Urban Redevelopment Authority of Pittsburgh

(A Component Unit of the
City of Pittsburgh, Pennsylvania)

Financial Statements and Required
Supplementary Information

Year Ended December 31, 2014 with
Independent Auditor's Report

MaherDuessel
Certified Public Accountants

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URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

YEAR ENDED DECEMBER 31, 2014

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Independent Auditor's Report

Board of Directors
Urban Redevelopment Authority of Pittsburgh
Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Urban Redevelopment Authority of Pittsburgh (URA), a component unit of the City of Pittsburgh, as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise the URA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Pittsburgh Housing Development Corporation, the Authority's discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pittsburgh Housing Development Corporation, is based solely on the report 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the URA as of December 31, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the URA's financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Maher Duessel

Pittsburgh, Pennsylvania
April 28, 2015

Management's Discussion and Analysis
December 31, 2014

As management of the Urban Redevelopment Authority of Pittsburgh (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements and footnotes.

Financial Highlights

- In the government-wide financial statements (page 1), Total Net Position was $222.3 Million, of which $39.6 Million represented net investment in capital assets, and $144.5 Million was restricted by funding source or bond indenture. Of the $38.3 Million unrestricted net position, $17.6 Million represents property held for redevelopment under restrictions of the state redevelopment statutes and $13.6 Million pertains to Board commitments for program funding gaps, bridge financing for projects, and property repairs and improvements in a large, current project.

- The Authority's total program revenues (page 2) were $91.4 Million for the year, of which $74.8 Million was operating grants and $16.5 Million was charges for services. The charges for services consisted primarily of $5.3 Million in interest earned through lending programs, $9.4 Million earned through property management and rental income, and $1.8 Million in administrative fees.

- The fund balance for all governmental funds (page 3) totaled $79.0 Million, a decrease of $4.2 Million from 2013 ($83.2 Million).

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's basic financial statements are comprised of three parts: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The Government-Wide Financial Statements (pages 1 and 2) present the financial picture of the Authority from the economic resources measurement focus using the accrual basis of accounting. They include all assets and liabilities, including fixed assets and long-term debt. All of the current year's revenues and expenses are taken into account regardless of when cash was received or paid. Additionally, certain eliminations have occurred in regards to interfund activity, payables and receivables. Governmental activities and business-type activities are presented separately, as well as the activities of the Authority's component unit, the Pittsburgh Housing Development Corporation.

Government-Wide Financial Statements include the Statement of Net Position and the Statement of Activities. They report the Authority's net position and changes in them. Net position is the difference between assets and liabilities, which is one way to measure the Authority's financial position.

In the Statement of Position and Statement of Activities, the Authority's activities are separated as follows:

Governmental Activities – This category includes the Authority's General Fund and those development projects and programs primarily funded by federal, state, and local grants, including Community Development Block Grant funds.

Business-Type Activities – This category includes self-supporting activities such as the housing programs funded through tax-exempt and taxable revenue bonds, the Pittsburgh Development Fund loan program, and the Authority's owned-and-operated real estate enterprises – the Produce Terminal, Western Restoration Center, and Lexington Technology Park.

Fund Financial Statements

Fund Financial Statements begin on page 3 of this report and provide detailed information about the Authority's most significant funds – not the Authority as a whole. The Fund Financial Statements include statements for each of the two categories of activities – governmental and proprietary. Only the major funds are presented individually in the Fund Statements.

Governmental Funds – Governmental Funds focus on how money flows into and out of the funds and the balances left at year-end that are available for spending. These statements provide a detailed shorter-term view of the Authority's general operations. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs and projects. These funds are reported using an accounting method called modified accrual accounting that measures cash and all other financial assets that can be readily converted to cash. Since this is a different accounting method than what is used in the

Government-Wide Financial Statements, the differences between the two sets of financial statements are explained in a reconciliation following each Governmental Fund financial statement (pages 3 and 5).

Proprietary Funds – The Proprietary Funds (pages 6, 7, and 8) are the same funds included in "Business-Type Activities" in the Government-Wide statements. The accounting for the Proprietary Funds is the same as that of the business-type activities reported in the Government-Wide Financial Statements but provides more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE AUTHORITY

Our analysis below focuses on the net position of the Authority's governmental and business-type activities.

Summary of Net Position

The Authority's net position at December 31, 2014 and 2013 for governmental activities was approximately $144.7 Million and $153.3 Million, respectively. For the business-type activities, net position was approximately $77.6 Million and $70.7 Million, respectively.

	Governmental Activities		% Change	Business-type Activities		% Change
	2014	2013		2014	2013	
Assets:						
Current and other assets	$159,887,183	$163,656,305	-2.3%	$89,980,608	$96,558,650	-6.8%
Capital assets	41,241,450	42,194,478	-2.3%	4,436,804	4,860,642	-8.7%
Total assets	**$201,128,633**	**$205,850,783**	**-2.3%**	**$94,417,412**	**$101,419,292**	**-6.9%**
Deferred outflows of resources	**$ -**	**$ -**	**0.0%**	**$ -**	**$816,032**	**-100.0%**
Liabilities:						
Current and other liabilities	$32,723,111	$28,823,606	13.5%	$1,412,491	$12,753,661	-88.9%
Long-term liabilities	23,722,323	23,712,726	0.0%	15,372,650	18,762,367	-18.1%
Total liabilities	**$56,445,434**	**$52,536,332**	**7.4%**	**$16,785,141**	**$31,516,028**	**-46.7%**
Net position:						
Net investment in capital assets	$37,714,450	$30,717,658	22.8%	$1,841,946	$2,141,962	-14.0%
Restricted for urban development	51,467,547	50,862,604	1.0%	-	-	0.0%
Restricted for lending programs	21,099,870	24,232,286	-12.9%	71,917,899	64,501,699	11.5%
Unrestricted	34,401,332	47,501,903	-27.6%	3,872,426	4,075,635	-5.0%
Total net position	**$144,683,199**	**$153,314,451**	**-5.6%**	**$77,632,271**	**$70,719,296**	**9.8%**

Restricted net position generally represents funds that have constraints on their use pursuant to grant agreements or bond indentures. In total, at December 31, 2014, assets of the governmental and business-type funds exceeded their liabilities by $222.3 Million, $39.6 Million of which represented the Authority's net investment in capital assets and $144.5 Million restricted by funding source or bond indenture. Of the $38.3 Million Unrestricted Net Position, $17.6 Million represents property held for redevelopment under restrictions of the state redevelopment statutes and $13.6 Million pertains to Board commitments for program funding gaps, bridge financing for projects, and property repairs and improvements in a large, current project.

Overall, Governmental Activities Assets decreased by $4.7 Million from 2013 primarily related to loans receivable (net of allowances) and property held for redevelopment activity. Liabilities increased by $3.9 Million from 2013 and Net Position decreased by $8.6 Million, with an increase in Net Investment in Capital Assets of $7.0, a decrease in Restricted Net Position of $2.5 Million, and a decrease in Unrestricted Net Position by $13.1 Million.

The Business-Type Activities Total Assets had a decrease of $7.0 Million from 2013. The Total Liabilities decreased by $14.7 Million. The majority of the decrease in total assets and total liabilities related to reductions in Bonds and Loans Payable for the MRBP and the PDF bonds were paid off during 2014 in the amount of $11.3 Million.

Our next analysis focuses on changes in net position of the Authority's governmental and business-type activities.

Changes in Net Position
Year Ended December 31, 2014

	Governmental Activities			Business-type Activities		
	2014	2013	% Change	2014	2013	% Change
Program Revenues:						
Charges for services	$11,154,938	$10,799,892	3.3%	$5,367,354	$4,753,609	12.9%
Operating grants	65,837,244	37,186,497	77.0%	9,001,808	7,500,000	20.0%
Capital grants	-	-	0.0%	-	-	0.0%
General Revenues:						
Unrestricted investment earnings	58,213	48,807	19.3%	279,889	-43,284	-746.6%
Other general income	-	-	0%	-	246,614	-100.0%
Total revenues	**77,050,395**	**48,035,196**	**60.4%**	**14,649,051**	**12,456,939**	**17.6%**
Program expenses:						
Urban development	75,615,632	43,985,849	71.9%	-	-	0.0%
General government	9,514,637	8,916,043	6.7%	-	-	0.0%
Interest on long-term debt	1,006,378	1,149,714	-12.5%	-	-	0.0%
Lending programs	-	-	0.0%	4,598,331	6,954,547	-33.9%
Property management	-	-	0.0%	2,682,745	2,885,474	-7.0%
Total expenses	**86,136,647**	**54,051,606**	**59.4%**	**7,281,076**	**9,840,021**	**26.0%**
Change in net position before transfers	-9,086,252	-6,016,410	51.0%	7,367,975	2,616,918	181.6%
Transfers	455,000	1,615,000	-71.8%	-455,000	-1,615,000	-71.8%
Change in net position after transfers	**$-8,631,252**	**$-4,401,410**	**96.1%**	**$6,912,975**	**$1,001,918**	**590.0%**

Governmental Activities. Total revenues increased by $29.0 Million from 2013. The major variance in 2014 was $28.7 Million increase in Operating Grants primarily related to the Grants Fund. Grant revenue fluctuates by nature based on the status of current projects and funding patterns. Increases from 2013 primarily relate to RACP grant activity, for various projects, and TIGER discretionary grants received for the East Liberty Transit Center Project.

In 2014, the cost of Governmental activities increased by $32 Million from $54.1 Million in 2013 to $86.1 Million in 2014. Overall, net position of Governmental activities decreased by $8.6 Million,

which was $4.4 Million less than 2013 ($4.2 Million). These changes in expenses and net position primarily relate to current year changes in loans receivable and property held for redevelopment, which fluctuate by nature.

Business-Type Activities. The majority of the Revenues were pledged PDF real estate taxes for $7.5 Million, a $1.5 Million RAD grant, and Charges for Services ($5.4 Million), which includes funds financed by borrowers in the form of Program Interest Income ($2.2 Million in 2014; $2.4 Million in 2013) and tenants of owned properties in the form of Property Management Revenues ($2.3 Million in 2014 and $2.4 Million in 2013).

The cost of all Proprietary (Business-Type) activities in 2014 was $7.3 Million, as compared to $9.8 Million in 2013, which represents a decrease of $2.6 Million (26.0%).

THE AUTHORITY'S FUNDS

As of December 31, 2014, the Authority's governmental funds reported total ending fund balances of $79.0 Million, which represents a decrease of $4.2 Million from the prior year ($83.2 Million). Of the fund balance, $51.5 Million was restricted to indicate that it is limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. Another $13.6 Million has been committed for bridge funds for programs and projects, and property repairs and improvements.

Major Funds

The URA's General Fund fund balance of $24.2 Million at December 31, 2014 represents a decrease of $4.2 Million from December 31, 2013 ($28.4 Million). This decrease is partially due to the decreases in administrative fees from other funds that offset administrative expenses.

The Community Development Block Grant (CDBG) Fund accounts for CDBG grants passed through to the Authority from the City of Pittsburgh. The fund balance remained at approximately $1.9 Million in 2013 and 2014.

The Urban Development Action Grant (UDAG) Fund accounts for activities of a major loan and grant-making fund available for both small to large projects within the City that serve to attract new businesses, expand or retain existing businesses, and neighborhood housing development. The fund balance was approximately $13.9 Million in 2014.

The HOME Fund provides loans or grants for both housing rehabilitation and new construction. The fund balance was $1.3 Million in 2013 and $1.6 Million in 2014.

The Grants Fund accounts for various URA projects and programs not accounted for elsewhere. This activity includes grant programs, loan programs, and housing and business development projects. Some of the Authority's major development projects accounted for in this fund include South Side Works, Central Business District , Pittsburgh Technology Center, and East Liberty/Larimer. Of the $37.5 Million of fund balance in this fund, $37.2 Million is restricted for various urban development projects and programs.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The Authority's investment in Capital Assets as of December 31, 2014 and 2013 equals $41.2 Million and $42.2 Million, respectively, (net of accumulated depreciation) for its governmental activities. Capital Assets in business-type activities were $4.4 Million and $4.9 Million at December 31, 2014 and 2013, respectively. The Capital Assets were reduced by accumulated depreciation.

Additional information on Capital Assets may be found in Note 5 of the Notes to Financial Statements.

Debt Administration

At December 31, 2014, the Authority had total long-term debt outstanding of $41.4 Million. Approximately $14 Million of Proprietary bond debt is secured solely by specified revenue sources (e.g., repayments on home mortgage loans, and pledged tax revenue).

The outstanding debt was comprised primarily as follows: $14 Million of Mortgage Revenue Bonds, which are comprised of various issues and rated Aa1 by Moody's; $10.8 Million of bank loans; and HUD Section 108 loans in the amount of $16.1 Million.

Additional information on outstanding long-term liabilities may be found in Note 8 of the Notes to Financial Statements.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Urban Redevelopment Authority of Pittsburgh, 200 Ross Street, Pittsburgh, Pennsylvania 15219 or (412) 255-6630.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

STATEMENT OF NET POSITION

DECEMBER 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Pittsburgh Housing Development Corporation
Assets				
Cash and investments	$ 82,299,801	$ 45,071,965	$ 127,371,766	$ 90,582
Due from other governments	14,606,390	-	14,606,390	-
Other receivables	15,322,511	89,055	15,411,566	7,522
Internal balances	(1,618,687)	1,618,687	-	-
Loans to component units	1,733,604	-	1,733,604	-
Loans receivable, net	29,120,553	43,200,901	72,321,454	1,600,000
Property held for redevelopment	17,623,011	-	17,623,011	3,307,381
Other assets	800,000	-	800,000	200
Capital assets:				
Non-depreciable	13,204,423	-	13,204,423	-
Depreciable, net of accumulated depreciation	28,037,027	4,436,804	32,473,831	-
Total Assets	$ 201,128,633	$ 94,417,412	$ 295,546,045	$ 5,005,685
Liabilities				
Accounts payable and other accrued liabilities	$ 27,859,198	$ 150,283	$ 28,009,481	$ 55,983
Unearned revenue	3,811,564	-	3,811,564	-
Loans payable to URA	-	-	-	1,733,604
Noncurrent liabilities:				
Due within one year	1,052,349	1,262,208	2,314,557	237,220
Due in more than one year	23,722,323	15,372,650	39,094,973	-
Total Liabilities	56,445,434	16,785,141	73,230,575	2,026,807
Net Position				
Net investment in capital assets	37,714,450	1,841,946	39,556,396	-
Restricted for urban development	51,467,547	-	51,467,547	-
Restricted for lending programs	21,099,870	71,917,899	93,017,769	-
Restricted for housing program	-	-	-	2,978,878
Unrestricted	34,401,332	3,872,426	38,273,758	-
Total Net Position	144,683,199	77,632,271	222,315,470	2,978,878
Total Liabilities and Net Position	$ 201,128,633	$ 94,417,412	$ 295,546,045	$ 5,005,685

The notes to financial statements are an integral part of this statement.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			Component Unit
Functions/Programs	Direct Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-type Activities	Total	Pittsburgh Housing Development Corporation
Primary Government:								
Governmental activities:								
Urban development	$ 75,615,632	$ 8,191,251	$ 63,837,244	$ -	$ (3,587,137)	$ -	$ (3,587,137)	$ -
General government	9,514,637	2,963,687	2,000,000	-	(4,550,950)	-	(4,550,950)	-
Interest on long-term debt	1,006,378	-	-	-	(1,006,378)	-	(1,006,378)	-
Total governmental activities	86,136,647	11,154,938	65,837,244	-	(9,144,465)	-	(9,144,465)	-
Business-type activities:								
Lending programs	4,598,331	3,018,072	9,001,808	-	-	7,421,549	7,421,549	-
Property management	2,682,745	2,349,282	-	-	-	(333,463)	(333,463)	-
Total business-type activities	7,281,076	5,367,354	9,001,808	-	-	7,088,086	7,088,086	-
Total primary government	$ 93,417,723	$ 16,522,292	$ 74,839,052	$ -	(9,144,465)	7,088,086	(2,056,379)	-
Component Unit:								
Pittsburgh Housing Development Corporation	$ 2,008,873	$ 45,634	$ 1,326,714	$ -	-	-	-	(636,525)
General revenues:								
Investment earnings					58,213	279,889	338,102	-
Proceeds from sales of real estate					-	-	-	647,501
Transfers					455,000	(455,000)	-	-
Total general revenues and transfers					513,213	(175,111)	338,102	647,501
Change in Net Position					(8,631,252)	6,912,975	(1,718,277)	10,976
Net position - beginning					153,314,451	70,719,296	224,033,747	2,967,902
Net position - ending					$ 144,683,199	$ 77,632,271	$ 222,315,470	$ 2,978,878

The notes to financial statements are an integral part of this statement.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

BALANCE SHEET
GOVERNMENTAL FUNDS

DECEMBER 31, 2014

	General	Community Development Block Grant	UDAG	HOME	Grants	Totals
Assets						
Cash and investments	$ 19,843,695	$ 2,593,716	$ 7,391,086	$ 1,284,646	$ 51,186,658	$ 82,299,801
Receivables (net, where applicable, of allowance for uncollectibles):						
Loans	675,962	-	1,364,850	913,573	27,899,772	30,854,157
Other	8,639,353	-	4,707,754	-	1,975,404	15,322,511
Due from other funds	-	-	1,842,016	-	-	1,842,016
Due from other governmental units	-	523,247	-	436,278	13,646,865	14,606,390
Property held for redevelopment	4,291,548	1,374,808	190,500	-	11,766,155	17,623,011
Total Assets	$ 33,450,558	$ 4,491,771	$ 15,496,206	$ 2,634,497	$ 106,474,854	$ 162,547,886
Liabilities, Deferred Inflows of Resources, and Fund Balance						
Liabilities:						
Accounts payable and other accrued liabilities	$ 1,239,351	$ 3,266	$ -	$ 200	$ 26,507,574	$ 27,750,391
Due to other funds	1,001,091	1,231,685	-	107,985	1,119,942	3,460,703
Unearned revenue	2,088,394	-	-	-	1,723,170	3,811,564
Total Liabilities	4,328,836	1,234,951	-	108,185	29,350,686	35,022,658
Deferred Inflows of Resources:						
Unavailable revenue	4,967,510	1,374,808	1,555,350	913,573	39,665,927	48,477,168
Fund Balance:						
Restricted	-	337,982	13,940,856	12,739	37,175,970	51,467,547
Committed	10,500,000	1,544,030	-	1,600,000	-	13,644,030
Assigned	-	-	-	-	282,271	282,271
Unassigned	13,654,212	-	-	-	-	13,654,212
Total Fund Balance	24,154,212	1,882,012	13,940,856	1,612,739	37,458,241	79,048,060
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 33,450,558	$ 4,491,771	$ 15,496,206	$ 2,634,497	$ 106,474,854	$ 162,547,886

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

Fund balance	$ 79,048,060
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	41,241,450
Other long-term assets such as loans and property held for redevelopment are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the funds.	49,277,168
An accrual for interest payable is not reflected within the funds.	(108,807)
Long-term liabilities, including compensated absences and loans payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(24,774,672)
Net position of governmental activities	$ 144,683,199

The notes to financial statements are an integral part of this statement.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2014

	General	Community Development Block Grant	UDAG	HOME	Grants	Totals
Revenues:						
Intergovernmental	$ -	$ 4,221,847	$ -	$ 1,493,130	$ 60,122,267	$ 65,837,244
Interest	7,781	1,626	3,149	346	45,311	58,213
Rental income	1,054,619	-	-	-	3,778,571	4,833,190
Loan repayments	116,886	-	426,394	297,541	5,974,637	6,815,458
Other	1,792,182	44,030	150	5,160	2,619,288	4,460,810
Total revenues	2,971,468	4,267,503	429,693	1,796,177	72,540,074	82,004,915
Expenditures:						
Current:						
Urban development	1,659,520	2,208,950	2,552,594	1,900,911	66,966,586	75,288,561
Administrative	4,170,750	2,000,000	69,419	29,651	2,081,951	8,351,771
Other	306,696	14,523	96	200	841,351	1,162,866
Debt service	-	-	-	-	9,763,829	9,763,829
Total expenditures	6,136,966	4,223,473	2,622,109	1,930,762	79,653,717	94,567,027
Excess (Deficiency) of Revenues Over Expenditures	(3,165,498)	44,030	(2,192,416)	(134,585)	(7,113,643)	(12,562,112)
Other Financing Sources (Uses):						
Loan proceeds	-	-	-	-	8,005,000	8,005,000
Transfers in	-	-	487,500	800,000	553,729	1,841,229
Transfers out	(1,044,864)	-	-	(341,365)	-	(1,386,229)
Total other financing sources (uses)	(1,044,864)	-	487,500	458,635	8,558,729	8,460,000
Net Change in Fund Balance	(4,210,362)	44,030	(1,704,916)	324,050	1,445,086	(4,102,112)
Fund Balance (Deficit):						
Beginning of year	28,364,574	1,837,982	15,645,772	1,288,689	36,013,155	83,150,172
End of year	$ 24,154,212	$ 1,882,012	$ 13,940,856	$ 1,612,739	$ 37,458,241	$ 79,048,060

The notes to financial statements are an integral part of this statement.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

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

YEAR ENDED DECEMBER 31, 2014

Amounts reported for governmental activities in the statement of activities (page 2) are different because:

Net change in fund balance - total governmental funds (page 4)	$ (4,102,112)
In governmental funds, the issuance of loans is a current expenditure while the repayment of loans, including principal and interest, is recognized as income when received. On the statement of activities, only the interest income is reported as current revenue. Also, the change in the allowance for doubtful accounts is shown as an increase or decrease in net position on the statement of activities while it has no effect on fund balance in the governmental funds. The net change in loans receivable is shown here.	(2,578,129)
The repayment of principal of long-term debt is reported as a reduction in the liability on the statement of net position. On the fund statements, this transaction is recorded as an expenditure.	8,652,326
The issuance of debt is reported as an increase in the liability on the statement of net assets. On the fund statements, this transaction is recorded as an other financing source.	(8,005,000)
The cost of property held for redevelopment is expended in the funds when purchased but capitalized in the statement of net position. The net change in property held for redevelopment is shown here.	(1,742,940)
Compensated absences and accrued interest payable are reflected as liabilities on the statement of net position, but are not included in the fund statements. The change in these liabilities is shown here.	97,631
Depreciation expense related to the capital assets is not reflected in the fund statements but is recorded on the statement of activities.	(953,028)
Change in net position of governmental activities (page 2)	$ (8,631,252)

The notes to financial statements are an integral part of this statement.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds					
	Mortgage Revenue Bond Program	Home Improvement Loan Program	Pittsburgh Development Fund	Lexington Technology Park Fund	Other Enterprise Fund	Totals
Assets						
Current assets:						
Cash and investments	$ 18,659,143	$ 1,665,710	$ 24,362,440	$ 292,235	$ 92,437	$ 45,071,965
Receivables (net, where applicable, of allowance for uncollectibles):						
Loans	9,672,128	1,746,676	31,782,097	-	-	43,200,901
Other	89,055	-	-	-	-	89,055
Due from other funds	-	-	1,525,218	-	107,967	1,633,185
Noncurrent assets:						
Capital assets, net of applicable accumulated depreciation	-	-	-	4,436,804	-	4,436,804
Total Assets	$ 28,420,326	$ 3,412,386	$ 57,669,755	$ 4,729,039	$ 200,404	$ 94,431,910
Liabilities						
Current liabilities:						
Accounts payable and other accrued liabilities	$ 132,182	$ -	$ -	$ 3,101	$ 15,000	$ 150,283
Due to other funds	-	-	-	10,187	4,311	14,498
Bonds and loans payable	1,130,000	-	-	132,208	-	1,262,208
Noncurrent liabilities:						
Bonds and loans payable	12,910,000	-	-	2,462,650	-	15,372,650
Total Liabilities	14,172,182	-	-	2,608,146	19,311	16,799,639
Net Position						
Net investment in capital assets	-	-	-	1,841,946	-	1,841,946
Restricted for lending programs	14,248,144	-	57,669,755	-	-	71,917,899
Unrestricted	-	3,412,386	-	278,947	181,093	3,872,426
Total Net Position	14,248,144	3,412,386	57,669,755	2,120,893	181,093	77,632,271
Total Liabilities and Net Position	$ 28,420,326	$ 3,412,386	$ 57,669,755	$ 4,729,039	$ 200,404	$ 94,431,910

The notes to financial statements are an integral part of this statement.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds					
	Mortgage Revenue Bond Program	Home Improvement Loan Program	Pittsburgh Development Fund	Lexington Technology Park Fund	Other Enterprise Fund	Totals
Operating Revenues:						
Program interest income	$ 847,221	$ 65,042	$ 1,263,084	$ -	$ -	$ 2,175,347
Property management revenues	-	-	-	2,251,168	98,114	2,349,282
Other	-	1,808	842,725	-	-	844,533
Total operating revenues	847,221	66,850	2,105,809	2,251,168	98,114	5,369,162
Operating Expenses:						
Originating lender service fees	47,356	27,562	-	-	-	74,918
Administrative expenses	291,469	250,000	132,959	75,000	60,000	809,428
Depreciation and amortization expense	-	-	-	507,614	-	507,614
Property management and improvements	-	-	1,500,000	1,763,987	84,060	3,348,047
Provision for uncollectible loans	6,004	-	-	-	-	6,004
Other	328,528	4,177	13,122	-	68,646	414,473
Total operating expenses	673,357	281,739	1,646,081	2,346,601	212,706	5,160,484
Operating Income (Loss)	173,864	(214,889)	459,728	(95,433)	(114,592)	208,678
Non-Operating Revenues (Expenses):						
Earnings on investments	223,775	89	55,987	-	38	279,889
Intergovernmental revenue	-	-	9,000,000	-	-	9,000,000
Interest expense	(716,174)	-	(1,280,980)	(123,438)	-	(2,120,592)
Net non-operating revenues (expenses)	(492,399)	89	7,775,007	(123,438)	38	7,159,297
Excess (Deficiency) of Revenues Over Expenses Before Transfers	(318,535)	(214,800)	8,234,735	(218,871)	(114,554)	7,367,975
Transfers in (out)	(500,000)	-	-	-	45,000	(455,000)
Change in Net Position	(818,535)	(214,800)	8,234,735	(218,871)	(69,554)	6,912,975
Net Position:						
Beginning of year	15,066,679	3,627,186	49,435,020	2,339,764	250,647	70,719,296
End of year	$ 14,248,144	$ 3,412,386	$ 57,669,755	$ 2,120,893	$ 181,093	$ 77,632,271

The notes to financial statements are an integral part of this statement.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds					
	Mortgage Revenue Bond Program	Home Improvement Loan Program	Pittsburgh Development Fund	Lexington Technology Park Fund	Other Enterprise Fund	Totals
Cash Flows From Operating Activities:						
Receipts from tenants	$ -	$ -	$ -	$ 2,251,168	$ 98,114	$ 2,349,282
Payments from borrowers	2,429,207	559,121	11,592,603	-	-	14,580,931
Loan disbursements to borrowers	-	-	(9,752,479)	-	-	(9,752,479)
Payments for property management and administrative services	(673,357)	(250,000)	(1,632,959)	(1,838,987)	(144,335)	(4,539,638)
Receipts from mortgage-backed securities	1,356,565	-	-	-	-	1,356,565
Other receipts (payments)	-	(29,931)	(13,122)	-	(68,646)	(111,699)
Net cash provided by (used in) operating activities	3,112,415	279,190	194,043	412,181	(114,867)	3,882,962
Cash Flows From Non-Capital Financing Activities:						
Grants	-	-	9,000,000	-	-	9,000,000
Interest paid	(784,287)	-	(553,625)	(123,438)	-	(1,461,350)
Principal repayments-borrowings	(3,275,000)	-	(11,175,000)	(123,822)	-	(14,573,822)
Interfund receipts (payments)	(500,000)	-	(1,525,218)	211,090	206,046	(1,608,082)
Net cash provided by (used in) non-capital financing activities	(4,559,287)	-	(4,253,843)	(36,170)	206,046	(8,643,254)
Cash Flows From Investing Activities:						
Purchase of investments	(3,336,869)	-	-	-	-	(3,336,869)
Proceeds from sales and maturities of investments	3,341,936	-	-	-	-	3,341,936
Purchase of capital assets	-	-	-	(83,776)	-	(83,776)
Earnings on investments	179,523	89	55,987	-	38	235,637
Net cash provided by (used in) investing activities	184,590	89	55,987	(83,776)	38	156,928
Net Increase (Decrease) in Cash and Cash Equivalents	(1,262,282)	279,279	(4,003,813)	292,235	91,217	(4,603,364)
Cash and Cash Equivalents:						
Beginning of year	12,476,714	1,386,431	28,366,253	-	1,220	42,230,618
End of year	$ 11,214,432	$ 1,665,710	$ 24,362,440	$ 292,235	$ 92,437	$ 37,627,254
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Operating income (loss)	$ 173,864	$ (214,889)	$ 459,728	$ (95,433)	$ (114,592)	$ 208,678
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	-	-	-	507,614	-	507,614
Provision for uncollectible loans receivable	6,392	-	(842,725)	-	-	(836,333)
Change in operating assets and liabilities:						
Loans issued	-	-	(9,752,479)	-	-	(9,752,479)
Loan repayments received	1,671,620	437,613	10,329,519	-	-	12,438,752
Mortgage-backed securities	1,144,412	-	-	-	-	1,144,412
Receivables - Other	-	56,466	-	-	-	56,466
Other assets	116,127	-	-	-	-	116,127
Accounts payable	-	-	-	-	15,000	15,000
Unearned revenue	-	-	-	-	(15,275)	(15,275)
Total adjustments	2,938,551	494,079	(265,685)	507,614	(275)	3,674,284
Net cash provided by (used in) operating activities	$ 3,112,415	$ 279,190	$ 194,043	$ 412,181	$ (114,867)	$ 3,882,962
Supplemental Information:						
Cash and investments	$ 18,659,143	$ 1,665,710	$ 24,362,440	$ 292,235	$ 92,437	$ 45,071,965
Investments not considered to be cash and cash equivalents	(7,444,711)	-	-	-	-	(7,444,711)
Cash and cash equivalents	$ 11,214,432	$ 1,665,710	$ 24,362,440	$ 292,235	$ 92,437	$ 37,627,254

The notes to financial statements are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

The reporting entity of the URA includes the accounts of all URA operations as well as two entities that qualify as component units of the URA:

The URA appoints the Board of Directors of The Pittsburgh Housing Development Corporation (PHDC), non-profit corporation, and has the ability to impose its will upon the PHDC. The PHDC initiates, plans, finances, develops, and manages housing development throughout the City, with particular emphasis on activities in low- and moderate-income census tracts. This component unit is discretely presented on the government-wide statements.

The URA is the sole member of Pittsburgh Urban Initiatives (PUI), a limited liability company that serves and provides investment capital for low-income communities and low-income persons, consistent with the New Markets Tax Credit Program. This component unit is blended within the General Fund.

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

The Pittsburgh Economic and Industrial Development Corporation (PEIDC)

The URA provides administrative support to PEIDC. PEIDC is a non-profit corporation which was formed to formulate, implement, and promote commercial, industrial and other economic development goals, strategies, and projects in and for the City. The Board members are elected by the PEIDC membership. PEIDC is considered a related entity of the URA. Financial information is available for PEIDC at the URA's offices.

East Liberty Transit Revitalization Investment District Revitalization Authority (ELTRIDRA)

The URA provides administrative support to ELTRIDRA. ELTRIDRA is a governmental authority which was formed to manage the East Liberty Revitalization Investment District. ELTRIDRA's five member Board of Directors includes one representative from the URA and one representative each from the City, Pittsburgh Public Schools, Port Authority of Allegheny County, and Allegheny County. ELTRIDRA is considered a related entity of the URA. Financial information is available for ELTRIDRA at the URA's offices.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities,* which normally are supported by intergovernmental grants, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for services. Likewise, the *primary government* is reported separately from a legally separate *component unit* for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function or segment and 2) grants that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported as *general revenues.*

Separate financial statements are provided for governmental funds and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to compensated absences are recorded only when payment is due.

Federal, state, and local grants designated for payment of specific URA expenditures are recognized when the related expenditures are incurred. Interest earnings associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current period. Any excess of grant-specific revenues or expenditures at year-end is recorded as unearned revenue or accounts receivable, respectively. All other revenue items are considered to be measurable and available only when cash is received by the URA.

The URA reports the following major governmental funds:

The *General Fund* is the URA's primary operating fund. It accounts for all financial resources of the general government, except for those accounted for in another fund.

The *CDBG Fund* accounts for the URA's Community Development Block Grant program which provides grants and loans for economic development and housing in the City.

The *Urban Development Action Grant (UDAG) Fund* accounts for activities of a major loan and grant-making fund available for both small to large projects within the City that serve to attract new businesses, expand or retain existing businesses, and neighborhood housing development. The fund was established by the repayment of previous loans made from the program. The UDAG Fund was established as a separate fund for reporting purposes in 2014; the activity was previously reported in the Grants Fund.

Through funding provided by the Department of Housing and Urban Development, the URA uses its *HOME Fund* to provide financial assistance specifically to meet the housing related needs of the City. HOME money is utilized for both rehabilitation and new construction through existing URA housing programs. Assistance may be in the form of loans or grants to individual borrowers or developers.

The *Grants Fund* accounts for various URA projects and programs not accounted for elsewhere. This activity includes grant programs, loan programs, and housing and business development projects.

Loan Programs – the URA offers a variety of loan products for real estate and business development and housing development.

Grant Programs - the URA receives various grants from state, federal, and local sources. Among them, the URA administers various Redevelopment Assistance Capital Program (RACP) grants for which the URA serves as a conduit between the Commonwealth of Pennsylvania and a grant sub-awardee. The State Budget Office of the Commonwealth of Pennsylvania administers the RACP program which is designed to fund projects that have regional impact such as job creation or increased tax base.

Some of the URA's major development projects accounted for include:

South Side Works - significant development activities in process on the City's South Side, including office, housing, entertainment, parking, and recreation components.

Central Business District - property acquisitions and sales in the downtown area in preparation for future development.

Pittsburgh Technology Center - activity related to an office park located in the Hazelwood neighborhood of Pittsburgh. Phase II of the project included a second parking garage and roadway work which is complete.

East Liberty/Larimer – development activities including housing, entertainment, restaurant, and other significant business activities.

The URA reports the following major proprietary funds:

The *Mortgage Revenue Bond Program* accounts for the issuance of tax-exempt bonds to finance below-market rate mortgages for the purchase and rehabilitation of residential property within the City.

The *Home Improvement Loan Program (HILP)* accounts for the activities of the issuance of tax-exempt and taxable bonds to finance the rehabilitation of residential housing for persons and families of low to middle income throughout the City but without regard to borrower's income in certain designated targeted areas within the City. The HILP Program is currently being funded with loan repayments.

The *Pittsburgh Development Fund* accounts for the activities of a major loan fund making funds available for large initiatives and projects within the City that serve to attract new businesses, expand and retain existing businesses, and encourage downtown, riverfront, infrastructure, housing, and neighborhood development. The fund was

established by the issuance of redevelopment bonds which were repaid from a pledged portion of the City's RAD tax.

The *Lexington Technology Park Fund* accounts for the activities of URA-owned property that houses mixed-use light industrial facilities, the Allegheny County 911 facilities, and other County offices. It is located in the City's North Point Breeze neighborhood.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the URA's governmental and business-type funds and its component unit. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers for rents, property management services, interest on loans in its lending programs and investment interest earned which is to be used to further the programs, 2) operating grants, and 3) capital grants.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal on-going operations. The principal operating revenues of the URA's loan program enterprise funds (Mortgage Revenue Bond Program, Home Improvement Loan Program, and Pittsburgh Development Fund) are interest earned on loans and mortgage-backed securities and for the Lexington Technology Park Fund are property management service fees. Operating expenses for the enterprise funds include originating lender service fees, bad debt expenses, administrative expenses, depreciation expense on capital assets and property management and improvement costs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Cash and Cash Equivalents

The URA's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Use of cash and cash equivalents is generally limited to the related programs.

Investments

Investments are recorded at fair value.

Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Loans Receivable

In the governmental funds, loans receivable are recognized when the loan is established for loans with terms of thirty years or less. In the governmental funds, the loan balances are fully offset by unavailable revenue as loan repayments are not considered to be available as current resources. Loans with amortization terms greater than thirty 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 recorded as expenditures when disbursed, or are fully reserved.

It is the URA's policy to provide for future losses on loans based on an evaluation of the current loan portfolio, current economic conditions, and such other factors which, in the URA's judgment, may impact collectability. At December 31, 2014, the total allowance for uncollectible loans in governmental funds, including those only repayable on a contingent basis and fully reserved at the time of issuance, was $143 million.

In the proprietary funds, amortizing loans are recorded at their principal balance due less an allowance for uncollectible accounts. Proprietary fund allowances for uncollectible accounts are disclosed in Note 4.

Property Held for Redevelopment

Property held for redevelopment relates mainly to land and buildings held by the URA that is available for redevelopment. Depending on the nature of the redevelopment activity, the transfer of this property may consist of many forms: grant, subsidized or below-market sale, or an independent, market-based sale. This property is held at cost or estimated net realizable value, if less than cost, and is offset by unavailable revenue in the governmental funds, as this property is not considered to be available as current resources. Estimated net realizable value is calculated once plans or disposition agreements are in place to dispose of the property at less than cost. When assets are sold, the proceeds are either returned to the program to further its purposes or returned to the grantor agency that funded the original purchase.

Capital Assets

Capital assets, which include land, land improvements, and buildings are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the URA as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend assets' lives are expensed as incurred.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities would be included as part of the capitalized value of the assets constructed if the projects were financed. No capital assets were constructed using external, interest-bearing financing during 2014 in the URA's business-type funds; accordingly, no interest was capitalized.

Buildings and improvements are depreciated using the straight-line method. Buildings are assigned a useful life of 30-40 years and building improvements are amortized over 15 years or the remaining building life as of the year of completion.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as current period costs in both the fund financial statements and government-wide financial statements.

Compensated Absences

The URA's compensated absences consist of accumulated unpaid vacation pay and unpaid accumulated sick leave which can be converted to a termination benefit provided certain criteria are met.

Urban Development Expenditures

Urban development expenditures include construction costs incurred for the creation of infrastructure assets on behalf of the City as part of various development projects. At certain points during the projects, the URA dedicates these infrastructure assets to the City. As the

URA will not own or maintain the assets, these assets are not capitalized on the URA's financial statements.

Budgets

Formal legal budgetary accounting is not employed for the governmental funds of the URA. Budgetary control for the General Fund is achieved through management-designed analyses. Budgetary control for the Special Revenue Funds is achieved via compliance with grant agreements related to the special revenue activities. Accordingly, budget-to-actual statements are not presented.

Tax Increment Financing

The Authority is involved with several Tax Increment Financing (TIF) transactions. As described in Note 9, the Authority has no obligation for repayment of such debt, and, accordingly, the debt has been excluded from the financial statements. To the extent TIF transactions involve proceeds available for use by the Authority; the related proceeds are recorded in special revenue funds.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The URA does not have any items that qualify for reporting as deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The URA has only one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues related to long-term loans receivable and property held for redevelopment. This amount is

deferred and recognized as an inflow of resources in the period that the amounts become available.

Classification of Net Position

The government-wide and proprietary fund financial statements are required to report three components of net position:

- Net investment in capital assets – This component of net position consists of capital assets net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted – This component of net position consists of constraints placed on net position use through external restrictions. The URA's restricted net position is outlined on the statement of net position.

- Unrestricted – This component of net position consists of assets that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Balance

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

- Nonspendable – This category represents funds that are not in spendable form. As of December 31, 2014, the URA has no nonspendable fund balance.

- Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. This category includes funds that are restricted for specific expenditure under agreement with grantors. At December 31, 2014, the URA's restricted fund balance related to various urban development projects and programs restricted primarily by grant agreements or other intergovernmental agreements.

- Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by the Board of Directors (Board) by resolution. Such a commitment is made via a Board resolution and must be made prior to the end of the fiscal year. Removal of this commitment also requires a Board resolution. As of December 31, 2014, the

URA had committed fund balances of $13.6 million for temporary funding for projects in advance of the Authority's receipts of permanent financing.

- Assigned – This category represents intentions of the URA to use the funds for specific purposes. The authority to make assignments of fund balance may only be made by the Board and remains in place until the Board releases the assignments. The assignment cannot exceed the available spendable unassigned fund balance in any particular fund. Assigned fund balances as of December 31, 2014 represented funds assigned for housing development projects.

- Unassigned – This category includes the residual classification for the URA's General Fund and includes all spendable amounts not contained in other classifications.

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

Pending Pronouncement

GASB has issued the following Statement, which will become effective in future years as shown below. Management has not yet determined the impact of this Statement on the URA's financial statements:

GASB Statement No. 72, *"Fair Value Measurement and Application,"* effective for fiscal years beginning after June 15, 2015 (the URA's financial statements for the year ending December 31, 2016). This statement addresses accounting and financial reporting issues related to fair value measurements.

2. CASH AND INVESTMENTS

The URA is authorized to make investments of the following types pursuant to the Redevelopment Act which requires investments meet a "reasonable man" standard. Under the URA's policy, authorized investments include (1) United States Treasury bills, (2) short-term obligations of the United States government or its agencies or instrumentalities, (3) deposits in savings accounts or time deposits or share accounts of institutions which are insured, (4) obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political subdivision thereof, and (5) shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the investments of that company meet the criteria of (1) through (4) above.

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

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the URA's deposits may not be returned to it. The URA does not have a formal policy for custodial credit risk. As of December 31, 2014, $85,636,445 of the URA's bank balance of $87,946,383 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. As of December 31, 2014, the carrying amounts of the URA's deposits were $86,988,127.

As of December 31, 2014, none of the component unit's bank balance was exposed to custodial credit risk. As of December 31, 2014, the carrying amounts of the component unit's deposits were $90,582.

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

		Maturity in years						
	Fair market value	Less than 1 year	1-5 years	6-10 years	11-15 years	16-20 years	21-25 years	26 years
Money Market Funds	$ 32,938,929	$ 32,938,929	$ -	$ -	$ -	$ -	$ -	$ -
U.S. Treasury Bonds	3,109,410	-	-	3,109,410	-	-	-	-
Freddie Mac	714,067	-	-	-	-	-	608,926	105,141
GNMA	2,931,126	-	4,392	457,103	-	-	2,469,631	-
FNMA	690,107	-	-	152,705	-	-	537,402	-
Total	$ 40,383,639	$ 32,938,929	$ 4,392	$ 3,719,218	$ -	$ -	$ 3,615,959	$ 105,141

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

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The URA has an investment policy that limits its investment choices based on credit qualifications by investment type. As of December 31, 2014, the URA's investments in money market funds were rated AAA by Standard & Poor's. The Authority's investments in Freddie Mac and FNMA were not rated as of December 31, 2014.

Reconciliation of cash and investments to financial statements:

Cash and investment footnote:	
Deposits	$ 86,988,127
Investments	40,383,639
	$ 127,371,766
Cash and investments per financial statements:	
Governmental Funds	$ 82,299,801
Proprietary Funds	45,071,965
	$ 127,371,766

3. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables, payables, and transfers as of December 31, 2014 consisted of:

Fund	Receivables	Payables
Major Funds:		
General	$ -	$ 1,001,091
Community Development Block Grant	-	1,231,685
UDAG	1,842,016	-
HOME	-	107,985
Grants	-	1,119,942
Pittsburgh Development Fund	1,525,218	-
Lexington Technology Park Fund	-	10,187
Other Enterprise Fund	107,967	4,311
	$ 3,475,201	$ 3,475,201

Fund	Transfers In	Transfers Out
Major Funds:		
General	$ -	$ 1,044,864
HOME	800,000	341,365
UDAG	487,500	
Grants	553,729	-
MRBP	-	500,000
Other Enterprise Fund	45,000	-
	$ 1,886,229	$ 1,886,229

Transfers between funds in 2014 primarily relate to movements of 1) funds from the General Fund to other funds to fund programs, 2) funds from HOME to the Grants Fund representing a reclassification of certain activity to the Grants Fund, and 3) from MRBP to the Grants Fund to fund a loan program.

4. LOANS RECEIVABLE

Governmental funds report total loans receivable, net of allowance for uncollectible loans, of approximately $31 million at December 31, 2014. The most significant of the governmental fund loans relates to the UDAG Program, HOME, and various loan programs funded by the Community Development Block Grant (CDBG). UDAG loans are made for business and housing development and also act as a bridge source for secured funding. HOME loans are made for both single and multifamily housing development. The CDBG loans are made to individual homeowners as well as to businesses.

Loans receivable include $1.7 million due from PHDC, the URA's discretely-presented component unit, as described at Note 8 and $1 million due from PEIDC, a related entity.

Enterprise funds and component unit loans receivable from individual property-owners and enterprises within the City are reported net of any applicable allowances for uncollectible loans in the following funds at December 31, 2014:

Enterprise Funds:	Amount
Mortgage Revenue Bond Program, net of allowance of $238,027	$ 9,672,128
Home Improvement Loan Program, no allowance deemed necessary	1,746,676
Pittsburgh Development Fund, net of allowance of $13.2 million	31,782,097
	$ 43,200,901
Component Unit:	
Pittsburgh Housing Development Corporation	$ 1,600,000

The Mortgage Revenue Bond Program provides below market rate mortgages for the purchase and rehabilitation of residential property. Funds to finance the mortgages have been provided principally through the issuance of tax-exempt bonds. The Home Improvement Loan program also finances the rehabilitation of residential housing. The Pittsburgh Development Fund loans were made to targeted and strategic commercial development ventures to encourage and expand economic development within the City. The Pittsburgh Development Fund change in loan allowance from 2013, net of write-offs of previously uncollectible loans, is $842,725 which is reflected as other income on the statement of revenues, expenses, and changes in net position. The Pittsburgh Development Fund loans receivable balance includes $7.7 million in advances to other funds, primarily related to bridge financing, and $1.5 million in loans to ELTRIDRA, a related entity.

As of December 31, 2014, the URA had approved $3.7 million of PDF loans to various borrowers. These loans will close and begin to be paid out to the borrowers in 2015. Additionally, there was $3.9 million in remaining disbursements available to borrowers on closed PDF loans as of December 31, 2014.

5. CAPITAL ASSETS

Capital Assets

Activity for the year was as follows for the URA's governmental activities:

	Balance at December 31, 2013	Additions	Disposals	Balance at December 31, 2014
Non-Depreciable Assets:				
Land and improvements	$ 13,204,423	$ -	$ -	$13,204,423
Depreciable Assets:				
Buildings	37,406,972	-	-	37,406,972
Less: accumulated depreciation	(8,416,917)	(953,028)	-	(9,369,945)
	28,990,055	(953,028)	-	28,037,027
Governmental activities capital assets, net	$ 42,194,478	$ (953,028)	$ -	$41,241,450

Depreciation charged to Urban Development expenses was $953,028 for the South Side Works and Pittsburgh Technology Center garages.

Business-Type Capital Assets

The business-type funds' capital assets are valued at cost less accumulated depreciation determined using the straight-line method. The capital assets are included in the Lexington Technology Park Fund. Depreciation charged to expenses was $507,614 for Lexington Technology Park Fund.

A summary of capital asset activity in the Enterprise Funds is as follows:

	Balance at December 31, 2013	Additions	Disposals	Balance at December 31, 2014
Buildings and improvements	$18,685,933	$ 83,776	$ -	$18,769,709
Less: accumulated depreciation	(13,825,291)	(507,614)	-	(14,332,905)
	$ 4,860,642	$ (423,838)	$ -	$ 4,436,804

6. PROPERTY HELD FOR REDEVELOPMENT

The URA holds property for redevelopment which is valued at cost or net realizable value, if less than cost. A summary of the property held for redevelopment by project/neighborhood at December 31, 2014 is as follows:

Valued at cost:	Number of properties	Amount
Central Business District	69	$ 2,701,693
62nd Street	2	2,100,500
Hill District	606	1,808,878
Chateau	90	1,275,473
Southside	19	842,479
Larimer	86	420,576
Northside	20	511,496
Shadyside	3	468,752
Sheraden	5	460,502
Fairywood	50	428,528
Perry	49	280,434
Homewood	170	328,570
Hazelwood	68	103,070
Manchester	92	45,842
Other	471	1,213,066
	1,800	12,989,859
Valued at Estimated Net Realizable Value:		
Central Business District	3	4,475,000
South Side Works	34	158,152
	37	4,633,152
Total property held for redevelopment	1,837	$ 17,623,011

The first section includes property held for redevelopment which is valued at cost, as there are no current plans or disposition agreements in place to dispose of the property at less than

cost. However, an amount less than the recorded value may be realized in the future due to the purpose for the transfer of the asset.

The second section includes property held for redevelopment which is valued at estimated net realizable value based on management's estimate at December 31, 2014 because of the URA's active plan to dispose of these properties.

7. DEFINED CONTRIBUTION PLAN

The URA provides a defined contribution retirement plan covering all employees who have completed one year of service. This plan was amended effective March 14, 2013. The total contribution for any plan participant is 10% of their base salary. Participants who were employed on or after January 1, 1985, and were not participants in the URA Employee's Pension Trust on December 31, 1997, contribute 5% of their base salary and receive a matching contribution by the URA. Participants hired before January 1, 1985, or were participants in the URA Employees' Pension Trust on December 31, 1997 and became participants in this plan on January 1, 1998, make no contribution to the plan as the URA funds the entire 10% contribution. Employer contributions, net of forfeitures, for the year ended December 31, 2014 were $325,708 and employee contributions were $209,630.

Under the defined contribution plan, the participants become vested at 25% per year in the second year of service. Upon termination of employment, the non-vested portion of a participant's account is returned to the URA and credited against current expenses. Upon attainment of age 65, the participants become 100% vested regardless of the number of years of service.

8. LONG-TERM DEBT

The following is a summary of changes in long-term obligations of the URA for the year ended December 31, 2014:

	Balance at December 31, 2013	Additions	Retirements	Balance at December 31, 2014
Primary Government:				
Governmental:				
Bank loans	$ 3,627,927	$ 8,005,000	$ 3,449,326	$ 8,183,601
HUD Section 108 loans	21,288,000	-	5,203,000	16,085,000
Compensated absences	498,577	7,494	-	506,071
Total Governmental Fund Debt	25,414,504	8,012,494	8,652,326	24,774,672
Proprietary:				
Mortgage Revenue Bond Program	17,315,000	-	3,275,000	14,040,000
Bank loan	2,718,680	-	123,822	2,594,858
PDF Trust bonds	11,175,000	-	11,175,000	-
Unamortized Issuance Premiums	88,677	-	88,677	-
Total Proprietary Fund Debt	31,297,357	-	14,662,499	16,634,858
Total Debt and Other Long-Term Obligations - Primary Government	$ 56,711,861	$ 8,012,494	$ 23,314,825	41,409,530
Component Unit:				
Pittsburgh Housing Development Corporation:				
Loans payable to the URA	$ 1,763,885	$ 174,597	$ 204,878	1,733,604
Bank construction loans	54,703	232,175	49,658	237,220
Total Component Unit Debt	$ 1,818,588	$ 406,772	$ 254,536	1,970,824
Total Debt and Other Long-Term Obligations - Reporting Entity				$ 43,380,354

Proprietary Fund debt at December 31, 2014 is composed of the following individual issues:

Mortgage Revenue Bonds

The Mortgage Revenue Bond Program was created to provide below market rate mortgages for the purchase and rehabilitation of residential property within the City. The 2006 A, B, & C Series bonds, including various serial and term bonds, bear interest at rates from 4.05% to 4.85% and mature through 2036. At December 31, 2014, $14,040,000 is outstanding. $1,130,000 is due on these bonds in 2015.

Pittsburgh Development Fund (PDF) Bonds

On September 1, 2005, the Authority issued $57,470,000 of Special Tax Development Refunding Bonds (2005 Bonds). The proceeds of the 2005 Bonds were used to provide funds for the current refunding of the 1995 Bond Series.

The 2005 Bonds matured in 2014 and were paid off in the amount of $11,175,000.

Bank Loan

The URA received a loan to finance renovations to the Lexington Technology Park buildings. The loan is fixed at an interest rate of 4.57%. At December 31, 2014, $2,594,858 is outstanding. Final maturity is February 28, 2019. Monthly payments are based on a twenty-year amortization with a balloon payment due at maturity. $132,208 is due on this loan in 2015.

General long-term debt loans payable are described below:

Bank Loans

In April 2011, the URA received a bank loan totaling $4,575,000. The proceeds of the loan were used to consolidate and refinance the debt on the South Side Works garages' loans. The loan was paid off in the amount of $3,449,326 during 2014.

During 2013, the URA received a bank loan totaling $500,000. The proceeds of the loan are to be used to issue a loan to the PHDC for the purpose of paying development costs to acquire, rehabilitate, and resell seven homes in the Sheraden Neighborhood. Interest is payable monthly at the prime rate and the loan matures in 2015. At December 31, 2014, $178,601 was current, drawn and is outstanding.

During 2014, the URA received a bank loan totaling $8,005,000. The proceeds of the loan were used to partially consolidate and refinance the debt on the South Side Works garages' loans and to provide financing for the Open Hearth Garage in the South Side Works. The loan is fixed at an interest rate of 3.83%. At December 31, 2014, $8,005,000 is outstanding. Final maturity is January 1, 2025. Monthly payments are based on a 10-year amortization with a balloon payment due at maturity. $181,748 is due on this loan in 2015.

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 original principal amount of $4.5 million was for an 850-space parking garage, known as Garage #3. The loan was paid off in the amount of $1,953,000 during 2014.

The second loan, in the original principal amount of $6.5 million was for the construction of a 367-space parking garage (Garage #2) and site improvements in the South Side. The loan was paid off in the amount of $2,585,000 during 2014.

During 2008, the URA received two HUD Section 108 loans to provide funding for the Pittsburgh Technology Center. The first loan, in the original principal amount of $3 million is for site improvements and streets and utilities relocation. The loan bears interest at 4.8% with semiannual principal and interest payments due February 1 and August 1. The loan matures on August 1, 2026. At December 31, 2014, $2.515 million is outstanding. $142,000 is due in 2015.

The second loan, in the original principal amount of $2 million is for the construction of a 160-space parking condominium. The loan bears interest at 4.8% with semiannual principal and interest payments due February 1 and August 1. The loan matures on August 1, 2026. At December 31, 2014, $1.677 million is outstanding. $95,000 is due in 2015.

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

During 2009, the URA received a HUD Section 108 loan for the South Side Works Infrastructure Project, for an amount not to exceed $4,000,000. $3 million was drawn during 2009 representing interim financing, which was converted into permanent financing with HUD on June 17, 2010. The new loan bears interest at 2% with semiannual principal and interest payments due February 1 and August 1. The loan matures on August 1, 2018. At December 31, 2014, $1.893 million is outstanding. $455,000 is due in 2015. The loan is secured by pledged tax increment revenues of the project.

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

Annual debt service requirements on outstanding bonds and loans of the URA are as follows:

Years	Principal	Interest	Total
2015	$ 2,314,557	$ 1,323,035	$ 3,637,592
2016	2,214,052	1,289,199	3,503,251
2017	1,742,527	1,224,829	2,967,356
2018	2,279,615	1,167,235	3,446,850
2019	13,571,510	1,360,147	14,931,657
2020-2024	8,441,458	2,613,854	11,055,312
2025-2029	9,314,740	376,435	9,691,175
2030-2034	700,000	94,875	794,875
2035-2036	325,000	12,250	337,250
	$ 40,903,459	$ 9,461,859	$ 50,365,318

Enterprise fund debt is payable from those respective funds. Governmental fund debt is payable from the Grants Fund.

Component unit debt consists of the following:

PHDC-URA Loans

PHDC had outstanding construction loans payable to the URA of $1,733,604. The loans are non-interest bearing. The loans are due upon the sale of related project units but are not scheduled to mature past 2016. The loans are secured by a third lien position on real property and improvements.

PHDC-Bank Construction Loans

The PHDC had outstanding construction loans payable to banks of $237,220. Interest accrues on the loans at rates that range from 4.00% to 4.25%. Loans are due on demand.

Future Maturities

Principal payments of $1,970,824 for the component unit are classified as current as they are generally due upon sale of related property.

All interest expense on loans of the primary government and its component unit 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.

9. NO-COMMITMENT DEBT

The URA is involved in a number of debt transactions for which the URA issued debt in its name but retained no obligation for the repayment of the debt. The responsibility for repayment belongs either to the City, other taxing authorities, or to private borrowers. As of December 31, 2014, the aggregate amount of no-commitment debt outstanding was $79 million. The amount is comprised of $26 million Multi-Family Revenue Bonds and $53 million Tax Increment Financing Bonds and Notes (TIF debt).

Responsibility for repayment of the Multi-Family Revenue Bonds rests with private borrowers. TIF debt is repaid from incremental Allegheny County, City, and School District of the City tax revenues. Generally, third parties are responsible for the repayment of TIF debt to the extent incremental tax revenues are not sufficient to meet debt service requirements.

10. RISK MANAGEMENT

The URA is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not significantly exceeded commercial insurance coverage in the past. There were no significant changes in insurance coverage during the year.

11. COMMITMENTS AND CONTINGENCIES

Grants

Grants received or receivable are subject to audit and adjustment by grantor agencies, principally the state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

Litigation

There are various matters of pending litigation in which the URA is involved. The URA believes it has meritorious defenses and intends to contest these matters. The amount of liability, if any, related to these matters is not subject to determination. Accordingly, the financial statements do not include any adjustment for possible effects of these cases.

Contract Commitments

At December 31, 2014, the URA had entered into contracts for professional services and construction totaling approximately $7.8 million. There was committed: approximately $800,000 for the Bakery Square project, approximately $610,000 for the Downtown Preservation project, approximately $4.7 million for the East Liberty project, approximately $450,000 for the SS Marina parking lot project, and the remaining contract commitments are for various smaller projects.

Arena Land Agreement

On September 11, 2014, the URA entered into a Comprehensive Option Agreement with the Sports & Exhibition Authority of Pittsburgh and Allegheny County ("SEA") and Pittsburgh Arena Real Estate Redevelopment LP ("Redeveloper") that replaced previous agreements regarding the redevelopment of the approximately 28 acre site comprised of the former Civic Arena and surrounding parking lots. Approximately 9 acres of the site is owned by the URA. The Redeveloper it entitled to an aggregate of $15 million of credits which may be applied to the appraised value purchase price of any property on the site purchased during the term of the Option Agreement. The term of the Option Agreement expires on October 22, 2024, subject to certain extension provisions contained in the Option Agreement. As of December 31, 2014, the balance of credits was $14.525 million. At the expiration of the Option Agreement term, any URA property on the site that was not purchased by the Redeveloper will remain with the URA, and the Redeveloper will be entitled to the amount of any unused credits, either as a lump sum payment from the URA and SEA or through the payment to the Redeveloper of parking revenues generated on any remaining portion of the site that is used as surface parking.

Supplementary Information

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

OPERATING RESULTS OF OWNED AND OPERATED GARAGES

YEAR ENDED DECEMBER 31, 2014

Schedule of Operating Results:

	SouthSide Works	Pittsburgh Technology Center	Total
Spaces	2,326	724	3,050
Gross revenues	$ 3,564,761	$ 672,653	$ 4,237,414
Less Pittsburgh Parking Tax	(727,796)	(14,554)	(742,350)
Net revenue	2,836,965	658,099	3,495,064
Operating expenses:			
Payroll	237,608	73,503	311,111
Maintenance and repairs	309,294	98,797	408,091
Cleaning and grounds	71,116	21,011	92,127
Security	362,885	78,458	441,343
Insurance	71,715	19,370	91,085
Utilities	234,774	47,949	282,723
Other	55,071	59,902	114,973
Bank charges	42,654	11,182	53,836
Structural repairs	24,200	3,800	28,000
Management fee	24,000	10,800	34,800
Total operating expenses	1,433,317	424,772	1,858,089
Net Operating Income	1,403,648	233,327	1,636,975
Non-operating:			
Debt service	322,830	-	322,830
Reserve for replacement	186,072	57,924	243,996
URA administrative fee	319,000	39,000	358,000
Net	$ 575,746	$ 136,403	$ 712,149

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

SCHEDULES RELATED TO OWNED AND OPERATED GARAGES

YEAR ENDED DECEMBER 31, 2014

Schedule of Depreciable Capital Assets:

	SouthSide Works	Pittsburgh Technology Center	Total
Garage #1	$ 6,055,473	$ 2,993,364	$ 9,048,837
Garage #2	3,661,438	11,491,476	15,152,914
Garage #3	9,411,941	-	9,411,941
Garage #4	3,872,469	-	3,872,469
Less: accumulated depreciation	(6,467,019)	(2,902,926)	(9,369,945)
Net Capital Assets	$ 16,534,302	$ 11,581,914	$ 28,116,216

Schedule of Long-Term Debt:

	SouthSide Works	Pittsburgh Technology Center	Total
Bank Loans	$ 8,005,000	$ -	$ 8,005,000
URA Internal	1,251,726	-	1,251,726
HUD Section 108 Loans	-	1,677,000	1,677,000
Total Long Term Debt	$ 9,256,726	$ 1,677,000	$ 10,933,726

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS - GRANT FUND - BY ACTIVITY

YEAR ENDED DECEMBER 31, 2014

	Commercial Loan Repayments	Industrial Land Reserve	Landlord Loan Escrow Account	Grants	Loan Repayments	Major Development & Other	PNC TIF	Residential Land Reserve	Total
Revenues:									
Intergovernmental	$ -	$ 250,000	$ -	$ 54,145,268	$ 79,655	$ 5,217,357	$ 429,987	$ -	$ 60,122,267
Interest	60	824	846	6,449	4,741	31,955	355	81	45,311
Rental income	18,000	-	-	-	-	3,760,571	-	-	3,778,571
Loan repayments	1,757,323	-	410,946	-	2,943,917	820,301	-	42,150	5,974,637
Other	9,000	7,945	486,239	106,234	246,025	1,671,015	-	92,830	2,619,288
Total revenues	1,784,383	258,769	898,031	54,257,951	3,274,338	11,501,199	430,342	135,061	72,540,074
Expenditures:									
Current:									
Urban development	728,871	236,943	1,629,646	54,838,321	2,575,471	6,924,823	2,014	30,497	66,966,586
Administrative	575,000	-	78,717	357,097	644,837	426,300	-	-	2,081,951
Other	492,605	10,443	11,184	193,841	13,297	119,625	356	-	841,351
Debt service	-	-	-	2,085	-	9,761,744	-	-	9,763,829
Total expenditures	1,796,476	247,386	1,719,547	55,391,344	3,233,605	17,232,492	2,370	30,497	79,653,717
Excess (Deficiency) of Revenues Over Expenditures	(12,093)	11,383	(821,516)	(1,133,393)	40,733	(5,731,293)	427,972	104,564	(7,113,643)
Other Financing Sources (Uses):									
Loan proceeds	-	-	-	-	-	8,005,000	-	-	8,005,000
Transfers in (out)	-	-	500,000	(1,795,897)	(165,000)	2,014,626	-	-	553,729
Total other financing sources (uses)	-	-	500,000	(1,795,897)	(165,000)	10,019,626	-	-	8,558,729
Net Change in Fund Balance	$ (12,093)	$ 11,383	$ (321,516)	$ (2,929,290)	$ (124,267)	$ 4,288,333	$ 427,972	$ 104,564	$ 1,445,086