)	(19,520,491)	(8,061,338)

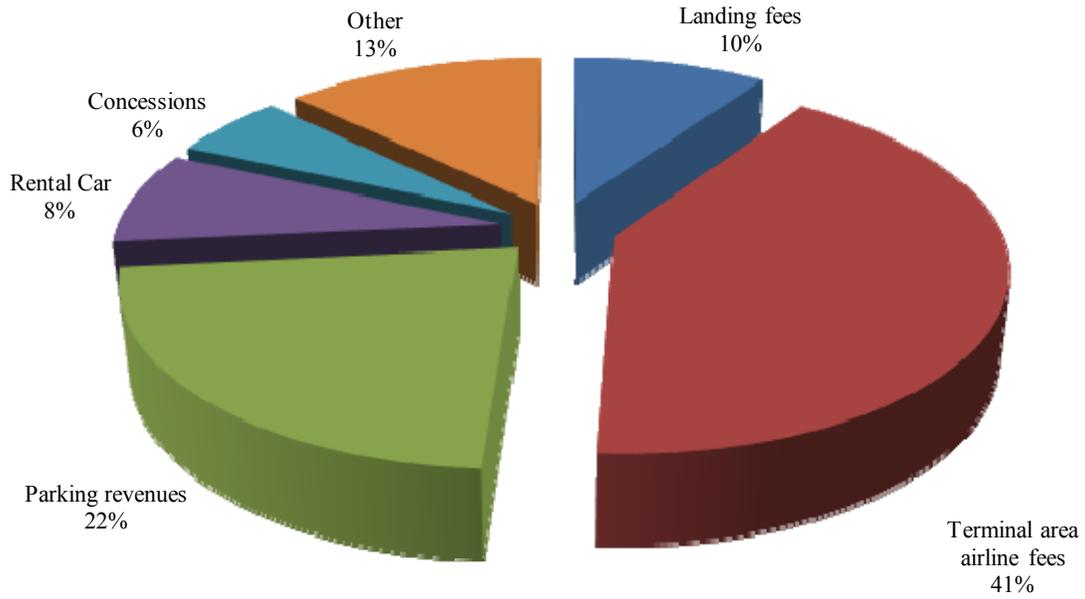
Table I (Continued)

Allegheny County Airport Authority
(a Component Unit of County of Allegheny, Pennsylvania)
Statements of Revenues, Expenses and Changes in Net Position Information (Continued)
Past Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Nonoperating Revenue (Expense)										
Interest expense	\$ (9,901,627)	\$ (12,769,066)	\$ (15,278,047)	\$ (18,070,409)	\$ (19,521,728)	\$ (22,509,254)	\$ (25,072,692)	\$ (26,572,399)	\$ (28,258,783)	\$ (30,741,749)
Investment income	841,899	559,527	2,803,774	1,048,441	1,177,556	1,000,877	2,787,975	4,298,369	5,493,686	9,845,315
Customer facility charges	4,990,737	5,030,877	4,982,379	5,060,175	4,987,257	3,040,737	-	-	-	-
Passenger facility charges	16,176,674	15,856,825	15,561,599	15,546,574	16,208,155	16,920,897	16,999,264	16,530,149	17,679,620	20,518,454
Gain (loss) on disposal of capital assets	(1,088,113)	39,551	(10,499)	(45,525)	(11,928)	(1,526,932)	(252,331)	(3,600)	(435,552)	150,413
Swap termination gain	-	-	-	-	-	860,000	5,075,000	-	-	-
Gaming act revenues	12,400,000	12,400,000	12,400,000	12,400,000	12,400,000	12,400,000	14,600,000	-	-	-
Gas drilling revenues	13,918,971	10,192,316	9,072,202	7,143,289	-	-	-	-	-	-
Miscellaneous	894,399	599,277	1,136,594	395,709	1,117,946	4,819,801	1,073,551	(279,277)	538,817	196,567
Net increase (decrease) in fair value of investments	(49,040)	35,676	64,730	(9,173)	186,588	420,274	(491,546)	21,930	(51,743)	(28,944)
Total nonoperating income (expense)	<u>38,183,900</u>	<u>31,944,983</u>	<u>30,732,732</u> #	<u>23,469,081</u>	<u>16,543,846</u>	<u>15,426,400</u>	<u>14,719,221</u>	<u>(6,004,828)</u>	<u>(5,033,955)</u>	<u>(59,944)</u>
Income (Loss) Before Capital Contributions and Grants	<u>15,372,871</u>	<u>15,595,248</u>	<u>33,308,026</u>	<u>17,766,105</u>	<u>4,269,729</u>	<u>3,505,106</u>	<u>(3,747,606)</u>	<u>(23,259,053)</u>	<u>(24,554,446)</u>	<u>(8,121,282)</u>
Capital Contributions and Grants	<u>23,400,937</u>	<u>14,759,396</u>	<u>20,144,222</u>	<u>3,219,515</u>	<u>18,394,142</u>	<u>9,763,031</u>	<u>23,589,746</u>	<u>23,454,904</u>	<u>19,179,858</u>	<u>19,946,340</u>
Increase (Decrease) in Net Position	<u>38,773,808</u>	<u>30,354,644</u>	<u>53,452,248</u> #	<u>20,985,620</u>	<u>22,663,871</u>	<u>13,268,137</u>	<u>19,842,140</u>	<u>195,851</u>	<u>(5,374,588)</u>	<u>11,825,058</u>
Net Position, Beginning of Year, As Previously Reported	<u>508,937,346</u>	<u>530,269,549</u>	<u>476,817,301</u>	<u>455,831,681</u>	<u>399,676,167</u>	<u>386,408,030</u>	<u>366,565,890</u>	<u>366,370,039</u>	<u>371,744,627</u>	<u>359,919,569</u>
Change in Accounting Principle and Prior Period Adjustments (1)	<u>-</u>	<u>(51,686,847)</u>	<u>-</u>	<u>-</u>	<u>33,491,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position, Beginning of Year, As Restated	<u>508,937,346</u>	<u>478,582,702</u>	<u>476,817,301</u>	<u>455,831,681</u>	<u>433,167,810</u>	<u>386,408,030</u>	<u>366,565,890</u>	<u>366,370,039</u>	<u>371,744,627</u>	<u>359,919,569</u>
Net Position, End of Year	<u>\$ 547,711,154</u>	<u>\$ 508,937,346</u>	<u>\$ 530,269,549</u>	<u>\$ 476,817,301</u>	<u>\$ 455,831,681</u>	<u>\$ 399,676,167</u>	<u>\$ 386,408,030</u>	<u>\$ 366,565,890</u>	<u>\$ 366,370,039</u>	<u>\$ 371,744,627</u>

(1) - Note that only 2015 and 2012 respective amounts have been restated for these items.

Allegheny County Airport Authority
(a Component Unit of County of Allegheny, Pennsylvania)
Operating Revenue by Category
Year Ended December 31, 2016



Allegheny County Airport Authority
(a Component Unit of County of Allegheny, Pennsylvania)
Operating Expenses by Business Unit
Year Ended December 31, 2016

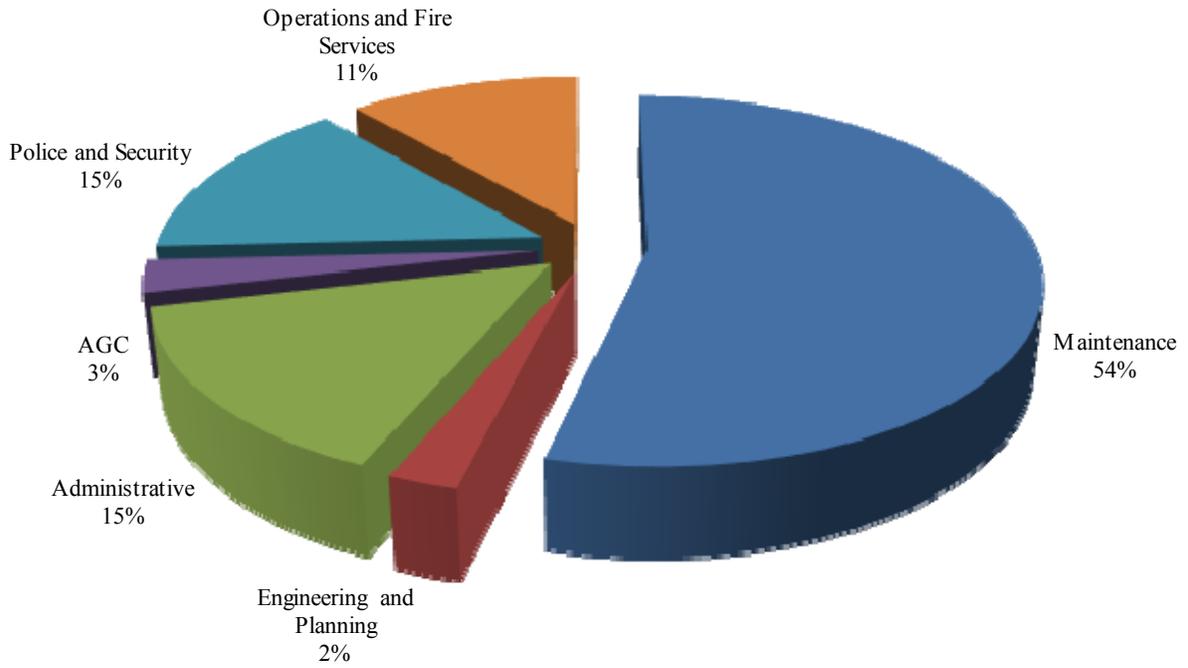


Table II

Allegheny County Airport Authority
(a Component Unit of County of Allegheny, Pennsylvania)
Net Position by Component
Past Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net investment in capital assets	\$ 492,846,022	\$ 453,272,524	\$ 432,654,829	\$ 401,875,598	\$ 389,895,553	\$ 335,751,365	\$ 330,934,058	\$ 329,378,831	\$ 316,591,776	\$ 266,109,224
Restricted net position										
Capital	44,539,284	45,164,846	41,551,209	37,423,426	34,303,804	17,988,319	26,950,089	5,624,657	10,454,946	11,341,766
Debt service	19,458,747	19,978,735	19,685,858	19,840,923	19,768,112	58,418,174	56,965,251	60,399,555	63,552,177	88,449,331
Total restricted net position (expendable)	<u>63,998,031</u>	<u>65,143,581</u>	<u>61,237,067</u>	<u>57,264,349</u>	<u>54,071,916</u>	<u>76,406,493</u>	<u>83,915,340</u>	<u>66,024,212</u>	<u>74,007,123</u>	<u>99,791,097</u>
Unrestricted (deficit) net position	<u>(9,132,899)</u>	<u>(9,478,759)</u>	<u>36,377,653</u>	<u>17,677,354</u>	<u>11,864,212</u>	<u>(12,481,691)</u>	<u>(28,441,368)</u>	<u>(28,837,153)</u>	<u>(24,228,860)</u>	<u>5,844,306</u>
Total net position	<u>\$ 547,711,154</u>	<u>\$ 508,937,346</u>	<u>\$ 530,269,549</u>	<u>\$ 476,817,301</u>	<u>\$ 455,831,681</u>	<u>\$ 399,676,167</u>	<u>\$ 386,408,030</u>	<u>\$ 366,565,890</u>	<u>\$ 366,370,039</u>	<u>\$ 371,744,627</u>

Note: 2015 forward reflects the impact of adoption of GASB 68.

Table III

Allegheny County Airport Authority
(a Component Unit of County of Allegheny, Pennsylvania)
Summary of Airline Rate Base Fees
Past Ten Fiscal Years

Airline Group	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
American	\$ 25,787,789	\$ 25,847,593	\$ 27,451,129	\$ 28,674,840	\$ 28,389,935	\$ 30,954,582	\$ 29,714,592	\$ 29,949,897	\$ 29,889,516	\$ 43,257,017
Southwest	6,978,846	7,590,483	8,674,778	8,613,629	8,811,681	9,739,306	8,952,376	7,591,885	6,556,209	5,830,632
Delta	7,524,428	7,311,689	7,896,444	8,354,040	8,102,657	8,612,918	7,691,962	7,613,892	6,722,492	6,072,728
United	7,523,024	7,426,050	7,967,974	8,502,783	8,498,218	9,036,714	8,790,495	8,490,468	7,105,195	6,121,107
JetBlue	1,573,258	1,513,512	1,475,713	1,527,489	1,614,606	1,695,917	1,603,538	1,504,437	1,363,427	1,370,565
Other signatories	1,679,676	801,192	744,223	586,816	530,689	474,477	527,290	373,935	320,713	276,060
Total signatory airlines	51,067,021	50,490,519	54,210,261	56,259,597	55,947,786	60,513,914	57,280,253	55,524,514	51,957,552	62,928,109
Other passenger carriers	2,325,699	1,752,589	1,441,706	1,178,110	1,242,612	1,746,898	1,801,946	2,436,789	2,855,936	2,435,977
Total rate base fees <A>	<u>\$ 53,392,720</u>	<u>\$ 52,243,108</u>	<u>\$ 55,651,967</u>	<u>\$ 57,437,707</u>	<u>\$ 57,190,398</u>	<u>\$ 62,260,812</u>	<u>\$ 59,082,199</u>	<u>\$ 57,961,303</u>	<u>\$ 54,813,488</u>	<u>\$ 65,364,086</u>
Total rate base fees	\$ 53,392,720	\$ 52,243,108	\$ 55,651,967	\$ 57,437,707	\$ 57,190,398	\$ 62,260,812	\$ 59,082,199	\$ 57,961,303	\$ 54,813,488	\$ 65,364,086
Cargo landings and rents	1,612,284	1,495,458	1,622,521	1,622,009	1,710,552	1,802,355	1,890,052	1,714,638	1,543,704	1,685,112
Other terminal and hangar fees	24,909,592	24,564,760	35,784,767	24,320,792	23,949,979	23,613,785	24,307,700	26,037,732	24,716,469	23,834,473
Concession revenues	49,345,717	48,142,557	48,001,577	45,313,542	44,575,886	43,856,123	42,049,162	40,268,500	42,076,180	42,952,892
Other operating revenues	7,625,550	7,800,322	7,316,921	7,792,832	8,645,992	8,020,543	6,929,869	7,350,947	6,500,403	7,259,798
Total PIT operating revenues 	<u>\$ 136,885,863</u>	<u>\$ 134,246,205</u>	<u>\$ 148,377,753</u>	<u>\$ 136,486,882</u>	<u>\$ 136,072,807</u>	<u>\$ 139,553,618</u>	<u>\$ 134,258,982</u>	<u>\$ 133,333,120</u>	<u>\$ 129,650,244</u>	<u>\$ 141,096,361</u>

<A> Includes both signatory and nonsignatory landing, terminal, and ramp fees, as well as gate usage fees for all fiscal years.

 PIT is Pittsburgh International Airport.

Note: United includes Continental and Southwest includes Airtran for all years due to mergers between these airlines, which were fully effective for fiscal year 2014. American includes USAirways for all years due to merger effective for fiscal year 2015.

Allegheny County Airport Authority
(a Component Unit of County of Allegheny, Pennsylvania)
Airline Revenue Derived by Carrier
Year Ended December 31, 2016

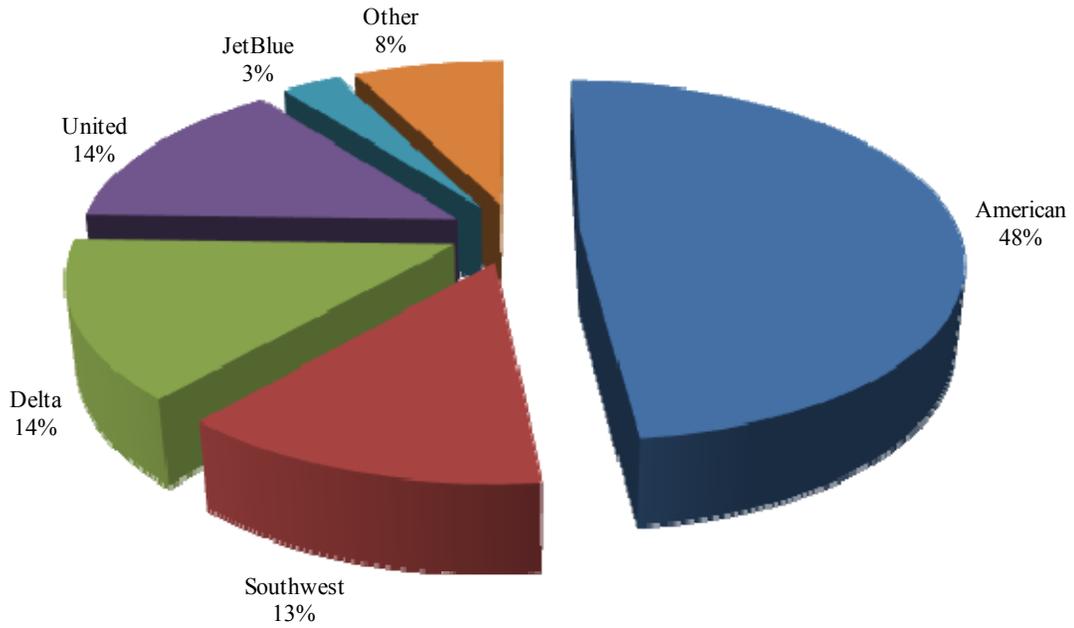


Table IV

Allegheny County Airport Authority
(a Component Unit of County of Allegheny, Pennsylvania)
Rates and Cost Per Enplaned Passenger
Past Ten Fiscal Years

	2016 Actual	2015 Actual	2014 Actual	2013 Actual	2012 Actual	2011 Actual	2010 Actual	2009 Actual	2008 Actual	2007 Actual
Landing fee rate	\$ 2.4240	\$ 2.2239	\$ 2.6063	\$ 2.9068	\$ 3.1558	\$ 3.3764	\$ 3.3389	\$ 2.8269	\$ 2.5691	\$ 2.5222
Terminal fee rate	133.42	132.61	136.04	140.32	130.05	133.68	128.85	131.21	112.53	96.86
Ramp fee rate	192.80	196.19	191.86	229.90	242.09	279.21	298.17	415.69	216.12	207.28
Operating expenses	96,447,247	93,079,111	90,560,685	87,806,989	85,322,555	83,706,181	83,730,243	81,546,678	82,125,959	79,311,676
Debt service	66,040,592	65,698,295	66,453,095	66,865,521	63,221,381	62,125,185	61,116,900	62,621,553	55,218,134	69,813,069
Nonrate base revenues	(90,342,569)	(87,411,914)	(98,005,686)	(82,399,643)	(92,166,739)	(90,236,059)	(90,863,055)	(92,989,366)	(91,343,887)	(113,464,783)
Debt service and operating expense offset	(32,964,368)	(31,864,241)	(16,653,372)	(27,903,808)	(12,250,000)	(6,400,000)	(6,637,000)	(4,585,000)	(6,500,000)	-
Airline capital fund deposits	11,009,655	10,591,738	10,433,599	9,933,170	9,932,664	9,836,475	9,341,009	8,603,493	8,548,221	7,542,197
Other, primarily cargo landing fees	<u>(938,359)</u>	<u>(845,550)</u>	<u>(927,641)</u>	<u>(1,040,186)</u>	<u>(1,212,280)</u>	<u>(1,271,259)</u>	<u>(1,332,567)</u>	<u>(1,136,907)</u>	<u>(736,589)</u>	<u>(888,412)</u>
Total rate base costs	<u>49,252,198</u>	<u>49,247,439</u>	<u>51,860,680</u>	<u>53,262,043</u>	<u>52,847,581</u>	<u>57,760,523</u>	<u>55,355,530</u>	<u>54,060,451</u>	<u>47,311,838</u>	<u>42,313,747</u>
Other airline costs	<u>4,140,522</u>	<u>2,995,669</u>	<u>3,791,287</u>	<u>4,175,664</u>	<u>4,342,816</u>	<u>4,500,289</u>	<u>3,726,669</u>	<u>3,900,852</u>	<u>7,501,650</u>	<u>23,050,339</u>
Total airline costs	<u>\$ 53,392,720</u>	<u>\$ 52,243,108</u>	<u>\$ 55,651,967</u>	<u>\$ 57,437,707</u>	<u>\$ 57,190,397</u>	<u>\$ 62,260,812</u>	<u>\$ 59,082,199</u>	<u>\$ 57,961,303</u>	<u>\$ 54,813,488</u>	<u>\$ 65,364,086</u>
Total enplaned passengers	<u>4,151,628</u>	<u>4,053,880</u>	<u>4,000,461</u>	<u>3,943,152</u>	<u>4,015,229</u>	<u>4,160,024</u>	<u>4,098,384</u>	<u>4,016,937</u>	<u>4,354,992</u>	<u>4,910,957</u>
Cost per enplaned passenger	<u>\$ 12.86</u>	<u>\$ 12.89</u>	<u>\$ 13.91</u>	<u>\$ 14.57</u>	<u>\$ 14.24</u>	<u>\$ 14.97</u>	<u>\$ 14.42</u>	<u>\$ 14.43</u>	<u>\$ 12.59</u>	<u>\$ 13.31</u>

Table V

Allegheny County Airport Authority
(a Component Unit of County of Allegheny, Pennsylvania)
History of Total Concessions Per Enplanement
Past Ten Fiscal Years

	2016 Actual	2015 Actual	2014 Actual	2013 Actual	2012 Actual	2011 Actual	2010 Actual	2009 Actual	2008 Actual	2007 Actual
Parking	\$ 31,417,166	\$ 30,554,032	\$ 29,964,552	\$ 28,319,696	\$ 28,421,320	\$ 27,093,789	\$ 25,752,667	\$ 23,960,285	\$ 24,487,505	\$ 24,695,652
Rent-A-Car	11,460,088	11,519,067	12,117,122	11,229,331	10,743,783	11,019,172	10,685,157	10,390,528	11,141,095	11,360,311
AirMall Concessions	5,926,912	5,553,241	5,372,968	5,194,833	4,829,979	5,199,124	5,178,194	5,440,761	5,801,118	6,322,360
Hotel/ConvCenter	541,551	516,217	546,935	569,682	580,804	544,038	433,144	476,929	646,460	574,569
Total passenger concessions	<u>\$ 49,345,717</u>	<u>\$ 48,142,557</u>	<u>\$ 48,001,577</u>	<u>\$ 45,313,542</u>	<u>\$ 44,575,886</u>	<u>\$ 43,856,123</u>	<u>\$ 42,049,162</u>	<u>\$ 40,268,503</u>	<u>\$ 42,076,178</u>	<u>\$ 42,952,892</u>
Total enplaned passengers	<u>4,151,628</u>	<u>4,053,880</u>	<u>4,000,461</u>	<u>3,943,152</u>	<u>4,015,229</u>	<u>4,160,024</u>	<u>4,098,384</u>	<u>4,016,937</u>	<u>4,354,992</u>	<u>4,910,957</u>
Concessions per enplaned passenger	<u>\$ 11.89</u>	<u>\$ 11.88</u>	<u>\$ 12.00</u>	<u>\$ 11.49</u>	<u>\$ 11.10</u>	<u>\$ 10.54</u>	<u>\$ 10.26</u>	<u>\$ 10.02</u>	<u>\$ 9.66</u>	<u>\$ 8.75</u>

Table VI

Allegheny County Airport Authority
(a Component Unit of County of Allegheny, Pennsylvania)
Outstanding Debt by Type and Revenue Bond Debt Service Ratios
Year Ended December 31, 2016

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Outstanding Debts										
Revenue bonds	\$ 174,972,222	\$ 229,952,019	\$ 282,405,082	\$ 333,672,158	\$ 383,078,577	\$ 360,304,163	\$ 401,626,602	\$ 441,544,935	\$ 478,961,632	\$ 533,156,034
Loans and other										
Credit Facility Agreements	3,050,178	4,237,142	4,679,259	5,112,209	5,540,742	28,691,009	28,518,218	33,048,651	10,536,097	6,621,359
Obligations under capital lease	2,183,208	3,225,137	4,235,292	5,214,642	6,164,126	-	-	-	-	-
Total Outstanding Debt	<u>\$ 180,205,608</u>	<u>\$ 237,414,298</u>	<u>\$ 291,319,633</u>	<u>\$ 343,999,009</u>	<u>\$ 394,783,445</u>	<u>\$ 388,995,172</u>	<u>\$ 430,144,820</u>	<u>\$ 474,593,586</u>	<u>\$ 489,497,729</u>	<u>\$ 539,777,393</u>
Outstanding Debt Per Capita	Not Available	\$ 192.95	\$ 236.60	\$ 279.33	\$ 321.13	\$ 316.92	\$ 351.47	\$ 388.32	\$ 400.88	\$ 441.54
Total Enplaned Passengers	4,151,628	4,053,880	4,000,461	3,943,152	4,015,229	4,160,024	4,098,384	4,016,937	4,354,992	4,910,957
Outstanding Debt/Enplaned Passenger	\$ 43.41	\$ 58.56	\$ 72.82	\$ 87.24	\$ 98.32	\$ 93.51	\$ 104.95	\$ 118.15	\$ 112.40	\$ 109.91
Outstanding Debt as % of Personal Income	Not Available	0.36%	0.44%	0.52%	0.62%	0.63%	0.74%	0.84%	0.84%	0.96%
Revenue Bond Debt Service										
Principal	\$ 53,990,000	\$ 51,130,000	\$ 49,535,000	\$ 47,495,000	\$ 43,355,000	\$ 41,270,000	\$ 37,898,334	\$ 37,240,000	\$ 35,450,000	\$ 32,620,000
Interest	10,923,357	13,441,080	15,790,882	18,243,304	18,739,168	20,855,186	23,218,566	25,367,894	27,209,204	27,091,696
Total Revenue Bond Debt Service	<u>\$ 64,913,357</u>	<u>\$ 64,571,080</u>	<u>\$ 65,325,882</u>	<u>\$ 65,738,304</u>	<u>\$ 62,094,168</u>	<u>\$ 62,125,186</u>	<u>\$ 61,116,900</u>	<u>\$ 62,607,894</u>	<u>\$ 62,659,204</u>	<u>\$ 59,711,696</u>
Total Expenses (Less Depreciation)	\$ 105,887,728	\$ 96,794,290	\$ 93,968,917	\$ 90,915,759	\$ 88,082,239	\$ 86,728,191	\$ 86,575,362	\$ 84,119,898	\$ 85,031,479	\$ 82,346,605
Revenue Bond Debt Service/ Total Expenses	61.30%	66.71%	69.52%	72.31%	70.50%	71.63%	70.59%	74.43%	73.69%	72.51%
Revenue Bond Debt Service/ Enplaned Passenger	\$ 15.64	\$ 15.93	\$ 16.33	\$ 16.67	\$ 15.46	\$ 14.93	\$ 14.91	\$ 15.59	\$ 14.39	\$ 12.16

Table VII

Allegheny County Airport Authority
(a Component Unit of County of Allegheny, Pennsylvania)
Revenue Bond Debt Service Coverage
For the Last Ten Years Ended December 31
(in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Pledged Revenues										
Landing fees	\$ 13,471	\$ 12,449	\$ 14,362	\$ 16,175	\$ 17,176	\$ 19,282	\$ 18,412	\$ 15,789	\$ 16,210	\$ 17,786
Terminal area airline fees	57,728	57,076	58,849	60,112	57,436	60,589	58,673	59,893	52,949	52,391
Other aeronautical revenue	7,691	7,808	7,736	7,499	7,452	7,249	7,594	9,115	7,602	7,576
Parking revenues	29,796	29,156	28,092	26,337	27,115	25,422	24,603	21,560	22,401	21,221
Rent-A-Car revenues	11,460	11,519	12,117	11,229	10,753	11,042	10,705	10,388	11,132	11,377
Terminal concessions	7,446	7,010	6,817	5,288	6,401	6,668	6,516	6,773	10,465	20,221
Other non-aeronautical revenue	44,742	43,235	38,564	37,029	31,282	24,535	26,860	28,524	24,687	25,983
Total pledged revenues	<u>172,334</u>	<u>168,253</u>	<u>166,537</u>	<u>163,669</u>	<u>157,615</u>	<u>154,787</u>	<u>153,363</u>	<u>152,042</u>	<u>145,446</u>	<u>156,555</u>
Operation and Maintenance Expenses										
Salaries, wages and related expenses	26,502	25,084	25,144	24,547	24,008	22,726	22,753	21,349	20,859	20,217
Cost allocations	40,697	38,713	35,827	34,891	33,856	31,737	31,051	29,633	31,465	29,622
Utilities	8,595	8,681	9,129	8,832	8,750	10,599	11,145	11,258	11,758	11,524
Cleaning and maintenance services	16,798	16,213	15,841	15,548	15,238	14,269	13,995	13,797	13,664	13,710
Professional services	236	285	256	261	173	178	215	247	307	225
Parking loan expenditures	-	-	-	-	-	-	-	-	-	10,088
Other	3,248	3,713	3,944	3,315	2,878	3,766	4,132	4,851	3,640	3,587
Total operation and maintenance expenses	<u>96,076</u>	<u>92,689</u>	<u>90,141</u>	<u>87,394</u>	<u>84,903</u>	<u>83,275</u>	<u>83,291</u>	<u>81,135</u>	<u>81,693</u>	<u>88,973</u>
Net Revenues	76,258	75,564	76,396	76,275	72,712	71,512	70,072	70,907	63,753	67,582
Plus: Other Available Funds	16,332	16,332	16,332	16,332	16,332	16,332	16,332	16,332	16,332	16,332
Total Net Revenues and Other Available Funds	<u>\$ 92,590</u>	<u>\$ 91,896</u>	<u>\$ 92,728</u>	<u>\$ 92,607</u>	<u>\$ 89,044</u>	<u>\$ 87,844</u>	<u>\$ 86,404</u>	<u>\$ 87,239</u>	<u>\$ 80,085</u>	<u>\$ 83,914</u>
Deposit Requirement Payments										
Deposits for debt service - Airport Revenue Bonds	\$ 64,914	\$ 64,571	\$ 65,326	\$ 65,738	\$ 62,094	\$ 62,125	\$ 61,117	\$ 62,607	\$ 55,204	\$ 59,712
Deposits for debt service - General Obligation Bonds	-	-	-	-	-	-	-	14	14	14
Funding deposit requirement	598	301	311	266	165	410	339	(41)	(150)	301
Total deposit requirement payments	<u>\$ 65,512</u>	<u>\$ 64,872</u>	<u>\$ 65,637</u>	<u>\$ 66,004</u>	<u>\$ 62,259</u>	<u>\$ 62,535</u>	<u>\$ 61,456</u>	<u>\$ 62,580</u>	<u>\$ 55,068</u>	<u>\$ 60,027</u>
Coverage Ratio	1.41	1.42	1.41	1.40	1.43	1.40	1.41	1.39	1.45	1.40

Table VIII

Allegheny County Airport Authority
(a Component Unit of County of Allegheny, Pennsylvania)
Enplaned Passengers by Airline Group
Past Ten Fiscal Years

Group	2016 Actual	2015 Actual	2014 Actual	2013 Actual	2012 Actual	2011 Actual	2010 Actual	2009 Actual	2008 Actual	2007 Actual
American	1,157,703	1,347,399	1,380,672	1,325,803	1,148,791	1,326,871	1,315,833	1,403,194	1,708,145	2,383,549
Southwest	1,134,880	1,025,342	1,062,692	1,073,403	1,021,737	1,093,219	991,889	971,386	962,600	924,656
Delta	750,335	753,924	741,023	704,436	742,383	726,664	691,169	689,693	746,312	720,622
United	624,348	628,187	650,568	688,264	913,844	763,812	842,916	720,920	653,762	563,812
JetBlue	156,189	147,317	104,709	98,888	137,114	127,505	121,502	89,319	98,851	135,126
Other signatories	148,498	9,021	7,592	14,747	13,100	25,309	35,877	-	-	-
Total signatory airlines	3,971,953	3,911,190	3,947,256	3,905,541	3,976,969	4,063,380	3,999,186	3,874,512	4,169,670	4,727,765
Scheduled nonsignatory	161,700	101,910	37,972	22,452	23,498	80,400	83,492	124,185	165,768	164,983
Nonscheduled	17,975	40,780	15,233	15,159	14,762	16,244	15,706	18,240	19,554	18,209
Total enplaned passengers	<u>4,151,628</u>	<u>4,053,880</u>	<u>4,000,461</u>	<u>3,943,152</u>	<u>4,015,229</u>	<u>4,160,024</u>	<u>4,098,384</u>	<u>4,016,937</u>	<u>4,354,992</u>	<u>4,910,957</u>

Note: United includes Continental and Southwest includes Airtran for all years due to mergers between these airlines, which were fully effective for fiscal year 2014. American includes US Airways for all years due to merger effective for fiscal year 2015.

Source: Monthly Analysis of Scheduled Airline Traffic Report

Table IX

Allegheny County Airport Authority
(a Component Unit of County of Allegheny, Pennsylvania)
Activity Statistics
Past Ten Fiscal Years

Fiscal Year	Total Passengers	<A> Aircraft Operations	Landed Weight (1,000 Lbs.)	Cargo Volume (1,000 Lbs.)
2016	8,309,754	141,630	5,387,059	150,239
2015	8,128,187	141,674	5,347,849	138,324
2014	7,998,970	135,293	5,233,428	135,840
2013	7,884,170	139,300	5,259,149	142,631
2012	8,041,357	139,217	5,091,746	146,653
2011	8,300,310	148,782	5,444,878	148,007
2010	8,195,359	144,563	5,257,071	144,870
2009	8,031,175	147,720	5,237,314	134,204
2008	8,710,291	167,729	5,862,271	154,363
2007	9,822,588	209,303	6,753,212	154,157

<A> An operation is any aircraft landing or takeoff.

Sources: Federal Aviation Administration Tower Reports and Airline Self Reporting

Table X

Allegheny County Airport Authority
(a Component Unit of County of Allegheny, Pennsylvania)
Count of Employees By Department
Past Ten Fiscal Years

Bus Unit	Description	Year End 2016	Year End 2015	Year End 2014	Year End 2013	Year End 2012	Year End 2011	Year End 2010	Year End 2009	Year End 2008	Year End 2007
11	Administration	4	6	16	9	10	9	9	7	7	7
12	Human Resources	9	10	6	4	4	4	4	4	4	4
13	Finance	15	16	16	15	16	17	17	17	17	18
14	Information Technology	4	5	5	5	3	3	3	3	3	3
15	Engineering/Construction	7	7	8	8	8	8	8	8	9	9
16	Planning/Environmental	5	5	5	4	5	5	5	5	5	5
17	Business Development	5	5	9	9	8	7	7	7	6	5
18	Field Maintenance	122	119	118	113	117	119	117	115	115	119
19	Facilities Maintenance	82	84	86	87	90	92	89	90	90	89
20	Operations	44	48	42	43	41	39	39	39	40	41
21	Training, Safety and Security	10	10	10	12	13	11	12	12	12	12
22	Fire Services	48	48	50	54	48	52	45	47	48	51
23	Air Service Development	2	2	2	3	2	3	3	3	3	3
24	Communications	18	15	3	12	12	10	9	10	10	10
27/28	Airline Services	67	64	65	68	73	73	72	72	72	75
91	Allegheny County Airport	14	15	17	16	15	15	15	16	13	14
	Totals	<u>456</u>	<u>459</u>	<u>458</u>	<u>462</u>	<u>465</u>	<u>467</u>	<u>454</u>	<u>455</u>	<u>454</u>	<u>465</u>

Source: Allegheny County Airport Authority Human Resources Executive Summary of Employment Transactions

Allegheny County Airport Authority
(a Component Unit of County of Allegheny, Pennsylvania)
Capital Asset and Other Airport Information
December 31, 2016

Pittsburgh International Airport (PIT) is located in Southwestern Pennsylvania approximately 15 miles west of downtown Pittsburgh. PIT occupies approximately 8,800 acres and is situated in Moon and Findlay Townships in Allegheny County. Access to PIT is provided via interstate 376. The volume, usage and nature of the Authority’s most significant capital assets is discussed below and on the following five pages.

Airfield

PIT has four runways, consisting of one crosswind runway (oriented northwest to southeast) and three parallel runways (oriented east to west) of which one is immediately north of the passenger terminal complex and the other two are south of the terminal:

Runway 28L/10R	11,500 feet long, 200 feet wide
Runway 28C/10C	9,700 feet long, 150 feet wide
Runway 28R/10L	10,500 feet long, 150 feet wide
Runway 14/32	8,100 feet long, 150 feet wide

The separation between the runways permits the capability of conducting dual landings and dual takeoffs in all weather conditions. All of PIT’s runways can accommodate air carrier aircraft and are equipped with instrument landing systems, lighting systems and other air navigation aids, permitting PIT to operate in virtually all weather conditions. Precision instrument approach capability is provided to Runways 10R, 10L, 28R, 28L and 32. In addition, Runways 10R and 10L have the ability to handle Category II/III instrument landing systems (ILS).

Passenger Terminal

The Midfield Terminal opened on October 1, 1992, and consists of approximately 1.7 million square feet of enclosed space. The Midfield Terminal consists of a four-level landside terminal, a four-level airside terminal connected to the landside terminal by an automated underground people-mover system, and a two-level central services building and a commuter terminal.

The midfield location of the passenger terminal complex between the parallel runways provides for the optimal movement of aircraft between the terminal gates and the runways and has been the model for the design of many other major world airports.

The landside terminal provides for the ticketing of passengers, collecting and sorting baggage, baggage claim and security screening of passengers. The landside terminal is designed to be expanded to the north and south as additional facilities are required. The “X-shaped” airside terminal has two major elements – a central “core” and four concourses. An automated baggage system conveys inbound and outbound baggage between the landside and airside terminals for US Airways. In 2006, the Authority upgraded the baggage system and assumed responsibility for all baggage system operations, including those previously handled by US Airways.

Allegheny County Airport Authority
(a Component Unit of County of Allegheny, Pennsylvania)
Capital Asset and Other Airport Information (Continued)
December 31, 2016

There are 70 domestic gates and 5 international gates for a total of 75 jet gates equipped with loading bridges, aircraft support systems and hydrant fueling. The commuter terminal had 25 commuter aircraft parking positions. As a result of US Airways de-hubbing of PIT, in January 2008, the Authority temporarily decommissioned portions of the A and B Concourses, including 26 of the 75 jet gates, as a cost saving measure. In 2013, 10 of those jet gates were placed back in service to accommodate Southwest and United aircraft. Also, due to the reduction in connecting traffic and the discontinuation of services to many of the smaller communities, the commuter terminal was closed for operations and currently serves as an alternate security checkpoint. In 2011, the Authority removed the commuter aircraft apron from the air operations area and relocated Authority employee parking to this area.

During 2014 and continuing into 2015, the concessions areas of the airside terminal have been upgraded by AirMall Pittsburgh, Inc. as part of their contract revision with the Authority. This \$5,000,000 project reconfigures the central concourse area to provide better traffic flow and has attracted several new upscale retailers. In conjunction with this project, the Authority is replacing the outdated existing flooring with a new, more resilient and more attractive terrazzo flooring.

Arriving international passengers clear immigration and customs through a Federal Inspection Services (FIS) facility comprising approximately 60,000 square feet, which can accommodate 800 passengers per hour.

Ground Access and Transportation

PIT can be accessed directly from the north or south via I-376 and Business I-376, which form a loop around the airport. The Midfield Terminal is served by a four lane, two-level roadway serving both sides of the landside terminal. One level serves the ticketing level and the other level serves the baggage claim level. Curb frontage on one side of the terminal is for private automobiles and curb frontage on the other side of the landside terminal is for commercial vehicles and ground transportation services.

A three-level parking garage adjacent to the landside terminal contains 2,100 public parking spaces, a rental car facility with 799 ready and return spaces, and 145 leased parking spaces for a total of 3,044 parking spaces and is connected to the landside terminal by enclosed moving walkways. The garage is designed to be expanded to the south to provide approximately 850 additional spaces.

In addition, 13,200 public parking spaces and 1,150 employee parking spaces are provided in a long-term, extended-term, and employee surface parking lots. Moving walkways link the long-term surface parking lot to the landside terminal with a maximum walking distance of 800 feet to the moving walkways. During 2006, the Authority undertook a major expansion of the parking operation servicing PIT, adding an additional 1,100 spaces, in an effort to accommodate the increased demand resulting from the upturn in O&D traffic.

Allegheny County Airport Authority
(a Component Unit of County of Allegheny, Pennsylvania)
Capital Asset and Other Airport Information (Continued)
December 31, 2016

Rental car ready/return stalls are located on level 1 of the garage. Hertz operates a quick turnaround area adjacent to the garage at grade level for stacking, cleaning, fueling, washing and staging cars prior to moving them into the ready car spaces in the garage and the other companies perform these functions on leased space in the vicinity of the landside terminal as part of the service facilities. Currently, eight “companies” representing nine brands of rental car companies operate on-airport from the garage: (1) Advantage, (2) Avis, (3) Budget, (4) Dollar, (5) Enterprise, (6) Hertz, (7) Payless, and (8) Vanguard (Alamo and National).

Hotel

A Hyatt Regency Hotel, which opened in June 2001, is located adjacent to the parking garage and adjacent to the landside terminal building and is accessible via the enclosed moving walkways. The facility contains 331 hotel rooms and approximately 21,000 square of convention space. The hotel provides a restaurant, bar/lounge, and an indoor pool/health club facility.

Airline Support

The Authority leases land and buildings to airlines and others for activities supporting airline operations. An aboveground aircraft fuel farm supplies fuel to the aircraft hydrant fueling system, which serves all 75 jet gates (of which 59 are currently in use), and a fueling rack at the commuter gates. An automotive fuel storage facility is located adjacent to the fuel farm.

American Airlines leases aircraft maintenance and parts facilities, which encompasses 473,529 square feet at PIT. American Airlines also leases a special services building at PIT.

LSG Sky Chefs leases a catering/food preparation facility containing 80,000 square feet that also serves as its North American frozen food kitchen and freezing facility.

In addition, the Authority constructed a wide-body deicing facility at PIT, which is being managed by a third-party company. That company also operates the Authority’s main deicing pads, which are boom and truck operated, and utilize hot air technology.

Air cargo transported by the passenger and all-cargo airlines is processed through four buildings comprising approximately 233,000 square feet and a cargo aircraft apron comprising 721,750 square feet.

Republic Airways operates aircraft maintenance facilities at PIT in three hangars containing 133,300 square feet. Atlantic Aviation operates a fixed base operation (“FBO”), containing a terminal building, two hangars, a fuel farm and an equipment maintenance building.

The Authority also owns and leases three corporate hangars that contain 114,000 square feet. MPAir leases 153,331 square feet of land from the Authority, which consists of a recently constructed hangar and flight facility. The Authority has leased to FJ Turbine its jet engine test cell facility consisting of 14,985 square feet and prep room consisting of 12,400 square feet.

Allegheny County Airport Authority
(a Component Unit of County of Allegheny, Pennsylvania)
Capital Asset and Other Airport Information (Continued)
December 31, 2016

Also located at PIT is a full-service fixed base operator (FBO) - Atlantic Aviation, which operates from the Business Aviation Center, and a limited FBO, Corporate Air, LLC, which operates from a corporate hangar facility.

Commercial/Industrial Property Development

There are approximately 3,800 acres of land at PIT available to the Authority for non-aviation development of which approximately 52% are developable. There are approximately 5,000 acres designated as a foreign trade zone at PIT.

The Authority has been actively engaged in the development of its property to stimulate the economies of the region as well as stimulating activity in the airport corridor. The Authority has constructed infrastructure and installed utility services to these areas to provide “pad ready” development sites. Revenues for the various developers and land tenants are used by the Authority for further investment in development activities.

As shown on Figure 1, several active commercial/industrial developments are in process at PIT, including:

- The Airside Business Park is located on the site of the former airport terminal. Currently, there are six buildings totaling over 400,000 square feet completed and substantially occupied.
- Clinton Commerce Park is a 100-acre bulk warehouse park on the northwest side of PIT. Construction of a 100,000 square foot, build-to-suit facility for a printing company was completed in 2008 and is currently occupied. In addition, a 400,000 square foot building designed for bulk warehousing was completed and leased in 2009. A 225,000 square foot facility also completed in 2009 is currently occupied. In 2016 a 300,000 square foot building was completed and a fifth building is currently under construction.
- Cherrington Commerce Park is a 160-acre business park located on the east side of PIT where site work was completed in 2008. In 2010, site work was completed on a 90-acre park called the PIT International Logistics Center.
- Dick’s Sporting Goods relocated its world corporate headquarters at PIT in 2009. The company currently leases 186 acres of airport property in the Northfield site and has constructed a 661,000 square foot office complex and a 70,000 square foot corporate hangar. The company took occupancy of those facilities in February 2010. In 2013, Dick’s entered into a lease for the remaining Northfield acreage and has plans to complete the first building on this new site. Dick’s is planning for further development in the future. Their agreement has been extended through 2020.

Allegheny County Airport Authority

(a Component Unit of County of Allegheny, Pennsylvania)
Capital Asset and Other Airport Information (Continued)
December 31, 2016



Sunoco, Inc. opened an automobile gas station and convenience store on 2.5 acres located at the northwestern corner of PIT's parking lots. The operation provides 24-hour self-fueling.

In addition, a regional transportation authority (Moon Transportation Authority), in cooperation with the Pennsylvania Department of Transportation, completed the construction of an interchange along Business Route-376 in 2003. This interchange opened additional areas of airport property to commercial development.

Allegheny County Airport Authority
(a Component Unit of County of Allegheny, Pennsylvania)
Capital Asset and Other Airport Information (Continued)
December 31, 2016

Other Facilities

Aircraft rescue and firefighting (ARFF) services are provided from one fire station. The Authority also operates an aircraft rescue and firefighting training center at PIT, which includes a fire-training simulator as well as classrooms, a management center, a vehicle bay, trainee/equipment support areas and a visitor center.

PIT also accommodates airfield maintenance buildings, an FAA Airport traffic control tower, air navigation aids and guidance systems, and various other support facilities. It also serves as the home of the Pittsburgh Air Reserve Station.

Sources: Planning Department of Allegheny County Airport Authority & Business Development

Table XI

Allegheny County Airport Authority
(a Component Unit of County of Allegheny, Pennsylvania)
Allegheny County - Demographic and Economic Statistics
For the Last Ten Years Ended December 31

Year	Population	Personal Income (millions)	Per Capita Personal Income	Annual Average Unemployment Rate
2016	n/a	n/a	n/a	4.7% ⁽¹⁾
2015	1,230,459	66,556	54,090	4.8%
2014	1,231,255	66,458	53,976	5.3%
2013	1,231,527	65,527	53,208	6.5%
2012	1,229,338	63,677	51,798	6.9%
2011	1,227,442	61,542	50,138	7.0%
2010	1,223,840	58,165	47,527	7.5%
2009	1,222,171	56,311	46,074	6.7%
2008	1,221,071	58,156	47,627	4.9%
2007	1,222,482	56,061	45,858	4.1%

n/a = information is not available

⁽¹⁾ - Based on estimated information for 2016

Sources: Bureau of Economic Analysis U.S. Department of Commerce (www.bea.gov/regional)

Bureau of Labor Statistics U.S. Department of Labor (data/bls.gov)

Pennsylvania Department of Labor and Industry, Center for Workforce Information & Analysis

Table XII

Allegheny County Airport Authority
(a Component Unit of County of Allegheny, Pennsylvania)
Allegheny County - Principal Employers
For 2016 and 2007

2016 (1)

Employer	Employees	Percentage of Total County Employment
University of Pittsburgh Medical Center	46,480	7.53%
Highmark Health	20,875	3.38%
United States Government	17,465	2.83%
Commonwealth of Pennsylvania	12,787	2.07%
University of Pittsburgh	11,996	1.94%
PNC Financial Services	11,432	1.85%
Giant Eagle, Inc.	10,674	1.73%
BNY Mellon	7,000	1.13%
County of Allegheny	6,868	1.11%
Wal-Mart Stores, Inc.	6,200	1.00%
Total	<u>151,777</u>	<u>24.57%</u>
Total Employees in County	617,200 (3)	

2007 (2)

Employer	Employees	Percentage of Total County Employment
University of Pittsburgh Medical Center	32,000	5.21%
United States Government	18,881	3.07%
Commonwealth of Pennsylvania	13,616	2.22%
Giant Eagle, Inc.	13,386	2.18%
West Penn Allegheny Health System	11,730	1.91%
University of Pittsburgh	10,775	1.75%
Wal-Mart Stores, Inc.	9,660	1.57%
PNC Financial Services Group	7,026	1.14%
Allegheny County	6,756	1.10%
Mellon Financial Corp	6,100	0.99%
Total	<u>129,930</u>	<u>21.14%</u>
Total Employees in County	614,300 (3)	

Sources:

(1) Pittsburgh Business Times, "2016-17 Book of Lists"

(2) City of Pittsburgh Comprehensive Annual Financial Report 2007

(3) Pennsylvania Department of Labor and Industry; Center for Workforce Information & Analysis
 December 2016.