



TOM FLAHERTY
CITY CONTROLLER

**Comprehensive Annual Financial Report
for the year ended December 31, 2003**

CITY OF PITTSBURGH

PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

Prepared by: Office of City Controller

TOM FLAHERTY, CONTROLLER



Tom Flaherty

City Controller

INTRODUCTION

CITY OF PITTSBURGH, PENNSYLVANIA

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December 31, 2002

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President

Executive Director

CITY OF PITTSBURGH, PENNSYLVANIA

ELECTED CITY OFFICIALS

December 31, 2003

MAYOR

Tom Murphy

CONTROLLER

Tom Flaherty

MEMBERS OF COUNCIL

Eugene Ricciardi, President, District 3

Alan Hertzberg, Finance/Budget Committee, District 2

Luke Ravenstahl, District 1

Sala Udin, District 6

Jim Motznik (President Pro Tem), District 4

Doug Shields, District 5

Len Bodack, District 7

Bill Peduto, District 8

Twanda Carlisle, District 9

FINANCIAL



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Independent Auditors' 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 (the City), as of and for the year ended December 31, 2003, 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 Urban Redevelopment Authority of Pittsburgh (the URA), the Public Parking Authority of Pittsburgh (the Parking Authority), the Pittsburgh Water and Sewer Authority (the PWSA), and the Stadium Authority of the City of Pittsburgh (the Stadium Authority), which represent 99% of the assets and 97% of the revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the City of Pittsburgh Pension Trust Fund (the Pension Fund), which represents 94% and 81%, respectively, of the assets and revenues (including pension additions) of the aggregate remaining fund information. 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 URA, the Parking Authority, the PWSA, the Stadium Authority, and the Pension Fund, 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 position 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, 2003 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 discussed in note 9(D)(2) to the financial statements, the City changed its method of presentation of the URA-PDF trust.



The Management's Discussion and Analysis on pages 3 through 14 and schedule of funding progress on page 102 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information, and express no opinion on it. However, we and the other auditors did not audit such information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the City of Pittsburgh's basic financial statements. The introductory section, supplementary information, statistical section, and other information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, statistical section, and other information have not been subjected to the auditing procedures applied in the audit of the basic financial statements; and, accordingly, we express no opinion on them.

KPMG LLP

Pittsburgh, Pennsylvania
July 16, 2004, except Footnote 1B and
Management's Discussion and Analysis,
which is as of December 20, 2004.

MANAGEMENT'S DISCUSSION
AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Pittsburgh, we offer readers of the City of Pittsburgh's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2003. 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

- In November 2003, the City sought municipal self-help as a "financially distressed" municipality under Pennsylvania law. As a result, a Five-Year Financial Plan has been adopted mandating spending cuts and levying new and broader based taxes. The recovery plan will be monitored by both the Act 47 coordinators and the Intergovernmental Cooperation Authority, an oversight board appointed by the Governor and the State legislature.
- The liabilities of the City of Pittsburgh exceeded its assets at the close of the most recent fiscal year by \$713 million. As of December 31, 2003, the City, in its statement of net assets, has an unrestricted net asset unrestricted deficit of \$728.1 million. The accumulated deficit results principally from the City's outstanding general obligation bonds being issued over the years to finance projects that don't result in recording assets; specifically to fund the payments to the Pension Trust Fund (\$280 million outstanding as of December 31, 2003), the City's borrowings to finance economic development efforts (including projects of the City's Authorities, principally the URA), and maintenance expenditures on city infrastructure, and equipment needs.
- The City's total net assets decreased by \$13 million in 2003.
- As of the close of the current fiscal year, the City of Pittsburgh's governmental funds reported combined ending fund balances of \$77.3 million, a decrease of \$53.8 million from the previous year. Approximately 54% of this total amount, \$42.1 million, is available for spending at the government's discretion (unreserved fund balance).
- The City's general fund has reduced its fund balance by \$27 million in 2003, \$11 million in 2002, and \$11 million in 2001 as a result of tax structure and expenditure issues discussed later in this document.
- At the end of the 2003 fiscal year, unreserved fund balance for the general fund was \$31.1 million (compared to \$58 million in 2002), or 7.8 % of total general fund expenditures and debt service transfers, which totaled \$397.3 million in 2003. This measure of financial health declined from 15% in 2002.

The City of Pittsburgh's net bonded debt amounted to \$860.4 million at the end of the fiscal year. \$13.8 million in new debt was issued in 2003, and \$13.6 million of this amount was paid to escrow agents to refund debt. In 2003, \$30.9 million in principal payments were made for a net decrease in outstanding debt of \$19.1 million from 2002 when considering bonds defeased and discount amortization.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Pittsburgh's basic financial statements. For only the second year, the City's financial statements present two types of

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 balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Pittsburgh maintains individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the Debt Service fund, the Community Development Block Grant (CDBG) 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 of Pittsburgh adopts an annual appropriated budget for its General, Capital Projects and Community Development funds. A budgetary comparison statements and schedules have been provided for these funds to demonstrate compliance with these budgets.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The largest fiduciary fund is the City's pension fund. Fiduciary funds are not reflected in the government-wide financial statement 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.

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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Pittsburgh's progress in funding its obligation to provide pension benefits to its employees.

Government-wide Financial Analysis

As noted earlier, net assets (deficit) may serve over time as a useful indicator of a government's financial position. In the case of the City of Pittsburgh, liabilities exceeded assets by \$712.6 million at the close of the most recent fiscal year.

By far the largest portion of the City of Pittsburgh's deficit in net assets of \$712.6 million is its unrestricted deficit of \$(728.1) million. This deficit is partially offset by investments in capital assets, net of related debt of \$14.0 million. The City of Pittsburgh 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 certain debt.

Governmental activities. Governmental activities increased the City of Pittsburgh's net deficit by \$14 million in 2003. A key element mitigating this decrease was the increase in Capital Grants and Contributions by \$9.6 million due to a state roadway contribution, and the remaining amounts are as follows:

CITY OF PITTSBURGH'S ACTIVITIES

(\$ millions)	<u>Governmental</u> <u>activities</u>	
	<u>2003</u>	<u>2002</u>
<u>Revenues:</u>		
<u>Program Revenues:</u>		
<u>Charges for services</u>	44	42
<u>Operating grants & contributions</u>	49	45
<u>Capital grants & contributions</u>	39	29
<u>General revenues:</u>		
<u>Real Estate Property taxes</u>	128	122
<u>Earned Income taxes</u>	46	48
<u>Business Privilege taxes</u>	44	43
<u>Parking taxes</u>	32	32
<u>RAD sales taxes</u>	20	21
<u>Deed Transfer taxes</u>	9	10
<u>Amusement taxes</u>	9	10
<u>Mercantile taxes</u>	8	7
<u>Other taxes</u>	8	8
<u>Other</u>	4	7
<u>Total taxes – subtotal</u>	<u>308</u>	<u>308</u>
<u>Total Revenue</u>	<u>440</u>	<u>424</u>
<u>Expenses:</u>		
<u>General government</u>	69	78
<u>Public safety</u>	222	203
<u>Highways/streets</u>	50	53
<u>Sanitation</u>	12	13
<u>Economic development</u>	25	20
<u>Culture recreation</u>	11	12
<u>Interest</u>	50	47
<u>Debt subsidies to Authorities and Component Units</u>	15	15
<u>Total expenses</u>	<u>454</u>	<u>441</u>
<u>(Decrease) in net assets</u>	<u>(14)</u>	<u>(17)</u>
<u>(Net assets) – January 01, 2002</u>	<u>(699)</u>	<u>(682)</u>
<u>(Net assets) – December 31, 2002</u>	<u>(713)</u>	<u>(699)</u>

Governmental Funds

Government funds. The focus of the City of Pittsburgh'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 of Pittsburgh'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 \$370.3 million in 2003, an increase of \$1.5 million, compared to 2002, or by 0.4%. The net increase of \$1.6 million in tax revenue was due an increase of \$3.4 million (2.7%) during the year in real estate tax and \$0.6 million in Mercantile taxes offset by a 4% decline of \$1.7 million in Earned Income and other tax revenue declines. Real estate taxes increased because of increases in collections and less refunds and Earned Income taxes decreased due to lower taxable revenues earned by city residents.

In addition to the above General fund tax revenues, the City collected \$21.8 million in the Community Development fund, \$16.9 million in Capital Projects, and \$19.1 million in Other Governmental funds related to pass-thru federal and state monies.

At the end of the current fiscal year the City of Pittsburgh's governmental funds reported combined ending fund balances of \$77.3 million, a decrease of \$53.8 million from 2002. Approximately 54% of this total fund balance, or \$42 million constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved or not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period. Such commitments included \$17.5 million for encumbrances, \$.2 million for debt service, \$16.2 million restricted for capital projects, and \$1.2 million for other.

The General Fund is the chief operating fund of the City of Pittsburgh. At the end of the current fiscal year, unreserved fund balance of the general fund was \$31.1 million, while total fund balance for the General Fund \$35.2 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 7.8% of total general fund expenditures and operating transfers of \$397.3 million, while total fund balance represents 7.8% of General Fund expenditures and operating transfers.

The fund balance of the City of Pittsburgh's general fund decreased by \$27 million during the current fiscal year.

Expenditures and uses, including debt service payments/transfers, for the General Fund in 2003 increased to \$397.3 million, compared to \$380.1 million in 2002 representing an increase of 4.6% or \$17.2 million overall. This increase occurred despite the City's efforts to hold the line on expenses. The expenditures, which drove the increase, were higher costs associated with health care, pension, and debt service. Contractual obligations due under collective bargaining agreements also resulted in higher costs during 2003.

The largest dollar increase in expenditures and transfers was a \$10 million increase in transfers to debt service. Transfers to debt service of \$70.8 million combined with debt subsidies of \$14.2 million

Major capital asset events during the current fiscal year included the following:

- A variety of street construction projects in new residential developments and widening and expansion projects for existing streets and bridges began; construction in progress as of the end of the current fiscal year was \$4.8 million.

CITY OF PITTSBURGH'S CHANGES IN CAPITAL ASSETS

(\$ millions)	Governmental Activities	
	2003	2002
<u>Land & land improvements</u>	46	46
<u>Construction in progress</u>	5	16
<u>Buildings and building improvements</u>	93	91
<u>Infrastructure</u>	172	136
<u>Vehicles</u>	41	40
<u>Furniture & fixtures</u>	7	7
<u>Machinery & equipment</u>	2	2
<u>Total capital assets</u>	<u>366</u>	<u>338</u>
<u>Less accumulated depreciation for:</u>		
<u>Buildings</u>	(72)	(70)
<u>Infrastructure</u>	(62)	(54)
<u>Vehicles</u>	(30)	(30)
<u>Furniture & other equipment</u>	(7)	(7)
<u>Machinery & equipment</u>	<u>(2)</u>	<u>(2)</u>
<u>Total accumulated depreciation</u>	<u>(173)</u>	<u>(163)</u>
<u>Net Assets</u>	<u>193</u>	<u>175</u>

The largest increase in infrastructure assets was due to completion of roadway construction projects primarily contributed by the State. Additional information on the City of Pittsburgh's capital assets can be found in note 6 of this report.

approved by the ICA board and the City and the ICA enter into an intergovernmental cooperation agreement consistent with the Act. Both have been achieved.

In accordance with the requirements of Act 11, the City submitted on November 5, 2004 its 2005 Operating and Capital Budgets and Five-Year Financial Forecast and Performance Plan. The ICA approved the Plan. The Plan calls for reductions to expenditures and a new tax structure discussed below. The expenditure reductions include a commitment to reduce Public Safety cost, primarily with a cut to the Fire Department, and other costs included a reduction to all elected officials' budgets (Mayor, Controller and Council).

On November 21, 2004 the State legislature approved legislation providing Pittsburgh with new taxing authority that is intended to balance its 2005 and subsequent operating budgets allowing for a surplus each year to build a fund balance of \$21.9 million by 2009. Taxes include: a 0.55% tax on the gross payroll of all for-profit businesses, \$52 on individuals working in the City, 3% 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 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 provides for the elimination of business taxes paid by only 55% of the businesses and the implementation of a new tax on gross payroll of all for-profit businesses. This restructuring of business taxes and increase in taxes paid by individuals, particularly commuter, will result in a broader based tax structure going forward.

Cash Position

Cash balances held as "rainy day" reserves were largely used to meet current obligations beginning the latter half of 2003. Efforts by the City throughout 2003 to reserve cash were successful and permitted the City to continue operations without executing a planned \$40 million bank borrowing in January 2004. An early 2003 hiring freeze, layoffs in August, increased police retirements in the Fourth Quarter 2003, and the elimination of all non-discretionary spending such as travel, education, supplies, and secondary contracts improved year-end 2003 cash balance from October 2003 projections of \$18 million to \$29 million. While only adequate to fund a month's expense, the City's cash position at year end 2003, together with acceleration of real estate tax payments by mortgage companies in January 2004, reflect financial management efforts to keep the City solvent.

The City is currently projecting a cash balance as of December 31, 2004 of negative \$1.2 million. Increased employee retirements and continued cost controls are in place to hold spending. If necessary, the City will defer payment of its \$4 million RAD reimbursement obligation to the School District until a short term line-of-credit is exercised. The School District is in agreement with this deferral. In order to meet financial obligations until new tax revenues are collected in February 2005, the City has obtained a commitment from a consortium of local banks to provide a \$40 million Non-Revolving Tax-Exempt Tax and Revenue Anticipation Credit Facility to provide liquidity effective January 4, 2005. New and current tax revenues in the first quarter of 2005 are expected to be sufficient to allow for a repayment of the line-of-credit in the second quarter of the year.

BASIC FINANCIAL STATEMENTS

CITY OF PITTSBURGH,
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA

Statement of Net Assets/(Deficit)

December 31, 2003

	<u>Primary government Governmental activities</u>	<u>Component units</u>
Current liabilities:		
Accounts payable – wastewater treatment	\$ —	8,537,000
Accrued expenses and deferred income	—	886,060
Accounts and retainage payable	16,647,438	31,417,678
Accrued payroll and related obligations	10,033,122	743,000
Accrued interest payable	16,190,533	7,282,458
Accrued workers' compensation	19,026,283	—
Accrued compensated absences	16,926,064	—
Accrued claims and judgments	2,067,500	—
Deferred revenue	—	16,314,227
Due to other governments	3,931,790	—
Due to fiduciary funds	778,372	—
Note due to City of Pittsburgh, current portion	—	1,415,000
Bonds and loans payable, current portion	<u>41,885,000</u>	<u>18,535,000</u>
Total current liabilities	127,486,102	85,130,423
Noncurrent liabilities:		
Deferred revenue	—	551,000
Accrued payroll-related obligations	—	1,209,000
Note due to the City of Pittsburgh	—	11,755,000
Bonds and loans payable, net of unamortized premiums/discounts and bond issuance costs	818,467,623	868,896,575
Accrued workers' compensation	60,334,143	—
Accrued compensated absences	15,108,870	—
Accrued claims and judgments	1,000,000	—
Advance from the City of Pittsburgh	—	22,775,168
Total noncurrent liabilities	<u>894,910,636</u>	<u>905,186,743</u>
Total liabilities	1,022,396,738	990,317,166
Net assets:		
Investments in capital assets, net of related debt	14,047,401	(10,803,010)
Restricted for:		
Capital projects	—	11,134,909
Debt service	172,122	5,422,117
Employee benefits	1,207,105	—
Endowments	7,270	—
Public Parking Authority	—	12,484,150
Urban development	—	26,139,389
Lending programs	—	144,795,207
Multi-family Housing Program	—	684,196
Unrestricted (deficit)/net assets	<u>(728,071,303)</u>	<u>(24,551,038)</u>
Total net assets/(deficit)	\$ (712,637,405)	165,305,920

See accompanying notes to financial statements.

2003

Net (expense) revenue and
changes in net assets/(deficits)

Program revenues			Primary government	Component units
<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental activities</u>	
19,328,547	24,945,762	9,369,851	(14,927,792)	
20,171,829	16,451,679	1,005,079	(183,811,094)	
1,373,276	5,632,101	19,125,896	(23,958,065)	
1,063,853	629,849	—	(10,386,679)	
—	—	8,342,979	(28,234,195)	
1,809,203	1,033,637	837,941	(11,037,098)	
—	—	—	(50,274,609)	
<u>43,746,708</u>	<u>48,693,028</u>	<u>38,681,746</u>	<u>(322,629,532)</u>	
<u>110,903,632</u>	<u>47,511,407</u>	<u>11,425,556</u>		<u>(32,615,050)</u>
General revenues:				
			127,941,152	
			45,924,358	
			43,964,837	
			31,892,770	
			20,035,967	
			9,172,513	
			9,455,537	
			7,909,099	
			8,573,064	
			1,061,600	3,534,160
			546,387	
				(225,380)
			2,699,982	4,760,715
			<u>309,177,266</u>	<u>8,069,495</u>
			(13,452,266)	(24,545,555)
			(699,185,139)	189,851,475
			<u>(712,637,405)</u>	<u>165,305,920</u>

FUND FINANCIAL STATEMENTS

CITY OF PITTSBURGH, PENNSYLVANIA

Balance Sheet

Governmental Funds

December 31, 2003

Assets	General	Debt service	Special revenue CDBG	Capital projects	Other governmental funds	Total governmental funds
Cash and short-term investments, at cost which approximates market	\$ 32,500,073	—	1,547,139	—	11,603,368	45,650,580
Cash and cash equivalents-restricted	304,653	144,735	—	35,355,191	—	35,804,579
Receivables:						
Real estate taxes (net of allowances for uncollectible accounts of \$9,646,456)	7,773,378	—	—	—	—	7,773,378
Taxpayer-assessed taxes receivable	10,098,818	—	—	—	—	10,098,818
Other receivables	3,690,832	—	—	—	849,742	4,540,574
Due from component units	894,993	—	—	—	—	894,993
Accrued interest	33,866	27,387	—	—	2,023	63,276
Due from other governments	4,734,157	—	3,570,349	996,534	2,846,668	12,147,708
Due from other funds	4,133,305	—	—	1,364,874	1,122,782	6,620,961
Total assets	\$ 64,164,075	172,122	5,117,488	37,716,599	16,424,583	123,594,867
Liabilities and fund balances						
Liabilities:						
Accounts payable	\$ 8,821,258	—	2,721,687	2,002,241	1,699,294	15,244,480
Accrued liabilities	9,123,201	—	24,205	129,935	755,781	10,033,122
Retainage payable	—	—	125,043	1,277,909	—	1,402,952
Due to other funds	1,766	—	2,123,772	2,841,966	1,384,374	6,351,878
Due to agency funds	664,701	—	38,164	—	75,513	778,378
Due to other governments	1,808,988	—	—	800,000	1,322,802	3,931,790
Accrued claims and judgments	2,067,500	—	—	—	—	2,067,500
Deferred revenue, principally real estate taxes	6,483,323	—	—	—	—	6,483,323
Total liabilities	28,970,737	—	5,032,871	7,052,051	5,237,764	46,293,423
Fund balance:						
Reserved:						
Encumbrances	2,838,000	—	—	14,439,324	263,760	17,541,084
Reserved for endowments	7,270	—	—	—	—	7,270
Reserved for employee benefits	1,207,105	—	—	—	—	1,207,105
Unreserved:						
Undesignated	31,140,963	—	84,617	—	10,923,059	42,148,639
Designated for subsequent years expense	—	172,122	—	16,225,224	—	16,397,346
Total fund balances	35,193,338	172,122	84,617	30,664,548	11,186,819	77,301,444
Total liabilities and fund balances	\$ 64,164,075	172,122	5,117,488	37,716,599	16,424,583	123,594,867

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2003

	General	Debt service	Special revenue CDBG	Capital projects	Other governmental funds	Total governmental funds
Revenues:						
Taxes, including penalty and interest	\$ 301,779,203	—	—	1,212,237	—	302,991,440
Payment in lieu of taxes	509,773	—	—	—	—	509,773
Interest and dividends	472,093	518,305	—	—	71,202	1,061,600
Fines and forfeits	7,665,761	—	—	—	26,929	7,692,690
Intergovernmental revenues	29,568,773	3,240,000	21,808,903	16,872,842	19,124,256	90,614,774
Charge for user services	29,416,989	—	—	544,099	6,092,929	36,054,017
Donations and endowments	486,387	—	—	60,000	—	546,387
Miscellaneous	376,147	—	—	1,726,000	642,640	2,744,787
Total revenues	370,275,126	3,758,305	21,808,903	20,415,178	25,957,956	442,215,468
Expenditures:						
Current operating:						
General government	51,227,705	5,621	6,135,458	3,615,598	1,009,423	61,993,805
Public safety	212,771,697	—	1,159,044	1,519,928	6,495,366	221,946,035
Public works	26,630,417	—	4,532,450	13,073,706	7,417,762	51,654,335
Sanitation	10,723,182	—	—	—	218,241	10,941,423
Community, recreational, and cultural	7,530,508	—	855,781	116,145	2,128,783	10,631,217
Economic and physical development	—	—	9,126,170	5,615,585	10,539,457	25,281,212
Claims and judgments	1,112,822	—	—	—	—	1,112,822
Miscellaneous	3,024,035	—	—	—	—	3,024,035
Debt service:						
Principal retirement of bonds	—	30,850,000	—	—	—	30,850,000
Interest on bonds	3,434	43,278,441	—	—	—	43,281,875
Bond issuance costs	—	—	—	200,290	—	200,290
Pittsburgh Sports and Exhibition Authority subsidy	537,585	—	—	—	—	537,585
Public Auditorium Authority subsidy	2,405,358	—	—	—	—	2,405,358
Urban Redevelopment Authority subsidy	11,295,958	—	—	—	—	11,295,958
Capital outlay:						
Highways, streets, and other construction projects	—	—	—	18,265,361	2,842,267	21,107,628
Total expenditures	327,262,701	74,134,062	21,808,903	42,406,613	30,651,299	496,263,578
Excess (deficiency) of revenues over expenditures	43,012,425	(70,375,757)	—	(21,991,435)	(4,693,343)	(54,048,110)
Other financing sources (uses):						
Bond proceeds	—	—	—	13,765,856	—	13,765,856
Transfers from other funds	755,000	70,064,134	—	—	4,416,526	75,235,660
Payments to escrow agents for refunded debt	—	—	—	(13,550,157)	—	(13,550,157)
Transfer to other funds	(70,826,725)	—	—	(3,490,390)	(918,545)	(75,235,660)
Total other financing sources (uses)	(70,071,725)	70,064,134	—	(3,274,691)	3,497,981	215,699
Net change in fund balance	(27,059,300)	(311,623)	—	(25,266,126)	(1,195,362)	(53,832,411)
Fund balance at the beginning of year	62,252,638	483,745	84,617	55,930,674	12,382,181	131,133,855
Fund balance at end of year	\$ 35,193,338	172,122	84,617	30,664,548	11,186,819	77,301,444

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Budgetary Comparison Statement

General Fund

Year ended December 31, 2003

(Amounts expressed in thousands)

	2003			
	Budgeted amounts		Actual	Variance from
	Original	Final	(budgetary basis)	final budget over/(under)
Taxes:				
Real estate	\$ 126,271	126,271	124,000	(2,271)
Nonprofit payment for services	700	700	620	(80)
Mercantile	7,241	7,241	7,814	573
Amusement	10,459	10,459	9,462	(997)
Earned income	49,039	49,039	46,018	(3,021)
Deed transfer	8,452	8,452	9,154	702
Parking	32,514	32,514	30,879	(1,635)
Occupation privilege	3,157	3,157	3,224	67
Business privilege	42,110	42,110	42,573	463
Institution and service privilege	474	474	433	(41)
Public service	950	950	981	31
Penalties and interest	2,742	2,742	3,176	434
Act 77-tax relief	13,943	13,943	13,452	(491)
Total taxes, including penalty and interest	298,052	298,052	291,786	(6,266)
Interest earnings	1,382	1,382	505	(877)
Fines and forfeits	7,325	7,325	7,160	(165)
Licenses and fees:				
Liquor and malt beverage	415	415	419	4
Business	50	50	66	16
General government	767	767	663	(104)
Rentals and charges	4,474	4,474	4,696	222
Total licenses and fees	5,706	5,706	5,844	138
Federal and state grants	3,088	3,088	2,186	(902)
Reimbursement, CDBG	935	935	482	(453)
Public Parking Authority	1,900	1,900	1,900	—
PWSA Reimbursement	5,300	5,300	5,300	—
Sports and Exhibition Authority	87	87	87	—
State utility tax	500	500	500	—
Act 77-operations	5,859	5,859	5,859	—
Act 77-civic arena	1,600	1,600	1,600	—
Miscellaneous	268	268	298	30
Breakeven centers	17,370	17,370	17,979	609
Joint operations	175	175	38	(137)
Provisions of services	7,299	7,299	7,147	(152)
Sale of public property	50	50	—	(50)
Delinquent receivables-				
Magistrates court	500	500	658	158
Retail drink tax	5,000	5,000	—	(5,000)
Payroll preparation tax	24,000	24,000	—	(24,000)
Total general fund revenues	\$ 386,396	386,396	349,329	(37,067)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Budgetary Comparison Statement

General Fund

(Amounts Expressed in Thousands)

	2003						Variance favorable (unfavorable)
	Original adopted budget	Transfers and prior year carryover	Final budget	Expenditures	Encumbrances	Total actual	
Department of Finance:							
Salaries	\$ 3,012	(40)	2,972	2,966	—	2,966	6
Premium pay	31	—	31	25	—	25	6
Miscellaneous services	1,573	230	1,803	745	79	824	979
Education and training	27	—	27	9	—	9	18
Supplies	426	13	439	344	—	344	95
Materials	7	2	9	—	—	—	9
Equipment	78	7	85	31	—	31	54
Repairs	2	—	2	1	—	1	1
Rentals	31	—	31	29	—	29	2
Total Department of Finance	5,187	212	5,399	4,150	79	4,229	1,170
Office of City Controller:							
Salaries	3,060	(64)	2,996	2,821	—	2,821	175
Premium pay	10	—	10	7	—	7	3
Miscellaneous services	113	77	190	130	8	138	52
Education and training	25	—	25	22	—	22	3
Supplies	13	6	19	11	2	13	6
Equipment	20	27	47	47	—	47	—
Rentals	15	1	16	12	1	13	3
Total Office of City Controller	3,256	47	3,303	3,050	11	3,061	242
Department of Law:							
Salaries	1,538	—	1,538	1,488	—	1,488	50
Miscellaneous services	440	705	1,145	396	7	403	742
Education and training	21	—	21	15	—	15	6
Supplies	20	4	24	20	—	20	4
Judgments	2	—	2	1	—	1	1
Equipment	42	—	42	19	—	19	23
Rentals	10	—	10	10	—	10	—
Total Law	2,073	709	2,782	1,949	7	1,956	826
Department of Law-OBEO							
Salaries	245	(100)	145	131	—	131	14
Miscellaneous services	300	(275)	25	4	—	4	21
Education and training	4	—	4	1	—	1	3
Supplies	3	—	3	1	—	1	2
Equipment	13	—	13	—	—	—	13
Total Law OBEO	565	(375)	190	137	—	137	53
Department of Law-OMI							
Salaries	356	—	356	312	—	312	44
Premium pay	—	1	1	—	—	—	1
Miscellaneous services	300	112	412	293	—	293	119
Education and training	4	—	4	—	—	—	4
Supplies	5	1	6	4	—	4	2
Equipment	1	1	2	1	—	1	1
Rentals	—	3	3	—	—	—	3
Total Law OMI	666	118	784	610	—	610	174
Department of Personnel and Civil Service Commission:							
Salaries	1,367	(125)	1,242	1,242	—	1,242	—
Premium pay	4	—	4	2	—	2	2
Miscellaneous services	361	310	671	115	11	126	545
Education and training	22	—	22	9	—	9	13
Supplies	26	9	35	14	3	17	18
Equipment	63	6	69	18	28	46	23
Materials	3	—	3	2	—	2	1
Rentals	4	—	4	3	—	3	1
Total Personnel and Civil Service Commission	1,850	200	2,050	1,405	42	1,447	603

CITY OF PITTSBURGH, PENNSYLVANIA

Budgetary Comparison Statement

General Fund

(Amounts Expressed in Thousands)

	2003						Variance favorable (unfavorable)
	Original adopted budget	Transfers and prior year carryover	Final budget	Expenditures	Encumbrances	Total actual	
Bureau of Building Inspection:							
Salaries	\$ 2,425	—	2,425	2,406	—	2,406	19
Premium pay	5	—	5	(2)	—	(2)	7
Miscellaneous services	118	3	121	93	—	93	28
Education and training	16	—	16	4	—	4	12
Supplies	19	—	19	13	—	13	6
Repairs	—	—	—	—	—	—	—
Rentals	6	—	6	3	—	3	3
Equipment	18	—	18	9	—	9	9
Uniforms	15	—	15	13	—	13	2
Total Building Inspection	2,622	3	2,625	2,539	—	2,539	86
Total Public Safety-Department of Public Safety	139,607	3,598	143,205	140,882	245	141,127	2,078
Department of General Services:							
Administration:							
Salaries	1,076	(100)	976	905	—	905	71
Premium pay	12	—	12	10	—	10	2
Miscellaneous services	241	41	282	245	—	245	37
Education and training	12	—	12	1	—	1	11
Supplies	14	—	14	11	3	14	—
Equipment	5	—	5	3	—	3	2
Repairs	2	—	2	2	—	2	—
Rentals	549	9	558	545	9	554	4
Total Administration	1,911	(50)	1,861	1,722	12	1,734	127
Facilities Management:							
Salaries	2,109	(25)	2,084	2,062	—	2,062	22
Premium pay	53	—	53	41	—	41	12
Miscellaneous services	920	1	921	875	—	875	46
Education and training	2	—	2	1	—	1	1
Supplies	24	2	26	23	1	24	2
Equipment	9	—	9	7	—	7	2
Repairs	19	—	19	19	—	19	—
Materials	131	7	138	115	8	123	15
Uniforms	26	—	26	25	—	25	1
Total Facilities Management	3,293	(15)	3,278	3,168	9	3,177	101
Fleet Management:							
Salaries	2,594	(150)	2,444	2,417	—	2,417	27
Premium pay	215	—	215	178	—	178	37
Miscellaneous services	251	37	288	281	—	281	7
Education and training	12	—	12	2	—	2	10
Supplies	2,795	11	2,806	2,737	—	2,737	69
Materials	38	—	38	35	3	38	—
Equipment	339	—	339	320	7	327	12
Uniforms	49	—	49	46	—	46	3
Repairs	910	—	910	910	—	910	—
Rentals	12	—	12	12	—	12	—
Utilities	—	21	21	—	—	—	21
Total Fleet Management	7,215	(81)	7,134	6,938	10	6,948	186
Community Communications:							
Salaries	491	29	520	506	—	506	14
Premium pay	35	(15)	20	17	—	17	3
Miscellaneous services	66	—	66	63	3	66	—
Education and training	21	(14)	7	3	—	3	4
Supplies	45	4	49	26	3	29	20
Equipment	165	101	266	153	5	158	108
Total Community Communications	823	105	928	768	11	779	149

CITY OF PITTSBURGH, PENNSYLVANIA

Budgetary Comparison Statement

General Fund

(Amounts Expressed in Thousands)

	2003						Variance favorable (unfavorable)
	Original adopted budget	Transfers and prior year carryover	Final budget	Expenditures	Encumbrances	Total actual	
Employee Benefits:							
Salaries	\$ 315	—	315	207	—	207	108
Pension	4,540	4,785	9,325	9,160	—	9,160	165
Fringe benefits	73,683	910	74,593	72,452	1,665	74,117	476
Total Employee Benefits	78,538	5,695	84,233	81,819	1,665	83,484	749
Claims and Judgments-Citywide	750	657	1,407	1,475	9	1,484	(77)
Citizens Review Board:							
Salaries	281	—	281	270	—	270	11
Miscellaneous services	99	5	104	74	5	79	25
Education and training	12	—	12	6	—	6	6
Supplies	11	—	11	6	1	7	4
Equipment	3	—	3	2	—	2	1
Repairs	1	—	1	—	—	—	1
Rentals	50	3	53	46	5	51	2
Total Citizens Review Board	457	8	465	404	11	415	50
Utilities-Citywide	7,427	91	7,518	7,419	1	7,420	98
GF Grants-Citywide	—	128	128	55	—	55	73
GF Grants-Other	4,040	—	4,040	4,040	—	4,040	—
Miscellaneous (Postage/Refunds)-Citywide	4,598	72	4,670	3,619	354	3,973	697
Debt Service:							
Debt service	71,231	—	71,231	70,052	—	70,052	1,179
Debt service subsidy	3,619	—	3,619	3,617	—	3,617	2
Total Debt Service	74,850	—	74,850	73,669	—	73,669	1,181
Total Nondepartmental	170,660	6,651	177,311	172,500	2,040	174,540	2,771
Total General Fund Expenditures	386,396	9,369	395,765	381,235	2,838	384,073	11,692
Deficiency of revenues over expenditures	\$ —		(9,369)			(34,744)	

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Budgetary Comparison Statement

Community Development Fund

Year ended December 31, 2003

(Amounts expressed in thousands)

	<u>Original/final budget</u>	<u>Actual (budgetary basis)</u>	<u>Variance favorable (unfavorable)</u>
Revenues:			
Intergovernmental	\$ 50,009,751	18,941,827	(31,067,924)
Total revenues	50,009,751	18,941,827	(31,067,924)
Expenditures:			
General government:			
Council and City Clerk's office	5,500,491	1,621,839	3,878,652
Finance	77,000	25,145	51,855
Department of Personnel and Human Relations	1,741,815	930,688	811,127
Department of City Planning	5,835,326	2,661,896	3,173,430
General services	70,849	—	70,849
Public safety	2,023,075	1,150,069	873,006
Public works:			
Public works	6,982,538	3,049,562	3,932,976
Engineering and construction	2,684,056	912,294	1,771,762
Community, recreational, and cultural programs	2,573,594	837,048	1,736,546
Intergovernmental programs	22,521,007	8,342,979	14,178,028
Total expenditures	50,009,751	19,531,520	30,478,231
Deficiency of revenues under expenditures	—	(589,693)	(589,693)
Fund balances - budgetary basis, beginning of year	—	1,564,134	1,564,134
Fund balances - budgetary basis, end of year	\$ —	974,441	974,441

See accompanying notes to financial statements.

FIDUCIARY FUND STATEMENTS

CITY OF PITTSBURGH,
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Fiscal Year ended December 31, 2003

	<u>Pension trust fund</u>
Additions (reductions):	
Contributions:	
Employer	\$ 9,735,146
Plan members	10,852,041
State	<u>18,214,489</u>
Total contributions	38,801,676
Investment income:	
Net appreciation in fair value of investments	62,513,423
Interest and dividends	<u>9,341,287</u>
	71,854,710
Less investment expenses	<u>(1,016,836)</u>
Net investment income	70,837,874
Miscellaneous:	
Other	<u>147,661</u>
	<u>147,661</u>
Total additions	<u>109,787,211</u>
Deductions:	
Benefit payments	60,525,683
Refund of employee contributions	1,095,538
Administrative expenses	<u>1,218,449</u>
	<u>62,839,670</u>
Net increase in plan net assets	46,947,541
Plan net assets, beginning of year	<u>312,470,965</u>
Plan net assets, end of year	<u>\$ 359,418,506</u>

See accompanying notes to financial statements.

COMBINING STATEMENTS OF
DISCRETE COMPONENT UNITS

CITY OF PITTSBURGH, PENNSYLVANIA

Statement of Net Assets

Component Units

December 31, 2003

Assets	URA	URA PDF Trust	Water and Sewer Authority	Stadium Authority	Public Parking Authority	Total
Current assets:						
Cash and cash equivalents	\$ 177,671,981	-	20,895,000	2,656,654	2,814,646	204,038,281
Cash and cash equivalents - restricted	56,302,640	2,357,398	-	-	-	58,660,038
Investments - unrestricted	-	-	-	-	2,571,061	2,571,061
Investments - restricted	422,269	3,822,140	-	-	8,887,561	15,131,970
Accounts receivable	-	-	14,893,000	-	557,214	15,450,214
Due from other governments	4,049,664	-	-	-	-	4,049,664
Grant receivable	-	-	-	2,591,876	-	2,591,876
Notes receivable	-	-	-	70,840	208,966	279,806
Inventory	-	-	1,462,000	-	-	1,462,000
Accrued interest	-	1,424	-	-	598,137	599,561
Other receivables	6,583,959	-	1,358,000	-	-	7,941,959
Other receivables - restricted	316,320	-	-	-	-	316,320
Prepaid expenses	-	-	180,000	-	-	180,000
Total current assets	245,346,833	6,180,962	38,788,000	5,319,370	15,637,585	311,272,750
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	-	-	8,311,000	-	-	8,311,000
Investments	-	-	56,774,000	-	17,487,477	74,261,477
Accrued interest receivable	-	-	168,000	-	-	168,000
Accounts receivable - parking	-	-	-	79,570	-	79,570
Total restricted assets	-	-	65,253,000	79,570	17,487,477	82,820,047
Capital assets:						
Buildings and building improvements	30,403,219	-	-	-	-	30,403,219
Land and land improvements	15,077,285	-	-	-	18,926,067	34,003,352
Parking facilities	-	-	-	-	116,085,378	116,085,378
Machinery and equipment	-	-	102,167,000	-	4,427,517	106,594,517
Utility plant	-	-	394,370,000	-	-	394,370,000
Non-utility plant	-	-	14,067,000	-	-	14,067,000
Construction-in-progress	814,279	-	21,655,000	-	1,422,507	23,891,786
Less: accumulated depreciation	(7,660,450)	-	(106,808,000)	-	(47,881,691)	(162,350,141)
Net capital assets	38,634,333	-	425,451,000	-	92,979,778	557,065,111
Leasehold improvements	-	-	-	-	8,465	8,465
Other assets	2,114,738	-	-	-	-	2,114,738
Other assets - restricted	164,910	-	-	-	-	164,910
Assets held for sale	21,176,160	-	-	-	-	21,176,160
Assets held for sale - restricted	4,121,707	-	-	-	-	4,121,707
Loans/notes receivable	51,039,531	-	-	2,185,000	4,484,936	57,709,467
Loans/notes receivable - restricted	110,290,946	-	-	-	-	110,290,946
Deposits held for development fund	-	-	-	1,090,733	-	1,090,733
Bond issue costs, net of depreciation	-	-	6,384,000	20,834	1,383,218	7,788,052
Total noncurrent assets	227,542,325	-	497,088,000	3,376,137	116,343,874	844,350,336
Total assets	\$ 472,889,158	6,180,962	535,876,000	8,695,507	131,981,459	1,155,623,086
Liabilities and Net Assets						
Current liabilities:						
Bonds and loans payable, current portion	\$ -	1,570,000	11,975,000	1,860,000	3,130,000	18,535,000
Note due to City of Pittsburgh, current portion	-	-	-	1,415,000	-	1,415,000
Accrued payroll and related obligations	-	-	743,000	-	-	743,000
Accounts payable - City of Pittsburgh	-	-	-	-	216,771	216,771
Accounts payable - wastewater treatment	-	-	8,537,000	-	-	8,537,000
Deferred revenue	16,314,227	-	-	-	-	16,314,227
Accrued expenses and deferred income	-	-	-	-	886,060	886,060
Accounts payable and other accrued expenses	20,685,071	-	6,900,000	313,765	3,302,071	31,200,907
Accrued interest payable	-	-	6,230,000	98,333	954,125	7,282,458
Total current liabilities	36,999,298	1,570,000	34,385,000	3,687,098	8,489,027	85,130,425
Noncurrent liabilities:						
Deferred revenue	-	-	551,000	-	-	551,000
Accrued payroll and related obligations	-	-	1,209,000	-	-	1,209,000
Note due to City of Pittsburgh	-	-	-	11,755,000	-	11,755,000
Bonds and loans payable, net of current portion	201,904,811	51,055,000	533,863,000	3,929,994	78,145,770	868,896,575
Advances from the City of Pittsburgh	-	-	-	22,775,168	-	22,775,168
Total noncurrent liabilities	201,904,811	51,055,000	535,623,000	38,460,162	78,145,770	905,186,743
Total liabilities	238,904,109	52,625,000	570,008,000	42,147,260	86,632,797	990,317,166
Net assets:						
Invested in capital assets, net of related debt	17,985,178	-	(44,789,000)	-	16,000,812	(10,803,010)
Restricted for:						
Capital projects	-	-	9,254,000	-	1,880,909	11,134,909
Debt service	-	-	-	-	5,422,117	5,422,117
Public Parking Authority	-	-	-	-	12,484,150	12,484,150
Urban Development	26,139,389	-	-	-	-	26,139,389
Lending programs	144,795,207	-	-	-	-	144,795,207
Multi-family Housing Program	684,196	-	-	-	-	684,196
Unrestricted	44,381,079	(46,444,038)	1,403,000	(33,451,753)	9,560,674	(24,551,038)
Total net assets/(deficit)	\$ 233,985,049	(46,444,038)	(34,132,000)	(33,451,753)	45,348,662	165,305,920

See accompanying notes to financial statements.

Net (expense) revenue and
changes in net assets

Urban Redevelopment Authority							
Governmental activities	Business-type activities	URA component units	URA PDF Trust	Water and Sewer Authority	Stadium Authority	Public Parking Authority	Total
3,584,932							3,584,932
(3,870,579)							(3,870,579)
(351,950)							(351,950)
(637,597)	-	-					(637,597)
	(16,131,263)						(16,131,263)
	(76,316)						(76,316)
-	(16,207,579)	-					(16,207,579)
		(1,572,068)					(1,572,068)
(637,597)	(16,207,579)	(1,572,068)					(18,417,244)
			5,907,246				5,907,246
			(4,757,128)				(4,757,128)
			1,150,118				1,150,118
				(18,448,000)			(18,448,000)
					4,376,150		4,376,150
						(1,276,074)	(1,276,074)
						(1,276,074)	(32,615,050)
1,186,026	190,928	58,829	-	1,322,000	-	776,377	3,534,160
(2,094,036)	-	1,868,656	-	-	-	-	(225,380)
3,721,428	718,033	104,299	-	-	(144,160)	361,115	4,760,715
1,500,000	(1,500,000)	-	-	-	-	-	-
4,313,418	(591,039)	2,031,784	-	1,322,000	(144,160)	1,137,492	8,069,495
3,675,821	(16,798,618)	459,716	1,150,118	(17,126,000)	4,231,990	(138,582)	(24,545,555)
144,067,491	98,158,756	4,421,883	(47,594,156)	(17,006,000)	(37,683,743)	45,487,244	189,851,475
<u>\$ 147,743,312</u>	<u>81,360,138</u>	<u>4,881,599</u>	<u>(46,444,038)</u>	<u>(34,132,000)</u>	<u>(33,451,753)</u>	<u>45,348,662</u>	<u>165,305,920</u>

NOTES TO BASIC
FINANCIAL STATEMENTS

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

(1) Organization and Summary of Significant Accounting Policies

Description of City

The City of Pittsburgh, Pennsylvania (the 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 or (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 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.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

City of Pittsburgh Equipment Leasing Authority Employee Pension Plans

City of Pittsburgh Equipment Leasing Authority (Equipment Leasing Authority)

The Equipment Leasing Authority (ELA) was incorporated in 1980 to serve as a financing vehicle for the acquisition of equipment. The Board consists of a Deputy 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 governmental funds. It operates on a December 31 fiscal year.

Employee Pension Funds

The City has three defined benefit pension funds: the Municipal Pension Fund (Municipal); the Policemen's Relief and Pension Fund (Police); and the Firemen's Relief and Pension Fund (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.

Fund benefit matters are administered by separate boards which include, for all funds, 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 funds operate on a fiscal year ending December 31. Their operations are included as fiduciary funds financial statements.

Discretely Presented Component Units

Discretely presented component units are entities that are legally separate from the primary government but for which the primary government is financially accountable or whose relationship with the primary government is such the exclusion 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
Urban Redevelopment Authority of Pittsburgh – PDF Trust

Pittsburgh Water and Sewer Authority

The Pittsburgh Water and Sewer Authority (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, the Authority leased the entire City water supply, distribution, and

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

intergovernmental grants. Additionally, the Authority has incurred note and bond indebtedness to finance specific programs.

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. See Footnote 9(E) for further discussion of financial benefit/burden relationship. In addition, the City guarantees approximately 30% of the URA's debt.

The reporting entity of the URA includes the accounts of all URA operations as well as two entities, which qualify as component units of the URA under the provisions of GASB Statement No. 14. The component units of the URA are the URA Housing Corporation, the Pittsburgh Economic and Industrial Development Corporation, and 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.

Urban Redevelopment Authority – PDF Trust

The URA created through a bond issue a separate legal trust to capitalize the URA's Pittsburgh Development Fund. The Trust's debt service is paid with an allocation of the City's Regional Asset District revenues on an annual basis. The Trust is not consolidated with the URA because the URA has no obligation to repay the debt with their resources. No separately issued financial statements are available for the Trust.

Complete financial statements of the individual component units can be obtained from their respective administrative offices.

Administrative Offices

City of Pittsburgh Equipment Leasing Authority City-County Building, 5th Floor 414 Grant Street Pittsburgh, PA 15219	Pittsburgh Water and Sewer Authority 441 Smithfield Street Pittsburgh, PA 15222
City of Pittsburgh Finance Department Combined Pension Trust Funds City-County Building 414 Grant Street Pittsburgh, PA 15219	Pittsburgh Parking Authority 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

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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 ending December 31.

Jointly Governed Organization

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

(D) Financial Statement Presentation

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. GASB Statement No. 34 was developed to make annual reports easier to understand and more useful to people who use governmental financial information to make decisions. The basic financial statements and required supplementary information under GASB Statement No. 34 include:

Management's Discussion and Analysis (MD&A) – MD&A introduces the basic financial statements and provides an analytical overview of the government's financial activities in a narrative format. An analysis of the government's overall financial position and results of operations is included to assist users in assessing whether financial position has improved or deteriorated as a result of the year's activities. This is considered required supplementary information and is not a part of the basic financial statements.

Government-Wide Financial Statements – Financial statements prepared using the economic resources measurement focus and full accrual basis of accounting for all of 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 interfund 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

CITY OF PITTSBURGH, PENNSYLVANIA

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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
Urban Redevelopment Authority of Pittsburgh – PDF Trust

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 new reporting model, budgetary information continues to be provided and now includes a comparison of the government's original adopted budget to the current comparison of final budget and actual results.

(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 statements 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 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 90 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.

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.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

(K) Loans Receivable

In the governmental funds, loans receivable are recognized when the loan is established for loans with terms of 30 years or less. In the governmental funds, the loan balances are fully offset by deferred revenue, as loan repayments are not considered to be available as current resources. 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.

In the proprietary funds, 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 collectibility.

(L) Other Receivables

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

(M) 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. 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 estimated useful lives for capital assets are as follows:

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

(N) Workers' Compensation

The City is self-insured for purposes of workers' compensation benefits. Provisions are recorded in the governmental fund financial statements as a current liability for benefits estimated to be due, mature, and payable from current financial resources as of December 31, 2003. 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 of Pennsylvania requirements. The requirements for 2003 are as follows:

Maintain an irrevocable trust fund. The City's contribution to the fund is determined annually in negotiations with the Commonwealth of Pennsylvania Department of Labor.

Satisfy the financial responsibility requirements of the Commonwealth of Pennsylvania.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

(S) 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 reappropriation is required by the City Council with the exception of capital fund project encumbrances.

(T) 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.

(U) 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 these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(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 statements:
 - 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 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.

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Notes to Basic Financial Statements

December 31, 2003

Component Units - Unrestricted	Category			Non-categorized	Cost	Fair value
	1	2	3			
Stadium Authority:						
Money market pooled investments	\$ 57,763	—	4,733	—	62,496	62,496
Investments not subject to categorization						
Money market pooled investments	—	—	—	2,838,420	2,594,158	2,594,158
Total	\$ 57,763	—	4,733	2,838,420	2,656,654	2,656,654
PWSA:						
Deposits	\$ 588,000	—	20,712,000	—	21,300,000	20,895,000
Public Parking Authority:						
Investments not subject to categorization						
Mutual funds	\$ —	—	—	5,292,211	5,292,211	5,292,211
Deposits	93,496	—	—	—	93,496	93,496
Total	\$ 93,496	—	—	5,292,211	5,385,707	5,385,707
URA:						
U.S. government and agency obligations	\$ 4,371,339	—	78,453,546	—	82,824,885	79,315,819
Investments not subject to categorization						
Guaranteed investment agreements	—	—	—	37,064,096	37,064,096	37,064,096
Pooled Investment Fund	—	—	—	20,876,760	20,876,760	20,876,760
Total investments	4,371,339	—	78,453,546	57,940,856	140,765,741	137,256,675
Total deposits	755,342	—	40,728,163	—	41,483,505	40,415,306
Total deposits and investments	\$ 5,126,681	—	119,181,709	57,940,856	182,249,246	177,671,981
Total investments - unrestricted component units	\$ 4,429,102	—	78,458,279	66,071,487	148,714,606	145,205,540
Total deposits - unrestricted component units	\$ 1,436,838	—	61,440,163	—	62,877,001	61,403,802
Total deposits and investments - unrestricted component units	\$ 5,865,940	—	139,898,442	66,071,487	211,591,607	206,609,342

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

(A) *Governmental 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.

Under the Pittsburgh City Code, the Director of Finance is responsible for the overall management of the investment program. Policies established by the Director of Finance 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.

(B) *Pension Trust*

Investments:

Some of the Trust's investments are in investment pools that are managed by professional asset managers. By participating in the pooling of assets with other large investors, the costs associated with asset management; and, therefore, the costs passed on to each individual investor are reduced. The Trust's Board perceives this to be an appropriate way to reduce investment management fees and administrative expenses while continuing to adhere to the established investment guidelines.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

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The following summarizes pension trust fund investments as of December 31, 2003, which individually are 5% or more of net assets available for benefits, at fair value:

Hirtle Callaghan Trust International Equity Portfolio Fund #8	\$	41,717,063
SSGA Russell 1000 Growth Fund		23,563,813
Hirtle Callaghan High Yield Bank Portfolio, Fund #12		23,798,266

(C) Water and Sewer Authority

The Water and Sewer Authority (the Authority) 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, 2003, the Authority invested its funds in such authorized investments.

(D) Stadium Authority

The carrying amounts of the Stadium Authority included cash deposits and money market pooled investments held with banks as of March 31, 2003.

(E) Public Parking Authority

Investments include principally U.S. government obligations, corporate notes, municipal bonds, money market funds, and certificates of deposit. These investments are stated at fair value and amortized cost, as applicable. If an investment has face value different from the original cost, the Authority records the investment at amortized cost. Terms and agreements of the Authority restrict the majority of the investments.

(F) Urban Redevelopment Authority and PDF Trust

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 units adhere to statutory and contractually required 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.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

(5) 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 the 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. All real property in the County is required to be reassessed every three years.

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 the 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 of Pittsburgh, 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 of Pittsburgh was forced to abandon its two-tiered or bifurcated tax, which had been in existence since 1913. The City of Pittsburgh 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.

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. The City of Pittsburgh's tax rate is 10.8 mills on the assessed value of the property. The School District of Pittsburgh's tax rate is 13.92 mills assessed value. A mill is 1/10 of a cent. For example, on a property assessed at \$1,000, the City of Pittsburgh 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 three tax relief programs in the City of Pittsburgh. They are: Homestead, Senior tax relief, and Gentrification.

Over 180,000, or over 36%, of property owners out of approximately one-half million in Allegheny County have filed property tax appeals contesting their new assessments for the three years beginning January 1, 2004.

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

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

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

General government	\$ 2,467,047
Public safety	2,073,937
Highways, streets, and other capital improvements	5,822,864
Public works	857,410
Culture and recreation	<u>187,534</u>
Total depreciation expense - governmental activities	\$ <u><u>11,408,792</u></u>

Component unit's capital asset activity for the year ended December 31, 2003 was as follows:

	<u>Balances</u> <u>January 1, 2003</u>	<u>Additions</u>	<u>Deletions/ transfers</u>	<u>Balances</u> <u>December 31, 2003</u>
Component Units:				
Non-depreciable assets:				
Land	\$ 39,798,147	688,086	(6,482,881)	34,003,352
Construction-in-progress	15,392,910	17,685,924	(9,187,048)	23,891,786
Depreciable assets:				
Buildings and building improvements	20,310,599	10,092,620	—	30,403,219
Parking facilities	114,770,892	1,341,719	(27,233)	116,085,378
Machinery and equipment	106,682,966	329,607	(418,056)	106,594,517
Utility plant	375,390,000	18,980,000	—	394,370,000
Non-utility plant	<u>10,525,000</u>	<u>3,542,000</u>	<u>—</u>	<u>14,067,000</u>
Total depreciable assets	627,679,457	34,285,946	(445,289)	661,520,114
Less accumulated depreciation	<u>(142,751,674)</u>	<u>(19,724,698)</u>	<u>126,231</u>	<u>(162,350,141)</u>
Net component units capital assets	\$ <u><u>540,118,840</u></u>	<u><u>32,935,258</u></u>	<u><u>(15,988,987)</u></u>	<u><u>557,065,111</u></u>

(7) Pension Plans

(A) Organization and Description of Plans

The City of Pittsburgh is responsible for the funding of retirement benefits for the three pension funds described below. Investments of the funds 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 Fund of the City of Pittsburgh, the Policemen's Relief and Pension Fund of the City of Pittsburgh, and the Firemen's Relief and Pension Fund of the City of Pittsburgh were established; a separate accounting for the activities of these three funds is maintained including the employees' contributions, allocation of state aid and the City's annual contribution and a calculation of each Fund's undivided interest in the investments held by the Comprehensive Trust. Additionally, separate actuarial valuations are

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

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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.

Retirement benefits for employees, who were members of the Plan prior to January 1, 1975, equal 60% of three-years average pay, but no less than \$130 monthly if such pay is less than \$450; or 55% of the first \$650 of three-years average pay and 30% of the excess but not less than \$270 if such pay is greater than \$450. Prior to January 1, 2002, the benefits for employees, who became members after December 31, 1974 and those hired after December 31, 1987, were reduced by 50% of the Social Security benefit. Beginning January 1, 2002, such benefits for certain classes of employees are no longer reduced by the Social Security benefit. The aforementioned benefits are prorated for employees with less than 20 years of service. All members receive a service increment of 1% of three-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.

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, he 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.
- 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.

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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 average pay at the time of termination. A terminated member may elect to continue making contributions to the plan, equal to the contribution rate in effect 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 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 Fund

The Firemen's Relief and Pension Fund of the City of Pittsburgh (the Fund) was established by Act of May 25, 1933, P.L. 1050. The Fund 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 of Pittsburgh and members of the Fund to make contributions to the Fund 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 Fund. At January 1, 2003, the Fund had 1,841 total members of which 867 are active members; 973 retirees, disabled, and survivors; and one terminated member 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 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 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 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 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.

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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.

Annual Pension Cost

The City's annual pension cost for the past three years was as follows:

<u>Fiscal year ended</u>	<u>Municipal</u>	<u>Police</u>	<u>Fire</u>
	(Amounts in thousands)		
December 31, 2003			
Annual required contribution	\$ 4,325	12,926	6,624
Contributions made	(4,944) *	(15,355) *	(7,650) *
December 31, 2002			
Annual required contribution	2,829	10,565	5,032
Contributions made	(4,458) *	(12,137) *	(5,781) *
December 31, 2001			
Annual required contribution	3,865	10,502	5,783
Contributions made	(5,148) *	(11,370) *	(7,477) *

* Contributions made represent 100% of the Minimum Municipal Obligation as well as other postemployment benefits.

CITY OF PITTSBURGH, PENNSYLVANIA

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December 31, 2003

Three Year Trend Information

Fiscal year ending	Pension plan	Pension cost (ARC) *	Total contributions as a percentage of annual required contributions
December 31, 2001	Municipal	\$ 3,865	% 133.2
	Police	10,502	108.3
	Fire	5,783	129.3
	Total	20,150	119.1
December 31, 2002	Municipal	2,829	157.6
	Police	10,565	114.9
	Fire	5,032	114.9
	Total	18,426	121.4
December 31, 2003	Municipal	4,325	114.3
	Police	12,926	118.8
	Fire	6,624	115.5
	Total	23,875	114.7

* Contributions made represent 100% of the Minimum Municipal Obligation as well as other postemployment benefits.

At January 1, 2003, the membership of the three pension plans consisted of:

Status	Municipal	Police	Fire	Total
Retirees and beneficiaries of deceased retirees currently receiving benefits	1,590	1,545	973	4,108
Terminated employees – vested	25	3	1	29
Total	1,615	1,548	974	4,137
Active members	2,352	1,070	867	4,289
Total membership	3,967	2,618	1,841	8,426

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

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Nonunion Fund:

The City provides healthcare benefits to 1,232 retired nonunion municipal, fire, and police employees. In 1993, the City added a new retiree medical plan that provides healthcare benefits to police and fire retirees and their spouses that are over age 65. Prior to 1993, only those municipal, fire, and police retirees under age 65 received benefits. The benefit is funded by partial contributions from the retirees receiving coverage and the remainder by the City on a pay-as-you-go basis. During 2003, postretirement healthcare benefits expense paid by the City was \$9,862,990.

In addition, in 1995, the City offered postretirement healthcare benefits to all municipal employees that were age 50 or older with 20 years of service as a retirement incentive. Each retiree is to receive up to \$350 per month until age 65. There are 62 retirees in this group with a total cost to the City in 2003 of \$280,350.

The City also provides life insurance benefits to retired police and fire employees. The amount of life insurance coverage varies from \$4,000 to \$15,000 depending upon the bargaining unit and the year of retirement. This benefit is paid entirely by the City. Life insurance benefits for this group are paid on a pay-as-you-go basis from the general fund operating budget. There are 1,762 retirees in this group with a total cost during 2003 of \$200,088.

<u>Bonds issued or transferred during 2003</u>	<u>Outstanding at December 31, 2003</u>	<u>Interest</u>
—	—	—
5,000	40,760,000	50,081,726
5,000	44,040,000	47,503,245
5,000	47,445,000	45,246,216
5,000	49,915,000	42,844,241
5,000	52,365,000	40,410,086
13,550,000	266,630,000	157,024,182
—	197,980,000	89,255,420
—	145,000,000	37,936,317
—	43,625,000	2,434,763
<u>13,575,000</u>	<u>887,760,000</u>	<u>512,736,196</u>
1,125,000	1,125,000	90,000
—	(3,304,594)	—
(296,316)	(6,550,757)	—
286,881	2,314,704	—
—	(6,523,095)	—
—	(14,468,635)	(12,440,714)
<u>14,690,565</u>	<u>860,352,623</u>	<u>500,385,482</u>

<u>Bonds issued during 2003</u>	<u>Outstanding at December 31, 2003</u>	<u>Interest</u>
—	—	—
—	1,125,000	90,000
—	1,125,000	90,000
—	—	—
—	1,570,000	4,695,478
—	3,070,000	4,561,244
—	3,345,000	4,297,224
—	3,650,000	4,007,882
—	3,985,000	3,690,332
—	26,245,000	12,425,194
—	10,760,000	975,932
—	52,625,000	34,653,286

<u>Bonds issued during 2003</u>	<u>Outstanding at December 31, 2003</u>	<u>Interest</u>
—	—	—
23,849	883,074	6,651,478
66,043	991,956	6,365,987
80,719	1,079,206	6,033,245
110,071	1,185,379	5,667,274
119,243	1,273,034	5,265,341
915,420	7,890,351	18,716,717
1,588,681	8,535,921	4,194,627
1,188,758	1,870,829	1,086,632
—	3,447,104	845,402
<u>4,092,784</u>	<u>27,156,854</u>	<u>54,826,703</u>
4,092,784	80,906,854	89,569,989
—	(1,125,000)	(90,000)
<u>4,092,784</u>	<u>79,781,854</u>	<u>89,479,989</u>

<u>Retirements</u>	<u>Balance at December 31, 2003</u>
47,770,000	124,025,000
1,370,000	16,830,000
11,738,000	35,000,000
277,804	4,017,053
<u>61,155,804</u>	<u>179,872,053</u>
—	6,296,196
—	11,000,000
9,143	569,003
<u>61,164,947</u>	<u>197,737,252</u>
110,000	3,670,000
1,247,080	497,559
<u>1,357,080</u>	<u>4,167,559</u>
<u>62,522,027</u>	<u>201,904,811</u>

<u>Bonds and notes issued during 2003</u>	<u>Outstanding at March 31, 2003</u>	<u>Interest</u>
—	—	—
—	1,860,000	283,752
—	1,945,000	196,333
—	2,040,000	102,000
—	5,845,000	582,085
—	(55,006)	—
—	5,789,994	582,085
—	13,170,000	—
—	18,959,994	582,085

<u>Bonds and notes issued during 2003</u>	<u>Outstanding at September 30, 2003</u>	<u>Interest</u>
—	—	—
2,150,000	3,130,000	3,253,965
3,525,000	4,555,000	3,811,348
3,625,000	4,700,000	3,685,873
3,720,000	4,850,000	3,525,585
3,845,000	5,040,000	3,362,922
21,730,000	28,760,000	13,460,149
—	9,235,000	7,659,466
—	12,295,000	4,494,725
—	8,815,000	1,019,782
<u>38,595,000</u>	<u>81,380,000</u>	<u>44,273,815</u>
2,172,683	2,228,032	—
—	(165,914)	—
<u>(2,168,348)</u>	<u>(2,168,348)</u>	<u>—</u>
<u><u>38,599,335</u></u>	<u><u>81,273,770</u></u>	<u><u>44,273,815</u></u>

<u>Bonds issued discount and refunding loss amortized during 2003</u>	<u>Outstanding at December 31, 2003</u>	<u>Interest</u>
—	—	
9,894,000	12,038,000	23,301,872
13,661,000	15,887,000	23,272,670
13,856,000	16,165,000	23,034,290
14,122,000	16,511,000	22,685,625
14,459,000	16,923,000	22,275,325
31,540,000	94,572,000	101,410,106
62,435,000	120,350,000	78,138,651
8,373,000	146,483,000	54,711,767
—	181,950,000	94,369,498
—	66,235,000	39,635,913
<hr/>	<hr/>	<hr/>
168,340,000	687,114,000	482,835,717
(628,000)	(3,564,000)	—
2,506,000	(116,738,000)	—
1,732,000	(13,794,000)	—
315,000	(4,018,000)	—
(3,162,000)	(3,162,000)	—
<hr/>	<hr/>	<hr/>
<u>169,103,000</u>	<u>545,838,000</u>	<u>482,835,717</u>

<u>Bonds issued during 2003</u>	<u>Outstanding at December 31, 2003</u>	<u>Interest</u>
—	—	600,612
—	1,797,500	517,928
—	1,800,000	432,427
—	1,490,000	359,418
—	1,125,000	303,167
—	455,000	1,152,423
—	2,447,500	446,932
—	2,625,000	—
<u>—</u>	<u>11,740,000</u>	<u>3,812,907</u>

CITY OF PITTSBURGH, PENNSYLVANIA

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Below is a schedule of General Obligation Bonds as of December 31, 2003.

<u>Serial bonds</u>	<u>Coupon or Ceiling Rate of Interest</u>	<u>Amount Outstanding</u>
1992A*	%	
	6.40 - 6.75	\$ 14,468,636
1992C*	6.35 - 6.35	1,371,770
1993A	5.00 - 5.50	41,505,000
1994A	5.30 - 5.30	1,690,000
1995A	4.60 - 5.25	73,050,000
1995B	4.60 - 5.13	87,130,000
1996A	4.50 - 6.00	70,170,000
1996B	6.40 - 7.00	18,905,000
1997A	4.75 - 5.00	8,500,000
1997B	4.60 - 5.50	29,735,000
1997C	5.12 - 5.25	20,120,000
1998A,B,C	5.93 - 7.00	250,865,000
1998D	4.00 - 5.25	124,750,000
1999A	4.50 - 5.15	2,040,000
2002A	4.00 - 5.50	126,580,000
2003A	4.00 - 5.50	<u>13,575,000</u>
Subtotal		884,455,406
Plus: URA debt guaranteed by the City		1,125,000
Less: Unamortized bond issuance costs		(6,454,731)
Unamortized bond discounts/premiums		2,218,678
Prepaid interest on debt refinancing		(6,523,095)
Less bonds funded by Stadium Authority		<u>(14,468,635)</u>
Total general obligation bonds payable		\$ <u><u>860,352,623</u></u>

* Zero Coupon Bonds

(B) Stadium Authority

In October 1993, the Authority issued \$15,945,000 Guaranteed Stadium Refunding Bonds, Series 1993 at an average interest rate of 4.43%. These serial bonds still outstanding bear various fixed interest rates ranging from 4.05% to 5.0% and mature annually through October 1, 2005.

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Although these bonds are not guaranteed by the full faith and credit of the City, the City has pledged its future RAD revenues and has recorded the bonds with the other component unit debt. These bonds are all insured by a municipal bond insurer.

The proceeds of the Bonds, issued February 1, 1995 in the amount of \$61,390,000, were used to create the Pittsburgh Development Fund in the URA, along with satisfying certain bond issuance expenses. The Bonds, with maturities occurring in 1996 through 2014, are limited obligations of the URA and are payable solely from the City's portion of the Allegheny Regional Asset District tax revenues and irrevocably allocated to the URA. The Pittsburgh Development Fund is an economic development fund administered by the URA for targeted and strategic developments which meet the following broad development objectives: business attraction; expansion and retention; land procurement and development, and loans to and investment in certain projects. The Pittsburgh Development Fund will also consider providing venture capital to promising upstart companies in order to encourage economic development within the City and will utilize the existing knowledge base of existing venture firms in the region.

In the prior year, this liability was considered as conduit debt by the URA and the City. Effective in 2003, the City recorded the activity of the URA PDF Trust as an additional legal entity within its discretely presented component units which it believes is a preferable treatment.

(3) Urban Redevelopment Authority of Pittsburgh (URA) Tax Increment Financing Bonds and Notes – Noncommitment Debt

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 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 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 2003, the City's share of the TIF revenue was \$3,884,322, whereas the City's share of the principal and interest paid on the TIF bonds and note were \$2,663,051.

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Notes to Basic Financial Statements

December 31, 2003

Single Family Mortgage Revenue Draw Down Bonds

The purpose of the program is to preserve tax-exempt private activity volume cap by warehousing note proceeds resulting from prepayment redemptions, maturing principal or other special redemptions of the URA until the issuance of long-term bonds. Merrill Lynch has committed to purchase over a three-year period beginning on June 1, 2001 and ending June 1, 2004 up to \$35,000,000 of tax-exempt short-term notes at a variable interest rate of 85% of LIBOR. The note proceeds are invested in a guaranteed investment agreement at a rate higher than the note rate. Upon the issuance of long-term bonds, the notes are refunded. No principal payments are due until 2031.

Bank Loans

The URA received a loan to finance renovations to the Lexington Technology Park buildings. Monthly interest payments are currently being made at an effective rate between 5.62% and 8.30%. Lease rental payments are pledged as collateral for this loan. Final maturity is April 1, 2009.

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 7%, 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, 2003, \$3.8 million is outstanding. Final maturity is February 28, 2019.

In 2003, the URA received a second loan to finance construction costs incurred to build garage #2 at the South Side Works. Interest payments are at an effective rate of 7.28%, which is the 5-year FHLB rate plus 2.75%. A mortgage is pledged as collateral for this loan. At December 31, 2003, \$2,236,196 is outstanding. Final maturity is April 1, 2018.

Revolving Line of Credit

During 2000, the URA entered into a \$4 million line of credit agreement with Fannie Mae for the acquisition, construction, development, and rehabilitation of for-sale single-family housing and multi-family rental housing within the City of Pittsburgh. The line carries a term of five years, and each advance will bear interest ranging from LIBOR plus 92 basis points to LIBOR plus 141 basis points, depending on whether a first mortgage is available as a security. As a condition of the line, the URA has provided Fannie Mae with a bank letter of credit backed by \$1 million of the URA's General Fund. There were no draws or payments associated with this loan during 2002. In addition, no balance was outstanding as of December 31, 2003.

During 2002, the URA entered into a \$5 million line of credit agreement with Fannie Mae to finance site improvements related to the Summerset at Frick Park project. This line carries a term of 45 months, and each advance will bear interest of LIBOR plus 141 basis points. The loan is secured by a non-recourse promissory note and a \$1 million pledge from the general fund. There is a balance outstanding of \$260,000 as of December 31, 2003, which was drawn during 2002.

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

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Future Maturities

Annual payments of principal required of the component units are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years:			
2004	\$ 2,744,726	196,560	2,941,286
2005	167,456	190,215	357,671
2006	130,000	183,465	313,465
2007	135,000	176,310	311,310
2008	150,000	168,885	318,885
2009-2013	860,000	714,825	1,574,825
2014-2018	1,145,000	449,280	1,594,280
2019-2023	1,010,000	112,050	1,122,050
	<u>\$ 6,342,182</u>	<u>2,191,590</u>	<u>8,533,772</u>

All interest expense on loans of the primary government 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 all other long-term obligations of the City during 2003:

	<u>Accrued workers' compensation</u>	<u>Accrued compensated absences</u>	<u>Accrued claims and judgments</u>
Balance, January 1, 2003	\$ 80,816,573	33,000,043	3,410,000
Additions	19,973,215	16,849,134	1,132,505
Reductions/payments	<u>(21,429,362)</u>	<u>(17,814,243)</u>	<u>(1,475,005)</u>
Balance, December 31, 2003	79,360,426	32,034,934	3,067,500
Less amounts accrued within short-term	<u>(19,026,283)</u>	<u>(16,926,064)</u>	<u>(2,067,500)</u>
Long-term portion, December 31, 2003	<u>\$ 60,334,143</u>	<u>15,108,870</u>	<u>1,000,000</u>

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(11) Interfund Receivable and Payable Balances

	DUE FROM (FUND)				
	General	Other governmental	Capital projects	Community development	Total
DUE TO (FUND)					
General fund	\$ —	1,384,374	2,000,000	479,848	3,864,222
Other governmental	1,766	—	841,966	279,050	1,122,782
Capital projects	—	—	—	1,364,874	1,364,874
TOTAL	\$ <u>1,766</u>	<u>1,384,374</u>	<u>2,841,966</u>	<u>2,123,772</u>	<u>6,351,878</u>

All 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 due from other funds amount for the general fund on the governmental funds balance sheet also includes \$269,083 due to the general fund from the agency fund. All amounts above, except fiduciary (Pension and Agency funds), eliminate at the government-wide financial statement level.

Discrete component unit interfund receivable and payable balances:

	Receivables	Payables
Agency funds	\$ 949,274	—
Pittsburgh Water and Sewer Authority	—	949,274
Total balances between governmental funds and component units	\$ <u>949,274</u>	<u>949,274</u>

(12) Operating Transfers

Transfers between primary government funds:

	TRANSFER FROM (FUND)			
	General	Other governmental	Community projects	Total
TRANSFER TO (FUND)				
General fund	\$ —	755,000	—	755,000
Debt service	70,048,725	—	15,409	70,064,134
Other governmental	778,000	163,545	3,474,981	4,416,526
TOTAL	\$ <u>70,826,725</u>	<u>918,545</u>	<u>3,490,390</u>	<u>75,235,660</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, and (3) to move unrestricted revenues collected in the General Fund, which finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

2003 and 2004. The balance of the receivable from the URA, should the city continue to exercise its option, at December 31, 2003 was \$1,106,650.

The second loan of \$6,819,972 was made under an agreement dated April 2, 1984 for the construction of highway ramps to connect the mall with I-279. This loan agreement was amended on July 13, 1992. Repayment of the loan was to commence on June 1, 1992. The term of the loan is 30 years with varying fixed interest rates. They also received a deferral in 2003 and 2004 for this loan. The remaining balance including accrued interest is \$5,373,786 at December 31, 2003.

- (C) In February 2000, the Public Parking Authority and the City of Pittsburgh 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 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 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 Authority has reflected within their financial statements as accounts payable and other accrued expenses amounts owed to the City for miscellaneous items totaling \$216,771. The City, however, does not have a corresponding receivable recorded due to the unlikelihood of collection.

(15) Construction and Lease Commitments

As of December 31, 2003, the City had the following commitments with respect to unfinished capital projects:

<u>Capital project</u>	<u>Remaining construction commitment</u>	<u>Expected date of completion</u>
Sixth floor City-County Building rehabilitation	\$ 187,655	January 2004
Edgebrook Avenue Bridge	305,740	May 2004
Highland Park Fountain	287,977	June 2004
P.J. McArdle Roadway	155,123	May 2004
Nobletown Road Retaining Wall	155,197	April 2004
West End Overlook	93,980	January 2004
Total	<u>\$ 1,185,672</u>	

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 do not start until the Police Bureau takes possession of the property. The first lease payment was made for March 2004.

There is an option to purchase, but it is unknown at this time whether the City will exercise this option. Since the lease is not effective until 2004, the City will evaluate whether this will be treated as an operating or capital lease during 2004.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2003

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. Consequently, no provision for losses has been recorded in the accompanying financial statements for the legal action discussed in this and the preceding paragraphs.

(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, 2003, 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 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 years ended December 31, 2003 and 2002 are as follows:

	<u>2003</u>	<u>2002</u>
Accrued claims and judgments, January 1	\$ 3,410,000	3,270,000
Current year claims	1,132,505	1,374,831
Claim payments	<u>(1,475,005)</u>	<u>(1,234,831)</u>
Accrued claims and judgments, December 31	<u>\$ 3,067,500</u>	<u>3,410,000</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 rates ranging between 1.08% and 5.43%. A self-insurance reserve fund in the amount of \$304,653 (classified as restricted within 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 years ended December 31, 2003 and 2002 are as follows:

	<u>2003</u>	<u>2002</u>
Accrued workers' compensation, January 1	\$ 80,816,573	91,592,415
Current year claims and development of prior year accruals	19,973,215	9,811,410
Claim payments	<u>(21,429,362)</u>	<u>(20,587,252)</u>
Accrued workers' compensation, December 31	<u>\$ 79,360,426</u>	<u>80,816,573</u>

REQUIRED SUPPLEMENTAL INFORMATION
OTHER THAN MANAGEMENT'S
DISCUSSION AND ANALYSIS

CITY OF PITTSBURGH, PENNSYLVANIA

Required Supplementary Information

Pension Trust Funds

Schedule of Funding Progress

(In Thousands)

Actuarial valuation date (January 1)	Pension plan	Actuarial value of plan assets	Actuarial accrued liability	Unfunded actuarial liability	Actuarial value of assets as a percentage of annual accrued liability	Annual covered payroll	Unfunded actuarial liability as a percentage of annual covered payroll
2001	Municipal	\$ 124,935	\$ 185,656	\$ 48,012	67.3%	\$ 64,621	74.3%
	Police	150,833	305,282	152,196	49.4%	51,345	296.4%
	Fire	<u>147,291</u>	<u>222,041</u>	<u>70,088</u>	<u>66.3%</u>	<u>50,326</u>	<u>139.3%</u>
	Total	<u>\$ 423,059</u>	<u>\$ 712,979</u>	<u>\$ 270,296</u>	<u>59.3%</u>	<u>\$ 166,292</u>	<u>162.5%</u>
2002	Municipal	\$ 111,528	\$ 205,300	\$ 93,772	54.3%	\$ 69,594	134.7%
	Police	133,280	314,033	180,753	42.4%	54,815	329.8%
	Fire	<u>136,442</u>	<u>233,373</u>	<u>96,931</u>	<u>58.5%</u>	<u>52,054</u>	<u>186.2%</u>
	Total	<u>\$ 381,250</u>	<u>\$ 752,706</u>	<u>\$ 371,456</u>	<u>50.7%</u>	<u>\$ 176,463</u>	<u>210.5%</u>
2003	Municipal	\$ 91,604	\$ 212,206	\$ 120,602	43.2%	\$ 69,034	174.7%
	Police	106,340	323,466	217,126	32.9%	54,308	399.8%
	Fire	<u>114,527</u>	<u>230,092</u>	<u>115,565</u>	<u>49.8%</u>	<u>54,006</u>	<u>214.0%</u>
	Total	<u>\$ 312,471</u>	<u>\$ 765,764</u>	<u>\$ 453,293</u>	<u>40.8%</u>	<u>\$ 177,348</u>	<u>255.6%</u>

SUPPLEMENTAL INFORMATION

CITY OF PITTSBURGH, PENNSYLVANIA

Combining Statement of Fiduciary Net Assets

Agency Funds

December 31, 2003

Assets	Employee benefits	Payroll withholding	Deposits	Other	Total
Cash and short-term investment, at cost which approximates market	\$ 971,028	1,148,746	3,271,726	614,276	6,005,776
Due from general fund	—	—	—	507,139	507,139
Due from other funds	271,239	—	—	—	271,239
Due from Pension Trust Fund	116,631	—	—	—	116,631
Due from component units	949,274	—	—	—	949,274
Other receivables	—	—	—	14,340	14,340
Total assets	\$ 2,308,172	1,148,746	3,271,726	1,135,755	7,864,399
Liabilities					
Accrued liabilities	\$ 2,308,172	887,163	1,858,740	524,272	5,578,347
Due to other governments	—	—	—	18,884	18,884
Due to general fund	—	261,583	—	7,500	269,083
Deposits held in trust	—	—	1,412,986	585,099	1,998,085
Total liabilities	\$ 2,308,172	1,148,746	3,271,726	1,135,755	7,864,399

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Other Governmental Funds
 Fiscal Year ended December 31, 2003

	<u>Equipment leasing authority</u>	<u>Liquid fuels tax</u>	<u>JTPA</u>	<u>Public safety</u>	<u>Civic and cultural</u>	<u>Total other governmental funds</u>
Revenues:						
Interest earnings	\$ 234	52,023	—	18,945	—	71,202
Fines and forfeits	—	—	—	26,929	—	26,929
Intergovernmental revenues	—	5,632,102	10,535,457	1,930,052	1,026,645	19,124,256
Charges for user services	—	—	—	4,592,597	1,500,332	6,092,929
Miscellaneous revenue	471,678	—	—	124,948	46,014	642,640
Total revenues	<u>471,912</u>	<u>5,684,125</u>	<u>10,535,457</u>	<u>6,693,471</u>	<u>2,572,991</u>	<u>25,957,956</u>
Expenditures:						
General government	402,256	—	(4,000)	519,808	91,359	1,009,423
Public safety	—	—	—	6,495,366	—	6,495,366
Public works	—	7,400,121	—	—	17,641	7,417,762
Sanitation	—	—	—	—	218,241	218,241
Community, recreational, and cultural	—	—	—	—	2,128,783	2,128,783
Intergovernmental programs	—	—	10,539,457	—	—	10,539,457
Capital projects	2,842,267	—	—	—	—	2,842,267
Total expenditures	<u>3,244,523</u>	<u>7,400,121</u>	<u>10,535,457</u>	<u>7,015,174</u>	<u>2,456,024</u>	<u>30,651,299</u>
(Deficiency) excess of revenues (under) over expenditures	(2,772,611)	(1,715,996)	—	(321,703)	116,967	(4,693,343)
Other financing sources (uses):						
Operating transfers from other funds	3,638,526	—	—	778,000	—	4,416,526
Operating transfers to other funds	—	—	—	(863,545)	(55,000)	(918,545)
Total other financing sources	<u>3,638,526</u>	<u>—</u>	<u>—</u>	<u>(85,545)</u>	<u>(55,000)</u>	<u>3,497,981</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	865,915	(1,715,996)	—	(407,248)	61,967	(1,195,362)
Fund balances at beginning of year	1,055,995	4,165,106	24,570	5,764,732	1,371,778	12,382,181
Fund balances at end of year	<u>\$ 1,921,910</u>	<u>2,449,110</u>	<u>24,570</u>	<u>5,357,484</u>	<u>1,433,745</u>	<u>11,186,819</u>

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Budgetary Comparison Statement

Capital Projects Funds

Year ended December 31, 2003

(Amounts expressed in thousands)

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	\$	9,007
The adjustments to convert to GAAP basis, recording of receivables, and revenues not included in budget		<u>11,408</u>
Total Capital Projects fund revenue on GAAP basis as reported on the statement of revenues, expenditures, and changes in fund balances	\$	<u><u>20,415</u></u>

Users/Outflows of Revenues:

Actual amounts (budgetary basis) of expenditures from the budgetary comparison statement	\$	34,315
The adjustments to convert to GAAP basis, recording of expenditures, and liabilities not included in budget		<u>8,092</u>
Total Capital Projects fund expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	\$	<u><u>42,407</u></u>

See accompanying notes to financial statements.

STATISTICAL SECTION

CITY OF PITTSBURGH,
PENNSYLVANIA

<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994 (3)</u>
275,291	269,472	263,767	269,213	253,528	248,829
1,821	2,313	2,171	3,583	4,981	4,644
9,166	10,321	8,432	8,942	5,263	3,673
8,565	8,031	7,351	6,861	5,782	6,471
16,050	6,995	11,171	8,323	7,447	9,511
66,217	62,401	64,055	59,152	52,478	46,663
15,690	21,025	22,279	18,457	17,922	17,071
13,258	14,632	—	—	—	—
3,080	2,987	1,722	1,141	2,095	2,379
<u>409,138</u>	<u>398,177</u>	<u>380,948</u>	<u>375,672</u>	<u>349,496</u>	<u>339,241</u>

<u>1999</u>	<u>1998</u>	<u>1997 (2)</u>	<u>1996 (2)</u>	<u>1995</u>	<u>1994</u>
117,966	112,434	123,993	120,136	112,752	113,306
6,935	7,038	6,773	6,966	6,489	6,580
5,584	7,813	5,744	6,415	5,789	8,692
—	—	—	—	8	4,079
41,595	42,941	36,901	39,146	34,793	39,675
10,816	9,317	7,537	6,711	7,281	5,756
—	—	—	1,474	1,441	1,486
28,817	28,728	23,461	22,757	21,937	21,261
3,106	3,142	2,670	2,890	3,145	3,289
35,447	35,269	35,465	36,210	35,337	33,252
616	802	1,098	909	822	696
4,898	2,045	2,380	3,730	4,078	4,299
680	641	703	399	450	400
—	1,175	—	343	—	—
18,831	18,127	17,042	21,127	19,206	6,058
<u>275,291</u>	<u>269,472</u>	<u>263,767</u>	<u>269,213</u>	<u>253,528</u>	<u>248,829</u>

<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
43,004	42,927	51,401	31,691	29,880	27,603
143,878	139,567	137,815	134,602	131,838	129,879
28,129	29,901	27,167	36,487	39,558	38,246
10,062	9,981	12,050	12,770	12,035	11,966
8,403	7,920	8,407	8,557	8,147	14,657
58,582	310,299	73,535	89,521	52,109	60,129
10,409	2,519	(3,854)	4,436	2,519	1,165
633	1,885	980	1,192	2,581	3,076
21,176	15,542	10,191	23,560	22,652	17,899
48,448	42,484	45,630	46,117	39,108	37,029
594	2,385	601	1,651	1,138	376
84,016	75,545	55,396	52,218	66,392	59,806
<u>457,334</u>	<u>680,955</u>	<u>419,319</u>	<u>442,802</u>	<u>407,957</u>	<u>401,831</u>

(3) Receipts	Year of original levy			Delinquent taxes		
	Percent of original net levy collected	Percent of adjusted net levy collected	Percent of budget collected	Collection		Percent of budget collected
				Budget	Receipts	
\$ 110,463	% 91.1	% 92.3	% 99.1	\$ 4,850	\$ 4,371	% 90.1
110,166	90.3	93.4	98.3	4,938	4,733	95.8
110,276	92.7	95.1	100.5	8,773	12,130	138.3
113,251	94.6	101.9	103.7	13,675	13,018	95.2
112,562	92.5	99.3	101.6	5,521	6,644	120.3
112,569	92.2	95.9	99.0	5,686	5,397	94.9
110,644	88.2	92.5	98.8	4,500	2,967	65.9
118,500	81.9	92.9	101.9	3,500	2,689	76.8
123,692	78.1	94.2	102.0	4,300	4,359	101.0
125,311	85.4	96.9	101.8	3,139	2,084	66.4

Table 5
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)			
1994	184.500	32.000	58.573	59.700	36.500	154.773
1995	184.500	32.000	58.421	59.700	31.500	154.621
1996	184.500	32.000	58.414	59.700	25.200	143.314
1997	184.500	32.000	58.483	59.700	25.200	143.383
1998	184.500	32.000	58.483	59.700	25.200	143.383
1999	184.500	32.000	58.483	59.700	25.200	143.383
2000	184.500	32.000	58.483	59.700	25.200	143.383
2001	10.800	10.800	10.800	13.920	4.720	29.440
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

(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 County millage.

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

CITY OF PITTSBURGH,
PENNSYLVANIA

Table 7

CITY OF PITTSBURGH, PENNSYLVANIA

Net Debt and Remaining Debt Incurring Margin
in Accordance With Act No. 52, Approved April 28, 1978

December 31, 2003

Allocation of Total Net Debt

Net nonelectoral debt	\$ 567,158,497
Net lease rental debt	<u>110,481,848</u>
Net nonelectoral and lease rental debt	<u><u>\$ 677,640,345</u></u>

Debt Incurring Margin

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Total net revenue of the City	\$ 357,012,350	359,250,987	<u>358,510,299</u>
Borrowing base (arithmetic average of total net revenue for said three fiscal years)			<u><u>\$ 358,257,879</u></u>

	<u>Net nonelectoral debt (borrowing base x 250%)</u>	<u>Net nonelectoral and lease rental debt (borrowing base x 350%)</u>
Debt limitations	\$ 895,644,697	1,253,902,575
Less existing net debt	<u>(567,158,497)</u>	<u>(677,640,345)</u>
Remaining debt incurring margin	<u><u>\$ 328,486,200</u></u>	<u><u>576,262,230</u></u>

Table 9

CITY OF PITTSBURGH, PENNSYLVANIA

**Ratio of Annual Debt Service Expenditures for General
Obligation Bonded Debt (1) to Total General
Governmental Expenditures**

Last Ten Years

Fiscal year	Principal	Interest (2)	Total debt service	Total general governmental expenditures	Ratio of debt to general governmental expenditures
1994	\$ 24,103	\$ 30,385	\$ 54,488	\$ 401,831	% 13.56
1995	25,040	29,947	54,987	407,957	13.48
1996	17,021	24,286	41,307	442,802	9.33
1997	13,739	31,526	45,265	419,319	10.79
1998	25,160	41,345	66,505	680,955	9.77
1999	24,178	48,100	72,278	457,334	15.80
2000	32,566	50,581	83,147	454,012	18.31
2001	33,843	50,881	84,724	474,419	17.86
2002	32,705	44,573	77,278	483,975	15.97
2003	30,850	43,278	74,128	496,264	14.94

(1) City of Pittsburgh bonds only.

(2) Excludes bond issuance and other costs.

Table 11

CITY OF PITTSBURGH, PENNSYLVANIA

Revenue Bond Coverage -
Pittsburgh Water and Sewer Authority

Last Ten Years

(Amounts in Thousands)

Fiscal year	Gross revenues	(1) Operating expenses	Net revenue available for debt service	Debt service requirements			Coverage
				Principal	Interest	Total	
1994	\$ 53,865	\$ 34,958	\$ 18,907	\$ 8,495	\$ 12,536	\$ 21,031	0.90
1995	59,254	31,045	28,209	4,355	13,908	18,263	1.54
1996	59,497	27,137	32,360	7,980	25,248	33,228	0.97
1997	53,244	25,790	27,454	9,440	23,657	33,097	0.83
1998	54,836	25,897	28,939	8,550	18,269	26,819	1.08
1999	59,319	28,728	30,591	8,885	22,953	31,838	0.96
2000	59,641	32,338	27,303	9,245	22,516	31,761	0.86
2001	60,401	38,378	22,023	9,635	22,123	31,758	0.69
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

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

Table 12
CITY OF PITTSBURGH, PENNSYLVANIA

Demographic Statistics

Last Ten Years

Fiscal year	(1) Population	(2) Per capita income	(1) Median age	(3) School enrollment	(4) Unemployment rate percentage
1994	369,879	\$ 22,585	38.4	39,728	5.9
1995	369,879	23,290	* 38.2	39,761	5.5
1996	369,879	24,241	* 34.6	39,955	4.5
1997	369,879	25,422	34.6	40,181	4.6
1998	369,879	26,878	38.7	39,603	4.2
1999	369,879	28,014	40.0	38,846	4.0
2000	334,563	29,587	40.0	38,560	4.4
2001	334,563	30,644	40.0	37,612	4.2
2002	334,563	34,260	35.5	35,146	5.4
2003	334,563	32,381	36.0	34,619	4.9

Data sources:

- (1) Census Bureau
- (2) U.S. Department of Commerce, 17-month lag
- (3) School District of Pittsburgh
- (4) PA Department of Labor and Industry

* Change in method of calculation

Table 14
CITY OF PITTSBURGH, PENNSYLVANIA

City Employment
 Last Ten Years

<u>Fiscal year</u>	<u>Regular budgeted positions</u>	<u>Actual subsequent January payroll</u>
1994	4,984	\$ 4,961
1995	4,451 (1)	4,430
1996	4,319	4,217
1997	4,304	4,131
1998	4,285	4,044
1999	4,234	4,067
2000	4,365	4,236
2001	4,359	4,246
2002	4,305	4,099
2003	4,337	3,654

- (1) The Pittsburgh Water and Sewer Authority was sold by the City and numerous parks were privatized; thus, there was a reduction in City employees.



OTHER INFORMATION

CITY OF PITTSBURGH, PENNSYLVANIA

Salaries and Surety Bonds of Principal Officials

Year ended December 31, 2003

Official	Budgeted annual salary	Amount of surety bond
Mayor	\$ 94,157	\$ 10,000
Director of Finance	92,285	200,000
Controller	59,468	10,000
Members of City Council (9)	53,687	—

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
\$2,535,000 in 2004	% 6.40	\$ 1,330,194	2,535,000
\$2,525,000 in 2005	6.50		
\$2,530,000 in 2006	6.55		
\$2,530,000 in 2007	6.60		
\$2,530,000 in 2008	6.65		
\$2,535,000 in 2009	6.70		
\$2,530,000 in 2010	6.75		
(\$3,246,364) unamortized bond discount			
\$1,430,000 in 2004	6.35	744,816	1,430,000
(\$58,230) unamortized bond discount			
\$2,880,000 in 2004	5.00	2,236,555	2,880,000
\$3,020,000 in 2005	5.10		
\$3,175,000 in 2006	5.20		
\$3,345,000 in 2007	5.30		
\$3,525,000 in 2008	5.40		
\$3,710,000 in 2009	5.50		
\$3,915,000 in 2010	5.50		
\$4,130,000 in 2011	5.50		
\$4,360,000 in 2012	5.50		
\$4,595,000 in 2013	5.50		
\$4,850,000 in 2014	5.50		
\$1,690,000 in 2004	5.30	89,570	1,690,000
		<u>4,401,135</u>	<u>8,535,000</u>

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 4,401,135	8,535,000
\$445,000 in 2004	% 4.60	3,797,605	445,000
\$465,000 in 2005	4.70		
\$485,000 in 2006	4.88		
\$510,000 in 2007	5.00		
\$530,000 in 2008	5.10		
\$1,325,000 in 2009	5.13		
\$32,580,000 in 2010	5.20		
\$34,295,000 in 2011	5.25		
\$2,415,000 in 2012	5.25		
\$4,610,000 in 2004	4.60	4,229,039	4,610,000
\$4,885,000 in 2005	4.70		
\$6,380,000 in 2006	4.80		
\$12,645,000 in 2007	4.90		
\$28,955,000 in 2008	5.00		
\$29,655,000 in 2009	5.13		
\$17,540,000 in 2004	4.50	3,552,450	17,540,000
\$18,425,000 in 2005	6.00		
\$19,485,000 in 2006	6.00		
\$14,720,000 in 2007	6.00		
		15,980,229	31,130,000

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 15,980,229	31,130,000
\$ 760,000 in 2004	% 6.40	1,259,765	760,000
\$ 810,000 in 2005	6.50		
\$ 865,000 in 2006	6.55		
\$ 925,000 in 2007	6.55		
\$ 985,000 in 2008	6.60		
\$1,055,000 in 2009	6.60		
\$1,125,000 in 2010	6.60		
\$1,200,000 in 2011	6.60		
\$1,285,000 in 2012	6.60		
\$1,375,000 in 2013	7.00		
\$1,475,000 in 2014	7.00		
\$1,580,000 in 2015	7.00		
\$1,695,000 in 2016	7.00		
\$1,820,000 in 2017	7.00		
\$1,950,000 in 2018	7.00		
\$2,700,000 in 2004	4.75	418,250	2,700,000
\$2,830,000 in 2005	5.00		
\$2,970,000 in 2006	5.00		
\$3,120,000 in 2007	4.60	1,533,780	—
\$3,265,000 in 2008	4.90		
\$3,425,000 in 2009	5.00		
\$3,595,000 in 2010	5.00		
\$3,775,000 in 2011	5.00		
\$3,965,000 in 2012	5.50		
\$4,180,000 in 2013	5.50		
\$4,410,000 in 2014	5.50		
		19,192,024	34,590,000

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 19,192,024	34,590,000
\$4,655,000 in 2015	% 5.12	1,050,481	—
\$4,895,000 in 2016	5.25		
\$5,150,000 in 2017	5.25		
\$5,420,000 in 2018	5.25		
\$1,000,000 in 2004	5.93	16,337,129	1,000,000
\$2,505,000 in 2005	6.00		
\$2,320,000 in 2006	6.05		
\$2,460,000 in 2007	6.10		
\$2,565,000 in 2008	6.13		
\$2,770,000 in 2009	7.00		
\$3,010,000 in 2010	6.25		
\$3,230,000 in 2011	6.25		
\$7,890,000 in 2012	6.30		
\$10,985,000 in 2013	6.35		
\$11,690,000 in 2014	6.50		
\$12,715,000 in 2015	6.50		
\$13,560,000 in 2016	6.50		
\$18,245,000 in 2017	6.50		
\$13,235,000 in 2018	6.50		
\$20,030,000 in 2019	6.60		
\$21,400,000 in 2020	6.60		
\$22,860,000 in 2021	6.60		
\$24,425,000 in 2022	6.60		
\$26,095,000 in 2023	6.60		
\$27,875,000 in 2024	6.60		
		36,579,634	35,590,000

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 36,579,634	35,590,000
\$2,365,000 in 2004	% 4.00	6,235,065	3,365,000
\$6,705,000 in 2005	5.00		
\$7,050,000 in 2006	5.00		
\$7,400,000 in 2007	5.00		
\$7,770,000 in 2008	5.25		
\$8,195,000 in 2009	4.35		
\$8,545,000 in 2010	5.00		
\$8,985,000 in 2011	5.25		
\$9,470,000 in 2012	4.60		
\$9,900,000 in 2013	5.25		
\$10,435,000 in 2014	5.13		
\$7,795,000 in 2015	5.13		
\$8,195,000 in 2016	5.25		
\$4,980,000 in 2017	5.25		
\$275,000 in 2018	5.00		
\$2,305,000 in 2019	5.00		
\$2,425,000 in 2020	5.00		
\$2,545,000 in 2021	5.00		
\$2,670,000 in 2022	5.00		
\$2,800,000 in 2023	5.00		
\$2,940,000 in 2024	5.00		
\$255,000 in 2004	4.50	98,685	255,000
\$255,000 in 2005	4.60		
\$255,000 in 2006	4.75		
\$255,000 in 2007	4.80		
\$255,000 in 2008	4.90		
\$255,000 in 2009	5.00		
\$255,000 in 2010	5.00		
\$255,000 in 2011	5.15		
		42,913,384	39,210,000

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 42,913,384	39,210,000
\$1,545,000 in 2004	% 4.00	6,650,873	1,545,000
\$1,610,000 in 2005	4.00		
\$1,925,000 in 2006	4.00		
\$2,000,000 in 2007	4.00		
\$1,980,000 in 2008	4.50		
\$2,105,000 in 2009	5.00		
\$2,275,000 in 2010	5.00		
\$2,526,000 in 2011	5.00		
\$10,500,000 in 2012	5.00		
\$11,015,000 in 2013	5.50		
\$11,545,000 in 2014	5.50		
\$14,140,000 in 2015	5.50		
\$14,570,000 in 2016	5.50		
\$15,205,000 in 2017	5.13		
\$3,495,000 in 2018	5.13		
\$3,145,000 in 2019	5.13		
\$3,310,000 in 2020	5.20		
\$3,480,000 in 2021	5.25		
\$3,660,000 in 2022	5.25		
\$3,850,000 in 2023	5.25		
\$4,055,000 in 2024	5.25		
\$4,265,000 in 2025	5.25		
\$4,490,000 in 2026	5.25		
\$5,000 in 2004	4.00	517,469	5,000
\$5,000 in 2005	4.00		
\$5,000 in 2006	4.00		
\$5,000 in 2007	4.00		
\$5,000 in 2008	4.50		
\$5,000 in 2009	5.00		
\$5,000 in 2010	5.00		
\$5,000 in 2011	5.00		
\$6,655,000 in 2012	5.00		
\$6,880,000 in 2013	5.50		
		<u>50,081,726</u>	<u>40,760,000</u>
		90,000	1,125,000
		<u>(1,330,194)</u>	<u>(2,535,000)</u>
		<u>48,841,532</u>	<u>39,350,000</u>

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
\$1,797,500 in 2004	% 4.60	\$ 600,612	1,797,500
\$1,800,000 in 2005	4.75		
\$1,490,000 in 2006	4.90		
\$1,125,000 in 2007	5.00		
\$455,000 in 2008	5.00		
\$475,000 in 2009	5.10		
\$477,500 in 2010	5.20		
\$485,000 in 2011	5.30		
\$497,500 in 2012	5.43		
\$512,500 in 2013	5.50		
\$527,500 in 2014	5.60		
\$537,500 in 2015	5.70		
\$550,000 in 2016	5.75		
\$565,000 in 2017	5.80		
\$445,000 in 2018	5.85		
		600,612	1,797,500

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
\$1,125,000 in 2004	% 8.00	\$ 90,000	1,125,000
\$1,570,000 in 2004	8.55	4,695,478	1,570,000
\$3,070,000 in 2005	8.60		
\$3,345,000 in 2006	8.65		
\$3,650,000 in 2007	8.70		
\$3,985,000 in 2008	8.80		
\$4,350,000 in 2009	8.85		
\$4,755,000 in 2010	8.92		
\$5,205,000 in 2011	9.07		
\$5,695,000 in 2012	9.07		
\$6,240,000 in 2013	9.07		
\$10,760,000 in 2014	9.07		
\$164,648 in 2004	5.75	113,268	164,648
\$176,003 in 2005	5.75		
\$189,250 in 2006	5.75		
\$200,605 in 2007	6.00		
\$215,745 in 2008	6.00		
\$232,778 in 2009	6.00		
\$247,918 in 2010	6.00		
\$556,395 in 2011	6.00		
		4,898,746	2,859,648

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 4,898,746	2,859,648
\$64,345 in 2004	% 5.75	84,619	64,345
\$68,130 in 2005	5.75		
\$79,485 in 2006	5.75		
\$81,378 in 2007	6.25		
\$88,948 in 2008	6.25		
\$94,625 in 2009	6.25		
\$102,195 in 2010	6.25		
\$111,658 in 2011	6.25		
\$119,228 in 2012	6.25		
\$128,690 in 2013	6.25		
\$140,045 in 2014	6.25		
\$321,725 in 2015	6.25		
\$132,230 in 2004	7.31	194,697	132,230
\$145,453 in 2005	7.42		
\$154,898 in 2006	7.43		
\$168,121 in 2007	7.48		
\$179,455 in 2008	7.53		
\$196,456 in 2009	8.01		
\$211,568 in 2010	8.01		
\$230,458 in 2011	8.01		
\$247,459 in 2012	8.01		
\$270,127 in 2013	8.01		
\$290,906 in 2014	8.01		
\$319,241 in 2015	8.01		
		5,178,062	3,056,223

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 5,178,062	3,056,223
\$118,233 in 2004	% 4.65	303,897	118,233
\$124,349 in 2005	4.70		
\$128,426 in 2006	4.80		
\$136,580 in 2007	4.85		
\$142,695 in 2008	4.95		
\$148,811 in 2009	5.00		
\$156,965 in 2010	5.10		
\$165,119 in 2011	5.20		
\$173,273 in 2012	5.25		
\$181,427 in 2013	5.38		
\$831,708 in 2017	5.38		
\$3,447,104 in 2028	5.45		
\$146,772 in 2004	7.13	301,079	146,772
\$158,965 in 2005	7.28		
\$169,196 in 2006	7.40		
\$183,465 in 2007	7.48		
\$195,696 in 2008	7.50		
\$212,004 in 2009	7.55		
\$228,312 in 2010	7.85		
\$246,659 in 2011	7.85		
\$267,044 in 2012	7.85		
\$289,467 in 2013	7.85		
\$313,929 in 2014	7.85		
\$338,391 in 2015	7.85		
\$360,815 in 2016	6.10		
\$383,238 in 2017	6.10		
\$409,739 in 2018	6.10		
\$440,316 in 2019	6.10		
		5,783,038	3,321,228

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 5,783,038	3,321,228
\$183,465 in 2004	% 7.39	438,346	183,465
\$201,812 in 2005	7.41		
\$222,197 in 2006	7.46		
\$244,620 in 2007	7.48		
\$267,044 in 2008	7.53		
\$291,506 in 2009	7.58		
\$322,083 in 2010	7.63		
\$350,622 in 2011	7.68		
\$383,238 in 2012	7.95		
\$419,931 in 2013	7.95		
\$460,701 in 2014	7.95		
\$503,510 in 2015	7.95		
\$525,933 in 2016	8.05		
\$574,857 in 2017	8.05		
\$625,820 in 2018	8.05		
\$106,002 in 2019	8.05		
\$49,532 in 2004	5.89	91,216	49,532
\$53,201 in 2005	5.89		
\$55,035 in 2006	6.61		
\$60,539 in 2007	6.61		
\$64,208 in 2008	6.61		
\$67,877 in 2009	6.61		
\$73,380 in 2010	6.61		
\$77,049 in 2011	6.61		
\$82,553 in 2012	6.71		
\$88,056 in 2013	6.71		
\$95,560 in 2014	7.16		
\$100,898 in 2015	7.16		
\$108,236 in 2016	7.16		
\$117,408 in 2017	7.16		
\$124,746 in 2018	7.16		
\$135,753 in 2019	7.16		
		6,312,600	3,554,225

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 6,312,600	3,554,225
\$22,214 in 2004	% 8.25	114,313	22,014
\$23,849 in 2005	8.25		
\$27,518 in 2006	8.25		
\$42,194 in 2007	8.25		
\$44,028 in 2008	8.25		
\$49,532 in 2009	8.25		
\$53,201 in 2010	8.25		
\$69,711 in 2011	8.25		
\$77,049 in 2012	8.25		
\$82,553 in 2013	8.25		
\$89,891 in 2014	8.25		
\$110,070 in 2015	8.25		
\$121,077 in 2016	8.50		
\$132,084 in 2017	8.50		
\$139,422 in 2018	8.50		
\$291,686 in 2019	8.50		
\$1,835 in 2004	10.50	126,071	1,835
\$16,511 in 2005	10.50		
\$18,345 in 2006	10.50		
\$27,518 in 2007	10.50		
\$31,187 in 2008	10.50		
\$40,359 in 2009	10.50		
\$45,863 in 2010	10.50		
\$56,870 in 2011	10.50		
\$64,208 in 2012	10.50		
\$78,884 in 2013	10.50		
\$88,056 in 2014	10.50		
\$97,229 in 2015	10.50		
\$108,236 in 2016	10.50		
\$119,243 in 2017	10.50		
\$132,084 in 2018	10.50		
\$275,175 in 2019	10.50		
		6,552,984	3,578,074

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 6,552,984	3,578,074
\$25,683 in 2005	% 6.50	98,494	—
\$34,856 in 2006	Variable		
\$40,359 in 2007	Variable		
\$44,028 in 2008	Variable		
\$49,532 in 2009	Variable		
\$55,035 in 2010	Variable		
\$58,704 in 2011	Variable		
\$64,208 in 2012	Variable		
\$69,711 in 2013	Variable		
\$78,884 in 2014	Variable		
\$84,387 in 2015	Variable		
\$89,891 in 2016	Variable		
\$93,560 in 2017	Variable		
\$104,567 in 2018	Variable		
\$115,574 in 2019	Variable		
\$121,077 in 2020	Variable		
\$133,919 in 2021	Variable		
\$146,760 in 2022	Variable		
\$104,567 in 2023	Variable		
		6,651,478	3,578,074
		(90,000)	(1,125,000)
		6,561,478	2,453,074

Maturity information	Coupon or ceiling rate of interest		2004 Maximum debt service requirements		
			Interest	Principal	
\$290,000 in 2004	%	4.65	\$	752,136	290,000
\$305,000 in 2005		4.70			
\$315,000 in 2006		4.80			
\$335,000 in 2007		4.85			
\$350,000 in 2008		4.95			
\$365,000 in 2009		5.00			
\$385,000 in 2010		5.10			
\$405,000 in 2011		5.20			
\$425,000 in 2012		5.25			
\$445,000 in 2013		5.38			
\$470,000 in 2014		5.38			
\$495,000 in 2015		5.38			
\$525,000 in 2016		5.38			
\$550,000 in 2017		5.38			
\$580,000 in 2018		5.45			
\$615,000 in 2019		5.45			
\$645,000 in 2020		5.45			
\$680,000 in 2021		5.45			
\$720,000 in 2022		5.45			
\$760,000 in 2023		5.45			
\$800,000 in 2024		5.45			
\$840,000 in 2025		5.45			
\$890,000 in 2026		5.45			
\$935,000 in 2027		5.45			
\$990,000 in 2028		5.45			
				752,136	290,000

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 752,136	290,000
\$690,000 in 2004	% 4.75	1,624,707	690,000
\$725,000 in 2005	4.90		
\$760,000 in 2006	5.00		
\$250,000 in 2007	5.10		
\$545,000 in 2007	5.75		
\$845,000 in 2008	5.20		
\$890,000 in 2009	5.25		
\$945,000 in 2010	6.00		
\$1,000,000 in 2011	5.35		
\$1,055,000 in 2012	5.45		
\$1,115,000 in 2013	5.55		
\$1,175,000 in 2014	5.60		
\$1,245,000 in 2015	5.70		
\$1,320,000 in 2016	5.75		
\$1,395,000 in 2017	5.75		
\$1,480,000 in 2018	5.80		
\$1,570,000 in 2019	5.85		
\$1,665,000 in 2020	6.00		
\$1,770,000 in 2021	6.00		
\$1,875,000 in 2022	6.00		
\$1,995,000 in 2023	6.00		
\$2,115,000 in 2024	6.00		
\$2,245,000 in 2025	6.00		
\$2,150,000 in 2004	2.00	877,122	2,150,000
\$3,525,000 in 2005	3.00		
\$3,625,000 in 2006	2.00		
\$3,720,000 in 2007	2.75		
\$3,845,000 in 2008	4.00		
\$3,975,000 in 2009	3.25		
\$4,130,000 in 2010	4.50		
\$4,320,000 in 2011	5.00		
\$4,535,000 in 2012	5.00		
\$4,770,000 in 2013	5.00		
		3,253,965	3,130,000
		—	—
		—	—
		—	—
		3,253,965	3,130,000

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
\$15,350,000 in 2011	% 6.50	\$ 3,191,825	—
\$16,345,000 in 2012	6.50		
\$17,410,000 in 2013	6.50		
\$18,540,000 in 2014	4.75		
\$19,425,000 in 2015	4.75		
\$20,340,000 in 2016	4.75		
		3,191,825	—

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 3,191,825	—
\$8,455,000 in 2017	% 5.00	4,703,618	—
\$8,880,000 in 2018	5.00		
\$9,325,000 in 2019	5.00		
\$9,790,000 in 2020	5.00		
\$10,280,000 in 2021	5.00		
\$10,790,000 in 2022	5.10		
\$11,345,000 in 2023	5.25		
\$11,940,000 in 2024	5.10		
\$12,550,000 in 2025	5.05		
\$2,300,000 in 2017	5.18	—	—
\$2,300,000 in 2018	5.21		
\$2,300,000 in 2019	5.22		
\$2,300,000 in 2020	5.22		
\$2,300,000 in 2021	5.26		
\$2,305,000 in 2022	5.26		
\$2,300,000 in 2023	5.26		
\$4,160,000 in 2024	5.27		
\$4,160,000 in 2025	5.27		
\$31,755,000 in 2026	5.26		
\$31,755,000 in 2027	5.31		
\$31,755,000 in 2028	5.28		
\$31,755,000 in 2029	5.30		
\$14,660,000 in 2030	5.23		
(\$116,736,930) unamortized bond discount			
\$9,225,000 in 2017	5.00	5,029,326	—
\$9,685,000 in 2018	5.00		
\$10,170,000 in 2019	5.00		
\$10,680,000 in 2020	5.10		
\$11,225,000 in 2021	5.10		
\$11,795,000 in 2022	5.25		
\$12,415,000 in 2023	5.13		
\$13,055,000 in 2024	5.10		
\$13,720,000 in 2025	5.05		
		12,924,769	—

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 12,924,769	—
\$1,910,000 in 2004	% 4.00	5,384,862	1,910,000
\$1,990,000 in 2005	4.00		
\$2,070,000 in 2006	4.00		
\$2,150,000 in 2007	4.00		
\$2,235,000 in 2008	4.00		
\$2,335,000 in 2009	4.50		
\$2,440,000 in 2010	4.50		
\$2,540,000 in 2011	4.00		
\$2,665,000 in 2012	5.00		
\$2,815,000 in 2013	5.50		
\$2,955,000 in 2014	5.00		
\$3,100,000 in 2015	5.00		
\$3,270,000 in 2016	5.50		
\$3,450,000 in 2017	5.50		
\$3,615,000 in 2018	4.75		
\$3,795,000 in 2019	5.00		
\$3,985,000 in 2020	5.00		
\$4,195,000 in 2021	5.25		
\$4,415,000 in 2022	5.25		
\$4,650,000 in 2023	5.25		
\$4,890,000 in 2024	5.25		
\$5,145,000 in 2025	5.13		
\$5,405,000 in 2026	5.13		
\$5,685,000 in 2027	5.13		
\$5,975,000 in 2028	5.13		
\$6,280,000 in 2029	5.13		
\$6,600,000 in 2030	5.13		
\$6,940,000 in 2031	5.13		
		18,309,631	1,910,000

Maturity information	Coupon or ceiling rate of interest	2004 Maximum debt service requirements	
		Interest	Principal
		\$ 18,309,631	1,910,000
\$9,855,000 in 2004	% 1.150	4,931,241	9,855,000
\$13,640,000 in 2005	1.450		
\$13,835,000 in 2006	1.900		
\$14,100,000 in 2007	2.300		
\$14,425,000 in 2008	2.650		
\$14,805,000 in 2009	3.000		
\$15,250,000 in 2010	3.300		
\$405,000 in 2011	3.375		
\$415,000 in 2012	3.625		
\$430,000 in 2013	3.750		
\$18,990,000 in 2014	4.000		
\$19,750,000 in 2015	4.000		
\$20,535,000 in 2016	4.000		
\$1,375,000 in 2017	4.125		
\$1,430,000 in 2018	4.250		
\$1,490,000 in 2019	4.375		
\$1,560,000 in 2020	4.375		
\$1,625,000 in 2021	4.500		
\$1,700,000 in 2022	4.625		
\$1,775,000 in 2023	4.750		
\$234,000 in 2004	variable	61,000	273,000
\$236,000 in 2005			
\$239,000 in 2006			
\$239,000 in 2007			
\$229,000 in 2008			
\$228,000 in 2009			
\$227,000 in 2010			
\$226,000 in 2011			
\$226,000 in 2012			
\$225,000 in 2013			
\$224,000 in 2014			
\$223,000 in 2015			
\$222,000 in 2016			
\$221,000 in 2017			
\$220,000 in 2018			
\$219,000 in 2019			
\$218,000 in 2020			
\$217,000 in 2021			
\$216,000 in 2022			
		23,301,872	12,038,000
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		—	—
		—	—
		23,301,872	12,038,000
		\$ 81,781,019	59,636,728

