

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the year ended December 31, 2011



Michael E. Lamb, City Controller
CITY OF PITTSBURGH
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

Prepared by: Office of City Controller

MICHAEL E. LAMB, CONTROLLER

CITY OF PITTSBURGH, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

LETTER OF TRANSMITTAL



MICHAEL E. LAMB

CITY CONTROLLER

First Floor City-County Building • 414 Grant Street • Pittsburgh, Pennsylvania 15219

April 30, 2012

The Honorable Mayor, Members of
City Council, and the Citizens of
The City of Pittsburgh, Pennsylvania:

I am pleased to submit The Comprehensive Annual Financial Report (CAFR) of the City of Pittsburgh (City) for the year ended December 31, 2011. The City's charter mandates that only a general purpose financial statement be issued by May 1st. This does not include component units, statements mandated under GASB 34, footnotes and the statistical section. This year we are issuing a full CAFR by May 1st that meets Government Finance Officers Association (GFOA) standards and that allows the City to get an unqualified opinion from the City's independent auditors.

We believe that 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 operations of the various funds of the City. This statement will enable the reader to gain an understanding of the City's financial activities. Responsibility for both the accuracy of data, and the completeness and fairness of the presentation, rests with the management of the City. This report contains all the funds of the City.

Maher Duessel, Certified Public Accountants, has issued an unqualified ('clean') opinion on the City of Pittsburgh's financial statements for the year ended December 31, 2011. The independent auditor's report is located in front of the Management's Discussion and Analysis (MD&A.)

The MD&A immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Pittsburgh, incorporated in 1816, is located in the south-western part of the State of Pennsylvania. It currently occupies 58.3 square miles and serves a population of 311,647. The City is empowered to levy property taxes on real estate and earned income

taxes on residents that live within the boundaries of the city. In addition, the City levies taxes on employees that work within the city and on businesses that operate within the City. Other usage taxes are charged when using certain facilities within the City. See the Revenue section of this letter that explains all taxes.

The City operates on a strong elected mayor, and a council elected by district, form of government. The mayor is the chief executive of the City and the council has the legislative authority. The mayor appoints the heads of the various departments. The mayor is elected for a four-year term and the council members are elected for staggered four-year terms with the even numbered districts being elected in one year and the odd numbered districts being elected two years later.

The City provides a full range of services, including police, fire, and emergency medical services; construction and maintenance of City property and infrastructure; sanitation services; and recreation and cultural activities. The Water and Sewer Authority, Urban Redevelopment Authority, Stadium Authority, and Parking Authority are component units of the City and are shown as such in the financial statements and the footnotes to the CAFR.

Council is required to adopt a final operating and capital budget for the next year by the last day of the fiscal year, which is December 31. The annual budget is the basis of the City's financial planning and control. The operating budget is prepared on a departmental basis. The department heads may spend within a budget classification (e.g., salaries, supplies, rentals, miscellaneous) as they see fit. Any transfers between classifications or departments have to be approved by council. The Mayor's Office also prepares a five-year plan annually. Most of the strategic and development planning is done by the Urban Redevelopment Authority.

FINANCIAL INFORMATION

Internal Control: Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting information is compiled to prepare financial statements in accordance with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by management.

Budget Control: Budget control is maintained at the line item level on a departmental basis. Activities of the General Fund, the Special Revenue Fund (Community Development Fund only), and the Capital Projects Fund are controlled by an annual legally appropriated budget. Capital Projects are also controlled on a multi-year basis.

ECONOMIC CONDITION

Located at the confluence of the Ohio, Monongahela, and Allegheny Rivers, the City serves as the seat for Allegheny County. The City is the largest of the County's 130 municipalities. Downtown Pittsburgh is commonly known as the Golden Triangle and serves as the regional center for Southwestern Pennsylvania, Eastern Ohio, and Northern West Virginia.

Economic Background

The City continues to build and strengthen its economy not only by expanding existing businesses, but also by working to attract new businesses and industries to the region. The primary goal is to assist businesses both small and large in developing and enhancing working relationships among economic development practitioners throughout the state. By supporting the growth of the existing business core and marketing its competitive advantages to attract new businesses, the City has modernized its economy. Nationally, the number of jobs has been increasing and Pittsburgh has followed the national trend by increasing its number of jobs from 2010 to 2011 by 1.7%. As of December 31, 2011, Pittsburgh's unemployment rate was 6.6% compared to 7.2% for the state and 8.3% nationally.

Initiatives such as "*one-stop service providers*" allow firms doing business in the City to be assigned a project coordinator who will serve as a single point of contact throughout the development process. Tax credits granted by both the federal government and the Commonwealth of Pennsylvania provide financial incentives for companies to hire new employees. The City also contains three State Enterprise Zones which enable businesses located within those designated areas to enjoy more favorable interest rates and tax incentives. The City has several sites included among the Commonwealth's Keystone Opportunity Zones, which exempt a majority of state and local taxes for a number of years.

Over the past couple of years, the City has focused on the revitalization of its downtown core, making aesthetic improvements to reestablish it as a regional destination point. With the formation of a Business Improvement District in 1996, the Pittsburgh Downtown Partnership spearheaded improvements in maintenance, safety, and marketing. The City is also working to make downtown the region's chief entertainment destination. In 2011, the City redesigned Market Square, Downtown Pittsburgh's central meeting place, making it more pedestrian friendly. Many new restaurants opened in Market Square and throughout Downtown Pittsburgh.

The City is also strengthening and revitalizing its neighborhoods, encouraging new housing and mixed-use development throughout the City, providing both new and existing residents a higher quality of life. The City has also partnered with developers to attract new stores and restaurants back into the neighborhoods.

In 2011, at the old Nabisco site and newly developed Bakery Square complex in the Larimer neighborhood of the City, Google opened a 40,000 sq. ft. office space with 150 employees. Google is planning further expansion in 2012. Also, in 2011 in the Bakery Square development, a 110-room Marriott Springhill Suites opened hiring 28 employees, and Target opened a 145,000 sq. ft. store in East Liberty. Spurred by this success, more than \$90 million in private investments is now underway or due to begin construction in the coming year in this corridor, including a full-service 140-room Holiday Inn, 84 market rate condominiums, 110,000 sq. ft. of commercial space, and 640 parking spaces.

The most dramatic development in the City however, may be its rebirth as a hub for the technology industry. The University of Pittsburgh and Carnegie Mellon University lead the way in research of biotechnology, bioengineering, robotics, and information technology. Increases in university research and development spending are a significant sign that the City's universities are working to commercialize technology development. This R & D spending will spin off new companies, new jobs, and new wealth. During the past 15 years, Pittsburgh has more than doubled its number of technology driven firms, creating over 1,200 new enterprises. Today, nearly 2,400 high technology firms employ over 90,000 individuals, accounting for roughly nine percent of the total workforce in Greater Pittsburgh. In fact, the Pittsburgh region now ranks in the top ten in the nation in total employment of computer software professionals. Pittsburgh is also the third largest environmental technology hub in the country. In aggregate, technology companies have produced over 30,000 new jobs since 1980, sharply offsetting job losses from other industries in the region.

According to the Pittsburgh Regional Alliance, the Pittsburgh region was among the nation's top performers for business investment in 2010, despite the worst global economic conditions since the Great Depression. According to this data, regional capital investments from 197 economic development deals totaled \$3 billion in 2009. These are expected to create, over time, 7,238 new jobs and retain 8,683 – for a total employment impact of nearly 16,000 jobs.

According to "Foreign Direct Investment" magazine, the Pittsburgh region is now recognized as a top destination for global business investment. Pittsburgh ranked first overall in the country in the large cities category.

In cooperation with the Pittsburgh School District, the City has created the Pittsburgh Promise Program. This program provides scholarships of up to \$10,000 per year for qualified students to any accredited post-secondary institution within Pennsylvania. As of the end of 2011, more than 3,100 graduates of the Pittsburgh Public Schools have taken advantage of the Pittsburgh Promise scholarship. This should help to grow the City's population and make it attractive for families to stay or move into the City.

The overall outlook for Pittsburgh in the 21st century and beyond is promising. The City's investments and initiatives of the past several years are leading to more business development and increased residential construction.

REVENUES

Real Estate Tax - Real estate property in the City is assessed by the Allegheny County Board of Property Assessment, Appeals and Review at a rate of 100% of its fair market value. The rates for 2011 were 10.8 mills on buildings and on land. A mill is \$1 on each \$1,000 of assessed value. The 2011 total assessed valuation for the City is \$13,486,434,282 vs. the 2010 total of \$13,441,003,778, an increase of approximately .3%.

Tax Payments - Real estate taxes are payable in three installments, but a 2% discount was granted if paid by February 10th. If payment is not made on time, interest is charged at the rate of 10% per annum, and is added to the balance of the tax due for the year.

Earned Income Tax - This tax is levied at the rate of 1% on the wages or net profits earned by residents of the City.

Parking Tax - A tax equal to 37.5% of the consideration paid for each parking transaction is levied on the patrons of non-residential parking places in the City; e.g. on a \$13.75 parking fee, \$3.75 is tax, or 37.5% of the \$10 underlying parking charge.

Amusement Tax - This tax is levied at a rate of 5% on the admission price paid by patrons of all manners and forms of for profit amusement within the City. Non-profits are exempt from the amusement tax.

Deed Transfer Tax - A tax of 2% of the consideration paid for real property transfers is levied upon the transfer of an interest in real property situated in the City.

Institution Service Privilege Tax - Certain receipts of non-profit, non-charitable organizations conducting or operating a service or service institution in the City are taxed at a rate of 6 mills.

Local Services Tax - A \$52 tax levied upon each individual whose principal place of employment is located in the City, regardless of residency. If an employee's income is less than \$12,000, they only pay \$10.

Payroll Preparation Tax - This tax is imposed on all for-profit employers at a rate of .55% of the total wages of all employees who work in the City. This tax is paid quarterly based on the payroll of the previous quarter. The installments are due February 28, May 31, August 31, and November 30.

Facility Usage Fee - A 3% tax on wages earned by non-resident athletes and performers that work at certain facilities that have been subsidized with public money.

AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal

year ended December 31, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

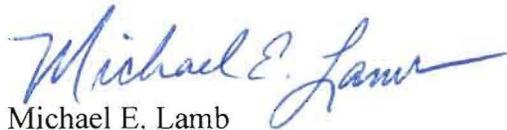
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last nineteen consecutive years (fiscal years ended 1992-2010). We believe that our current CAFR continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The preparation of this report could not be possible without the concerted effort of the entire staff of the Controller's Office. The continued efforts of the accounting department are gratefully appreciated. I would like to thank the employees of the various departments and authorities of the City for their assistance in providing the Controller's staff and the independent auditors with the necessary information to complete this report.

Respectfully submitted,

A handwritten signature in blue ink that reads "Michael E. Lamb". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael E. Lamb
City Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Pittsburgh
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



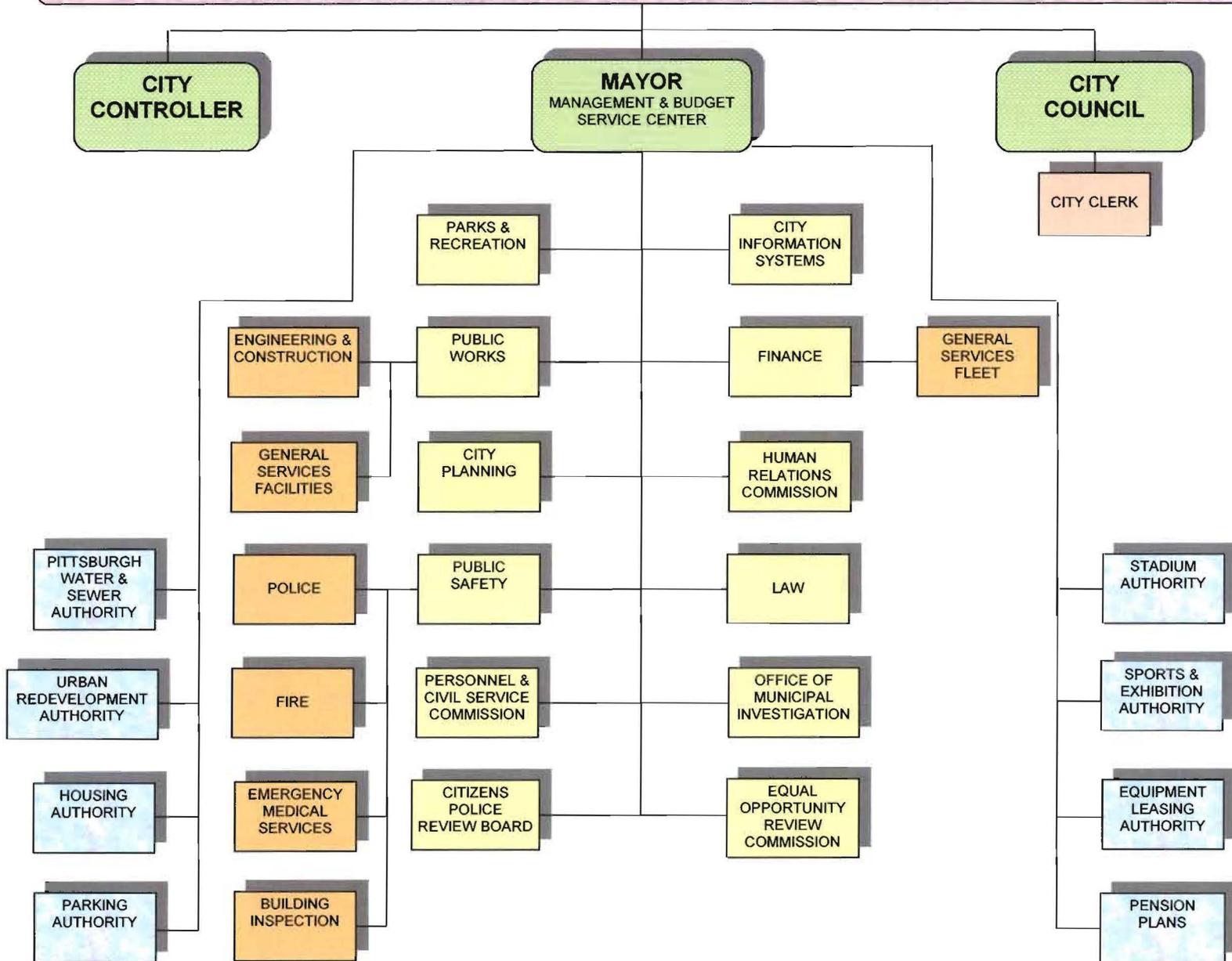
Linda C. Davison

President

Jeffrey R. Evers

Executive Director

CITIZENS OF THE CITY OF PITTSBURGH



CITY OF PITTSBURGH, PENNSYLVANIA

ELECTED CITY OFFICIALS

As of April 27, 2012

MAYOR

Luke Ravenstahl

CONTROLLER

Michael E. Lamb

MEMBERS OF COUNCIL

Darlene M. Harris, President, District 1

Rev. Ricky Burgess, Finance/Budget Committee, District 9

Theresa Kail-Smith, District 2

Bruce Kraus, District 3

Natalia Rudiak, District 4

Corey O'Connor, District 5

R. Daniel Lavelle, District 6

Patrick Dowd, District 7

William Peduto, District 8

CITY OF PITTSBURGH,
PENNSYLVANIA

FINANCIAL SECTION

Independent Auditor's Report

The Honorable Members of Council
City of Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pittsburgh, Pennsylvania (City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Public Parking Authority of Pittsburgh (Parking Authority) and the Stadium Authority of the City of Pittsburgh (Stadium Authority), which collectively represents 16% of the assets and 20% of the revenues of the aggregate discretely presented component units. These financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Parking Authority and the Stadium Authority, are based solely upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2011 and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and Community Development Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully discussed in Note 1(B), the City is considered a distressed community under the provisions of the "Municipalities Financial Recovery Act" (Act 47) of the Commonwealth of Pennsylvania. Under the provisions of Act 47, the City adopted a financial recovery plan (Plan), which among other things, permits the City to increase certain tax rates and fees, levy new taxes, and requires reduction of certain spending levels. The Plan is intended to enable the City to maintain services at the current level. The implementation of the Plan is subject to periodic review by the Pennsylvania Department of Community and Economic Development.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and other postemployment benefits schedules on pages i through xiv and 95 through 98 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual other governmental fund financial statements, Capital Projects Fund budgetary comparison, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual other governmental fund financial statements and the Capital Projects Fund budgetary comparison are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion or provide any assurance on them.

Maher Duessel

Pittsburgh, Pennsylvania
April 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Pittsburgh (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the beginning of this report, and in the basic financial statements and supplementary information.

Financial Highlights

- The liabilities of the City exceeded its assets at the close of the most recent fiscal year by \$482.6 million. As of December 31, 2011, the City, in its statement of net assets, has a net asset unrestricted deficit of \$544.7 million. The accumulated deficit results principally from the City's outstanding general obligation bonds being issued over the years to finance projects that do not result in recording assets; specifically to fund the payments to the Pension Trust Fund (\$231.0 million outstanding as of December 31, 2011), the City's borrowings to finance economic development efforts (including projects to the City's Authorities, principally the URA), and maintenance expenditures on City infrastructure and equipment needs.
- The City's total net assets increased by \$79.0 million in 2011, due mainly to a \$53.3 million decrease in general obligation bond debt.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$118.3 million, an increase of \$21.6 million from the previous year. Approximately 49.4% of this total amount, \$58.4 million, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$58.4 million (compared to unreserved fund balance of \$42.6 million in 2010) or 12.3 % of total General Fund expenditures and debt service transfers for 2011, up from 8.6% in 2010 and down from 12.9% in 2009.

The City's gross bonded debt amounted to \$581.0 million at the end of the fiscal year.

Overview of the Financial Statements

This Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements.

The financial section of this report consists of three parts: Management's Discussion and Analysis, the basic financial statements (including notes to the financial statements and detailed budgetary comparison schedules), and combining and individual fund statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements:

The first two statements (pages 1 - 3) are government-wide financial statements that provide long-term and short-term information about the City's overall financial status.

The remaining statements (pages 4 through 23) are fund financial statements that focus on individual parts of City government, reporting operations in more detail than the government-wide statements.

The governmental funds statements describe how general government services were financed such as public safety and sanitation.

Fiduciary fund statements provide information about the retirement plans for City employees in which the City acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support City activities.

The financial statements include notes that provide an explanation for certain information in the financial statements and also provide more details for this information. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, a section with combining statements provides details about the non-major governmental funds that are presented in single columns in the basic financial statements. The following diagram shows how the required components of this comprehensive annual financial report are arranged and relate to one another.

Figure A-1
REQUIRED COMPONENTS OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

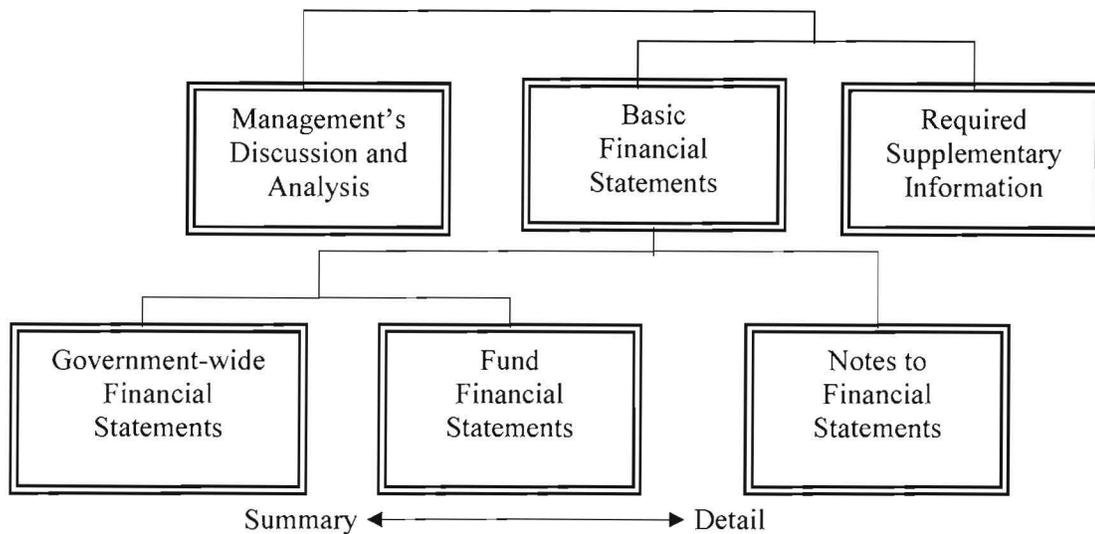


Figure A-2 summarizes the major features of the City’s financial statements. The remainder of this overview section of Management’s Discussion and Analysis explains the structure and contents of each of the statements.

| Figure A-2 | | | |
|---|--|--|--|
| Major Features of City’s Government-Wide and Fund Financial Statements | | | |
| | Fund Statements | | |
| | Government-wide Statements | Governmental Funds | Fiduciary Funds |
| Scope | Entire City government (except fiduciary funds) | The activities of the City that are not proprietary or fiduciary, such as police, fire, and recreation | Instances in which the City is the trustee or agent for someone else’s resources, such as the retirement plans for City employees |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net assets • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balance | <ul style="list-style-type: none"> • Statement of fiduciary net assets • Combined statement of changes in fiduciary net assets |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both short-term and long-term; the City’s funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid |

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the City’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide financial statements are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

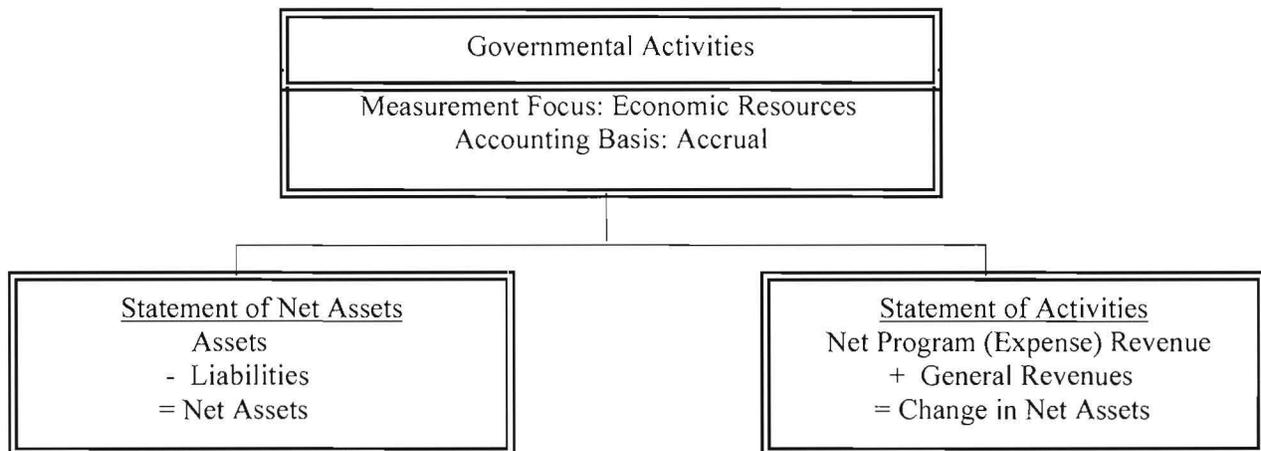
The statement of activities presents information showing how the government’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the

underlying event gives rise to the change that occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements include not only the City itself (known as the primary government), but also component units of the Urban Redevelopment Authority (URA), Pittsburgh Water and Sewer Authority, Public Parking Authority, and the Stadium Authority. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found in the financial section of this report. The two government-wide statements report the City’s net assets and how they have changed. The statement of net assets includes all of the City’s assets and liabilities, except fiduciary funds. Net assets - the difference between the City’s assets and liabilities - is one way to measure the City’s financial health, or position. Over time, increases or decreases in the City’s net assets are an indicator of whether its financial health is improving or deteriorating. The statement of activities focuses on how the City’s net assets changed during the year. Additional non-financial factors such as changes in the City’s real property tax base and general economic conditions must be considered to assess the overall position of the City. The primary features of government-wide financial statements are reflected in Figure A-3.

**Figure A-3
Government-wide Financial Statements**



- *Governmental activities* - Most of the City’s basic services are included here, such as the police, public works, recreation, and general administration. Property and earned income taxes, charges for services, and state grants finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City’s most significant funds, not the City as a whole. Funds are accounting groups that the City uses to keep track of specific sources of funding and spending for particular purposes. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for

specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and fiduciary funds. Some funds are required by State law.

The City has two kinds of funds:

- *Governmental Funds* - Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, the Debt Service Fund, the Community Development Fund, and the Capital Projects Fund, all of which are considered to be major funds. Data from the other six governmental funds (non-major funds) are combined into a single, aggregated presentation (other governmental funds).

The City adopts an annual appropriated budget for its General Fund, Capital Projects Fund, and Community Development Fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 4-18 of this report.

- *Fiduciary Funds -- (Pension Trust Funds and Agency Funds)* - The City administers three pension plans. One is for the general employees and the others are for police officers and firemen. These plans cover essentially all full-time employees. The City is responsible for

ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate combined statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Pittsburgh's own programs. Agency funds are custodial in nature and do not involve measurement of results of operations.

The basic fiduciary fund financial statements can be found on pages 19-20 of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-94 of this report.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 95-98 of this report.

Government-wide Financial Analysis

In the case of the City, liabilities exceeded assets by \$482.6 million at the close of the most recent fiscal year.

By far the largest portion of the City's deficit in net assets is its unrestricted deficit of \$544.7 million. This deficit is partially offset by investment in capital assets less any related debt still outstanding used to acquire those assets of \$43.9 million. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending and the assets have been financed with debt in an amount that exceeds the capital assets carrying value.

Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Condensed Net Assets:

The following table presents a condensed summary of net assets:

City of Pittsburgh's Net Assets

| | Governmental Activities | |
|--|-------------------------|----------|
| | (\$ millions) | |
| | 2011 | 2010 |
| Assets | | |
| Current assets: | | |
| Unrestricted assets | \$ 155 | \$ 143 |
| Noncurrent assets - other | 75 | 56 |
| Capital assets | 157 | 164 |
| Total assets | 387 | 363 |
| Liabilities | | |
| Current liabilities | 125 | 135 |
| Long-term liabilities, outstanding | 745 | 790 |
| Total liabilities | 870 | 925 |
| Net Assets | | |
| Invested in capital assets, net of related debt | 44 | 37 |
| Restricted | 18 | 5 |
| Unrestricted | (545) | (604) |
| Total net assets | \$ (483) | \$ (562) |

At the end of the current fiscal year, the City reports a \$482.6 million net deficit for the governmental activities due in part to its debt burden outstanding. This is consistent with the prior fiscal year.

Summary of Changes in Net Assets:

The following table shows the revenues and expenses of the primary government.

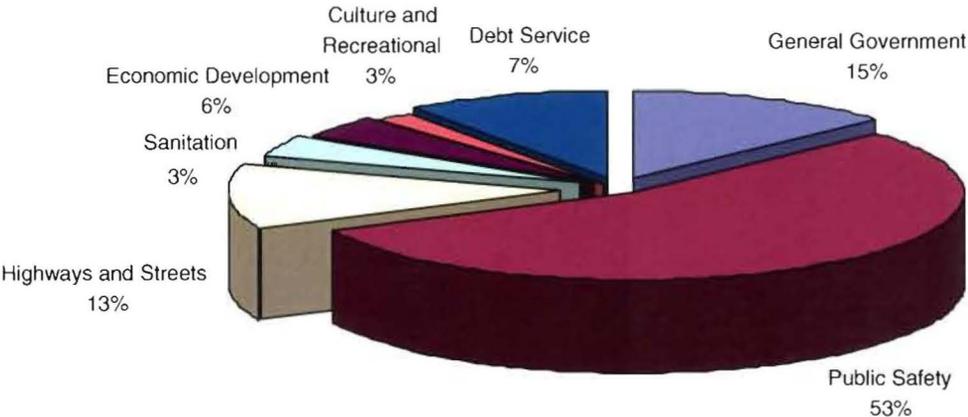
Governmental activities - Governmental activities increased the City's net assets by \$79.0 million.

The remaining amounts are as follows:

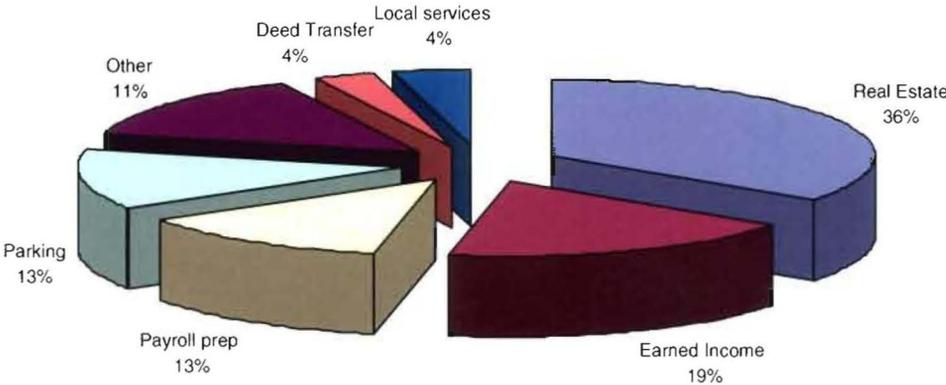
City's of Pittsburgh Activities

| (\$ millions) | Governmental Activities | |
|---|-------------------------|----------|
| | 2011 | 2010 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 44 | \$ 44 |
| Operating grants and contributions | 94 | 66 |
| Capital grants and contributions | 32 | 32 |
| Total program revenues | 170 | 142 |
| General revenues: | | |
| Real estate property taxes | 136 | 132 |
| Earned income taxes | 75 | 70 |
| Business privilege taxes | - | 1 |
| Local services taxes | 13 | 14 |
| Payroll preparation taxes | 51 | 47 |
| Parking taxes | 48 | 47 |
| RAD sales taxes | 21 | 21 |
| Deed transfer taxes | 19 | 14 |
| Amusement taxes | 13 | 11 |
| Payment in lieu of taxes | 4 | - |
| Facilities usage tax | 4 | 3 |
| Donations and endowments | 4 | - |
| Other taxes | 1 | 2 |
| Investment earnings | - | - |
| Other | 2 | 2 |
| Total general revenues | 391 | 364 |
| Total revenues | 561 | 506 |
| Expenses: | | |
| General government | 72 | 72 |
| Public safety | 257 | 265 |
| Highways/streets | 61 | 65 |
| Sanitation | 16 | 17 |
| Economic development | 29 | 41 |
| Culture and recreation | 12 | 13 |
| Interest on long-term debt plus amortz. of issuance cost and premium/discounts | 35 | 37 |
| Total expenses | 482 | 510 |
| Change in Net Assets | 79 | (4) |
| Net Assets: | | |
| Beginning of year | (562) | (558) |
| End of year | \$ (483) | \$ (562) |

Expenses of the governmental statement of activities are shown below by functional area:



General Fund tax revenues (72% of total revenue) are presented below by type of tax:



Governmental Funds

Governmental funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Revenues for the General Fund totaled \$489.3 million in 2011, an increase of \$54.5 million, or by 12.5%, compared to 2010. The net increase of \$20.0 million in tax revenue was mostly due to increases of \$3.9 million in the real estate tax, \$4.5 million in the earned income tax, \$4.6 million in the deed transfer tax, \$4.3 million in the payroll preparation tax, and \$2.3 million in the amusement tax. All other taxes were relatively stable.

In addition to the above General Fund tax revenues, the City collected \$21.0 million in the Community Development Fund, \$11.8 million in Capital Projects, and \$38.3 million in Other Governmental Funds, mostly from pass-through of federal and state monies.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$118.3 million, an increase of \$21.6 million from 2010. Approximately 49.4% of this total fund balance, or \$58.4 million, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance that is restricted for endowments, employee benefits, State and Federal Purpose Grants, and the Enterprise Resources Planning (computer) System is \$18.2 million; the amount committed for specified program services and capital projects is \$19.4 million and the amount assigned for encumbrances and debt service is \$20.9 million.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$58.44 million, while total fund balance for the General Fund was \$69.3 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 15.7% of total General Fund expenditures and operating transfers, while total fund balance represents 14.7% of General Fund expenditures and operating transfers. A fund balance percentage of 15%-20% of expenditures is typically considered a sign of financial health.

The fund balance of the City's General Fund increased by \$20.4 million during the current fiscal year compared to a decrease of \$12.5 million in 2010.

Expenditures and uses, including debt service payments/transfers, for the General Fund in 2011 decreased to \$472.0 million, compared to \$498.0 million in 2010 representing a decrease of 5.0% or \$26.0 million overall. This decrease is due mainly to a \$36.0 million decrease in payments to the pension plans offset by a \$13.3 transfer to capital projects.

Transfers to the Debt Service Fund of \$84.9 million combined with debt subsidies of \$14.6 million totaled \$99.5 million, compared to \$99.0 million in 2010. The debt subsidies are for the URA and Auditorium Authority and are commitments made by the City over the life of their bonds. Debt and debt subsidies accounted for 19.1% of the expenditures, illustrating the

magnitude of the City's annual debt service. The City's normal debt service percentage has been between 22%-25%.

The Debt Service Fund has a total fund balance of \$1.1 million, all of which is assigned for the payment of debt service.

The Community Development Fund had intergovernmental revenues of \$21.0 million and expenditures of \$21.0 million. The Capital Projects Fund had \$11.8 million of revenues, \$19.9 million in maintenance and non-capital related expenses; \$3.5 million in capital related expenditures and \$3.9 million in operating transfers. The Capital Projects Fund fund balance decreased by \$2.0 million in 2011 to \$29.7 million as of December 31, 2011.

General Fund Budgetary Highlights

Actual General Fund revenues were above the budgeted revenues by \$24.5 million mainly due to greater than budgeted parking tax revenue of \$14.1 million, greater Pension State Aid of \$11.5 million and greater Local Share of Slots Revenue of \$6.1 million. This was offset by shortfalls in Federal and State Grants Revenue of \$3.3 million and Provisions of Services revenue of \$3.3 million. In addition, the final cash basis revenues were greater than the final cash basis expenditures by \$16.5 million, in effect having a surplus for the year. Final budget General Fund expenditures were greater than original budget by \$9.6 million or about 2.1% and were less than the actual expenditures by \$3.6 million or 0.8%.

During fiscal year 2011, City Council amended the budget primarily for the following reason:

- To appropriate funds to pay prior year commitments in the form of encumbrances for General Fund purchase orders authorized and issued, but for which goods and services were not received nor paid for by December 31, 2010 totaled \$9.6 million.

Capital Asset and Debt Administration

Capital assets - The City's investment in capital assets for its governmental-type activities, as of December 31, 2011, amounts to \$157.2 million, net of accumulated depreciation. This investment in capital assets includes building and building improvements, land, machinery and equipment, furniture and fixtures, vehicles, infrastructure, capital lease, and construction-in-progress.

Major capital asset events during the current fiscal year were limited due to the lack of working capital to invest in assets. The only major increase in assets was the purchase of \$2.2 million in vehicles.

City of Pittsburgh's Changes in Capital Assets

| (\$ millions) | Governmental Activities | |
|-------------------------------------|-------------------------|--------|
| | 2011 | 2010 |
| Land and land improvements | \$ 46 | \$ 46 |
| Construction in progress | 5 | 3 |
| Buildings and building improvements | 89 | 89 |
| Capital lease | 15 | 15 |
| Infrastructure | 180 | 178 |
| Vehicles | 63 | 63 |
| Furniture and fixtures | 4 | 4 |
| Machinery and equipment | 4 | 4 |
| Total capital assets | 406 | 402 |
| Less accumulated depreciation for: | | |
| Buildings | (80) | (78) |
| Infrastructure | (108) | (103) |
| Vehicles | (47) | (44) |
| Furniture and fixtures | (4) | (4) |
| Capital leases | (6) | (5) |
| Machinery and equipment | (4) | (4) |
| Total accumulated depreciation | (249) | (238) |
| Total capital net assets | \$ 157 | \$ 164 |

More detailed information about capital assets is provided in Note 6 to the financial statements.

Long-term debt - At the end of the current fiscal year, the City had total debt outstanding of \$581.0 million, which comprises debt backed by the full faith and credit of the government.

City of Pittsburgh's Outstanding Debt

| (\$ millions) | Governmental Activities | |
|--------------------------------|-------------------------|--------|
| | 2011 | 2010 |
| General obligation bonds: | | |
| Beginning balance at January 1 | \$ 633 | \$ 680 |
| Debt issued and other | - | - |
| Refinanced bonds | - | - |
| Principal payments and other | (52) | (47) |
| Ending balance at December 31 | \$ 581 | \$ 633 |

More detailed information about long-term debt is provided in Note 9 of the financial statements.

Significant Events

In November 2003, the City sought municipal self-help as a “financially distressed” municipality under the Municipalities Financial Recovery Act (Act 47). The PA Department of Community and Economic Development (DCED), after review of the City’s application and advice of its legal and financial experts, agreed. The Act 47 coordinators issued their initial Recovery Plan on June 11, 2004, which was adopted by Pittsburgh City Council on June 29, 2004.

Subsequent to the City’s designation as financially distressed under Act 47, the State legislature under Act 11 established an Intergovernmental Cooperation Authority (ICA) to provide fiscal oversight for the City for a period of seven years. Act 11 stipulated that the ICA is to operate concurrently and equally with the Act 47 coordinators.

In accordance with specific requirements under Act 11 and with the support and approval of both the Act 47 coordinators and ICA oversight committee, the City submitted on November 5, 2004 its 2005 Operating and Capital Budgets and Five-Year Financial Forecast and Performance Plan. The Plan called for both expenditure cut backs and proposed a new tax levy structure.

Expenditure reductions and controls included: salary freezes city-wide for at least two years, Public Safety cost reduction achieved primarily through the renegotiation of the Firefighter contract, reductions to all elected officials’ budgets and regular reporting requirements verifying adherence to the Plan’s budget.

On November 21, 2004, the State Legislature approved legislation providing Pittsburgh with new taxing authority that was intended to balance its 2005 and subsequent operating budget allowing for a surplus each year to build a fund balance of \$21.9 million by 2009. As of December 31, 2009, the City had exceeded these expectations by having a fund balance of \$61.4 million. Taxes included: a 0.55% tax on the gross payroll of all for-profit businesses, \$52 on individuals

working in the City, 3.0% tax on wages earned by non-resident sports players and performers using the stadium and arena, a shift in earned income away from the school district and to the City beginning in 2007, elimination of the \$4.0 million payment of regional asset district sales tax to the school district and a gradual reduction in the City's parking tax beginning in 2007. The tax package provided for the gradual reduction of the business privilege tax and total elimination of the mercantile tax.

By December 31, 2011, the 2012 Operating and Capital Budgets and Five-Year Financial Forecast and Performance Plan were submitted to the Act 47 coordinators and ICA oversight committee and were subsequently approved. There were no significant changes from the initial five-year plan.

During the first quarter of 2005, the City signed a 5-year contract with the Firefighter's Union that provided the City with a budget savings of \$9.1 million in 2005, \$13.2 million in 2006, and \$15.4 million in 2007. A combination of staff reduction, station closings, and benefit renegotiation produced those savings. In 2010, a new contract with the Firefighters was signed and the Firefighters agreed to increase their pension contribution from 6.5% to 7%.

Pension Funding

Commonwealth of Pennsylvania Act 47 of 2009 required the City's aggregate pension funding level to be at least 50 percent by December 31, 2010 to avoid having the City's pension funds seized and administered by the Pennsylvania Municipal Retirement System. This City met this requirement by transferring \$45 million to the Pension Comprehensive Trust Fund ("Fund") in 2010 and agreeing to dedicate parking tax revenues for the next 31 years. The City contributed \$13.4 million of the parking tax revenue to the Fund in 2011 and intends to contribute the same amount each year through 2017 and \$26.8 million per year from 2018 through 2041.

Cash Position

During 2011, the City continued efforts begun in the latter half of 2003 to control costs, improve collections, and maintain solvency. These efforts, combined with remaining available fund balance, produced benefits into 2011 by allowing the City to meet its beginning of the year obligations without executing a bank note at the beginning of 2011. The City expects cash flows to be sufficient enough in 2012 to maintain a positive cash position.

Due to the revenue increase combined with increased costs in the budget, at the end of 2011, the City projected a 2012 General Fund ending cash balance of \$56.8 million, an increase of \$1.2 million, or 2.1%, in liquidity over 2011. There is every indication at this time that this projection is realistic and that there should be no need to seek outside funding for continuing operations through 2015.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller's Office, First Floor, City County Building, 414 Grant Street Pittsburgh, PA 15219.

BASIC FINANCIAL STATEMENTS

CITY OF PITTSBURGH,
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF NET ASSETS

DECEMBER 31, 2011

| Assets | Primary Governmental Activities | Component Units |
|--|---------------------------------------|----------------------|
| Current assets: | | |
| Cash, cash equivalents, and investments | \$ 103,074,263 | \$ 251,718,397 |
| Restricted cash | 341,188 | 14,249,782 |
| Investments - restricted | - | 4,624,876 |
| Real estate taxes (net of allowance for uncollectible accounts of \$18,887,029) | 12,500,822 | - |
| Accounts receivable, net | - | 20,093,300 |
| Accrued interest receivable | 20,291 | 479,372 |
| Due from other governments | 9,890,822 | 8,518,780 |
| Taxpayer - assessed taxes receivable | 18,334,297 | - |
| Inventory | - | 1,718,000 |
| Notes receivable | - | 10,228 |
| Other receivables | 11,274,873 | 22,273,181 |
| Prepaid expenses | - | 219,054 |
| Total current assets | 155,436,556 | 323,904,970 |
| Noncurrent assets: | | |
| Restricted assets: | | |
| Cash and cash equivalents | - | 3,479,000 |
| Investments | - | 66,333,277 |
| Non-routine maintenance | - | 175,264 |
| Insurance escrow | - | 44,126 |
| Replacement escrow | - | 125,375 |
| Accounts receivable - parking | - | 233,500 |
| Total restricted assets | - | 70,390,542 |
| Capital assets: | | |
| Capital assets not being depreciated: | | |
| Land and land improvement | 45,602,091 | 39,257,939 |
| Construction-in-progress | 4,734,490 | 62,801,560 |
| Capital assets being depreciated: | | |
| Buildings and building improvements | 88,778,564 | 83,241,957 |
| Parking facilities | - | 160,398,676 |
| Machinery and equipment | 4,304,531 | 6,275,577 |
| Utility plant | - | 683,521,000 |
| Non-utility plant | - | 18,043,000 |
| Furniture and fixtures | 4,192,053 | - |
| Vehicles | 62,972,494 | - |
| Infrastructure | 179,919,789 | 2,241,369 |
| Capital lease | 15,434,653 | - |
| Less accumulated depreciation | (248,706,489) | (321,801,463) |
| Total net capital assets | 157,232,176 | 733,979,615 |
| Net pension asset | 74,621,040 | - |
| Leasehold improvements | - | 6,446,245 |
| Other assets | - | 1,376,985 |
| Other assets - restricted | - | 100,118,000 |
| Bond issuance costs, net of amortization | - | 25,968,134 |
| Loans/notes receivable | - | 83,209,794 |
| Property held for redevelopment | - | 25,246,989 |
| Development fund | - | 2,706,748 |
| Total noncurrent assets | 231,853,216 | 1,049,443,052 |
| Total Assets | 387,289,772 | 1,373,348,022 |

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF NET ASSETS

DECEMBER 31, 2011

(Continued)

| | Primary Governmental Activities | Component Units |
|--|---------------------------------------|--------------------|
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable - wastewater treatment | - | 16,305,000 |
| Accrued expenses and deferred income | - | 733,168 |
| Accounts and retainage payable | 10,828,977 | 3,756,789 |
| Accrued payroll and related obligations | 10,295,559 | 50,169,361 |
| Accrued interest payable | 10,918,136 | 12,602,155 |
| Accrued worker's compensation | 15,357,573 | - |
| Accrued compensated absences | 18,102,039 | - |
| Accrued claims and judgments | 2,773,333 | - |
| Unearned revenue | - | 12,019,138 |
| Due to other governments | 1,798,980 | - |
| Capital lease liability, current portion | 658,554 | - |
| Note due to City of Pittsburgh, current portion | - | - |
| Bonds and loans payable, current portion | 54,675,000 | 33,791,987 |
| Total current liabilities | 125,408,151 | 129,377,598 |
| Noncurrent liabilities: | | |
| Unearned revenue | - | 292,000 |
| Other liabilities | - | 6,277,643 |
| Accrued payroll - related obligations | - | 972,000 |
| Swap liability | - | 117,907,000 |
| Bonds and loans payable, net of unamortized premiums/ discounts and bond issuance costs | 526,332,897 | 858,732,599 |
| Accrued workers' compensation | 130,696,378 | - |
| Unfunded post-retirement employee benefits | 62,295,727 | - |
| Accrued compensated absences | 11,198,195 | - |
| Accrued claims and judgments | 3,170,000 | - |
| Capital lease liability | 10,795,626 | - |
| Advance from the City of Pittsburgh | - | 22,775,168 |
| Total noncurrent liabilities | 744,488,823 | 1,006,956,410 |
| Total Liabilities | 869,896,974 | 1,136,334,008 |
| Net Assets | | |
| Invested in capital assets, net of related debt | 43,879,623 | 8,492,991 |
| Restricted for: | | |
| Capital projects | - | 11,765,678 |
| Debt service | - | 11,317,694 |
| Employee benefits | 1,535,186 | - |
| Endowments | 4,734,488 | - |
| State and Federal Purpose Grants | 6,680,477 | - |
| Enterprise Resource Planning System | 5,257,195 | - |
| Public Parking Authority | - | 13,022,756 |
| Urban development | - | 42,725,840 |
| Lending programs | - | 86,618,802 |
| Multi-family Housing Program | - | 3,672,632 |
| Unrestricted net assets | (544,694,171) | 59,397,621 |
| Total Net Assets | \$ (482,607,202) | \$ 237,014,014 |

(Concluded)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2011

| Functions/Programs | | | | | Net (Expense) Revenue and Changes in Net Assets | |
|--|-----------------------|-------------------------|---------------------------------------|-------------------------------------|--|-----------------------|
| | Expenses | Program Revenues | | | Governmental | Component Units |
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Activities | |
| Primary government: | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 72,151,719 | \$ 22,147,599 | \$ 53,685,076 | \$ 9,617,976 | \$ 13,298,932 | \$ - |
| Public safety | 256,878,936 | 16,993,800 | 23,128,958 | 313,716 | (216,442,462) | - |
| Highway and streets | 60,616,098 | 2,780,705 | 14,523,684 | 15,077,006 | (28,234,703) | - |
| Sanitation | 15,570,885 | 84,718 | 572,688 | - | (14,913,479) | - |
| Economic development (includes debt subsidies to URA of \$14,363,097) | 29,713,751 | - | 196,000 | 5,821,455 | (23,696,296) | - |
| Culture and recreation (includes debt subsidies to Public Auditorium Authority of \$255,221) | 12,300,170 | 1,679,201 | 2,308,032 | 1,035,754 | (7,277,183) | - |
| Interest on long-term debt plus bond issuance cost and amortization of premiums and discounts | 34,804,447 | - | - | - | (34,804,447) | - |
| Total primary government | <u>\$ 482,036,006</u> | <u>\$ 43,686,023</u> | <u>\$ 94,414,438</u> | <u>\$ 31,865,907</u> | <u>(312,069,638)</u> | <u>-</u> |
| Total component units | <u>\$ 270,456,442</u> | <u>\$ 212,084,440</u> | <u>\$ 64,410,240</u> | <u>\$ 2,277,000</u> | | <u>8,315,238</u> |
| General revenues: | | | | | | |
| Real estate taxes | | | | | 135,744,044 | - |
| Earned income taxes | | | | | 74,537,388 | - |
| Business privilege taxes | | | | | 231,821 | - |
| Local services tax | | | | | 13,138,226 | - |
| Payroll preparation tax | | | | | 51,057,843 | - |
| Parking tax | | | | | 48,242,776 | - |
| Sales taxes from the Regional Asset District | | | | | 20,857,014 | - |
| Deed transfer tax | | | | | 18,729,805 | - |
| Amusement tax | | | | | 13,132,370 | - |
| Nonprofit payment in lieu of taxes | | | | | 3,555,369 | - |
| Facilities usage tax | | | | | 3,909,197 | - |
| Public service privilege | | | | | 1,330,317 | - |
| Mercantile tax | | | | | 1,330 | - |
| Other taxes | | | | | 618,209 | - |
| Unrestricted investment earnings | | | | | 72,903 | (10,351,780) |
| Donations and endowments | | | | | 4,209,467 | - |
| Gain (loss) of sale of assets | | | | | - | 509,200 |
| Miscellaneous | | | | | 1,661,003 | (313,194) |
| Total general revenues | | | | | <u>391,029,082</u> | <u>(10,155,774)</u> |
| Change in Net Assets | | | | | 78,959,444 | (1,840,536) |
| Net assets - beginning | | | | | <u>(561,566,646)</u> | <u>238,854,550</u> |
| Net assets - ending | | | | | <u>\$ (482,607,202)</u> | <u>\$ 237,014,014</u> |

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

CITY OF PITTSBURGH,
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2011

| <u>Assets</u> | General | Debt Service | Special Revenue CDBG | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|---|------------------------------|----------------------------|----------------------------|-----------------------------|--------------------------------|--------------------------------|
| Cash and cash equivalents | \$ 55,627,990 | \$ 1,050,598 | \$ 1,718,284 | \$ 25,212,549 | \$ 19,464,842 | \$ 103,074,263 |
| Cash and cash equivalents - restricted | 341,188 | - | - | - | - | 341,188 |
| Receivables: | | | | | | |
| Real estate taxes (net of allowances for uncollectible accounts of \$18,887,029) | 12,500,822 | - | - | - | - | 12,500,822 |
| Taxpayer - assessed taxes receivable | 18,334,297 | - | - | - | - | 18,334,297 |
| Other receivables | 9,272,763 | - | - | - | 2,002,110 | 11,274,873 |
| Due from component units | - | - | - | - | - | - |
| Accrued interest | 20,230 | 19 | - | - | 42 | 20,291 |
| Advance to other fund | - | - | - | 1,300,000 | - | 1,300,000 |
| Due from other governments | 2,957,074 | - | 2,790,418 | 3,771,215 | 372,115 | 9,890,822 |
| Due from other funds | 1,183,341 | - | 2,579 | 64,873 | 155,803 | 1,406,596 |
| Total Assets | <u>\$ 100,237,705</u> | <u>\$ 1,050,617</u> | <u>\$ 4,511,281</u> | <u>\$ 30,348,637</u> | <u>\$ 21,994,912</u> | <u>\$ 158,143,152</u> |

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2011

(Continued)

| | General | Debt Service | Special Revenue CDBG | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|---|-----------------------|---------------------|----------------------------|----------------------|--------------------------------|--------------------------------|
| Liabilities and Fund Balance | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 5,286,702 | \$ - | \$ 2,297,596 | \$ 676,428 | \$ 2,000,924 | \$ 10,261,650 |
| Accrued liabilities | 10,558,444 | - | 23,679 | - | 280,763 | 10,862,886 |
| Advance from other fund | - | - | 1,300,000 | - | - | 1,300,000 |
| Due to other funds | 5,803 | - | 805,389 | - | 595,404 | 1,406,596 |
| Due to other governments | 854,245 | - | - | - | 944,735 | 1,798,980 |
| Accrued claims and judgments | 2,773,333 | - | - | - | - | 2,773,333 |
| Deferred revenue, principally real estate taxes | 11,477,340 | - | - | - | - | 11,477,340 |
| Total Liabilities | 30,955,867 | - | 4,426,664 | 676,428 | 3,821,826 | 39,880,785 |
| Fund Balance: | | | | | | |
| Non-spendable - Advance | - | - | - | 1,300,000 | - | 1,300,000 |
| Restricted: | | | | | | |
| Endowments | 4,734,488 | - | - | - | - | 4,734,488 |
| Employee Benefits | 1,535,186 | - | - | - | - | 1,535,186 |
| State and Federal Purpose Grants | - | - | 84,617 | - | 6,595,860 | 6,680,477 |
| Enterprise Resource Planning System | - | - | - | 5,257,195 | - | 5,257,195 |
| Committed: | | | | | | |
| Specified Program Services | - | - | - | - | 11,144,721 | 11,144,721 |
| Capital Projects | - | - | - | 8,248,908 | - | 8,248,908 |
| Assigned: | | | | | | |
| Encumbrances | 4,563,061 | - | - | 14,866,106 | 432,505 | 19,861,672 |
| Debt Service | - | 1,050,617 | - | - | - | 1,050,617 |
| Unassigned | 58,449,103 | - | - | - | - | 58,449,103 |
| Total Fund Balance | 69,281,838 | 1,050,617 | 84,617 | 29,672,209 | 18,173,086 | 118,262,367 |
| Total Liabilities and Fund Balance | \$ 100,237,705 | \$ 1,050,617 | \$ 4,511,281 | \$ 30,348,637 | \$ 21,994,912 | \$ 158,143,152 |

(Concluded)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

DECEMBER 31, 2011

Total Fund Balance - Governmental Funds \$ 118,262,367

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets including construction-in-progress used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$405,938,665 and the accumulated depreciation is \$248,706,489. 157,232,176

Property taxes receivable and other revenues will be collected in the future, but are not available to pay for the current period's expenditures and, therefore, are deferred in the funds. Receivable amounts are shown net of allowances, but are not deferred in the government-wide financial statements. 11,477,340

Net pension assets are reported in the government-wide financial statements, but payments for pension are current expenditures in the governmental fund financial statements. 74,621,040

Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

| | | |
|--|------------------|---------------|
| Bonds payable, net of unamortized premiums/ discounts and bond issuance costs | \$ (581,007,897) | |
| Capital lease liability | (11,454,180) | |
| Accrued workers' compensation | (146,053,951) | |
| Accrued compensated absences | (29,300,234) | |
| Unfunded post-retirement employee benefits | (62,295,727) | |
| Accrued interest payable | (10,918,136) | |
| Accrued claims and judgments | (3,170,000) | (844,200,125) |

Total Net Assets - Governmental Activities \$ (482,607,202)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2011

| | General | Debt Service | Special Revenue CDBG | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|---------------------|----------------------------|----------------------|--------------------------------|--------------------------------|
| Revenues: | | | | | | |
| Taxes, including penalties and interest | \$ 379,950,307 | \$ - | \$ - | \$ 818,504 | \$ - | \$ 380,768,811 |
| Payment in lieu of taxes | 3,555,369 | - | - | - | - | 3,555,369 |
| Interest and dividends | 62,814 | 1,554 | - | 7,730 | 806 | 72,904 |
| Fines and forfeits | 7,825,891 | - | - | - | 548,087 | 8,373,978 |
| Intergovernmental revenues | 61,846,350 | - | 20,990,427 | 10,875,482 | 32,568,088 | 126,280,347 |
| Charges for user services | 30,919,306 | - | - | 15,933 | 4,376,807 | 35,312,046 |
| Donations and endowments | 3,797,567 | - | - | - | 412,000 | 4,209,567 |
| Miscellaneous | 1,358,943 | - | - | 100,000 | 410,133 | 1,869,076 |
| Total revenues | <u>489,316,547</u> | <u>1,554</u> | <u>20,990,427</u> | <u>11,817,649</u> | <u>38,315,921</u> | <u>560,442,098</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 49,101,827 | - | 10,837,319 | 3,451,821 | 5,352,297 | 68,743,264 |
| Public safety | 249,485,000 | - | 182,073 | 3,538,365 | 3,210,625 | 256,416,063 |
| Public works | 28,074,806 | - | 4,949,442 | 11,695,401 | 11,029,650 | 55,749,299 |
| Sanitation | 15,481,562 | - | - | - | - | 15,481,562 |
| Community, recreational, and cultural | 7,742,354 | - | 1,008,922 | 156,068 | 3,169,110 | 12,076,454 |
| Economic and physical development | - | - | 4,007,621 | 1,030,806 | 9,331,455 | 14,369,882 |
| Claims and judgments | 1,244,902 | - | - | - | - | 1,244,902 |
| Miscellaneous | 6,576,367 | - | - | - | - | 6,576,367 |
| Debt service: | | | | | | |
| Principal retirement of bonds | - | 51,845,000 | - | - | - | 51,845,000 |
| Interest on bonds | 683,364 | 35,573,693 | - | - | - | 36,257,057 |
| Public Auditorium Authority subsidy | 255,221 | - | - | - | - | 255,221 |
| Urban Redevelopment Authority subsidy | 14,363,097 | - | - | - | - | 14,363,097 |
| Capital outlay: | | | | | | |
| Highways, streets, and other construction projects | - | - | - | 3,472,110 | 1,990,034 | 5,462,144 |
| Total expenditures | <u>373,008,500</u> | <u>87,418,693</u> | <u>20,985,377</u> | <u>23,344,571</u> | <u>34,083,171</u> | <u>538,840,312</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>116,308,047</u> | <u>(87,417,139)</u> | <u>5,050</u> | <u>(11,526,922)</u> | <u>4,232,750</u> | <u>21,601,786</u> |
| Other Financing Sources (Uses): | | | | | | |
| Transfers from other funds | 3,030,607 | 84,900,351 | - | 13,337,471 | 5,444,826 | 106,713,255 |
| Transfer to other funds | (98,987,822) | - | (5,050) | (3,851,955) | (3,868,428) | (106,713,255) |
| Total other financing sources (uses) | <u>(95,957,215)</u> | <u>84,900,351</u> | <u>(5,050)</u> | <u>9,485,516</u> | <u>1,576,398</u> | <u>-</u> |
| Net Change in Fund Balance | <u>20,350,832</u> | <u>(2,516,788)</u> | <u>-</u> | <u>(2,041,406)</u> | <u>5,809,148</u> | <u>21,601,786</u> |
| Fund Balance: | | | | | | |
| Beginning of year | 48,931,006 | 3,567,405 | 84,617 | 31,713,615 | 12,363,938 | 96,660,581 |
| End of year | <u>\$ 69,281,838</u> | <u>\$ 1,050,617</u> | <u>\$ 84,617</u> | <u>\$ 29,672,209</u> | <u>\$ 18,173,086</u> | <u>\$ 118,262,367</u> |

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCE OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2011

Net Change in Fund Balance - Governmental Funds \$ 21,601,786

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays less net deletions in the current period:

| | | |
|----------------------------|---------------------|-------------|
| Capital outlays | \$ 5,639,153 | |
| Less: net deletions | (208,073) | |
| Less: depreciation expense | <u>(12,607,359)</u> | (7,176,279) |

Some taxes and other revenues will not be collected for several months after the City's year-end, they are not considered as "available" revenues in the governmental funds. Deferred revenues decreased by this amount during the year.

761,430

Net pension assets are reported in the government-wide financial statements, but payments for pension are current expenditures in the governmental fund financial statements. The net pension assets increased by this amount during the year.

18,184,672

The issuance of long-term obligations (e.g., notes and bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, interest, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.

53,918,003

In the statement of activities, certain expenses - workers' compensation, compensated absences, other post-employment benefits, and claims and judgments are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount incurred versus the amount used.

(8,330,168)

Change in Net Assets of Governmental Activities

\$ 78,959,444

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED DECEMBER 31, 2011

(Amounts expressed in thousands)

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|------------------|----------------|----------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes, net of refunds and banking fees: | | | | |
| Real estate | \$ 128,790 | \$ 128,790 | \$ 129,486 | \$ 696 |
| Non-profit payment for services | 2,800 | 2,800 | 3,503 | 703 |
| Mercantile | - | - | 2 | 2 |
| Payroll preparation | 46,970 | 46,970 | 50,371 | 3,401 |
| Amusement | 11,996 | 11,996 | 13,549 | 1,553 |
| Earned income | 70,398 | 70,398 | 72,176 | 1,778 |
| Deed transfer | 14,006 | 14,006 | 18,298 | 4,292 |
| Parking | 33,283 | 33,283 | 47,365 | 14,082 |
| Local Services Tax | 13,376 | 13,376 | 13,773 | 397 |
| Business privilege | 87 | 87 | 245 | 158 |
| Institution and service privilege | 442 | 442 | 455 | 13 |
| Facility usage fee | 3,134 | 3,134 | 3,843 | 709 |
| Public service | 1,333 | 1,333 | 1,330 | (3) |
| Penalties and interest | 1,990 | 1,990 | 1,457 | (533) |
| Act 77 - tax relief | 11,967 | 11,967 | 12,389 | 422 |
| Total taxes, net of refunds and banking fees | <u>340,572</u> | <u>340,572</u> | <u>368,242</u> | <u>27,670</u> |
| Interest earnings | 179 | 179 | 59 | (120) |
| Fines and forfeits | 8,825 | 8,825 | 9,517 | 692 |
| Licenses and fees: | | | | |
| Liquor and malt beverage | 423 | 423 | 410 | (13) |
| General government | 1,000 | 1,000 | 690 | (310) |
| Rentals and charges | 5,867 | 5,867 | 4,352 | (1,515) |
| Total licenses and fees | <u>7,290</u> | <u>7,290</u> | <u>5,452</u> | <u>(1,838)</u> |
| Federal and state grants | 10,073 | 10,073 | 6,776 | (3,297) |
| Reimbursement, CDBG | 803 | 803 | 588 | (215) |
| Public Parking Authority | 2,600 | 2,600 | 1,197 | (1,403) |
| PWSA reimbursement | 7,300 | 7,300 | 7,300 | - |
| Sports and Exhibition Authority | - | - | 3 | 3 |
| Urban Redevelopment Authority | 1,500 | 1,500 | - | (1,500) |
| State utility tax | 470 | 470 | 459 | (11) |
| Miscellaneous | 253 | 253 | 2,267 | 2,014 |
| Sale of public property | - | - | 5 | 5 |
| Breakeven centers | 21,087 | 21,087 | 20,207 | (880) |
| Joint operations | 183 | 183 | 179 | (4) |
| Provisions of services | 8,772 | 8,772 | 5,518 | (3,254) |
| State aid - pension | 15,429 | 15,429 | 26,908 | 11,479 |
| Economic development slots revenue | 5,100 | 5,100 | 5,100 | - |
| 2% Local share of slots revenue | 10,000 | 10,000 | 16,084 | 6,084 |
| Operating transfer | 300 | 300 | 1,906 | 1,606 |
| Intergovernmental service fee | 2,298 | 2,298 | 1,865 | (433) |
| Fund Balance - Prior Year | 12,076 | 12,076 | - | (12,076) |
| Total revenues | <u>455,110</u> | <u>455,110</u> | <u>479,632</u> | <u>24,522</u> |

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED DECEMBER 31, 2011

(Amounts expressed in thousands)

(Continued)

| | Original Adopted Budget | Transfers and Prior Year Carryover | Final Budget | Expenditures | Encumbrances | Total Actual | Variance |
|--|-------------------------------|--|-----------------|--------------|--------------|-----------------|----------|
| Expenditures: | | | | | | | |
| General Government: | | | | | | | |
| City Council and City Clerk's Office: | | | | | | | |
| City Council: | | | | | | | |
| Salaries | 1,311 | 23 | 1,334 | 1,291 | - | 1,291 | 43 |
| Education and training | - | 2 | 2 | 2 | - | 2 | - |
| Supplies | - | - | - | - | - | - | - |
| Miscellaneous services | - | 12 | 12 | - | - | - | 12 |
| Total city council | 1,311 | 37 | 1,348 | 1,293 | - | 1,293 | 55 |
| City Clerk's Office: | | | | | | | |
| Salaries | 480 | 27 | 507 | 498 | - | 498 | 9 |
| Education and training | 8 | - | 8 | - | - | - | 8 |
| Miscellaneous services | 161 | 67 | 228 | 101 | 2 | 103 | 125 |
| Supplies | 8 | 1 | 9 | 8 | - | 8 | 1 |
| Rentals | - | 8 | 8 | 8 | - | 8 | - |
| Equipment | 5 | 1 | 6 | 4 | - | 4 | 2 |
| Transfers | - | 3 | 3 | 3 | - | 3 | - |
| Total city clerk's office | 662 | 107 | 769 | 622 | 2 | 624 | 145 |
| Total city council and city clerk's office | 1,973 | 144 | 2,117 | 1,915 | 2 | 1,917 | 200 |
| Mayor's Office: | | | | | | | |
| Salaries | 857 | - | 857 | 847 | - | 847 | 10 |
| Premium pay | 2 | - | 2 | - | - | - | 2 |
| Miscellaneous services | 101 | 9 | 110 | 90 | - | 90 | 20 |
| Education and training | 41 | - | 41 | 32 | - | 32 | 9 |
| Supplies | 31 | 1 | 32 | 19 | - | 19 | 13 |
| Equipment | 3 | - | 3 | 2 | - | 2 | 1 |
| Rentals | 6 | - | 6 | 2 | - | 2 | 4 |
| Total mayor's office | 1,041 | 10 | 1,051 | 992 | - | 992 | 59 |
| City Information Systems: | | | | | | | |
| Salaries | 2,501 | 38 | 2,539 | 2,539 | - | 2,539 | - |
| Premium pay | 34 | (27) | 7 | 7 | - | 7 | - |
| Miscellaneous services | 1,783 | 37 | 1,820 | 1,804 | - | 1,804 | 16 |
| Education and travel expense | 25 | (2) | 23 | 22 | - | 22 | 1 |
| Supplies | 168 | - | 168 | 168 | - | 168 | - |
| Equipment | 39 | 11 | 50 | 39 | - | 39 | 11 |
| Utilities | 870 | - | 870 | 870 | - | 870 | - |
| Total city information systems | 5,420 | 57 | 5,477 | 5,449 | - | 5,449 | 28 |
| Total Mayor's Office | 6,461 | 67 | 6,528 | 6,441 | - | 6,441 | 87 |
| Commission on Human Relations: | | | | | | | |
| Salaries | 219 | - | 219 | 168 | - | 168 | 51 |
| Miscellaneous services | 10 | 20 | 30 | 4 | - | 4 | 26 |
| Education and training | 1 | - | 1 | - | - | - | 1 |
| Supplies | 1 | - | 1 | 1 | - | 1 | - |
| Equipment | 1 | - | 1 | 1 | - | 1 | - |
| Total commission on human relations | 232 | 20 | 252 | 174 | - | 174 | 78 |

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED DECEMBER 31, 2011

(Amounts expressed in thousands)

(Continued)

| | Original Adopted Budget | Transfers and Prior Year Carryover | Final Budget | Expenditures | Encumbrances | Total Actual | Variance |
|--|-------------------------------|--|-----------------|--------------|--------------|-----------------|------------|
| Office of City Controller: | | | | | | | |
| Salaries | 2,202 | - | 2,202 | 2,136 | - | 2,136 | 66 |
| Premium pay | 8 | - | 8 | - | - | - | 8 |
| Miscellaneous services | 100 | 50 | 150 | 86 | 15 | 101 | 49 |
| Education and training | 17 | - | 17 | 14 | - | 14 | 3 |
| Supplies | 9 | 1 | 10 | 7 | - | 7 | 3 |
| Equipment | 15 | 1 | 16 | 13 | 1 | 14 | 2 |
| Rentals | 7 | - | 7 | 3 | - | 3 | 4 |
| Total office of city controller | <u>2,358</u> | <u>52</u> | <u>2,410</u> | <u>2,259</u> | <u>16</u> | <u>2,275</u> | <u>135</u> |
| Department of Law: | | | | | | | |
| Salaries | 1,568 | 46 | 1,614 | 1,610 | - | 1,610 | 4 |
| Premium pay | - | - | - | - | - | - | - |
| Miscellaneous services | 373 | 119 | 492 | 409 | 31 | 440 | 52 |
| Education and training | 17 | - | 17 | 15 | - | 15 | 2 |
| Supplies | 30 | 5 | 35 | 30 | - | 30 | 5 |
| Equipment | 17 | 2 | 19 | 17 | - | 17 | 2 |
| Rentals | 8 | - | 8 | 7 | - | 7 | 1 |
| Total department of law | <u>2,013</u> | <u>172</u> | <u>2,185</u> | <u>2,088</u> | <u>31</u> | <u>2,119</u> | <u>66</u> |
| Department of Law - EORC: | | | | | | | |
| Salaries | 228 | 17 | 245 | 245 | - | 245 | - |
| Premium pay | 1 | - | 1 | - | - | - | 1 |
| Miscellaneous services | 13 | 29 | 42 | 38 | - | 38 | 4 |
| Education and training | 7 | 2 | 9 | 9 | - | 9 | - |
| Repairs | - | - | - | - | - | - | - |
| Supplies | 3 | - | 3 | - | - | - | 3 |
| Equipment | 7 | - | 7 | 3 | - | 3 | 4 |
| Total department of law - EORC | <u>259</u> | <u>48</u> | <u>307</u> | <u>295</u> | <u>-</u> | <u>295</u> | <u>12</u> |
| Department of Law - OMI: | | | | | | | |
| Salaries | 457 | - | 457 | 413 | - | 413 | 44 |
| Premium pay | 1 | - | 1 | - | - | - | 1 |
| Miscellaneous services | 96 | 81 | 177 | 30 | - | 30 | 147 |
| Education and training | 10 | - | 10 | 3 | - | 3 | 7 |
| Supplies | 6 | - | 6 | 3 | - | 3 | 3 |
| Equipment | 7 | - | 7 | 6 | - | 6 | 1 |
| Rentals | 1 | - | 1 | 1 | - | 1 | - |
| Total department of law - OMI | <u>578</u> | <u>81</u> | <u>659</u> | <u>456</u> | <u>-</u> | <u>456</u> | <u>203</u> |
| Total Department of Law | <u>2,850</u> | <u>301</u> | <u>3,151</u> | <u>2,839</u> | <u>31</u> | <u>2,870</u> | <u>281</u> |
| Department of Personnel and Civil Service Commission: | | | | | | | |
| Salaries | 1,391 | 49 | 1,440 | 1,431 | - | 1,431 | 9 |
| Premium pay | 3 | - | 3 | - | - | - | 3 |
| Miscellaneous services | 316 | 199 | 515 | 214 | 48 | 262 | 253 |
| Education and training | 8 | - | 8 | 7 | - | 7 | 1 |
| Supplies | 25 | 6 | 31 | 25 | - | 25 | 6 |
| Equipment | 34 | - | 34 | 20 | - | 20 | 14 |
| Materials | 4 | - | 4 | 4 | - | 4 | - |
| Repairs | 1 | - | 1 | - | - | - | 1 |
| Rentals | 9 | - | 9 | 7 | - | 7 | 2 |
| Total department of personnel and civil service commission | <u>1,791</u> | <u>254</u> | <u>2,045</u> | <u>1,708</u> | <u>48</u> | <u>1,756</u> | <u>289</u> |

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED DECEMBER 31, 2011

(Amounts expressed in thousands)

(Continued)

| | Original Adopted Budget | Transfers and Prior Year Carryover | Final Budget | Expenditures | Encumbrances | Total Actual | Variance |
|-----------------------------|-------------------------------|--|-----------------|--------------|--------------|-----------------|----------|
| Department of Finance: | | | | | | | |
| Administration: | | | | | | | |
| Salaries | 3,522 | - | 3,522 | 3,370 | - | 3,370 | 152 |
| Premium pay | 22 | - | 22 | 8 | - | 8 | 14 |
| Miscellaneous services | 860 | 423 | 1,283 | 584 | 210 | 794 | 489 |
| Education and training | 32 | - | 32 | 18 | - | 18 | 14 |
| Supplies | 300 | 14 | 314 | 235 | - | 235 | 79 |
| Materials | 4 | 2 | 6 | - | - | - | 6 |
| Equipment | 43 | 10 | 53 | 13 | 2 | 15 | 38 |
| Repairs | 2 | - | 2 | - | - | - | 2 |
| Rentals | 29 | - | 29 | 19 | - | 19 | 10 |
| Total administration | 4,814 | 449 | 5,263 | 4,247 | 212 | 4,459 | 804 |
| General Services: | | | | | | | |
| Salaries | 848 | - | 848 | 813 | - | 813 | 35 |
| Premium pay | 16 | - | 16 | 6 | - | 6 | 10 |
| Miscellaneous services | 6,441 | 2,788 | 9,229 | 6,628 | 636 | 7,264 | 1,965 |
| Education and training | 6 | - | 6 | 6 | - | 6 | - |
| Uniforms | 3 | - | 3 | 1 | - | 1 | 2 |
| Supplies | 29 | - | 29 | 28 | - | 28 | 1 |
| Equipment | 4 | - | 4 | 1 | - | 1 | 3 |
| Repairs | 1,610 | 868 | 2,478 | 1,557 | 175 | 1,732 | 746 |
| Rentals | 1,999 | 366 | 2,365 | 1,885 | 100 | 1,985 | 380 |
| Total general services | 10,956 | 4,022 | 14,978 | 10,925 | 911 | 11,836 | 3,142 |
| Fleet Management: | | | | | | | |
| Supplies | - | 4 | 4 | - | - | - | 4 |
| Utilities | - | 21 | 21 | - | - | - | 21 |
| Total fleet management | - | 25 | 25 | - | - | - | 25 |
| Total department of finance | 15,770 | 4,496 | 20,266 | 15,172 | 1,123 | 16,295 | 3,971 |

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED DECEMBER 31, 2011

(Amounts expressed in thousands)

(Continued)

| | Original Adopted Budget | Transfers and Prior Year Carryover | Final Budget | Expenditures | Encumbrances | Total Actual | Variance |
|---|-------------------------------|--|-----------------|---------------|--------------|-----------------|--------------|
| Department of City Planning: | | | | | | | |
| Salaries | 1,534 | - | 1,534 | 1,492 | - | 1,492 | 42 |
| Premium pay | 4 | - | 4 | 1 | - | 1 | 3 |
| Miscellaneous services | 238 | 47 | 285 | 223 | 15 | 238 | 47 |
| Education and training | 8 | - | 8 | 3 | - | 3 | 5 |
| Supplies | 27 | - | 27 | 25 | - | 25 | 2 |
| Rentals | 8 | - | 8 | 4 | - | 4 | 4 |
| Utilities | 2 | - | 2 | 2 | - | 2 | - |
| Equipment | 7 | 1 | 8 | 6 | - | 6 | 2 |
| Grants | - | 208 | 208 | - | - | - | 208 |
| Total department of city planning | 1,828 | 256 | 2,084 | 1,756 | 15 | 1,771 | 313 |
| Total general government | 33,263 | 5,590 | 38,853 | 32,264 | 1,235 | 33,499 | 5,354 |
| Public Safety - Department of Public Safety: | | | | | | | |
| Bureau of Administration: | | | | | | | |
| Salaries and wages | 786 | - | 786 | 749 | - | 749 | 37 |
| Premium pay | 11 | - | 11 | 9 | - | 9 | 2 |
| Education and training | 5 | - | 5 | 2 | - | 2 | 3 |
| Supplies | 3 | - | 3 | 2 | - | 2 | 1 |
| Miscellaneous services | 205 | 554 | 759 | 244 | 163 | 407 | 352 |
| Equipment | 2 | 4 | 6 | - | - | - | 6 |
| Total bureau of administration | 1,012 | 558 | 1,570 | 1,006 | 163 | 1,169 | 401 |
| Bureau of Emergency Medical Services: | | | | | | | |
| Salaries and wages | 9,692 | (780) | 8,912 | 8,743 | - | 8,743 | 169 |
| Premium pay | 2,608 | 829 | 3,437 | 3,431 | - | 3,431 | 6 |
| Miscellaneous services | 124 | 7 | 131 | 73 | 1 | 74 | 57 |
| Education and training | 29 | - | 29 | 25 | - | 25 | 4 |
| Supplies and materials | 255 | 24 | 279 | 251 | 1 | 252 | 27 |
| Equipment | 125 | 63 | 188 | 113 | 9 | 122 | 66 |
| Rentals | 5 | - | 5 | 1 | - | 1 | 4 |
| Repairs | 66 | - | 66 | 66 | - | 66 | - |
| Uniforms | 125 | - | 125 | 112 | - | 112 | 13 |
| Total bureau of emergency medical services | 13,029 | 143 | 13,172 | 12,815 | 11 | 12,826 | 346 |
| Bureau of Police: | | | | | | | |
| Salaries | 58,061 | 631 | 58,692 | 58,562 | - | 58,562 | 130 |
| Premium pay | 7,296 | 1,555 | 8,851 | 8,515 | - | 8,515 | 336 |
| Miscellaneous services | 445 | 91 | 536 | 443 | - | 443 | 93 |
| Education and training | 89 | 28 | 117 | 75 | - | 75 | 42 |
| Supplies and materials | 409 | 34 | 443 | 387 | 23 | 410 | 33 |
| Equipment | 207 | 29 | 236 | 202 | 20 | 222 | 14 |
| Repairs | 8 | 1 | 9 | 8 | 1 | 9 | - |
| Rentals | 147 | 104 | 251 | 134 | 22 | 156 | 95 |
| Uniforms | 1,182 | 30 | 1,212 | 1,020 | 4 | 1,024 | 188 |
| Total bureau of police | 67,844 | 2,503 | 70,347 | 69,346 | 70 | 69,416 | 931 |
| Bureau of Fire: | | | | | | | |
| Salaries and wages | 40,526 | (1,350) | 39,176 | 38,468 | - | 38,468 | 708 |
| Premium pay | 10,338 | 1,489 | 11,827 | 11,807 | - | 11,807 | 20 |
| Miscellaneous services | 128 | 4 | 132 | 128 | - | 128 | 4 |
| Education and training | 18 | - | 18 | 11 | - | 11 | 7 |
| Supplies | 148 | 14 | 162 | 148 | - | 148 | 14 |
| Repairs | 41 | - | 41 | 41 | - | 41 | - |
| Equipment | 469 | - | 469 | 469 | - | 469 | - |
| Uniforms | 468 | - | 468 | 467 | - | 467 | 1 |
| Total bureau of fire | 52,136 | 157 | 52,293 | 51,539 | - | 51,539 | 754 |

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED DECEMBER 31, 2011

(Amounts expressed in thousands)

(Continued)

| | Original Adopted Budget | Transfers and Prior Year Carryover | Final Budget | Expenditures | Encumbrances | Total Actual | Variance |
|--|-------------------------------|--|-----------------|--------------|--------------|-----------------|----------|
| Bureau of Building Inspection: | | | | | | | |
| Salaries | 3,061 | (206) | 2,855 | 2,668 | - | 2,668 | 187 |
| Premium pay | 15 | 18 | 33 | 24 | - | 24 | 9 |
| Miscellaneous services | 67 | 3 | 70 | 36 | - | 36 | 34 |
| Education and training | 47 | - | 47 | 18 | - | 18 | 29 |
| Supplies | 13 | 1 | 14 | 9 | - | 9 | 5 |
| Repairs | 1 | - | 1 | - | - | - | 1 |
| Rentals | 6 | - | 6 | 2 | - | 2 | 4 |
| Equipment | 13 | - | 13 | 9 | - | 9 | 4 |
| Uniforms | 18 | - | 18 | 14 | - | 14 | 4 |
| Total bureau of building inspection | 3,241 | (184) | 3,057 | 2,780 | - | 2,780 | 277 |
| Public Safety Animal Control: | | | | | | | |
| Salaries | 611 | (16) | 595 | 497 | - | 497 | 98 |
| Premium pay | 73 | 16 | 89 | 79 | - | 79 | 10 |
| Miscellaneous services | 495 | 70 | 565 | 421 | 20 | 441 | 124 |
| Education and training | 7 | - | 7 | - | - | - | 7 |
| Supplies | 3 | - | 3 | 3 | - | 3 | - |
| Equipment | 9 | - | 9 | 3 | - | 3 | 6 |
| Uniforms | 10 | - | 10 | 10 | - | 10 | - |
| Total public safety animal control | 1,208 | 70 | 1,278 | 1,013 | 20 | 1,033 | 245 |
| Total public safety - department of public safety | 138,470 | 3,247 | 141,717 | 138,499 | 264 | 138,763 | 2,954 |
| Department of Public Works: | | | | | | | |
| Administration: | | | | | | | |
| Salaries | 545 | - | 545 | 530 | - | 530 | 15 |
| Premium pay | 47 | - | 47 | - | - | - | 47 |
| Miscellaneous services | 110 | - | 110 | 98 | - | 98 | 12 |
| Education and training | 10 | - | 10 | 9 | - | 9 | 1 |
| Supplies | 24 | - | 24 | 12 | - | 12 | 12 |
| Equipment | 51 | 3 | 54 | 32 | - | 32 | 22 |
| Rentals | 15 | - | 15 | 15 | - | 15 | - |
| Total administration | 802 | 3 | 805 | 696 | - | 696 | 109 |
| Operations: | | | | | | | |
| Salaries | 12,421 | (120) | 12,301 | 11,708 | - | 11,708 | 593 |
| Premium pay | 744 | 120 | 864 | 836 | - | 836 | 28 |
| Miscellaneous services | 316 | - | 316 | 277 | - | 277 | 39 |
| Supplies | 79 | 14 | 93 | 72 | - | 72 | 21 |
| Equipment | 56 | 22 | 78 | 39 | - | 39 | 39 |
| Materials | 1,165 | 33 | 1,198 | 1,160 | - | 1,160 | 38 |
| Repairs | 325 | - | 325 | 259 | - | 259 | 66 |
| Rentals | 495 | 33 | 528 | 481 | 27 | 508 | 20 |
| Total operations | 15,601 | 102 | 15,703 | 14,832 | 27 | 14,859 | 844 |
| Environmental Services: | | | | | | | |
| Salaries | 7,024 | (129) | 6,895 | 6,339 | - | 6,339 | 556 |
| Premium pay | 526 | - | 526 | 463 | - | 463 | 63 |
| Miscellaneous services | 3,031 | 21 | 3,052 | 2,680 | - | 2,680 | 372 |
| Supplies | 108 | 1 | 109 | 87 | - | 87 | 22 |
| Equipment | 31 | 3 | 34 | 11 | - | 11 | 23 |
| Uniforms | 76 | - | 76 | 76 | - | 76 | - |
| Judgment | 10 | - | 10 | 2 | - | 2 | 8 |
| Materials | 8 | - | 8 | 6 | - | 6 | 2 |
| Rentals | 8 | - | 8 | - | - | - | 8 |
| Total environmental services | 10,822 | (104) | 10,718 | 9,664 | - | 9,664 | 1,054 |
| Engineering: | | | | | | | |
| Salaries | 1,766 | - | 1,766 | 1,582 | - | 1,582 | 184 |
| Education and training | 65 | - | 65 | 65 | - | 65 | - |
| Total engineering | 1,831 | - | 1,831 | 1,647 | - | 1,647 | 184 |

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED DECEMBER 31, 2011

(Amounts expressed in thousands)

(Continued)

| | Original Adopted Budget | Transfers and Prior Year Carryover | Final Budget | Expenditures | Encumbrances | Total Actual | Variance |
|---|-------------------------------|--|-------------------|----------------|--------------|------------------|------------------|
| General Services - Facilities: | | | | | | | |
| Salaries | 2,092 | 95 | 2,187 | 2,153 | - | 2,153 | 34 |
| Premium pay | 37 | 32 | 69 | 68 | - | 68 | 1 |
| Miscellaneous services | 151 | 10 | 161 | 142 | - | 142 | 19 |
| Education and training | 1 | - | 1 | 1 | - | 1 | - |
| Supplies | 22 | - | 22 | 22 | - | 22 | - |
| Equipment | 8 | - | 8 | 7 | - | 7 | 1 |
| Uniforms | 25 | - | 25 | 25 | - | 25 | - |
| Materials | 208 | 7 | 215 | 208 | - | 208 | 7 |
| Repairs | 15 | - | 15 | 14 | - | 14 | 1 |
| Rentals | 150 | - | 150 | 150 | - | 150 | - |
| Total general services - facilities | 2,709 | 144 | 2,853 | 2,790 | - | 2,790 | 63 |
| Total department of public works | 31,765 | 145 | 31,910 | 29,629 | 27 | 29,656 | 2,254 |
| Community, Recreational, and Cultural - Department of Parks and Recreation: | | | | | | | |
| Administration: | | | | | | | |
| Salaries | 3,146 | - | 3,146 | 3,146 | - | 3,146 | - |
| Premium pay | 112 | - | 112 | 111 | - | 111 | 1 |
| Miscellaneous services | 440 | 116 | 556 | 435 | - | 435 | 121 |
| Education and training | 4 | - | 4 | - | - | - | 4 |
| Supplies | 226 | 1 | 227 | 212 | - | 212 | 15 |
| Repairs | 9 | - | 9 | 6 | - | 6 | 3 |
| Rentals | 44 | - | 44 | 44 | - | 44 | - |
| Equipment | 44 | 5 | 49 | 36 | 5 | 41 | 8 |
| Grants | - | 47 | 47 | - | - | - | 47 |
| Total community, recreational, and cultural - department of parks and recreation | 4,025 | 169 | 4,194 | 3,990 | 5 | 3,995 | 199 |
| Nondepartmental: | | | | | | | |
| Employee Benefits: | | | | | | | |
| Pension | 53,649 | - | 53,649 | 68,234 | - | 68,234 | (14,585) |
| Fringe benefits | 83,362 | (648) | 82,714 | 74,709 | 9 | 74,718 | 7,996 |
| Total employee benefits | 137,011 | (648) | 136,363 | 142,943 | 9 | 142,952 | (6,589) |
| Claims and Judgments - Citywide | 2,998 | (82) | 2,916 | 2,216 | 8 | 2,224 | 692 |
| Citizens Review Board: | | | | | | | |
| Salaries | 312 | (3) | 309 | 276 | - | 276 | 33 |
| Miscellaneous services | 91 | 55 | 146 | 62 | 15 | 77 | 69 |
| Education and training | 7 | - | 7 | 6 | - | 6 | 1 |
| Supplies | 5 | 3 | 8 | 5 | - | 5 | 3 |
| Equipment | 2 | - | 2 | 1 | - | 1 | 1 |
| Rentals | 58 | 12 | 70 | 55 | 8 | 63 | 7 |
| Total citizens review board | 475 | 67 | 542 | 405 | 23 | 428 | 114 |
| Utilities - Citywide | 7,445 | 92 | 7,537 | 7,408 | - | 7,408 | 129 |
| Supplies - Citywide | 3,350 | 1,200 | 4,550 | 3,727 | - | 3,727 | 823 |
| GF Transfers - Citywide | 10 | - | 10 | 10 | - | 10 | - |
| GF Transfers - Other | - | - | - | - | - | - | - |
| GF Transfers - unbudgeted operating | - | - | - | 13,337 | - | 13,337 | (13,337) |
| GF Grants - Citywide | - | 72 | 72 | - | - | - | 72 |
| GF Grants - Other | 40 | - | 40 | 40 | - | 40 | - |
| Miscellaneous (postage/refunds) - Citywide | 3,510 | 908 | 4,418 | 2,869 | 917 | 3,786 | 632 |
| Debt Service | | | | | | | |
| Debt service | 87,400 | (1,200) | 86,200 | 85,584 | - | 85,584 | 616 |
| Debt service subsidy | 256 | (1) | 255 | 255 | - | 255 | - |
| Total debt service | 87,656 | (1,201) | 86,455 | 85,839 | - | 85,839 | 616 |
| Fund balance restoration | - | - | - | - | - | - | - |
| Total nondepartmental | 242,495 | 408 | 242,903 | 258,794 | 957 | 259,751 | (16,848) |
| Total expenditures | 450,018 | 9,559 | 459,577 | 463,176 | 2,488 | 465,664 | (6,087) |
| Excess (Deficiency) of Revenues over Expenditures | \$ 5,092 | | \$ (4,467) | | | \$ 13,968 | \$ 18,435 |

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND

YEAR ENDED DECEMBER 31, 2011

(Amounts expressed in thousands)

(Continued)

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/Inflows of Resources:

| | |
|---|-------------------|
| Actual amounts (budgetary basis) revenues from the statement of revenues, expenditures, and changes in fund balance - actual and budget. | \$ 479,632 |
| Actual amounts not included on budgetary basis. | 4,619 |
| The adjustments to convert to GAAP basis, recording of receivables and revenues, not included in budget. | <u>8,096</u> |
| Total General Fund revenue and other financing sources on GAAP basis as reported on the statement of revenues, expenditures, and changes in fund balance. | <u>\$ 492,347</u> |

Users/Outflows of Revenues:

| | |
|--|-------------------|
| Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison statement. | \$ 463,176 |
| Actual amounts not included on budgetary basis. | 510 |
| The adjustments to convert to GAAP basis, recording of expenditures and liabilities not included in budget. | <u>8,310</u> |
| Total General Fund expenditures and transfers out as reported on the statement of revenues, expenditures, and changes in fund balance. | <u>\$ 471,996</u> |

(Concluded)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) COMMUNITY DEVELOPMENT FUND

YEAR ENDED DECEMBER 31, 2011

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|------------------|---------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Intergovernmental | \$ 42,094,310 | \$ 42,094,310 | \$ 16,213,601 | \$ (25,880,709) |
| Expenditures: | | | | |
| General government: | | | | |
| Council and City Clerk's Office | 5,185,041 | 5,185,041 | 1,687,871 | 3,497,170 |
| Finance | 57,729 | 57,729 | 1,974 | 55,755 |
| Department of Personnel and Human Relations | 1,385,071 | 1,385,071 | 660,400 | 724,671 |
| Department of City Planning | 5,516,797 | 5,516,797 | 2,147,899 | 3,368,898 |
| General services | 22,357 | 22,357 | - | 22,357 |
| Public safety | 854,818 | 854,818 | 217,301 | 637,517 |
| Public works: | | | | |
| Public works | 12,529,696 | 12,529,696 | 4,975,074 | 7,554,622 |
| Engineering and construction | 361,660 | 361,660 | 79,927 | 281,733 |
| Community, recreational, and cultural programs | 2,913,152 | 2,913,152 | 1,031,840 | 1,881,312 |
| Intergovernmental programs | 13,267,989 | 13,267,989 | 3,924,902 | 9,343,087 |
| Total expenditures | 42,094,310 | 42,094,310 | 14,727,188 | 27,367,122 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ - | \$ - | \$ 1,486,413 | \$ 1,486,413 |

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) COMMUNITY DEVELOPMENT FUND

YEAR ENDED DECEMBER 31, 2011

(Amounts expressed in thousands)

(Continued)

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/Inflows of Resources:

| | | |
|---|----|----------------|
| Actual amounts (budgetary basis) revenues from the budgetary comparison statement. | \$ | 16,214 |
| Actual amounts not included on budgetary basis. | | 6,055 |
| The adjustments to convert to GAAP basis, recording of receivables and revenues, not included in budget. | | <u>(1,279)</u> |
| Total Community Development Fund revenue on GAAP basis as reported on the statement of revenues, expenditures, and changes in fund balance. | \$ | <u>20,990</u> |

Users/Outflows of Revenues:

| | | |
|---|----|---------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement. | \$ | 14,727 |
| Actual amounts not included on budgetary basis. | | 6,023 |
| The adjustments to convert to GAAP basis, recording of expenditures and liabilities not included in budget. | | <u>240</u> |
| Total Community Development Fund expenditures and other financing uses as reported on the statement of revenues, expenditures, and changes in fund balance. | \$ | <u>20,990</u> |

(Concluded)

See accompanying notes to financial statements.

FIDUCIARY FUND STATEMENTS

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

DECEMBER 31, 2011

| Assets | Pension Trust Fund | Agency Fund |
|---|--------------------------|-------------------|
| Cash and cash equivalents | \$ 28,681,157 | \$ 13,460,537 |
| Investments: | | |
| Preferred and common stock | 31,408,368 | - |
| U.S. government and agency obligations | 19,006,022 | - |
| Corporate and other obligations | 27,501,890 | - |
| Mutual funds: | | |
| U.S. equities | 97,396,704 | - |
| Non-U.S. equities | 57,949,818 | - |
| Fixed income | 51,893,116 | - |
| Private equity | 11,438,594 | - |
| Due from City of Pittsburgh | 1,402,380 | - |
| Other assets | - | 588,549 |
| Accrued interest and dividend receivables | 506,858 | - |
| Total Assets | 327,184,907 | 14,049,086 |
| Liabilities | | |
| Benefits and related withholdings payable | 2,624,661 | - |
| Accounts payable | - | 7,500 |
| Deposits held in trust | - | 911,276 |
| Accrued liabilities and other payables | 36,065 | 13,130,310 |
| Total Liabilities | 2,660,726 | 14,049,086 |
| Net Assets | | |
| Held in Trust for Pension Benefits | \$ 324,524,181 | \$ - |

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2011

| | Pension Trust Fund |
|--|----------------------------|
| Additions: | |
| <hr/> | |
| Contributions: | |
| Employer - pension benefits | \$ 38,330,895 |
| Employer - other benefits | 3,444,984 |
| Plan members | 10,363,226 |
| State aid | 26,907,639 |
| Wilksburg Fire Department | 1,903,004 |
| Total contributions | <hr/> 80,949,748 |
| Investment income: | |
| Net appreciation (depreciation) in fair value of investments | (11,448,254) |
| Interest and dividends | 5,241,252 |
| Total investment income (loss) | <hr/> (6,207,002) |
| Investment expense | <hr/> (359,050) |
| Net investment income (loss) | (6,566,052) |
| Miscellaneous: | |
| Other | 980,084 |
| Total additions | <hr/> 75,363,780 |
| Deductions: | |
| <hr/> | |
| Benefit payments | 81,018,981 |
| Refund of employee contributions | 860,770 |
| Administrative expense | 1,756,934 |
| Total deductions | <hr/> 83,636,685 |
| Increase in Net Assets | (8,272,905) |
| Net Assets: | |
| <hr/> | |
| Beginning of year | 332,797,086 |
| End of year | <hr/> <hr/> \$ 324,524,181 |

See accompanying notes to financial statements.

COMBINING STATEMENTS OF
DISCRETE COMPONENT UNITS

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING BALANCE SHEET

COMPONENT UNITS

DECEMBER 31, 2011

| Assets | URA | Pittsburgh Water and Sewer Authority | Stadium Authority | Public Parking Authority | Total |
|--|----------------|---|----------------------|--------------------------------|----------------|
| Current assets. | | | | | |
| Cash and cash equivalents | \$ 141,048,310 | \$ 41,676,000 | \$ 4,908,163 | \$ 194,421 | \$ 187,826,894 |
| Cash and cash equivalents - restricted | 4,785,180 | - | - | 9,464,602 | 14,249,782 |
| Investments - unrestricted | 44,085,024 | - | - | 19,806,479 | 63,891,503 |
| Investments - restricted | - | - | - | 4,624,876 | 4,624,876 |
| Accounts receivable, net | - | 19,450,000 | - | 643,300 | 20,093,300 |
| Due from other governments | 8,518,780 | - | - | - | 8,518,780 |
| Grant receivable | - | - | - | - | - |
| Notes receivable | - | - | - | 10,228 | 10,228 |
| Inventory | - | 1,718,000 | - | - | 1,718,000 |
| Accrued interest | - | - | 5,262 | 474,110 | 479,372 |
| Other receivables | 16,209,787 | 4,722,000 | 1,341,394 | - | 22,273,181 |
| Prepays | - | 211,000 | 8,054 | - | 219,054 |
| Total current assets | 214,647,081 | 67,777,000 | 6,262,873 | 35,218,016 | 323,904,970 |
| Noncurrent assets: | | | | | |
| Restricted assets: | | | | | |
| Cash and cash equivalents | - | 3,479,000 | - | - | 3,479,000 |
| Investments | - | 46,729,000 | - | 19,604,277 | 66,333,277 |
| Accrued interest receivable | - | - | - | - | - |
| Non-routine maintenance | - | - | 175,264 | - | 175,264 |
| Insurance escrow | - | - | 44,126 | - | 44,126 |
| Replacement reserve | - | - | 125,375 | - | 125,375 |
| Reserve/loans escrow | - | - | 233,500 | - | 233,500 |
| Total restricted assets | - | 50,208,000 | 578,265 | 19,604,277 | 70,390,542 |
| Capital assets. | | | | | |
| Buildings and building improvements | 56,048,031 | - | 27,193,926 | - | 83,241,957 |
| Land and land improvements | 13,204,423 | - | - | 26,053,516 | 39,257,939 |
| Parking facilities | - | - | - | 160,398,676 | 160,398,676 |
| Machinery and equipment | - | - | 43,588 | 6,231,989 | 6,275,577 |
| Utility plant | - | 683,521,000 | - | - | 683,521,000 |
| Non-utility plant | - | 18,043,000 | - | - | 18,043,000 |
| Infrastructure | - | - | 2,241,369 | - | 2,241,369 |
| Construction-in-progress | - | 62,461,000 | - | 340,560 | 62,801,560 |
| Less: accumulated depreciation | (19,326,939) | (220,422,000) | (3,447,272) | (78,605,252) | (321,801,463) |
| Total capital assets | 49,925,515 | 543,603,000 | 26,031,611 | 114,419,489 | 733,979,615 |
| Leasehold improvements | - | - | - | 6,446,245 | 6,446,245 |
| Other assets | 1,376,985 | - | - | - | 1,376,985 |
| Deferred outflow | - | 100,118,000 | - | - | 100,118,000 |
| Property held for redevelopment | 25,246,989 | - | - | - | 25,246,989 |
| Loans/notes receivable | 79,970,630 | - | - | 3,239,164 | 83,209,794 |
| Deposits held for development fund | - | - | 2,706,748 | - | 2,706,748 |
| Bond issue costs, net of amortization | - | 24,176,000 | - | 1,792,134 | 25,968,134 |
| Total noncurrent assets | 156,520,119 | 718,105,000 | 29,316,624 | 145,501,309 | 1,049,443,052 |
| Total Assets | 371,167,200 | 785,882,000 | 35,579,497 | 180,719,325 | 1,373,348,022 |

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING BALANCE SHEET

COMPONENT UNITS

DECEMBER 31, 2011

(Continued)

| | URA | Pittsburgh Water and Sewer Authority | Stadium Authority | Public Parking Authority | Total |
|---|-----------------------|---|-----------------------|--------------------------------|-----------------------|
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Bonds and loans payable, current portion | 13,184,371 | 14,888,000 | 574,616 | 5,145,000 | 33,791,987 |
| Accrued payroll and related obligations | - | 662,000 | - | - | 662,000 |
| Accounts payable - City of Pittsburgh | - | - | - | 3,756,789 | 3,756,789 |
| Accounts payable - wastewater treatment | - | 16,305,000 | - | - | 16,305,000 |
| Deferred revenue | 11,143,677 | - | - | 875,461 | 12,019,138 |
| Accrued expenses and deferred income | - | - | - | 733,168 | 733,168 |
| Accounts payable and other accrued expenses | 30,629,847 | 15,520,000 | 1,194,900 | 2,162,614 | 49,507,361 |
| Accrued interest payable | - | 11,279,000 | 118,801 | 1,204,354 | 12,602,155 |
| Total current liabilities | 54,957,895 | 58,654,000 | 1,888,317 | 13,877,386 | 129,377,598 |
| Noncurrent liabilities: | | | | | |
| Unearned revenue | - | 292,000 | - | - | 292,000 |
| Other liabilities | - | - | - | 6,277,643 | 6,277,643 |
| Accrued payroll and related obligations | - | 972,000 | - | - | 972,000 |
| Swap liability | - | 117,907,000 | - | - | 117,907,000 |
| Bonds and loans payable, net of current portion | 99,103,291 | 651,562,000 | 19,778,815 | 88,288,493 | 858,732,599 |
| Advances from the City of Pittsburgh | - | - | 22,775,168 | - | 22,775,168 |
| Total noncurrent liabilities | 99,103,291 | 770,733,000 | 42,553,983 | 94,566,136 | 1,006,956,410 |
| Total Liabilities | 154,061,186 | 829,387,000 | 44,442,300 | 108,443,522 | 1,136,334,008 |
| Net Assets | | | | | |
| Invested in capital assets, net of related debt | 31,793,702 | (52,350,000) | 5,678,181 | 23,371,108 | 8,492,991 |
| Restricted for: | | | | | |
| Capital projects | - | 9,112,000 | - | 2,653,678 | 11,765,678 |
| Debt service | - | - | 3,212,736 | 8,104,958 | 11,317,694 |
| Public Parking Authority | - | - | - | 13,022,756 | 13,022,756 |
| Urban Development | 42,725,840 | - | - | - | 42,725,840 |
| Lending programs | 86,618,802 | - | - | - | 86,618,802 |
| Housing program | 3,672,632 | - | - | - | 3,672,632 |
| Unrestricted | 52,295,038 | (267,000) | (17,753,720) | 25,123,303 | 59,397,621 |
| Total Net Assets | \$ 217,106,014 | \$ (43,505,000) | \$ (8,862,803) | \$ 72,275,803 | \$ 237,014,014 |

(Concluded)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF ACTIVITIES

COMPONENT UNITS

YEAR ENDED DECEMBER 31, 2011

| | Program Revenues | | | | Urban Redevelopment Authority | | | | | | Net (Expense) Revenue and Changes in Net Assets |
|---------------------------------------|-----------------------|-------------------------|---------------------------------------|-------------------------------------|-------------------------------|-----------------------------|-----------------------|------------------------------|-----------------------|-----------------------------|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | URA Component Unit | Water and Sewer Authority | Stadium Authority | Public Parking Authority | Total |
| | | | | | | | | | | | |
| Urban Redevelopment Authority: | | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | | |
| Urban development | \$ 58,334,522 | \$ 7,990,026 | \$ 54,332,132 | \$ - | \$ 3,987,636 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,987,636 |
| General government | 8,515,972 | 3,569,167 | 1,950,000 | - | (2,996,805) | - | - | - | - | - | (2,996,805) |
| Interest on long-term debt | 1,261,976 | - | - | - | (1,261,976) | - | - | - | - | - | (1,261,976) |
| Total governmental activities | <u>68,112,470</u> | <u>11,559,193</u> | <u>56,282,132</u> | <u>-</u> | <u>(271,145)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(271,145)</u> |
| Business-type activities: | | | | | | | | | | | |
| Lending programs | 6,816,143 | 5,441,921 | 7,500,000 | - | - | 6,125,778 | - | - | - | - | 6,125,778 |
| Property management | 3,345,677 | 2,539,677 | - | - | - | (806,000) | - | - | - | - | (806,000) |
| Total business-type activities | <u>10,161,820</u> | <u>7,981,598</u> | <u>7,500,000</u> | <u>-</u> | <u>-</u> | <u>5,319,778</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,319,778</u> |
| URA Component Unit | 928,849 | 73,866 | 628,108 | - | - | - | (226,875) | - | - | - | (226,875) |
| Total URA | <u>79,203,139</u> | <u>19,614,657</u> | <u>64,410,240</u> | <u>-</u> | <u>(271,145)</u> | <u>5,319,778</u> | <u>(226,875)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,821,758</u> |
| Pittsburgh Water and Sewer Authority | 144,496,000 | 140,552,000 | - | 2,277,000 | - | - | - | (1,667,000) | - | - | (1,667,000) |
| Stadium Authority | 3,904,341 | 4,302,010 | - | - | - | - | - | - | 397,669 | - | 397,669 |
| Public Parking Authority | 42,852,962 | 47,615,773 | - | - | - | - | - | - | - | 4,762,811 | 4,762,811 |
| Total Component Units | <u>\$ 270,456,442</u> | <u>\$ 212,084,440</u> | <u>\$ 64,410,240</u> | <u>\$ 2,277,000</u> | <u>(271,145)</u> | <u>5,319,778</u> | <u>(226,875)</u> | <u>(1,667,000)</u> | <u>397,669</u> | <u>4,762,811</u> | <u>8,315,238</u> |
| General revenues: | | | | | | | | | | | |
| Investment income, net | | | | | 51,735 | 932,468 | - | (11,671,000) | 8,106 | 326,911 | (10,351,780) |
| Gain (loss) on sale of assets | | | | | - | - | 509,200 | - | - | - | 509,200 |
| Miscellaneous revenue (expense) | | | | | - | 84,849 | 25,283 | - | (1,082,979) | 659,653 | (313,194) |
| Transfer in (out) | | | | | (138,073) | 138,073 | - | - | - | - | - |
| Total general revenues | | | | | <u>(86,338)</u> | <u>1,155,390</u> | <u>534,483</u> | <u>(11,671,000)</u> | <u>(1,074,873)</u> | <u>986,564</u> | <u>(10,155,774)</u> |
| Change in Net Assets | | | | | <u>(357,483)</u> | <u>6,475,168</u> | <u>307,608</u> | <u>(13,338,000)</u> | <u>(677,204)</u> | <u>5,749,375</u> | <u>(1,840,536)</u> |
| Net assets - beginning | | | | | <u>147,994,456</u> | <u>59,321,241</u> | <u>3,365,024</u> | <u>(30,167,000)</u> | <u>(8,185,599)</u> | <u>66,526,428</u> | <u>238,854,550</u> |
| Net assets - ending | | | | | <u>\$ 147,636,973</u> | <u>\$ 65,796,409</u> | <u>\$ 3,672,632</u> | <u>\$ (43,505,000)</u> | <u>\$ (8,862,803)</u> | <u>\$ 72,275,803</u> | <u>\$ 237,014,014</u> |

See accompanying notes to financial statements.

NOTES TO BASIC
FINANCIAL STATEMENTS

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Primary Government Disclosures:

Description of City

The City of Pittsburgh, Pennsylvania (City or primary government) was incorporated on July 20, 1816 and chartered as a home rule municipality on January 5, 1976. The City operates under a strong mayor form of government and provides the following services as authorized by its charter: public safety (police, fire, and emergency medical services), highways and streets, sanitation, economic development, cultural and recreational, public improvements, planning and zoning, and general administrative services.

The major accounting principles and practices followed by the City are presented below to assist the reader in evaluating the financial statements and the accompanying notes.

(A) The Financial Reporting Entity

Consistent with the guidance contained in Governmental Accounting Standards Board (GASB) No. 14, "*The Financial Reporting Entity*," the criteria used by the City to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, etc.) outside of the legal City entity within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the City reviews the applicability of the following criteria:

The City is financially accountable for:

1. Legally separate organizations if City officials appoint a voting majority of the organization's governing body and the City is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.
 - a. **Impose its Will** – If the City can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.
 - b. **Financial Benefit or Burden** – Exists if the City (1) is entitled to the organization's resources, (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.
2. Legally separate organizations that are fiscally dependent on the City, fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges or issue bonded debt without approval by the City.

Based on the foregoing criteria, the reporting entity has been defined to include all the legally separate-government entities for which the City is financially accountable or for which there is a

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

significant relationship (component units). Specific information on the nature of the various potential component units and a description of how the aforementioned criteria have been considered in determining whether or not to include or exclude such organizations in the City's financial statements are provided in the following paragraphs. Audited financial statements for all of the component units are available for public inspection in the City Controller's office.

(B) Net Asset Deficit and Liquidity

As of December 31, 2011, the City, in its statement of net assets, shows a total net deficit of \$483 million with an unrestricted net asset deficit of \$544.7 million offset by \$62.1 million in capital and restricted assets. A structural imbalance exists as a result of demographic shifts of residents and businesses, non-profit legislation and a stagnant taxation authority for the City which has led to this deficit. The largest components of the unrestricted deficit are principally the general obligation debt to meet funding requirements to the Pension Trust Fund, borrowings to finance economic development efforts (including projects of the City's Authorities, related principally to the URA), maintenance, and equipment expenditures on City infrastructure. The City's debt service expenditures and debt subsidies in its governmental funds were \$88.1 million and \$14.6 million, respectively, or a combined 19.1% of its total expenditures; and the City used 27.0% of its current tax revenues to finance debt service requirements.

In November 2003, the City sought municipal self-help as a "financially distressed" municipality under the Municipalities Financial Recovery Act (Act 47) of the Commonwealth of Pennsylvania. The Commonwealth of Pennsylvania legislature also established an Intergovernmental Cooperation Authority (ICA) to provide fiscal oversight for the City for a period of seven years. The Act 47 coordinators appointed by the Commonwealth issued their five-year Recovery Plan, which was originally adopted by the City Council on June 29, 2004. On June 30, 2009, City Council adopted the amended Recovery Plan, making it a City ordinance, which further provides areas for Revenue enhancements and Expenditure reductions. During 2011, the City continued efforts to control costs, improve collections, and maintain solvency. The cash balance available for general operations of the City as of December 31, 2011 was \$55.6 million; this was enough to maintain normal function throughout the City in January 2012. Currently, the Act 47 coordinators and the ICA will provide continued oversight to ensure compliance with the operating budget and approved five-year plan.

By December 31, 2011, the 2012 Operating and Capital Budgets and Five-Year Financial Forecast and Performance Plan were submitted to the Act 47 coordinators and ICA oversight committee and subsequently approved. There were no significant changes from the initial five-year plan.

(C) Individual Component Unit Disclosures

Blended Component Units

Some component units, despite being legally separate from the City government, are so intertwined with the City government, whether through sharing common governing boards with the City or through providing services solely to the City that they are, in substance, the same as

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

the City government and are reported as part of the City government. The blended component units reported in this way are the following:

City of Pittsburgh Equipment Leasing Authority
City Pension Trust

City of Pittsburgh Equipment Leasing Authority (ELA)

The ELA was incorporated in 1980 to serve as a financing vehicle for the acquisition of equipment. The Board consists of a member of senior staff in the Office of the Mayor, Directors of the Department of General Services and the Department of Finance, one member of City Council, and one individual designated by City Council.

Although it is legally separate from the City, the ELA is reported as if it were part of the City government, because its sole purpose is to finance the City equipment needs. Its operations are included within other government funds. It operates on a December 31 fiscal year.

City Pension Trust

As described in Note 7, the City has a comprehensive pension trust for financial reporting purposes that is comprised of three defined benefit pension plans: the Municipal Pension Plan (Municipal); the Policemen's Relief and Pension Plan (Police); and the Firemen's Relief and Pension Plan (Fire), which together cover substantially all City employees. As required by Pennsylvania Law, a comprehensive Board oversees funding and investing activities. This Board consists of seven members, four of whom are appointed by the Mayor.

Plan benefit matters are administered by separate boards which include, for all plans, the president of the City Council and the City Controller and additionally, in the case of the Municipal and Fire plans, the Mayor.

The pension plans operate on a fiscal year ending December 31. Their operations are included in the Pension Trust Fund, as a fiduciary fund.

Discretely Presented Component Units

Discretely presented component units are entities that are legally separate from the primary government but the omission of which would cause the primary government's financial statements to be misleading or incomplete. As these component units do not meet the criteria for blended presentation, they are reported separately from the primary government. The component units presented in this manner are the following:

Pittsburgh Water and Sewer Authority
Stadium Authority of the City of Pittsburgh
Public Parking Authority of Pittsburgh
Urban Redevelopment Authority of Pittsburgh

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

Pittsburgh Water and Sewer Authority (PWSA)

PWSA was incorporated in February 1984 under the Municipality Authorities Act of 1945 to assume responsibility for the operation and improvement of the City's water distribution and wastewater collection systems. In 1984, pursuant to a Lease and Management Agreement, PWSA leased the entire City water supply, distribution, and wastewater collection system (System) from the City and assumed responsibility for establishing and collecting user fees and charges and for maintaining and improving the System. The Lease and Management Agreement provided for the City to operate and maintain the System for PWSA subject to the general supervision of PWSA.

The City and PWSA agreed to terminate the Lease and Management Agreement in July 1995 and concurrently entered into a Cooperation Agreement and a Capital Lease Agreement (collectively referred to as the Agreements). The effect of these Agreements, as more fully described in Note 4, was to substantially transfer financial and management responsibility for the System to PWSA.

PWSA is legally separate from the City and is reported as a component unit. The PWSA Board consists of one City Council member, the City Treasurer, the City Finance Director, and four members chosen by the Mayor, which allows the City to impose its will on PWSA. PWSA operates on a fiscal year ending December 31.

The Stadium Authority of the City of Pittsburgh (Stadium Authority)

The Stadium Authority was organized on July 1, 1965 to provide increased commerce and prosperity and to promote educational, cultural, physical, civic, social, and moral welfare to the general public.

The Stadium Authority was responsible for the management of the former Three Rivers Stadium (Stadium) located in the City. The Stadium was home to the Pittsburgh Pirates (Pirates) and Pittsburgh Steelers (Steelers) professional sports teams and was also utilized for various concerts and other events. Subsequent to the razing of the Stadium, the Stadium Authority is responsible for development of the land between two newly constructed stadiums.

The Board of Directors (Board) of the Stadium Authority, a five-member group, is appointed by the Mayor of the City. The Board is responsible for all the activities and operations of the Authority. The City is the guarantor of the Authority's debt. The Stadium Authority operates on a fiscal year ending March 31.

Public Parking Authority of Pittsburgh (Parking Authority)

The Parking Authority was created for the purpose of acquiring, developing, and maintaining a coordinated system of public parking facilities. The Parking Authority is administered by a five-member Board, all of whom are appointed by the Mayor. The Parking Authority obtains its revenue from user charges and from street parking meter revenues. Under an agreement between the Parking Authority and the City, street parking revenues are allocated 93.5% to the

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

Parking Authority and 6.5% to the City. Accordingly, the City derives a financial benefit from the Parking Authority. The Parking Authority operates on a fiscal year ending September 30.

Urban Redevelopment Authority of Pittsburgh (URA)

The URA was established in 1946 under the Pennsylvania Urban Redevelopment Law. The URA acquires and clears blighted property; initiates rebuilding with the private sector; negotiates with the federal, state, county, and local governments for public funds and facilities; and works to maintain and improve the City's neighborhoods and business districts. Funding for the URA projects and programs is obtained primarily through revenue bonds and intergovernmental grants.

The URA is considered to be a component unit of the City as the Mayor of Pittsburgh appoints the Board of Directors of the URA, and a financial benefit/burden relationship exists between the City and the URA.

The reporting entity of the URA includes the accounts of all URA operations as well as one entity, which qualifies as a component unit of the URA under the provisions of GASB Statement No. 14. The component unit of the URA is the Pittsburgh Housing Development Corporation.

The URA and all its component units operate on a fiscal year ending December 31. Separate financial statements for these component units can be obtained through the Finance Department of the URA.

Administrative Offices

City of Pittsburgh
Equipment Leasing Authority
City-County Building, 5th Floor
414 Grant Street
Pittsburgh, PA 15219

Pittsburgh Water and Sewer Authority
Penn Liberty Plaza I
1200 Penn Avenue
Pittsburgh, PA 15222

City of Pittsburgh Finance Department
Combined Pension Trust Funds
City-County Building
414 Grant Street
Pittsburgh, PA 15219

Public Parking Authority of Pittsburgh
232 Boulevard of the Allies
Pittsburgh, PA 15219

Stadium Authority of the City
of Pittsburgh
503 Martindale Street, 4th Floor
Pittsburgh, PA 15212

Urban Redevelopment Authority
of Pittsburgh
200 Ross Street
Pittsburgh, PA 15219

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

Joint Venture

The Sports and Exhibition Authority of Pittsburgh and Allegheny County (formerly the Public Auditorium Authority)

The Public Auditorium Authority of Pittsburgh and Allegheny County (Authority) was incorporated on February 3, 1954 pursuant to the Public Auditorium Law Act of July 29, 1953 as a joint authority organized by the City and Allegheny County to provide educational, cultural, physical, civic, and social events for the benefit of the general public. Effective November 1999, the Public Auditorium Authority legally changed its name to the Sports and Exhibition Authority of Pittsburgh and Allegheny County (SEA). SEA is currently responsible for the management of the David L. Lawrence Convention Center (Convention Center) and leases the Mellon Arena (formerly the Civic Arena), the Benedum Center and the John Heinz History Center to other entities located in the City. SEA was also responsible for the construction of the new Pittsburgh Steelers Sports, Inc. (Pittsburgh Steelers) football stadium (Heinz Field), the Pittsburgh Associates' (Pittsburgh Pirates) baseball park (PNC Park), the Convention Center expansion project, New Arena Project, and various associated infrastructure improvements referred to collectively as the Regional Destination Financing Plan. For the year ended December 31, 2011, SEA's operating loss was \$41,881,202, and the change in net assets was a decline of \$24,848,224. SEA had total net assets of \$455,915,791.

The Board of Directors (Board) of SEA, a seven-member group, is appointed by the City and Allegheny County. Each executive appoints three members and the Mayor and County Executive jointly appoint the seventh member. The Board is responsible for the overall activities and operations of SEA. The Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

In 2004, SEA borrowed \$20 million from local banks to be used for both operating and capital needs. The following revenues are pledged for repayment of this loan: parking revenues generated at the Convention Center parking garage, sponsorship revenues, and discretionary hotel tax receipts. Additionally, as part of the transaction, the City and Allegheny County reaffirmed their responsibilities under a 1978 Cooperation Agreement to finance the Convention Center's operating deficits, including principal and interest on this loan. As of December 31, 2011, the remaining balance is approximately \$15,558,480.

SEA has suffered operating deficits and has indicated that it may require funding from the City and Allegheny County in the future. No liability has yet been recorded for any such payments, as the City does not anticipate payment during 2012 and any future payments, if any, are yet to be determined.

SEA operates on a fiscal year ending December 31. Complete financial statements for SEA can be obtained from its administrative office at 425 Sixth Avenue, Regional Enterprise Tower, Suite 1410, Pittsburgh, PA 15219.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

Related Organizations

Housing Authority of the City of Pittsburgh (Housing Authority)

The Housing Authority was established to acquire and maintain properties for the purpose of providing low-income housing for residents of the City. Rental charges and subsidies from Federal Housing and Urban Development grants are the principal revenue sources.

The Housing Authority is administered by a seven-member Board, all of whom are appointed by the Mayor. City Council approves five of the seven appointments. The City does not subsidize the operations of the Housing Authority and does not guarantee its debt service.

The Housing Authority operates on a fiscal year ended December 31.

Jointly Governed Organization

The Allegheny County Sanitary Authority (ALCOSAN) was organized under the Municipal Authority Act of 1945 to collect, transport, and treat wastewater for the City and seventy-seven (77) other Allegheny County municipalities. ALCOSAN'S Board has seven members: three are appointed by the City, three are appointed by Allegheny County, and one is appointed jointly by Allegheny County and the City. The City has no direct ongoing financial interest or responsibility for ALCOSAN. See Note 4 for transactions with the PWSA.

(D) Financial Statement Presentation

Government – Wide Financial Statements – Financial statements prepared using the economic resources measurement focus and full accrual basis of accounting for all the government's activities are required. These statements include all assets, liabilities, revenues, and expenses of the primary government and its component units, excluding fiduciary activities. The effect of inter-fund activity has been eliminated from these statements. The City does not allocate indirect expenses. The government-wide statements segregate governmental activities, which are normally supported by taxes and intergovernmental revenues, and business-type activities, if any, which rely on user fees and charges for support. Component units, which are legally separate and discretely presented, are also segregated.

Statement of Net Assets – presents both governmental and business-type activities, if any, on the full accrual, economic resource basis, which incorporates long-term assets and receivables, as well as long-term debt and obligations.

Statement of Activities – presents the net cost of each individual function. Program revenues are presented as a reduction of the total cost of providing program services. Program revenues include charges for services, operating grants and contributions and capital grants that are directly associated with a specific function. Taxes and other revenue sources not reported as program revenue are included as general revenue.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

Fund Financial Statements – These statements are very similar to financial statements presented in the previous model. However, the emphasis is now on major funds.

The City's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operation of each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances or net assets, revenues, and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the basic financial statements in this report into two broad fund categories as follows:

Governmental Funds account for expendable financial resources. Governmental fund types use the flow of current financial resources measurement focus. The major governmental funds are:

General Fund – The General Fund is the general operating fund of the City. It finances the regular day-to-day operations of the City. It is used to account for all financial revenues and expenditures, except those required to be accounted for in another fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Special Revenue Community Development Block Grant Fund – Community Development Block Grant Fund is used to account for the cost of neighborhood development and improvement projects. These programs are financed primarily by the U.S. Department of Housing and Urban Development (HUD) under the Community Development Block Grant (CDBG) program. A substantive portion of the funds received under the program have been allocated to the Urban Redevelopment Authority of Pittsburgh.

Capital Projects Fund – A Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Other Governmental Funds – This fund includes all other non-major governmental funds.

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent for individuals, other governmental units, or other funds. The fiduciary funds are:

Pension Trust Fund – The Comprehensive Fund accounts for the operations of the City's pension plans as described in Note 7. This is accounted for in the same manner as a proprietary fund type. Measurement focus is upon determination of the change in net assets and financial position.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

Agency Funds – Accounts for assets held for, and due to, employee benefits, payroll withholding, deposits, and other. These funds are custodial in nature and do not involve measurement of results of operations.

The basic financial statements also include the statement of net assets (deficit) and statement of activities of the following component units:

Pittsburgh Water and Sewer Authority
Stadium Authority of the City of Pittsburgh
Public Parking Authority of Pittsburgh
Urban Redevelopment Authority of Pittsburgh

Budgetary Comparison Statements – The statements are presented to demonstrate whether resources were obtained and used in accordance with the government’s legally adopted budget for the General Fund and the Community Development Fund. The City revises the original budget over the course of the year for various reasons. Under the current reporting model, budgetary information continues to be provided and includes a comparison of the government’s original adopted budget to the current comparison of final budget and actual results. The City’s budget is prepared on a non-GAAP basis as described in Note 2.

(E) Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental activities in the government-wide statement are presented using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recognized when earned, and expenses are recognized when a liability has been incurred, regardless of the timing of related cash flows.

Governmental funds are accounted for using the current resource measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. General Fund tax revenues are considered measurable when they have been levied. To be considered available and thus susceptible to accrual, the real estate taxes must be collected within the City’s period of availability of sixty (60) days. Uncollected real estate taxes at the end of this period are reported as deferred revenues. Interest income and intergovernmental receivables (state and federal grants to the extent of allowable expenditures) are considered susceptible to accrual. The City considers all non-real estate taxes and other revenues reported in the governmental fund to be available if the revenues are collected within sixty (60) days. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures and other long-term liabilities, such as workers’ compensation, accrued claims and judgments, and both short and long-term compensated absences are recorded only when payment is due and payable.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

The City generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific situation.

Non-exchange transactions, in which the City receives value without directly giving value in return, include real estate and other taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

(F) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments, including trust and restricted assets, with an original maturity of three months or less. Note 3, Deposits and Investments, provides a detailed disclosure regarding cash, cash equivalents, and investments held by the City.

(G) Investments

Investments in all funds are carried at fair value. Investments consist of direct obligations of the U.S. government, money market funds, corporate and other obligations, guaranteed investments, money market trust funds, and repurchase agreements. Note 3, Deposits and Investments, provides a detailed disclosure regarding cash, cash equivalents, and investments held by the City.

(H) Due To/From Other Governments

Outstanding balances between the City and other governments are reported as due to/from other governments.

(I) Taxpayer Assessed Taxes Receivable

Local wage taxes and other miscellaneous City taxes are recorded in the City's accounts as taxpayer assessed receivables and revenue at the time of the underlying transactions. Taxes for which there is an enforceable legal claim as of December 31, 2011 but which were levied to finance fiscal year 2012 operations have been recorded as deferred revenue until such time as the taxes become due.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

(J) Other Receivables

Other City accounts receivable are recorded in the City's accounts as other receivables when earned, less an allowance for uncollectible accounts.

(K) Capital Assets

Capital assets acquired or constructed by the City are reported in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost. Capital assets with an initial individual cost of more than \$5,000 and estimated useful life in excess of one year. Gifts or contributions are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the estimated useful life of each capital asset. No depreciation expense is recorded for land and construction-in-progress. The value of the City's art collection is indeterminable and would not be material to capital assets as a whole. The estimated useful lives for capital assets are as follows:

| | |
|-------------------------|-------------|
| Furniture and fixtures | 3-5 years |
| Building and structures | 25-50 years |
| Equipment | 2-10 years |
| Infrastructure | 20-50 years |
| Vehicles | 2-10 years |

(L) Workers' Compensation

The City is self-insured for purposes of workers' compensation benefits. Both short-and-long-term amounts payable are reported within the government-wide financial statements only.

In order to qualify for and maintain self-insurance status, the City must comply with certain Commonwealth requirements. The requirements for 2011 are as follows:

- Maintain an irrevocable trust fund. The City's contribution to the fund is determined annually in negotiations with the Commonwealth Department of Labor.
- Satisfy the financial responsibility requirements of the Commonwealth of Pennsylvania.
- Establish liability reserves based upon expected future payments for all claims outstanding one year or more at the end of any fiscal year.

Presently, the irrevocable trust may be used by the State of Pennsylvania only in the event of default by the City under the self-insurance regulations. No risk financing activity is currently being recorded in this trust fund.

PWSA is also self-insured for general liability coverage and has established a Self-Insured Escrow Fund (general liability) to cover potential liability claims.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

(M) Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused compensated absences. For government-wide reporting, a liability is recorded for compensated absences when services are rendered, and employees have earned the right to receive compensation for such services.

Liabilities for compensated absences are not liquidated until leave is actually taken by employees or leave balances are paid upon termination. Accordingly, in the fund financial statements for governmental funds, no expenditure is reported for compensated absences until they are due and payable. Current and non-current portions of compensated absences totaling \$29,300,234 are recorded in the government-wide financial statements, and represent a reconciling item between the government-wide and fund presentations.

(N) Pensions

Through 2009, because the City has had no prior excess contributions or contribution deficiencies, its annual pension cost on the accrual basis is equivalent to its actuarially determined annual required contributions (see Note 7). Pension expenditures are recognized under the modified accrual basis within government funds to the extent of the City contributions. Contributions made to the Plan represent 100% of the minimum municipal obligation plus, starting in 2010, additional contributions to increase the funding level of the Plan.

(O) Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in governmental activities in the statement of net assets in the government-wide financial statements. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt in the government-wide financial statements. Bond premiums, discount, and issuance costs are recorded as current period costs in the governmental funds.

(P) Interfund Transactions

On fund financial statements, receivables and payables resulting from outstanding balances are classified as "Interfund receivables/payables." These amounts are eliminated in the governmental column of the statement of net assets. Flow of cash or goods from one fund to another without a requirement for repayment is reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

(Q) Encumbrances

The City uses encumbrance accounting for budgetary reporting, wherein purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation. Funding for all encumbrances lapses at year-end and re-

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

appropriation is required by the City Council with the exception of capital fund project encumbrances.

(R) Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets net of related debt consist of capital assets, net of accumulated depreciation, and related debt used in the acquisition or construction of capital assets. Net assets are reported as restricted when there are limitations imposed on their use through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Unrestricted net assets are available for use in the current period.

(S) Use of Estimates

Management of the City has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses, and the disclosure of contingent assets and liabilities to prepare their financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(T) Fund Balance

In the fund financial statements, governmental funds report fund balance in categories based on the level of restriction placed upon the funds. These levels are as follows:

- Nonspendable – This category represents funds that are not in spendable form and includes an advance between funds.
- Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. This category includes funds that are legally restricted for endowments, employee benefits, state and federal specific grants purposes and the Enterprise Planning Resource System.
- Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by City Council. Such commitment is made via a Council resolution or ordinance and must be made prior to the end of the fiscal year. Removal of this commitment requires an equal action by Council. Committed funds include funds for capital projects and specified program services as defined by the creation of the fund.
- Assigned – This category represents intentions of the City to use the funds for specific purposes. This category includes encumbrances and funds remaining for debt service.

CITY OF PITTSBURGH, PENNSYLVANIA

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YEAR ENDED DECEMBER 31, 2011

- Unassigned – This category represents all other funds not otherwise defined.

The City's policy is to use funds in the order of the most restrictive to the least restrictive.

(U) Pending Pronouncements

GASB has issued Statement No. 61, "*The Financial Reporting Entity: Omnibus*," effective for periods beginning after June 15, 2012. The objective of this statement is to improve financial reporting for a governmental financial reporting entity by modifying existing requirements for the assessment of potential component units. The effect of implementation of this statement has not yet been determined.

GASB has issued Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*," effective for periods beginning after December 15, 2011. This statement establishes accounting and financial reporting standards for the financial reporting statements of state and local governments by bringing together reporting literature in one place with the guidance modified as necessary. The effect of implementation of this statement has not yet been determined.

GASB has issued Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*," effective for the year ending December 31, 2012. This statement establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The effect of implementation of this statement has not yet been determined.

GASB has issued Statement No. 64, "*Derivative Instruments: Application of Hedge Accounting Termination Provisions*," effective for periods beginning after June 15, 2011. The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement is an amendment of GASB Statement No. 53 and sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The effect of implementation of this statement has not yet been determined.

(V) Adoption of Pronouncement

The City has adopted GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*." This statement's objective is to enhance the usefulness of fund balance information. As a result of this statement, the titles and definitions of governmental fund balances have changed. The statement requires that accounting changes to conform with the provisions of this statement should be applied retroactively by restating financial statements for all prior periods presented.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

Component Unit Disclosures:

Property Held for Redevelopment

Property held for redevelopment relates mainly to land and buildings held by the URA that is available for redevelopment. Depending on the nature of the redevelopment activity, the transfer of this property may consist of many forms: grant, subsidized or below-market sale, or an independent, market-based sale. These assets are held at the lower of cost or estimated net realizable value, if less than cost, and is offset by deferred revenue in the governmental funds. Estimated net realizable value is calculated once plans or disposition agreements are in place to dispose of property at less than cost. When assets are sold, the proceeds are either returned to the program to further its purposes or returned to the grantor agency that funded the original purchase.

Loans Receivable

URA loans receivable are recognized when the loan is established for loans with terms of 30 years or less. Loans with amortization terms greater than 30 years or which are repayable on a contingent basis, such as the sale of the property or completion of development, are treated as grants for accounting purposes and are recorded as expenditures when disbursed or are fully reserved.

URA amortizing loans are recorded at their principal balance due less an allowance for uncollectible accounts.

It is the URA's policy to provide for future losses on loans based on an evaluation of the current loan portfolio, current economic conditions, and such other factors which, in the URA's judgment, may impact collectability. At December 31, 2011, the total allowance for uncollectible loans, including those only repayable on a contingent basis and fully reserved at the time of issuance, was \$133 million.

Other Long-term Liabilities

An Agreement of Sale in Lieu of Condemnation (Agreement) was executed on April 14, 2004 between the Public Parking Authority and Greyhound Lines, Inc. (Greyhound). As stipulated in the Agreement, the Public Parking Authority purchased from Greyhound the property located at the corner of Liberty Avenue and 11th street for the purchase price of \$6,242,000 for the construction of the bus terminal that became fully operational on October 1, 2008. This amount will be recognized as revenue over the term of the initial lease. Greyhound leases the bus terminal from the Public Parking Authority. The lease calls for an annual base rent of \$1 for an initial term of 30 years with three consecutive 10 year extensions for an annual base rent of \$100,000. The balance of deferred rent/revenue at September 30, 2011 is \$5,617,800.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

2. BUDGETS AND BUDGETARY ACCOUNTING

1. **General Budget Policies** – As required by the Home Rule Charter, the City follows these procedures in establishing the budgetary data reflected in the financial statement:
 - a. On the second Monday of November preceding the fiscal year, the Mayor presents to City Council a General Fund and Community Development Fund operating budget and a capital budget for the succeeding fiscal year.
 - b. Public hearings are conducted to obtain the advice of other officials and citizens as part of the preparation of these budgets.
 - c. Before the beginning of the fiscal year, City Council adopts, by resolution, these budgets.
 - d. The adoption of the operating and capital budgets constitutes an appropriation or setting apart of funds from general resources of the City for purposes set forth in the budgets.
 - e. City Council may amend, by resolution, the operating budget within five weeks after the beginning of the fiscal year, but not thereafter except with the approval of the Mayor. The capital budget may, by resolution, be amended by City Council at any time.
 - f. City Council at all times may, by resolution, transfer funds from one account to another if the total operating budget amount is not exceeded. No revision to the budget may be made without City Council approval. The operating budget shall in any event, remain balanced at all times.
 - g. The capital budget is generally based on a proposed six year capital program, which must be updated each year and submitted to City Council by the Mayor at least 30 days prior to the day the operating budget is submitted. The capital budget also includes appropriations for the Community Development Fund. Budget and actual data for the Community Development Fund is reflected in the Community Development Fund. The remainder of the capital budget is reflected in the Capital Projects Fund.
 - h. Formal budgetary integration is employed as management control device for the General, the Community Development, and the Capital Projects Funds. Formal budgetary integration is not employed for the debt service fund since effective budgetary control is alternatively achieved through general obligation bond indenture provisions, nor for the other governmental funds since control is prepared on a project basis. The General, Community Development, and Capital Projects Funds have legally adopted annual budgets.
 - i. All budgets are prepared and controlled at the department level on a line item basis (i.e., salaries, supplies, equipment, miscellaneous services). Due to the voluminous number of projects, separately issued line item capital budget reports are available from the City Controller's Office. The General Fund and the Community Development Fund budget to actual comparisons at the legal level of appropriation are located within the financial statements.
 - j. Operating appropriations lapse at year-end. City Council can, however, authorize, by resolution, the carryover of appropriations to the following year. The Community Development and Capital Projects Funds appropriations carryover to subsequent years without formal re-appropriation.
 - k. Operation budget figures are amended by City Council with Mayoral approval. These budget amendments represent line item transfers between expenditures accounts and carryover of appropriations from the previous year. The approved original General Fund budget includes revenues of \$455.1 million and expenditures of approximately \$450.0
-

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

million in 2011. The budgetary expenditures, as amended, include carryover appropriation and other changes approved by City Council during 2011 of \$9.6 million; budgeted revenues were not amended during 2011 and remained as adopted.

2. Budgetary Basis of Accounting

The General Fund budget is adopted on a cash basis. Budgeted encumbrances for purchase commitments are treated as restrictions of available cash and as expenditures. Budgets in Capital Projects Funds are also adopted on a cash basis, except that budgets for each project are adopted on a project basis, which may encompass a period longer than one year. Accordingly, budget figures, as amended, for Community Development and Capital Projects Funds reflect current year appropriations and unexpended prior year's appropriations.

3. Excess Expenditures over Appropriations

The City had two negative variances in the General Fund where the amount spent exceeded the budget. They were:

- The amount transferred to the Capital Projects Fund of \$13.3 million was not budgeted. This was offset by local shares of slots revenue that was restricted by the ICA to go to capital projects and;
- The amount spent on pension exceeded the budget by \$14.6 million. This was funded mostly from Parking Tax Revenue committed for pension payments.

In both cases, the City decided to show the variances rather than amend the budget.

3. DEPOSITS AND INVESTMENTS

Both Pennsylvania statutes and City code provide guidelines for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits, and certificates of deposit. Both allow the pooling of funds for investment purposes. Neither the statutes, nor City code prescribe regulations related to demand deposits, however, all depositories of City funds must meet qualifying criteria set forth in Section 223 of the City code.

The investment policy of the City compliments state statutes and adheres to prudent business practice. There were no investment transactions during the year that were in violation of either the state statutes or the policy of the City.

GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*," requires disclosures related to the following deposit and investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. The following is a description of the City and its component units deposit and investment policies and related risk:

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

(A) Primary Government Funds and Agency Funds

Cash balances available for investment by most City funds are maintained in pooled bank and investment accounts to improve investment opportunities. Income from investment of pooled cash is recorded in the General Fund. Certain unrestricted and restricted cash and short-term investment balances in the accompanying balance sheet represent the undivided interest of each respective fund in the pooled accounts.

Investment policies permit the City to invest in the following:

1. U.S. Treasury Securities (bills, notes, bonds).
2. Obligations of specific agencies of the federal government where principal and interest is guaranteed by the U.S. government.
3. Fully insured or collateralized certificates of deposit at commercial banks and savings and loan associations accepted as depository institutions under the Pittsburgh City Code.
4. Money market mutual funds authorized by City Council whose portfolio consists of government securities issued by the U.S. government and that are fully guaranteed as to principal and interest.
5. Local government investment pools and or trusts as approved by the state legislature or City Council from time to time.
6. Repurchase agreements collateralized by the U.S. Treasury securities and marked to market. In order to participate in the repurchase agreement market, a depository must execute a master repurchase agreement contract with the City.

To ensure adequate liquidity, at least 10% but no more than 40% of the portfolio shall be in overnight repurchase agreements, money market funds, or other secure and liquid forms of acceptable investments. Unless specifically matched to a cash flow, at least 20% of the portfolio shall mature within 91 days with the maximum maturity of any investment to be no longer than one year from the date of purchase unless specifically approved in writing by the Director of Finance.

The City maintains compensating balances with some of its depository banks to offset specific charges for check clearing and other services.

Governmental Funds

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank or counterparty failure, the City's funds may not be returned to it. The City policy does not specifically address custodial credit risk. As of December 31, 2011, \$5,703,399 of the City's combined bank balances of \$25,670,645 subject to custodial credit risk were exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

CITY OF PITTSBURGH, PENNSYLVANIA

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Interest Rate Risk – The City’s investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates; the City investments must have maturities no greater than ten years within the constraint of meeting cash flow requirements. As of December 31, 2011, the City’s exposure to interest rate risk was limited to \$12,600,000, 12.4% of deposit and investment funds available, with a weighted average maturity period of 263 days.

Credit Risk – The City’s investment policy limits its investment choices based on government backed instruments and credit ratings by nationally recognized statistical rating organizations. \$62,153,444 of the City’s cash and cash equivalents are held in U.S. Treasuries and are therefore not exposed to this type of risk.

Agency Funds

Custodial Credit Risk – As of December 31, 2011, the City Agency Funds’ combined bank balances of \$9,829,222 were exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution’s name.

Interest Rate Risk – The City’s investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates; the City investments must have maturities no greater than ten years within the constraint of meeting cash flow requirements. As of December 31, 2011, the City’s Agency Funds had no exposure to interest rate risk.

Credit Risk – The City’s investment policy limits its investment choices based on government backed instruments and credit ratings by nationally recognized statistical rating organizations. \$5,000,000 of the City’s Agency Fund investments are held in U.S. Treasuries and are therefore not exposed to this type of risk.

(B) Pension Trust

Deposits are maintained by all entities within the Funds. The Comprehensive Municipal Pension Trust Fund (CMPTF) holds all investment vehicles on behalf of the Funds. The CMPTF was established on January 1, 1988 by combining the assets and liabilities of the three prior investment plans representing the City of Pittsburgh Police and Fire Departments and Non-uniformed Municipal workers in order to provide a consolidated investment strategy to support the City of Pittsburgh pension obligation.

The CMPTF is governed by a formal investment policy established by its Board of Directors (Board). The policy dictates that investments must be managed in a manner consistent with the Pennsylvania Municipal Pension Plan Funding Standard and Recovery Act (Act 205) and the Pennsylvania Fiduciaries Code. The policy covers the two components of the CMPTF: 1) the Operating Fund and 2) the Long-Term Assets. The Operating Fund is a liquidity pool to accept employee, employer and supplemental state contributions and to make benefit dispersals. As

CITY OF PITTSBURGH, PENNSYLVANIA

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such, the Operating Fund investments are restricted to high quality, very short duration fixed income instruments whose average maturity must not exceed six months and whose quality is restricted to investment grade and above securities. The Long-Term Asset component includes restrictions on both fixed income and equity investments as discussed below.

Deposits

Custodial Credit Risk – For a deposit, custodial credit risk is the risk that in the event of a bank failure, the combined deposits of the City’s pension funds may not be returned to it. There are no formal deposit policies specifically addressing custodial credit risk.

As of December 31, 2011, \$4,013,965 of the City’s pension \$29,531,045 combined bank balance was insured by the Federal Deposit Insurance Corporation. The remaining bank balance was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution’s name. \$3,878,641 of cash and cash equivalents were held at December 31, 2011 in the separate pension funds; the remaining \$25,652,404 was held in the CMPTF.

Investments

Long-term investments are all held by the CMPTF. These investments are assigned to professional asset managers that specialize in certain types of investments with oversight by an outside investment consultant and the Board in order to achieve an appropriate, diversified and balanced asset class mix to minimize portfolio risk.

The Investment Policy of the CMPTF dictates an allocation of 65% equity, 35% fixed income with a variation of 10% above or below these targets for each classification. At December 31, 2011, the CMPTF had been in compliance with this policy. Within each investment category there are specific policies to further address various types of risk compared to return.

As of December 31, 2011, the CMPTF had the following cash, cash equivalents, and investments in its pension trust fund:

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

| Investment Type | Fair Market Value |
|---|-----------------------|
| U.S. government and agency obligations | \$ 19,006,022 |
| Corporate debt | 18,872,964 |
| Other | 8,628,926 |
| Total debt securities | <u>46,507,912</u> |
| Cash and cash equivalents | 25,652,404 |
| Mutual funds: | |
| U.S. equities | 97,396,704 |
| Non-U.S. equities | 57,949,818 |
| Fixed income | 51,893,116 |
| Preferred and common stocks | 31,408,368 |
| Private equity | <u>11,438,594</u> |
| Total cash, cash equivalents, and investments | <u>275,739,004</u> |
| Combined total | <u>\$ 322,246,916</u> |

Concentration of Credit Risk – The CMPTF investment guidelines address this risk by requiring diversity and investment percentage limits. With the exception of Federal Government and Agency obligations, no one issue will comprise more than 10% of the aggregate fixed-income portfolio without the Board’s prior approval. In addition equity investment concentration in any single industry and in any company shall not exceed 25% and 5%, respectively, of the market value of the plan assets. To further reduce risk, diversification will also be achieved by using multiple managers whose styles and strategies are sufficiently distinctive. As of December 31, 2011, these limits have been met.

Interest Rate Risk - The CMPTF has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The schedule below details maturity by investment type.

| Cash or Investment Type | Fair Market Value | Investment Maturities from December 31, 2011 | | | |
|--|----------------------|--|----------------------|----------------------|----------------------|
| | | Less than 1 Year | 1-5 Years | 6-10 Years | More than 10 Years |
| U.S. government and agency obligations | \$ 19,006,022 | \$ - | \$ 1,605,426 | \$ 4,172,340 | \$ 13,228,256 |
| Corporate debt | 18,872,964 | 1,348,166 | 7,581,435 | 7,777,824 | 2,165,539 |
| Other | 8,628,926 | 1,615,506 | 3,417,508 | - | 3,595,912 |
| Total debt securities | <u>\$ 46,507,912</u> | <u>\$ 2,963,672</u> | <u>\$ 12,604,369</u> | <u>\$ 11,950,164</u> | <u>\$ 18,989,707</u> |

Credit Risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The policy guidelines of the CMPTF limit investments to Federal Government and Agency issues and corporate issues having a Moody’s rating of Aaa to Baa, with the exception that up to 20% of the fixed income assets may be allocated to high yield

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

fixed-income securities. The Pension trust fund's December 31, 2011 investments in corporate bonds have received the following ratings from Moody's:

| | <u>Moody's Credit Rating</u> | <u>% of Corporate Debt Portfolio</u> |
|----------------|----------------------------------|--|
| Corporate debt | Aaa | 20.38% |
| Corporate debt | Aa1 | 0.33% |
| Corporate debt | Aa2 | 2.94% |
| Corporate debt | Aa3 | 0.30% |
| Corporate debt | A2 | 0.95% |
| Corporate debt | BAA & below | 75.10% |
| | | <u>100.0%</u> |

The City's investment in mutual funds and U.S. Government agencies implicitly guaranteed by the U.S. Government were unrated.

(C) Pittsburgh Water and Sewer Authority (PWSA)

PWSA is authorized to invest in obligations of the U.S. government and government-sponsored agencies and instrumentalities; fully insured or collateralized certificates of deposit; commercial paper of the highest rating; repurchase agreements collateralized by government obligations or securities and highly rated bank promissory notes or investment funds or trusts; and, as to trustee assets, as otherwise permitted by the trust indenture as supplemented and amended in 1998. Throughout the year ended December 31, 2011, PWSA invested its funds in such authorized investments. PWSA does not have a formal investment policy that addresses custodial credit risk, interest rate risk, credit risk, or concentration of credit risk.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, PWSA's deposits may not be returned to it. As of December 31, 2011, \$32,889,000 of PWSA's bank balance of \$39,115,000 was exposed to custodial credit risk. These amounts are collateralized in accordance with Act 72 of the Pennsylvania state legislature which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have carrying amounts of \$41,676,000 as of December 31, 2011, all of which is reported as current assets in the statement of net assets.

In addition to the deposits noted above, included in cash and cash equivalents as noncurrent restricted assets on the statement of net assets are the following short-term investments: money market funds of \$2,901,000 and repurchase agreements of \$578,000.

At December 31, 2011, PWSA held the following investment balances:

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

| | <u>Carrying value</u> | <u>Maturity in years Less than 1 year</u> |
|---------------------------|-----------------------|---|
| Commonwealth of PA | | |
| Revenue Bonds (Guaranteed | | |
| Investment Contracts) | \$ 8,536 | \$ 8,536 |
| Money market | 2,901 | 2,901 |
| Repurchase agreements | 578 | 578 |
| Commercial paper | 38,193 | 38,193 |
| Total Investments | <u>\$ 50,208</u> | <u>\$ 50,208</u> |

The fair value of PWSA's investments is the same as their carrying amount, with the exception of the guaranteed investment contracts, which are carried at amortized cost. Investments of \$46,729,000 are included as noncurrent restricted investments on the statement of net assets. Investments of \$3,479,000, consisting of money market funds and repurchase agreements, are included as noncurrent restricted cash and cash equivalents on the statement of net assets.

Interest Rate Risk – Interest rate risk, the risk that changes in the interest rates will adversely affect the fair market value of the PWSA's investments. PWSA is not subject to interest rate risk as all of its investments at December 31, 2011 had maturities of less than one year.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. As of December 31, 2011, PWSA's investments in the guaranteed investment contracts were rated AA by Standard & Poor's. The counterparty to PWSA's guaranteed investment contracts is the Commonwealth of Pennsylvania. PWSA's investments in money markets were rated AA by Standard & Poor's. PWSA's investments in commercial paper at December 31, 2011 were rated A-1 by Standard & Poor's. Not all of the investments in commercial paper were rated. Additionally, at December 31, 2011, PWSA had various repurchase agreements. The underlying securities of these repurchase agreements consist primarily of U.S. Treasuries, and are therefore not subject to credit risk.

Concentration of Credit Risk – Concentrations of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. PWSA places no limit on the amount it may invest in any one issuer. More than five percent of PWSA's investments are in Fidelity Institutional Money Market, Wells Fargo/BLB Investment Agent, and Commonwealth of Pennsylvania. These investments are 5.8%, 65.2%, and 17.0%, respectively, of PWSA's total investments at December 31, 2011.

As further described in Note 9, PWSA has a derivative instrument that is accounted for as an investment. Credit and interest rate risks related to this investment are described in Note 9.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

(D) The Stadium Authority of the City of Pittsburgh (Stadium Authority)

The carrying amounts of the Stadium Authority included cash deposits and money market pooled investments held with banks as of March 31, 2011.

Interest Rate Risk – Although the Stadium Authority does not have a formal investment policy, it limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All the Stadium Authority's investments have short-term maturities.

Credit Risk – The Stadium Authority is subject to credit risk on investments. The maximum amount of loss the Stadium Authority would incur, if any, if the parties failed to perform on their obligation is limited to the amount recorded in the financial statements. The Stadium Authority does not hold any type of collateral on these investments.

Concentration of Credit Risk – The Stadium Authority places no limit on the amount that may be invested in any one issuer. The Stadium Authority maintains its cash and cash equivalent balances at three financial institutions. Non-interest bearing accounts are fully insured through December 31, 2012. Interest bearing deposits up to \$250,000 per institution constitute federally insured amounts. At March 31, 2011, \$629,902 of the Stadium Authority's cash and cash equivalent deposits were insured under federal insurance programs, with the balance of the cash and cash equivalents uninsured and uncollateralized. Credit risk is low, however, as a majority of the uninsured and uncollateralized balance is in either a bank money market product that invests in government-backed securities or a certificate of deposit.

(E) Public Parking Authority of Pittsburgh (Parking Authority)

Cash and Deposits

The Parking Authority's cash deposits and time deposits, which are insured by the Federal Deposit Insurance Corporation or which were not insured or collateralized in the Parking Authority's name, but were collateralized in accordance with Act 72 of the Pennsylvania State Legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. At September 30, 2011, the Parking Authority had a bank and book balance of \$9,305,682 and \$9,659,023, respectively. \$9,464,602 of the cash balance is restricted at September 30, 2011.

Investments

As of September 30, 2011, the Parking Authority had the following investments of which \$24,229,153 are restricted as to their use. Blackrock and J.P. Morgan investments are in Mutual Fund investment pools.

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NOTES TO FINANCIAL STATEMENTS

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| Investment | Amount | % of Total Investment | Maturity | September 30, 2011 Rating | |
|----------------------------------|---------------|--------------------------|------------|---------------------------|---------|
| | | | | Standard & Poor's | Moody's |
| J.P. Morgan US Gov Securities | \$ 21,448,173 | 49% | | AAAm | Aaa-mf |
| Blackrock Pif Temporary Fund | 18,897,427 | 43% | | AAAm | Aaa-mf |
| Federal Home Loan Bank Discount | 3,588,063 | 8% | 11/30/2011 | AAAm | Aaa-mf |
| Federated Prime Obligations Fund | 777 | | | AAAm | Aaa-mf |
| PNC Moneymarket | 101,192 | | | | |
| Total | \$ 44,035,632 | 100% | | | |

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

Credit Risk – The Pennsylvania Municipality Authorities Act of 1945 provides for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations and insured or collateralized time deposits; however, they do allow pooling of governmental funds for investment. The Parking Authority has no investment policy that would further limit its investment choices. The deposit and investment policy of the Parking Authority adheres to State statutes, related trust indentures, and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Parking Authority.

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

(F) Urban Redevelopment Authority (URA)

The URA is authorized to make investments of the following types pursuant to the Redevelopment Act which requires investments meet a “reasonable man” standard. Under the URA’s policy, authorized investments include (1) United States Treasury bills, (2) short-term obligations of the United States government or its agencies or instrumentalities, (3) deposits in savings accounts or time deposits or share accounts of institutions which are insured, (4) obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political subdivision thereof, 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, provided that the investments of that company meet the criteria of (1) through (4) above.

The deposit and investment practices of the URA and its component unit adhere to statutory and contractual requirements and prudent business practice. Deposits of the governmental funds are either maintained in demand deposits or savings accounts, and certificates of deposit. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the trust indentures.

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Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the URA’s deposits may not be returned to it. The URA does not have a formal policy for custodial credit risk. As of December 31, 2011, \$94,548,917 of the URA’s bank balance of \$113,994,783 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution’s name. As of December 31, 2011, the carrying amounts of the URA’s deposits were \$113,477,588.

As of December 31, 2011, \$871 of the component unit’s bank balance was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature. As of December 31, 2011, the carrying amounts of the component unit’s deposits were \$250,871.

In addition to the deposits noted above, included in the cash, cash equivalents, and investments were the following:

| | Fair market value | Maturity in years | | | | | | |
|---------------------|-------------------|-------------------|------------|--------------|--------------|---------------|---------------|--------------|
| | | Less than 1 year | 1-5 years | 6-10 years | 11-15 years | 16-20 years | 21-25 years | 26-28 years |
| Money Market Funds | \$ 32,105,031 | \$ 32,105,031 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| U.S. Treasury Bonds | 3,491,095 | - | - | 3,491,095 | - | - | - | - |
| Freddie Mac | 1,235,088 | - | - | - | - | - | 1,235,088 | - |
| GNMA | 12,079,497 | - | 15,768 | 1,495,262 | - | 72,879 | 7,766,734 | 2,728,854 |
| FNMA | 27,279,344 | - | 141,123 | 73,006 | 8,215,418 | 12,447,959 | 6,293,546 | 108,292 |
| Total | \$ 76,190,055 | \$ 32,105,031 | \$ 156,891 | \$ 5,059,363 | \$ 8,215,418 | \$ 12,520,838 | \$ 15,295,368 | \$ 2,837,146 |

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the URA’s investments. The URA’s policy is to attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the URA will not directly invest in securities maturing more than five years from the date of purchase or in accordance with state and local statutes and ordinances.

Certain investments are comprised of assets securitized in the secondary market from loans issued from the loan programs. The maturities noted in the table above reflect the final maturity of the respective security and does not take into consideration non-routine repayments on principal as it is not possible to forecast these repayments. It is management’s intention to hold these securities until maturity. Interest rates on these investments are fixed and principal and interest repayments from these investments will be used to repay the related debt service.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The URA has an investment policy that limits its investment choices based on credit qualifications by investment type. As of December 31, 2011, the URA’s investments in money market funds were rated AAA by Standard & Poor’s. The URA’s investments in Freddie Mac and FNMA were not rated as of December 31, 2011.

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Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The URA has a concentration of credit risk policy to monitor concentrations to single issuers on a quarterly basis. More than 5% of the URA's investments are in Fannie Mae asset-backed securities (49%).

4. TRANSACTIONS WITH THE PITTSBURGH WATER AND SEWER AUTHORITY (PWSA)

In July 1995, the City entered into a Cooperation Agreement and a Capital Lease Agreement (collectively referred to as the Agreements with PWSA).

(A) Cooperation Agreement

On January 1, 1995, the City water department employees became employees of PWSA. PWSA assumed workers' compensation and compensated absence liabilities, which had accrued during the era of the City's Water Department.

Direct costs of the System's water operations are now generally paid directly by PWSA under the Cooperation Agreement. The City continues to provide PWSA with various services in accordance with the Cooperation Agreement, and PWSA reimburses the City for direct and indirect costs attributed by the City to the operation and maintenance of the System.

Under the Agreements, PWSA provides up to 600 million gallons of water annually for the City's use without charge. PWSA also continues to reimburse the City for the cost of subsidizing water service to those residents of the City situated beyond PWSA's service area so that those water users pay charges that mirror the rates of PWSA.

(B) System Lease

The City and PWSA entered into a Capital Lease Agreement (Capital Lease), effective July 27, 1995, with a term of thirty years, commencing as of July 15, 1995 and ending on September 1, 2025. The Capital Lease stipulates minimum lease payments of approximately \$101,000,000, including interest, all of which have been paid. PWSA has the option to purchase the System in 2025 for \$1.

(C) Pension

As of December 31, 2003, the City has retained the pension obligation for PWSA's employees who participate in the City's Municipal Pension Plan. The extent of PWSA's participation in such obligation with respect to these employees whose membership continued upon becoming employees of PWSA is determined by the shared interpretation of the City and the PWSA of the intent of the Cooperation Agreement.

Uncertainty exists about the future obligation of PWSA and its employees to make contributions to the Plan. Such contributions are contingent upon the continuing eligibility of PWSA's

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employees to participate in the City's Plan. Eligibility for ongoing employee participation in the City's Plan could end if PWSA was to introduce another pension plan. At this time, PWSA and the City have no definite plans to establish another pension plan for PWSA, other than an agreement in principle that PWSA should have its own plan in the future. Future obligations of PWSA to make contributions to the Plan may also be subject to other amendments of the existing arrangement agreed upon by PWSA and the City.

See additional related party transaction disclosures for the URA, Stadium Authority, and Parking Authority in Note 14.

5. REAL ESTATE TAXES AND PROPERTY TAX REASSESSMENTS

Real Estate Taxes

The City has the power to levy and collect ad valorem taxes on all taxable real estate within its boundaries. Real estate is assessed by Allegheny County Office of Property Assessment pursuant to the terms of the General County Assessment Law and the Second Class County Assessment Law, which require property to be assessed at actual market value. Property is assessed by the Board at 100% of fair market value. The assessed value for 2011 was \$13,486,434,282.

A unified tax levy for land and buildings is made annually on January 1 and collected by the City. Taxes are payable annually or in three installments, at the taxpayers' option, normally due the last day of February, April 30, and July 31. A 2% discount is allowed on either the first installment or the full year tax payment, normally if paid by February 10. If no payment is received by the last day of February, the installment payment privilege is forfeited, and the entire tax for the year is considered delinquent. Penalty and interest is imposed on delinquent payments.

Delinquent taxes are liened every three years after the levy date. The City provides programs of tax abatement, administered by Allegheny County, for new construction and rehabilitation of residential and commercial/industrial properties pursuant to Commonwealth legislative authority. The residential abatement program provides for the abatement of taxes for a period of three years on the increased assessment attributable to new construction or rehabilitation up to an annually indexed average housing construction cost ceiling. The City makes tax abatements available for commercial/industrial properties for the assessment increase attributable to new construction.

Property Tax Reassessments

The City, as part of Allegheny County, had all property reassessed for the year 2001. Assessments are now based on 100% of market value. Due to the magnitude of the changes from the previous assessments, particularly in the ratio of land to building values, the City was forced to abandon its two-tiered or bifurcated tax, which had been in existence since 1913. The City now taxes land and building at the same unified rate and plans to maintain a unified rate unless land values are reassessed in the future. A court-ordered reassessment for Allegheny County, including the City of Pittsburgh, occurred during 2011. Currently, these reassessed values are to be used for the 2013 tax levy.

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City and School Real Estate Taxes (property taxes) are based on the assessed value of the property as determined by the Allegheny County Board of Assessors. The assessed value of a property is broken down by land value and building value. For 2011, the City's tax rate was 10.8 mills on the assessed value of the property. The School District of Pittsburgh's tax rate was 13.92 on mills assessed value. A mill is 1/10 of a cent. For example, on a property assessed at \$1,000, the City Real Estate tax would be \$10.80. The School District of Pittsburgh Real Estate Tax would be \$13.92.

Taxes are billed on a calendar year. There are two tax relief programs in the City. They are: Homestead and Senior tax relief.

The City has accrued for tax refunds and tax credits within accounts payable on the statement of net assets and governmental funds balance sheet (general fund) for payments received that are subject to refund.

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6. CAPITAL ASSETS

| | Balance January 1, 2011 | Additions | Deletions | Balance December 31, 2011 |
|---|----------------------------|-----------------------|-----------------------|------------------------------|
| Governmental activities: | | | | |
| Non-depreciable assets: | | | | |
| Land | \$ 45,602,091 | \$ - | \$ - | \$ 45,602,091 |
| Construction-in-progress | 3,372,001 | 3,472,111 | (2,109,622) | 4,734,490 |
| Total | <u>48,974,092</u> | <u>3,472,111</u> | <u>(2,109,622)</u> | <u>50,336,581</u> |
| Depreciable assets: | | | | |
| Buildings and systems | 88,778,564 | - | - | 88,778,564 |
| Accumulated depreciation | <u>(78,340,234)</u> | <u>(1,254,019)</u> | <u>-</u> | <u>(79,594,253)</u> |
| Net | <u>10,438,330</u> | <u>(1,254,019)</u> | <u>-</u> | <u>9,184,311</u> |
| Furniture and fixtures | 4,192,053 | - | - | 4,192,053 |
| Accumulated depreciation | <u>(4,067,873)</u> | <u>(35,067)</u> | <u>-</u> | <u>(4,102,940)</u> |
| Net | <u>124,180</u> | <u>(35,067)</u> | <u>-</u> | <u>89,113</u> |
| Machinery and equipment | 4,304,531 | - | - | 4,304,531 |
| Accumulated depreciation | <u>(4,017,271)</u> | <u>(199,212)</u> | <u>-</u> | <u>(4,216,483)</u> |
| Net | <u>287,260</u> | <u>(199,212)</u> | <u>-</u> | <u>88,048</u> |
| Vehicles | 63,307,145 | 2,167,042 | (2,501,693) | 62,972,494 |
| Accumulated depreciation | <u>(44,267,540)</u> | <u>(4,935,172)</u> | <u>2,293,620</u> | <u>(46,909,092)</u> |
| Net | <u>19,039,605</u> | <u>(2,768,130)</u> | <u>(208,073)</u> | <u>16,063,402</u> |
| Infrastructure | 177,810,167 | 2,109,622 | - | 179,919,789 |
| Accumulated depreciation | <u>(102,426,667)</u> | <u>(5,412,156)</u> | <u>-</u> | <u>(107,838,823)</u> |
| Net | <u>75,383,500</u> | <u>(3,302,534)</u> | <u>-</u> | <u>72,080,966</u> |
| Capitalized leases | 15,434,653 | - | - | 15,434,653 |
| Accumulated depreciation | <u>(5,273,165)</u> | <u>(771,733)</u> | <u>-</u> | <u>(6,044,898)</u> |
| Net | <u>10,161,488</u> | <u>(771,733)</u> | <u>-</u> | <u>9,389,755</u> |
| Total depreciable assets | 353,827,113 | 4,276,664 | (2,501,693) | 355,602,084 |
| Total accumulated depreciation | <u>(238,392,750)</u> | <u>(12,607,359)</u> | <u>2,293,620</u> | <u>(248,706,489)</u> |
| Net | <u>115,434,363</u> | <u>(8,330,695)</u> | <u>(208,073)</u> | <u>106,895,595</u> |
| Governmental activities, capital assets, net | <u>\$ 164,408,455</u> | <u>\$ (4,858,584)</u> | <u>\$ (2,317,695)</u> | <u>\$ 157,232,176</u> |

Depreciation expense was charged to functions/programs of the primary government as follows:

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| | |
|---|---------------|
| General government | \$ 1,611,909 |
| Public safety | 3,466,147 |
| Highways, streets, and other capital improvements | 5,412,157 |
| Sanitation | 902,553 |
| Public works | 1,050,831 |
| Culture and recreation | 163,762 |
| | \$ 12,607,359 |

Component unit's capital asset activity as presented for the year ended December 31, 2011 was as follows:

| | Balance January 1, 2011 | Additions | Deletions | Balance December 31, 2011 |
|------------------------------------|----------------------------|---------------|---------------|------------------------------|
| Component Units: | | | | |
| Non-depreciable assets: | | | | |
| Land | \$ 39,257,939 | \$ - | \$ - | \$ 39,257,939 |
| Construction-in-progress | 41,328,000 | 37,494,414 | 16,020,854 | 62,801,560 |
| Total | 80,585,939 | 37,494,414 | 16,020,854 | 102,059,499 |
| Depreciable assets: | | | | |
| Building and building improvements | 83,160,555 | 81,402 | - | 83,241,957 |
| Parking facilities | 160,418,503 | 15,349 | 35,176 | 160,398,676 |
| Machinery and equipment | 6,198,930 | 433,641 | 356,994 | 6,275,577 |
| Utility plant | 665,717,000 | 17,804,000 | - | 683,521,000 |
| Non-utility plant | 17,106,000 | 937,000 | - | 18,043,000 |
| Infrastructure | 2,241,369 | - | - | 2,241,369 |
| Total | 934,842,357 | 19,271,392 | 392,170 | 953,721,579 |
| Less: accumulated depreciation | (302,063,301) | (20,353,859) | (615,697) | (321,801,463) |
| Net | \$ 713,364,995 | \$ 36,411,947 | \$ 15,797,327 | \$ 733,979,615 |

7. PENSION PLANS

(A) Organization and Description of Plans

The City is responsible for the funding of retirement benefits for the three pension plans described below. Investments of the plans are held by the Comprehensive Municipal Pension Trust Fund (Comprehensive Trust), in accordance with the Municipal Pension Plan Funding Standard and Recovery Act of 1984 (Act 205), and are administered under the direction of that fund's Board.

In accordance with Act 205 and the Acts under which the Municipal Pension Plan of the City of Pittsburgh, the Policemen's Relief and Pension Plan of the City of Pittsburgh, and the Firemen's Relief and Pension Plan of the City of Pittsburgh were established; a separate accounting for the activities of these three plans is maintained including the employees' contributions, allocation of

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state aid and the City's annual contribution and a calculation of each Plan's undivided interest in the investments held by the Comprehensive Trust. Additionally, separate actuarial valuations are performed annually for each plan. However, the individual plans do not record the undivided interest in the investments in their individual plans since the assets of the Comprehensive Trust are available for the payments of benefits and expenses of any of the three pension plans without limitations. Therefore, in accordance with Governmental Accounting Standards, the City is considered to be administering a single plan for financial reporting purposes. The three pension plans plus the Comprehensive Trust constitute the City's Pension Plan.

The retirement plans issue a publicly available combined financial report that includes financial statements and required supplementary information. This report may be obtained by writing or calling the following:

City of Pittsburgh
Combined Pension Fund
C/O Department of Finance
City/County Building
Pittsburgh, PA 15219

The Municipal Pension Plan

The Municipal Pension Plan of the City of Pittsburgh (Municipal Plan) was established by Act 259 of May 28, 1915, P.L. 596. Every full-time employee of the City and the PWSA who is not covered by the Policemen's Plan or the Firemen's Plan is required to join the Municipal Plan after serving a 90-day probationary period. The Municipal Plan is a single employer defined benefit plan, and its purpose is to provide retirement, disability, and other benefits to its members. The City and members of the Municipal Plan are required to make contributions to the Municipal Plan for the purpose of paying benefits and administrative expenses. At January 1, 2011, the date of the most recent actuarial valuation, the Municipal Plan has 3,486 total members of which 1,829 are active members; 1,597 retirees, disabled, and survivors; and 60 terminated but vested members.

Effective January 1, 1995, the City terminated employment of the 255 employees of its Water Department. As part of a Cooperation Agreement with PWSA, the 255 terminated employees became employees of PWSA. The PWSA employees' membership in the Municipal Plan continued with no break in service, as provided for by the Municipal Pension Act, because PWSA has no retirement plan. The City considers PWSA a part of the reporting entity and thus believes the plan continues to be a single employer plan. As of the date of these financial statements, no separate allocations of contributions to the Plan, Plan assets, or Plan liabilities have been allocated to the employees of PWSA, nor have any actuarial determinations been made. PWSA reimburses the City's General Fund for its portion of employer contributions in an amount which is not actuarially determined.

Retirement benefits are available at the employee's option upon attainment of age 60, and completion of 20 years of service, normal retirement. A plan member is eligible for early

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retirement upon attainment of age 50 and completion of eight years of service. For early retirees, benefit payments may be deferred until 60 years of age, or paid immediately at reduced amounts, as defined by the Plan. Upon completion of eight years of service and attainment of age 40, an employee may terminate and remain eligible to receive benefits by continuing to make contributions to age 50. An employee who was a member prior to January 1, 1975 may terminate at any age after 15 years of service and be vested by continuing contributions to age 50.

Employees who become permanently disabled during the performance of their duties and who are unable to continue to perform those duties are eligible to receive a disability pension. Employees who become otherwise disabled are eligible for a disability pension if eight years of service have been completed.

The retirement benefit for employees who became members of the Municipal Fund before January 1, 1975, is 55% of the first \$650 of average monthly compensation plus 30% of the amount in excess of \$650. Prior to January 1, 2002, the benefits for employees who became members after December 31, 1974, were reduced by 50% of the Social Security benefit. Beginning January 1, 2002, such benefits are no longer reduced by the Social Security benefits for certain classes of employees. All members receive a service increment of 1% of three year average pay, four year average pay if hired after December 31, 1987, for each year of service in excess of 20, to a maximum of \$100 per month. The retirement benefit for employees with less than 20 years of service is prorated. The percentage calculation is actual # of years of service/240. In addition, for employees electing the program who have not attained the age of 60, the retirement benefit is reduced by ½% for each month that payments commence prior to age 60, except for those hired before January 1, 1975, with 25 years of service. Average monthly compensation is defined as the average of salaries and wages during the highest 36 months of the final 60 months preceding retirement, excluding overtime. In 2001, an ordinance was passed to permit an election to change the method of calculation to be consistent with employees hired after January 1, 1988 and the elimination of the offset from social securities benefits received. Under the 2001 Ordinance, average monthly compensation is defined as the last 36 consecutive months of contributory earnings immediately preceding retirement or termination of services.

A member who meets the disability requirements, but who is not eligible to retire, is entitled to a disability benefit based upon his earnings at the date of disability without proration for service less than 20 years. For eligible employees hired on or after January 1, 1988, the following rules apply:

- a. If an employee is age 60 or older with eight years of service, the employee will receive his normal retirement benefit.
- b. If an employee becomes disabled before attaining age 60, but with at least eight years of service, his benefit will be calculated as though he was age 60 with his service being the greater of 1) his service at disablement or 2) the lesser of 20 years and his completed service assuming he had continued to work until age 60.

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- c. The above benefit will be reduced so that the combination of this benefit and the employee's monthly workers' compensation benefit shall not exceed the employee's regular salary level at the time of disablement.

A survivor benefit is available to the surviving spouse upon the death of an active member eligible for early retirement. The benefit amount is equal to 50% of the member's pension had the member retired at the date of death. A survivor benefit equal to the excess of the member's contributions over the retirement benefits paid is provided to the beneficiary of a member whose death occurs after the retirement date. The member's contributions are returned to the beneficiary of a member whose death occurs prior to eligibility for early retirement.

Normal retirement is upon attainment of age 60 and completion of 20 years of service. A plan member is eligible for early retirement upon attainment of age 50 and completion of eight years of service. For early retirees, benefit payments may be deferred until 60 years of age or paid immediately at reduced amounts.

Prior to January 1, 2002, upon termination and prior to vesting, a member's contributions were refundable without interest to the member. Beginning January 1, 2002, contributions were refundable with 5% interest for certain classes of employees. Employee contributions to the Plan are 5% of pre-tax pay for employees hired prior to January 1, 1988 and 4% of pre-tax pay for those hired thereafter.

Costs related to healthcare reimbursement and Medicare benefits are considered part of the pension plan and are included in the Municipal Plan's MMO calculation.

The Policemen's Relief and Pension Plan

The Policemen's Relief and Pension Plan of the City of Pittsburgh (Policemen Plan) was established by Act 99 of May 25, 1935, P.L. 233. The Policemen Plan is a single employer defined benefit plan and its purpose is to provide retirement, disability, and other benefits to its members. P.L. 233 requires the City and members of the Policemen Plan to make contributions to the Policemen Plan for the purpose of paying benefits and administrative expenses.

All employees of the Bureau of Police, including substitute uniformed employees, are eligible for membership in the Plan. At January 1, 2011, the Policemen Plan has 2,429 total members of which 880 are active members; 1,534 retirees, disabled, and survivors; and 15 terminated members not yet receiving benefits.

Retirement benefits are available at the employee's option upon completion of 20 years of service and attainment of age 50. Employees who become permanently disabled in the line of duty, and who are unable to perform the duties of their position, are eligible to receive a disability pension. Employees who become permanently disabled other than in the line of duty become eligible to receive a disability pension if they have completed ten years of service.

Employees hired prior to January 1, 1992 receive pension benefits equal to 50% of the highest 12 months' base salary at the time of retirement. Employees hired after December 31, 1991

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receive a pension benefit based on highest 36-month base salary. An arbitration award dated March 30, 1992 changed the method used to calculate pension benefits for employees. Under the new method, pension benefits are determined on the basis of the last 36 months base salary instead of the last 48 months average pay for employees hired on or after January 1, 1992.

Service increments of \$20 per month for each year of service between 20 and 25 years and \$25 per month for each year in excess of 25 years are included in the retirement benefit. A death benefit is available for the survivors, as defined by the plan, of any member who dies in the performance of his duties. A surviving spouse benefit, which is applicable to deaths not in the line of duty, may also be elected by plan participants.

Effective January 1, 1989, regular pensioners receiving benefits prior to January 1, 1984 and disabled pensioners receiving benefits prior to January 1, 1985 received an increase in benefits based upon retirement year.

An employee, who terminates employment after 20 years of service, and before age 50, is considered fully vested in the plan. The accrued benefit is payable at age 50 and is based on base salary at the time of termination. A terminated member may elect to continue making contributions to the plan, equal to the contribution rate of their rank at the time of termination. In this event, the monthly benefit payable at age 50 will be based on the rate of pay which would have been in effect had the employee continued to work until age 50. If a member terminates employment before completing 20 years of service, accumulated employee contributions are refundable.

Employee contributions to the Policemen Fund are 6% of pay plus \$1 per month. Those electing the surviving spouse benefit contribute an additional 1/2% of pay.

The Firemen's Relief and Pension Plan

The Firemen's Relief and Pension Plan of the City of Pittsburgh (Firemen Plan) was established by Act of May 25, 1933, P.L. 1050. The Firemen Plan is a single employer defined benefit plan. Its purpose is to provide retirement, disability, and other benefits to its members. P.L. 1050 requires the City and members of the Firemen Plan to make contributions to the Firemen Plan for the purpose of paying benefits and administrative expenses.

All employees of the Bureau of Fire, including the commanding officer and chief of the bureau, are eligible for membership in the Firemen Plan. At January 1, 2011, the Firemen Plan had 1,735 total members of which 611 are active members; 1,124 retirees, disabled, and survivors; and 0 terminated members not yet receiving benefits.

Retirement benefits are available at the employee's option upon completion of 20 years of service for any participant employed before January 1, 1976, or for those years employed thereafter, completion of 20 years service and attainment of age 50. Employees who become permanently disabled in the line of duty and who are unable to perform the duties of their position are eligible to receive a disability pension. Employees who become permanently

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disabled other than in the line of duty become eligible to receive a disability pension if they have completed ten years of service.

The regular pension benefit is equal to 50% of the average wages earned during any three calendar years of service or the last 36 months average pay immediately preceding retirement. A service increment of \$20 per month in 1991 and thereafter is paid each member for each year of service in excess of 20. A surviving spouse benefit may also be elected by plan participants, which is applicable to deaths not in the line of duty. A lump-sum death benefit of \$1,200 is paid to the beneficiary of any deceased member.

Normal vesting occurs upon attainment 20 years of service. If a retiree is under the age of 50, the retiree must make contributions to the plan until the age of 50 to qualify for a monthly pension at age 50. Upon termination of employment a member's contributions, without accumulation of interest, are refundable.

Employee contributions to the Firemen Plan are 6% of pay plus \$1 per month. Those electing the surviving spouse benefit contribute an additional 1/2% of pay.

(B) Funding Status and Progress

In 1984, the Pennsylvania General Assembly passed the "Municipal Pension Plan Funding Standard and Recovery Act" (Recovery Act), which has improved the administration and funding of all municipal pension plans. The Recovery Act made changes to the actuarial reporting requirements for municipalities, set forth minimum municipal pension contributions, and established the framework for customized recovery programs for municipalities with large unfunded pension liabilities.

In accordance with the Municipal Pension Plan Funding Standard and Recovery Act of 1984 (Act 205), the City established the Comprehensive Municipal Pension Trust Fund Board (Comprehensive Trust) in August 1987. The Board's purpose is to oversee the activities of the City's pension plans and to receive and invest the City's pension assets.

The City has three defined benefit pension plans (Municipal, Policemen, and Firemen), which are administered by respective pension boards, the majority of whose members are elected by the employees. The Policemen and Firemen Plans cover all employees of the Bureau of Police and the Bureau of Fire, respectively. Each full-time employee not covered under either the Policemen's or Firemen's Plan is required to join the Municipal Plan after serving a 90-day probationary period.

The Commonwealth pension contributions are determined under Act 205. The City is eligible for the maximum remedies available under Act 205. To qualify, the City is required to fund an amount equal to normal cost and the amortization payment required to eliminate the unfunded liability over a 40-year period less any member contributions.

Act 205 contains both mandatory and optional remedies for municipalities to design a program for dealing with unfunded pension liabilities. The mandatory remedies implemented by the

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City were the development and adoption of an administrative improvement plan for its pension fund, the establishment of lower cost pension plans for new hires, and the aggregation of all the City's pension assets for investment purposes under the guidance of a new oversight board (the Comprehensive Municipal Pension Trust Fund Board). The Comprehensive Trust, which is comprised of seven members, four appointed by the Mayor and approved by Council and one elected from each plan, manages the investments of all pension assets and provides funds for each plan's monthly payment of benefits and administrative expenses from plan net assets. The optional remedies initially selected by the City were: 40-year amortization of the unfunded liability, level percent amortization, and a 15-year phase-in allowing the City to gradually increase its pension contributions.

Act 189 of 1990 amended the provisions of Chapter 3 of Act 205. Amendments require (1) annual payroll used in the calculation of financial requirements to be that of the current year (of the calculation) plus projected payroll to the end of the year and (2) an estimated state aid amount not be deducted from the total financial requirements in determining the minimum municipal obligation. The revised definition of the Minimum Municipal Obligation (MMO) is effective for MMO's developed and adopted for budgeting purposes subsequent to 1991. Additionally, the provisions for payment of the MMO were revised to require any one of three alternative methods, more fully described in Act 189, and payment of the MMO is to occur by December 31 of each year. The Commonwealth of Pennsylvania provides pension aid grants to local municipalities. The City received increased State aid (\$26.9 million) in 2011, due to a one-time increase in State pension funding.

Commonwealth of Pennsylvania Act 44 of 2009 required the City's aggregate pension funding level to be at least 50 percent by December 31, 2010 to avoid having the City's pension funds seized and administered by the Pennsylvania Municipal Retirement System. The City's plan to meet this level of funding included transferring approximately \$45 million to the Comprehensive Trust Fund which was in the Debt Service Reserve Fund in 2010 and dedicating parking tax revenues for the next 31 years. Per Council legislation, the City intends to contribute parking tax revenues of \$13.4 million per year from 2011 through 2017 and \$26.8 million per year from 2018 through 2041. While the present value of the dedicated future parking tax revenues for future pension contributions did not meet the criteria for recognition as an asset in the City's financial statements, it was treated as an actuarial asset for purposes of funding levels under Commonwealth of Pennsylvania Act 44 of 2009 and the City was determined to have met the required funding level to avoid takeover of the City pensions by the Pennsylvania Municipal Retirement System.

For the year ended December 31, 2011, the City did contribute \$68.7 million to the Pension Trust Fund, which included \$13.4 million in an additional contribution of dedicated parking tax revenue.

During 2011, the City assumed the fire department of a neighboring community, Wilkinsburg Borough. An amount of \$1.9 million was transferred directly into the Comprehensive Trust Fund from the neighboring community's pension plan to fund the pension obligations of the assumed employees for their service prior to employment by the City. This amount is reflected

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as Contributions-Wilkinsburg Fire Department on the Statement of Changes in Fiduciary Net Assets.

Annual Required Contribution

The City's annual required contribution for the past three years is depicted in the following table.

| Fiscal Year Ended | (\$ in Thousands) | | |
|------------------------------|-------------------|-----------|-----------|
| | Municipal | Policemen | Firemen |
| December 31, 2011: | | | |
| Annual required contribution | \$ 10,637 | \$ 21,028 | \$ 14,831 |
| Contribution made | 14,922 | 29,506 | 20,811 |
| December 31, 2010: | | | |
| Annual required contribution | \$ 10,334 | \$ 20,429 | \$ 14,408 |
| Contribution made | 23,246 | 45,952 | 32,410 |
| December 31, 2009: | | | |
| Annual required contribution | \$ 10,158 | \$ 20,241 | \$ 14,116 |
| Contribution made | 10,158 | 20,241 | 14,116 |

Significant assumptions underlying the actuarial computations include mortality, termination, vesting, marital status, and retirement estimates, as well as the following:

| | Municipal | Policemen | Firemen |
|-------------------------------|------------------------|------------------------|------------------------|
| Actuarial valuation date | 1/1/2011 | 1/1/2011 | 1/1/2011 |
| Actuarial cost method | Entry age normal | Entry age normal | Entry age normal |
| Amortization method | Level dollar Closed | Level dollar Closed | Level dollar Closed |
| Remaining amortization period | 27 years | 27 years | 27 years |
| Asset valuation method | Tabular Smoothing | Tabular Smoothing | Tabular Smoothing |
| Actuarial assumptions: | | | |
| Investment rate of return | 8.00% | 8.00% | 8.00% |
| Projected salary increases | 4.00% | 5.00% | 5.75% |
| Inflation rate | 3.50% | 3.50% | 3.50% |
| Merit and longevity increases | 0.50% | 1.50% | 2.25% |

The 1/1/11 Police actuarial report reflects the City's decision to change the salary scale assumptions from 5.75% to 5.00%; this change decreases the Police Plans actuarial accrued liability by \$3.5 million. The merit and longevity increases were also changed from 2.25% to 1.5%.

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Required contributions were impacted by the City's 1998 general obligation bond issue, which was used to make a \$250,000,000 contribution to the plan and reduce an accumulated unfunded actuarial liability.

Employer contributions reported in the statement of changes in fiduciary net assets include contributions for other post employment benefits which are not included in the Annual Required Contribution calculation, as further discussed in Note 8.

The City has a net pension asset (a negative net pension obligation (NPO)) as of December 31, 2011 calculated as follows:

(Amounts expressed in thousands)

| | Municipal | Policemen | Firemen |
|------------------------------|-------------|-------------|-------------|
| Annual required contribution | \$ 10,637 | \$ 21,028 | \$ 14,831 |
| Interest on NPO | (597) | (923) | (979) |
| Adjustment to the ARC | 685 | 974 | 1,399 |
| Annual pension cost | 10,725 | 21,079 | 15,251 |
| Contribution made | 14,922 | 29,506 | 20,811 |
| Change in NPO | (4,197) | (8,427) | (5,560) |
| NPO, 12/31/2010 | (12,912) | (25,523) | (18,002) |
| NPO, 12/31/2011 | \$ (17,109) | \$ (33,950) | \$ (23,562) |

Three Year Trend Information

(Amounts expressed in thousands)

| Fiscal Year Ending | Pension Plan | Annual Pension Cost (APC) | Total Contributions as a Percentage of Annual Pension Cost | Net Pension Obligation (Asset) |
|-----------------------|-----------------|------------------------------------|---|--------------------------------------|
| 12/31/2011 | Municipal | \$ 10,725 | 139.1% | \$ (17,109) |
| | Policemen | 21,079 | 140.0% | (33,950) |
| | Firemen | 15,251 | 136.5% | (23,562) |
| 12/31/2010 | Municipal | \$ 10,334 | 224.9% | \$ (12,912) |
| | Policemen | 20,429 | 224.9% | (25,523) |
| | Firemen | 14,408 | 224.9% | (18,002) |
| 12/31/2009 | Municipal | \$ 10,158 | 100.0% | \$ - |
| | Policemen | 20,241 | 100.0% | - |
| | Firemen | 14,116 | 100.0% | - |

At January 1, 2011, the membership of the three pension plans consisted of:

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| Status | Municipal | Policemen | Firemen | Total |
|--|-----------|-----------|---------|-------|
| Retirees and beneficiaries of deceased retirees currently receiving benefits | 1,597 | 1,534 | 1,124 | 4,255 |
| Terminated employees - vested | 60 | 15 | - | 75 |
| Total | 1,657 | 1,549 | 1,124 | 4,330 |
| Active members | 1,829 | 880 | 611 | 3,320 |
| Total membership | 3,486 | 2,429 | 1,735 | 7,650 |

The City's funded status and related information as of the actuarial valuation date, January 1, 2011, with the initial date of August 31, 2011, is as follows (in thousands):

| Actuarial Value of Assets | Actuarial Accrued Liability (AAL) Entry Age | Excess of Assets Over (Under) AAL | Funded Ratio | Covered Payroll | Excess (Deficiency) as a Percentage of Covered Payroll |
|---------------------------|---|-----------------------------------|--------------|-----------------|--|
| Municipal: | | | | | |
| \$ 132,461 | \$ 282,683 | \$ (150,222) | 46.86% | \$ 81,444 | (184.45)% |
| Policemen: | | | | | |
| \$ 127,118 | \$ 390,254 | \$ (263,136) | 32.57% | \$ 67,225 | (391.43)% |
| Firemen: | | | | | |
| \$ 133,839 | \$ 339,135 | \$ (205,296) | 39.46% | \$ 49,516 | (414.61)% |

The City's funded status and related information as of the actuarial valuation date, January 1, 2011, as revised, with a report date of September 12, 2011, is as follows (in thousands):

| Actuarial Value of Assets | Actuarial Accrued Liability (AAL) Entry Age | Excess of Assets Over (Under) AAL | Funded Ratio | Covered Payroll | Excess (Deficiency) as a Percentage of Covered Payroll |
|---------------------------|---|-----------------------------------|--------------|-----------------|--|
| Municipal: | | | | | |
| \$ 187,042 | \$ 282,683 | \$ (95,641) | 66.17% | \$ 81,444 | (117.43)% |
| Policemen: | | | | | |
| \$ 235,013 | \$ 390,254 | \$ (155,241) | 60.22% | \$ 67,225 | (230.93)% |
| Firemen: | | | | | |
| \$ 209,937 | \$ 339,135 | \$ (129,198) | 61.90% | \$ 49,516 | (260.92)% |

The revised information reflects assets reflected in the pension financial statements along with the dedicated stream of revenues created by Ordinances 42 and 44 of 2010, treated as an asset for purposes of submission to the Commonwealth of PA for Act 205 of 1984 and Commonwealth Act 44 of 2009.

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The required schedule of funding progress included as required supplementary information immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Schedules of funding progress are presented on page 95.

8. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits disclosed in Note 7, resolutions of City Council, State statutes, and labor agreements have provided for certain postemployment benefits, other than pension benefits, known as (“OPEB”) to be provided to retirees or their beneficiaries. Through December 31, 2011, the City funds all City contributions on a pay-as-you-go basis. Such benefits are primarily funded through annual appropriations from the City's General Fund and trusts designated for those purposes. Post-retirement benefits consisting of health care benefits, Medicare reimbursements and life insurance for firefighters and police officers and life insurance for certain municipal employees.

Benefit provisions for the plan is established and amended through negotiations between the City and the respective unions.

Funding Policy. The City's contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2011, the City contributed \$18,434,232 to the plan. By December 31, 2011, the City also put \$500,000 in an employee benefit agency fund awaiting transfer to an OPEB irrevocable trust. Employees are not required to make contributions for basic life insurance. Employees contribute to health care costs at a flat rate based on wages and family size. As of April 2012, the City is in the process of setting up an irrevocable trust fund to accumulate funds for the unfunded OPEB liability.

Annual OPEB Cost. The City's annual OPEB cost (expense) for the plan is calculated based on the annual required contribution of *the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of

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sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plans, and changes in the City's net OPEB obligations, as well as the assumptions used to calculate the net OPEB obligation:

| | |
|---|-----------------------------|
| Annual required contribution | \$ 38,199,505 |
| Interest on net OPEB obligation | 2,041,824 |
| Adjustment to annual required contribution | <u>(2,785,571)</u> |
| Annual OPEB cost | 37,455,758 |
| Contributions made | <u>18,434,232</u> |
| Increase (decrease) in net OPEB obligation | 19,021,526 |
| Net OPEB obligation (asset) beginning of year | <u>43,274,201</u> |
| Net OPEB obligation (asset) end of year | <u><u>\$ 62,295,727</u></u> |

| | |
|---------------------------------------|-----------------------------------|
| Actuarial valuation date | 1/1/2010 |
| Actuarial cost method | Entry Age |
| Amortization method | Level dollar |
| Asset valuation method | N/A - the plans are unfunded |
| Remaining amortization period | 30 years - Open |
| Actuarial assumptions: | |
| Investment rate of return | 4.5% |
| Projected salary increases - 1 | 5.75% |
| Health care inflation rate | 9% in 2010, grading to 5% in 2018 |

1 - Projected salary increase for municipal is 4.00%.

For the Actuarial Valuation report dated January 1, 2010, the actuarial value of assets is zero, the actuarial accrued liability is \$488.6 million for a funded ratio of zero.

Three-Year Trend Information

| <u>Year Ending</u> | <u>Annual OPEB Cost (AOC)</u> | <u>Percentage of AOC Contributed</u> | <u>Net OPEB Obligation (Asset)</u> |
|--------------------|-----------------------------------|--|--|
| December 31, 2011 | \$ 37,455,758 | 49% | \$ 62,295,727 |
| December 31, 2010 | 37,771,319 | 55% | 43,274,201 |
| December 31, 2009 | 29,521,658 | 68% | 26,122,417 |

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Component Unit:

Parking Authority

The Parking Authority Post Employment Healthcare Plan is a single-employer defined benefit healthcare plan administered by the Parking Authority. There is no separate audit requirement. The plan provides medical and dental insurance benefits to eligible retirees and their spouses. The following table shows the components of the Parking Authority's annual OPEB cost, the amount actuarially contributed to the plan, and the changes in the net OPEB obligation for the year ended September 30, 2011:

| | |
|--|-------------------|
| Annual OPEB cost (expense) | \$ 161,074 |
| Interest on net OPEB obligation | 33,011 |
| Adjustment to annual required contribution | (98,557) |
| Contributions made | <u>(37,044)</u> |
| Increase in net OPEB obligation | 58,484 |
| Net OPEB obligation - beginning of year | <u>550,183</u> |
| Net OPEB obligation - end of year | <u>\$ 608,667</u> |

The Parking Authority's annual OPEB cost and the percentage of annual OPEB cost contributed to the plan was \$95,528 and 38.787%, respectively. As of October 1, 2010, the date of the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$857,983, all of which was unfunded. The covered payroll was \$2,675,858, and the ratio of unfunded actuarial accrued liability to cover payroll was 32.10%. The contributions made as a percentage of required contributions were 76.04%. The contributions were made on a pay-as-you-go basis.

In the October 1, 2010, actuarial valuation, the following actuarial assumptions were used: Actuarial cost method – Entry age normal; Interest rate – 6%; Amortization method – Level dollar; Amortization period – Seven years.

9. LONG-TERM LIABILITIES

The maximum amount payable for future maturities of bond and interest on general long-term debt at December 31, 2011 and changes in bond principal for the year then ended are summarized below:

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| | Principal | | | | Interest |
|--|-------------------------------------|---|-----------------------------|-------------------------------------|----------------|
| | Outstanding at December 31, 2010 | Bonds paid or defeased and discount amortized during 2011 | Bonds issued during 2011 | Outstanding at December 31, 2011 | |
| Council and Public Election General Obligation Bonds: | | | | | |
| Eight general obligation bond issues with rates ranging from 4.0% to 6.60%. The bonds are payable from general revenues. | | | | | |
| 2011 | \$ 51,845,000 | \$ 51,845,000 | \$ - | \$ - | \$ - |
| 2012 | 54,675,000 | - | - | 54,675,000 | 32,754,603 |
| 2013 | 57,535,000 | - | - | 57,535,000 | 29,887,752 |
| 2014 | 60,580,000 | - | - | 60,580,000 | 26,849,077 |
| 2015 | 63,865,000 | - | - | 63,865,000 | 23,557,491 |
| 2016 | 67,415,000 | - | - | 67,415,000 | 20,031,240 |
| 2017-2021 | 196,870,000 | - | - | 196,870,000 | 51,131,427 |
| 2022-2024 | 78,395,000 | - | - | 78,395,000 | 7,988,805 |
| Subtotal | 631,180,000 | 51,845,000 | - | 579,335,000 | 192,200,395 |
| Less: | | | | | |
| Unamortized bond issuance costs | (4,519,225) | (552,786) | - | (3,966,439) | - |
| Unamortized bond discounts/premiums | 16,556,705 | 2,186,888 | - | 14,369,817 | - |
| Excess cost on debt refinancing | (9,879,160) | (1,148,679) | - | (8,730,481) | - |
| | \$ 633,338,320 | \$ 52,330,423 | \$ - | \$ 581,007,897 | \$ 192,200,395 |

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Discretely Presented Component Units

Debt related to URA supported by the City (debt recorded in the separate URA financial statements)

Future maturities of bond principal on URA related indebtedness supported by the City as of December 31, 2011 are as follows:

| | Principal | | | | |
|---|-------------------------------------|---|-----------------------------|-------------------------------------|--------------|
| | Outstanding at December 31, 2010 | Bonds paid or defeased and discount amortized during 2011 | Bonds issued during 2011 | Outstanding at December 31, 2011 | Interest |
| Urban Redevelopment Authority | | | | | |
| Taxable Revenue Bonds: | | | | | |
| One Special Tax Development Bond with interest rates of 5.0%. The bonds are payable solely from the City's assignment to URA of certain Allegheny Regional Asset District revenues. | | | | | |
| 2011 | \$ 6,205,000 | \$ 6,205,000 | \$ - | \$ - | \$ - |
| 2012 | 6,525,000 | - | - | 6,525,000 | 1,218,750 |
| 2013 | 6,880,000 | - | - | 6,880,000 | 894,875 |
| 2014 | 11,175,000 | - | - | 11,175,000 | 553,625 |
| | \$ 30,785,000 | \$ 6,205,000 | \$ - | \$ 24,580,000 | \$ 2,667,250 |

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Debt related to URA supported by the City (debt not recorded in the separate URA financial statements)

| | Principal | | | | Interest |
|---|-------------------------------------|---------------------------|-----------------------------|-------------------------------------|---------------------|
| | Outstanding at December 31, 2010 | Bonds paid during 2011 | Bonds issued during 2011 | Outstanding at December 31, 2011 | |
| Urban Redevelopment Authority | | | | | |
| Taxable Revenue Bonds: | | | | | |
| Seven tax increment financing (TIF) bonds with interest rates ranging from 5.4% to 8.1% and one TIF note with variable interest rates. Terms of the TIF require repayments of principal and interest solely from tax increment generated in districts and related agreements. | | | | | |
| 2011 | \$ 1,793,980 | \$ 1,847,180 | \$ 53,200 | \$ - | \$ - |
| 2012 | 1,336,967 | 141,257 | 176,112 | 1,371,822 | 990,611 |
| 2013 | 1,451,652 | 161,437 | 192,623 | 1,482,838 | 893,714 |
| 2014 | 1,575,922 | 177,947 | 205,464 | 1,603,439 | 788,616 |
| 2015 | 1,885,615 | 207,299 | 229,312 | 1,907,628 | 669,052 |
| 2016 | 1,322,108 | 229,313 | 243,989 | 1,336,784 | 559,874 |
| 2017-2021 | 5,526,033 | 1,089,694 | 1,065,845 | 5,502,184 | 1,506,615 |
| 2022-2025 | 2,494,921 | - | - | 2,494,921 | 349,950 |
| | <u>17,387,198</u> | <u>3,854,127</u> | <u>2,166,545</u> | <u>15,699,616</u> | <u>5,758,432</u> |
| Total Urban Redevelopment Authority debt supported by the City | <u>\$ 48,172,198</u> | <u>\$ 10,059,127</u> | <u>\$ 2,166,545</u> | <u>\$ 40,279,616</u> | <u>\$ 8,425,682</u> |

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URA debt recorded by URA (includes PDF Trust Bonds supported by the City)

The following is a summary of changes in long-term obligations of the URA for the year ended December 31, 2011:

| | Balance at December 31, 2010 | Additions | Retirements | Balance at December 31, 2011 |
|---|---------------------------------|--------------|---------------|---------------------------------|
| URA: | | | | |
| Mortgage Revenue Bond Program | \$ 74,710,000 | \$ - | \$ 19,475,000 | \$ 55,235,000 |
| PDF Trust bonds | 30,785,000 | - | 6,205,000 | 24,580,000 |
| Bank loan | 3,058,661 | - | 107,789 | 2,950,872 |
| Total proprietary fund debt | 108,553,661 | - | 25,787,789 | 82,765,872 |
| Bank loans | 7,281,884 | 4,575,000 | 5,398,470 | 6,458,414 |
| HUD Section 108 loans | 25,469,000 | - | 1,344,000 | 24,125,000 |
| Compensated absences | 533,891 | - | 960 | 532,931 |
| Original issue premium | 354,706 | - | 88,676 | 266,030 |
| Deferred interest | (3,264,128) | - | (816,032) | (2,448,096) |
| Total debt and other long-term obligations | 138,929,014 | 4,575,000 | 31,803,863 | 111,700,151 |
| URA Component Units: | | | | |
| Pittsburgh Housing Development Corporation: | | | | |
| Bank construction loans | 315,035 | 425,411 | 152,935 | 587,511 |
| Total Component Unit Debt | 315,035 | 425,411 | 152,935 | 587,511 |
| Total debt and other long-term obligations - reporting entity | \$ 139,244,049 | \$ 5,000,411 | \$ 31,956,798 | \$ 112,287,662 |

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

Parking Authority Debt

Future maturities of bond and note principal on Parking Authority indebtedness at September 30, 2011 are as follows:

| | Principal | | | | |
|--|--------------------------------------|---|--|--------------------------------------|---------------|
| | Outstanding at September 30, 2010 | Bonds paid or defeased and discount amortized during 2011 | Bonds and notes issued during 2011 | Outstanding at September 30, 2011 | Interest |
| Parking Authority Revenue Bonds and Notes: | | | | | |
| Seven revenue bond issues with interest rates ranging from 2.0% to 5.0%. These bonds are payable from revenue from Parking Authority operations. | | | | | |
| 2011 | \$ 4,805,000 | \$ 4,805,000 | \$ - | \$ - | \$ - |
| 2012 | 5,145,000 | - | - | 5,145,000 | 3,728,721 |
| 2013 | 5,515,000 | - | - | 5,515,000 | 3,489,568 |
| 2014 | 4,553,239 | - | - | 4,553,239 | 3,233,737 |
| 2015 | 4,503,814 | - | - | 4,503,814 | 4,196,558 |
| 2016 | 4,459,795 | - | - | 4,459,795 | 4,248,347 |
| 2017-2021 | 24,877,114 | - | - | 24,877,114 | 19,259,341 |
| 2022-2026 | 32,645,000 | - | - | 32,645,000 | 7,597,162 |
| 2027 | 8,295,000 | - | - | 8,295,000 | 710,753 |
| | 94,798,962 | 4,805,000 | - | 89,993,962 | 46,464,187 |
| Plus: Appreciated value on Cap. Apprec. Bonds | 3,732,156 | 756,714 | - | 4,488,870 | - |
| Plus: Bond premium | 1,908,281 | (323,293) | - | 1,584,988 | - |
| Less: Unamortized discount | (45,779) | 2,832 | - | (42,947) | - |
| Less: Deferred amount on refinancing | (2,993,605) | 402,225 | - | (2,591,380) | - |
| Total | \$ 97,400,015 | \$ (3,966,522) | \$ - | \$ 93,433,493 | \$ 46,464,187 |

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

Pittsburgh Water and Sewer Authority Debt

Future maturities of bond and note principal on PWSA indebtedness at December 31, 2011 are as follows:

| | Outstanding at December 31, 2010 | Bonds paid or defeased and discount amortized during 2011 | Bonds and notes issued during 2011 | Outstanding at December 31, 2011 | Interest |
|---|-------------------------------------|---|--|-------------------------------------|-----------------------|
| Pittsburgh Water and Sewer Authority | | | | | |
| Revenue Bonds: | | | | | |
| Five revenue refunding bonds with interest rates ranging from 4.04% to 6.61%, and one note with variable interest rate. The bonds are payable from revenue from Water and Sewer operations. | | | | | |
| 2011 | \$ 16,069,000 | \$ 16,069,000 | \$ - | \$ - | \$ - |
| 2012 | 13,739,000 | - | 1,148,000 | 14,887,000 | 26,940,190 |
| 2013 | 15,448,000 | - | 1,166,000 | 16,614,000 | 26,214,534 |
| 2014 | 16,563,000 | - | 1,184,000 | 17,747,000 | 25,337,744 |
| 2015 | 17,328,000 | - | 1,202,000 | 18,530,000 | 24,618,394 |
| 2016 | 16,892,000 | - | 161,600 | 17,053,600 | 24,008,420 |
| 2017-2021 | 85,265,000 | - | 3,116,400 | 88,381,400 | 115,083,949 |
| 2022-2026 | 118,120,000 | - | 6,381,000 | 124,501,000 | 113,827,201 |
| 2027-2031 | 135,845,000 | - | 468,000 | 136,313,000 | 154,151,089 |
| 2032-2036 | 149,500,000 | - | - | 149,500,000 | 47,432,580 |
| 2037-2040 | 185,740,000 | - | - | 185,740,000 | 14,031,403 |
| | <u>770,509,000</u> | <u>16,069,000</u> | <u>14,827,000</u> | <u>769,267,000</u> | <u>571,645,504</u> |
| Less net bond discount (premium) | 2,086,000 | 138,000 | - | 1,948,000 | - |
| Less unamortized discount on 1998 bonds | (84,442,000) | (3,377,000) | - | (81,065,000) | - |
| Less deferred refunding loss | (25,363,000) | (1,663,000) | - | (23,700,000) | - |
| Total | <u>\$ 662,790,000</u> | <u>\$ 11,167,000</u> | <u>\$ 14,827,000</u> | <u>\$ 666,450,000</u> | <u>\$ 571,645,504</u> |

Guaranteed Debt of Non-Component Unit

The Public Auditorium Authority is now a part of the Sports and Exhibition Authority, which is not a component unit of the City. The following debt was guaranteed by the City when the Public Auditorium Authority was a component unit of the City. As of December 31, 2011, the City continues to guarantee the debt.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

| | Principal | | | | |
|--|-------------------------------------|---|--|-------------------------------------|------------|
| | Outstanding at December 31, 2010 | Bonds paid or defeased and discount amortized during 2011 | Bonds and notes issued during 2011 | Outstanding at December 31, 2011 | Interest |
| Public Auditorium Authority Revenue Bonds: | | | | | |
| One bond issue with interest rates ranging from 3.45% to 4.0%. The City's share of debt service on these bonds is payable from general revenues. | | | | | |
| 2011 | \$ 197,500 | \$ 197,500 | \$ - | \$ - | \$ - |
| 2012 | 207,500 | - | - | 207,500 | 51,055 |
| 2013 | 225,000 | - | - | 225,000 | 43,896 |
| 2014 | 232,500 | - | - | 232,500 | 36,021 |
| 2015 | 237,500 | - | - | 237,500 | 27,651 |
| 2016 | 250,000 | - | - | 250,000 | 18,983 |
| 2017-2018 | 240,000 | - | - | 240,000 | 14,383 |
| Total | \$ 1,590,000 | \$ 197,500 | \$ - | \$ 1,392,500 | \$ 191,989 |

(A) Council and Public Election General Obligation Bonds

During February 2012, the City issued General Obligation Bonds Series A of 2012 in the principal amount of \$43,220,000, and Series B of 2012 in the principal amount of \$71,275,000. The bond proceeds from Series A of 2012 will be used to currently refund the City's 2002A Bonds. The bond proceeds from Series B of 2012 will be used to finance various capital projects. The Series 2012 A General Obligation Bonds bear interest at rates ranging from 2.0% to 5.00%. The Series 2012 B General Obligation Bonds bear interest at 5.00%. Principal payments are due during various years through September 2026 on the Series 2010 A, and B Bonds. Interest is due semi-annually in March and September on Series A and B beginning in September 2012.

General Obligation Bonds - Series of 2008 A

On September 11, 2008, the City issued \$66,775,000 of General Obligation Refunding Bonds, Series A with an average interest rate of 5.08%. These consisted of serial bonds all bearing a fixed rate ranging from 5.0% to 5.25% with maturities commencing on September 1, 2009 and continuing annually through September 2017. Net proceeds of \$69,573,696 (including a bond premium of \$3,292,711 and bond issuance costs of \$494,016) were used to advance refund the General Obligation Bonds, Series 1998D for \$69,400,000. The proceeds were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds will be considered defeased and related liability for the bonds is removed from the City's liabilities.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

General Obligation Bonds - Series of 2006 A, B, & C

On May 10, 2006, the City issued \$53,615,000 of General Obligation Bonds, Series 2006A with an average interest rate of 5.44%, \$140,560,000 of General Obligation Bonds, Series 2006B with an average interest rate of 5.16% and \$47,800,000 of General Obligation Bonds, Series 2006C, with an average interest rate of 5.25%. These consisted of serial bonds all bearing a fixed rate from 4.00% to 5.54% with maturities commencing on September 1, 2006 and continuing annually through September 2018. Net proceeds of \$201,483,507 (including a bond premium of \$9,650,477 and bond issuance costs of \$2,341,970) were used to advance refund various series of bonds.

The net proceeds of the General Obligation Bonds of \$50 million (including a bond premium of \$3,466,728, bond issuance costs of \$679,249 and a transfer of debt service of \$585,515) are being used to fund capital projects from 2006 through 2008.

The City's General Obligation Bonds Series 1993A, 2002A, 2003A, 2005A, and 2005B were issued to refunding previous series issued for capital projects. The 1998 Series ABC bonds were issued to fund the City's Pension Fund.

Below is a schedule of the City's General Obligation Bonds as of December 31, 2011:

| Serial Bonds | Coupon or Ceiling Rate of Interest | Amount Outstanding |
|--|--|-----------------------|
| 1993A | 5.50% | \$ 13,805,000 |
| 1998A, B, C | 6.30% - 6.60% | 231,005,000 |
| 2002A | 5.00% - 5.50% | 46,455,000 |
| 2003A | 5.00% - 5.50% | 13,535,000 |
| 2005A | 5.00% | 35,355,000 |
| 2006 B | 5.00% - 5.25% | 140,535,000 |
| 2006 C | 4.25% - 5.25% | 47,800,000 |
| 2008 A | 5.00% - 5.25% | 50,845,000 |
| Subtotal | | 579,335,000 |
| Less: Unamortized bond issuance costs | | (3,966,439) |
| Add: Unamortized bond discounts/premiums | | 14,369,817 |
| Less: Prepaid interest on debt refinancing | | (8,730,481) |
| Total general obligation bonds payable | | \$ 581,007,897 |

The City's uninsured Bond Debt ratings are Moody's Baa1 and Standard & Poor's BBB and the City's insured Bond Debt ratings are Moody's A-1, and Standard & Poor's BBB as of December 31, 2011.

In 1993, 1998, 2002, 2005, 2006, and 2008 the City refunded certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

the refunded bonds. Accordingly, neither the assets held in trust nor the refunded bonds appear in the accompanying financial statements. The outstanding balance of defeased bonds at December 31, 2011 is \$308,435,000.

(B) Stadium Authority

During the Stadium Authority's fiscal year March 31, 2006, the Stadium Authority obtained three long-term loans to finance the West General Robinson Street Garage. The Employee Real Estate Construction Fund loan totaling \$16.7 million has a 25-year amortization and a 10-year term. Principal and interest at a rate of 7.5% through June 30, 2010, and 7% beginning July 1, 2010 are payable annually. The Strategic Investment Fund loan totaling \$3.5 million has a 15-year amortization and a 10-year term. Principal and interest at a rate of 6.5% are payable annually. The Infrastructure Development Program loan for \$1.25 million has a term of 20 years with a 2% interest rate. The first principal payment is due December 1, 2011. The outstanding balances at March 31, 2011 are \$16,004,473, \$3,098,958, and \$1,250,000, respectively for the three loans.

(C) Pittsburgh Water and Sewer Authority

On September 23, 2003, PWSA issued \$167,390,000 of Water and Sewer System Revenue Refunding Bonds (2003 Bonds). The proceeds of the 2003 Bonds were used to provide funds for the current refunding of a portion of the 1993 Bond Series. In connection with the 2003 debt refundings, PWSA recorded a deferred refunding adjustment of \$3,162,000 which is being amortized as an adjustment to interest expense over the life of the bonds using the effective interest method.

The 2003 Bonds were issued at a bond discount of \$830,000, which is being amortized as an adjustment to interest expense over the life of the bonds using the effective interest method.

The 2003 Bonds bear interest at rates ranging from 1.45% to 4.75%. Interest is payable in semiannual installments on March 1 and September 1 until maturity. Stated maturities for the 2003 Bonds are at various face amounts on September 1 of each year beginning September 1, 2004 through 2023. The 2003 Bonds, which mature after September 1, 2014, are subject to redemption prior to maturity at the option of PWSA.

During March 2007, PWSA issued \$158,895,000 Series 2007 First Lien Water and Sewer Revenue Bonds ("2007 Bonds"): \$43,720,000 Series A of 2007 (fixed rate), \$57,585,000 Series B-1 of 2007 (variable rate demand), and \$57,590,000 Series B-2 of 2007 (variable rate demand). The purpose of this bond issue was to refund the Series 2002 and Series 2005 Bonds (the refunded bonds). In connection with the debt refundings, PWSA recorded a deferred refunding loss of \$6,032,000 which is being amortized as an adjustment to interest expense over the life of the bonds using the effective interest method. At December 31, 2011, the principal of the defeased Series 2002 Bonds outstanding was \$89,830,000 and the defeased 2005 Bonds outstanding was \$44,355,000.

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

The 2007 Bonds were issued at a bond premium of \$2,660,000, which is being amortized as an adjustment to interest expense over the life of the bonds using the effective interest method. Bond issuance costs of \$598,000 are also being amortized over the life of the 2007 Bonds using the effective interest method.

The 2007 Series A Bonds bear interest at rates ranging from 4.00% to 5.00%. Interest is payable in semi-annual installments on March 1 and September 1 until maturity. The 2007 Series A Bonds are subject to extraordinary redemption prior to maturity at the option of PWSA in the event of a condemnation, damage or destruction of the water and sewer system.

The 2007 Series B Bonds bear interest at a variable rate with interest payments due on the first business day of each month. The 2007 Series B Bonds that mature on September 1 of 2018-2033 are subject to mandatory sinking fund redemption.

During May 2008, PWSA issued \$93,635,000 Series 2008 Water and Sewer System First Lien Revenue Bonds ("2008 Fixed Rate Bonds"): \$68,970,000 Series A of 2008 (fixed rate, taxable) and \$24,665,000 Series D-1 of 2008 (fixed rate). The purpose of this bond issue was to advance refund portions of certain maturities of the Series 1993A and Series 2003 Bonds, to fund the costs of certain capital additions, to fund the premium for the Bond Insurance Policy securing payments on 2008 Fixed Rate Bonds, and to fund termination payments on certain interest rate swaps.

During June 2008, PWSA issued \$320,515,000 Series 2008 Water and Sewer System First Lien Revenue Bonds ("2008 Variable Rate Demand Bonds"): \$145,495,000 Series B of 2008 (variable rate demand), \$51,910,000 Series C-1 of 2008 (variable rate demand), \$51,885,000 Series C-2 of 2008 (variable rate demand), and \$71,225,000 Series D-2 of 2008 (variable rate demand). The purpose of this bond issue was to currently refund the Series 1998A and Series 1998C, to currently refund certain maturities of the Series 2007 B-1 and Series 2007 B-2 Bonds, to advance refund certain maturities of the Series 1998B Bonds, to fund approximately \$98 million of certain capital additions, to fund the premium for the Bond Insurance Policy securing payments on 2008 Variable Rate Demand Bonds, and to fund termination payments on certain interest rate swaps.

In connection with these advance refundings, portions of the proceeds of the 2008 Bonds were deposited into irrevocable trusts with an escrow agent to provide for certain debt service payments on the refunded bonds. The advance refunding resulted in a deferred refunding loss of \$18,119,000 that will be amortized as an adjustment to interest expense over the life of the 2008 Bonds using the effective interest method. At December 31, 2011, the principal of the defeased Series 1993A Bonds outstanding was \$16,875,000 and the defeased 2003 Bonds outstanding was \$26,130,000. The maturity value of defeased 1998B compound interest bonds outstanding at December 31, 2011 was \$19,300,000.

The Taxable 2008 Series A Bonds bear interest at rates ranging from 6.36% to 6.61%. Interest is payable in semi-annual installments on March 1 and September 1 until maturity. The Taxable 2008 Series A Bonds are subject to optional redemption, in whole or in part, on any date, at the

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

option of the Authority. The Taxable 2008 Series A Bonds that mature in 2018 and 2024 are subject to mandatory sinking fund payments beginning in 2017 and continuing through 2024.

The 2008 Series D-1 Bonds (together with the Taxable 2008 Series A Bonds are the 2008 Fixed Rate Bonds) bear interest at rates ranging from 4.50% to 5.00%. Interest is payable in semi-annual installments on March 1 and September 1 until maturity. The 2008 Series D-1 Bonds which mature on or after September 1, 2019 are subject to optional redemption, in whole or in part, on any date, at the option of the PWSA at any time on or after September 1, 2018, at 100% of the principal amount plus accrued interest.

The 2008 Series B, C, and D-2 Bonds (2008 Variable Rate Bonds) as originally offered bear interest at a variable rate with interest payments due on the first business day of each month. Interest rates are reset weekly; the fluctuating rate per annum to be determined by the respective remarketing agents. The weekly rate is subject to a cap of 12% per annum.

During the second part of 2009, the Authority reoffered the 2008 Series B Bonds and the 2008 Series C-1 variable rate bonds. The 2008 Series B Bonds had an outstanding principal amount of \$145,495,000 and the 2008 C-1 bonds had an outstanding principal balance of \$51,910,000 at the time of reoffering.

The Series B Bonds were reoffered on October 16, 2009. The reason for this reoffering was the replacement of expiring standby bond purchase agreements on these variable rate bonds with letters of credit. Bank of America is the letter of credit provider on the Series B-1 Bonds (\$72,750,000) and PNC is the letter of credit provider on the Series B-2 Bonds (\$72,745,000). The reoffering did not change the interest rate mode on these variable rate bonds.

The 2008 Series C-1 bonds were reoffered in two separate reofferings. On November 10, 2009, \$25,000,000 was reoffered in a term interest rate mode. The interest rate on these bonds is fixed at 2% for two years. After the two-year period, the interest rate will reset. During August 2011, the 2008 Series C-1-A, B and C bonds were again reoffered. The bonds were reoffered at a term rate of .45% through September 2012. The new reoffered bonds are as follows: Series C1-A \$10,000,000; Series C1-B \$10,000,000, and Series C1-C \$5,000,000.

During November 2009, the remaining C-1 Bonds were reoffered as the C1-D Series of \$26,910,000. These bonds were also issued in a term interest rate mode, fixing the interest rate at 2.625% through September of 2012.

Credit facilities for the 2008 Series C1-A, C1-B, and C1-C bonds are provided by the Federal Home Loan Bank. Liquidity facilities provided by JP Morgan Chase on the 2007 B-1, 2007 B-2 and 2008 C-2 Series bonds have been renewed and are set to expire on June 10, 2014 for the 2007 B-1 and B-2 Series and June 9, 2014 for the 2008 C-2 Series. The Authority renewed the standby purchase agreements on the Series 2007 B-1 (face \$41.32 million) and 2007 B-2 (face \$41.33 million) bonds for two years, expiring June of 2012. During 2011, the Authority renewed the Series 2008 C-2 (face \$51.89 million) and Series 2008 D-2 (face \$71.23 million) for two years, expiring June 2014, with JP Morgan Chase and PNC Bank respectively.

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Variable Rate Bonds are subject to optional redemption, in whole or in part, on any date, at the option of the Authority. The 2008 Series B Bonds that mature on September 1 of 2039 are subject to mandatory sinking fund redemption. The 2008 Series C Bonds that mature on September 1 of 2035 are subject to mandatory sinking fund redemption. The 2008 Series D-2 Bonds that mature on September 1 of 2040 are subject to mandatory sinking fund redemption.

The 2008 Series Bonds are subject to extraordinary redemption prior to maturity at the option of PWSA in the event of a condemnation, damage, or destruction of the water and sewer system.

The 2008 Fixed Rate Bonds were issued at a bond premium of \$824,000 which is being amortized as an adjustment to interest expense over the life of the bonds using the effective interest method. Bond issuance costs of \$7,459,000 including \$5,036,000 of swap termination fees, are also being amortized over the life of the Bonds using the effective interest method.

The 2008 Variable Rate Bonds issuance costs of \$9,337,000 including \$594,000 of swap termination fees, are being amortized over the life of the Bonds using the effective interest method.

Variable rate bonds require a liquidity facility and/or a letter of credit. PWSA is subject to the risk that the bank does not renew the credit facility and/or that the pricing changes throughout the life of the bonds. Additionally, PWSA purchased insurance as a credit enhancement on the variable rate bonds. Trading spreads on the bonds and the preservation of the liquidity facility may be largely linked to the credit quality of the insurance provider. Therefore, if there is an event that would adversely affect the investor's perception of the credit quality of the insurer, PWSA could be subject to paying higher credit spreads on the bonds and risk losing the liquidity facility.

Swap Transactions

| Notional Amount | Effective Date | Maturity Date | Interest Rate Paid | Interest Rate Received | Counterparty Credit Rating | Underlying Bonds |
|-----------------|----------------|---------------|--------------------|------------------------|----------------------------|------------------|
|-----------------|----------------|---------------|--------------------|------------------------|----------------------------|------------------|

Hedging derivatives, cash flow hedges, receive variable - pay fixed, interest rate swaps:

| | | | | | | |
|---------------|-----------|----------|--------|-------|-----|-----------------|
| \$ 41,325,000 | 3/9/2007 | 9/1/2033 | 3.932% | SIFMA | Aaa | Series 2007 B-2 |
| 41,320,000 | 3/9/2007 | 9/1/2033 | 3.932% | SIFMA | Aa1 | Series 2007 B-1 |
| 72,747,500 | 6/12/2008 | 9/1/2039 | 4.038% | SIFMA | Aaa | Series 2008 B-1 |
| 41,518,000 | 6/12/2008 | 9/1/2035 | 3.998% | SIFMA | Aaa | Series 2008 C |
| 72,747,500 | 6/12/2008 | 9/1/2039 | 4.038% | SIFMA | Aa1 | Series 2008 B-2 |
| 71,225,000 | 6/12/2008 | 9/1/2040 | 4.103% | SIFMA | Aa1 | Series 2008 D-2 |

Investment derivatives, receive variable - pay fixed, interest rate swaps:

| | | | | | | |
|---------------|-----------|----------|--------|-------|-----|---------------|
| \$ 62,277,000 | 6/12/2008 | 9/1/2035 | 3.998% | SIFMA | Aa1 | Series 2008 C |
|---------------|-----------|----------|--------|-------|-----|---------------|

Total swap market value at December 31, 2011 is (\$117,907,000).

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YEAR ENDED DECEMBER 31, 2011

During fiscal year 2008, PWSA entered into five pay-fixed, receive-variable interest rate swap contracts. The interest rate swaps were effective June 12, 2008. Beginning September 1, 2008, PWSA began to make semi-annual interest payments on the 1st of each March and September through September 1, 2035 (two swaps); September 1, 2039 (two swaps); and, September 1, 2040 (for one swap), respectively. The Counterparties make monthly interest payments on the 1st of each calendar month, which began July 1, 2008 through September 1, 2035 for two of the swaps; September 1, 2039 for two of the swaps; and, September 1, 2040 for one swap.

The intention of the 2008 swaps is to effectively change PWSA's variable interest rate on the \$145,495,000 Water and Sewer System (Variable Rate Demand) First Lien Revenue Refunding Bonds Series B of 2008, on the \$71,225,000 Water and Sewer System (Variable Rate Demand) First Lien Revenue Bonds Series D-2 of 2008, and on the \$103,795,000 Water and Sewer System (Variable Rate Demand) Subordinate Revenue Refunding Bonds Series C of 2008 (the bonds) to synthetic fixed rates of 4.038%, 4.103%, and 3.998%, respectively.

The bonds will accrue interest at a weekly rate that is determined by a remarketing agent on each effective rate date. The interest rate on the bonds may not exceed 12%. Per the interest rate swap agreements, PWSA will receive SIFMA Municipal Swap Index while paying fixed rates of 4.038%, 4.103%, and 3.998%, respectively.

The interest payments on the interest rate swaps are calculated based on notional amounts, all of which reduce, beginning on September 1, 2012 for the 2008 C Bonds, September 1, 2032 for the 2008 D2 Bonds, and September 1, 2035 for the 2008 B Bonds, so that the notional amounts approximate the principal outstanding on the respective bonds. The interest rate swaps expire consistent with the final maturity of the respective bonds.

During fiscal year 2007, PWSA entered into two pay-fixed, receive-variable interest rate swap contracts. The interest rate swaps were effective March 9, 2007. Beginning September 1, 2007, PWSA began to make semi-annual interest payments on the 1st of each March and September through September 1, 2033. The Counterparties makes monthly interest payments on the 1st of each calendar month, beginning April 1, 2007 through September 1, 2033.

The intention of the 2007 swaps is to effectively change PWSA's variable interest rate on the \$41,320,000 Water and Sewer System (Variable Rate Demand) First Lien Revenue Refunding Bonds Series B-1 of 2007 and on the \$41,325,000 Water and Sewer System (Variable Rate Demand) First Lien Revenue Refunding Bonds Series B-2 of 2007 (the bonds) to synthetic fixed rates of 3.932%, respectively.

The bonds will accrue interest at a weekly rate that is determined by a remarketing agent on each effective rate date. The interest rate on the bonds may not exceed 12%. Per the interest rate swap agreements, PWSA will receive SIFMA Municipal Swap Index while paying a fixed rate of 3.932%.

The interest payments on the interest rate swaps are calculated based on notional amounts, both of which reduce, beginning on September 1, 2018, so that the notional amounts approximate the

CITY OF PITTSBURGH, PENNSYLVANIA

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principal outstanding on the respective bonds. The interest rate swaps expire on September 1, 2033 consistent with the final maturity of the bonds.

Accounting and Risk Disclosures

During the year ended December 31, 2011, PWSA paid \$17,016,000, fixed and received \$801,000, variable related to their outstanding swap agreements.

As noted in the tables above, current period changes in market value for the interest rate swaps that are accounted for as hedges are recorded on the statement of net assets as deferred outflows. Additionally, current period changes in market value for the interest rate swap accounted for as an investment is recorded on the statement of revenues, expenses and changes in net assets as a component of investment income.

The cumulative fair market value of the outstanding interest rate swaps of December 31, 2011 are reported on the statement of net assets as a swap liability.

PWSA has the ability to early terminate the interest rate swaps and to cash settle the transaction on any business day by providing at least two business days written notice to the counterparty. Evidence that PWSA has sufficient funds available to pay any amount payable to the counterparty must be provided at the time notice is given. At early termination, PWSA will be required to pay or receive a settlement amount which is comprised of the market value of the terminated transaction(s) based on market quotations and any amounts accrued under the contract(s).

Through the use of derivative instruments such as this interest rate swap, PWSA is exposed to a variety of risks, including credit risk, interest rate risk, termination risk, basis risk, and rollover risk.

- Credit risk is the risk that a counterparty will not fulfill its obligations. The credit ratings by Moody's Investors Service, Inc., a nationally recognized statistical rating organization for the respective counterparties are listed in the table above. If a counterparty failed to perform according to the terms of the interest rate swap agreement, there is some risk of loss to PWSA, up to the fair market value of the swaps.

PWSA currently does not enter into master netting arrangements with its counterparties; as such, each derivative instrument should be evaluated on an individual basis for credit risk. As PWSA's derivative instruments are all currently have a negative fair market value position to PWSA at year-end, PWSA is not exposed to credit risk at December 31, 2011.

Concentration of credit risk: PWSA currently has two counterparties, with four and three outstanding interest rate swaps respectively. PWSA's outstanding market value as of December 31, 2011 is \$(73,926,107) with one counterparty and \$(43,980,765) with the second counterparty. Both counterparties operate in the same markets and could be similarly impacted by changes in economic or other conditions.

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It is PWSA's policy to require counterparty collateral posting provisions in its non-exchange traded derivative instruments. Their terms require collateral to be posted if the respective counterparty's credit rating falls below BBB+ by Standard & Poor's and the swap insurer becomes bankrupt. The amount of collateral to be posted is calculated based on derivatives in asset positions to PWSA. As of year-end, the counterparties had not and were not required to post collateral for these transactions.

- Termination risk is the risk that a derivative's unscheduled end will affect PWSA's asset/liability strategy or will present PWSA with potentially significant unscheduled termination payments to the counterparty. The counterparties to the interest rate swaps do not have the ability to voluntarily terminate the interest rate swap; however, PWSA is exposed to termination risk in the event that the one or more of the counterparties default.
- Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of a government's financial instruments or cash flows. The interest rate swap that is accounted for as an investment exposes PWSA to interest rate risk. The interest rate swap is highly sensitive to changes in interest rates; changes in the variable rate will have a material effect on the swap's fair market value. The interest rate swap will terminate on September 4, 2035.
- Basis risk is the risk that arises when variable interest rates on a derivative and an associated bond or other interest-paying financial instrument are based on different indexes. PWSA is subject to basis risk as the interest index on the variable rate arm of the swaps is based on the SIFMA Municipal Swap Index and the variable interest rate on the bonds is based on a different index, a weekly rate that is determined by a remarketing agent. Although expected to correlate, the relationships between different indexes vary and that variance could adversely affect PWSA's calculated payments and, as a result, cost savings or synthetic interest rates may not be realized.

PWSA is further subject to basis risk in the event that the underlying bonds become fixed rate Bank Bonds or that the maturity of the underlying bonds is accelerated.

- Rollover risk is the risk that a derivative associated with PWSA's debt does not extend to the maturity of that debt. When the derivative terminates, the associated debt will no longer have the benefit of the derivative. PWSA is not exposed to rollover risk as the swap agreements terminate on the same day the last payment is due on the respective bonds.

Contingencies

All of PWSA's derivative instruments, include provisions that require PWSA to post collateral in the event that the credit ratings of its credit support provider's senior long term, unsecured debt credit rating falls below BBB+ by Standard & Poor's and FSA, the swap insurer, becomes bankrupt. The amount of collateral to be posted is calculated based on derivatives in negative market value positions to PWSA. The collateral is to be posted in the form of cash, U.S. Treasuries or other approved securities. As of year-end, PWSA had not and was not required to post collateral for these transactions.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

(D) Debt Related to Urban Redevelopment Authority of Pittsburgh (URA) supported by the City

(1) URA - PDF - Special Tax Development Bonds, Taxable Series of 2005 (Debt recorded by URA)

In prior years, PDF bonds payable were issued by the URA as Special Tax Development Bonds, Taxable Series of 1995 for \$61,390,000 (Bonds). The Bonds proceeds were used to fund the Pittsburgh Development Fund to allow for development loans and investments to be made to certain projects in the City.

On September 1, 2005, the URA issued \$57,470,000 of Special Tax Development Refunding Bonds (2005 Bonds). The proceeds of the 2005 Bonds were used to provide funds for the current refunding of the 1995 Bond Series. Including the upfront payment received, this refunding resulted in an economic gain to the URA of approximately \$2,450,500. Debt service payments remained materially consistent with the previous debt service requirements. In connection with the debt refunding, the URA recorded a deferred refunding adjustment of \$7,344,288, which is being amortized as an adjustment to interest expense over the life of the bonds using the effective interest method.

The 2005 Bonds were issued at a premium of \$798,088, which is being amortized as an adjustment to interest expense over the life of the bonds using the effective interest method.

The City has allocated a portion of the Regional Asset District (RAD) Tax imposed by Allegheny County and irrevocably assigned that portion to the URA. The Bonds are limited obligations of the URA payable solely from that portion of the RAD Tax paid to the URA or the trustee and certain funds held under the indenture and the earnings thereon. The Bonds shall not be deemed to be a debt of the Commonwealth of Pennsylvania, Allegheny County, or the City or a pledge of the faith and credit of the Commonwealth of Pennsylvania, Allegheny County, or the City, and shall not be an obligation of the URA payable from any source except that portion of the RAD Tax assigned to the URA or the Trustee pursuant to the City's agreement and certain funds held under the indenture and the earnings thereon. The URA has no taxing power.

The Bonds bear interest an interest rate of 5.0% and mature through 2014. \$6,525,000 is due in 2012.

(2) Urban Redevelopment Authority of Pittsburgh (URA) Tax Increment Financing Bonds and Notes - Noncommitment Debt (Debt not recorded in the separate URA financial statements)

Tax Increment financing bonds are used to finance economic development within the City. The Bond proceeds are used to fund various construction projects within the City. Real estate value is thus increased and will provide increased future tax revenue to the City. Under a Tax Increment Financing Cooperative Agreement (the TIF Agreement) with the City, County, and the School District of Pittsburgh, each entity agrees to assign its respective rights to the incremental taxes derived from the TIF project to the URA for the term of the

CITY OF PITTSBURGH, PENNSYLVANIA

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Bonds. The difference in the amount of real estate taxes attributable to the TIF property prior to and subsequent to the development of the property constitutes the "increment" that is available to pay debt service on the Bonds.

The Bonds are not guaranteed by the full faith and credit of the City, and as a result of being jointly funded are not recorded in the City's financial statements.

In the event that real estate tax revenues generated under the TIF Agreements are insufficient at any time to pay debt service on the Bonds, the respective parties under the Minimum Payment Agreements have agreed to make payments sufficient to remedy such shortfalls. Amounts payable under the Minimum Payment Agreements correspond to debt service requirements on the respective Bonds. Pursuant to the Tenant Agreement, each tenant has agreed to guarantee the full and punctual payment when due of all obligations. During 2011, the City's share of the TIF revenue was \$6,863,097, whereas the City's share of the principal and interest paid on the TIF Bonds and Note were \$2,973,526.

In 2011, a Series A Bond was issued to refund the 2003 A&B Bonds.

As of December 31, 2011, the following is a list of the TIF Bonds and Notes outstanding:

| <u>Serial Bonds</u> | <u>Coupon Rate of Interest</u> | <u>Total Outstanding</u> | <u>City Portion</u> |
|----------------------------------|------------------------------------|------------------------------|-------------------------|
| 1995B (Lazarus) | 6.25% | \$ 1,875,000 | \$ 709,688 |
| 2008 Refunded (Alcoa) | 8.01% | 2,985,000 | 1,127,733 |
| 2009 Refunded (Mellon) | 7.95%-8.05% | 8,830,000 | 3,599,992 |
| 2001 (Heinz) | 6.71%-7.16% | 2,325,000 | 853,044 |
| 2003 Note (Panther Hollow) | Variable | 3,290,000 | 1,207,105 |
| 2006 Bond (Fifth and Market) | 5.40%-5.88% | 16,595,000 | 6,088,709 |
| 2011 A Refunded (Station Square) | 5.57% | 5,760,000 | 2,113,345 |
| Total | | <u>\$ 41,660,000</u> | <u>\$ 15,699,616</u> |

(E) Urban Redevelopment Authority of Pittsburgh (URA) Debt Recorded by URA and not Supported by the City

The URA has various Bonds and Loans, which are the obligation of the URA and are not guaranteed or financed by the City. The proceeds of these Bonds and Loans are used to provide mortgages, loans, or grants to individuals or companies within the City to be used for urban redevelopment. The Bonds and Loans are payable from repayment of mortgages and loans and from other revenue and grants received by the URA. Debt issued for the URA as of December 31, 2011 is as follows:

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Mortgage Revenue Bonds

The Mortgage Revenue Bond Program was created to provide below market rate mortgages for the purchase and rehabilitation of residential property within the City. The Bonds, including various series and term bonds, bear interest at rates from 3.90% to 6.25% and mature through 2036. \$2,600,000 is due in 2012.

Bank Loans

The URA received a loan to finance renovations to the Lexington Technology Park buildings. The loan is fixed at an interest rate of 4.57%. At December 31, 2011, \$2,950,872 is outstanding. Final maturity is February 28, 2019. Monthly payments are based on a twenty year amortization with a balloon payment due at maturity. \$115,300 is due on this loan in 2012.

In 2002, the URA received a loan to finance construction costs incurred to build a garage located at the South Side Works. Interest payments are at an effective rate of 6.81%, which is the 3-year FHLB rate plus 2.75%. Rental payments and a mortgage are pledged as collateral for this loan. At December 31, 2011, \$529,470 is outstanding. Final maturity is February 28, 2019. \$319,385 is due on this loan in 2012.

In April 2011, the URA received a bank loan totaling \$4,575,000. The proceeds of the loan were used to consolidate and refinance the debt on the South Side Works garages' loans. Interest is payable at a rate of 4.75% until April 1, 2016 at which time the rate adjusts to a fixed rate equal to 2.75% above the Five Year Federal Reserve Swap Index then in effect. The loan is collateralized by the related property and matures on March 1, 2021. Monthly payments are based on a twenty year amortization with a balloon payment due at maturity. At December 31, 2011, \$4,442,620 is outstanding. Final maturity is March 1, 2021. \$158,851 is due on this loan in 2012.

In 2009, the URA assumed a loan in the amount of \$1.5 million from the Commonwealth Financing Authority. The loan principal was due upon sale of the Highland Hotel property; subsequent to year-end this property was sold and the entire balance of the loan was paid off. At December 31, 2011, \$1,486,324 is outstanding and is classified as current.

HUD Section 108 Loans

During 2003, the URA received two HUD Section 108 loans to provide funding for the construction of garages at South Side Works. The first loan, in the amount of \$4.5 million is for an 850-space parking garage. The loan bears interest at 4%, with semiannual principal and interest payments due February 1 and August 1. The loan matures on August 1, 2018. The loan is secured by 60% of the URA's interest in the tax increment from certain properties located in the South Side. At December 31, 2011, \$2.629 million is outstanding. \$331,000 is due in 2012.

CITY OF PITTSBURGH, PENNSYLVANIA

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The second loan, in the amount of \$6.5 million is for the construction of a 367-space parking garage and site improvements in the South Side. The loan bears interest at 4%, with semiannual principal and interest payments due February 1 and August 1. The loan matures on August 1, 2018. The loan is secured by 60% of the URA's interest in the tax increment from certain properties located in the South Side as well as future Community Development Block Grants. At December 31, 2011, \$3.490 million is outstanding. \$445,000 is due in 2012.

During 2008, the URA received three additional HUD Section 108 loans to provide funding for the Pittsburgh Technology Center. The first loan, in the original principal amount of \$3 million is for site improvements and streets and utilities relocation. The loan bears interest at 4.8% with semiannual principal and interest payments due February 1 and August 1. The loan matures on August 1, 2026. At December 31, 2011, \$2.89 million is outstanding. \$117,000 is due in 2012.

The second loan, in the original principal amount of \$2 million is for the construction of a 160-space parking condominium. The loan bears interest at 4.8% with semiannual principal and interest payments due February 1 and August 1. The loan matures on August 1, 2026. At December 31, 2011, \$1.927 million is outstanding. \$78,000 is due in 2012.

The 2008 loans are secured by future Community Development Block Grant grants, the pledged increment for the Pittsburgh Technology Center Tax Increment Financing District, and payments under the minimum payment agreement.

During 2009, the URA received a HUD Section 108 loan for the South Side Works Infrastructure Project, for an amount not to exceed \$4,000,000. \$3 million was drawn during 2009 representing interim financing which was converted into permanent financing with HUD on June 17, 2010. The new loan bears interest at 2% with semiannual principal and interest payments due February 1 and August 1. The loan matures on August 1, 2018. At December 31, 2011, \$3.189 million is outstanding. \$421,000 is due in 2012. The loan is secured by pledged tax increment revenues of the project.

In 2010, The URA received a \$10,000,000 HUD Section 108 loan to provide funding for the East Liberty Portal Project. The loan bears interest at 3.30% and is interest only until maturity on August 1, 2019. The proceeds of the loan were used to provide a portion of the financing for the project through certain qualified community development entities (CDE's). The loan is secured by a note receivable and a Pledge and Assignment of CDE membership interest to URA which is expected to generate proceeds to repay the note receivable and HUD 108 loan once the property is sold. Additional collateral includes a partial personal guarantee from the developer and two pledged reserve accounts. The loan is also secured by the URA's future Community Development Block Grant grants. The note receivable bears interest at 5% and principal is due on August 1, 2018. Any excess of interest received on the note receivable over interest paid on the HUD 108 loan must be held in trust until the HUD 108 loan is repaid in full.

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YEAR ENDED DECEMBER 31, 2011

Annual debt service requirements of the URA are as follows:

| <u>Years</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------|-----------------------|----------------------|-----------------------|
| 2012 | \$ 12,596,860 | \$ 5,244,091 | \$ 17,840,951 |
| 2013 | 11,212,329 | 4,732,959 | 15,945,288 |
| 2014 | 15,533,962 | 4,218,869 | 19,752,831 |
| 2015 | 3,815,336 | 3,474,523 | 7,289,859 |
| 2016 | 3,320,397 | 3,315,795 | 6,636,192 |
| 2017-2021 | 34,322,402 | 12,766,824 | 47,089,226 |
| 2022-2026 | 9,088,000 | 7,112,267 | 16,200,267 |
| 2027-2031 | 11,850,000 | 4,426,828 | 16,276,828 |
| 2032-2036 | 11,610,000 | 1,546,150 | 13,156,150 |
| | <u>\$ 113,349,286</u> | <u>\$ 46,838,306</u> | <u>\$ 160,187,592</u> |

URA Component Unit Debt consists of the following:

PHDC-Bank Loans

The PHDC had outstanding construction loans payable to banks of \$587,511. Interest accrues on the loans at rates of 4.25%. Loans are due on demand.

Future Maturities

Loans payable to the URA from PHDC are \$2,703,131.

All interest expense on loans of the URA and its component units is reported as program expense as the borrowings are essential to the programs and the financial statements would be misleading to exclude these charges as direct expenses.

(F) Other Long-Term Obligations

The following is a summary of transactions affecting other long-term obligations of the City during 2011:

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

| | Accrued Workers' Compensation | Accrued Compensated Absences | Accrued Claims and Judgments | Capital Lease Obligation |
|---|-------------------------------------|------------------------------------|------------------------------------|--------------------------------|
| Balance, January 1, 2011 | \$ 152,996,011 | \$ 29,770,526 | \$ 9,938,332 | \$ 12,074,466 |
| Additions | 9,183,603 | 14,114,434 | 825,000 | - |
| Reductions/payments | (16,125,663) | (14,584,726) | (4,819,999) | (620,286) |
| Balance, December 31, 2011 | 146,053,951 | 29,300,234 | 5,943,333 | 11,454,180 |
| Less amounts accrued within short-term | (15,357,573) | (18,102,039) | (2,773,333) | (658,554) |
| Long-term portion, December 31, 2011 | \$ 130,696,378 | \$ 11,198,195 | \$ 3,170,000 | \$ 10,795,626 |

1. The General Fund is used to liquidate the workers' compensation, compensated absences, claims and judgments, and capital lease obligations.

2. Commencing on July 3, 2002, the City entered into a twenty year, noncancelable (unless there is a default of the terms by either party) lease for office space to be used by the Department of Public Safety, Police Bureau. The lease includes additional renewal options to extend the lease for four consecutive terms of five years each. The terms of the lease did not start until the Police Bureau took possession of the property in March 2004. The first lease payment was made for March 2004. \$15,434,653 is included in capital assets as capital leases.

3. The minimum future rental payments required by the lease are as follows:

| | Year Ended December 31, |
|----------------|----------------------------|
| 2012 | \$ 1,385,300 |
| 2013 | 1,385,300 |
| 2014 | 1,385,300 |
| 2015 | 1,385,300 |
| 2016 | 1,385,300 |
| 2017-2021 | 7,321,183 |
| 2022-2024 | 3,303,300 |
| Total | 17,550,983 |
| Less interest: | (6,096,803) |
| Present value | \$ 11,454,180 |

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

10. DUE FROM/TO OTHER GOVERNMENTS

(A) Due From Other Governments

The City receives funds from various government agencies as reimbursements for their share of City projects and as grants for City programs. The following amounts, as described below, are due from other governments at December 31, 2011:

| | |
|---|---------------------|
| General Fund: | |
| Commonwealth of Pennsylvania | \$ 1,325,509 |
| | <u>1,631,565</u> |
| | <u>2,957,074</u> |
| Special Revenue CDBG: | |
| Housing and Urban Development | <u>2,790,418</u> |
| Other Governmental Funds: | |
| Commonwealth of PA Department of Education | 200,000 |
| Allegheny County - parks | <u>172,115</u> |
| | <u>372,115</u> |
| Capital Projects: | |
| Commonwealth of Pennsylvania - Highway Fund | 444,534 |
| Federal Government - Highway Fund | 3,050,492 |
| Regional Asset District | <u>276,189</u> |
| | <u>3,771,215</u> |
| Total due from other governments - governmental funds | <u>\$ 9,890,822</u> |

(B) Due To Other Governments

Funds are collected by the City on behalf of other governments. The following amounts, as described below, are due to other governments at December 31, 2011:

| | |
|---|---------------------|
| General Fund: | |
| Pittsburgh Board of Education | <u>\$ 854,245</u> |
| Other Governmental Funds: | |
| Commonwealth of Pennsylvania | <u>944,735</u> |
| Total due to other governments - governmental funds | <u>\$ 1,798,980</u> |

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

11. INTERFUND RECEIVABLE AND PAYABLE BALANCES

| | Due From | | | Total |
|-----------------------|-----------------|-----------------------|--------------------------|---------------------|
| | General | Other Governmental | Community Development | |
| Due To: | | | | |
| General | \$ - | \$ 592,825 | \$ 590,516 | \$ 1,183,341 |
| Other Governmental | 5,803 | - | 150,000 | 155,803 |
| Capital Projects | - | - | 1,364,873 | 1,364,873 |
| Community Development | - | 2,579 | - | 2,579 |
| | <u>\$ 5,803</u> | <u>\$ 595,404</u> | <u>\$ 2,105,389</u> | <u>\$ 2,706,596</u> |

Except as described below, interfund balances represent timing differences resulting from the difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments are made.

The Capital Projects Fund advanced funds to the CDBG Special Revenue Fund in the amount of \$1.3 million, which is included in the total above.

12. TRANSFERS

Transfers between primary government funds:

| | Transfer From | | | | Total |
|-----------------------|----------------------|--------------------------|---------------------|-----------------------|-----------------------|
| | General | Community Development | Capital Projects | Other Governmental | |
| Transfer To: | | | | | |
| General Fund | \$ - | \$ 5,050 | \$ 82,858 | \$ 2,942,699 | \$ 3,030,607 |
| Debt Service | 84,900,351 | - | - | - | 84,900,351 |
| Capital Projects | 13,337,471 | - | - | - | 13,337,471 |
| Community Development | - | - | 3,769,097 | 925,729 | 4,694,826 |
| Other Governmental | 750,000 | - | - | - | 750,000 |
| Total | <u>\$ 98,987,822</u> | <u>\$ 5,050</u> | <u>\$ 3,851,955</u> | <u>\$ 3,868,428</u> | <u>\$ 106,713,255</u> |

Transfers are used (1) to move revenues from the funds that are required by statute or budget to collect them to the funds that are required by statute or budget to spend them, (2) to move receipts restricted for debt service from the funds collecting them to the Debt Service Fund as debt service payments become due, (3) to move unrestricted revenues collected in the General Fund, which finance various programs accounted for in other funds in accordance with budgetary authorizations, and (4) to move funds to Capital Projects Fund for capital expenditures.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

13. NET ASSET DEFICIT

Stadium Authority Deficit

The net asset deficit of the Stadium Authority of \$8,862,803 is expected to be subsidized through future revenues.

PWSA Deficit

The net asset deficit of PWSA of \$43,505,000 is expected to be subsidized through future rate increases. PWSA has raised rates for 2012.

14. RELATED PARTY TRANSACTIONS

(A) Under the terms of agreements dated July 1, 1965, December 1, 1985, and April 1, 1986, the City of Pittsburgh agreed to make annual grants to the Stadium Authority for the excess of the aggregate cost of operation and maintenance of the stadium complex and debt service on the stadium bonds over the total funds available to the Stadium Authority for those purposes. The Stadium Authority is required to repay these grants to the extent that its revenues are not required for operation and maintenance of the stadium complex and debt service on the stadium bonds. The Stadium Authority has this reflected as a long-term note due to the City. However, the City does not have a corresponding receivable recorded due to the unlikelihood of collection.

(B) The URA, acting as the City's agent under a 1981 cooperation agreement, made two loans from prior years' Urban Redevelopment Action Grant (UDAG) funds to a development company to assist in the construction of the Parkway Center Mall in the City's West End, which was completed in November 1982. Neither of these loans are reflected as a receivable in the City's financial statements due to the contingent nature of repayments and unspecified terms when the loans were made.

The loans were evidenced by two notes, a \$2,000,000 note funded by UDAG funds dated April 2, 1984, as amended by amendments dated July 13, 1992 and December 17, 1993 to finance construction of the mall (UDAG Note) and a \$6,971,172 note funded by non-UDAG funds to construct highway ramps to connect the mall with I-279 (Improvements Note). The Improvements Note dated April 2, 1984 and following amendments dated May 31, 1984 and July 13, 1992, was replaced and superseded by a Second Amended and Restated Note dated December 17, 1993. The Second Amended and Restated Note provided that payments made by the borrower on the Improvements Note would also be credited toward reducing principal and interest on the UDAG Note. As a result, the UDAG Note is now deemed to be paid in full.

As a result of a Modification Agreement dated August 10, 2005, the Improvements Note became an equity participation loan on June 1, 2009. The outstanding principal balance is \$4,936,275. No payments are due except from net proceeds of the operation of the mall, refinancing or sale. No payments were made in 2011.

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YEAR ENDED DECEMBER 31, 2011

(C) In February 2000, the Parking Authority and the City amended the cooperation agreement between them dated February 5, 1995. Among other things, the amended cooperation agreement increased from \$1.4 million to \$1.9 million the Parking Authority's annual payment in lieu of real estate taxes to the City. Under the terms of the agreement, however, the payment to the City is made only upon the Parking Authority successfully meeting its annual debt service requirements, determined each year on December 15. This amendment effectively subordinates the Authority's annual payment in lieu of taxes, providing additional security for Authority bondholders. The City has agreed that the annual payment in lieu of real estate taxes will be offset for two items. First, as a result of the June 2005 repayment of the outstanding URA Bonds on the Oliver Parking Facility, the Oliver Parking Tax TIF lapsed. In consideration of the increase in parking taxes received by the City for the Oliver Garage as a result of the lapsed TIF, the City agreed to a reduced payment in lieu of real estate taxes in amount equal to the Oliver Garage Parking Tax, being revenue neutral for both parties. The second reduction, beginning in fiscal year 2009, is for the costs incurred by the Parking Authority for the possible monetization of the Parking Authority's assets to help fund the City's pension liability. These two reductions have reduced the annual payment in lieu of real estate taxes from \$1.9 million to \$1.2 million for the year ended September 30, 2011. The Parking Authority has reflected within their financial statements at September 30, 2011, as accounts payable and other accrued expenses, amounts owed to the City for miscellaneous items totaling \$3,756,789. However, the City does not have a corresponding receivable of the same amount recorded due to the difference in years-ended.

15. CONSTRUCTION AND LEASE COMMITMENTS

As of December 31, 2011, the City had the following commitments with respect to unfinished capital projects:

| <u>Capital Project</u> | <u>Remaining Construction Commitment</u> |
|-------------------------------------|--|
| Bates Street/2nd Avenue Improvement | \$ 377,476 |
| McArdle Viaduct #1 | 2,958,609 |
| Penn-Bi-Direct-Traffic Conversion | 288,280 |
| | <u>\$ 3,624,365</u> |

Component Units:

PWSA is proceeding with a capital improvement program which the PWSA's independent engineer has estimated will entail expenditure of the existing construction funds and potential future bond issues. As of December 31, 2011, \$70 million of the program is complete and \$69 million is under active contract.

At December 31, 2011, URA had entered into contracts for professional services and construction totaling approximately \$4 million. Approximately \$600,000 for the East Carson Street Widening project, approximately \$1.6 million for the 62nd Street Industrial Park project, approximately \$450,000 for the building construction at Larimer, and \$650,000 for the construction of the Eastside Pedestrian Bridge. The remaining contract commitments are for various smaller projects.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

16. REGIONAL ASSET DISTRICT REVENUES

In December 1993, the Commonwealth legislature approved Act 77 of 1993 authorizing the creation of RAD by Allegheny County. RAD is a special purpose district whose primary purpose is to provide support and financing for regional community assets that were historically funded by the City, Allegheny County, or local municipalities. The City does not include RAD within its reporting entity since the City is not financially accountable for RAD's operations. These community assets include regional parks of the City and Allegheny County, municipal libraries, the Pittsburgh Zoo, the Pittsburgh Aviary, Phipps Conservatory, the old Three Rivers Stadium debt, PNC Park, Heinz Field, and community cultural facilities.

RAD revenue allocated to the City totaled approximately \$24.9 million in 2011. The City allocated approximately \$4.9 million to park operations.

The City has irrevocably allocated/pledged a portion of its future Regional Asset District revenues to the URA for the establishment of the Pittsburgh Development Fund. As further discussed in Note 9, the Pittsburgh Development Fund is an economic development fund that is used for making loans to and investments in certain projects located within the City. The amounts are pledged for 19 years, with \$6,200,000 annually allocated for the first nine years and \$7,500,000 annually through 2014.

17. CONTINGENCIES

The City has been named as a defendant in a number of lawsuits arising in the ordinary course of its operations against which the City is not insured. In the opinion of the City Solicitor, adequate accrual has been made in the financial statements for such lawsuits.

There are currently a number of real estate appeals in process for which the outcome and possible further reduction in the real estate tax levy cannot be determined at this time. The City has accrued an estimate for tax refunds within accounts payable on the statement of net assets and governmental funds (general) balance sheet.

The City receives federal and state grants under a number of programs. The expenditures of the City under such programs are subject to audit and possible disallowance. Historically, such audits have not resulted in significant disallowances of program costs, and City management believes that audits of existing programs will not result in significant liability to the City. Any contingent liability accrual deemed appropriate has been reflected in the financial statements as presented.

Component Units

PWSA is subject to federal regulation under the Clean Water Act (1977) and regulations adopted under that Act. Among the specific requirements applicable to PWSA's system are those imposed by the United States Environmental Protection Agency's Combined Sewer Overflow (CSO) Policy (1994). On January 29, 2004, PWSA and the City of Pittsburgh executed a Consent Order and Agreement (Order) regarding wet weather sewer overflows within the City. The other signatories to the Order are the Pennsylvania Department of Environmental Protection (DEP) and the Allegheny County Health Department (ACHD).

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

Generally, the Order requires PWSA and the City to assess the City sewers in order to develop a plan with ALCOSAN to address wet weather sewer overflows within the City. The Order is part of a sewer assessment program for all municipalities served by ALCOSAN. To date, assessment activities have been completed for all accessible critical sewers and separate sanitary sewers with the exception of any additional sewers discovered through continued research and investigation. Ongoing pipe and manhole repairs are being completed in order to provide CCTV access to remaining inaccessible critical/sanitary sewer pipes. Assessment activities for non-critical sewers are to be completed on a longer schedule, including completing CCTV at an annual average rate that was utilized to complete the critical/sanitary televising. The majority of accessible non-critical manholes have been inspected with ongoing efforts to complete any remaining or newly identified. In addition to the assessment, the Order requires PWSA and the City to implement the Nine Minimum Controls to reduce combined sewer overflows, and to perform repairs and maintenance of deficiencies revealed by the assessment. PWSA maintains an expedited response to significant structural failures of the sewer system where imminent structural failures are determined by a professional engineer and prioritized for repair. Ongoing sewer line replacement, point repair, lining, point lining, and Gunite projects have been implemented to address structural deficiencies.

Given the scope of the Order, the size of the City sewer system, and the various conditions and/or deficiencies that may be discovered by the assessment, it is difficult to predict the total cost of compliance with the Order. Moreover, it is difficult to predict what, if any, large-scale and/or regional capital improvements may be required after the completion of the assessment to address wet weather sewer overflows in the City and in the ALCOSAN service area. Large-scale and/or regional capital improvements are not covered by the Order. PWSA has hired two engineering firms to assess and model the sewer system, and it is moving forward with its plans to comply with the Order. Costs associated with Order compliance will be reflected in the capital improvement program and funded by proceeds of potential future bond issuances.

Subsequent to year end, PWSA was assessed a penalty of \$110,000 by the Pennsylvania Department of Environmental Protection (DEP) under a consent order related to modifications to wastewater discharges at its water treatment plant. The non-compliance resulted from a failure by an engineering contractor to properly design required modifications, resulting in a delay in construction. Action is in process to correct the non-compliance; however, the potential exists for further penalties to be assessed by DEP. PWSA is exploring a claim against the engineering contractor that is responsible for the delay.

18. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The risk of loss to which the City is exposed for the above mentioned items is handled through various insurance coverages. As of December 31, 2011, there were no settlements exceeding coverage for the past three years. The City also covers certain claim settlements and judgments from its General and Capital Projects Fund resources due to the prohibitive cost of carrying certain commercial insurance. The City currently reports all risk management activities out of its General Fund. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

reported. Provisions are recorded within current liabilities for amounts payable within one year. Amounts not payable within one year are reported within long-term liabilities.

Changes in the accrued claims and judgments liability during the year ended December 31, 2011 are as follows:

| | <u>2011</u> |
|---|---------------------|
| Accrued claims and judgments, January 1 | \$ 9,938,332 |
| Current year claims | 825,000 |
| Claim payments | <u>(4,819,999)</u> |
| Accrued claims and judgments, December 31 | <u>\$ 5,943,333</u> |

These accruals are subject to potential losses in excess of the amount recorded at year-end; it is unlikely that the amount for such potential losses would be material.

Also, the City is fully self-insured for workers' compensation benefits. These amounts were calculated by actuaries, based on industry standards and utilizing discount rate of 2.5%. A self-insurance reserve fund in the amount of \$341,188 (classified as restricted within the General Fund) is maintained, due to a legal requirement under self-insurance regulations of the State of Pennsylvania, in the General Fund.

Changes in the accrued workers' compensation liability during the year ended December 31, 2011 are as follows:

| | <u>2011</u> |
|--|-----------------------|
| Accrued worker's compensation, January 1 | \$ 152,996,011 |
| Current year claims | 9,183,603 |
| Claim payments | <u>(16,125,663)</u> |
| Accrued worker's compensation, December 31 | <u>\$ 146,053,951</u> |

19. SUBSEQUENT EVENTS

During February 2012, the City issued General Obligation Bonds Series A of 2012 in the principal amount of \$43,220,000, and Series B of 2012 in the principal amount of \$71,275,000. The bond proceeds from Series A of 2012 will be used to currently refund the City's 2002A Bonds. The bond proceeds from Series B of 2012 will be used to finance various capital projects. The Series 2012 A General Obligation Bonds bear interest at rates ranging from 2.0% to 5.00%. The Series 2012 B General Obligation Bonds bear interest at 5.00%. Principal payments are due during various years through September 2026 on the Series 2010 A, and B Bonds. Interest is due semi-annually in March and September on Series A and B beginning in September 2012.

Component Units:

In December 2011, the Parking Authority Board designated \$6 million of certain unrestricted net assets for the purpose of funding the modernization and replacement initiative of the on-street parking system.

CITY OF PITTSBURGH,
PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PITTSBURGH,
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA PENSION TRUST FUNDS

SCHEDULES OF FUNDING PROGRESS (Dollar Amounts in Thousands)

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) - Entry Age | Excess of Assets Over (Under) AAL | Funded Ratio | Covered Payroll | Excess as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|--|--|-----------------|--------------------|--|
| <u>Municipal:</u> | | | | | | |
| 1/1/2002 | \$ 111,528 | \$ 205,300 | \$ (93,772) | 54.32% | \$ 69,594 | -134.74% |
| 1/1/2003 | 91,604 | 212,206 | (120,602) | 43.17% | 69,034 | -174.70% |
| 1/1/2005 | 109,791 | 234,134 | (124,343) | 46.89% | 67,412 | -184.45% |
| 1/1/2007 | 117,692 | 237,314 | (119,622) | 49.59% | 70,189 | -170.43% |
| 1/1/2009 | 115,323 | 267,616 | (152,293) | 43.09% | 73,072 | -208.41% |
| 1/1/2011 | 132,461 | 282,683 | (150,222) | 46.86% | 81,444 | -184.45% |
| <u>Policemen:</u> | | | | | | |
| 1/1/2002 | \$ 133,280 | \$ 314,033 | \$ (180,753) | 42.44% | \$ 54,815 | -329.75% |
| 1/1/2003 | 106,340 | 323,466 | (217,126) | 32.88% | 54,308 | -399.80% |
| 1/1/2005 | 117,822 | 353,479 | (235,657) | 33.33% | 50,253 | -468.94% |
| 1/1/2007 | 114,889 | 353,522 | (238,633) | 32.50% | 54,862 | -434.97% |
| 1/1/2009 | 105,565 | 387,858 | (282,293) | 27.22% | 63,787 | -442.56% |
| 1/1/2011 | 127,118 | 390,254 | (263,136) | 32.57% | 67,225 | -391.43% |
| <u>Firemen:</u> | | | | | | |
| 1/1/2002 | \$ 136,442 | \$ 233,373 | \$ (96,931) | 58.47% | \$ 52,054 | -186.21% |
| 1/1/2003 | 114,527 | 230,092 | (115,565) | 49.77% | 54,006 | -213.99% |
| 1/1/2005 | 145,995 | 255,770 | (109,775) | 57.08% | 56,591 | -193.98% |
| 1/1/2007 | 142,787 | 308,412 | (165,625) | 46.30% | 47,573 | -348.15% |
| 1/1/2009 | 118,292 | 334,060 | (215,768) | 35.41% | 47,509 | -454.16% |
| 1/1/2011 | 133,839 | 339,135 | (205,296) | 39.46% | 49,516 | -414.61% |

Note: 1/1/2011 reflects the valuation dated August 31, 2011.

See accompanying note to required supplementary pension schedules.

**CITY OF PITTSBURGH, PENNSYLVANIA
PENSION TRUST FUNDS**

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYERS
AND OTHER CONTRIBUTING ENTITIES
(Dollar Amounts in Thousands)

| Calendar Year | Annual Required Contributions | Employer Contributions | Employer Contributions as a Percentage of Annual Required Contributions | Commonwealth of Pennsylvania Pension Aid | Commonwealth of Pennsylvania Pension Aid as a Percentage of Annual Required Contributions | Total Contributions | Total Contributions as a Percentage of Annual Required Contributions |
|--------------------------|-------------------------------------|---------------------------|---|---|--|------------------------|---|
| <u>Municipal:</u> | | | | | | | |
| 2006 | \$ 10,692 | \$ 4,086 | 38.2% | \$ 6,606 | 61.8% | \$ 10,692 | 100.0% |
| 2007 | 11,950 | 6,252 | 52.3% | 5,698 | 47.7% | 11,950 | 100.0% |
| 2008 | 10,457 | 4,810 | 46.0% | 5,647 | 54.0% | 10,457 | 100.0% |
| 2009 | 10,158 | 4,589 | 45.2% | 5,569 | 54.8% | 10,158 | 100.0% |
| 2010 | 10,334 | 19,678 | 190.4% | 3,568 | 34.5% | 23,246 | 224.9% |
| 2011 | 10,637 | 8,766 | 82.4% | 6,156 | 57.9% | 14,922 | 140.3% |
| <u>Policemen:</u> | | | | | | | |
| 2006 | \$ 19,537 | \$ 14,416 | 73.8% | \$ 5,121 | 26.2% | \$ 19,537 | 100.0% |
| 2007 | 17,466 | 11,996 | 68.7% | 5,470 | 31.3% | 17,466 | 100.0% |
| 2008 | 19,769 | 14,327 | 72.5% | 5,442 | 27.5% | 19,769 | 100.0% |
| 2009 | 20,241 | 14,584 | 72.1% | 5,657 | 27.9% | 20,241 | 100.0% |
| 2010 | 20,429 | 38,899 | 190.4% | 7,053 | 34.5% | 45,952 | 224.9% |
| 2011 | 21,028 | 17,337 | 82.4% | 12,169 | 57.9% | 29,506 | 140.3% |
| <u>Firemen:</u> | | | | | | | |
| 2006 | \$ 7,750 | \$ 3,803 | 49.1% | \$ 3,947 | 50.9% | \$ 7,750 | 100.0% |
| 2007 | 8,742 | 4,728 | 54.1% | 4,014 | 45.9% | 8,742 | 100.0% |
| 2008 | 7,901 | 3,842 | 48.6% | 4,059 | 51.4% | 7,901 | 100.0% |
| 2009 | 14,116 | 10,312 | 73.1% | 3,804 | 26.9% | 14,116 | 100.0% |
| 2010 | 14,408 | 27,436 | 190.4% | 4,974 | 34.5% | 32,410 | 224.9% |
| 2011 | 14,831 | 12,228 | 82.4% | 8,583 | 57.9% | 20,811 | 140.3% |

See accompanying note to required supplementary pension schedules.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTE TO REQUIRED SUPPLEMENTARY PENSION SCHEDULES

YEAR ENDED DECEMBER 31, 2011

The information presented in the required supplementary pension schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | <u>Municipal</u> | <u>Policemen</u> | <u>Firemen</u> |
|-------------------------------|------------------------|------------------------|------------------------|
| Actuarial valuation date | 1/1/2011 | 1/1/2011 | 1/1/2011 |
| Actuarial cost method | Entry age normal | Entry age normal | Entry age normal |
| Amortization method | Level dollar Closed | Level dollar Closed | Level dollar Closed |
| Remaining amortization period | 27 years | 27 years | 27 years |
| Asset valuation method | Tabular Smoothing | Tabular Smoothing | Tabular Smoothing |
| Actuarial assumptions: | | | |
| Investment rate of return | 8.00% | 8.00% | 8.00% |
| Projected salary increases | 4.00% | 5.00% | 5.75% |
| Cost-of-living adjustments | 3.50% | 3.50% | 3.50% |
| Merit and longevity increases | 0.50% | 1.50% | 2.25% |

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FUNDING PROGRESS

OTHER POSTEMPLOYMENT BENEFIT PLANS

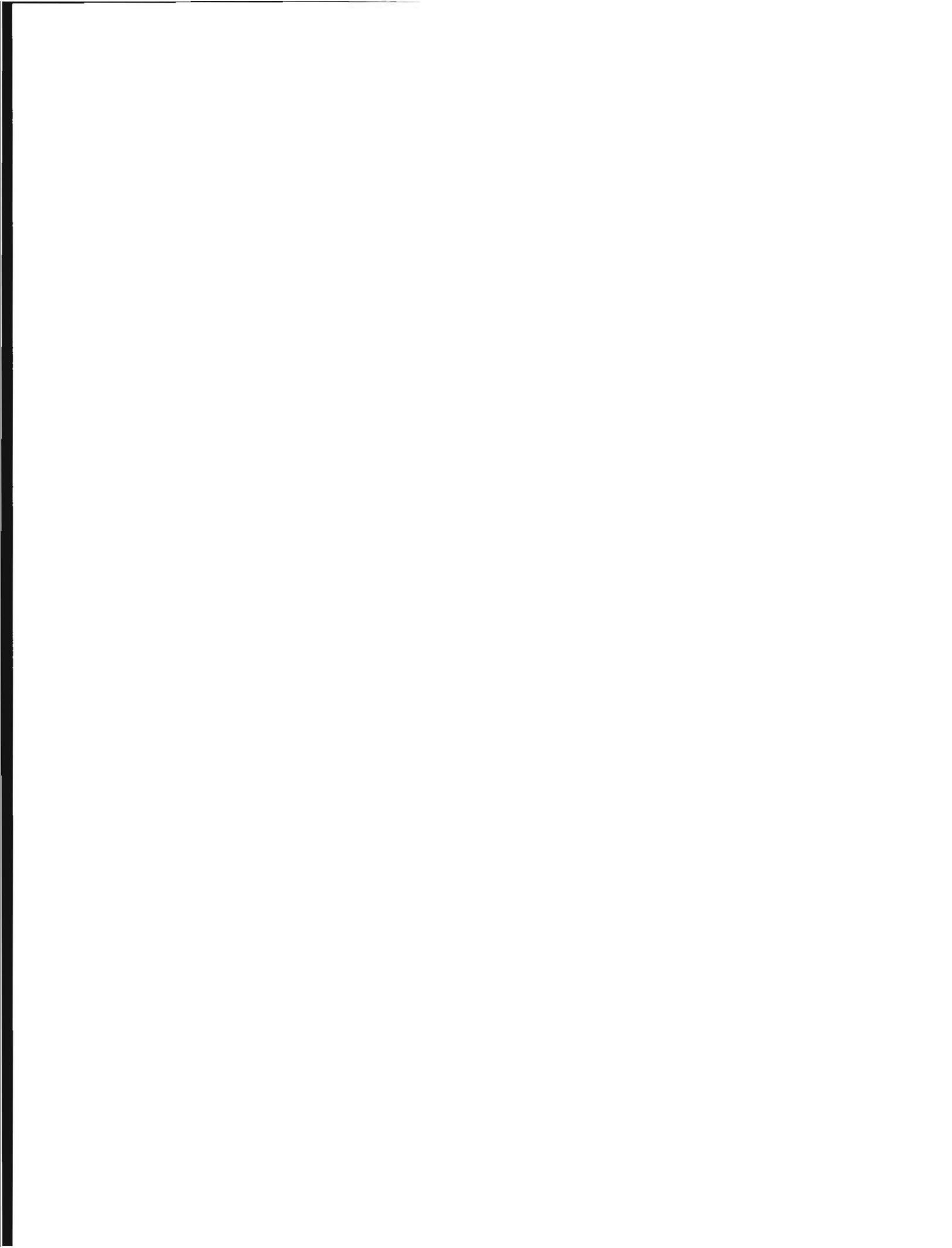
YEAR ENDED DECEMBER 31, 2011

(Dollar Amounts in Thousands)

| Actuarial Valuation Date | (a) Actuarial Value of Asset | (b) Actuarial Accrued Liability | (Overfunded) Unfunded Actuarial Accrued Liability | (a/b) Funded Ratio | (c) Covered Payroll | (Overfunded)/Unfunded Actuarial Accrued Liability (b-a) as a Percentage of Covered Payroll ((b-a)/c) |
|-----------------------------|------------------------------------|---------------------------------------|---|--------------------------|---------------------------|---|
| 01/01/06 | \$ - | \$ 320,367 | \$ 320,367 | 0.0% | N/A | N/A |
| 01/01/08 | - | 359,140 | 359,140 | 0.0% | N/A | N/A |
| 01/01/10 | - | 488,631 | 488,631 | 0.0% | N/A | N/A |

Note: Valuation as of 01/01/06 represents the initial valuation for the plan as required under GASB Statement No. 45 (implemented in 2007).

CITY OF PITTSBURGH,
PENNSYLVANIA



SUPPLEMENTARY INFORMATION

CITY OF PITTSBURGH,
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING BALANCE SHEET

OTHER GOVERNMENTAL FUNDS

DECEMBER 31, 2011

| | Equipment Leasing Authority | Liquid Fuels Tax | JTPA | Public Safety | Civic and Cultural | Grants and Donations | Total |
|---|-----------------------------------|------------------------|-------------------|---------------------|-----------------------|-------------------------|----------------------|
| Assets | | | | | | | |
| Cash and cash equivalents | \$ 2,917,778 | \$ 995,180 | \$ 929,853 | \$ 5,181,301 | \$ 8,175,270 | \$ 1,265,460 | \$ 19,464,842 |
| Other receivables | - | - | - | 221,258 | 724,005 | 1,056,847 | 2,002,110 |
| Accrued interest | - | 42 | - | - | - | - | 42 |
| Due from other governments | - | - | - | - | 172,115 | 200,000 | 372,115 |
| Due from General Fund | - | - | - | 5,803 | - | - | 5,803 |
| Due from other Special Revenue Fund | - | - | - | - | 150,000 | - | 150,000 |
| Total Assets | \$ 2,917,778 | \$ 995,222 | \$ 929,853 | \$ 5,408,362 | \$ 9,221,390 | \$ 2,522,307 | \$ 21,994,912 |
| Liabilities and Fund Balance | | | | | | | |
| Liabilities: | | | | | | | |
| Account payable | \$ 21,343 | \$ 84,457 | \$ 248,651 | \$ 24,353 | \$ 316,659 | \$ 1,305,461 | \$ 2,000,924 |
| Accrued liabilities | - | - | 123,158 | - | 157,605 | - | 280,763 |
| Due to General Fund | - | - | 190,638 | 324,261 | 54,069 | 23,857 | 592,825 |
| Due to other Special Revenue Fund | - | - | - | 2,579 | - | - | 2,579 |
| Due to other governments | - | - | 342,836 | 601,899 | - | - | 944,735 |
| Total Liabilities | 21,343 | 84,457 | 905,283 | 953,092 | 528,333 | 1,329,318 | 3,821,826 |
| Fund Balance: | | | | | | | |
| Restricted - State and Federal Purpose Grants | \$ - | \$ 910,765 | \$ 24,570 | \$ 1,959,347 | \$ 2,508,189 | \$ 1,192,989 | \$ 6,595,860 |
| Committed - Specified Program Services | 2,896,435 | - | - | 2,334,511 | 5,913,775 | - | 11,144,721 |
| Assigned - encumbrances | - | - | - | 161,412 | 271,093 | - | 432,505 |
| Total Fund Balance | 2,896,435 | 910,765 | 24,570 | 4,455,270 | 8,693,057 | 1,192,989 | 18,173,086 |
| Total Liabilities and Fund Balance | \$ 2,917,778 | \$ 995,222 | \$ 929,853 | \$ 5,408,362 | \$ 9,221,390 | \$ 2,522,307 | \$ 21,994,912 |

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

OTHER GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2011

| | Equipment Leasing Authority | Liquid Fuels Tax | JTPA | Public Safety | Civic and Cultural | Grants and Donations | Total |
|--|-----------------------------------|------------------------|------------------|---------------------|-----------------------|-------------------------|----------------------|
| Revenues: | | | | | | | |
| Interest and dividends | \$ - | \$ 766 | \$ - | \$ 40 | \$ - | \$ - | \$ 806 |
| Fines and forfeits | - | - | - | 548,087 | - | - | 548,087 |
| Intergovernmental revenues | - | 6,194,211 | 9,144,105 | 1,124,404 | 6,316,351 | 9,789,017 | 32,568,088 |
| Charges for user services | - | - | - | 875,788 | 3,501,019 | - | 4,376,807 |
| Miscellaneous | 231,140 | - | - | 143,266 | 35,707 | 412,020 | 822,133 |
| Total revenues | <u>231,140</u> | <u>6,194,977</u> | <u>9,144,105</u> | <u>2,691,585</u> | <u>9,853,077</u> | <u>10,201,037</u> | <u>38,315,921</u> |
| Expenditures: | | | | | | | |
| General government | 164,931 | - | 8,650 | 142,912 | 1,110,596 | 3,925,208 | 5,352,297 |
| Public safety | - | - | - | 1,918,999 | - | 1,291,626 | 3,210,625 |
| Public works | - | 3,168,252 | - | - | 4,032,810 | 3,828,588 | 11,029,650 |
| Community, recreational, and cultural | - | - | - | - | 3,169,110 | - | 3,169,110 |
| Economic and physical development | - | - | 9,135,455 | - | - | 196,000 | 9,331,455 |
| Capital outlay | 1,990,034 | - | - | - | - | - | 1,990,034 |
| Total expenditures | <u>2,154,965</u> | <u>3,168,252</u> | <u>9,144,105</u> | <u>2,061,911</u> | <u>8,312,516</u> | <u>9,241,422</u> | <u>34,083,171</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(1,923,825)</u> | <u>3,026,725</u> | <u>-</u> | <u>629,674</u> | <u>1,540,561</u> | <u>959,615</u> | <u>4,232,750</u> |
| Other Financing Sources (Uses): | | | | | | | |
| Operating transfers in | 4,694,826 | - | - | - | 750,000 | - | 5,444,826 |
| Operating transfers out | - | (2,315,000) | - | (1,107,127) | (273,685) | (172,616) | (3,868,428) |
| Total other financing sources (uses) | <u>4,694,826</u> | <u>(2,315,000)</u> | <u>-</u> | <u>(1,107,127)</u> | <u>476,315</u> | <u>(172,616)</u> | <u>1,576,398</u> |
| Net Change in Fund Balance | <u>2,771,001</u> | <u>711,725</u> | <u>-</u> | <u>(477,453)</u> | <u>2,016,876</u> | <u>786,999</u> | <u>5,809,148</u> |
| Fund Balance: | | | | | | | |
| Beginning of year | 125,434 | 199,040 | 24,570 | 4,932,723 | 6,676,181 | 405,990 | 12,363,938 |
| End of year | <u>\$ 2,896,435</u> | <u>\$ 910,765</u> | <u>\$ 24,570</u> | <u>\$ 4,455,270</u> | <u>\$ 8,693,057</u> | <u>\$ 1,192,989</u> | <u>\$ 18,173,086</u> |

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING STATEMENT OF PLAN NET ASSETS PENSION TRUST FUNDS

DECEMBER 31, 2011

| | Comprehensive Trust | Municipal Fund | Policemen's Fund | Firemen's Fund | Total |
|--|------------------------|-------------------|---------------------|-------------------|----------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 25,652,404 | \$ 179,790 | \$ 2,829,500 | \$ 19,463 | \$ 28,681,157 |
| Investments: | | | | | |
| Preferred and common stock | 31,408,368 | - | - | - | 31,408,368 |
| U.S. government and agency obligations | 19,006,022 | - | - | - | 19,006,022 |
| Corporate and other obligations | 27,501,890 | - | - | - | 27,501,890 |
| Mutual funds: | | | | | |
| U.S. equities | 97,396,704 | | | | 97,396,704 |
| Non-U.S. equities | 57,949,818 | | | | 57,949,818 |
| Fixed income | 51,893,116 | - | - | - | 51,893,116 |
| Private equity | 11,438,594 | - | - | - | 11,438,594 |
| Due from City of Pittsburgh | 1,402,380 | - | - | - | 1,402,380 |
| Due from (to) other fund | (435,783) | - | 435,783 | - | - |
| Accrued interest and dividend receivables | 506,858 | - | - | - | 506,858 |
| Total Assets | 323,720,371 | 179,790 | 3,265,283 | 19,463 | 327,184,907 |
| Liabilities | | | | | |
| Benefits and related withholdings payable | - | - | 2,624,661 | - | 2,624,661 |
| Accrued liabilities and other payables | - | 25,006 | - | - | 25,006 |
| Due to City of Pittsburgh Trust and Agency Fund | - | - | 6,640 | 4,419 | 11,059 |
| Total Liabilities | - | 25,006 | 2,631,301 | 4,419 | 2,660,726 |
| Net Assets Held in Trust for Pension Benefits | \$ 323,720,371 | \$ 154,784 | \$ 633,982 | \$ 15,044 | \$ 324,524,181 |

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2011

| | Comprehensive Trust | Municipal Fund | Policemen's Fund | Firemen's Fund | Total |
|---|------------------------|-------------------|---------------------|-------------------|----------------|
| Additions: | | | | | |
| Contributions: | | | | | |
| Employer - pension benefits | \$ 38,330,895 | \$ - | \$ - | \$ - | \$ 38,330,895 |
| Employer - other benefits | 2,500,757 | - | 944,227 | - | 3,444,984 |
| Plan members | 10,363,226 | - | - | - | 10,363,226 |
| State aid | 26,907,639 | - | - | - | 26,907,639 |
| Wilkinsburg Fire Department | 1,903,004 | - | - | - | 1,903,004 |
| Total contributions | 80,005,521 | - | 944,227 | - | 80,949,748 |
| Investment income: | | | | | |
| Net appreciation in fair value of investments | (11,448,254) | - | - | - | (11,448,254) |
| Interest and dividends | 5,239,715 | - | - | 1,537 | 5,241,252 |
| Total investment income (loss) | (6,208,539) | - | - | 1,537 | (6,207,002) |
| Investment expense | (359,050) | - | - | - | (359,050) |
| Net investment income | (6,567,589) | - | - | 1,537 | (6,566,052) |
| Miscellaneous: | | | | | |
| Transfer in | - | 21,410,739 | 31,795,209 | 28,382,000 | 81,587,948 |
| Other | 898,212 | 72,395 | - | 9,477 | 980,084 |
| Total additions | 74,336,144 | 21,483,134 | 32,739,436 | 28,393,014 | 156,951,728 |
| Deductions: | | | | | |
| Benefit payments | - | 20,562,562 | 32,297,162 | 28,159,257 | 81,018,981 |
| Refund of employee contributions | - | 571,172 | 248,129 | 41,469 | 860,770 |
| Transfer out | 81,587,948 | - | - | - | 81,587,948 |
| Administrative expense | 949,425 | 287,130 | 328,082 | 192,297 | 1,756,934 |
| Total deductions | 82,537,373 | 21,420,864 | 32,873,373 | 28,393,023 | 165,224,633 |
| Net Increase (Decrease) in Plan Net Assets | (8,201,229) | 62,270 | (133,937) | (9) | (8,272,905) |
| Net Assets: | | | | | |
| Beginning of year | 331,921,600 | 92,514 | 767,919 | 15,053 | 332,797,086 |
| End of year | \$ 323,720,371 | \$ 154,784 | \$ 633,982 | \$ 15,044 | \$ 324,524,181 |

CITY OF PITTSBURGH, PENNSYLVANIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

YEAR ENDED DECEMBER 31, 2011

| | Balance at December 31, 2010 | Additions | Deletions | Balance at December 31, 2011 |
|---------------------------|---------------------------------|----------------------|----------------------|---------------------------------|
| EMPLOYEE BENEFITS | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 7,168,381 | \$ 65,879,701 | \$ 63,344,854 | \$ 9,703,228 |
| Other assets | 3,418,094 | 588,549 | 3,418,094 | 588,549 |
| Total Assets | <u>\$ 10,586,475</u> | <u>\$ 66,468,250</u> | <u>\$ 66,762,948</u> | <u>\$ 10,291,777</u> |
| Liabilities | | | | |
| Accrued liabilities | <u>\$ 10,586,475</u> | <u>\$ 66,468,250</u> | <u>\$ 66,762,948</u> | <u>\$ 10,291,777</u> |
| DEPOSITS | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 3,355,638 | \$ 9,667,090 | \$ 9,912,047 | \$ 3,110,681 |
| Total Assets | <u>\$ 3,355,638</u> | <u>\$ 9,667,090</u> | <u>\$ 9,912,047</u> | <u>\$ 3,110,681</u> |
| Liabilities | | | | |
| Accrued liabilities | \$ 2,074,807 | \$ 8,845,930 | \$ 8,721,332 | \$ 2,199,405 |
| Deposits held in trust | 1,280,831 | 821,160 | 1,190,715 | 911,276 |
| Total Liabilities | <u>\$ 3,355,638</u> | <u>\$ 9,667,090</u> | <u>\$ 9,912,047</u> | <u>\$ 3,110,681</u> |
| OTHER | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 1,095,354 | \$ 578,041 | \$ 1,026,767 | \$ 646,628 |
| Total Assets | <u>\$ 1,095,354</u> | <u>\$ 578,041</u> | <u>\$ 1,026,767</u> | <u>\$ 646,628</u> |
| Liabilities | | | | |
| Accrued liabilities | \$ 950,739 | \$ 578,041 | \$ 889,652 | \$ 639,128 |
| Accounts payable | 12,044 | - | 4,544 | 7,500 |
| Deposits held in trust | 132,571 | - | 132,571 | - |
| Total Liabilities | <u>\$ 1,095,354</u> | <u>\$ 578,041</u> | <u>\$ 1,026,767</u> | <u>\$ 646,628</u> |
| TOTAL AGENCY FUNDS | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 11,619,373 | \$ 76,124,832 | \$ 74,283,668 | \$ 13,460,537 |
| Other assets | 3,418,094 | 588,549 | 3,418,094 | 588,549 |
| Other receivables | - | - | - | - |
| Total Assets | <u>\$ 15,037,467</u> | <u>\$ 76,713,381</u> | <u>\$ 77,701,762</u> | <u>\$ 14,049,086</u> |
| Liabilities | | | | |
| Accrued liabilities | \$ 13,612,021 | \$ 75,892,221 | \$ 76,373,932 | \$ 13,130,310 |
| Accounts payable | 12,044 | - | 4,544 | 7,500 |
| Deposits held in trust | 1,413,402 | 821,160 | 1,323,286 | 911,276 |
| Total Liabilities | <u>\$ 15,037,467</u> | <u>\$ 76,713,381</u> | <u>\$ 77,701,762</u> | <u>\$ 14,049,086</u> |

CITY OF PITTSBURGH,
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 CAPITAL PROJECTS FUND
 YEAR ENDED DECEMBER 31, 2011

| | Budget | Actual | Variance |
|--|-----------------|----------------|-----------------|
| Revenues: | | | |
| Intergovernmental | \$ 25,181,871 | \$ 11,844,400 | \$ (13,337,471) |
| Total revenues | 25,181,871 | 11,844,400 | (13,337,471) |
| Expenditures: | | | |
| Capital projects: | | | |
| Engineering and construction | 8,088,679 | 4,135,880 | 3,952,799 |
| Parks and recreation | 3,063,508 | 215,251 | 2,848,257 |
| Public works | 31,466,515 | 8,457,702 | 23,008,813 |
| General services | 690,430 | 61,461 | 628,969 |
| Urban Redevelopment Authority | 4,623,681 | 2,436,173 | 2,187,508 |
| Other | 27,216,080 | 14,681,024 | 12,535,056 |
| Total expenditures | 75,148,893 | 29,987,491 | 45,161,402 |
| Excess (Deficiency) of Revenues Over Expenditures | (49,967,022) | (18,143,091) | 31,823,931 |
| Other Financing Sources (Uses): | | | |
| Operating transfers in | - | 13,337,471 | 13,337,471 |
| Total other financing sources (uses) | - | 13,337,471 | 13,337,471 |
| Net Change in Fund Balance | \$ (49,967,022) | \$ (4,805,620) | \$ 45,161,402 |

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE

CAPITAL PROJECTS FUND

YEAR ENDED DECEMBER 31, 2011

(Amounts expressed in thousands)

(Continued)

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/Inflows of Resources:

| | |
|--|------------------|
| Actual amounts (budgetary basis) revenues from the budgetary comparison statement. Includes unbudgeted transfers in | \$ 11,844 |
| Unbudgeted transfer in | 13,337 |
| The adjustments to convert to GAAP basis, recording of receivables, and revenues not included in budget. | <u>(26)</u> |
| Total Capital Projects Fund revenue and other financing sources on GAAP basis as reported on the statement of revenues, expenditures, and changes in fund balance. | <u>\$ 25,155</u> |

Users/Outflows of Revenues:

| | |
|--|------------------|
| Actual amounts (budgetary basis) of expenditures from the budgetary comparison statement. | \$ 29,987 |
| Transfer budgeted as project. | (3,769) |
| The adjustments to convert to GAAP basis, recording of expenditures and liabilities not included in budget. | <u>978</u> |
| Total Capital Projects Fund expenditures and other financing uses as reported on the statement of revenues, expenditures, and changes in fund balance. | <u>\$ 27,196</u> |

(Concluded)

CITY OF PITTSBURGH,
PENNSYLVANIA

STATISTICAL SECTION

Statistical Section

This section of the City of Pittsburgh (City) 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 says

| <u>Contents</u> | <u>Page</u> |
|--|-------------|
| Financial Trends | |
| These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. | 106 |
| Revenue Capacity | |
| These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax, and the earned income tax. | 112 |
| Debt Capacity | |
| These schedules present information to help the reader assess the affordability of the Township's current levels of outstanding debt and the Township's ability to issue additional debt in the future. | 118 |
| Demographic and Economic Information | |
| These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place. | 126 |
| Operating Information | |
| These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. | 129 |

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year. The City implemented GASB Statement No. 34 in 2002.

Table 1
CITY OF PITTSBURGH, PENNSYLVANIA
 NET ASSETS BY COMPONENT
 LAST TEN YEARS
 ACCRUAL BASIS OF ACCOUNTING

| | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Primary Governmental Activities: | | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 43,879,623 | \$ 36,763,941 | \$ 32,478,809 | \$ 28,406,314 | \$ 28,068,983 | \$ 19,855,494 | \$ 32,093,268 | \$ 33,115,655 | \$ 14,047,401 | \$(491,045,970) |
| Restricted | 18,207,346 | 5,325,151 | 50,937,825 | 50,312,990 | 3,590,593 | 17,410,647 | 2,024,893 | 1,902,998 | 1,386,497 | 1,418,005 |
| Unrestricted | <u>(544,694,171)</u> | <u>(603,655,738)</u> | <u>(640,869,765)</u> | <u>(640,595,818)</u> | <u>(623,499,122)</u> | <u>(665,435,571)</u> | <u>(729,337,724)</u> | <u>(776,978,604)</u> | <u>(728,071,303)</u> | <u>(209,557,174)</u> |
| <i>Total Primary Government Net Assets</i> | <u>\$ (482,607,202)</u> | <u>\$ (561,566,646)</u> | <u>\$ (557,453,131)</u> | <u>\$ (561,876,514)</u> | <u>\$ (591,839,546)</u> | <u>\$ (628,169,430)</u> | <u>\$ (695,219,563)</u> | <u>\$ (741,959,951)</u> | <u>\$ (712,637,405)</u> | <u>\$ (699,185,139)</u> |

Table 2
CITY OF PITTSBURGH, PENNSYLVANIA
 CHANGES IN NET ASSETS
 LAST TEN YEARS
 ACCRUAL BASIS OF ACCOUNTING

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Expenses: | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General government | \$ 72,151,719 | \$ 71,614,406 | \$ 68,959,502 | \$ 72,646,015 | \$ 67,454,774 | \$ 57,794,631 | \$ 63,221,610 | \$ 75,496,380 | \$ 68,571,952 | \$ 78,365,054 |
| Public safety | 256,878,936 | 265,453,864 | 269,028,114 | 230,989,104 | 242,305,419 | 207,121,913 | 213,197,078 | 242,704,887 | 221,439,681 | 202,591,954 |
| Highways and streets | 60,616,098 | 65,409,264 | 62,239,814 | 67,275,379 | 57,079,918 | 56,458,755 | 55,024,821 | 50,930,630 | 50,089,338 | 52,723,858 |
| Sanitation | 15,570,885 | 16,830,263 | 16,905,288 | 16,568,056 | 20,615,151 | 18,398,474 | 14,693,283 | 13,801,070 | 12,080,381 | 12,683,944 |
| Economic development | 29,713,751 | 40,566,038 | 22,208,871 | 19,732,650 | 21,227,314 | 16,056,706 | 27,981,189 | 23,088,545 | 36,577,174 | 31,846,181 |
| Cultural and recreation | 12,300,170 | 13,104,511 | 11,680,075 | 11,818,117 | 9,218,087 | 11,754,122 | 10,516,854 | 15,797,978 | 14,717,879 | 14,940,866 |
| Interest on long-term debt and debt subsidies | 34,804,447 | 36,743,860 | 52,693,640 | 56,511,220 | 56,806,611 | 57,886,827 | 45,374,017 | 48,709,900 | 50,274,609 | 47,493,951 |
| Total primary government expenses | \$ 482,036,006 | \$ 509,722,206 | \$ 503,715,304 | \$ 475,540,541 | \$ 474,707,274 | \$ 425,471,428 | \$ 430,008,851 | \$ 470,529,390 | \$ 453,751,014 | \$ 440,645,808 |
| Program Revenues: | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| General government | \$ 22,147,599 | \$ 22,366,390 | \$ 20,792,352 | \$ 20,182,426 | \$ 20,122,440 | \$ 19,621,666 | \$ 17,833,330 | \$ 18,628,556 | \$ 19,328,547 | \$ 18,469,281 |
| Public safety | 16,993,800 | 17,203,765 | 18,320,376 | 18,821,117 | 19,366,360 | 19,348,266 | 20,600,780 | 19,921,883 | 20,171,829 | 19,088,959 |
| Highway and streets | 2,780,705 | 2,190,565 | 2,983,972 | 2,858,073 | 3,013,764 | 1,702,493 | 935,553 | 1,159,321 | 1,373,276 | 1,815,202 |
| Sanitation | 84,718 | 102,560 | 271,931 | 232,010 | 501,152 | 655,512 | 718,066 | 344,173 | 1,063,853 | 1,215,355 |
| Culture and recreation | 1,679,201 | 2,322,421 | 1,975,903 | 1,673,694 | 1,841,009 | 1,701,979 | 1,520,052 | 1,298,261 | 1,809,203 | 1,502,318 |
| Operating grants and contributions | 94,414,438 | 65,673,104 | 62,569,988 | 72,632,131 | 65,906,114 | 50,681,637 | 43,884,590 | 43,312,756 | 48,693,028 | 44,845,500 |
| Capital grants and contributions | 31,865,907 | 32,006,053 | 36,680,498 | 20,766,859 | 24,720,948 | 17,611,527 | 26,728,759 | 33,386,113 | 38,681,746 | 29,117,274 |
| Total primary government program revenues | \$ 169,966,368 | \$ 141,864,858 | \$ 143,470,020 | \$ 137,291,310 | \$ 135,471,787 | \$ 111,323,080 | \$ 112,221,130 | \$ 118,051,063 | \$ 131,121,482 | \$ 116,053,889 |
| Net (Expense)/Revenue: | | | | | | | | | | |
| Governmental activities | \$ (312,069,638) | \$ (367,857,348) | \$ (360,245,284) | \$ (338,249,231) | \$ (339,235,487) | \$ (314,148,348) | \$ (317,787,721) | \$ (352,478,327) | \$ (322,629,532) | \$ (324,591,919) |
| General Revenues and Other Changes in Net Assets: | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Real estate | \$ 135,744,044 | \$ 131,832,591 | \$ 131,913,614 | \$ 128,532,482 | \$ 129,076,234 | \$ 138,586,332 | \$ 132,619,472 | \$ 131,606,692 | \$ 127,941,152 | \$ 122,365,096 |
| Earned income | 74,537,388 | 70,217,088 | 67,717,310 | 65,108,103 | 57,329,470 | 50,031,453 | 48,436,582 | 46,638,799 | 45,924,358 | 47,642,055 |
| Business privilege | 231,821 | 833,142 | 9,647,008 | 9,460,665 | 9,298,694 | 15,171,511 | 14,291,935 | 40,119,601 | 43,964,837 | 42,952,162 |
| Emergency services | 16,592,287 | 13,963,285 | 13,512,620 | 13,743,861 | 16,448,473 | 16,159,663 | 16,339,969 | - | - | - |
| Payroll preparation | 51,057,843 | 46,620,284 | 46,519,083 | 46,733,471 | 44,436,947 | 41,361,676 | 38,377,704 | - | - | - |
| Parking | 48,242,776 | 46,655,098 | 45,299,789 | 45,920,603 | 49,294,644 | 52,098,912 | 52,241,679 | 47,313,082 | 31,892,770 | 32,214,526 |
| Sales tax from Regional Asset District | 20,857,014 | 20,440,182 | 20,014,023 | 20,178,425 | 20,869,051 | 20,326,691 | 20,943,521 | 21,460,780 | 20,035,967 | 20,559,667 |
| Deed transfer | 18,729,805 | 14,108,533 | 12,283,957 | 17,071,424 | 16,677,181 | 18,033,290 | 18,170,377 | 11,633,787 | 9,172,513 | 10,218,095 |
| Amusement | 13,132,370 | 10,847,981 | 11,453,330 | 11,593,318 | 8,919,870 | 8,480,222 | 10,730,856 | 7,479,540 | 9,455,537 | 9,553,973 |
| Nonprofit payment for municipal services | 3,555,369 | 294,268 | 849,978 | 778,417 | 5,311,595 | 5,873,622 | 5,373,497 | 688,000 | 510,000 | 837,000 |
| Mercantile | 1,330 | 10,051 | 16,368 | 34,388 | 64,609 | 148,658 | 358,600 | 7,915,096 | 7,909,099 | 7,282,763 |
| Other | 2,403,662 | 4,922,118 | 4,609,767 | 4,145,482 | 5,130,963 | 3,820,311 | 2,861,880 | 4,850,445 | 8,063,064 | 7,191,445 |
| Unrestricted investment earnings | 72,903 | 244,691 | 590,130 | 4,147,306 | 9,497,563 | 6,757,044 | 2,231,226 | 1,016,417 | 1,061,600 | 2,359,523 |
| Donations and endowments | 4,209,467 | 287,500 | 204,000 | 575,000 | 482,521 | 168,209 | 100 | 267,995 | 546,387 | 523,799 |
| Amortization of bond premium | - | - | - | - | - | 3,035,368 | - | - | - | - |
| Miscellaneous | 1,661,003 | 2,467,021 | 37,691 | 189,317 | 2,727,556 | 1,145,517 | 1,550,712 | 2,165,547 | 2,699,982 | 4,388,461 |
| Total primary government | \$ 391,029,082 | \$ 363,743,833 | \$ 364,668,668 | \$ 368,212,262 | \$ 375,565,371 | \$ 381,198,479 | \$ 364,528,110 | \$ 323,155,781 | \$ 309,177,266 | \$ 308,088,565 |
| Change in Net Assets: | | | | | | | | | | |
| Primary government - governmental activities | \$ 78,959,444 | \$ (4,113,515) | \$ 4,423,384 | \$ 29,963,031 | \$ 36,329,884 | \$ 67,050,131 | \$ 46,740,389 | \$ (29,322,546) | \$ (13,452,266) | \$ (16,503,354) |

Table 3
CITY OF PITTSBURGH, PENNSYLVANIA
PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST TEN YEARS
ACCRUAL BASIS OF ACCOUNTING

| <u>Function/Program</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Governmental Activities: | | | | | | | | | | |
| General government | \$ 85,450,651 | \$ 68,630,131 | \$ 72,158,419 | \$ 71,287,551 | \$ 68,318,461 | \$ 54,018,594 | \$ 41,685,156 | \$ 51,928,324 | \$ 53,644,160 | \$ 48,442,370 |
| Public safety | 40,436,474 | 34,577,088 | 36,872,062 | 34,142,202 | 33,789,076 | 32,358,373 | 37,581,019 | 33,312,992 | 37,628,587 | 34,730,729 |
| Highways and streets | 32,381,395 | 22,453,872 | 20,333,685 | 19,977,958 | 19,590,563 | 14,037,094 | 17,875,858 | 14,716,164 | 26,131,273 | 17,774,927 |
| Sanitation | 657,406 | 588,240 | 304,727 | 767,921 | 573,092 | 943,637 | 1,235,374 | 904,806 | 1,693,702 | 1,380,529 |
| Economic development | 6,017,455 | 10,426,726 | 8,973,109 | 5,783,512 | 8,149,974 | 5,374,674 | 8,701,367 | 13,445,922 | 8,342,979 | 9,972,930 |
| Cultural and recreation | 5,022,987 | 5,188,801 | 4,828,018 | 5,332,166 | 5,050,621 | 4,590,708 | 5,142,356 | 3,742,855 | 3,680,781 | 3,752,404 |
| Total primary government | <u>\$ 169,966,368</u> | <u>\$ 141,864,858</u> | <u>\$ 143,470,020</u> | <u>\$ 137,291,310</u> | <u>\$ 135,471,787</u> | <u>\$ 111,323,080</u> | <u>\$ 112,221,130</u> | <u>\$ 118,051,063</u> | <u>\$ 131,121,482</u> | <u>\$ 116,053,889</u> |

Table 4
CITY OF PITTSBURGH, PENNSYLVANIA
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN YEARS
 MODIFIED ACCRUAL BASIS OF ACCOUNTING

| | 2011 (2) | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|--|-----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|-----------------------|
| General Fund: | | | | | | | | | | |
| Restricted | \$ 6,269,674 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Assigned | 4,563,061 | - | - | - | - | - | - | - | - | - |
| Unassigned | 58,449,103 | - | - | - | - | - | - | - | - | - |
| Reserved | - | 6,320,807 | 5,941,959 | 6,426,664 | 5,430,635 | 6,631,354 | 4,070,482 | 2,818,210 | 4,052,375 | 4,217,495 |
| Unreserved | - | 42,610,199 | 55,446,599 | 46,459,249 | 84,099,737 | 73,942,764 | 34,057,309 | 11,711,220 | 31,140,963 | 58,035,143 |
| <i>Total General Fund</i> | <u>69,281,838</u> | <u>48,931,006</u> | <u>61,388,558</u> | <u>52,885,913</u> | <u>89,530,372</u> | <u>80,574,118</u> | <u>38,127,791</u> | <u>14,529,430</u> | <u>35,193,338</u> | <u>62,252,638</u> |
| All Other Governmental Funds: | | | | | | | | | | |
| Non-spendable | 1,300,000 | - | - | - | - | - | - | - | - | - |
| Restricted | 11,937,672 | - | - | - | - | - | - | - | - | - |
| Committed | 19,393,629 | - | - | - | - | - | - | - | - | - |
| Assigned | 16,349,228 | - | - | - | - | - | - | - | - | - |
| Reserved and designated for subsequent (1) years expenditures. Reported in: | - | - | 103,111,551 | 127,434,810 | 20,731,177 | 59,115,022 | 10,856,290 | 11,784,520 | 31,100,430 | 56,916,488 |
| Debt service funds | - | 3,567,405 | - | - | - | - | - | - | - | - |
| Capital project funds | - | 31,713,615 | - | - | - | - | - | - | - | - |
| Other governmental funds - Special Revenue | - | 604,075 | - | - | - | - | - | - | - | - |
| Unreserved, Undesignated. Reported in: | | | | | | | | | | |
| Community development funds | - | 84,617 | 84,617 | 84,617 | 84,617 | 84,617 | 84,617 | 84,617 | 84,617 | 84,617 |
| Capital project fund | - | - | - | - | - | - | - | - | - | - |
| Other governmental funds - Special Revenue | - | 11,759,863 | 12,590,970 | 13,250,599 | 74,557,072 | 12,593,863 | 13,890,134 | 19,295,079 | 10,923,059 | 11,880,112 |
| <i>Total All Other Governmental Funds</i> | <u>48,980,529</u> | <u>47,729,575</u> | <u>115,787,138</u> | <u>140,770,026</u> | <u>95,372,866</u> | <u>71,793,502</u> | <u>24,831,041</u> | <u>31,164,216</u> | <u>42,108,106</u> | <u>68,881,217</u> |
| <i>Total Governmental Funds</i> | <u>\$ 118,262,367</u> | <u>\$ 96,660,581</u> | <u>\$ 177,175,696</u> | <u>\$ 193,655,939</u> | <u>\$ 184,903,238</u> | <u>\$ 152,367,620</u> | <u>\$ 62,958,832</u> | <u>\$ 45,693,646</u> | <u>\$ 77,301,444</u> | <u>\$ 131,133,855</u> |

(1) Fund breakout not readily available for 2009-2001: was presented for 2010.

(2) The City implemented GASB 54 beginning in 2011.

Table 5
CITY OF PITTSBURGH, PENNSYLVANIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)

LAST TEN YEARS
(MODIFIED ACCRUAL BASIS)

(\$'s in Thousands)

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|--|----------------|-----------------|-----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|
| Revenues: | | | | | | | | | | |
| Taxes | \$ 380,769 | \$ 360,761 | \$ 363,582 | \$ 366,220 | \$ 357,226 | \$ 360,836 | \$ 352,034 | \$ 317,223 | \$ 302,991 | \$ 301,371 |
| Payment in lieu of taxes | 3,555 | 294 | 850 | 778 | 5,312 | 5,874 | 5,373 | 688 | 510 | 837 |
| Interest earnings | 73 | 245 | 590 | 4,147 | 9,498 | 6,757 | 2,231 | 1,016 | 1,062 | 2,360 |
| Fines and forfeits | 8,374 | 9,225 | 7,768 | 6,409 | 7,387 | 8,256 | 4,239 | 8,527 | 7,693 | 8,556 |
| Intergovernmental | 99,372 | 84,614 | 86,755 | 80,781 | 77,974 | 53,663 | 55,972 | 58,797 | 72,400 | 57,963 |
| Charges for user services | 35,312 | 34,961 | 36,452 | 37,484 | 37,458 | 34,774 | 37,369 | 32,826 | 36,054 | 33,535 |
| Pension state aid | 26,908 | 15,595 | 15,030 | 15,148 | 15,182 | 14,630 | 17,166 | 17,902 | 18,214 | 16,000 |
| Miscellaneous | 6,079 | 921 | 436 | 924 | 3,243 | 1,314 | 1,634 | 2,987 | 3,291 | 4,911 |
| Total revenues | 560,442 | 506,616 | 511,463 | 511,891 | 513,280 | 486,104 | 476,018 | 439,966 | 442,215 | 425,533 |
| Expenditures: | | | | | | | | | | |
| General government | 68,743 | 66,253 | 55,122 | 57,277 | 54,357 | 53,179 | 60,119 | 68,885 | 61,994 | 71,000 |
| Public safety | 256,416 | 289,149 | 250,384 | 220,309 | 209,937 | 205,168 | 208,740 | 211,894 | 221,946 | 207,966 |
| Public works | 55,730 | 62,416 | 54,564 | 61,109 | 56,304 | 50,877 | 48,053 | 41,289 | 51,655 | 53,624 |
| Sanitation | 15,501 | 17,059 | 14,960 | 15,721 | 16,825 | 15,394 | 13,668 | 13,997 | 10,942 | 12,684 |
| Community, recreational, and cultural | 12,077 | 13,866 | 11,536 | 11,670 | 10,909 | 11,045 | 7,324 | 8,563 | 10,631 | 11,978 |
| Employee benefits, etc. (2) | - | - | - | - | - | - | - | - | - | - |
| Claims and judgments | 1,245 | 539 | 5,361 | 1,047 | 962 | 552 | 728 | 2,796 | 1,113 | 2,180 |
| Miscellaneous | 6,576 | 5,893 | 5,175 | 5,112 | 3,818 | 1,696 | 1,038 | 1,276 | 3,024 | 2,365 |
| Intergovernmental programs | 14,370 | 26,465 | 22,221 | 19,694 | 21,227 | 16,057 | 17,962 | 19,879 | 25,281 | 20,083 |
| Capital outlay | 5,462 | 6,046 | 9,973 | 10,299 | 7,207 | 4,737 | 3,003 | 17,132 | 21,108 | 7,893 |
| Bond issue costs | - | - | - | 744 | - | 3,026 | 2,538 | - | 200 | 991 |
| Debt service/authorities: | | | | | | | | | | |
| Interest | 36,257 | 37,765 | 40,699 | 42,717 | 44,410 | 41,528 | 43,845 | 48,077 | 43,282 | 44,573 |
| Principal | 51,845 | 49,410 | 44,325 | 44,490 | 40,670 | 36,035 | 40,420 | 40,760 | 30,850 | 32,705 |
| Debt subsidies to component units | 14,618 | 14,142 | 13,623 | 13,444 | 14,118 | 13,547 | 13,726 | 14,995 | 14,238 | 11,312 |
| Total expenditures | 538,840 | 589,003 | 527,943 | 503,633 | 480,744 | 452,841 | 461,164 | 489,543 | 496,264 | 479,354 |
| Excess (Deficiency) of Revenues Over Expenditures | 21,602 | (82,387) | (16,480) | 8,258 | 32,536 | 33,263 | 14,854 | (49,577) | (54,049) | (53,821) |

(Continued)

Table 5
CITY OF PITTSBURGH, PENNSYLVANIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)

LAST TEN YEARS
(MODIFIED ACCRUAL BASIS)

(\$'s in Thousands)
(Continued)

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|------------------|--------------------|--------------------|-----------------|------------------|------------------|------------------|--------------------|--------------------|-----------------|
| Other Financing Sources (Uses): | | | | | | | | | | |
| Bond issuance | - | - | - | 66,775 | - | 241,975 | - | - | 13,766 | 129,091 |
| Refunding bond issuance | - | - | - | - | - | - | 194,995 | - | - | - |
| Proceeds from capital asset disposition | - | - | - | - | - | - | - | - | - | - |
| Bond premium | - | - | - | 3,293 | - | 13,117 | 12,151 | - | - | - |
| Capital lease | - | - | - | - | - | - | - | 15,435 | - | - |
| Insurance proceeds | - | 1,872 | - | - | - | - | - | - | - | - |
| Transfers from other funds | 106,713 | 138,023 | 96,560 | 170,519 | 135,725 | 96,713 | 86,679 | 88,235 | 75,236 | 66,618 |
| Transfer from agency funds | - | - | - | - | - | - | - | - | - | - |
| Transfer from discretely presented component units | - | - | - | - | - | 2,530 | - | 2,535 | - | - |
| Payments to escrow agents | - | - | - | (69,574) | - | (201,480) | (204,732) | - | (13,550) | (65,632) |
| Transfers to other funds | (106,713) | (138,023) | (96,560) | (170,519) | (135,725) | (96,713) | (86,679) | (88,235) | (75,236) | (66,618) |
| Transfer to agency funds | - | - | - | - | - | - | - | - | - | - |
| Pension state aid | - | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | 1,872 | - | 494 | - | 56,142 | 2,414 | 17,970 | 216 | 63,459 |
| Net Change in Fund Balance | <u>\$ 21,602</u> | <u>\$ (80,515)</u> | <u>\$ (16,480)</u> | <u>\$ 8,752</u> | <u>\$ 32,536</u> | <u>\$ 89,405</u> | <u>\$ 17,268</u> | <u>\$ (31,607)</u> | <u>\$ (53,833)</u> | <u>\$ 9,638</u> |
| Debt service as a percentage of noncapital expenditures | 19.3% | 20.0% | 18.5% | 20.0% | 20.9% | 20.3% | 21.4% | 22.0% | 18.6% | 18.8% |

Notes:

(1) Includes General, Special Revenue, Debt Service, and Capital Projects Funds.

(Concluded)

Table 6
CITY OF PITTSBURGH, PENNSYLVANIA
 GOVERNMENTAL FUND TAX REVENUES BY SOURCES

LAST TEN YEARS

(\$'s in Thousands)

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Real estate tax | \$ 134,558 | \$ 131,625 | \$ 131,313 | \$ 130,970 | \$ 127,263 | \$ 133,735 | \$ 128,080 | \$ 128,037 | \$ 127,113 | \$ 123,756 |
| Mercantile tax | 2 | 5 | 8 | 12 | 28 | 99 | 249 | 7,688 | 7,909 | 7,283 |
| Amusement tax | 13,128 | 10,845 | 11,450 | 11,589 | 8,914 | 8,468 | 10,722 | 7,471 | 9,456 | 9,554 |
| Payroll preparation tax | 50,641 | 46,346 | 46,235 | 46,479 | 44,248 | 41,172 | 38,290 | - | - | - |
| Earned income tax | 74,146 | 69,674 | 67,483 | 65,296 | 57,100 | 49,815 | 48,238 | 46,439 | 45,924 | 47,642 |
| Facilities usage fee | 3,909 | 3,375 | 3,163 | 2,791 | 2,986 | 2,397 | 1,931 | - | - | - |
| Deed transfer tax | 18,730 | 14,109 | 12,284 | 17,071 | 16,677 | 18,033 | 18,170 | 11,634 | 9,172 | 10,218 |
| Parking tax | 48,217 | 46,651 | 45,274 | 45,902 | 49,272 | 52,067 | 52,186 | 47,273 | 31,893 | 32,215 |
| Emergency services tax | 13,138 | 13,962 | 13,416 | 13,271 | 16,387 | 15,599 | 16,445 | 3,189 | 3,143 | 3,134 |
| Business privilege tax | 143 | 612 | 9,315 | 9,113 | 8,927 | 14,680 | 13,748 | 40,130 | 43,424 | 42,952 |
| Institution/service tax | 455 | 457 | 125 | 48 | 823 | 430 | 323 | 514 | 424 | 470 |
| Penalties and interest | 1,515 | 1,328 | 2,166 | 2,201 | 2,604 | 3,089 | 2,356 | 2,364 | 3,394 | 2,620 |
| Public service privilege | 1,330 | 1,332 | 1,336 | 1,299 | 1,128 | 925 | 352 | 1,024 | 1,103 | 967 |
| Cable indirect cost | - | - | - | - | - | - | - | - | - | - |
| Regional Asset District | 20,857 | 20,440 | 20,014 | 20,178 | 20,869 | 20,327 | 20,242 | 20,505 | 20,036 | 20,560 |
| Total tax revenues | \$ 380,769 | \$ 360,761 | \$ 363,582 | \$ 366,220 | \$ 357,226 | \$ 360,836 | \$ 351,332 | \$ 316,268 | \$ 302,991 | \$ 301,371 |

Note:

In 2005, the occupation privilege tax was replaced by the emergency services tax. The business privilege tax was reduced. Two additional revenues were the payroll preparation tax and the facility usage fee. The mercantile tax was eliminated.

Table 7

CITY OF PITTSBURGH, PENNSYLVANIA**ASSESSED VALUATION AND ESTIMATED ACTUAL VALUES OF TAXABLE PROPERTY
LAST TEN YEARS**

(\$'s in Thousands)

| Year | Total Assessed Value | Less: Tax-Exempt Property | Total Taxable Assessed Value | Taxable Rate (mills) | Estimated Taxable Value |
|-------------|-----------------------------|----------------------------------|-------------------------------------|-----------------------------|--------------------------------|
| 2002 | 20,315,705 | 6,022,449 | 14,293,256 | 10.800 | 154,367 |
| 2003 | 20,177,452 | 6,598,533 | 13,578,919 | 10.800 | 146,652 |
| 2004 | 19,985,680 | 6,747,998 | 13,237,682 | 10.800 | 142,967 |
| 2005 | 19,984,708 | 6,750,063 | 13,234,645 | 10.800 | 142,934 |
| 2006 | 20,562,685 | 7,191,577 | 13,371,108 | 10.800 | 144,408 |
| 2007 | 21,084,308 | 7,759,074 | 13,325,234 | 10.800 | 143,913 |
| 2008 | 21,032,626 | 7,777,749 | 13,254,877 | 10.800 | 143,153 |
| 2009 | 21,299,162 | 7,950,341 | 13,348,821 | 10.800 | 144,167 |
| 2010 | 21,549,437 | 8,108,433 | 13,441,004 | 10.800 | 145,163 |
| 2011 | 21,980,818 | 8,494,384 | 13,486,434 | 10.800 | 145,653 |

Note: Information by major component of assessed value is not available.

Table 8
CITY OF PITTSBURGH, PENNSYLVANIA

PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN YEARS

| Fiscal Year | City of Pittsburgh | | | School district millage | County millage (2) | Total Millage |
|----------------|--------------------|---------------------|-------------|-------------------------------|-----------------------|------------------|
| | Land millage | Building millage | Average (1) | | | |
| 2002 | 10.800 | 10.800 | 10.800 | 13.920 | 4.720 | 29.440 |
| 2003 | 10.800 | 10.800 | 10.800 | 13.920 | 4.720 | 29.440 |
| 2004 | 10.800 | 10.800 | 10.800 | 13.310 | 4.690 | 28.800 |
| 2005 | 10.800 | 10.800 | 10.800 | 13.920 | 4.690 | 29.410 |
| 2006 | 10.800 | 10.800 | 10.800 | 13.920 | 4.690 | 29.410 |
| 2007 | 10.800 | 10.800 | 10.800 | 13.920 | 4.690 | 29.410 |
| 2008 | 10.800 | 10.800 | 10.800 | 13.920 | 4.690 | 29.410 |
| 2009 | 10.800 | 10.800 | 10.800 | 13.920 | 4.690 | 29.410 |
| 2010 | 10.800 | 10.800 | 10.800 | 13.920 | 4.690 | 29.410 |
| 2011 | 10.800 | 10.800 | 10.800 | 13.920 | 4.690 | 29.410 |

Notes:

- (1) Determined by multiplying the respective assessed valuation by the millage rate and dividing by the total assessed valuation.
- (2) As of January 1, 1998, the Institution District was dissolved and its 3.5 tax rate (millage) was included in Allegheny County millage.

The basis for the property tax rates is per each \$1,000 of assessed valuation.

Table 9

CITY OF PITTSBURGH, PENNSYLVANIA

PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND NINE YEARS AGO

| Taxpayer | 2011 | | | 2002 | | |
|--|--------------------------|------|---|--------------------------|------|---|
| | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value |
| 500 Grant Street Associates/Mellon Bank Holdings Acquisition Co Lp | \$ 349,940,300 | 1 | 2.59% | \$ 517,850,000 | 1 | 3.53% |
| PNC | 276,789,000 | 2 | 2.05% | - | | 0.00% |
| Buncher Company | 203,091,800 | 3 | 1.51% | 138,117,000 | 6 | 0.94% |
| Market Associates Limited | 192,073,974 | 4 | 1.42% | 137,959,000 | 7 | 0.94% |
| 600 GS Prop LP | 185,000,000 | 5 | 1.37% | 205,076,000 | 3 | 1.40% |
| Oxford Development | 175,000,000 | 6 | 1.30% | 264,303,000 | 2 | 1.80% |
| Grant Liberty Development Group | 115,000,000 | 7 | 0.85% | 139,111,000 | 5 | 0.95% |
| North Shore Developers | 110,000,000 | 8 | 0.82% | 146,661,000 | 4 | 1.00% |
| Liberty Avenue Holdings | 64,297,550 | 9 | 0.48% | - | | 0.00% |
| Harrahs Forest Assoc. | 62,100,000 | 10 | 0.46% | - | | 0.00% |
| Gateway Trizec, Inc. | - | | 0.00% | 30,052,000 | 10 | 0.20% |
| Penn Liberty Holding | - | | 0.00% | 131,704,000 | 8 | 0.90% |
| | - | | 0.00% | 84,970,000 | 9 | 0.58% |
| | <u>\$ 1,733,292,624</u> | | <u>12.85%</u> | <u>\$ 1,795,803,000</u> | | <u>12.24%</u> |
| Total Taxable Assessed Valuation | <u>\$ 13,486,434,282</u> | | | <u>\$ 14,671,652,000</u> | | |

Note: Information obtained from Real Estate Department assessments.

Table 10
CITY OF PITTSBURGH, PENNSYLVANIA

ASSESSED VALUE, TAX RATE, LEVY, AND COLLECTIONS

LAST TEN YEARS

(\$'s in Thousands)

| Fiscal Year | (2) Assessed valuation of land and buildings | Land millage | Building millage | Original net levy | Adjusted net levy (1) | Budgeted | Year of original levy | | | Delinquent taxes | | | |
|-------------|---|--------------|------------------|-------------------|-----------------------|-----------|-----------------------|--|--|-----------------------------|------------|----------|-----------------------------|
| | | | | | | | (3) Receipts | Percent of original net levy collected | Percent of adjusted net levy collected | Percent of budget collected | Collection | | Percent of budget collected |
| | | | | | | | | Budget | Receipts | | | | |
| 2001 | \$ 13,346,238 | 10.80 | 10.80 | \$144,139 | \$127,784 | \$115,900 | \$118,150 | 81.9 | 92.9 | 101.9 | \$ 3,500 | \$ 2,689 | 76.8 |
| 2002 | 14,677,667 | 10.80 | 10.80 | 158,454 | 131,245 | 121,500 | 123,692 | 78.1 | 94.2 | 102.0 | 4,300 | 4,359 | 101.0 |
| 2003 | 13,578,918 | 10.80 | 10.80 | 146,652 | 131,484 | 123,132 | 123,015 | 83.9 | 93.6 | 99.9 | 3,139 | 1,069 | 34.1 |
| 2004 | 13,237,682 | 10.80 | 10.80 | 142,966 | 127,864 | 122,500 | 119,918 | 83.9 | 93.8 | 97.9 | 5,500 | 4,435 | 80.6 |
| 2005 | 13,234,645 | 10.80 | 10.80 | 142,934 | 126,124 | 124,000 | 124,906 | 87.4 | 99.0 | 100.7 | 4,500 | 3,173 | 70.5 |
| 2006 | 13,371,108 | 10.80 | 10.80 | 143,649 | 129,451 | 121,000 | 127,114 | 88.5 | 98.2 | 105.1 | 3,758 | 6,622 | 176.2 |
| 2007 | 13,325,234 | 10.80 | 10.80 | 144,972 | 128,926 | 121,257 | 127,505 | 88.0 | 98.9 | 105.2 | 2,741 | 289 | 10.5 |
| 2008 | 13,254,877 | 10.80 | 10.80 | 143,383 | 129,768 | 122,300 | 127,273 | 88.8 | 98.1 | 104.1 | 3,245 | 3,697 | 113.9 |
| 2009 | 13,348,821 | 10.80 | 10.80 | 145,967 | 128,830 | 123,673 | 125,104 | 85.7 | 97.1 | 101.2 | 3,201 | 4,972 | 155.3 |
| 2010 | 13,441,004 | 10.80 | 10.80 | 145,163 | 134,998 | 127,118 | 124,250 | 85.6 | 92.0 | 97.7 | 6,454 | 3,672 | 56.9 |
| 2011 | 13,486,434 | 10.80 | 10.80 | 145,653 | 139,547 | 128,790 | 129,924 | 89.2 | 93.1 | 100.9 | 3,830 | 3,928 | 102.6 |

Notes:

- (1) Represents net levy as of December 31 of the tax year (i.e., net of exonerations, discounts, and additions granted in that year).
- (2) In 2001, assessed value percent of market value increased to 100% and a unified millage rate was enacted.
- (3) Receipts are net of refunds.

Table 11

CITY OF PITTSBURGH, PENNSYLVANIA

PRINCIPAL EMPLOYERS CURRENT YEAR AND 10 YEARS AGO

| Employer | 2011 | | | 2001 | | |
|---|----------------|------|--|----------------|------|--|
| | Employees | Rank | Percentage of Total Municipal Employment | Employees | Rank | Percentage of Total Municipal Employment |
| University of Pittsburgh Medical Center | 38,700 | 1 | 12.57 % | 28,000 | 1 | 8.61 % |
| U.S. Government | 18,570 | 2 | 6.03 | 20,200 | 2 | 6.21 |
| Commonwealth of Pennsylvania | 13,610 | 3 | 4.42 | 15,300 | 3 | 4.70 |
| University of Pittsburgh | 12,215 | 4 | 3.97 | 8,901 | 5 | 7.42 |
| West Penn Allegheny Health System | 11,087 | 5 | 3.60 | - | - | - |
| Giant Eagle | 9,981 | 6 | 3.24 | 6,993 | 8 | 132.44 |
| Wal-Mart Stores Inc. | 7,550 | 7 | 2.45 | 8,177 | 7 | 2.51 |
| PNC Financial Services Group, Inc. | 7,032 | 8 | 2.28 | | | |
| Westinghouse Electric | 6,000 | 9 | 1.95 | | | |
| Mellon Financial Corp. | 5,266 | 10 | 1.71 | 8,613 | 6 | 7.18 |
| Allegheny County | - | | 0.00 | 6,699 | 9 | 2.06 |
| US Airways, Inc. | - | | - | 11,717 | 4 | 3.60 |
| USX Corporation | - | | - | 5,280 | 10 | 1.62 |
| Total | <u>130,011</u> | | <u>42.24 %</u> | <u>119,880</u> | | <u>176.37 %</u> |
| Total Employees | <u>307,764</u> | | | <u>325,318</u> | | |

Source: Pittsburgh Business Times

Table 12

CITY OF PITTSBURGH, PENNSYLVANIA

NET DEBT AND REMAINING DEBT INCURRING MARGIN IN ACCORDANCE WITH ACT NO. 52, APPROVED APRIL 28, 1978

LOCAL GOVERNMENT UNIT DEBT ACT

DECEMBER 31, 2011

| | Nonelectoral debt | Lease rental debt |
|---|----------------------|-------------------------|
| Gross debt (1): | | |
| Principal amount of bonds issued and outstanding: | | |
| General obligation | \$ 581,007,897 | \$ - |
| Capital Leases | - | 11,454,180 |
| Auditorium Authority | - | 1,392,500 |
| Urban Redevelopment Authority | - | 40,279,616 |
| | 581,007,897 | 53,126,296 |
| Total gross debt | 581,007,897 | 53,126,296 |
| Items deductible from gross debt: | | |
| Cash and legal investments held in sinking fund for payment of bonds and notes | 1,050,598 | - |
| Delinquent real estate taxes | 5,353,069 | - |
| Self-liquidating and subsidized debt: | | |
| Taxable General Obligation Pension Bonds, 1996B (2) | 11,180,000 | - |
| Taxable General Obligation Pension Bonds, 1998ABC | 231,005,000 | - |
| | 248,588,667 | - |
| Total deductions | 248,588,667 | - |
| Net debt | \$ 332,419,230 | \$ 53,126,296 |

(Continued)

- (1) Direct obligations of the Pittsburgh Water and Sewer Authority in the amount of \$666,450,000 are not considered debt of the City of Pittsburgh for purposes of this calculation.
- (2) Refunded by General Obligation Bonds, 2006B

Table 12

CITY OF PITTSBURGH, PENNSYLVANIA

NET DEBT AND REMAINING DEBT INCURRING MARGIN IN ACCORDANCE WITH ACT NO. 52, APPROVED APRIL 28, 1978

LOCAL GOVERNMENT UNIT DEBT ACT

DECEMBER 31, 2011

(Continued)

Allocation of Total Net Debt

| | | |
|--|--|-----------------------|
| Net nonelectoral debt | | \$ 332,419,230 |
| Net lease rental debt | | <u>53,126,296</u> |
| Net nonelectoral and lease rental debt | | <u>\$ 385,545,526</u> |

Debt Incurring Margin

| | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|--|-----------------------|-----------------------|-----------------------|
| Total net revenue of the City | <u>\$ 419,924,380</u> | <u>\$ 431,787,384</u> | <u>\$ 438,569,789</u> |
| Borrowing base (arithmetic average of total net revenue for said three fiscal years) | | | <u>\$ 430,093,851</u> |

| | <u>Net nonelectoral debt (borrowing base x 250%)</u> | <u>Net nonelectoral and lease rental debt (borrowing base x 350%)</u> |
|---------------------------------|--|---|
| Debt limitations | \$ 1,075,234,628 | \$ 1,505,328,479 |
| Less existing net debt | <u>(332,419,230)</u> | <u>(385,545,526)</u> |
| Remaining debt incurring margin | <u>\$ 742,815,398</u> | <u>\$ 1,119,782,953</u> |

(Concluded)

Table 13

CITY OF PITTSBURGH, PENNSYLVANIA

LEGAL DEBT MARGIN INFORMATION

LAST TEN YEARS

(dollars in thousands)

| | <u>Debt limit</u> | | <u>Total Net Debt applicable to limit</u> | | <u>Legal debt margin</u> | | <u>Legal debt margin %</u> | |
|------|-------------------|-----------|---|-----------|------------------------------|---------|--------------------------------|--------|
| 2011 | \$ | 1,075,235 | \$ | (332,419) | \$ | 742,816 | | 69.08% |
| 2010 | | 1,073,609 | | (373,994) | | 699,615 | | 65.16% |
| 2009 | | 1,080,213 | | (374,738) | | 705,475 | | 65.31% |
| 2008 | | 1,088,171 | | (411,568) | | 676,603 | | 62.18% |
| 2007 | | 1,056,263 | | (496,983) | | 559,280 | | 52.95% |
| 2006 | | 993,016 | | (490,894) | | 502,122 | | 50.57% |
| 2005 | | 933,880 | | (511,500) | | 422,380 | | 45.23% |
| 2004 | | 901,314 | | (536,889) | | 364,425 | | 40.43% |
| 2003 | | 895,645 | | (567,158) | | 328,487 | | 36.68% |
| 2002 | | 892,028 | | (571,852) | | 320,176 | | 35.89% |

Note: The State of Pennsylvania's Local Government Unit Debt Act determines the calculation of the Legal Debt Margin. See Table 12.

Table 14

CITY OF PITTSBURGH, PENNSYLVANIA

RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA

LAST TEN YEARS

(\$'s in Thousands)

| Fiscal Year | Population | Assessed value | General bonded debt | Less debt service funds | Net general bonded debt | Ratio of net general bonded debt to assessed value | Net general bonded debt per capita |
|----------------|------------|-------------------|---------------------------|-------------------------------|----------------------------------|--|--|
| 2002 | \$ 335 | \$ 14,669,013 | \$ 891,423 | \$ 510 | \$ 890,913 | 6.08% | \$ 2,659 |
| 2003 | 335 | 13,578,918 | 860,353 | 172 | 860,181 | 6.34% | 2,568 |
| 2004 | 335 | 13,237,682 | 822,272 | 215 | 822,057 | 6.21% | 2,454 |
| 2005 | 335 | 13,234,645 | 786,656 | 177 | 786,479 | 5.94% | 2,348 |
| 2006 | 335 | 13,371,107 | 803,285 | 15,360 | 787,925 | 5.89% | 2,352 |
| 2007 | 335 | 13,325,234 | 764,124 | 1,433 | 762,691 | 5.72% | 2,277 |
| 2008 | 335 | 13,254,877 | 723,032 | 48,287 | 674,745 | 5.09% | 2,014 |
| 2009 | 335 | 13,348,821 | 680,381 | 48,627 | 631,754 | 4.73% | 1,886 |
| 2010 | 306 | 13,441,004 | 633,338 | 3,567 | 629,771 | 4.69% | 2,058 |
| 2011 | 306 | 13,486,434 | 581,008 | 1,050 | 579,958 | 4.30% | 1,895 |

Table 15

CITY OF PITTSBURGH, PENNSYLVANIA

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT (1) TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES

LAST TEN YEARS

(\$'s in Thousands)

| Fiscal Year | Principal | Interest (2) | Total debt service | Total general governmental expenditures | Ratio of debt to general governmental expenditures |
|----------------|-----------|--------------|--------------------------|--|---|
| 2002 | \$ 32,705 | \$ 44,573 | \$ 77,278 | \$ 483,975 | 15.97% |
| 2003 | 30,850 | 43,278 | 74,128 | 496,264 | 14.94% |
| 2004 | 40,760 | 48,078 | 88,838 | 489,543 | 18.74% |
| 2005 | 40,420 | 43,690 | 84,110 | 461,164 | 18.24% |
| 2006 | 36,035 | 41,528 | 77,563 | 452,841 | 17.13% |
| 2007 | 40,670 | 44,410 | 85,080 | 480,744 | 17.78% |
| 2008 | 44,490 | 42,717 | 87,207 | 503,633 | 17.32% |
| 2009 | 44,325 | 40,699 | 85,024 | 527,943 | 16.10% |
| 2010 | 49,410 | 37,765 | 87,175 | 589,003 | 14.80% |
| 2011 | 51,845 | 36,257 | 88,102 | 538,840 | 16.35% |

Notes:

- (1) City of Pittsburgh bonds only.
- (2) Excludes bond issuance and other costs.

Table 16
CITY OF PITTSBURGH, PENNSYLVANIA

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

DECEMBER 31, 2011

(\$'s in Thousands)

| Jurisdiction | Net debt outstanding | Percentage applicable to City | Amount applicable to City |
|--|----------------------------|-------------------------------------|---------------------------------|
| Direct debt: | | | |
| City of Pittsburgh: | | | |
| General obligation | \$ 581,008 | 100% | \$ 581,008 |
| Auditorium Authority | 2,785 | 50% | 1,393 |
| Urban Redevelopment Authority | 66,240 | 61% | 40,280 |
| Parking Authority | 93,433 | 100% | 93,433 |
| Total direct debt | 743,466 | | 716,114 |
| Overlapping debt: | | | |
| Pittsburgh Water and Sewer Authority (1) | 666,450 | 0% | - |
| The School District of Pittsburgh | 451,760 | 100% | 451,760 |
| Allegheny County | 771,641 | 25% | 192,910 |
| Total overlapping debt | 1,889,851 | | 644,670 |
| Total direct and overlapping debt | \$ 2,633,317 | | \$ 1,360,784 |

(1) - Direct obligations of the Pittsburgh Water and Sewer Authority are not considered debt of the City of Pittsburgh.

Table 17
CITY OF PITTSBURGH, PENNSYLVANIA

REVENUE BOND COVERAGE
PITTSBURGH WATER AND SEWER AUTHORITY

LAST TEN YEARS

(\$'s in Thousands)

| Fiscal Year | Gross revenues | (1) Operating expenses | Net revenue available for debt service | Principal | Interest | Total | Coverage |
|----------------|-------------------|------------------------------|---|-----------|----------|--------|----------|
| 2002 | 63,916 | 37,403 | 26,513 | 10,065 | 25,364 | 35,429 | 0.75 |
| 2003 | 65,187 | 40,347 | 24,840 | 14,055 | 26,631 | 40,686 | 0.61 |
| 2004 | 73,880 | 39,300 | 34,580 | 12,079 | 23,325 | 35,404 | 0.98 |
| 2005 | 85,031 | 39,403 | 45,628 | 17,159 | 23,180 | 40,339 | 1.13 |
| 2006 | 86,325 | 42,597 | 43,728 | 17,824 | 26,021 | 43,845 | 1.00 |
| 2007 | 92,526 | 46,375 | 46,151 | 17,299 | 30,493 | 47,792 | 0.97 |
| 2008 | 129,938 | 89,162 | 40,776 | 15,531 | 24,223 | 39,754 | 1.03 |
| 2009 | 134,175 | 93,799 | 40,376 | 14,625 | 37,984 | 52,609 | 0.77 |
| 2010 | 139,753 | 93,157 | 46,596 | 16,435 | 39,202 | 55,637 | 0.84 |
| 2011 | 140,552 | 102,227 | 38,325 | 14,885 | 36,747 | 51,632 | 0.72 |

Notes:

(1) Total operating expenses exclusive of depreciation and amortization.

Table 18
CITY OF PITTSBURGH, PENNSYLVANIA

REVENUE BOND COVERAGE
THE STADIUM AUTHORITY OF THE CITY OF PITTSBURGH (1)

LAST TEN YEARS

(\$'s in Thousands)

| Fiscal Year | Gross revenues (2) | Operating expenses (3) | Net revenue available for debt service | Debt service requirements (4) | | | Coverage (5) |
|-------------|--------------------|------------------------|--|-------------------------------|----------|----------|--------------|
| | | | | Principal | Interest | Total | |
| 2002 (6) | \$ 1,214 | \$ 5,989 | \$ (4,775) | \$ 3,510 | \$ 1,902 | \$ 5,412 | - |
| 2003 (6) | 1,339 | 678 | 661 | 3,750 | 1,679 | 5,429 | 0.12 |
| 2004 | 1,438 | 322 | 1,116 | 3,275 | 1,425 | 4,700 | 0.24 |
| 2005 | 1,458 | 358 | 1,100 | 3,485 | 1,204 | 4,689 | 0.23 |
| 2006 | 1,912 | 185 | 1,727 | 3,730 | 966 | 4,696 | 0.37 |
| 2007 | 2,859 | 825 | 2,034 | 1,855 | 954 | 2,809 | 0.72 |
| 2008 | 4,074 | 1,449 | 2,625 | 2,306 | 2,063 | 4,369 | 0.60 |
| 2009 | 3,857 | 1,712 | 2,145 | 2,620 | 1,862 | 4,482 | 0.48 |
| 2010 | 4,113 | 1,636 | 2,477 | 2,600 | 1,539 | 4,139 | 0.60 |
| 2011 | 4,302 | 1,712 | 2,590 | 241 | 1,387 | 1,628 | 1.59 |

Notes:

- (1) Figures presented are for the fiscal year end of March 31.
- (2) Total revenues including interest.
- (3) Total operating expenses exclusive of depreciation, interest, baseball lease credit adjustments, and loss on disposal of turf.
- (4) Debt service payments on notes are excluded.
- (5) The City of Pittsburgh guarantees the payment of Stadium Authority debt service and/or operating losses.
- (6) The stadium was demolished in February 2001 to make way for PNC Park and Heinz Field, both financed by the Sports and Exhibition Authority.

Table 19

CITY OF PITTSBURGH, PENNSYLVANIA

DEMOGRAPHIC STATISTICS

LAST TEN YEARS

| Fiscal Year | (1) Population | (2) Per capita income | (2) Personal income | (2) Median age | (3) School enrollment | (4) Unemployment rate percentage |
|-------------|-------------------|--------------------------|------------------------|-------------------|--------------------------|-------------------------------------|
| 2002 | 334,563 | 34,260 | 74,361 | 35.5 | 35,146 | 5.4% |
| 2003 | 334,563 | 32,381 | 76,354 | 36.0 | 34,619 | 4.9% |
| 2004 | 334,563 | 33,015 | 77,738 | 35.5 | 34,167 | 5.4% |
| 2005 | 334,563 | 34,897 | 79,478 | 40.9 | 32,529 | 5.2% |
| 2006 | 334,563 | 36,680 | 83,116 | 38.4 | 31,148 | 4.2% |
| 2007 | 334,563 | 36,894 | 85,876 | 39.0 | 29,445 | 4.2% |
| 2008 | 334,563 | 38,550 | 91,101 | 41.9 | 28,265 | 6.0% |
| 2009 | 334,563 | 42,819 | 100,675 | 35.5 | 26,123 | 8.8% |
| 2010 | 305,704 | 44,191 | 102,135 | 35.5 | 25,326 | 6.5% |
| 2011 | 305,704 | 43,787 | 106,800 | 35.6 | 24,997 | 6.6% |

Data Sources:

- (1) Census Bureau
- (2) U.S. Department of Commerce, 12-month lag
- (3) School District of Pittsburgh
- (4) U.S. Department of Labor, Bureau of Labor Statistics

Table 20

CITY OF PITTSBURGH, PENNSYLVANIA

PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS

LAST TEN YEARS

(\$'s in Thousands)

| Fiscal Year | Property value (1) | Number of permits issued (2) | Dollar value | Bank deposits (3) |
|-------------|--------------------|------------------------------|--------------|-------------------|
| 2002 | \$ 14,293,256 | 2,216 | \$ 344,222 | \$ 68,208,452 |
| 2003 | 13,578,919 | 2,022 | 596,463 | 62,631,246 |
| 2004 | 13,237,682 | 1,926 | 597,596 | 69,486,367 |
| 2005 | 13,234,645 | 1,844 | 389,030 | 77,701,953 |
| 2006 | 13,371,108 | 2,069 | 484,249 | 75,738,573 |
| 2007 | 13,325,234 | 2,377 | 595,143 | 84,948,351 |
| 2008 | 13,254,877 | 2,277 | 980,645 | 95,371,463 |
| 2009 | 13,348,821 | 2,222 | 624,954 | 100,194,959 |
| 2010 | 13,441,004 | 2,893 | 325,449 | 110,870,210 |
| 2011 | 13,486,434 | 2,518 | 402,186 | 81,120,698 |

Notes:

(1) Assessed value from Table 7

Data Sources:

(2) Bureau of Building Inspection, City of Pittsburgh

(3) FDIC, Deposits as of June 30, 2011 Changed basis of calculation from 2010

Table 21

CITY OF PITTSBURGH, PENNSYLVANIA

CITY EMPLOYMENT

LAST TEN YEARS

| <u>Fiscal Year</u> | <u>Regular budgeted positions</u> | <u>Actual subsequent January payroll</u> |
|--------------------|---|--|
| 2002 | 4,352 | 4,099 |
| 2003 | 4,337 | 3,654 |
| 2004 | 3,700 | 3,312 |
| 2005 | 3,634 | 3,007 |
| 2006 | 3,313 | 3,221 |
| 2007 | 3,341 | 3,281 |
| 2008 | 3,363 | 3,177 |
| 2009 | 3,310 | 3,213 |
| 2010 | 3,326 | 3,157 |
| 2011 | 3,303 | 3,131 |

Table 22

CITY OF PITTSBURGH, PENNSYLVANIA

FULL-TIME EQUIVALENT MUNICIPAL EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN YEARS

| <u>Function/program</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General Government: | | | | | | | | | | |
| City Council-City Clerk | 39 | 39 | 39 | 39 | 39 | 21 | 22 | 22 | 26 | 26 |
| Mayor's Office | 15 | 14 | 14 | 16 | 16 | 17 | 22 | 29 | 36 | 35 |
| City Information Systems | 55 | 58 | 55 | 51 | 58 | 63 | 59 | 55 | 60 | 56 |
| Magistrates Court | 0 | 0 | 0 | 0 | 0 | 0 | 34 | 34 | 37 | 35 |
| Human Relations Commission | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 9 | 9 |
| City Controller | 58 | 58 | 58 | 72 | 72 | 72 | 72 | 72 | 81 | 81 |
| Finance Department | 98 | 103 | 101 | 111 | 113 | 108 | 99 | 106 | 111 | 105 |
| Finance-General Services | 21 | 22 | 22 | 24 | 26 | 17 | 0 | 0 | 0 | 0 |
| Law | 43 | 45 | 43 | 46 | 43 | 43 | 44 | 44 | 45 | 45 |
| Personnel & Civil Service | 83 | 83 | 83 | 86 | 87 | 87 | 87 | 87 | 91 | 91 |
| City Planning | 48 | 49 | 46 | 48 | 41 | 36 | 35 | 35 | 41 | 42 |
| General Services-Administration | 0 | 0 | 0 | 0 | 0 | 0 | 26 | 22 | 30 | 30 |
| General Services-Facilities | 0 | 0 | 0 | 0 | 0 | 0 | 50 | 50 | 61 | 61 |
| General Services-Fleet Management | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 66 | 76 | 76 |
| General Services-Telecommunications | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15 | 15 | 15 |
| Public Safety: | | | | | | | | | | |
| Administration | 17 | 17 | 15 | 4 | 3 | 3 | 4 | 8 | 12 | 13 |
| Emergency Operations Center-911 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 76 | 76 | 76 |
| Police | 1090 | 1116 | 1116 | 1119 | 1102 | 1127 | 1227 | 1130 | 1367 | 1441 |
| Emergency Medical Services | 180 | 181 | 180 | 183 | 183 | 183 | 182 | 185 | 209 | 215 |
| City-County Integrated ID Program | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 31 | 27 | 27 |
| Fire | 676 | 660 | 660 | 668 | 669 | 644 | 834 | 849 | 905 | 905 |
| Bureau of Building Inspection | 75 | 75 | 74 | 72 | 72 | 72 | 67 | 66 | 66 | 66 |
| Animal Control | 16 | 16 | 16 | 18 | | | | | | |
| Public Works: | | | | | | | | | | |
| Administration | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 31 | 26 | 25 |
| Operations | 312 | 317 | 317 | 323 | 323 | 327 | 323 | 327 | 404 | 403 |
| Environmental Services | 196 | 196 | 196 | 196 | 215 | 216 | 217 | 217 | 241 | 222 |
| Redd Up Program | 0 | 0 | 0 | 8 | 8 | 0 | 0 | 0 | 0 | 0 |
| Engineering | 36 | 35 | 34 | 39 | 37 | 34 | 37 | 61 | 131 | 131 |
| Animal Control | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 |
| General Services-Facilities | 50 | 48 | 48 | 43 | 42 | 48 | 0 | 0 | 0 | 0 |
| General Services-Fleet | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 0 |
| Parks and Recreation | 168 | 167 | 166 | 170 | 165 | 166 | 164 | 66 | 146 | 112 |
| Non-Departmental | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 8 |
| Totals: | 3303 | 3326 | 3310 | 3363 | 3341 | 3313 | 3634 | 3700 | 4337 | 4352 |

Note: In 2005, the Emergency Operations Center and the City-County Integrated ID program were merged with Allegheny County.

In 2006, General Services was split between Public Works and Finance.

Regular budgeted positions are displayed.

CITY OF PITTSBURGH,
PENNSYLVANIA



OTHER INFORMATION

CITY OF PITTSBURGH, PENNSYLVANIA

SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS

YEAR ENDED DECEMBER 31, 2011

| <u>Official</u> | <u>Budgeted Annual Salary</u> | <u>Amount of Surety Bond</u> |
|-----------------------------|---------------------------------------|--------------------------------------|
| Mayor | \$ 103,425 | \$ 10,000 |
| Director of Finance | 101,369 | 20,000 |
| Controller | 65,322 | 10,000 |
| Members of City Council (9) | 58,971 | - |

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2011

| Serial Bonds | Date of Issue | Amount Sold | Amount Outstanding | Maturity Information | Coupon or Ceiling Rate of Interest | 2011 Maximum Debt Service Requirements | |
|---|---------------|---------------|--------------------|---|--|--|-------------------|
| | | | | | | Interest | Principal |
| General Obligation Bonds, 1993 Series A | 4/01/1993 | \$ 60,745,000 | \$ 13,805,000 | \$4,360,000 in 2012 \$4,595,000 in 2013 \$4,850,000 in 2014 | 5.50 5.50 5.50 | \$ 759,275 | \$ 4,360,000 |
| General Obligation Bonds, 1998 Series ABC | 3/01/1998 | 255,865,000 | 231,005,000 | \$7,890,000 in 2012 \$10,985,000 in 2013 \$11,690,000 in 2014 \$12,715,000 in 2015 \$13,560,000 in 2016 \$18,245,000 in 2017 \$13,235,000 in 2018 \$20,030,000 in 2019 \$21,400,000 in 2020 \$22,860,000 in 2021 \$24,425,000 in 2022 \$26,095,000 in 2023 \$27,875,000 in 2024 | 6.30 6.35 6.50 6.50 6.50 6.50 6.50 6.60 6.60 6.60 6.60 6.60 6.60 | 14,877,217 | 7,890,000 |
| Carry forward | | | <u>244,810,000</u> | | | <u>15,636,492</u> | <u>12,250,000</u> |

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2011

(Continued)

| Serial Bonds | Date of Issue | Amount Sold | Amount Outstanding | Maturity Information | Coupon or Ceiling Rate of Interest | 2011 Maximum Debt Service Requirements | |
|---|---------------|-------------|--------------------|--|--|--|-------------------|
| | | | | | | Interest | Principal |
| Brought forward | | | 244,810,000 | | | 15,636,492 | 12,250,000 |
| General Obligation Bonds, 2002 Series A | 1/17/2002 | 126,585,000 | 46,455,000 | \$5,395,000 in 2012 \$5,660,000 in 2013 \$5,935,000 in 2014 \$7,265,000 in 2015 \$7,485,000 in 2016 \$7,815,000 in 2017 \$1,795,000 in 2018 \$1,615,000 in 2019 \$1,700,000 in 2020 \$1,790,000 in 2021 | 5.00 5.50 5.50 5.50 5.50 5.13 5.13 5.13 5.20 5.25 | 2,503,518 | 5,395,000 |
| General Obligation Bonds, 2003 Series A | 6/01/2003 | 13,575,000 | 13,535,000 | \$6,655,000 in 2012 \$6,880,000 in 2013 | 5.00 5.50 | 516,443 | 6,655,000 |
| General Obligation Bonds, 2005 Series A | 5/01/2005 | 116,860,000 | 35,355,000 | \$6,415,000 in 2012 \$4,255,000 in 2013 \$4,465,000 in 2014 \$4,690,000 in 2015 \$4,930,000 in 2016 \$5,170,000 in 2017 \$5,430,000 in 2018 | 5.00 5.00 5.00 5.00 5.00 5.00 5.00 | 1,767,750 | 6,415,000 |
| Carry forward | | | <u>340,155,000</u> | | | <u>20,424,203</u> | <u>30,715,000</u> |

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2011

(Continued)

| Serial Bonds | Date of Issue | Amount Sold | Amount Outstanding | Maturity Information | Coupon or Ceiling Rate of Interest | 2011 Maximum Debt Service Requirements | |
|---|---------------|-------------|-----------------------|--|--|--|----------------------|
| | | | | | | Interest | Principal |
| Brought Forward | | | 340,155,000 | | | 20,424,203 | 30,715,000 |
| General Obligation Bonds, 2006 Series B | 05/10/06 | 140,560,000 | 140,535,000 | \$14,485,000 in 2012 \$15,220,000 in 2013 \$23,185,000 in 2014 \$31,395,000 in 2015 \$33,230,000 in 2016 \$23,020,000 in 2017 | 5.00 5.00 5.00 5.25 5.25 5.25 | 7,245,863 | 14,485,000 |
| General Obligation Bonds, 2006 Series C | 05/10/06 | 47,800,000 | 47,800,000 | \$15,000 in 2016 \$11,905,000 in 2017 \$35,880,000 in 2018 | 4.25 5.25 5.25 | 2,509,350 | - |
| General Obligation Bonds, 2008 Series A | 05/10/06 | 66,775,000 | 50,845,000 | \$9,475,000 in 2012 \$9,940,000 in 2013 \$10,455,000 in 2014 \$7,800,000 in 2015 \$8,195,000 in 2016 \$4,980,000 in 2017 | 5.00 5.00 5.00 5.00 5.25 5.25 | 2,575,187 | 9,475,000 |
| Subtotal | | | <u>579,335,000</u> | | | <u>32,754,603</u> | <u>54,675,000</u> |
| Less: Unamortized bond issuance costs | | | (3,966,439) | | | | |
| Unamortized bond discounts/premiums | | | 14,369,817 | | | | |
| Excess costs on debt refinancing | | | <u>(8,730,481)</u> | | | | |
| Total: General obligation bonds payable | | | <u>\$ 581,007,897</u> | | | <u>\$ 32,754,603</u> | <u>\$ 54,675,000</u> |

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2011

(Continued)

| Serial Bonds | Date of Issue | Amount Sold | Amount Outstanding | Maturity Information | Coupon or Ceiling Rate of Interest | 2011 Maximum Debt Service Requirements | |
|--|---------------|--------------|---------------------|----------------------|------------------------------------|--|-------------------|
| | | | | | | Interest | Principal |
| Public Auditorium Authority Revenue Bonds (City Share) | | | | | | | |
| Auditorium Bonds (Refunding), 2005 Series A | 9/15/2005 | \$ 4,172,500 | \$ 1,392,500 | \$207,500 in 2012 | 3.45 | \$ 51,055 | \$ 207,500 |
| | | | | \$225,500 in 2013 | 3.50 | | |
| | | | | \$232,500 in 2014 | 3.60 | | |
| | | | | \$237,500 in 2015 | 3.65 | | |
| | | | | \$250,000 in 2016 | 3.80 | | |
| | | | | \$117,500 in 2017 | 3.90 | | |
| | | | | \$122,500 in 2018 | 4.00 | | |
| Total Auditorium Authority Revenue Bonds | | | <u>\$ 1,392,500</u> | | | <u>\$ 51,055</u> | <u>\$ 207,500</u> |

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2011

(Continued)

| Serial Bonds | Date of Issue | Amount Sold | Amount Outstanding | Maturity Information | Coupon or Ceiling Rate of Interest | 2011 Maximum Debt Service Requirements | |
|--|---------------|--------------|--------------------|--|------------------------------------|--|----------------|
| | | | | | | Interest | Principal |
| Urban Redevelopment Authority Tax Increment Financing Bonds, 1995 Series B | 12/1/1995 | \$ 1,637,016 | \$ 709,688 | \$119,228 in 2012 \$128,690 in 2013 \$140,045 in 2014 | 6.25 6.25 6.25 | \$ 40,630 | \$ 119,228 |
| Urban Redevelopment Authority Tax Increment Financing Bonds, 1996 Series | 5/15/1996 | 3,179,187 | 1,127,733 | \$247,459 in 2012 \$270,127 in 2013 \$290,906 in 2014 \$319,241 in 2015 | 8.01 8.01 8.01 8.01 | 80,421 | 247,459 |
| Carry forward | | | <u>1,837,421</u> | | | <u>121,051</u> | <u>366,687</u> |

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2011

(Continued)

| Serial Bonds | Date of Issue | Amount Sold | Amount Outstanding | Maturity Information | Coupon or Ceiling Rate of Interest | 2011 Maximum Debt Service Requirements | |
|---|---------------|-------------|--------------------|--|--|--|----------------|
| | | | | | | Interest | Principal |
| Brought Forward | | | 1,837,421 | | | 121,051 | 366,687 |
| Urban Redevelopment Authority Tax Increment Financing Bonds, 2000 Refund Series | 3/15/2000 | 6,115,500 | 3,599,992 | \$383,238 in 2012 \$419,931 in 2013 \$460,701 in 2014 \$503,510 in 2015 \$525,933 in 2016 \$574,857 in 2017 \$625,820 in 2018 \$106,002 in 2019 | 7.95 7.95 7.95 7.95 8.05 8.05 8.05 8.05 | 272,798 | 383,238 |
| Carry forward | | | <u>5,437,413</u> | | | <u>393,849</u> | <u>749,925</u> |

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2011

(Continued)

| Serial Bonds | Date of Issue | Amount Sold | Amount Outstanding | Maturity Information | Coupon or Ceiling Rate of Interest | 2011 Maximum Debt Service Requirements | |
|--|---------------|-------------|--------------------|--|--|--|----------------|
| | | | | | | Interest | Principal |
| Brought Forward | | | 5,437,413 | | | 393,849 | 749,925 |
| Urban Redevelopment Authority Tax Increment Financing Bonds, 2001 Series | 12/15/2001 | 1,456,593 | 853,044 | \$82,553 in 2012 \$88,056 in 2013 \$95,560 in 2014 \$100,898 in 2015 \$108,236 in 2016 \$117,408 in 2017 \$124,746 in 2018 \$135,753 in 2019 | 6.71 6.71 7.16 7.16 7.16 7.16 7.16 7.16 | 57,540 | 82,553 |
| Urban Redevelopment Authority Tax Increment Financing Note, 2003 Series | | 1,515,297 | 1,207,105 | \$64,208 in 2012 \$69,711 in 2013 \$78,884 in 2014 \$84,387 in 2015 \$89,891 in 2016 \$93,560 in 2017 \$104,567 in 2018 \$115,574 in 2019 \$121,077 in 2020 \$133,919 in 2021 \$146,760 in 2022 \$104,567 in 2023 | Variable Variable Variable Variable Variable Variable Variable Variable Variable Variable Variable Variable | 76,375 | 64,208 |
| Carry forward | | | <u>7,497,562</u> | | | <u>527,764</u> | <u>896,686</u> |

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2011

(Continued)

| Serial Bonds Brought Forward | Date of Issue | Amount Sold | Amount Outstanding | Maturity Information | Coupon or Ceiling Rate of Interest | 2011 Maximum Debt Service Requirements | |
|---|------------------|----------------|-----------------------|--|--|---|---------------------|
| | | | | | | Interest | Principal |
| | | | 7,497,562 | | | 527,764 | 896,686 |
| Urban Redevelopment Authority of Pittsburgh Special Tax Development Bonds, 2005 Series | 09/01/05 | 57,470,000 | 24,580,000 | \$6,525,000 in 2012 \$6,880,000 in 2013 \$11,175,000 in 2014 | 5.00 5.00 5.00 | 1,218,750 | 6,525,000 |
| Urban Redevelopment Authority of Pittsburgh Bonds, 2006 Series | 10/15/06 | 18,790,000 | 6,088,709 | \$299,024 in 2012 \$313,700 in 2013 \$332,045 in 2014 \$348,555 in 2015 \$368,735 in 2016 \$388,914 in 2017 \$410,928 in 2018 \$434,777 in 2019 \$460,460 in 2020 \$487,977 in 2021 \$515,495 in 2022 \$546,681 in 2023 \$579,702 in 2024 \$601,716 in 2025 | 5.40 5.40 5.40 5.40 5.40 5.88 5.88 5.88 5.88 5.88 5.88 5.88 5.88 5.88 | 350,038 | 299,024 |
| Urban Redevelopment Authority of Pittsburgh Bonds, 2011 Series | 9/15/11 | 2,166,545 | 2,113,345 | \$ 176,112 in 2012 \$ 192,623 in 2013 \$ 205,464 in 2014 \$ 229,312 in 2015 \$ 243,989 in 2016 \$ 256,830 in 2017 \$ 266,003 in 2018 \$ 543,012 in 2019 | 5.57 5.57 5.57 5.57 5.57 5.57 5.57 5.57 | 112,809 | 176,112 |
| Total Redevelopment Authority Bonds | | | <u>\$ 40,279,616</u> | | | <u>\$ 2,209,361</u> | <u>\$ 7,896,822</u> |

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2011

(Continued)

| Serial Bonds | Date of Issue | Amount Sold | Amount Outstanding | Maturity Information | Coupon or Ceiling Rate of Interest | 2011 Maximum Debt Service Requirements | |
|--|---------------|---------------|--------------------|--|--|--|------------------|
| | | | | | | Interest | Principal |
| <u>Public Parking Authority of Pittsburgh</u> | | | | | | | |
| Parking Authority Revenue Bonds, Series 2002 | 11/01/2002 | \$ 38,595,000 | 9,305,000 | \$4,535,000 in 2012 \$4,770,000 in 2013 | 5.00 5.00 | 351,875 | 4,535,000 |
| Parking Authority Current Interest Bonds, Series 2005A | 01/15/2005 | 2,010,000 | 1,525,000 | \$125,000 in 2012 \$700,000 in 2019 \$500,000 in 2020 \$200,000 in 2026 | 3.00 4.00 4.10 4.30 | 58,975 | 125,000 |
| Parking Authority Capital Appreciation Bonds, Series 2005A | 01/15/2005 | 4,439,665 | 4,439,665 | \$708,000 in 2014 \$1,175,510 in 2015 \$1,113,420 in 2016 \$602,490 in 2017 \$570,020 in 2018 \$270,225 in 2019 | 3.95 4.09 4.22 4.33 4.43 4.50 | - | - |
| Carry forward | | | <u>15,269,665</u> | | | <u>410,850</u> | <u>4,660,000</u> |

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2011

(Continued)

| Serial Bonds | Date of Issue | Amount Sold | Amount Outstanding | Maturity Information | Coupon or Ceiling Rate of Interest | 2011 Maximum Debt Service Requirements | |
|---|---------------|-------------|--------------------|---|--|--|-----------|
| | | | | | | Interest | Principal |
| Brought Forward | | | 15,269,665 | | | 410,850 | 4,660,000 |
| Parking Authority Current Interest Bonds, Series 2005 B | 01/15/2005 | 29,780,000 | 29,780,000 | \$130,000 in 2013 \$2,850,000 in 2020 \$3,100,000 in 2021 \$2,850,000 in 2022 \$2,950,000 in 2023 \$3,100,000 in 2024 \$3,250,000 in 2025 \$5,755,000 in 2026 \$5,795,000 in 2027 | 3.10 4.00 5.00 5.00 5.00 5.00 4.75 4.75 4.75 | 1,376,930 | - |
| Parking Authority Capital Appreciation Bonds, Series 2005 B | 01/15/2005 | 9,444,297 | 9,444,297 | \$2,030,239 in 2013 \$1,423,304 in 2014 \$1,341,375 in 2015 \$1,645,096 in 2016 \$1,408,342 in 2017 \$1,595,941 in 2018 | 3.98 4.00 4.25 4.36 4.46 4.53 | - | - |
| Parking Authority Refunding Bonds, Series 2005 A | 05/15/2005 | 34,745,000 | 34,515,000 | \$365,000 in 2013 \$1,815,000 in 2014 \$1,905,000 in 2015 \$2,005,000 in 2016 \$2,100,000 in 2017 \$1,960,000 in 2018 \$2,325,000 in 2019 \$2,435,000 in 2020 \$2,565,000 in 2021 \$2,695,000 in 2022 \$2,845,000 in 2023 \$2,970,000 in 2024 \$3,115,000 in 2025 \$3,115,000 in 2026 \$2,300,000 in 2027 | 3.60 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 4.50 | 1,674,543 | - |
| Carry forward | | | 89,008,962 | | | 3,462,323 | 4,660,000 |

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2011

(Continued)

| Serial Bonds | Date of Issue | Amount Sold | Amount Outstanding | Maturity Information | Coupon or Ceiling Rate of Interest | 2011 Maximum Debt Service Requirements | |
|--|---------------|-------------|----------------------|---|------------------------------------|--|---------------------|
| | | | | | | Interest | Principal |
| Brought Forward | | | 89,008,962 | | | 3,462,323 | 4,660,000 |
| Parking Authority Refunding Bonds, Series 2005 B | 05/15/05 | 3,160,000 | 985,000 | \$485,000 in 2012 \$250,000 in 2013 \$250,000 in 2018 | 3.40 3.60 4.00 | 27,245 | 485,000 |
| Subtotal | | | <u>89,993,962</u> | | | <u>3,489,568</u> | <u>5,145,000</u> |
| Plus: Appreciated value on Cap. Apprec. Bonds | | | 4,488,870 | | | - | - |
| Plus: Bond premium | | | 1,584,988 | | | - | - |
| Less: Unamortized discount | | | (42,947) | | | - | - |
| Less: Deferred amount on refinancing | | | <u>(2,591,380)</u> | | | - | - |
| Total Public Parking Authority Bonds and Notes Payable | | | <u>\$ 93,433,493</u> | | | <u>\$ 3,489,568</u> | <u>\$ 5,145,000</u> |

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2011

(Continued)

| Serial Bonds | Date of Issue | Amount Sold | Amount Outstanding | Maturity Information | Coupon or Ceiling Rate of Interest | 2011 Maximum Debt Service Requirements | |
|--|---------------|----------------|--------------------|---|--|--|------------------|
| | | | | | | Interest | Principal |
| <u>Water and Sewer Authority Bonds</u> | | | | | | | |
| Revenue Refunding Bonds, 1993 Series A | 10/15/1993 | \$ 278,970,000 | 16,880,000 | \$7,685,000 in 2012 \$9,195,000 in 2013 | 6.50 6.50 | 1,097,200 | \$ 7,685,000 |
| First Lien Revenue Bonds, 1998 Series B (zero coupon bonds) | 3/1/1998 | 36,440,070 | 65,740,000 | \$2,300,000 in 2017 \$2,300,000 in 2018 \$2,300,000 in 2019 \$2,300,000 in 2020 \$2,300,000 in 2021 \$2,305,000 in 2022 \$2,300,000 in 2023 \$4,160,000 in 2024 \$4,160,000 in 2025 \$26,930,000 in 2026 \$26,930,000 in 2027 \$26,930,000 in 2028 \$26,930,000 in 2029 \$14,660,000 in 2030 (\$87,642,000) Unamortized Bond Discount | 5.18 5.21 5.22 5.22 5.26 5.26 5.26 5.27 5.27 5.26 5.31 5.28 5.30 5.23 | - | - |
| Carry forward | | | <u>82,620,000</u> | | | <u>1,097,200</u> | <u>7,685,000</u> |

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2011

(Continued)

| Serial Bonds | Date of Issue | Amount Sold | Amount Outstanding | Maturity Information | Coupon or Ceiling Rate of Interest | 2011 Maximum Debt Service Requirements | |
|---|---------------|-------------|--------------------|---|--|--|------------------|
| | | | | | | Interest | Principal |
| Brought Forward | | | 82,620,000 | | | 1,097,200 | 7,685,000 |
| First Lien Revenue Refunding Bonds, 2003 Series | 10/03/2003 | 167,390,000 | 44,945,000 | \$415,000 in 2012 \$430,000 in 2013 \$10,560,000 in 2014 \$11,050,000 in 2015 \$11,535,000 in 2016 \$1,375,000 in 2017 \$1,430,000 in 2018 \$1,490,000 in 2019 \$1,560,000 in 2020 \$1,625,000 in 2021 \$1,700,000 in 2022 \$1,775,000 in 2023 | 3.625 3.750 4.000 4.000 4.000 4.125 4.250 4.375 4.375 4.500 4.625 4.750 | 1,843,962 | 415,000 |
| Carry forward | | | <u>127,565,000</u> | | | <u>2,941,162</u> | <u>8,100,000</u> |

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2011

(Continued)

| Serial Bonds | Date of Issue | Amount Sold | Amount Outstanding | Maturity Information | Coupon or Ceiling Rate of Interest | 2011 Maximum Debt Service Requirements | |
|---|---------------|-------------|--------------------|--|---|--|-------------------|
| | | | | | | Interest | Principal |
| Brought Forward | | | 127,565,000 | | | 2,941,162 | 8,100,000 |
| First Lien Revenue Refunding Bonds, 2007 Series A | 3/15/2007 | 43,720,000 | 29,095,000 | \$4,290,000 in 2012 \$4,470,000 in 2013 \$4,690,000 in 2014 \$4,945,000 in 2015 \$5,220,000 in 2016 \$5,480,000 in 2017 | 4.000 5.000 5.500 5.500 5.000 5.000 | 1,460,027 | 4,290,000 |
| First Lien Revenue Refunding Bonds, 2007 Series B | 3/15/2007 | 115,175,000 | 82,645,000 | \$6,185,000 in 2018 \$9,110,000 in 2019 \$6,215,000 in 2020 \$6,470,000 in 2021 \$6,735,000 in 2022 \$7,020,000 in 2023 \$7,305,000 in 2024 \$7,615,000 in 2025 \$280,000 in 2026 \$310,000 in 2027 \$295,000 in 2028 \$320,000 in 2029 \$9,320,000 in 2030 \$9,710,000 in 2031 \$2,820,000 in 2032 \$2,935,000 in 2033 | 3.932 3.932 3.932 3.932 3.932 3.932 3.932 3.932 3.932 3.932 3.932 3.932 3.932 3.932 3.932 | 3,993,396 | - |
| Carry forward | | | <u>239,305,000</u> | | | <u>8,394,585</u> | <u>12,390,000</u> |

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2011

(Continued)

| Serial Bonds | Date of Issue | Amount Sold | Amount Outstanding | Maturity Information | Coupon or Ceiling Rate of Interest | 2011 Maximum Debt Service Requirements | |
|--|---------------|-------------|--------------------|---|--|--|-------------------|
| | | | | | | Interest | Principal |
| Brought Forward | | | 239,305,000 | | | 8,394,585 | 12,390,000 |
| First Lien Taxable Bonds, 2008 Series A | 06/12/08 | 68,970,000 | 68,970,000 | \$8,005,000 in 2017 \$8,070,000 in 2018 \$5,930,000 in 2019 \$9,595,000 in 2020 \$10,235,000 in 2021 \$10,930,000 in 2022 \$11,805,000 in 2023 \$4,400,000 in 2024 | 6.360 6.520 6.610 6.610 6.610 6.610 6.610 6.610 | 4,531,492 | - |
| First Lien Taxable Bonds, 2008 Series B | 06/12/08 | 145,495,000 | 145,495,000 | \$26,870,000 in 2035 \$34,020,000 in 2036 \$35,520,000 in 2037 \$37,085,000 in 2038 \$12,000,000 in 2039 | 4.038 4.038 4.038 4.038 4.038 | 5,875,088 | - |
| Subordinate Revenue Refunding Bonds, 2008 Series C | 06/12/08 | 103,795,000 | 103,795,000 | \$75,000 in 2012 \$60,000 in 2013 \$2,940,000 in 2030 \$15,345,000 in 2031 \$25,505,000 in 2032 \$26,475,000 in 2033 \$27,645,000 in 2034 \$5,750,000 in 2035 | Variable | 3,281,087 | 75,000 |
| Carry forward | | | <u>557,565,000</u> | | | <u>22,082,252</u> | <u>12,465,000</u> |

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2011

(Continued)

| Serial Bonds | Date of Issue | Amount Sold | Amount Outstanding | Maturity Information | Coupon or Ceiling Rate of Interest | 2011 Maximum Debt Service Requirements | |
|---|---------------|-------------|-----------------------|---|---|--|----------------------|
| | | | | | | Interest | Principal |
| Brought Forward | | | 557,565,000 | | | 22,082,252 | 12,465,000 |
| First Lien Revenue Bonds, 2008 Series D-1 | 06/12/08 | 24,665,000 | 24,665,000 | \$8,380,000 in 2024 \$13,950,000 in 2025 \$2,335,000 in 2031 | 4.46 4.51 4.80 | 1,221,575 | - |
| First Lien Revenue Bonds, 2008 Series D-2 | 06/12/08 | 71,225,000 | 71,225,000 | \$240,000 in 2032 \$395,000 in 2033 \$3,475,000 in 2034 \$26,675,000 in 2039 \$40,440,000 in 2040 | 4.103 4.103 4.103 4.103 4.103 | 2,922,362 | - |
| Pennvest Revolving Loan | Various | 14,165,000 | 34,747,000 | \$837,000 in 2012 \$849,000 in 2013 \$861,000 in 2014 \$897,200 in 2015 \$897,200 in 2016 \$897,200 in 2017 \$897,200 in 2018 \$897,200 in 2019 \$768,400 in 2020 \$768,400 in 2021 \$768,400 in 2022 \$768,400 in 2023 \$768,400 in 2024 \$44,000 in 2025 | Variable | 714,000 | 2,422,000 |
| Gross Water and Sewer Authority Revenue Bonds | | | <u>688,202,000</u> | | | <u>26,940,189</u> | <u>14,887,000</u> |
| Plus: Net bond discount | | | 1,948,000 | | | - | - |
| Less: Deferred series refunding loss | | | <u>(23,700,000)</u> | | | - | - |
| Net Water and Sewer Authority Revenue Bonds | | | <u>\$ 666,450,000</u> | | | <u>\$ 26,940,189</u> | <u>\$ 14,887,000</u> |

(Concluded)

CITY OF PITTSBURGH,
PENNSYLVANIA



UNIVERSITY OF PITTSBURGH

414 Grant Street Pittsburgh, Pennsylvania 15219