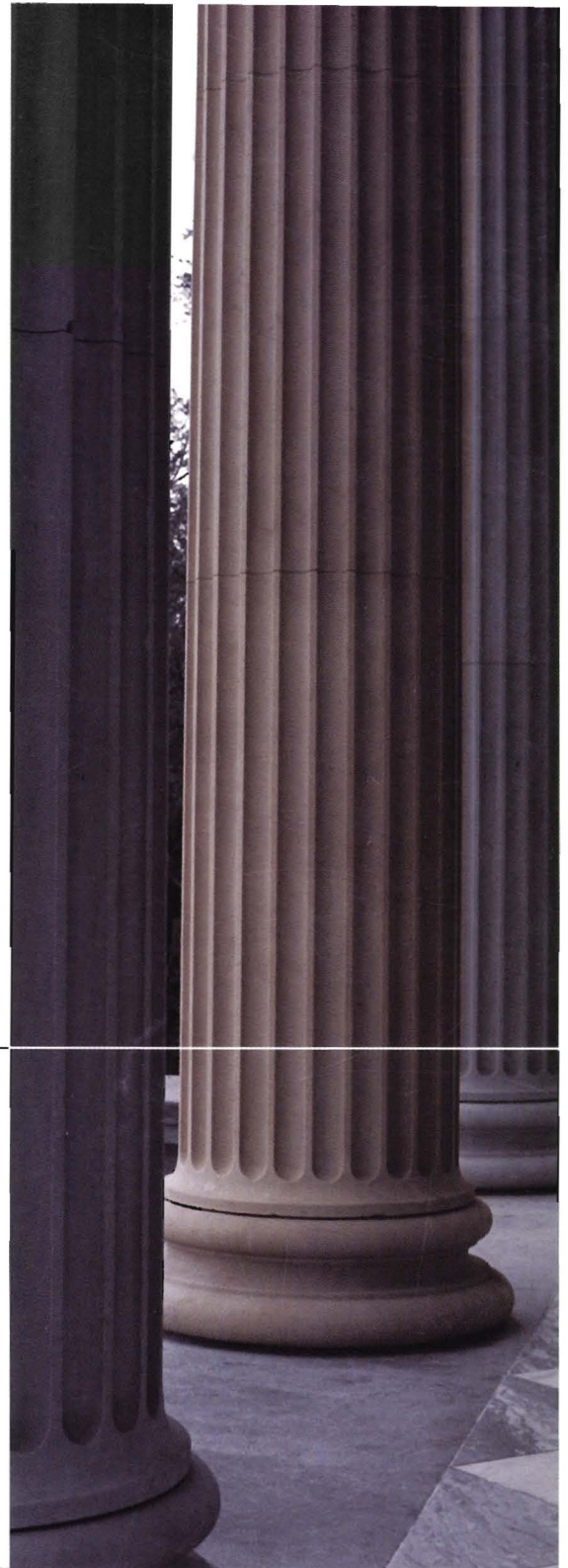


Comprehensive Annual Financial Report
for the year ended December 31, 2002

CITY OF PITTSBURGH, PENNSYLVANIA



TOM FLAHERTY, City Controller

CITY OF PITTSBURGH, PENNSYLVANIA

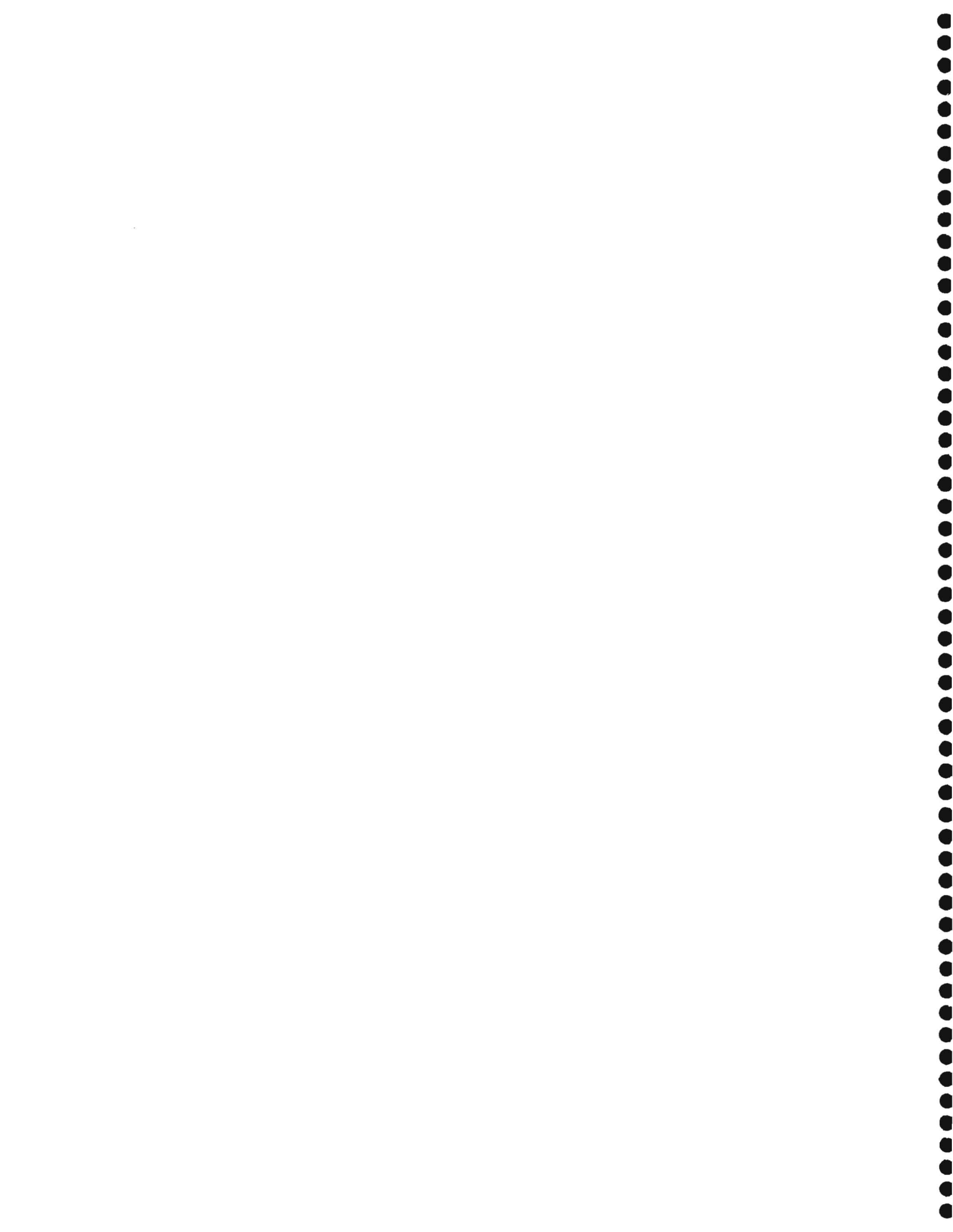
COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

Prepared by: Office of City Controller

TOM FLAHERTY, CONTROLLER





Tom Flaherty

City Controller

**CITY OF PITTSBURGH,
PENNSYLVANIA**

CITY OF PITTSBURGH, PENNSYLVANIA

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INTRODUCTION

LETTER OF TRANSMITTAL

Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the City of Pittsburgh Equipment Leasing Authority is reported as part of the primary government and the Employee Pension Funds are included as fiduciary fund financial statements.

Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from the primary government. The Pittsburgh Water and Sewer Authority, the Stadium Authority of the City of Pittsburgh, the Public Parking Authority of Pittsburgh and the Urban Redevelopment Authority of Pittsburgh are reported as discretely presented component units.

Additional information on the City's financial status can be found in the Management's Discussion and Analysis section of this report.

ECONOMIC CONDITION AND OUTLOOK

The City of Pittsburgh is located at the confluence of the Ohio, Monongahela, and Allegheny Rivers and serves as the seat for Allegheny County and the City of Pittsburgh. Pittsburgh is also the largest of the County's 130 municipalities. Downtown Pittsburgh- commonly known as the Golden Triangle- is the regional center of Southwestern Pennsylvania, Eastern Ohio, and Northern West Virginia. According to the 2000 Census, the city's population is 334,563.

Economic Background

Pittsburgh has consistently been a leader in developing and capitalizing on new industries. In the mid-1800s, Pittsburgh gained notoriety for developing its glass, iron, and steel industries and emerged as the world's steel-producing capital by the end of the century. This continued until the steel industry's collapse in the early 1980s. In recent years, the City of Pittsburgh's economy underwent an incredible transformation. Though heavy manufacturing continues to play a role in the city's economic growth, it is no longer the region's sole driving force. Instead, Pittsburgh has reestablished itself as a leader in technological innovation. The same entrepreneurial spirit that forged Pittsburgh's growth in the past has been reborn, producing a diverse economy consisting of high technology, finance, healthcare, retail, law, and education sectors. Pittsburgh's economy is now fueled in great part by information technology and biotechnology firms that grew out of the region's strong universities.

Economic Outlook

The City is using its resources to capitalize on the world's leading growth industries – from computer software development and digital chip technology to biomedical research and development. Largely through its strong Universities, Pittsburgh has recaptured the entrepreneurial spirit that originally sparked its growth.

During the past 15 years, Pittsburgh has more than doubled its number of technology-driven firms, creating over 1,200 new enterprises. Today, the City's nearly 2,400 high technology firms employ over 90,000 individuals, accounting for roughly nine percent of the total workforce in Greater Pittsburgh. In fact, the Pittsburgh region now ranks in the top ten in the nation in total employment of computer

software professionals. Pittsburgh is also the third-largest environmental technology hub in the country. In aggregate, technology companies have produced over 30,000 new jobs since 1980, partially offsetting job losses from other industries in the region.

The City of Pittsburgh has adapted to the new, fast-paced economy in part through the formation of the Mayor's Office of Economic Development. Begun by Mayor Tom Murphy in 1996, the Office works to both attract and retain businesses. As a one-stop service provider, the Office prides itself on overseeing development projects from stem to stern, serving as guides to businesses and developers trying to navigate their way through the ocean of financial, real estate and community concerns that are always there to challenge both new and existing businesses.

In addition to the Office of Economic Development, the City has also been aggressive in its pursuit of tax credits granted by both the federal government and the Commonwealth of Pennsylvania to companies. Such credits provide financial incentives for companies to hire new employees. The City of Pittsburgh also contains three State Enterprise Zones, which enable businesses located within these designated areas to enjoy favorable interest rates and additional tax incentives. Because of aggressive financing mechanisms like these, Pittsburgh has come a long way in rebuilding an economy that was in extreme peril only a few short years ago.

Pittsburgh is also revitalizing its downtown core. With the formation of a Business Improvement District in 1996, the Pittsburgh Downtown Partnership spearheaded improvements in maintenance, safety, and marketing. The City is striving to reassert downtown as the Southwestern Pennsylvania region's retail hub. A Lazarus department store opened four years ago at the corner of Fifth Avenue and Wood Street, and the Mellon Bank building at Smithfield Street was renovated into a Lord and Taylor store.

Bolstering the City's downtown retail section is a more urgent need than ever, as the City seeks to capitalize on the expansion of the convention center and the construction of two new sports facilities that have attracted visitors from the surrounding region and all over the world, as well as the City's strong, current business climate.

There can be no better signal of the City's overall good health than the decisions of Pittsburgh's two major financial institutions, PNC Bank and Mellon Bank, to construct new operations centers right in the heart of downtown Pittsburgh. In an age when more and more of their competitors are seeking to attract employees and clients alike with rural, campus-like environments, their decision to build in the City, assisted with Tax Increment Financing, will likely anchor the two banks' presence in Pittsburgh's future. Highmark Blue Cross/Blue Shield, ALCOA, Kvaerner Metals and Free Markets have all also invested heavily in downtown office space. Finally, Pittsburgh is exploring development along its long-neglected rivers.

Just outside of the City of Pittsburgh, in Homestead, a significant Waterfront development has been completed, including Lowes theater, Lowes hardware, Giant Eagle, Target, Dick's, Barnes and Noble, American Eagle, Ann Taylor, T.G.I. Fridays, Steel City Diner and other retail commercial development, as well as corporate offices for Eat 'n Park; this development is right on the site of the Historic Homestead steelworks, further illustrating Pittsburgh's break from its past.

Through the Urban Redevelopment Authority, the City of Pittsburgh has laid the groundwork for economic development by purchasing land and performing the site preparation necessary to attract business. Technology companies such as Aristech Chemical Corporation, Union Switch & Signal, Aerial

Communications and Hyperion Communications have based their operations at the Pittsburgh Technology Center, which is located by the Monongahela river on the site of a former steel mill.

The City and URA also purchased the 130-acre former LTV South Side Works site in late 1993 to develop housing, office space, warehousing and light-industrial space. UPMC has finished building an 80,000-square-foot distribution center and a 45,000-sq. ft. office and laboratory facility called the Pittsburgh Life Sciences Center. The hot metal Bridges that once carried molten steel have been renovated to allow cars and pedestrians to travel between the South Side Works and the Pittsburgh Technology Center.

Further residential and commercial developments completed on Washington's Landing and partially completed in Squirrel Hill at Nine Mile Run prove the strategy of land acquisition and site preparation is sound. These developments took largely ugly, contaminated, useless land – Washington's Landing was home to an animal rendering plant, Nine Mile Run was a 238-acre, nine-story tall slag heap – and reclaimed them each anew. The result is an appealing mix of commercial, entertainment and residential development at Washington's Landing and, 713 new apartment and single-family homes at Nine Mile Run. Both developments improve the area's overall quality of life not only by giving residents more options of where to live or work, but by also turning environmentally hazardous eyesores into safe, aesthetically pleasing additions to the City.

Pittsburgh is also strengthening and revitalizing its neighborhoods, encouraging new, mixed-income housing developments like Crawford Square and Allequippa Terrace in the Hill District. The City is also partnered with developers to attract new stores and restaurants back into the neighborhoods, such as a new Shop 'N Save at the Lawrenceville Shopping Center development and a TGI Friday's, Home Depot and K-Mart in East Liberty.

The City has a diversified economy that is better positioned to sustain an economic slowdown than it was in previous slowdowns and recessions.

ECONOMIC FACTORS

The unemployment rate for the City of Pittsburgh was 5.4% as of June 2003; the rate was 5.8% for the six county MSA region compared to 5.3% a year ago June. This compares to the state's average unemployment rate of 5.7% and the national average rate of 6.4% as of June 2003, which was a nine-year high. The national unemployment rate fell to 6.2% in July 2003. The six county area labor force is about 30,000 less than a year ago, or 1.1 million workers.

The economy grew at a mediocre 1.4 percent annual rate in the first three months of 2003. In the April-June quarter of 2003 the economy recovered further growing at a surprisingly healthy 2.4% GDP rate. The quick, post-Iraq war economic boom that some economists had hoped for hasn't materialized. In the last quarter of 2002, economic growth of 1.4 percent annual rate was anemic. Economic activity of 3 percent or higher is considered a more normal growth pattern and required to induce companies to start hiring, economists say.

The prime rate currently at 4.25 percent is the lowest level since 1959. At either 4 percent or 3.75 percent, the prime would be at its lowest point since 1958.

The revised 5.4 percent increase in productivity during 2002 -- up from a previously reported 4.8 percent rise was the strongest for any year since a 6.7 percent jump in 1950 during the Korean War era.

FINANCIAL INFORMATION

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

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

REVENUES

Revenue Analysis : Revenues for the General Fund totaled \$368.8 million in 2002, an increase of \$5.6 million, compared to 2001. Total revenues overall increased by 1.5%. The net increase of \$7.3 million in tax revenue was due to an increase of \$6.5 million in real estate tax and \$1.9 million in Deed Transfer taxes. The Real Estate revenue increased 5.5% despite the Homestead Exemption, which cost the City of Pittsburgh about \$7.0 million. The Real Estate tax reassessments mandated in April 1997 by Judge Stanton Wettick, Jr., Court of Common Pleas have helped boost local revenue within the 5% windfall limit under the Allegheny County Charter. Licenses and fees decreased by \$0.8 million. Finally, interest revenue dropped by \$3.0 million, due to lower interest rates from the Federal Reserve's actions. The amount of revenues from various sources, the percent of total revenues, and the amount of increase (decrease) 2002 vs. 2001 have been summarized in Table-A below.

Table - A

<u>SOURCE</u>	REVENUES (General Fund) (amounts expressed in millions)					
	<u>2002 ACTUAL</u>	<u>% OF TOTAL</u>	<u>2001 ACTUAL</u>	<u>% OF TOTAL</u>	<u>Increase (Decrease) Over 2001</u>	<u>% Increase (Decrease)</u>
Taxes, penalty, & interest	\$ 300.2	81.6%	\$ 292.9	80.7%	\$ 7.3	2.5%
Payment in lieu of taxes	0.8	0.2%	1.6	0.4%	-0.8	-50.0%
Interest earnings	1.0	0.2%	4.0	1.1%	-3.0	-75.0%
Fines & Forfeits	8.6	2.3%	7.7	2.1%	0.9	11.7%
Licenses & fees	26.5	7.2%	27.3	7.5%	-0.8	-2.9%
Intergovernmental	12.1	3.3%	13.0	3.6%	-0.9	-6.9%
Pension State Aid	16.0	4.3%	16.0	4.4%	0.0	0.0%
Miscellaneous	3.6	0.9%	0.7	0.2%	2.9	414.3%
TOTAL REVENUES	\$ 368.8	100.0%	\$ 363.2	100.0%	\$ 5.6	1.5%

Real Estate Tax - Real property in the City is assessed by the Allegheny County Board of Property Assessment at a rate of 100% of its fair market value. The rates for 2002 were 10.8 mills on buildings and on land. A mill is \$1 on each \$1,000 of assessed value. All real estate in the County is reassessed every three years. The 2002 total assessed valuation for the City of Pittsburgh is \$13,703,412,681 vs. the 2001 total of \$13,346,237,890, a 2.7% increase.

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

Business Privilege Tax - The City taxes the gross receipts from operating or conducting a service business, trade or profession in, or attributable to, the City at a rate of 6 mills.

Parking Tax - A tax equal to 31% of the consideration paid for each parking transaction is levied on the patrons of non-residential parking places in the City.

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

Mercantile Tax - A tax of 1 mill is levied on the gross receipts of wholesale dealers of goods, wares, and merchandise. A 2-mill tax is levied on retail vendors of goods, wares, and merchandise.

Occupation Privilege Tax - A \$10 annual tax is levied upon each individual whose principal place of employment is located in the City.

Deed Transfer Tax - A tax of 1.5% of the consideration paid for real property transfers is levied upon the transfer of an interest in real property situated in the City.

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

Tax Payments : Real estate taxes are payable in three installments, but a 2% discount was granted if paid by February 28. If an installment payment is not made on time, a penalty of 1/2% per month and interest at the rate of 1% per month is imposed on the balance of the tax due for the year. All non-real estate taxes, except the Deed Transfer Tax, which is payable at the time of transfer, and the Personal Property Tax, which is due August 31, are payable annually by April 15 or are payable quarterly or monthly.

EXPENDITURES AND USES

Expenditures and uses for the General Fund in 2002 were \$380.1 million, compared to \$374.5 million in 2001 representing a increase of 1.5% or \$5.6 million overall.

The largest dollar increase in expenditures was a \$8.9 million increase in Salaries. Debt service expenditures of \$75.1 million decreased by \$5.6 million by restructuring the City's Debt. Debt accounted for 19.8% of the expenditures illustrating the magnitude of the City of Pittsburgh's annual debt service, constituting nearly one out of every 5 dollars spent out of the General Fund.

The comparative data for each functional area of expenditure is presented in Table-B below.

Table - B

EXPENDITURES and OTHER FINANCING USES
(General Fund)
(amounts expressed in millions)

<u>SOURCE</u>	<u>2002 ACTUAL</u>	<u>% OF TOTAL</u>	<u>2001 ACTUAL</u>	<u>% OF TOTAL</u>	<u>Increase (Decrease) Over 2001</u>	<u>% Increase (Decrease)</u>
General Government	\$ 52.6	14.1%	\$ 39.4	10.5%	\$ 13.2	33.5%
Public Safety	198.9	52.3%	149.9	40.0%	49.0	32.7%
Public Works	27.9	7.1%	16.6	4.4%	11.3	68.0%
Sanitation	12.2	3.4%	10.6	2.8%	1.6	15.1%
Cultural & Recreation	8.8	2.3%	5.9	1.6%	2.9	49.2%
Employee Benefits***	0.0	0.0%	65.3	17.4%	-65.3	-100.0%
Claims & Judgments	2.2	0.6%	1.5	0.4%	0.7	46.7%
Miscellaneous	2.4	0.7%	2.8	0.8%	-0.4	14.3%
Other Operating Transfers	0.0	0.0%	1.8	0.5%	-1.8	-100.0%
Debt Service & Subsidies	75.1	19.5%	80.7	21.6%	-5.6	6.9%
TOTAL EXP. AND USES	\$ 380.1	100.0%	\$ 374.5	100.0%	\$ 5.6	1.5%

*** Note: Beginning in 2002, the City of Pittsburgh is required to allocate employee benefits to each department per GASB 34.

The City is required to report the State Pension Aid, which had previously been recorded directly to the Pension Fund, as a receipt and disbursement of the General Fund. In 2002, \$16.0 million of pension state aid is reported as intergovernmental revenue, and the expenditure is included as a pension cost allocated between the functional departments.

GENERAL FUND - FUND BALANCE

The General Fund is reported upon using the modified accrual basis of accounting as required by generally accepted accounting principles (GAAP). For the year ended December 31, 2002, the general fund shows, for the eighth year in a row, a positive unreserved, undesignated fund balance, but the reserve is shrinking faster than ever. Fund balance is \$62.3 million. On an annual basis, the fund balance decreased in 2002 by \$11.3 million, reflecting higher Expenditures and Uses than Revenues for the year.

However, if the City had not used one time sources of funding in 2002 including reducing the Debt Service fund balance by \$10,560,538 and \$4,676,015, as a one time transfer from the Pension Escrow fund to make Debt payments paid from the General Fund in prior years, 2002 did not have a deficit of \$11.3 million, but rather had a deficit of (\$26.5) million.

BUDGETARY CONCERN

The City of Pittsburgh is currently in the midst of a serious budgetary crisis. This crisis is due, in part, to the fact that the current budget for 2003 was passed including forecasted revenues for taxes which the state legislature has yet to authorize the City of Pittsburgh to levy; a payroll tax and an increase in the occupation tax. Due to this crisis, the City of Pittsburgh has been forced to layoff 731 employees in August, 2003, consolidate operations, refinance debt, all measures which do not solve an estimated \$80 million deficit forecasted for 2004.

The City Council of Pittsburgh and the Mayor have the ability presently to raise Parking taxes, Income Taxes and Real Estate Taxes, and other taxes to remedy the Crisis. However, the City must receive approval of enabling legislation from the State Legislature to increase the occupation tax which is imposed on all people working in the City without regard to where they reside, and increase state aid for pensions or similar revenue raising measures. A possible root of the current high stakes political standoff with the State Legislature is the attempt by the Mayor to remedy a long term problem to restructure the City of Pittsburgh's taxes to collect more revenues from non-City residents to help pay for City services which they use as visitors and employees within the City of Pittsburgh. The State Legislature has been unable to act on the City of Pittsburgh's behalf possibly because their suburban non-City constituents would have to pay higher taxes under this restructuring. No resolution to the crisis is likely in the foreseeable future.

DEBT ADMINISTRATION

At December 31, 2002, the City's General Obligation Debt was as follows:

Gross bonded debt	\$879,462,084
Less: Debt Service fund	<u>483,745</u>
Net bonded debt	<u>\$878,978,339</u>
Ratio of net bonded debt to assessed value	6.6%
Net bonded debt per capita	\$2,627

The City elects to obtain bond insurance on its debt issues to obtain the most favorable market rates and upgrade its bond ratings to the highest available ratings. Per the official City December 2002 bond issue, the City's guaranteed bond ratings were: Moody's Aaa and Standard & Poor's AAA. Without the guarantee, the City's ratings were Moody's A3, Fitch A- and Standard & Poor's A-, as of August 31, 2003.

Cash Management

The City follows the pooled cash concept, which maximizes investment flexibility, providing the best possible investment return. The City obtains the highest rate available by utilizing competitive bidding for investments among banks, participation in state investment pools, and using professional money managers.

Cash temporarily idle during the year is invested in instruments as allowed by the Code of Pennsylvania, and in accordance with the City's investment policy. The objectives of this policy are to assure safety and repayment of principal, provide flexibility to meet cash requirements, accomplish the maximum investment of all available funds and allow the City to obtain the highest competitive yield on investments.

RISK MANAGEMENT

The City is self-insured for purposes of workers' compensation benefits. Both short- and long-term amounts are reported in the Statement of Net Assets; as non-current amounts mature, they are liquidated from general fund resources. In order to qualify for and maintain self-insurance status, the City must comply with certain Commonwealth of Pennsylvania requirements. The requirements for 2002 are as follows: (1) 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, (2) satisfy the financial responsibility requirements established by the Commonwealth; (3) establish liability reserves based upon expected future payments for all claims outstanding one year or more at the end of the fiscal year. The City complied with all of the above requirements during 2002. The irrevocable trust, which is recorded as a restricted asset within the primary government Statement of Net Assets, may only be used in the event of default by the City under the self-insurance regulations.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The City covers all claim settlements and judgments, not covered by insurance, and estimated to be payable within the next 12 months within its governmental fund - General fund. Amounts not payable currently are reported in the Statement of Net Assets as non-current liabilities.

AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2001. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.


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

A Certificate of Achievement is valid for a period of one year only. The City of Pittsburgh has received a Certificate of Achievement for the last ten consecutive years (fiscal years ended 1992-2001). We believe that our current CAFR continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The preparation of this report could not be possible without the concerted effort of the entire staff of the Controller's Office. The continued efforts of the accounting department are gratefully appreciated. I would like to thank the employees of the various departments and authorities of the City, for their assistance in providing the Controller's staff and the independent auditors with the necessary information to complete this report. Finally, I acknowledge the assistance of the independent certified public accounting firms of KPMG LLP, Deloitte and Touche, Schneider Downs, Terry and Stephenson P.C., and Maher Duessel in the preparation of this report and their professional conduct throughout the audit engagement.

Respectfully submitted,



Tom Flaherty
City Controller

**CITY OF PITTSBURGH,
PENNSYLVANIA**

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Pittsburgh,
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2001

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



President

Executive Director

CITY OF PITTSBURGH, PENNSYLVANIA

ELECTED CITY OFFICIALS

December 31, 2002

MAYOR

Tom Murphy

CONTROLLER

Tom Flaherty

MEMBERS OF COUNCIL

Eugene Ricciardi, President, District 3

Sala Udin, Finance/Budget Committee, District 6

Barbara Burns, District 1

Alan Hertzberg, District 2

Jim Motznik (President Pro Tem), District 4

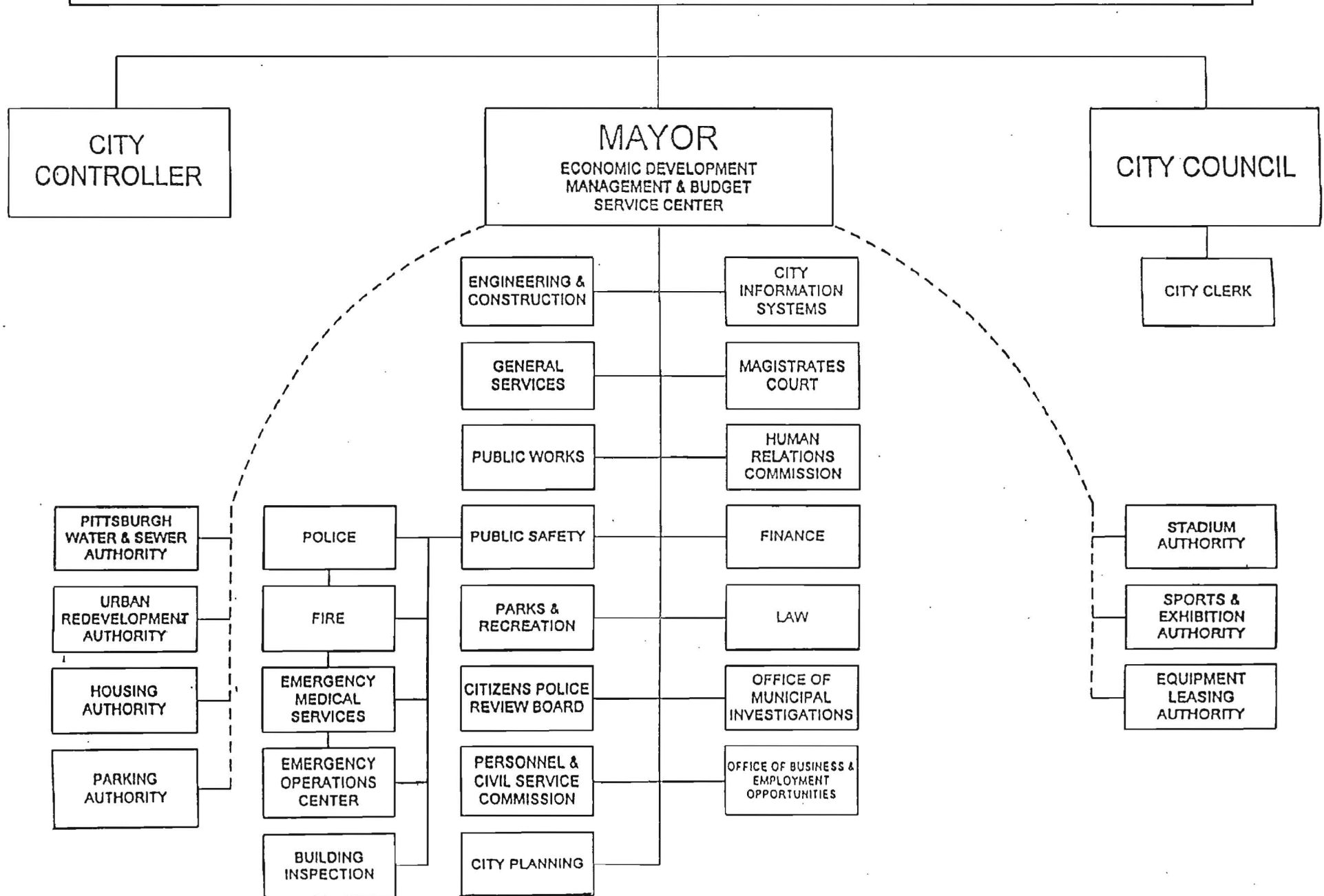
vacant, District 5

Len Bodack, District 7

Bill Peduto, District 8

Twanda Carlisle, District 9

CITIZENS OF THE CITY OF PITTSBURGH



**CITY OF PITTSBURGH,
PENNSYLVANIA**

FINANCIAL



One Mellon Center
Pittsburgh, PA 15219

Telephone 412 391 9710
Fax 412 391 8963

Independent Auditors' Report

The Honorable Members of Council
City of Pittsburgh, Pennsylvania:

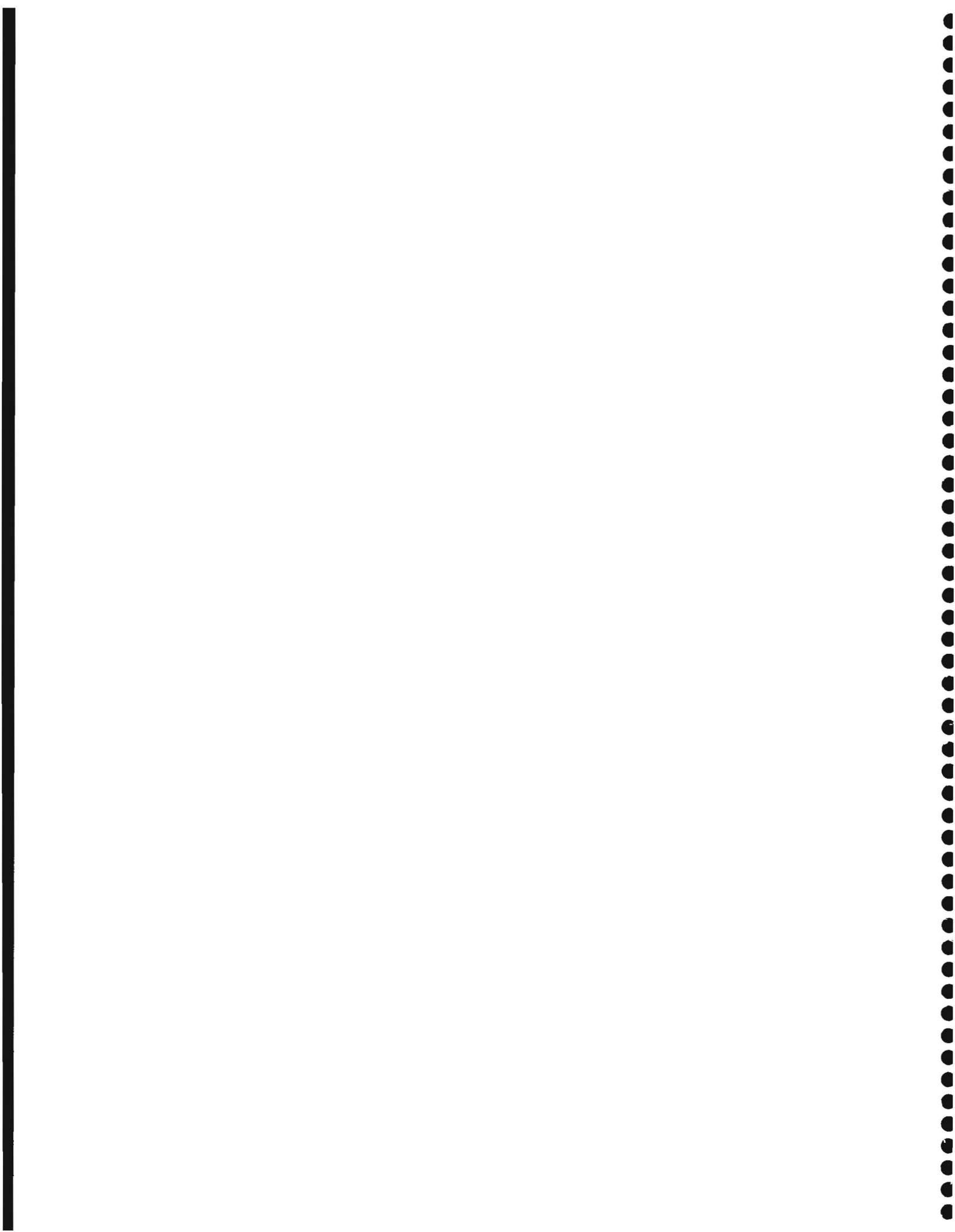
We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, the budgetary comparison statements, and the aggregate remaining fund information of the City of Pittsburgh, Pennsylvania (the City), as of and for the year ended December 31, 2002, 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), and the Stadium Authority of the City of Pittsburgh (the Stadium Authority), which represent 55% and 37%, respectively of the assets and revenues of the 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 93% and 59%, respectively, of the assets and revenues 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 it relates to the amounts included for the URA, the Parking Authority, the Stadium Authority, and the Pension Fund, is 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2002 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.



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The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As further discussed in note 1(E) to the financial statements, the City's general fund has suffered recurring losses from operations and has negative net assets that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in note 1(E). The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As described in note 1 (V), the City adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of January 1, 2002.

The Management's Discussion and Analysis on pages 3 through 14 and schedules of funding progress and contributions from the employer and other contributing entities on pages 96 and 97 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pittsburgh's financial statements. The introductory section, combining financial statement, budgetary comparison schedule – Capital Projects Fund, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

KPMG LLP

Pittsburgh, Pennsylvania
August 15, 2003

MANAGEMENT'S DISCUSSION
AND ANALYSIS

MANAGEMENT'S DISCUSSION
AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Pittsburgh (the City), 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, 2002. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the beginning of this report, and in the basic financial statements and supplementary information.

Financial Highlights

- The liabilities of the City of Pittsburgh exceeded its assets at the close of the most recent fiscal year by \$699 million. As of December 31, 2002, the City, in its statement of net assets, has a net asset unrestricted deficit of \$209,557,174. This is the result, in part, of the City's annual unrestricted net revenues and expenses and the City's outstanding general obligation bonds issued specifically to fund the fiduciary payments to the Pension Trust Fund (\$271,485,000 outstanding as of December 31, 2002). Net assets which include the Pension Trust Funds (see page 28) are not included in the City's statement of net assets (see page 15).
- The City's total net assets decreased by \$16.5 million in 2002.
- As of December 31, 2002, the City of Pittsburgh's governmental funds reported combined fund balances of \$131.1 million, an increase of \$9.6 million from the previous year due to a net inflow of \$63.5 million of bond proceeds (bond proceeds of \$129.1 million less payments to escrow agents for refunded debt of \$65.6 million). Approximately 53% of the total fund amount, \$70.0 million, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$58.0 million (compared to \$31.4 million in 2001), or 15% of total general fund expenditures and debt service transfers for 2002.
- The City of Pittsburgh's net bonded debt amounted to \$879.5 million at the end of the fiscal year. A key factor in this was the issuance of \$129.1 million in new debt of which \$65.6 million was used to refinance old debt, with the remainder for capital projects, interest, and costs of issuance.

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 the first time, the City's financial statements present two types of statements, each with a different snapshot of the City's finances. The focus is now on both the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements, which are new, provide both short-term and long-term information about the City's overall financial status. The fund financial statements focus on the individual parts of City government, reporting the City's operations in more detail than the government-wide statements. They also focus on current financial resources as opposed to the government-wide financial statements, which present a longer-term view. The City of Pittsburgh's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found in the financial section of this report.

Fund financial statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Pittsburgh, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Pittsburgh can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds financial statements 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 Capital Projects fund, the Community Development Fund, and the Debt Service 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 and Community Development funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 19-22 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements, because the resources of those funds are not available to support the City of Pittsburgh's own programs. Agency funds are custodial in nature and do not involve measurement of results of operations. The Fiduciary funds include the Pension trust fund as well as numerous agency funds, which relate to payroll withholdings.

The basic fiduciary fund financial statements can be found on pages 28-29 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-95 of this report.

Other information. In addition to the financial statements and accompanying notes comprising the basic financial statements, 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. Required supplementary information can be found on pages 96-97 of this report.

Government-wide Financial Analysis

As noted earlier, net assets 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 \$699 million at the close of the most recent fiscal year.

In fiscal year 2002, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34). In accordance with GASB 34, the City is not required to restate prior periods for purposes of providing comparative information in this management discussion and analysis. However, in future years when prior year information is available, a comparative analysis of government-wide information will be presented.

By far the largest portion of the City of Pittsburgh's deficit in net assets is its investment in capital assets less any related debt still outstanding used to acquire those assets and negative unrestricted net assets. 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 debt in an amount that exceeds the capital assets' carrying value.

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

Summary of Net Assets:

The following table presents a condensed summary of net assets:

CITY OF PITTSBURGH'S NET ASSETS

(\$ millions)	<u>Governmental</u> <u>Activities</u> <u>2002</u>
<u>Current assets</u>	170
<u>Restricted assets</u>	1
Capital assets	175
<u>Total assets</u>	<u>346</u>
<u>Current liabilities</u>	124
<u>Long-term liabilities</u>	921
<u>Total liabilities</u>	<u>1,045</u>
<u>Net assets:</u>	
<u>Invested in capital assets, net of</u> <u>related debt</u>	(491)
<u>Restricted</u>	1
<u>Unrestricted</u>	(209)
<u>Total net assets</u>	<u>(699)</u>

At the end of the current fiscal year, The City of Pittsburgh reports a (\$693 million) net deficit for the governmental activities due in part to its debt burden outstanding. This is consistent with the prior fiscal year.

Summary of Changes in Net Assets:

The following table shows the change in net assets of the primary government.

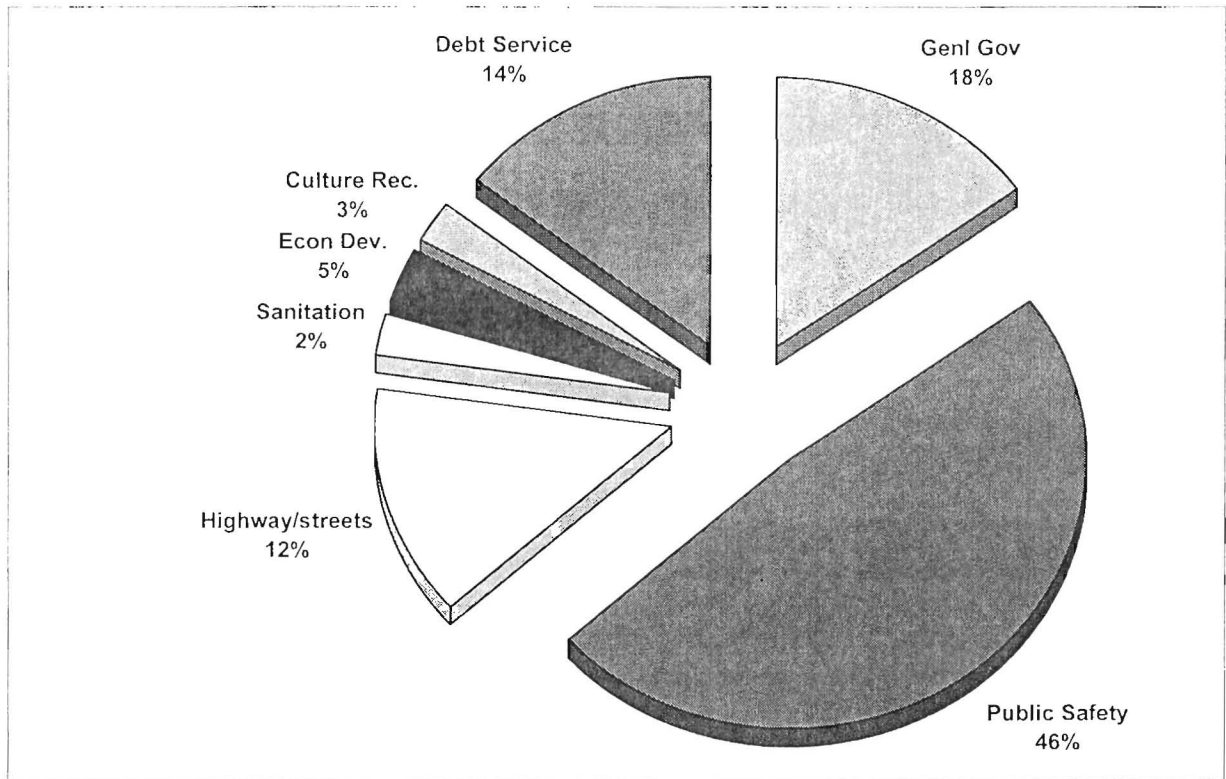
Governmental activities. Governmental activities (decreased) the City of Pittsburgh's net assets by \$(17) million. Key elements of this (decrease) are as follows:

CITY OF PITTSBURGH'S Activities

(\$ millions)	<u>Governmental</u> <u>activities</u> <u>2002</u>
<u>Revenues:</u>	
<u>Program Revenues</u>	
Charges for services	42
Operating grants & contributions	45
Capital grants & contributions	29
<u>General revenues:</u>	
Real Estate Property taxes	122
Earned Income taxes	48
Business Privilege taxes	43
Parking taxes	32
RAD sales taxes	21
Deed Transfer taxes	10
Other taxes	25
Other	7
<u>Total Revenues</u>	<u>424</u>
<u>Expenses:</u>	
General government	78
Public safety	203
Highways/streets	53
Sanitation	13
Economic development	20
Culture recreation	12
Interest/subsidy - long-term debt	62
<u>Total expenses</u>	<u>441</u>
<u>(Decrease) in net assets</u>	<u>(17)</u>
<u>(Net deficit) – January 01, 2002</u>	<u>(682)</u>
<u>(Net deficit) – December 31, 2002</u>	<u>(699)</u>

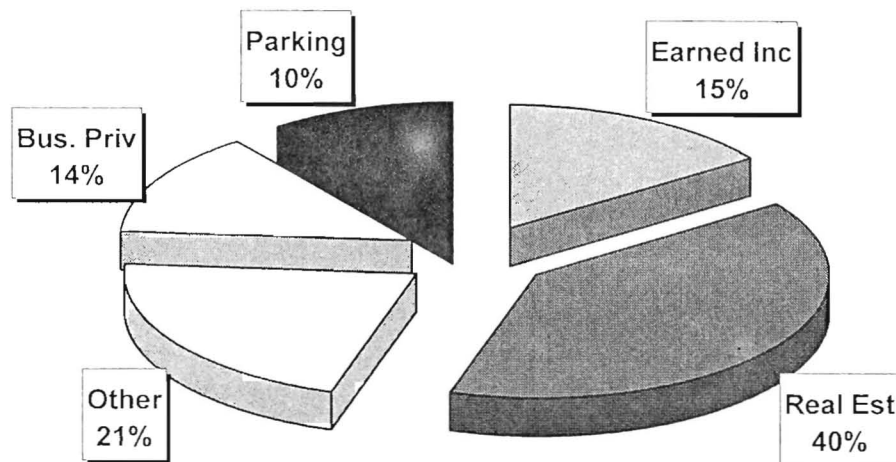
Public Safety accounted for nearly half of the expenditures. Merger talks between the Fire Department and EMS are taking place in an effort to save \$10 to \$15 million and help resolve the City of Pittsburgh's budget crisis.

Expenses of the Statement of Activities are shown below by functional area:



Revenues of the Statement Activities totaled \$424 million. The majority of these revenues are from the General fund (\$368.8 million), plus the Debt Service fund (\$1.2 million), Community Development fund (\$21.6 million), Capital Projects fund (\$10.6 million), and other governmental funds (\$23.3 million).

General fund Tax Revenues are presented below by type of tax:



Governmental Funds

Governmental 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 \$368.8 million in 2002, an increase of \$5.6 million, compared to 2001. Total General fund revenues overall increased by 1.5%. The net increase of \$7.3 million in tax revenue was due to an increase of \$6.5 million (5.5%) during the year in real estate tax and \$1.9 million in Deed Transfer taxes partially offset by other declines. Real estate taxes increased because of increases in the assessed value of properties and deed transfer taxes increased because of more deed transfers in the current year.

In addition to the above General fund tax revenues, the City collected \$21.6 million in Community Development fund, \$7.6 million in Capital Projects, and \$17 million in Other Governmental funds 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 \$131.1 million, an increase of \$9.6 million from 2001. Approximately 53% of this total fund balance, or \$70.0 million constitutes unreserved undesignated fund balance, which is available for spending at the government's discretion. The remainder of the fund balance for the total governmental funds is reserved to indicate that it is not available for new spending because it has already been committed to: 1) liquidate contracts and purchase orders of the prior period, \$3.8 million encumbrances; 2) pay debt service \$.5 million; 3) for a variety of other restricted, \$.9 million; and 4) and reserved for capital projects \$55.9 million.

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 \$58.0 million, while total fund balance for the General Fund was \$62.3 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 and transfers. Unreserved fund balance represents 15% of total General fund expenditures and transfers, while total fund balance represents 16% of General Fund expenditures and transfers.

The fund balance of the City of Pittsburgh's General fund decreased by \$11.3 million during the current fiscal year due to an excess of expenditures and other financing uses (debt) over revenues in 2002.

Expenditures and uses, including debt service payments/transfers, for the General Fund in 2002 increased to \$380.1 million, compared to \$374.5 million in 2001 representing an increase of 1.5% or \$5.6 million overall.

The largest dollar increase in expenditures was an \$8.9 million increase in Salaries due to wage and salary increases. Debt service expenditures of \$75.1 million decreased by \$5.6 million by restructuring the City's Debt. Debt accounted for 19.8% of the expenditures illustrating the magnitude of the City of Pittsburgh's annual debt service, constituting nearly one out of every 5 dollars spent out of the General Fund.

The debt service fund has a total fund balance of \$484,000, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$10.6 million due to prior year cash and fund balance being used to pay current year debt payments.

The Community Development fund had intergovernmental revenues of \$21.6 million and expenditures of \$21.6 million. The Capital Projects fund had \$10.6 million of revenues, \$37 million of capital related expenditures, \$129 million in bond proceeds, \$65.6 million of payments to escrow agents for refunded debt, and \$5.7 million of operating transfers. The Capital Projects fund, fund balance increased by \$31.3 million in 2002. The fund balance was \$55.9 million as of December 31, 2002.

General Fund Budgetary Highlights

Actual General Fund revenues were below the budgeted revenues by \$5.7 million. In addition, the final budgeted expenses exceeded the final budgeted revenues by \$7.8 million, in effect budgeting a deficit for the year, i.e. use of prior year ending fund balances. Many revenue sources did not perform as well as expected during the fiscal year and did not meet budget estimates; Real Estate Taxes,

Earned Income Taxes, Parking Taxes, and non-profits payments in lieu of tax all contributed to about \$7.9 million of the shortfall. The Deed Transfer Tax exceeded budgeted revenue by \$1.4 million. The net effect was \$6.5 million actual tax revenue collected under budget.

Primarily due to supplemental appropriations, final budget general fund expenditures were greater than original budget by \$2.1 million or less than 1%. Actual expenditures were less than the final budget by \$4.9 million or 1.3%. In anticipation of funding cuts instituted at the state level, spending at the departmental level was closely monitored during the fiscal year. During fiscal year 2002, City Council amended the budget primarily to appropriate funds to pay commitments in the form of encumbrances for General Fund purchase orders authorized and issued, but for which goods and services were not received nor paid for by December 31, 2001 for \$3.6 million of which \$1.4 million was due to employee benefits carryovers.

Capital Assets and Debt Administration

Capital assets. The City of Pittsburgh's investment in capital assets for its governmental -type activities as of December 31, 2002, amounts to \$182 million, net of accumulated depreciation. This investment in capital assets includes building and building improvements, land, machinery and equipment, furniture and fixtures, vehicles, infrastructure and construction-in-progress.

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 in 2002. Construction in progress as of the end of the current fiscal year had reached \$16 million.

CITY OF PITTSBURGH'S CAPITAL ASSETS

(\$ millions)	Governmental Activities 2002
<u>Land & land improvements</u>	46
<u>Construction in progress</u>	16
<u>Buildings</u>	91
<u>Infrastructure</u>	136
<u>Vehicles</u>	35
<u>Furniture & other Equipment</u>	7
<u>Machinery & Equipment</u>	<u>1</u>
<u>Total capital assets</u>	<u>332</u>
<u>Less accumulated</u>	
<u>Depreciation for:</u>	
<u>Buildings</u>	(70)
<u>Infrastructure</u>	(54)
<u>Vehicles</u>	(25)
<u>Furniture & other equipment</u>	(6)
<u>Machinery & equipment</u>	<u>(2)</u>
<u>Total Accumulated Depreciation</u>	<u>(157)</u>
<u>Net Assets</u>	<u>175</u>

Additional information on the City of Pittsburgh's capital assets can be found in note 6 of this report.

Long-term debt. At the end of the current fiscal year, the City of Pittsburgh had total debt outstanding of \$879,462,084, which comprises debt backed by the full faith and credit of the government.

CITY OF PITTSBURGH'S OUTSTANDING DEBT

(\$ millions)	<u>Governmental</u> <u>Activities</u> <u>2002</u>
<u>General obligation bonds</u>	
Beginning balance at January 1	866
<u>Debt Issued</u>	129
<u>Refinanced Bonds</u>	(66)
<u>Principal Payments</u>	(50)
<u>Ending Balance at December 31</u>	<u>879</u>

During the current fiscal year, the government refinanced some of its existing debt to take advantage of favorable interest rates. In January 2002 the City of Pittsburgh issued \$129 million in General Obligation bonds of which \$66 million was escrowed for refunding and \$59 million to finance capital projects and issuance costs.

The City's Bond Debt ratings were Moody's A3, Fitch A- and Standard & Poor's A- as of August 2003.

Budgetary Concern and Liquidity

The City of Pittsburgh is currently in the midst of a serious budgetary crisis. This crisis is due, in part, to the fact that the current budget for 2003 was passed including forecasted revenues for taxes which the state legislature has yet to authorize the City of Pittsburgh to levy; a payroll tax and an increase in the occupation tax. Due to this crisis, the City of Pittsburgh has been forced to layoff 731 employees in August 2003, consolidate operations, refinance debt, all measures which do not solve an estimated \$80 million deficit forecasted for 2004.

The City Council of Pittsburgh and the Mayor have the ability presently to raise Parking taxes, Income Taxes and Real Estate Taxes, and other taxes to remedy the Crisis. However, the City must receive approval of enabling legislation from the State Legislature to increase the occupation tax, which is imposed on all people working in the City without regard to where they reside, and increase state aid for pensions or similar revenue raising measures.

The City is required by law to present a balanced operating budget. The 2003 General Fund budget is \$386.4 million compared with \$364.7 million in 2002 and is balanced with the expectation that the City will successfully implement its tax restructuring, cost reduction, and debt refinancing plans to close an estimated \$60 million budget gap.

The City has made a commitment to reduce Public Safety costs through a reduction in its police force and the merge of fire and emergency medical services. Police force reduction is on schedule, and the merger plan is under discussion with the unions representing firefighters and emergency medical service workers. As well, other cost containment initiatives throughout City operations continue to be a priority.

The Refunding Project discussed in footnote 19 will provide debt service relief while the City continues its negotiations with the state legislature to broaden the City's taxing authority and implements other measures designed to enhance revenues and reduce expenditures.

No assurance can be made that the Commonwealth of Pennsylvania will enact the proposed taxes, or similar revenue-raising measures, or will increase the amount of state aid for pensions. In the event the City's proposals are not adopted, a number of alternatives for balancing the 2003 budget will be implemented. A combination of substantial cuts in basic services, employee layoffs (subject to the terms of collective bargaining agreements), and revenue increases within the legal authority of the City to levy are among those to be considered. The City has the legal authority to increase the property tax (or eliminate exemptions), the earned income tax, the parking tax, and the deed transfer tax. Any such action would require the approval of City Council and the Mayor. No assurance can be given as to the timing or course of action that may be taken by the City to balance its budget for 2003.

The City's cash balances are currently projected to be sufficient to meet the City's debt service and other obligations into the fourth quarter of 2003, and the City has no plans at this time to seek relief under Chapter 9 of the Federal Bankruptcy Code. However, if the City should fail to receive additional taxing authority from the Commonwealth and subsequently fails to receive the necessary approval from City Council for tax increases and service cuts, the City would then consider a number of options, including those available under Chapter 9 of the Federal Bankruptcy Code and the Pennsylvania Municipalities Financial Recovery Act.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF PITTSBURGH, PENNSYLVANIA

Statement of Net Assets/(Deficit)

December 31, 2002

	Primary Government Governmental activities	Component units
Current assets:		
Cash, cash equivalents, and investments	\$ 135,764,682	302,950,144
Real estate taxes (net of allowance for uncollectible accounts of \$5,129,543)	6,686,954	—
Accounts receivable, net	—	15,186,891
Accrued interest receivable	127,642	—
Due from other governments	13,133,745	9,952,795
Taxpayer-assessed taxes receivable	9,874,642	
Inventory	—	1,495,000
Notes receivable	—	193,346
Other receivables	4,690,340	6,941,271
Total current assets	170,278,005	336,719,447
Noncurrent assets:		
Trusteed and restricted funds:		
Cash and cash equivalents	303,622	3,992,080
Accounts receivable	—	78,188
Accrued interest receivable	319	420,000
Investments	—	109,838,194
Total restricted assets	303,941	114,328,462
Capital assets:		
Buildings and building improvements	90,522,829	20,310,599
Land and land improvement	45,602,091	39,798,147
Parking facilities	—	114,770,892
Machinery and equipment	1,765,220	106,682,966
Utility plant		375,390,000
Non-utility plant	—	10,525,000
Furniture and fixtures	6,618,374	—
Vehicles	35,323,735	—
Infrastructure	136,339,628	—
Construction-in-progress	16,247,142	15,392,910
Less accumulated depreciation	(157,263,206)	(142,751,674)
Net capital assets	175,155,813	540,118,840
Other assets	—	3,461,755
Bond issuance costs, net of amortization	—	5,300,307
Loans/notes receivable	—	202,016,648
Assets held for sale	—	18,872,049
Total noncurrent assets	175,459,754	884,098,061
Total assets	\$ 345,737,759	1,220,817,508

CITY OF PITTSBURGH, PENNSYLVANIA

Statement of Net Assets/(Deficit)

December 31, 2002

	<u>Primary Government Governmental activities</u>	<u>Component units</u>
Current liabilities:		
Accounts payable	\$ 17,159,888	37,811,545
Accrued payroll and related obligations	11,242,880	783,000
Accrued interest payable	16,557,931	8,811,863
Accrued workers' compensation	17,694,173	—
Accrued compensated absences	17,814,243	—
Accrued claims and judgements	1,935,000	—
Due to other governments	3,273,499	—
Bonds and loans payable, current portion	38,425,000	18,174,000
Total current liabilities	124,102,614	65,580,408
Noncurrent liabilities:		
Deferred revenue	—	27,366,690
Accrued payroll-related obligations	—	1,264,000
Note due to the City of Pittsburgh	—	22,775,168
Bonds and loans payable, net of unamortized premiums/discounts and bond issuance costs	841,037,084	866,385,611
Accrued workers' compensation	63,122,400	—
Accrued compensated absences	15,185,800	—
Accrued claims and judgments	1,475,000	—
Total non-current liabilities	920,820,284	917,791,469
Total liabilities	1,044,922,898	983,371,877
Net assets:		
Investments in capital assets, net of related debt	(491,045,970)	(29,307,902)
Restricted for:		
Capital projects	—	9,975,452
Debt service	483,745	9,444,654
Employee benefits	916,948	—
Endowments	17,312	—
Indenture funds	—	9,908,300
Urban Development	—	24,539,732
Lending programs	—	156,984,044
Unrestricted (deficit)/net assets	(209,557,174)	55,901,351
Total net assets/(deficit)	\$ (699,185,139)	237,445,631

See accompanying notes to financial statements.

City of Pittsburgh, Pennsylvania
Statement of Activities
For the Year Ended December 31, 2002

	<u>Expenses</u>
Primary Government	
Governmental activities:	
General Government	\$ 78,365,054
Public Safety	202,591,954
Highways and Streets	52,723,858
Sanitation	12,683,944
Economic Development	20,082,563
Culture and Recreation	12,142,188
Debt Service Subsidies to Authorities <i>CULT + REC</i>	<i>SEA + ADD, BTH</i> 2,798,678
Debt Service Subsidies to Component Unit <i>ECON DEVEL</i>	<i>URA</i> 11,763,618
Interest on Long-Term Debt plus bond issuance costs and amortization of premiums and discounts	47,493,951
Total Primary Government	<u>440,645,808</u>
Component Units	\$ <u>182,103,666</u>

See accompanying notes to financial statements.

			Net (Expense) Revenue and Changes in Net Assets/(Deficits)	
Program Revenues			Primary Government	
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Units
18,469,281	23,288,781	6,684,308	(29,922,684)	
19,088,959	14,998,313	643,457	(167,861,225)	
1,815,202	5,337,204	10,622,521	(34,948,931)	
1,215,355	165,174	-	(11,303,415)	
-	-	9,972,930	(10,109,633)	
1,502,318	1,056,028	1,194,058	(8,389,784)	
-	-	-	(2,798,678)	
-	-	-	(11,763,618)	
-	-	-	(47,493,951)	
42,091,115	44,845,500	29,117,274	(324,591,919)	
110,939,485	34,086,912	12,696,678		(24,380,591)
General Revenues:				
			122,365,096	
			47,642,055	
			42,952,162	
			32,214,526	
			20,559,667	
			10,218,095	
			9,553,973	
			7,282,763	
			8,028,445	
			2,359,523	9,973,602
			523,799	-
			-	7,292,248
			4,388,461	168,824
			308,088,565	17,434,674
			(16,503,354)	(6,945,917)
			(682,681,785)	244,391,548
			\$ (699,185,139)	237,445,631

**CITY OF PITTSBURGH,
PENNSYLVANIA**

FUND FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

CITY OF PITTSBURGH, PENNSYLVANIA

Balance Sheet
Governmental Funds
December 31, 2002

Assets	General	Debt service	Community Development	Capital projects	Other governmental funds	Total governmental funds
Cash and cash equivalents	\$ 65,067,994	456,755	1,715,868	55,771,471	13,056,216	136,068,304
Receivables:						
Real estate taxes (net of allowances for uncollectible accounts of \$5,129,543)	6,686,954	—	—	—	—	6,686,954
Taxpayer-assessed taxes receivable	9,874,016	—	—	—	—	9,874,016
Other receivables	3,297,336	—	—	—	1,393,004	4,690,340
Accrued interest	70,779	52,890	—	—	4,292	127,961
Due from other governments	4,684,000	—	1,682,453	4,816,961	1,245,104	12,428,518
Due from Component Units	705,227	—	—	—	—	705,227
Due from other funds	4,470,257	—	—	1,390,773	409,645	6,270,675
Due from Agency funds	135,268	—	—	—	—	135,268
Total assets	\$ 94,991,831	509,645	3,398,321	61,979,205	16,108,261	176,987,263
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 10,982,056	—	799,457	2,777,040	682,272	15,240,825
Accrued liabilities	10,872,374	—	24,288	—	346,218	11,242,880
Retainage payable	—	—	131,725	893,120	—	1,024,845
Due to other funds	14,118	25,900	2,358,234	2,000,000	1,872,423	6,270,675
Due to Agency funds	552,446	—	—	378,371	98,043	1,028,860
Due to other governments	2,309,600	—	—	—	727,124	3,036,724
Due to Component Units	236,775	—	—	—	—	236,775
Accrued workers' compensation	721,587	—	—	—	—	721,587
Accrued claims and judgments	1,935,000	—	—	—	—	1,935,000
Deferred revenue, principally real estate taxes	5,115,237	—	—	—	—	5,115,237
Total liabilities	32,739,193	25,900	3,313,704	6,048,531	3,726,080	45,853,408
Fund balance:						
Reserved for:						
Encumbrances	3,283,235	—	—	—	502,069	3,785,304
Endowments	17,312	—	—	—	—	17,312
Employee benefits	916,948	—	—	—	—	916,948
Capital projects	—	—	—	55,930,674	—	55,930,674
Debt service	—	483,745	—	—	—	483,745
Unreserved, reported in:						
General Fund	58,035,143	—	—	—	—	58,035,143
Special revenue	—	—	84,617	—	11,880,112	11,964,729
Total fund balances	62,252,638	483,745	84,617	55,930,674	12,382,181	131,133,855
Total liabilities and fund balances	\$ 94,991,831	509,645	3,398,321	61,979,205	16,108,261	176,987,263

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Reconciliation of the Balance Sheet to the
Statement of Net Assets

Governmental Funds

December 31, 2002

Total fund balances – governmental funds \$ 131,133,855

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

Capital assets used in governmental activities are not considered
current financial resources and therefore are not reported as
assets in the governmental funds:

Governmental capital assets, at cost	\$ 332,419,019	
Less accumulated depreciation	<u>(157,263,206)</u>	175,155,813

Property taxes receivable that are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds		5,115,237
--	--	-----------

Long-term liabilities, including bonds payable with related
accrued interest, are not due and payable in the current period
and therefore are not reported as liabilities in the
governmental funds:

Bonds payable, net of unamortized premiums/discounts and bond issuance costs	(879,462,084)	
Accrued compensated absences (short term and long term)	(33,000,043)	
Accrued workers' compensation (short-term and long-term)	(80,094,986)	
Accrued interest payable	(16,557,931)	
Accrued claims and judgments	<u>(1,475,000)</u>	<u>(1,010,590,044)</u>

Total net assets of governmental activities		\$ <u><u>(699,185,139)</u></u>
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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, 2002

	General	Debt service	Community Development	Capital projects	Other governmental funds	Total governmental funds
Revenues:						
Taxes, including penalty and interest	\$ 300,157,531	—	—	1,213,084	—	301,370,615 ✓
Payment in lieu of taxes	836,773	—	—	—	—	836,773 ✓
Interest and dividends	1,016,343	1,217,473	—	—	125,707	2,359,523 ✓
Fines and forfeits	8,550,182	—	—	—	5,626	8,555,808 ✓
Intergovernmental revenues	28,076,004	—	21,557,797	7,559,476	16,769,497	73,962,774 ✓
Charge for user services	26,477,451	—	—	876,972	6,180,884	33,535,307 ✓
Donations	397,423	—	—	126,376	—	523,799 ✓
Miscellaneous	3,309,808	—	—	874,000	204,653	4,388,461 ✓
Total revenues	368,821,515	1,217,473	21,557,797	10,649,908	23,286,367	425,533,060
Expenditures:						
Current:						
General government	52,644,332	4,651	6,552,722	7,133,051	4,665,151	70,999,907 ✓
Public safety	198,923,753	—	556,396	2,135,723	6,350,133	207,966,005 ✓
Public works	27,878,939	—	4,448,321	16,307,692	4,989,110	53,624,062 ✓
Sanitation	12,224,354	—	—	—	459,590	12,683,944 ✓
Community, recreational, and cultural	8,840,632	—	930,119	46,781	2,160,596	11,978,128 ✓
Economic and physical development	—	—	9,070,239	2,500,000	8,512,327	20,082,566 ✓
Claims and judgments	2,179,949	—	—	—	—	2,179,949 ✓
Miscellaneous	2,365,068	—	—	—	—	2,365,068 ✓
Debt service:						
Principal retirement of bonds	—	32,705,000	—	—	—	32,705,000
Interest on bonds	—	44,572,857	—	—	—	44,572,857
Bond issuance costs	—	—	—	990,857	—	990,857 ✓
Pittsburgh Sports and Exhibition Authority subsidy	390,276	—	—	—	—	390,276
Public Auditorium Authority subsidy	2,408,402	—	—	—	—	2,408,402
Urban Redevelopment Authority subsidy	11,763,618	—	—	—	—	11,763,618
Stadium Authority subsidy to City	—	(3,250,000)	—	—	—	(3,250,000)
Capital Outlay:						
Capital projects	—	—	—	7,893,323	—	7,893,323 ✓
Total expenditures	319,619,323	74,032,508	21,557,797	37,007,427	27,136,907	479,353,962
Excess (deficiency) of revenues over expenditures	49,202,192	(72,815,035)	—	(26,357,519)	(3,850,540)	(53,820,902)
Other financing sources (uses):						
Bond Proceeds	—	—	—	129,090,947	—	129,090,947
Transfers from other funds	90,000	62,254,497	—	—	4,273,275	66,617,772
Payments to escrow agents for refunded debt	—	—	—	(65,631,708)	—	(65,631,708)
Transfer to other funds	(60,599,751)	—	—	(5,764,176)	(253,845)	(66,617,772)
Total other financing sources (uses)	(60,509,751)	62,254,497	—	57,695,063	4,019,430	63,459,239
Net change in fund balances	(11,307,559)	(10,560,538)	—	31,337,544	168,890	9,638,337
Fund balance at the beginning of year, as restated	73,560,197	11,044,283	84,617	24,593,130	12,213,291	121,495,518
Fund balance at end of year	\$ 62,252,638	483,745	84,617	55,930,674	12,382,181	131,133,855

See accompanying notes to financial statements.

*Revenue
2003
18,214,000*

CITY OF PITTSBURGH, PENNSYLVANIA

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities

Year ended December 31, 2002

Net change in fund balances – governmental funds	\$ 9,638,337
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,820,334
Revenues in statement of activities that do not provide current financial resources are not reported as revenues in the Governmental Funds.	
Net change in deferred revenue related to real estate taxes	(1,390,602)
The issuance of long-term debt (e.g., bonds) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(35,277,171)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. Net decrease in December 31, 2002 compared to December 31, 2001 long-term accruals (i.e., compensated absences, workers' compensation, claims and judgments, and interest).	8,705,748
Change in net assets of governmental activities	\$ <u>(16,503,354)</u>

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Budgetary Comparison Statement - Revenues

General Fund

Year ended December 31, 2002

(Amounts expressed in thousands)

	2002			
	Budgeted amounts		Actual (Budgetary basis)	Variance from final budget over/(under)
	Original	Final		
Taxes:				
Real estate	\$ 125,800	125,800	122,184	(3,616)
Nonprofit payment for services	1,900	1,900	727	(1,173)
Mercantile	7,400	7,400	7,315	(85)
Amusement	9,350	9,350	9,422	72
Earned income	49,100	49,100	46,978	(2,122)
Deed transfer	8,400	8,400	9,818	1,418
Parking	31,900	31,900	30,944	(956)
Occupation privilege	3,229	3,229	3,133	(96)
Business privilege	44,500	44,500	43,965	(535)
Institution and service privilege	500	500	502	2
Public service	838	838	956	118
Penalties and interest	2,150	2,150	2,779	629
Act 77-tax relief	13,401	13,401	13,392	(9)
Total taxes, including penalty and interest	298,468	298,468	292,115	(6,353)
Interest earnings	3,400	3,400	962	(2,438)
Fines and forfeits	7,180	7,180	7,869	689
Licenses and fees:				
Liquor and malt beverage	415	415	817	402
Business	75	75	28	(47)
General government	787	787	719	(68)
Rentals and charges	4,001	4,001	4,303	302
Total licenses and fees	5,278	5,278	5,867	589
Federal and state grants	3,614	3,614	2,510	(1,104)
Reimbursement, CDBG	1,085	1,085	590	(495)
Public Parking Authority	1,900	1,900	2,375	475
PWSA Reimbursement	5,300	5,300	5,300	—
Sports/Exposition Authority	88	88	88	—
State utility tax	640	640	458	(182)
Act 77-operations	5,732	5,732	5,732	—
Act 77-civic arena	1,600	1,600	1,600	—
Miscellaneous	250	250	3,346	3,096
Breakeven centers	16,960	16,960	16,873	(87)
Joint operations	75	75	142	67
Provisions of services	6,758	6,758	6,922	164
Sale of public property	100	100	—	(100)
Delinquent receivables-				
Magistrates court	600	600	628	28
Trust fund transfers	—	—	—	—
Total general fund revenues	\$ 359,028	359,028	353,377	(5,651)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Budgetary Comparison Statement - Expenditures

General Fund

Year ended December 31, 2002

(Amounts expressed in thousands)

	2002						Variance from
	Original adopted budget	Transfers and prior year carryover	Final budget	Expenditures	Encumbrances	Actual (Budgetary basis)	final budget favorable (unfavorable)
General government:							
City Council	\$ 1,476	1	1,477	1,444	—	1,444	33
City Clerk Office	1,295	(345)	950	779	19	798	152
Mayor's Office	1,897	(61)	1,836	1,782	6	1,788	48
City Information Systems	6,007	7	6,014	5,715	235	5,950	64
Magistrates Court	1,272	28	1,300	1,279	—	1,279	21
Commission of Human Relations	208	10	218	183	20	203	15
Office of City Controller	3,163	286	3,449	3,197	90	3,287	162
Department of Finance	5,655	530	6,185	5,660	122	5,782	403
Department of Law	1,903	151	2,054	2,041	85	2,126	(72)
Department of Law-OBEO	490	(103)	387	179	—	179	208
Department of Law-OMI	493	—	493	401	63	464	29
Department of Personnel and Civil Service Commission	1,885	170	2,055	1,677	130	1,807	248
Department of City Planning	1,277	370	1,647	1,349	166	1,515	132
Total general government	27,021	1,044	28,065	25,686	936	26,622	1,443
Department of Public Safety:							
Bureau of Administration	1,426	272	1,698	1,287	299	1,586	112
Bureau of Emergency Medical Services	11,355	189	11,544	11,500	3	11,503	41
Bureau of Police	73,581	(492)	73,089	71,317	188	71,505	1,584
Bureau of Fire	56,118	—	56,118	55,778	17	55,795	323
Bureau of Building Inspection	2,573	—	2,573	2,488	3	2,491	82
Total public safety	145,053	(31)	145,022	142,370	510	142,880	2,142
Department of General Services:							
Administration	1,708	(36)	1,672	1,645	5	1,650	22
Facilities Management	3,278	61	3,339	3,322	10	3,332	7
Fleet Management	7,198	14	7,212	7,165	10	7,175	37
Community Communications	851	140	991	853	102	955	36
Total general services	13,035	179	13,214	12,985	127	13,112	102
Department of Public Works:							
Administration	1,164	(9)	1,155	1,105	2	1,107	48
Operations	13,929	(265)	13,664	13,314	84	13,398	266
Environment Services	10,464	290	10,754	10,731	2	10,733	21
Total public works	25,557	16	25,573	25,150	88	25,238	335
Community Recreational and Cultural-							
Department of Parks and Recreation:							
Administration	5,597	227	5,824	5,638	89	5,727	97
Total community recreational and cultural-department of parks and recreation	5,597	227	5,824	5,638	89	5,727	97
Nondepartmental:							
Employee Benefits	69,999	2,574	72,573	70,871	1,396	72,267	306
Claims and Judgments-Citywide	14,250	(1,190)	13,060	12,173	465	12,638	422
Citizens Review Board	448	18	466	407	13	420	46
GF Grants-Other	4,040	—	4,040	4,040	—	4,040	—
Debt Service	59,672	(700)	58,972	58,938	—	58,938	34
Total nondepartmental	148,409	702	149,111	146,429	1,874	148,303	808
Total general fund expenditures \$	364,672	2,137	366,809	358,258	3,624	✓ 361,882	4,927

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Budgetary Comparison Statement

General Fund

Year ended December 31, 2002

(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	\$ 353,377
State pension aid not included in budgetary basis but included as revenue on a GAAP basis	16,000
The adjustments to convert to GAAP basis, recording of receivables and revenues not included in budget	<u>(555)</u>
Total general fund revenue on GAAP basis as reported on the statement of revenues, expenditures, and changes in fund balances	<u>\$ 368,822</u>

Users/Outflows of Revenues:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement	\$ 361,882
State pension aid not included in budgetary basis but included as expenditures on a GAAP basis	16,000
The adjustments to convert to GAAP basis, recording of expenditures and liabilities not included in budget	<u>2,247</u>
Total general fund expenditures and other financing uses as reported on the statement of revenues, expenditures, and changes in fund balances	<u>\$ 380,129</u>

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Budgetary Comparison Statement

Community Development Fund

Year ended December 31, 2002

(Amounts expressed in thousands)

	Original/Final Budget	Actual (budgetary basis)	Variance Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 50,678,720	21,260,975	(29,417,745)
Total revenues	50,678,720	21,260,975	(29,417,745)
Expenditures:			
General government:			
Council and City Clerk's office	6,116,780	2,108,296	4,008,484
Finance	100,000	23,000	77,000
Department of Personnel and Human Relations	2,071,280	882,815	1,188,465
Department of City Planning	5,830,585	2,203,466	3,627,119
General services	140,314	69,465	70,849
Public safety	1,315,820	617,704	698,116
Public works:			
Public works	4,634,552	3,051,724	1,582,828
Engineering and construction	3,939,179	1,414,956	2,524,223
Community, recreational, and cultural programs	1,960,792	962,198	998,594
Intergovernmental programs	24,569,418	9,975,043	14,594,375
Total expenditures	50,678,720	21,308,667	29,370,053
Deficiency of revenues under expenditures	—	(47,692)	(47,692)
Fund balances - budgetary basis, beginning of year	—	1,611,826	1,611,826
Fund balances - budgetary basis, end of year	\$ —	1,564,134	1,564,134

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Budgetary Comparison Statement

Community Development Fund

Year ended December 31, 2002

(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	\$ 21,261
The adjustments to convert to GAAP basis, recording of receivables and revenues not included in budget	<u>297</u>
Total general fund revenue on GAAP basis as reported on the statement of revenues, expenditures, and changes in fund balances	<u>\$ 21,558</u>

Users/Outflows of Revenues:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement	\$ 21,309
The adjustments to convert to GAAP basis, recording of expenditures and liabilities not included in budget	<u>249</u>
Total general fund expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	<u>\$ 21,558</u>

See accompanying notes to financial statements.

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**CITY OF PITTSBURGH,
PENNSYLVANIA**

FIDUCIARY FUND STATEMENTS

CITY OF PITTSBURGH, PENNSYLVANIA

Statement of Fiduciary Net Assets

Fiduciary Funds

December 31, 2002

	<u>Pension trust fund</u>	<u>Agency funds</u>
Assets		
Cash and cash equivalents	\$ 19,178,379	4,451,877
Investments	294,773,784	—
Other receivables	—	14,340
Accrued interest and dividends receivable	1,019,024	—
Due from other funds	—	1,077,716
Due from component units	—	350,000
Total assets	<u>314,971,187</u>	<u>5,893,933</u>
Liabilities		
Accrued liabilities and other payables	191,676	3,706,294
Due to general fund	—	135,269
Due to other funds	48,852	—
Due to other governments	—	18,884
Deposits held in trust	—	2,033,486
Benefits and related withholdings payable	<u>2,259,694</u>	—
Total liabilities	<u>2,500,222</u>	<u>5,893,933</u>
Net assets		
Held in trust for pension benefits	\$ <u><u>312,470,965</u></u>	

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the year ended December 31, 2002

	<u>Pension Trust fund</u>
Additions (reductions):	
Contributions:	
Employer	\$ 6,379,448
Plan members	10,857,213
State	<u>16,000,000</u>
Total contributions	33,236,661
Investment income:	
Net depreciation in fair value of investments	(52,974,937)
Interest and dividends	<u>10,146,781</u>
	(42,828,156)
Less investment expenses	<u>(974,819)</u>
Net investment loss	(43,802,975)
Miscellaneous:	
State contributions made in 2002 related to prior years	1,536,561
Other	<u>28,227</u>
	1,564,788
Total additions (reductions)	<u>(9,001,526)</u>
Deductions:	
Benefit payments	57,883,674
Refund of employee contributions	879,679
Administrative expenses	<u>1,013,695</u>
	59,777,048
Net decrease in plan net assets	(68,778,574)
Plan net assets, beginning of year	<u>381,249,539</u>
Plan net assets, end of year	\$ <u><u>312,470,965</u></u>

See accompanying notes to financial statements.

**CITY OF PITTSBURGH,
PENNSYLVANIA**

COMBINING STATEMENTS OF
DISCRETE COMPONENT UNITS

CITY OF PITTSBURGH, PENNSYLVANIA

Statement of Net Assets

Component Units

December 31, 2002

Assets	PWSA	Stadium Authority	URA	Public Parking Authority	Total
Current assets:					
Cash, cash equivalents, and investments	\$ 31,643,000	6,333,784	254,989,853	9,983,507	302,950,144
Accounts receivable	14,362,000	345,659	-	479,232	15,186,891
Due from other governments	-	-	7,315,424	-	7,315,424
Grant receivable	-	2,637,371	-	-	2,637,371
Notes receivable	-	-	-	193,346	193,346
Inventory	1,495,000	-	-	-	1,495,000
Other receivables	347,000	-	6,277,812	316,459	6,941,271
Total current assets	47,847,000	9,316,814	268,583,089	10,972,544	336,719,447
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	3,833,000	8,876	-	150,204	3,992,080
Investments	87,236,000	-	609,067	21,993,127	109,838,194
Accrued interest receivable	420,000	-	-	-	420,000
Accounts receivable	-	78,188	-	-	78,188
Total restricted assets	91,489,000	87,064	609,067	22,143,331	114,328,462
Capital assets:					
Buildings and building improvements	-	-	20,310,599	-	20,310,599
Land and land improvements	-	-	39,798,147	-	39,798,147
Parking facilities	-	-	-	114,770,892	114,770,892
Machinery and equipment	102,167,000	-	-	4,515,966	106,682,966
Utility plant	375,390,000	-	-	-	375,390,000
Non-utility plant	10,525,000	-	-	-	10,525,000
Construction-in-progress	14,783,000	-	-	609,910	15,392,910
Less: accumulated depreciation	(92,330,000)	-	(6,707,649)	(43,714,025)	(142,751,674)
Net capital assets	410,535,000	-	53,401,097	76,182,743	540,118,840
Other assets	-	-	3,461,755	-	3,461,755
Assets held for sale	-	-	18,872,049	-	18,872,049
Loans/notes receivable	-	-	197,322,773	4,693,875	202,016,648
Bond issue costs, net of depreciation	3,786,000	29,167	-	1,485,140	5,300,307
Total noncurrent assets	505,810,000	116,231	273,666,741	104,505,089	884,098,061
Total assets	\$ 553,657,000	9,433,045	542,249,830	115,477,633	1,220,817,508
Liabilities and Net Assets					
Current liabilities:					
Bonds and loans payable, current portion	\$ 10,704,000	3,750,000	-	3,720,000	18,174,000
Accrued payroll and related obligations	783,000	-	-	-	783,000
Accounts payable - wastewater treatment	8,040,000	-	-	-	8,040,000
Accounts payable and other accrued expenses	3,248,000	1,541,128	21,213,695	3,768,722	29,771,545
Accrued interest payable	7,531,000	112,500	-	1,168,363	8,811,863
Total current liabilities	30,306,000	5,403,628	21,213,695	8,657,085	65,580,408
Noncurrent liabilities:					
Deferred revenue	703,000	-	26,663,690	-	27,366,690
Accrued payroll and related obligations	1,264,000	-	-	-	1,264,000
Note due to City of Pittsburgh	-	22,775,168	-	-	22,775,168
Bonds and loans payable, net of current portion	538,390,000	18,937,992	228,798,248	80,259,371	866,385,611
Total noncurrent liabilities	540,357,000	41,713,160	255,461,938	80,259,371	917,791,469
Total liabilities	570,663,000	47,116,788	276,675,633	88,916,456	983,371,877
Net assets:					
Invested in capital assets, net of related debt	(34,974,000)	(37,683,743)	27,497,964	15,851,877	(29,307,902)
Restricted for:					
Capital projects	7,273,000	-	-	2,702,452	9,975,452
Debt service	-	-	-	9,444,654	9,444,654
Indenture funds	-	-	-	9,908,300	9,908,300
Urban Development	-	-	24,539,732	-	24,539,732
Lending programs	-	-	156,984,044	-	156,984,044
Unrestricted	10,695,000	-	37,626,390	7,579,961	55,901,351
Total net assets/(deficit)	\$ (17,006,000)	(37,683,743)	246,648,130	45,487,244	237,445,631

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Statement of Activities

Component Units

For the Year Ended December 31, 2002

			<u>Program revenues</u>	
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Urban Redevelopment Authority				
Governmental activities:				
Urban development	\$ 37,449,685	-	29,552,306	6,319,896
General government	10,399,078	4,106,864	2,750,000	-
Interest on long-term debt	162,514	-	-	-
Total governmental activities	48,011,277	4,106,864	32,302,306	6,319,896
Business-type activities:				
Lending programs	13,075,260	10,577,322	531,258	-
Property management	2,909,448	2,810,297	-	-
Total business-type activities	15,984,708	13,387,619	531,258	-
Component Units	4,330,765	420,342	1,253,348	754,639
Total URA	68,326,750	17,914,825	34,086,912	7,074,535
Pittsburgh Water & Sewer Authority	76,274,000	63,916,000	-	-
Stadium Authority	7,907,883	1,213,858	-	5,432,143
Public Parking Authority	29,595,033	27,894,802	-	190,000

General revenues:

- Unrestricted investment earnings
- Gain on sale of assets
- Miscellaneous
- Transfers in (out)
- Total general revenues and transfer
- Change in net assets
- Net assets-beginning
- Net assets-ending

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	Water and Sewer Authority	Stadium Authority	Public Parking Authority	Total
(1,577,483)	-	-	-	-	-	(1,577,483)
(3,542,214)	-	-	-	-	-	(3,542,214)
(162,514)	-	-	-	-	-	(162,514)
(5,282,211)	-	-				
-	(1,966,680)	-	-	-	-	(1,966,680)
-	(99,151)	-	-	-	-	(99,151)
-	(2,065,831)	-				
-	-	(1,902,436)	-	-	-	(1,902,436)
(5,282,211)	(2,065,831)	(1,902,436)				
			(12,358,000)	-	-	(12,358,000)
				(1,261,882)	-	(1,261,882)
					(1,510,231)	(1,510,231)
						(24,380,591)
1,344,558	5,914,410	5,485	1,564,000	-	1,145,149	9,973,602
5,362,648	-	1,929,600	-	-	-	7,292,248
-	44,487	102,856	-	-	21,481	168,824
(200,000)	200,000	-	-	-	-	-
6,507,206	6,158,897	2,037,941	1,564,000	-	1,166,630	17,434,674
1,224,995	4,093,066	135,505	(10,794,000)	(1,261,882)	(343,601)	(6,945,917)
142,842,496	94,065,690	4,286,378	(6,212,000)	(36,421,861)	45,830,845	244,391,548
\$ 144,067,491	98,158,756	4,421,883	(17,006,000)	(37,683,743)	45,487,244	237,445,631

**CITY OF PITTSBURGH,
PENNSYLVANIA**

NOTES TO BASIC
FINANCIAL STATEMENTS

			2003		2002
			Net (expense) revenue and changes in net assets/(deficits)		Primary
			Primary		government
Program revenues			government		Governmental
Charges for	Operating	Capital	Governmental	Component	activities (memorandum only)
services	grants and	grants and			
	contributions	contributions	activities	units	
19,328,547	39,859,786	9,369,851	846,543		(29,922,684)
20,171,829	1,537,655	1,005,079	(198,481,058)		(167,861,225)
1,373,276	5,632,101	31,830,996	(10,251,337)		(34,948,931)
1,063,853	629,849	—	(10,089,164)		(11,303,415)
—	—	8,342,979	(16,938,237)		(10,109,633)
1,809,203	1,033,637	837,941	(6,871,281)		(8,389,784)
—	—	—	(2,942,943)		(2,798,678)
—	—	—	(11,295,958)		(11,763,618)
—	—	—	(50,274,609)		(47,493,951)
43,746,708	48,693,028	51,386,846	(306,298,044)		(324,591,919)
110,903,632	41,585,612	11,425,556		(33,765,168)	
General revenues:					
Real estate taxes			129,777,312		122,365,096
Earned income taxes			45,924,358		47,642,055
Business Privilege taxes			43,964,837		42,952,162
Parking tax			31,892,770		32,214,526
Sales taxes from the Regional					
Asset District			20,035,967		20,559,667
Deed transfer tax			9,172,513		10,218,095
Amusement tax			9,455,537		9,553,973
Mercantile tax			7,909,099		7,282,763
Other taxes			8,573,064		8,028,445
Unrestricted investment					
earnings			1,061,600	3,534,160	2,359,523
Donations and endowments			546,387		523,799
Gain on sale of assets at URA				1,917,007	-
Transfers in (out)				(144,160)	
Cost of land to be dedicated				(2,142,387)	
Miscellaneous			2,699,982	4,904,875	4,388,461
Total general revenues			311,013,426	8,069,495	308,088,565
Change in net assets			4,715,382	(25,695,673)	(16,503,354)
Net assets (deficit) – beginning					
of year			(699,185,139)	237,445,631	(682,681,785)
Net assets (deficit) – end of year			(694,469,757)	211,749,958	(699,185,139)

CITY OF PITTSBURGH, PENNSYLVANIA

Statement of Activities

For the Year Ended December 31, 2003

	<u>Expenses</u>
Primary government	
Governmental activities:	
General government	\$ 67,711,641
Public safety	221,195,621
Highways and streets	49,087,710
Sanitation	11,782,866
Economic development	25,281,216
Culture and recreation	10,552,062
Debt service subsidies to authorities	2,942,943
Debt service subsidies to component unit - URA	11,295,958
Interest on long-term debt plus bond issuance costs and amortization of premiums and discounts	50,274,609
Total primary government	<u>450,124,626</u>
Component units	<u>\$ 197,679,968</u>

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2002

(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, 2002

(B) Individual Component Unit Disclosures

Blended Component Units

Some component units, despite being legally separate from the City government, are so intertwined with the City government, either through sharing common governing boards with the City or through providing services solely to the City, that they are, in substance, the same as the City government and are reported as part of the City government. The blended component units reported in this way are the following:

City of Pittsburgh Equipment Leasing Authority
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.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2002

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

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 waste water collection systems. In 1984, pursuant to a Lease and Management Agreement, the Authority leased the entire City water supply, distribution and wastewater collection system (the System) from the City and assumed responsibility for establishing and collecting user fees and charges and for maintaining and improving the System. The Lease and Management Agreement provided for the City to operate and maintain the System for the Authority subject to the general supervision of the Authority.

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

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

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

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

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

The board of directors (Board) of the Authority, a five-member group, is appointed by the Mayor of the City. The Board is responsible for all the activities and operations of the Authority. The City is

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2002

the guarantor of the Authority's debt. The Stadium Authority operates on a fiscal year ending March 31.

Public Parking Authority of Pittsburgh (Parking Authority)

The Parking Authority was created for the purpose of acquiring, developing and maintaining a coordinated system of public parking facilities. The Parking Authority is administered by a five-member board, all of whom are appointed by the Mayor. The Parking Authority obtains its revenue from user charges and from street parking meter revenues. Under an agreement between the Parking Authority and the City, street parking revenues are allocated 93.5% to the Parking Authority and 6.5% to the City. Accordingly, the City derives a financial benefit from the Parking Authority. The Parking Authority operates on a fiscal year ending September 30.

Urban Redevelopment Authority of Pittsburgh

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

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2002

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

Joint Venture

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

The Public Auditorium Authority of Pittsburgh and Allegheny County (the Authority) was incorporated on February 3, 1954 pursuant to the Public Auditorium Law Act of July 29, 1953 as a joint authority organized by the City of Pittsburgh (the City) and Allegheny County (the County) to provide educational, cultural, physical, civic and social events for the benefit of the general public. Effective November 1999, the Public Auditorium Authority legally changed its name to the Sports & Exhibition Authority of Pittsburgh and Allegheny County. The Authority is currently responsible for the management of the David L. Lawrence Convention Center (the Convention Center) and the Mellon Arena (formerly the Civic Arena), and leases the Benedum Center and the John Heinz History Center to other entities located in the City of Pittsburgh. The Authority is also responsible for the construction of the new Pittsburgh Steelers Sports, Inc. (Pittsburgh Steelers) football stadium (H.J. Heinz Field), the Pittsburgh Associates' (Pittsburgh Pirates) baseball park (PNC Park), the Convention Center expansion project and various associated infrastructure improvements herein referred to collectively as the Regional Destination Financing Plan. For the year ended December 31, 2002, the Sports and Exhibition Authority's expenditures exceeded revenues by \$32,575,841 and had a fund balance of \$592,449,408.

The board of directors (the Board) of the Authority, a five member group, is appointed by the City and County. The Board is responsible for the overall activities and operations of the Authority. The Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2002

In addition, the Department of General Services of the Commonwealth of Pennsylvania has financed and constructed the David L. Lawrence Convention Center. The Convention Center has been leased to the Sports and Exhibition Authority for a term of 30 years at a nominal rent.

While the City guarantees one-half the operating deficits and a portion of the Sports and Exhibition Authority's debt service, it does not have any equity interest in the Sports and Exhibition Authority's surpluses.

Under a sublease agreement effective July 1, 1981, as amended, the Sports and Exhibition Authority leases the Mellon Arena and surrounding parking areas to SMG Pittsburgh L.P. (SMG). SMG operates and is responsible for all expenses and maintenance of the Mellon Arena.

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

The City's portion of debt subsidies for the Sports & Exhibition Authority for the year ended December 31, 2002 was \$390,276. The City does not collect any material tax amounts on behalf of the Sports and Exhibition Authority; and, there are no other related party transactions.

Related Organizations

Housing Authority of the City of Pittsburgh (Housing Authority)

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

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

The Housing Authority operates on a fiscal year 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 waste water 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.

(C) 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

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2002

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 now required. These statements will 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 charges for services, operating grants and contributions and capital grants that are directly associated with a specific function. Taxes and other revenue sources not reported as program revenue are included as general revenue.

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

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

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2002

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

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

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

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

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

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

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

Pension Trust Fund – Accounts for the operations of the City's Pension Funds. It is accounted for in the same manner as a proprietary fund type. Measurement focus is upon determination of the change in net assets and financial position.

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

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

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

Budgetary Comparison Statements – The statements are presented to demonstrate whether resources were obtained and used in accordance with the government's legally adopted budget for the general fund and the Community Development fund. The City revises the original budget over the course of the year for various reasons. Under the new reporting model, budgetary information

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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.

(D) 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.

As a result of the different measurement focus and basis of accounting used in preparing the government-wide statements, a reconciliation between the government-wide and fund financial statements is necessary. Page 20 presents a reconciliation of the net assets as reported on the Statement of Net Assets (Pages 15 and 16) to total governmental fund balance as reported on the Balance Sheet – Governmental Funds (Page 19). Page 22 presents a reconciliation of change in net assets as reported on the Statement of Activities (Pages 17 and 18) and the total changes in fund balance as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Page 21).

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

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purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

(E) Going Concern

The City is required by law to present a balanced operating budget. The 2003 General Fund budget is \$386.4 million, as compared with \$364.7 million in 2002 and is balanced with the expectation that the City will successfully implement its tax restructuring, cost reduction, and debt refinancing plans to close an estimated \$60 million budget gap.

As of December 31, 2002, the City, in its statement of net assets, has a net asset unrestricted deficit of \$209,557,174. This is the result, in part, of the City's annual unrestricted net revenues and expenses and the City's outstanding general obligation bonds issued specifically to fund the fiduciary payments to the Pension Trust Fund (\$271,485,000 outstanding as of December 31, 2002). Net assets which include the Pension Trust Funds (see page 31) are not included in the City's statement of net assets (see page 15).

The City has made a commitment to reduce public safety costs through a reduction in its police force and the merger of fire and emergency medical services. Police force reduction is on schedule, and the merger plan is under discussion with the unions representing firefighters and emergency medical service workers. As well, other cost containment initiatives throughout City operations continue to be a priority.

The Refunding Project discussed in footnote 19 will provide debt service relief while the City continues its negotiations with the state legislature to broaden the City's taxing authority and implements other measures designed to enhance revenues and reduce expenditures.

No assurance can be made that the Commonwealth of Pennsylvania will enact the proposed taxes, or similar revenue-raising measures, or will increase the amount of state aid for pensions. In the event the City's proposals are not adopted, a number of alternatives for balancing the 2003 budget will be implemented. A combination of substantial cuts in basic services, employee layoffs (subject to the terms of collective bargaining agreements), and revenue increases within the legal authority of the City to levy are among those to be considered. The City has the legal authority to increase the property tax (or eliminate exemptions), the earned income tax, the parking tax, and the deed transfer tax. Any such action would require the approval of City Council and the Mayor. No assurance can be given as to the timing or course of action that may be taken by the City to balance its budget for 2003.

The City's cash balances are currently projected to be sufficient to meet the City's debt service and other obligations into the fourth quarter of 2003, and the City has no plans at this time to seek relief under Chapter 9 of the Federal Bankruptcy Code. However, if the City should fail to receive additional taxing authority from the Commonwealth and subsequently fails to receive the necessary approval from City Council for tax increases and service cuts, the City would then consider a number of options, including those available under Chapter 9 of the Federal Bankruptcy Code and the Pennsylvania Municipalities Financial Recovery Act. During the week of August 4, 2003, the City announced the layoff of 731 City employees to reduce costs. In addition, the City eliminated an additional 113 positions through vacancies.

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(F) Cash and Cash Equivalents

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

(G) Investments

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

(H) Due To/From Other Governments

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

(I) Taxpayer Assessed Taxes Receivable

Local wage taxes and other miscellaneous City taxes are recorded in the City's accounts as taxpayer assessed receivables and revenue at the time of the underlying transactions. Taxes for which there is an enforceable legal claim as of December 31, 2002 but which were levied to finance fiscal year 2003 operations have been recorded as deferred revenue until such time as the taxes become due.

(J) Assets Held for Sale

Assets held for sale relate mainly to land held by the URA with the intention of selling it to a third party for development. These assets are held at estimated net realizable value and are offset by deferred revenue in the governmental funds, as these assets are not considered to be available as current resources.

(K) Loans Receivable

In the governmental funds, loans receivable are recognized when the loan is established for loans with thirty years or less. 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 thirty years are treated as grants for accounting purposes and are recorded as expenditures when disbursed.

Amortizing loans are recorded at their principal balance due less an allowance for uncollectible accounts. Non-amortizing loans are presented at a net zero value as they are only repayable when the property is sold or 99 years after loan origination. These loans are fully reserved at the time of issue. The reserve is reversed and income is recognized when the loans are repaid or when the amount of repayment is determinable and reasonably assured.

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.

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(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, 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

In accordance with GASB Statement No. 34, a portion of the City's infrastructure has been capitalized, retroactively, upon adoption of the standard. Infrastructure networks capitalized in fiscal year 2002 were buildings, land, greenways, streets, and bridges. Infrastructure capitalization is expected to be completed in fiscal year 2003 with the addition of the Easements and Sidewalks network.

Pursuant to the Pittsburgh City Charter, all real estate, including buildings and improvements thereon, financed by debt issued by the City for the purpose of public use is the property of the City of Pittsburgh.

(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, 2002. 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 2002 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.

Establish liability reserves based upon expected future payments for all claims outstanding one year or more at the end of any fiscal year.

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

In 1987, the Water and Sewer Authority elected to become self-insured for general liability coverage and established a Self-Insured Escrow Fund (general liability) to cover potential liability claims.

(O) *Compensated Absences*

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

Liabilities for compensated absences are not liquidated until leave is actually taken by employees or leave balances are paid upon termination. Accordingly, in the fund financial statements for governmental funds, no expenditure is reported for compensated absences until they are due and payable. Current and non-current portions of compensated absences totaling \$33,000,043 are recorded in the governmental activities in the government-wide statements and represent a reconciling item between the government-wide and fund presentations.

An additional amount for employer FICA that is directly associated with the payment of compensated absences is accrued.

(P) *Pensions*

Governmental Accounting Standards Board (GASB) Statement No. 27 requires determination and disclosure of annual pension cost on the accrual basis of accounting, which may vary from actual pension expenditures recognized and reported under the modified accrual basis. Because the City has had no prior excess contributions or contribution deficiencies, its annual pension cost on the accrual basis is equivalent to its actuarially determined annual required contributions (see note 7). Pension expenditures are recognized under the modified accrual basis within governmental funds to the extent of City contributions. Contributions made to the plans represent 100% of the minimum municipal obligation as well as other postemployment benefits.

(Q) *Long-Term Obligations*

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

(R) *Interfund Transactions*

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

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(S) *Encumbrances*

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

(V) *Adoption of Accounting Pronouncement and Restatements*

During fiscal year 2002, the City adopted GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. 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.

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments.

Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City’s governmental activities and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the City’s statement of net assets includes both noncurrent assets and noncurrent liabilities of the City, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Obligations Account Group. In addition, the government-wide statement of activities reflects depreciation expenses on the City’s fixed assets, including infrastructure.

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In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. Accordingly, the accounting and financial reporting for the City's General Fund (except for compensated absences and workers' compensation under Interpretation No. 6) Capital Projects Funds, and Debt Service Funds is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by Statement No. 34.

Statement No. 34 also requires as required supplementary information Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and modified General Fund budget with actual results.

Effective January 1, 2002, the City adopted GASB Interpretation No. 6, and thus the City no longer accrues compensated absences at the governmental level. This is reflected as a change in accounting principle for governmental funds.

Fund equity balances as of December 31, 2001, as reported for governmental funds, were combined with the long-term liabilities and general fixed assets fund balances originally reported in the former general long-term debt account group and general fixed assets account group, respectively. The change was necessary due to the implementation of GASB 34, which required the debt issued by the City, and capital assets owned by the City, to be included in the City's government-wide financial statements.

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The following presents a reconciliation between total fund equity as of December 31, 2001, as originally reported, as restated for the effects of changes in accounting principle, to beginning net assets as reported under GASB Statement No. 34:

	Governmental Activities
Total fund equity as of January 1, 2002	\$ 88,013,065
Reclassification of fund equity	<u>66,869</u>
Total fund equity prior to restatement	88,079,934
Cumulative effect of changes in accounting principle related to compensated absences	16,442,998
Cumulative effect of changes in accounting principle related to workers' compensation	<u>16,972,586</u>
Subtotal of fund equity as of January 1, 2002	121,495,518
Reconciliation of fund equity to net assets as of January 1, 2002	
Deferred revenue not recorded at a government- wide level based on GASB Interpretation No. 6	6,505,840
Additional short-term workers' compensation at government-wide level based on GASB Interpretation No. 6	(16,972,586)
Capital assets, net	173,335,479
Long-term debt	(844,184,918)
Long-term liabilities	<u>(122,861,118)</u>
Total net assets as of January 1, 2002 as restated, for governmental activities	\$ <u>(682,681,785)</u>

The Governmental Accounting Standards Board has also issued GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*. This statement amends GASB No. 21 with regard to escheated property and amends GASB No. 34 to clarify certain provisions that may not be sufficiently clear for consistent application. It also modifies other provisions of GASB No. 34 that might have unintended consequences. The statement was required to be adopted by the City simultaneously with GASB No. 34.

The Governmental Accounting Standards Board has also issued GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, establishes and rescinds certain financial statement disclosure requirements. The statement was required to be adopted by the City simultaneously with GASB No. 34.

(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:

CITY OF PITTSBURGH, PENNSYLVANIA

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- 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.
- g. The capital budget is generally based on a proposed six-year capital program, which must be updated each year and submitted to City Council by the Mayor at least 30 days prior to the day the operating budget is submitted. The capital budget also includes appropriations for the Community Development Fund. Budget and actual data for the Community Development Fund is reflected in the Community Development Fund. The remainder of the capital budget is reflected in the capital projects fund.
- h. Formal budgetary integration is employed as a management control device for the general, the Community Development and the capital projects funds. Formal budgetary integration is not employed for the debt service fund since effective budgetary control is alternatively achieved through general obligation bond indenture provisions, nor for the other governmental funds since control is achieved through grant provisions or legislative action. Budgets for the Community Development and the capital projects funds are prepared on a project basis. The general, Community Development, and capital projects funds have legally adopted annual budgets.
- i. All budgets are prepared and controlled at the department level on a line item basis (i.e., salaries, supplies, equipment, miscellaneous services). Due to the voluminous number of projects, separately issued line item capital budget reports are available from the City Controller's Office. The general fund budget to actual comparison at the legal level of appropriation is located within the basic financial statements.
- j. Operating appropriations lapse at year end. City Council can, however, authorize, by resolution, the carryover of appropriations to the following year. The Community Development and capital projects funds appropriations carryover to subsequent years without formal reappropriation.

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- k. Operating budget figures are as amended by City Council with Mayoral approval. These budget amendments represent line item transfers between expenditure accounts and carryover of appropriations from the previous year. The original approved general fund budget included budgeted revenues and expenditures of \$359.0 million and \$364.7 million, respectively. The differences between budgeted revenues and expenditures is the authorized use of beginning year fund balance of \$5.7 million. The budgetary expenditures, as amended, include carryover appropriations and other changes approved by City Council during 2002.
- 2. **Budget Basis of Accounting** – The general fund budget is adopted on a cash basis. Budgeted encumbrances for purchase commitments are treated as restrictions of available cash and not as expenditures. Budgets in capital projects funds are also adopted on a cash basis, except that budgets for each project are adopted on a project basis, which may encompass a period longer than one year. Accordingly, budget figures, as amended, for Community Development and capital projects reflect current year appropriations and unexpended prior year's appropriations.

(3) Deposits and Investments

The bank balances of cash and cash equivalents of the City and its component units are classified into three categories to give an indication of the level of custodial credit risk assumed at year end. Category 1 includes deposits insured or collateralized with securities held by a City entity or its agent in the City's name. Category 2 includes deposits collateralized with securities held by the counterparty's trust department or agent in the City's name. Category 3 deposits are those which are uncollateralized or which are collateralized with securities held by the counterparty or by the trust department or agent but not in the City's name. Deposits classified as Category 3 are secured by pooled collateral held by an agent of the City's banks in the bank's name as permitted by Act 72 of the Commonwealth of Pennsylvania, dated August 6, 1971 (Act 72).

Investments of the City and its component units are classified into three categories to give an indication of the level of custodial credit risk assumed at year end. Category 1 includes investments insured or registered or securities held by a City entity or its agent in the City's name. Category 2 includes uninsured and unregistered investments with the securities held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments with the securities held by the counterparty or by its trust department or agent but not in the City's name.

The Trust's investments in mutual funds have not been categorized because the mutual funds are open-end funds not evidenced by securities held by either the Trust, the individual plans, or the counterparty.

The City's cash and investments are subject to varying investment policies and custodial arrangements. Deposits and investments as of December 31, 2002, except the Stadium Authority, which is as of March 31, 2002, and the Public Parking Authority, which is as of September 30, 2002 is as follows.

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Primary Government - Unrestricted	Category			Non-Categorized	Cost	Fair value
	1	2	3			
City of Pittsburgh:						
Certificate of deposit	\$ ---	---	26,100,000	---	26,100,000	26,100,000
Short-term institutional funds	---	---	99,737,733	---	99,737,733	99,737,733
U.S. government and agency obligations	---	---	5,350,000	---	5,350,000	5,350,000
Investments not subject to categorization						
Total investments	---	---	131,187,733	---	131,187,733	131,187,733
Total deposits	---	---	4,576,949	---	4,576,949	4,576,949
Total deposits and investments	\$ ---	---	135,764,682	---	135,764,682	135,764,682

Component Units - Unrestricted	Category			Non-Categorized	Cost	Fair value
	1	2	3			
Stadium Authority						
Money market pooled investments	\$ 58,662	---	2,000	---	60,662	60,662
Investments not subject to categorization						
Money market pooled investments	---	---	---	6,281,998	6,273,122	6,273,122
Total	\$ 58,662	---	2,000	6,281,998	6,333,784	6,333,784
PWSA:						
Deposits	\$ 345,000	---	31,298,000	---	31,643,000	31,643,000
Public Parking Authority						
Investments not subject to categorization						
Mutual funds	\$ ---	---	---	4,055,631	4,055,631	4,055,631
Deposits	38,702	---	---	---	38,702	38,702
Total	\$ 38,702	---	---	4,055,631	4,094,333	4,094,333
URA:						
U.S. government and agency obligations	\$ ---	---	99,441,424	---	99,441,424	99,441,424
Guaranteed investment agreements	8,268,690	---	---	---	8,268,690	8,268,690
Investments not subject to categorization						
Pooled Investment Fund	---	---	---	122,889,841	122,889,841	119,809,617
Total investments	8,268,690	---	99,441,424	122,889,841	230,599,955	227,519,731
Total deposits	831,819	---	27,247,370	---	28,079,189	28,079,189
Total deposits and investments	\$ 9,100,509	---	126,688,794	122,889,841	258,679,144	255,598,920
Total investments - unrestricted component units	\$ 8,711,054	---	130,741,424	133,227,470	272,671,072	269,590,848
Total deposits - unrestricted component units	\$ 831,819	---	27,247,370	---	28,079,189	28,079,189
Total deposits and investments - unrestricted component units	\$ 9,542,873	---	157,988,794	133,227,470	300,750,261	297,670,037

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Component Units - Restricted	Category			Non-Categorized	Cost	Fair value
	1	2	3			
PWSA:						
Repurchase agreements	\$	—	1,269,000	—	1,269,000	1,269,000
U.S. government and agency obligations		—	5,420,000	—	5,420,000	5,420,000
Investment agreements		—	—	73,987,000	73,987,000	73,987,000
Money market funds		—	—	2,564,000	2,564,000	2,564,000
Morgan Stanley securities		—	7,829,000	—	7,829,000	7,829,000
Total investments		—	14,518,000	76,551,000	91,069,000	91,069,000
Total deposits		—	—	—	—	—
Total deposits and investments	\$	—	14,518,000	76,551,000	91,069,000	91,069,000
Stadium						
Investments not subject to categorization						
Money market pooled investments	\$	—	—	—	8,876	8,876
Total	\$	—	—	—	8,876	8,876
Public Parking Authority:						
U.S. and state government obligations	\$	—	26,460,475	—	26,460,475	26,460,475
Total investments		—	26,460,475	—	26,460,475	26,460,475
Total deposits		1,572,030	—	—	1,572,030	1,572,030
Total deposits and investments	\$	1,572,030	26,460,475	—	28,032,505	28,032,505
Total investments - component units - restricted	\$	—	40,978,475	76,551,000	117,538,351	117,538,351
Total deposits - component units - restricted	\$	1,572,030	—	—	1,572,030	1,572,030
Total deposits and investments - component units - restricted	\$	1,572,030	40,978,475	76,551,000	119,110,381	119,110,381

Pension Trust - Unrestricted	Category			Non-Categorized	Cost	Fair value
	1	2	3			
City of Pittsburgh:						
Preferred and common stocks	\$	—	119,141,636	—	119,141,636	109,006,223
U.S. government and agency obligations		—	28,278,567	—	28,278,567	29,860,508
Corporate and other obligations		—	48,380,300	—	48,380,300	50,228,086
Investments not subject to categorization						
Mutual funds		—	—	142,375,177	142,375,177	105,678,967
Total investments		—	195,800,503	142,375,177	338,175,680	294,773,784
Total deposits		170,869	—	19,007,510	19,178,379	19,178,379
Total deposits and investments	\$	170,869	195,800,503	19,007,510	357,354,059	313,952,163

(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.

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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.

The pension trust funds, whose deposits and investments are held separately from those of the City, are assigned to professional money managers that specialize in certain types of investments. The investment alternatives of these money managers are generally restricted to those in which they specialize.

The assets of the Comprehensive Fund are invested under the direction of the Board with the assistance of the Executive Director and an outside investment consultant. The investment consultant serves as a manager of the six to eight independent money managers of the fund.

The assets of the fund consist of two components: (1) the Operating Fund and (2) the Long-Term Assets Fund. The Operating Fund's purpose is to provide the general cash flow requirements of the fund and to fund the benefits/operating payments of the three plans. The Long-Term Assets Fund is designed to achieve growth in terms of both capital appreciation and income toward funding the unfunded pension liability.

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Operating Fund investments are limited to U.S. Treasuries with maturities less than ten years; federal agencies, commercial paper, bank acceptances and certificates of deposit (CD) with maturities less than 270 days and approved by PNC Fixed-Income Research; repurchase agreements with maturities less than 91 days; asset backed securities rated "AAA" by Standard & Poor's or Moody's; collateralized mortgage obligations (CMO) backed by U.S. federal agencies with average life and prepayment restrictions; corporate and municipal bonds rated "AA" or better by Standard & Poor's or Moody's.

Except for issues guaranteed directly or indirectly by the U.S. government, the combined holdings of securities from one issuer may not constitute more than 10% of the Operating Fund at the time of purchase. Except for direct U.S. government treasury issues, a maximum of 30% of the market value of the holdings may be invested in any one government agency; also no more than 10% of the market value may be invested in any single bank issue at time of purchase.

The Long-Term Assets Fund requires an asset mix of 45% large-capital domestic equities, 15% small-capital domestic equities and 40% domestic fixed income securities or other investments specifically authorized by the Board. Each class is to have a minimal cash reserve allocation. Acceptable investments include: equities – high quality common stocks or convertible securities; fixed income securities – including U.S. treasury and agency issues, U.S. corporate bonds, mortgage related securities, Yankee Notes/Bonds and cash equivalents – U.S. treasury bills and repurchase agreements, money market funds, commercial paper and CDs of the custodian bank.

The Trust invests in asset-backed securities to maximize yields. Such securities market values may be affected by the cash flows from principal and/or interest payments received on the underlying assets. Thus the market values could be sensitive to prepayments, delinquencies and interest rate changes.

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

Hirtle Callaghan Trust International Equity Portfolio Fund #8	\$ 36,699,780
SSGA Russell 1000 Growth Fund	18,757,931
Hirtle Callaghan High Yield Bank Portfolio, Fund #12	21,887,156

(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. Throughout the year ended December 31, 2002, the Authority invested its funds in such authorized investments. Non-categorized amounts include money market funds and investment agreements.

(D) *Stadium Authority*

The trust indentures authorize the Stadium Authority to invest in obligations of the U.S. government, certificates of deposit and repurchase agreements. Throughout the year ended March 31, 2002, the Stadium Authority invested its funds in one or more of the above authorized investments. Non-

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categorized securities relate to pooled investment funds whose underlying vehicles are diversified portfolios of issuers and industries.

(E) Public Parking Authority

The trust indentures authorize the Public Parking Authority of Pittsburgh to invest in obligations of the U.S. government, corporate notes, municipal bonds, money market funds and certificates of deposit. The majority of the investments are restricted by terms and agreements of the Authority.

(F) Urban Redevelopment Authority

Pennsylvania statutes and the trust indentures related to certain debt transactions provide for investment of URA funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits and certificates of deposit, certain commercial paper and repurchase agreements and highly rated bank promissory notes or investment funds or trusts.

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. Non-categorized amounts are held in a variety of short-term pooled investment funds and cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form.

(4) Transactions With the Pittsburgh Water and Sewer Authority

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

(A) Cooperation Agreement

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

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

Under the Agreements, the Authority will continue to provide up to 600,000,000 gallons of water annually for the City's use without charge. The Authority also continues to reimburse the City for the cost of subsidizing water service to those residents living in the City but beyond the Authority's service area so that those water users pay charges which are based upon the Authority's rates.

(B) System Lease

The City and Authority entered into a Capital Lease Agreement (the Capital Lease), effective July 27, 1995, with a term of thirty years, commencing as of July 15, 1995, and ending on

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September 1, 2025. The Capital Lease stipulates minimum lease payments of approximately \$101,000,000, including interest, all of which have been satisfied. The Authority has the option to purchase the System in 2025 for \$1.

As of December 31, 2002, the City has retained the pension obligation for the Authority's employees who participate in the City's Municipal Pension Plan. The extent of the Authority's participation in such obligation with respect to these employees whose membership continued upon becoming employees of the Authority is determined by the shared interpretation of the City and the Authority of the intent of the Cooperation Agreement.

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

See additional related party transaction disclosures for the Urban Redevelopment Authority, Stadium Authority and Public Parking Authority in Footnote 9.

(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 lien'd every three years after the levy date. The City provides programs of tax abatement 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

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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. By comparison, 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 130,000, or over 26%, of property owners out of approximately one-half million in Allegheny County have filed property tax appeals contesting their new assessments as of June 1, 2003.

The City has accrued for tax refunds within accounts payable on the statements of net assets and governmental funds (general) balance sheet.

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(6) Capital Assets

A summary of capital asset activity for the year ended December 31, 2002 is as follows:

	Balances January 1, 2002	Additions	Deletions	Balances December 31, 2002
Governmental activities:				
Non-depreciable assets:				
Land	\$ 45,602,091	—	—	45,602,091
Construction-in-progress	10,687,691	5,559,451 *	—	16,247,142
Total	56,289,782	5,559,451	—	61,849,233
Depreciable assets:				
Buildings and systems	90,522,829	—	—	90,522,829
Accumulated depreciation	(67,819,398)	(1,936,300)	—	(69,755,698)
Net buildings and systems	22,703,431	(1,936,300)	—	20,767,131
Furniture and fixtures	6,667,931	154,765	(204,322)	6,618,374
Accumulated depreciation	(6,172,342)	(254,513)	204,322	(6,222,533)
Net furniture and fixtures	495,589	(99,748)	—	395,841
Machinery and equipment	1,724,729	40,491	—	1,765,220
Accumulated depreciation	(1,671,342)	(35,109)	—	(1,706,451)
Net machinery and equipment	53,387	5,382	—	58,769
Vehicles	33,294,111	4,367,479	(2,337,855)	35,323,735
Accumulated depreciation	(23,735,813)	(3,716,546)	2,337,855	(25,114,504)
Net vehicles	9,558,298	650,933	—	10,209,231
Infrastructure	134,201,011	2,138,617	—	136,339,628
Accumulated depreciation	(49,966,019)	(4,498,001)	—	(54,464,020)
Net infrastructure	84,234,992	(2,359,384)	—	81,875,608
Total depreciable assets	266,410,611	6,701,352	(2,542,177)	270,569,786
Total accumulated depreciation	(149,364,914)	(10,440,469)	2,542,177	(157,263,206)
Net total depreciable assets	117,045,697	(3,739,117)	—	113,306,580
Governmental activities capital assets, net	\$ 173,335,479	1,820,334	—	175,155,813

*This amount represents net additions as the City does not track construction-in-progress additions and deletions during the years.

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

General government	\$	2,565,945
Public safety		2,263,372
Highways, streets, and other capital improvements		4,499,892
Public works		912,601
Culture and recreation		198,659
Total depreciation expense - governmental activities	\$	<u>10,440,469</u>

Component unit's capital asset activity for the year ended December 31, 2002 was as follows:

	Balances January 1, 2002	Additions	Deletions/ transfers	Balances December 31, 2002
Component Units:				
Non-depreciable assets:				
Land	\$ 30,016,893	9,549,880	231,374	39,798,147
Construction-in-progress	43,981,286	44,130,291	(72,718,667)	15,392,910
Depreciable assets:				
Buildings and building improvements	20,310,599	—	—	20,310,599
Parking facilities	112,737,836	301,594	1,731,462	114,770,892
Machinery and equipment	106,613,229	161,572	(91,835)	106,682,966
Utility plant	304,857,000	70,533,000	—	375,390,000
Non-utility plant	9,979,000	546,000	—	10,525,000
Total depreciable assets	628,495,843	125,222,337	(70,847,666)	682,870,514
Less accumulated depreciation	125,363,156	17,442,793	(54,275)	(142,751,674)
Net Component Units capital assets	\$ <u>503,132,687</u>	<u>107,779,544</u>	<u>(70,793,391)</u>	<u>540,118,840</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

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performed annually for each fund. However, the individual funds do not record the undivided interest in the investments in their individual funds since the assets of the Comprehensive Trust are available for the payments of benefits and expenses of any of the three pension funds without limitations. Therefore, in accordance with Government Accounting Standards, the City is considered to be administering a single plan for financial reporting purposes. The three pension trust funds plus the Comprehensive Trust constitute the City's Pension Plan.

In 1984, the Pennsylvania General Assembly passed the "Municipal Pension Plan Funding Standard and Recovery Act" (Act 205), which has significantly improved the administration and funding of municipal pension plans. The Recovery Act made changes to the actuarial reporting requirements for municipalities, set forth minimum municipal pension contributions, and established the framework for customized recovery programs for municipalities with large unfunded pension liabilities.

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

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

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

The Municipal Pension Fund

The Municipal Pension Fund of the City of Pittsburgh (the Fund) was established by Act 259 of May 28, 1915, P.L. 596. Every full-time employee of the City of Pittsburgh and the Pittsburgh Water and Sewer Authority (PWSA) who is not covered by the Policemen's Plan or the Firemen's Plan is required to join the Plan after serving a 90-day probation period. The Fund is a single employer defined benefit plan, and its purpose is to provide retirement, disability and other benefits to its members. The City of Pittsburgh and members of the Fund are required to make contributions to the Fund for the purpose of paying benefits and administrative expenses. At January 1, 2002, the date of the most recent actuarial valuation, the Fund has 3,985 total members of which 2,311 are active members; 1,650 retirees, disabled, and survivors, and 24 terminated but vested members.

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

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Retirement benefits are available at the employee's option upon attainment of age 60, and completion of 20 years of service, normal retirement. A plan member is eligible for early retirement upon attainment of age 50 and completion of eight years of service. For early retirees, benefit payments may be deferred until 60 years of age, or paid immediately at reduced amounts, as defined by the Plan. Upon completion of eight years of service, and attainment of age 40, an employee may terminate and remain eligible to receive benefits by continuing to make contributions to age 50. An employee who was a member prior to January 1, 1975 may terminate at any age after 15 years of service and be vested by continuing contributions to age 50.

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

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. The benefit for employees who became members after January 1, 1975, is equal to 50% of three-years average pay, four-years average pay if hired after December 31, 1987, reduced at age 65 by 50% of the Social Security benefit. The aforementioned benefits are prorated for employees with less than 20 years of service. Beginning January 1, 2002, such benefits for certain classes of employees are no longer reduced by the Social Security benefit. All members receive a service increment of 1% of three-year average pay, four-year average pay if hired after December 31, 1987, for each year of service in excess of 20, to a maximum of \$100 per month.

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.

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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.

In May 1995, the City offered its employees who are covered by the Municipal Pension Fund and who had attained the age of 50 with a minimum of eight (8) years of service an Early Retirement Incentive Program (the Program). The Program became effective July 1, 1995 for those employees who elected to participate by June 30, 1995 and who had become members of the Fund prior to January 1, 1988. The Program provided for a lump sum severance payment equal to 2.5 times each electing employee's gross monthly salary. The Program also provides each of the 200 employees who elected to retire under its provisions a monthly benefit of \$350 until attainment of 65 years of age.

The retirement benefit for employees who became members of the Fund before January 1, 1975 is 55% of the first \$650 of average monthly compensation plus 30% of the amount in excess of \$650. Prior to January 1, 2002, the benefits for employees who became members after December 31, 1974 were reduced by 50% of the Social Security benefit. Beginning January 1, 2002, such benefits are no longer reduced by the Social Security benefit for certain classes of employees. Employees with 20 years of service receive an additional benefit of 1% of average monthly compensation for each complete year in excess of 20. The retirement benefit for employees with less than 20 years of service will be reduced by 5% for each year of service less than 20. In addition, for employees electing the program who have not attained the age of 60, the retirement benefit is reduced by 1/2% for each month that the payments commence prior to age 60, except for those hired before January 1, 1975, with 25 years of service. Average monthly compensation is defined as the average of salaries and wages during the highest 36 months of the final 60 months preceding retirement, excluding overtime.

Employee contributions to the Fund are 5% of pre-tax pay for employees hired prior to January 1, 1988, and 4% of pre-tax pay for those thereafter.

The Policemen's Relief and Pension Fund

The Policemen's Relief and Pension Fund of the City of Pittsburgh (the Fund) was established by Act 99 of May 25, 1935, P.L. 233. The Fund is a single employer defined benefit plan and its purpose is to provide retirement, disability and other benefits to its members. P.L. 233 requires the City 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 Police, including substitute uniformed employees, are eligible for membership in the Fund. At January 1, 2002, the Fund has 2,681 total members of which 1,129 are active members; 1,550 retirees, disabled, and survivors; and two terminated members not yet receiving benefits.

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

The regular pension benefit is equal to 50% of the highest 12 consecutive months' pay at the time of retirement. Employees hired after December 31, 1991, receive a pension benefit based on a 36-month average pay. An arbitration award dated March 30, 1992, changed the method used to calculate pension benefits for employees. Under the new method, pension benefits are determined on the basis of the last 36 months average pay instead of the last 48 months average pay for employees hired on or after January 1, 1992. Employees hired prior to January 1, 1992, receive pension benefits on the basis of the highest 12 consecutive months' pay at the time of retirement.

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, 2002, the Fund had 1,883 total members of which 898 are active members; 984 retirees, disabled, and survivors; and one terminated member not yet receiving benefits.

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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.

Normal vesting occurs upon attainment of age 50 and 20 years of service. Upon termination of employment a member's contributions, without accumulation of interest, 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.

(B) *Funding Status and Progress*

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

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

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

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

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

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2002

the development and adoption of an administrative improvement plan for its pension funds, the establishment of lower cost pension plans for new hires and the aggregation of all the City's pension assets for investment purposes under the guidance of a new oversight board (the Comprehensive Municipal Pension Trust Fund Board). The Comprehensive Trust, which is comprised of seven members, four appointed by the Mayor and approved by Council, and one elected from each plan, manages the investments of all pension assets and provides funds for each plan's monthly payment of benefits and administrative expenses.

The optional remedies initially selected by the City were: 40-year amortization of the unfunded liability, level percent amortization and a 15-year phase-in allowing the City to gradually increase its pension contributions.

In 1988, the City opted out of the 15-year phase-in optional remedy since its pension contributions were already exceeding the amount required by Act 205. In its place, the City adopted a planned schedule of pension contributions, which began in 1989 at a level of \$12 million and increases by \$500,000 every other year or the City can fund the actuarially determined minimum municipal obligation, as defined, whichever is less.

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 obligations. 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:

Fiscal year ended	Municipal			Police		Fire		
				(Amounts in thousands)				
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) *		
December 31, 2000								
Annual required contribution		2,613		9,708		5,730		
Contributions made		(3,780) *		(10,233) *		(7,397) *		

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

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2002

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

	<u>Municipal</u>	<u>Police</u>	<u>Fire</u>
Valuation date	1/1/02	1/1/02	1/1/02
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar closed	Level dollar closed	Level dollar closed
Remaining amortization period	37 years	37 years	37 years
Asset valuation method	Market related	Market related	Market related
Actuarial assumptions:			
Investment return	%	9.00	9.00
Projected salary increases		4.00	6.46
			6.00

Three Year Trend Information

<u>Fiscal year ending</u>	<u>Pension plan</u>	<u>Pension cost (ARC)</u>	<u>Total contributions as a percentage of annual required contributions</u>
December 31, 2000	Municipal	\$ 2,613	%
	Police	9,708	144.7
	Fire	5,730	105.4
		<hr/>	129.1
	Total	18,051	118.6
December 31, 2001	Municipal	3,865	133.2
	Police	10,502	108.3
	Fire	5,783	129.3
		<hr/>	
	Total	20,150	119.1
December 31, 2002	Municipal	2,829	157.6
	Police	10,565	114.9
	Fire	5,032	114.9
		<hr/>	
	Total	18,426	121.4

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2002

At January 1, 2002, the membership of the three pension plans consisted of:

Status	Municipal	Police	Fire	Total
Retirees and beneficiaries of deceased retirees currently receiving benefits	1,650	1,550	984	4,184
Terminated employees – vested	24	2	1	27
Total	1,674	1,552	985	4,211
Active members	2,311	1,129	898	4,338
Total membership	3,985	2,681	1,883	8,549

(8) Other Postemployment Benefits

In addition to the pension benefits disclosed in note 7, resolutions of City Council, State statutes, and labor agreements have provided for certain post employment benefits, other than pension benefits, to be provided to retirees or their beneficiaries. The City accounts for all City contributions on a pay-as-you-go basis. Such benefits are primarily funded through annual appropriations from the City's General Fund and trusts designated for those purposes. A brief summary of such benefits follows:

Policeman's Pension Fund:

Police officers retiring in 1979 are eligible at age 65 to receive a maximum of \$50 per month for hospitalization insurance premiums if such retirees actually pay such premiums. Police officers retiring in 1980 and 1981 are eligible at age 60 to receive a maximum of \$50 per month for hospitalization insurance premiums if such retirees actually pay such premiums. As of December 31, 2002, the Policemen's Fund has 54 retirees receiving the \$50 per month and 4 retirees eligible to receive such benefit in the future through January 2007. Surviving spouses of deceased retirees who do not otherwise receive survivors benefits under the plan received \$350 per month. The monthly cost of surviving spouse benefits of deceased retirees not otherwise receiving benefits is approximately \$12,000.

The City of Pittsburgh also provides funds to the Comprehensive Trust for cost of living adjustments and hospitalization benefits. Combined payments received from the City by the Comprehensive Trust to fund such costs for the Firemen's and Policemen's Plans totaled \$2,326,688 for 2002.

In June of 2002, the General Assembly of the Commonwealth of Pennsylvania passed House Bill No. 1360, which amended Public Law No. 1192. As a result, Police and Firemen pension plans are required to pay increased special ad hoc postretirement adjustments to retirees based on years of service. For the year ended December 31, 2002, the additional payments to retirees that were attributable to House Bill No. 1360 were \$45,387 for the Firemen's Plan and \$60,708 for the Policemen's Plan.

Firemen's Pension Fund:

Retirees who retired between January 1, 1979 and December 31, 1986 receive up to \$70 per month as an allowance for health insurance.

CITY OF PITTSBURGH, PENNSYLVANIA

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Retirees who have retired since January 1, 1987 are paid the cost of health insurance at the time of retirement. Any increases in premiums subsequent to retirement are paid by the retiree.

The City of Pittsburgh also provides funds to the Comprehensive Trust for cost of living adjustments and hospitalization benefits. Combined payments received from the City by the Comprehensive Trust to fund such costs for the Firemen's and Policemen's Plans totaled \$2,326,688 for 2002.

Surviving spouses of deceased retirees who do not otherwise receive survivors benefits under the plan receive \$350 per month.

In June of 2002, the General Assembly of the Commonwealth of Pennsylvania passed House Bill No. 1360, which amended Public Law No. 1192. As a result, Police and Firemen pension plans are required to pay increased special ad hoc postretirement adjustments to retirees based on years of service. For the year ended December 31, 2002, the additional payments to retirees that were attributable to House Bill No. 1360 were \$45,387 for the Firemen's Plan and \$60,708 for the Policemen's Plan.

As of December 31, 2002, the Firemen's Pension Plan incurs a monthly expense of approximately \$7,420 for health care benefits and \$7,750 for surviving spouse benefits of deceased retirees.

The City provides healthcare benefits to 1,324 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 2002, post-retirement healthcare benefits expense paid by the City was \$9,578,618.

In addition, in 1995, the City offered post-retirement 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 74 retirees in this group with a total cost to the City in 2002 of \$310,800.

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 1,772 retirees in this group with a total cost during 2002 of \$200,008.

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Notes to Basic Financial Statements

December 31, 2002

(9) Long-Term Liabilities

The maximum amount payable for future maturities of bond and interest on long-term debt at December 31, 2002 and changes in bond principal for the year then ended are summarized below:

	Principal	
	Outstanding at December 31, 2001	Bonds paid or defeased and discount amortized during 2002
Council and Public Election General Obligation bonds:		
Fifteen general obligation bond issues with rates ranging from 4.0% to 7.0%. The bonds are payable from general revenues.		
2002	\$ 36,940,000	36,940,000
2003	38,420,000	—
2004	39,210,000	—
2005	42,425,000	—
2006	45,515,000	—
2007	47,910,000	—
2008 – 2012	246,435,000	2,320,000
2012 – 2017	167,830,000	18,650,000
2018 – 2022	143,160,000	23,620,000
2022 – 2026	69,710,000	10,000,000
Subtotal	877,555,000	91,530,000
Less: Discount	(5,827,308)	(1,391,302)
Unamortized bond issuance costs	(7,480,240)	(584,942)
Unamortized bond discounts/premiums	1,349,920	(391,159)
Excess cost on debt refinancing	—	6,806,708
Less bonds funded by Stadium Authority	(18,906,509)	(2,155,526)
Total	846,690,863	93,813,779

Bonds issued during 2002	Outstanding at December 31, 2002	Interest
—	—	—
5,000	38,425,000	51,771,160
1,545,000	40,755,000	49,564,257
1,610,000	44,035,000	46,985,876
1,925,000	47,440,000	44,728,947
2,000,000	49,910,000	42,327,072
19,275,000	263,390,000	169,250,850
66,475,000	215,655,000	101,823,963
17,090,000	136,630,000	46,929,627
16,660,000	76,370,000	6,197,298
126,585,000	912,610,000	559,579,050
—	(4,436,006)	—
—	(6,895,298)	—
—	1,741,079	—
—	(6,806,708)	—
—	(16,750,983)	(12,440,714)
126,585,000	879,462,084	547,138,336

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2002

Discretely Presented Component Units

Future maturities of bond principal on Urban Redevelopment Authority indebtedness as of December 31, 2002 are as follows:

		Principal	
		Outstanding at December 31, 2001	Bonds paid during 2002
Urban Redevelopment Authority			
Taxable Revenue Bonds:			
One tax increment financing (TIF) bond with interest rates ranging from 6.25% to 7.2%. Terms of the TIF require repayments of principal and interest solely from tax increments generated in tax increment districts and related agreements.			
2002	\$	92,733	92,733
2003		98,410	—
2004		104,088	—
2005		111,657	—
2006		119,228	—
2007		126,798	—
2008 – 2012		779,708	—
2013		191,142	—
Total		1,623,764	92,733
Urban Redevelopment Authority			
Taxable Revenue Bonds:			
One Special Tax Development Bond with interest rates ranging from 8.50% to 9.07%. The bonds are payable solely from City's assignment to URA of certain Allegheny Regional Asset District revenues.			
2002		1,325,000	1,325,000
2003		1,440,000	—
2004		1,570,000	—
2005		3,070,000	—
2006		3,345,000	—
2007		3,650,000	—
2008 – 2012		23,990,000	—
2013 – 2014		17,000,000	—
Total		55,390,000	1,325,000

Bonds issued during 2002	Outstanding at December 31, 2002	Interest
—	—	—
—	98,410	106,743
—	104,088	100,592
—	111,657	93,982
—	119,228	86,781
—	126,798	79,031
—	779,708	244,996
—	191,142	13,762
—	1,531,031	725,887
—	—	—
—	1,440,000	4,817,878
—	1,570,000	4,695,478
—	3,070,000	4,561,244
—	3,345,000	4,297,224
—	3,650,000	4,007,882
—	23,990,000	14,573,626
—	17,000,000	2,517,832
—	54,065,000	39,471,164

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Notes to Basic Financial Statements

December 31, 2002

	Principal	
	Outstanding at December 31, 2001	Bonds paid during 2002
Urban Redevelopment Authority		
Revenue Bonds:		
Two tax increment financing (TIF) bonds with interest rates ranging from 5.75% to 6.25%. Terms of the TIF require repayments of principal and interest solely from tax increments generated in tax increment districts and related agreements.		
2002	\$ 196,821	196,821
2003	213,853	—
2004	228,993	—
2005	244,133	—
2006	268,735	—
2007	281,983	—
2008 – 2012	1,769,490	—
2013 – 2015	590,460	—
Total	3,794,468	196,821
Urban Redevelopment Authority		
Taxable Revenue Bonds:		
One taxable revenue bond issue with an interest rate of 8.0%. The bond is payable from general resources from the General Fund.		
2002	965,000	965,000
2003	1,040,000	—
2004	1,125,000	—
Total	3,130,000	965,000
Urban Redevelopment Authority		
Taxable Revenue Bonds:		
One tax increment financing (TIF) bond with interest rates ranging from 7.17% to 8.01%. Terms of the TIF require repayments of principal and interest solely from tax increments generated in tax increment districts and related agreements.		
2002	117,118	117,118
2003	124,674	—
2004	132,230	—
2005	145,453	—
2006	154,898	—
2007	168,121	—
2008 – 2012	1,065,396	—
2013 – 2015	880,274	—
Total	2,788,164	117,118
Portion of total Urban Redevelopment Authority Debt guaranteed by the City	\$ <u>66,726,396</u>	<u>2,696,672</u>

Bonds issued during 2002	Outstanding at December 31, 2002	Interest
—	—	—
—	213,853	210,455
—	228,993	197,887
—	244,133	184,448
—	268,735	169,921
—	281,983	153,834
—	1,769,490	466,367
—	590,460	67,420
—	3,597,647	1,450,332
—	—	—
—	1,040,000	173,200
—	1,125,000	90,000
—	2,165,000	263,200
—	—	—
—	124,674	204,000
—	132,230	194,697
—	145,453	184,468
—	154,898	173,317
—	168,121	161,275
—	1,065,396	579,083
—	880,274	109,699
—	2,671,046	1,606,539
—	64,029,724	43,517,122

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2002

Future maturities of bond principal on Stadium Authority indebtedness at March 31, 2002 are as follows:

		Principal	
		Outstanding at March 31, 2001	Bonds paid or defeased during 2002
Stadium Authority Revenue Bonds and Note:			
One revenue refunding bond issue with interest rates ranging from 4.4% to 5.0%. The bonds are payable from revenue from the RAD tax:			
2002	\$	1,700,000	1,700,000
2003		1,780,000	—
2004		1,860,000	—
2005		1,945,000	—
2006		2,040,000	—
		<u>9,325,000</u>	<u>1,700,000</u>
Unamortized bond discount		(99,010)	—
		<u>9,225,990</u>	<u>1,700,000</u>
Plus: General Obligation Bonds funded by Stadium Authority		<u>16,950,000</u>	<u>1,810,000</u>
Total	\$	<u><u>26,175,990</u></u>	<u><u>3,510,000</u></u>

Bonds and notes issued during 2002	Outstanding at March 31, 2002	Interest
—	—	—
—	1,780,000	364,743
—	1,860,000	283,752
—	1,945,000	196,333
—	2,040,000	102,000
—	7,625,000	946,828
22,002	(77,008)	—
22,002	7,547,992	946,828
—	15,140,000	—
22,002	22,687,992	946,828

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2002

Future maturities of bond and note principal on Parking Authority indebtedness at September 30, 2002 are as follows:

		Principal	
		Outstanding at September 30, 2001	Bonds and notes paid during 2002
Parking Authority Revenue Bonds and Notes:			
Three revenue bond issues with interest rates ranging from 4.55% to 6.0%. These bonds are payable from revenue from Parking Authority operations.			
2002	\$	2,905,000	2,905,000
2003		3,720,000	—
2004		3,920,000	—
2005		4,135,000	—
2006		4,360,000	—
2007		4,605,000	—
2008 – 2012		27,355,000	—
2013 – 2017		13,630,000	—
2018 – 2022		11,600,000	—
2023 – 2027		10,580,000	—
2028		990,000	—
		87,800,000	2,905,000
Plus bond premium		60,518	—
Less unamortized discount		(1,061,299)	(87,736)
Total	\$	86,799,219	2,817,264

<u>Bonds and notes issued during 2002</u>	<u>Outstanding at September 30, 2002</u>	<u>Interest</u>
—	—	—
—	3,720,000	4,741,425
—	3,920,000	4,536,068
—	4,135,000	4,314,641
—	4,360,000	4,079,830
—	4,605,000	3,827,144
—	27,355,000	14,737,282
—	13,630,000	8,184,313
—	11,600,000	5,184,520
—	10,580,000	1,571,494
—	990,000	53,956
—	84,895,000	51,230,673
(2,584)	57,934	—
—	(973,563)	—
<u>(2,584)</u>	<u>83,979,371</u>	<u>51,230,673</u>

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2002

Future maturities of bond principal on Water and Sewer Authority indebtedness at December 31, 2002 are as follows:

	Principal	
	Outstanding at December 31, 2001	Bonds paid, defeased or discount amortized during 2002
Water and Sewer Authority Revenue Bonds:		
Five revenue bond issues with interest rates ranging from 4.0% to 5.3125% and one revenue refunding bond with interest rates ranging from 4.6% to 6.5%. The bonds are payable from revenue from Water and Sewer operations.		
2002	\$ 10,065,000	10,065,000
2003	10,505,000	—
2004	11,000,000	—
2005	11,515,000	—
2006	12,060,000	—
2007	12,640,000	—
2008 – 2012	73,495,000	—
2013 – 2017	97,020,000	—
2018 – 2022	121,810,000	—
2023 – 2027	150,930,000	—
2028 – 2031	78,170,000	—
Subtotal	589,210,000	10,065,000
Less net bond discount	(2,775,000)	—
Less unamortized discount on 1998 bonds	(121,619,000)	—
Less deferred refunding loss:		
1991 Series	(17,309,000)	—
1998 Series	(4,665,000)	—
Total	\$ 442,842,000	10,065,000

Bonds issued discount and refunding loss amortized during 2002	Outstanding at December 31, 2002	Interest
—	—	—
199,000	10,704,000	26,679,302
2,144,000	13,144,000	26,205,071
2,226,000	13,741,000	25,610,671
2,309,000	14,369,000	24,984,109
2,389,000	15,029,000	24,327,429
13,351,000	86,846,000	109,827,869
16,705,000	113,725,000	84,279,445
21,095,000	142,905,000	61,405,996
25,775,000	176,705,000	76,029,934
25,795,000	103,965,000	66,234,911
111,988,000	691,133,000	525,584,737
(161,000)	(2,936,000)	—
2,375,000	(119,244,000)	—
1,783,000	(15,526,000)	—
332,000	(4,333,000)	—
116,317,000	549,094,000	525,584,737

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2002

The Public Auditorium Authority is now a part of the Sports and Exhibition Authority, which is not a component unit of the City. The following debt was guaranteed by the City.

		Principal	
		Outstanding at December 31, 2001	Bonds paid or defeased during 2002
Public Auditorium Authority Revenue Bonds:			
One bond issue with interest rates ranging from 4.5% to 5.85%. The City's share of debt service on these bonds is payable from general revenues.			
2002	\$	1,642,500	1,642,500
2003		1,657,500	1,657,500
2004		1,727,500	—
2005		1,797,500	—
2006		1,800,000	—
2007		1,490,000	—
2008		1,125,000	—
2009 – 2012		2,390,000	—
2013 – 2017		2,692,500	—
2018		445,000	—
Total	\$	16,767,500	3,300,000

<u>Bonds issued during 2002</u>	<u>Outstanding at December 31, 2002</u>	<u>Interest</u>
—	—	—
—	—	—
—	1,727,500	678,350
—	1,797,500	600,612
—	1,800,000	517,928
—	1,490,000	432,427
—	1,125,000	359,418
—	2,390,000	1,276,797
—	2,692,500	599,693
—	445,000	26,032
—	<u>13,467,500</u>	<u>4,491,257</u>

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Notes to Basic Financial Statements

December 31, 2002

(A) *Council and Public Election General Obligation Bonds*

General Obligation Bonds – Series of 2002A

On December 15, 2001, the City issued \$126,585,000 of General Obligation Bonds, Series A with an average interest rate of 5.254%. These bonds were not delivered until January 7, 2002 and are therefore considered 2002 Bonds. These bonds consisted of serial bonds bearing various fixed rates ranging from 4.0% to 5.5% with maturities commencing on September 1, 2003 and continuing annually through September 2026.

The net proceeds of \$125,514,942 (including bond premium and after underwriting fees, issuance costs for total costs of \$1,311,829 and a transfer of \$2,264,176 of capitalized interest to the Debt Service Fund) were used to provide funds for capital projects and to purchase \$65,631,708 of U.S. government securities to be used to refund bonds. These securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, these bonds are considered to be defeased, and the related liability for the bonds has been removed from the noncurrent liabilities on the statement of net assets.

Principal payments refunded were:

Issue/series	Rate	Amount
1994 A	5.1%	\$ 1,525,000
1997 A	5.0	2,455,000
1999 A	4.25 - 6.00	54,845,000
		<u>\$ 58,825,000</u>

The City's advanced refunding increased its total debt service payments over the next 24 years by \$2,585,566. The transaction resulted in an economic loss (difference between the present value of debt service on the old and new bonds) of approximately \$3,565,841. As a result of this defeasance, the City prepaid interest of \$6,806,708, which is recorded as excess cost on debt refinancing in the statement of net assets.

In 1998 and 2002, the City defeased certain general obligations and other bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, neither the assets held in trust nor the refunded bonds appear in the accompanying financial statements. At December 31, 2002, bonds outstanding of \$170,910,000 refunded by the above mentioned issues are considered defeased.

(B) *Sports and Exhibition Authority*

On October 28, 1999, the Authority issued \$36.5 million in bonds guaranteed by the City and County with an average interest rate of 5% to advance refund \$23.5 million of outstanding 1991 and 1994 series bonds with an average interest rate of 5.9% and 6.2%, respectively, and to satisfy the 1978 series bonds with an outstanding balance of \$7 million.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

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(C) *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.

(D) *Pittsburgh Water and Sewer Authority*

To finance its initial capital improvement program, the Authority issued Daily Adjustable Demand Water and Wastewater System Revenue Bonds of \$93,600,000 in 1984 (1984 Bonds). In 1985, the Authority issued Water and Wastewater System Adjustable Rate Tender Revenue Bonds (1985 Bonds) that accomplished an advance refunding which defeased the 1984 Bonds. In 1986, the Authority issued \$134,700,000 Water and Wastewater System Adjustable Rate Tender Revenue Bonds (1986 Bonds) to finance the next phase of its capital improvement program. In July 1991, the Authority issued \$248,329,000 Water and Wastewater System Revenue Refunding Bonds, Series A of 1991 (1991 Bonds) which currently refunded all outstanding 1985 and 1986 Bonds. The principal of defeased 1986 Bonds still outstanding at December 31, 2002, was \$198,080.

In November 1993, the Authority issued \$278,970,000, Series A Refunding Bonds, (Series A-1993 Bonds) and \$10,785,000 Series B Revenue Bonds (Series B-1993 Bonds) to finance additional capital improvements. Series A-1993 Bond proceeds of \$276,613,000 (net of \$3,402,000 in underwriting fees, FGIC insurance and other issuance costs) defeased the Authority's 1991 Bonds through an advance refunding. The principal of defeased 1991 Bonds still outstanding at December 31, 2002, was \$77,630.

The Series A-1993 and Series B-1993 Bonds still outstanding bear interest at fixed rates ranging from 3.4% to 6.5%, payable semiannually at March 1 and September 1. The average effective interest rate on the 1993 Bonds, including amortization of original issue premium and excluding the 1991 refunding loss, was approximately 5.1% for 2002.

The bonds are insured under a Municipal Bond New Issue Insurance Policy issued by FGIC. A portion of the 1993 Bonds are subject to optional and mandatory redemption in various face amounts beginning September 1, 2003.

In July 1995, the Authority issued \$89,850,000, Series A Bonds (1995 Series A Bonds), the proceeds of which are dedicated to a capital improvement program for the System and \$103,020,000, Series B Bonds (1995 Series B Bonds) to fund certain obligations of the Authority to the City under the Capital Lease Agreement for the System.

In March 1998, the Authority issued \$93,355,000 Series A First Lien Revenue Bonds (1998 Series A Bonds), the proceeds of which were used to defease through an advance refunding the entire balance of 1995 Series A Bonds outstanding (\$89,850,000), \$36,440,000 Series B First Lien Revenue Bond (1998 Series B Bonds), the proceeds of which are dedicated to a capital improvements program and \$101,970,000 Series C Subordinate Revenue Bonds (1998 Series C Bonds), the proceeds of which were used to defease through an advance refunding the entire balance of the 1995 Series B Bonds outstanding (\$98,410,000). In connection with the advance refunding, a portion of the proceeds of the 1998 Bonds was deposited into an irrevocable trust with an escrow agent to provide for the future debt payments. The advance refunding resulted in

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Notes to Basic Financial Statements

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an economic gain to the Authority of approximately \$7,500,000 and an increase to the debt service payments of approximately \$66,000,000. At December 31, 2002, the unamortized deferred refunding loss of \$4,333 on the transaction is shown as a reduction of long term debt and will be amortized through 2028. At December 31, 2002, the principal of the defeased 1995 Bonds outstanding was \$165,615.

The 1998 Series A Bonds and 1998 Series C Bonds bear interest at fixed rates remaining from 5.0% to 5.25%, payable semiannually at March 1 and September 1. The average effective interest rate on the 1998 Bonds, including amortization of original issue discount and excluding the amortization of the 1995 refunding loss is approximately 5.1%. The 1998 Series B Bonds are capital appreciation bonds with an original issuance amount of \$36,440,000. The 1998 Series B Bonds have maturity values of \$2,300,000 to \$31,800,000 from 2017 to 2030. The bonds were issued to yield rates from 5.18% to 5.3%. The 1998 Series B Bonds accrue and compound interest on a semiannual basis and are carried at cost plus accrued interest. Total maturity value of the 1998 Series B Bonds is \$166,100,000.

A portion of the 1993 Bonds are subject to optional and mandatory redemption in various face amounts beginning September 1, 2003. A portion of the 1998 Bonds are subject to optional redemption in various face amounts beginning March 1, 2008.

(E) Urban Redevelopment Authority of Pittsburgh (URA)

The bond issuances discussed below in (1), (2), (3), and (5) are classified as self-supporting bonds payable as of December 31, 2002, since repayment of principal and interest is dependent solely from available tax increments or Allegheny Regional Asset District revenues. The bond issuances discussed in (2), (3), and (5) are not backed by the full faith and credit of the City.

(1) Urban Redevelopment Authority of Pittsburgh (URA) Guaranteed Tax Increment Financing Bonds – Series 1994A

In March 1994, the URA issued \$5,510,000 of Guaranteed Tax Increment Financing Bonds (TIF) 1994A with an average interest rate of 6.59%. The City's share of these bonds was \$2,085,535. The remaining bonds outstanding bear interest at rates ranging from 6.25% to 7.2%.

The net proceeds of \$5,443,164 were used to finance the construction of a parking facility at the Pittsburgh Technology Center – a high tech research park which is being redeveloped on a former steel mill site.

In February 1994, the City executed a guarantee agreement with the URA, whereby the City's full faith and credit were unilaterally pledged to guarantee the debt service payments related to the URA's \$5,510,000 TIF.

Under separately executed agreements with the City, County and Pittsburgh School District, each entity has pledged its entire share of all new real estate taxes generated by the newly approved tax increment district. The bonds are considered to be self-supporting based upon the pledged incremental taxes, tenant lease agreements, and other related agreements. Currently, agreements have been executed with Union Switch and Signal, which has built a multi-million dollar research facility on the site; and the other key participants: the University of Pittsburgh

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

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(Pitt) and Carnegie-Mellon University (CMU), both of which have signed municipal service agreements. Both Pitt and CMU have built research facilities on the site in the last few years. Union Switch and Signal has entered into separate agreements not to challenge the tax assessment on its new facility for as long as the bonds are outstanding.

The guarantee agreement calls for the City to make debt service payments in the event that current revenues generated under these agreements are insufficient to make required debt service payments. The bond agreement calls for a debt service reserve fund equal to the highest year's debt service to be maintained. Average annual debt service is approximately \$560,000.

(2) Special Tax Development Bonds, Taxable Series of 1995A

Effective March 1, 1995, the City entered into a Cooperation Agreement (the Agreement) which allocates a portion of the City's Allegheny Regional Asset District revenues to pay the debt service on the Authority's Special Tax Development Bonds, Taxable Series of 1995 (Bonds), the proceeds of which were used to fund the Pittsburgh Development Fund.

The Agreement irrevocably assigns to the URA the right to receive (a) the first \$6,200,000 of the City's allocation of Allegheny Regional Asset District revenues for each of the ten years beginning March 1, 1995, and (b) the first \$7,500,000 of the City's allocation of Regional Asset District revenues for each of the ten years beginning March 1, 2005.

These bonds are not guaranteed by the full faith and credit of the City. 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, 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.

(3) Urban Redevelopment Authority of Pittsburgh (URA) Redevelopment Bonds Series 1995 A and B (Center Triangle Tax Increment Financing District)

In December 1995, the URA issued \$7,545,000 of Redevelopment Bonds, Series A of 1995 and \$4,325,000 of Redevelopment Bonds, Series B of 1995 (collectively, the Bonds). The City's share of these bonds was \$2,855,787 and \$1,637,016, respectively. The Series A Bonds consist of serial bonds bearing various fixed interest rates ranging from 5.125% to 6% with maturities commencing on June 1, 2000 through December 1, 2011. The Series B Bonds consist of serial bonds bearing various fixed interest rates ranging from 5.75% and 6.25% with maturities on March 15, 2006 and March 15, 2015.

CITY OF PITTSBURGH, PENNSYLVANIA

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The Bonds' proceeds, together with other funds, were used primarily to fund costs associated with the construction of a subsurface public parking garage to be located in an approximate twelve block area in the central business district of the City (the TIF District) and to pay bond issuance costs. Other public and private moneys were used to finance certain costs of significant redevelopment efforts within the TIF District, including renovation of a major downtown building from a department store to a mixed-use office/retail facility and the construction of a new four-story Lazarus department store built above the parking garage.

Under a Tax Increment Financing Cooperation Agreement (the TIF Agreement) with the City, County and the School District of Pittsburgh, each entity agreed to assign its respective rights to the incremental taxes derived from the TIF District to the URA for the term of the bonds. The difference in the amount of real estate taxes attributable to certain property within the TIF District prior to and subsequent to the development constitutes the "increment" that is available to pay debt service on the Bonds.

The Series A Bonds are limited obligations of the URA, payable solely from the revenues pledged under the Series A Bond Indenture, which include monies received (a) under the TIF Agreement, (b) from the developer under a Minimum Payment Agreement, (c) from the principal tenant of the Penn Avenue Place Building, (d) from payments made by PNC Bank under a Letter of Credit and (e) from funds and securities held by the Trustee under the Series A Bonds Indenture.

The Series B Bonds are limited obligations of the URA, payable solely from the revenues pledged under the Series B Bonds Indenture, which include monies received (a) under the TIF Agreement, (b) from the owner and operator of Lazarus, (c) a Guaranty of Minimum Payment Agreement from Federated Department Stores, Inc., Lazarus' parent company, (d) from payments made by PNC Bank under a letter of credit, and (e) from funds and securities held by the Trustee under the Series B Bonds Indenture.

The bonds are not guaranteed by the full faith and credit of the City.

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.

(4) Urban Redevelopment Authority of Pittsburgh Taxable Guaranteed Revenue Bonds – Series 1994B

In June 1994, the URA issued \$8,245,000 of Taxable Guaranteed Revenue Bonds, Series 1994B with an average interest rate of 7.48%. The remaining bonds outstanding bear a fixed rate of 8.0%.

The net bond proceeds of \$8,183,162 were used to fund the Business Reinvestment fund to provide a working capital loan to Pittsburgh Baseball, Inc. as the sole general partner of

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2002

Pittsburgh Associates. The loan was given to them over a period of years. As of December 31, 2001, the full amount of the bond proceeds has been given to Pittsburgh Baseball Inc.

The URA, the City of Pittsburgh and the trustee have entered into a Cooperation and Guaranty Agreement under which the payment of the principal and interest on the Bonds is paid and guaranteed when due by the City. Pursuant to the Agreement, the full faith, credit and taxing power of the City is pledged for the payment of the principal and interest.

(5) Urban Redevelopment Authority of Pittsburgh (URA) Taxable Redevelopment Bonds (North Shore Tax Increment Financing District – ALCOA Project), Series of 1996

In May 1996, the URA issued \$8,415,000 of Redevelopment Bonds, Series of 1996 with an average interest rate of 7.63%. The City's share of these bonds was \$3,179,187. The remaining bonds outstanding bear various fixed interest rates ranging from 7.03% to 8.01% with maturities continuing annually through June 2015.

The proceeds from the sale of the bonds, along with other funds, were used to fund costs associated with the construction of a new office building to house the corporate headquarters of the Aluminum Company of America, to finance certain other improvements in the TIF District, capitalize interest on the bonds and to pay certain costs of issuing the bonds.

The bonds are limited obligations of the URA, payable solely from the revenues pledged under the Indenture, which include monies received (a) under the TIF Agreement), (b) under a Minimum Payment Agreement between the Aluminum Company of America and the URA and (c) from funds and securities held by the Trustee under the Indenture. The bonds are not obligations of the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth including the City of Pittsburgh.

Under the TIF Agreement with the City, County of Allegheny and the School District of Pittsburgh, each entity agreed to assign its respective rights to the incremental taxes derived from the TIF District to the URA for the term of the bonds. The difference in the amount of real estate taxes attributable to certain property within the TIF District prior to and subsequent to the development constitutes the "increment" that is available to pay debt service on the bonds.

(F) Urban Redevelopment Authority of Pittsburgh (URA)

The Urban Redevelopment Authority of Pittsburgh (URA) has various bonds and loans which are the obligation of the URA and are not guaranteed or financed by the City of Pittsburgh. The proceeds of these bonds and notes are used to provide mortgages, loans or grants to individuals or companies within the City of Pittsburgh to be used for urban redevelopment. The bonds and loans are payable from repayment of mortgages and loans and from other revenue and grants received by the URA. Further description of the various bonds and loans can be found in the general purpose financial statements issued by the URA.

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Notes to Basic Financial Statements

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(G) Other Long-Term Obligations

The following is a summary of transactions affecting all other long-term obligations to the City during 2002:

	Accrued Workers' Compensation	Accrued Compensated Absences	Accrued Claims and Judgments
Balance, January 1, 2002	\$ 91,592,415	31,687,498	3,270,000
Additions	9,811,410	17,756,343	1,374,831
Reductions/Payments	<u>(20,587,252)</u>	<u>(16,443,798)</u>	<u>(1,234,831)</u>
Balance, December 31, 2002	80,816,573	33,000,043	3,410,000
Less amounts accrued within short-term	<u>(17,694,173)</u>	<u>(17,814,243)</u>	<u>(1,935,000)</u>
Long-term portion, December 31, 2002	<u>\$ 63,122,400</u>	<u>15,185,800</u>	<u>1,475,000</u>

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2002

(10) Due From/To Other Governments

(A) Due From Other Governments

The City receives funds from various government agencies as reimbursements for their share of City projects and as grants for City programs. The following amounts, as described below, are due from other governments at December 31, 2002:

General fund:		
Pennsylvania Department of Transportation	\$	443,904
Commonwealth of Pennsylvania		454,028
Allegheny County Information Systems		69,559
Regional Asset District (RAD)		3,716,509
		<u>4,684,000</u>
Special revenue CDBG:		
Housing and Urban Development		1,682,453
Other governmental funds:		
Job Training Partnership Program		913,688
Allegheny County – Public Safety		331,416
		<u>1,245,104</u>
Capital projects:		
Commonwealth of Pennsylvania – Highway Fund		834,146
Federal Government – Highway Funds		3,756,941
RAD		225,874
		<u>4,816,961</u>
Total due from other governments – governmental funds	\$	<u><u>12,428,518</u></u>

(B) Due To Other Governments

Funds collected by the City on behalf of other governments. The following amounts, as described below, are due to other governments at December 31, 2002:

General fund:		
Pittsburgh Board of Education	\$	2,047,154
Commonwealth of Pennsylvania		86,775
Sports and Exhibition Authority		31,765
Miscellaneous other		143,906
		<u>2,309,600</u>
Other governmental funds:		
Federal government		727,124
Total due to other governments	\$	<u><u>3,036,724</u></u>

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2002

(11) Interfund Receivable and Payable Balances

	DUE FROM (FUND)					
	General	Debt Service	Other governmental	Capital Projects	Community Development	Pension Fund
DUE TO (FUND)						
General Fund	\$ —	—	112,023	2,000,000	2,358,234	—
Other governmental	14,118	—	395,527	—	—	—
Capital Projects	—	25,900	1,364,873	—	—	—
TOTAL	\$ 14,118	25,900	1,872,423	2,000,000	2,358,234	—

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.

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	\$ 350,000	—
Pittsburgh Water and Sewer Authority	—	350,000
Total balances between governmental funds and component units	<u>\$ 350,000</u>	<u>350,000</u>

(12) Operating Transfers

Transfers between primary government funds:

	TRANSFER FROM (FUND)		
	General	Other governmental	Capital Projects
TRANSFER TO (FUND)			
General Fund	\$ —	90,000	—
Debt Service	59,990,321	—	2,264,176
Other governmental	609,430	163,845	3,500,000
TOTAL	\$ 60,599,751	253,845	5,764,176

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, 2002

(13) Fund Deficits

(A) *Stadium Authority Deficit*

The deficit of the Stadium Authority will be subsidized through future revenues from the Regional Asset District and Sports and Exhibition Authority. The Stadium Authority will receive decreasing amounts of support through the year 2010 sufficient enough to pay off all bond obligations that they currently owe.

(B) *Pittsburgh Water and Sewer Authority*

Net assets have been reduced by \$10,794,000 and \$10,688,000 in 2002 and 2001, respectively, which has resulted in a net asset deficit of \$17,006,000 as of December 31, 2002. The Authority has extended its contract with a nationally known service company to improve operations, has placed delinquent accounts with a collection agency to improve collections, and has approved rate increases in an effort to cover increased debt service and to reduce the deficit position.

(14) Related Party Transactions

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

On June 17, 1992, the City and the Stadium Authority entered into an agreement to restructure the Stadium Authority's Series 1985 Bonds. Under the agreement, the City issued bonds and certain of these bond proceeds were escrowed for repayment of the Authority's Series 1985 Bonds. Funds provided by the City were used to fully redeem the Series 1985 Bonds during the fiscal year ended March 31, 1994. The funds provided are reflected by the Stadium Authority as long-term payable to the City of Pittsburgh for a total of \$22,775,168. The City, however, does not have a corresponding receivable recorded due to the unlikelihood of collection.

- (B) In February of 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 as accounts payable and other accrued expenses amounts owed to the City for miscellaneous items totaling \$352,971. The City, however, does not have a corresponding receivable recorded due to the unlikelihood of collection.

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2002

(15) Construction and Other Significant Commitments

As of December 31, 2002, the City had the following commitments with respect to unfinished capital projects:

Capital project	Remaining construction commitment	Expected date of completion
Arlington Ballfield renovation	\$ 61,618	May 2003
6th Floor City-County Building rehabilitation	2,007,436	July 2003
Commercial Street renovation	171,638	May 2003
Concession stands at ballfields	145,599	August 2003
Fort Duquesne Boulevard renovation	262,712	April 2003
Grant Street brick repair	128,456	May 2003
Revenue Street playground	124,500	July 2003
West End Overlook	799,686	July 2003
Total	\$ 3,701,645	

(16) Regional Asset District Revenues

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

The City has irrevocably allocated/pledged a portion of its future Regional Asset District revenues to the Urban Redevelopment Authority of Pittsburgh for the establishment of the Pittsburgh Housing Development Corporation. As further discussed in note 9, the Pittsburgh Housing Development Corporation is an economic development fund that will be used for making loans to and investments in certain projects located within the City. The amounts are pledged for the next nineteen years with \$6,200,000 annually allocated for the first nine years and \$7,500,000 annually thereafter.

(17) Contingencies

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

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

CITY OF PITTSBURGH, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2002

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, 2002, 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, 2002 and 2001 are as follows:

	2002	2001
Accrued claims and judgments, January 1	\$ 3,270,000	3,520,000
Current year claims	1,374,831	1,531,072
Claim payments	(1,234,831)	(1,781,072)
Accrued claims and judgments, December 31	\$ 3,410,000	3,270,000

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 purposes of workers' compensation benefits. These amounts were calculated by actuaries, based on industry standards and utilizing discount rates ranging between 1.72% and 5.43%. A self-insurance reserve is maintained, due to a legal requirement under self-insurance regulations of the State of Pennsylvania, in the general fund. However, no risk financing activity is recorded in this fund, which can only be used by the State of Pennsylvania in the event of default by the City.

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Notes to Basic Financial Statements

December 31, 2002

Changes in the accrued workers' compensation liability during the years ended December 31, 2002 and 2001 are as follows:

	2002	2001
Accrued workers' compensation, January 1	\$ 91,592,415	90,204,615
Current year claims	9,811,410	18,489,782
Claim payments	(20,587,252)	(17,101,982)
Accrued workers' compensation, December 31	<u>\$ 80,816,573</u>	<u>91,592,415</u>

(19) Subsequent Events

(A) General Obligation Bonds – Series 2003A

On June 1, 2003, the City issued \$13,575,000 of General Obligation Bonds, Series 2003A, with an average interest rate of 3.81%. The bonds consisted of serial bonds bearing various fixed rates ranging from 2.0% to 4.0% with maturities commencing on September 1, 2004 and continuing annually through September 2028.

The net proceeds of \$13,550,157 (after issuance cost of \$311,724, plus original issue premium of \$286,881) were used to advance refund various series of bonds with an average interest rate of 5.69%.

The proceeds of \$13,550,157 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refundable bonds will be considered to be defeased and the related liability for the bonds will be removed from the City's noncurrent liabilities.

Principal payments refunded are:

Issue/series	Rate	Amount
1993A	4.9%	\$ 2,310,000
1997C	4.75	2,580,000
1998D	4.50	2,430,000
1999A	4.35	255,000
		<u>\$ 7,575,000</u>

The City's advanced refunding increased its total debt service payments over the next 11 years by \$5,082,516. The transaction resulted in an economic loss (difference between the present value of the debt service on the old and the new bonds) of approximately \$6,174,000. This was done to reduce short-term debt payments. The accounting loss to be recorded in 2003 will be approximately \$5,975,000.

REQUIRED SUPPLEMENTAL INFORMATION
OTHER THAN MANAGEMENT'S
DISCUSSION AND ANALYSIS

**CITY OF PITTSBURGH,
PENNSYLVANIA**

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 actuarial accrued liability	Annual covered payroll	Unfunded actuarial liability as a percentage of annual covered payroll
1997	Municipal	\$ 72,083	\$ 175,776	\$ 103,693	41.0	\$ 65,600	158.1
	Police	37,880	277,346	239,466	13.7	45,690	524.1
	Fire	47,012	196,773	149,761	23.9	43,977	340.5
	Total	<u>\$ 156,975</u>	<u>\$ 649,895</u>	<u>\$ 492,920</u>	<u>24.2</u>	<u>\$ 155,267</u>	<u>317.5</u>
1998	Municipal	\$ 75,472	\$ 181,412	\$ 105,942	41.6	\$ 65,753	161.1
	Police	39,677	287,790	248,113	13.8	54,374	456.3
	Fire	57,904	205,889	147,985	28.1	45,613	324.4
	Total	<u>\$ 173,053</u>	<u>\$ 675,091</u>	<u>\$ 502,040</u>	<u>25.6</u>	<u>\$ 165,740</u>	<u>302.9</u>
1999	Municipal	\$ 133,566	\$ 184,293	\$ 50,727	72.5	\$ 66,957	75.8
	Police	160,108	292,681	132,573	54.7	54,496	243.3
	Fire	142,940	208,274	65,334	68.6	46,869	139.4
	Total	<u>\$ 436,614</u>	<u>\$ 685,248</u>	<u>\$ 248,634</u>	<u>63.7</u>	<u>\$ 168,322</u>	<u>147.7</u>
2000	Municipal	\$ 140,158	\$ 183,715	\$ 43,557	76.3	\$ 63,627	68.5
	Police	169,358	298,470	129,113	56.7	52,266	247.0
	Fire	158,093	215,462	57,369	73.4	47,991	119.5
	Total	<u>\$ 467,609</u>	<u>\$ 697,647</u>	<u>\$ 230,039</u>	<u>67.0</u>	<u>\$ 163,884</u>	<u>140.4</u>
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	147,291	222,041	70,088	66.3	50,326	139.3
	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	136,442	233,373	96,931	58.5	52,054	186.2
	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>

CITY OF PITTSBURGH, PENNSYLVANIA

Required Supplementary Information

Pension Trust Funds

Schedule of Contributions from the Employer and Other Contributing Entities

(In Thousands)

Actuarial valuation date (January 1)	Pension fund	Annual required contribution	Employer contributions	Employer contributions as a percentage of annual required contributions	Commonwealth of Pennsylvania contributions	Commonwealth of Pennsylvania contributions as a percentage of annual required contributions	Total contributions	Total contributions as a percentage of annual required contributions
1997	Municipal	\$ 4,762	\$ 5,829	122.4%	\$ 2,427	51.0%	\$ 8,256	173.4%
	Police	17,463	11,189	64.1%	6,933	39.7%	18,122	103.8%
	Fire	12,087	8,156	67.5%	4,799	39.7%	12,955	107.2%
	Total	\$ 34,312	\$ 25,174	73.4%	\$ 14,159	41.3%	\$ 39,333	114.6%
1998	Municipal	\$ 3,749	\$ 39,184	1045.2%	\$ 2,122	56.6%	\$ 39,828	1062.4%
	Police	9,726	127,938	1315.4%	7,242	74.5%	135,963	1397.9%
	Fire	6,391	93,291	1459.7%	5,268	82.4%	98,884	1547.2%
	Total	\$ 19,866	\$ 260,413	1310.8%	\$ 14,632	73.7%	\$ 274,675	1382.6%
1999	Municipal	\$ 3,082	\$ 1,172	38.0%	\$ 2,609	84.7%	\$ 3,781	122.7%
	Police	10,402	3,535	34.0%	6,865	66.0%	10,400	100.0%
	Fire	6,194	1,781	28.8%	3,784	61.1%	5,565	89.8%
	Total	\$ 19,678	\$ 6,488	33.0%	\$ 13,258	67.4%	\$ 19,746	100.3%
2000	Municipal	\$ 2,613	\$ 1,861	71.2%	\$ 1,919	73.4%	\$ 3,780	144.7%
	Police	9,708	3,107	32.0%	7,126	73.4%	10,233	105.4%
	Fire	5,730	3,192	55.7%	4,205	73.4%	7,397	129.1%
	Total	\$ 18,051	\$ 8,160	45.2%	\$ 13,250	73.4%	\$ 21,410	118.6%
2001	Municipal	\$ 3,865	\$ 2,108	54.5%	\$ 3,040	78.7%	\$ 5,148	133.2%
	Police	10,502	3,050	29.0%	8,320	79.2%	11,370	108.3%
	Fire	5,783	2,837	49.1%	4,640	80.2%	7,477	129.3%
	Total	\$ 20,150	\$ 7,995	39.7%	\$ 16,000	79.4%	\$ 23,995	119.1%
2002	Municipal	\$ 2,829	\$ 2,002	70.8%	\$ 2,456	86.8%	\$ 4,458	157.6%
	Police	10,565	2,963	28.0%	9,174	86.8%	12,137	114.9%
	Fire	5,032	1,411	28.0%	4,370	86.8%	5,781	114.9%
	Total	\$ 18,426	\$ 6,376	34.6%	\$ 16,000	86.8%	\$ 22,376	121.4%

**CITY OF PITTSBURGH,
PENNSYLVANIA**

SUPPLEMENTAL INFORMATION

CITY OF PITTSBURGH, PENNSYLVANIA

Combining Statement of Fiduciary Net Assets

Agency Funds

December 31, 2002

Assets	Employee Benefits	Payroll Withholding	Deposits	Other	Total
Cash and short-term investment, at cost which approximates market	\$ 900,832	310,877	2,284,957	955,211	4,451,877
Due from general fund	—	—	—	507,139	507,139
Due from other funds	570,577	—	—	—	570,577
Due from component units	350,000	—	—	—	350,000
Other receivables	—	—	—	14,340	14,340
Total assets	\$ 1,821,409	310,877	2,284,957	1,476,690	5,893,933
Liabilities					
Accrued liabilities	\$ 1,821,409	200,183	1,102,820	581,882	3,706,294
Due to other governments	—	—	—	18,884	18,884
Due to general fund	—	110,694	—	24,575	135,269
Deposits held in trust	—	—	1,182,137	851,349	2,033,486
Total liabilities	\$ 1,821,409	310,877	2,284,957	1,476,690	5,893,933

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Budgetary Comparison Schedule

Capital Projects Funds

Year ended December 31, 2002

(Amounts expressed in thousands)

	Original/Final Budget	Actual (budgetary basis)	Variance Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 2,574,000	4,333,198	1,759,198
Miscellaneous	—	1,000,326	1,000,326
Total revenues	2,574,000	5,333,524	2,759,524
Expenditures:			
Capital projects:			
Engineering and construction	41,250,507	11,502,203	29,748,304
Parks and recreation	426,572	30,207	396,365
Public works	7,935,063	6,620,850	1,314,213
General services	1,762,798	754,830	1,007,968
Urban Redevelopment Authority	4,814,805	2,500,000	2,314,805
Capital outlay	41,935,926	5,559,451	36,376,475
Other	24,944,471	12,635,718	12,308,753
Bond issuance costs	775,571	693,369	82,202
Total expenditures	123,845,713	40,296,628	83,549,085
Excess (deficiency) of revenues over (under) expenditures	(121,271,713)	(34,963,104)	86,308,609
Other financing sources:			
Bond proceeds, net	126,492,706	126,492,706	—
Operating transfers out	(3,500,000)	(3,500,000)	—
Payment to refunded debt escrow agent	(65,631,708)	(65,631,708)	—
Total other financing sources	57,360,998	57,360,998	—
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(63,910,715)	22,397,894	86,308,609
Fund balances - budgetary basis, beginning of year	63,910,715	80,880,888	16,970,173
Fund balances - budgetary basis, end of year	\$ —	103,278,782	103,278,782

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

Budgetary Comparison Statements

Capital Projects Fund

Year ended December 31, 2002

(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	\$ 5,334
The adjustments to convert to GAAP basis, recording of receivables and revenues not included in budget	<u>5,316</u>
Total Capitals Project fund revenue on GAAP basis as reported on the statement of revenues, expenditures, and changes in fund balances	<u>\$ 10,650</u>

Users/Outflows of Revenues:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement	\$ 40,297
The adjustments to convert to GAAP basis, recording of expenditures and liabilities not included in budget	<u>(3,290)</u>
Total Capital Projects fund expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	<u>\$ 37,007</u>

See accompanying notes to financial statements.

**CITY OF PITTSBURGH,
PENNSYLVANIA**

STATISTICAL SECTION

**CITY OF PITTSBURGH,
PENNSYLVANIA**

Table 1
CITY OF PITTSBURGH, PENNSYLVANIA

General Governmental Revenues (1)

Last Ten Years
(GAAP Basis)

(Amounts in Thousands)

	2002	2001	2000	1999
Taxes (2)	\$ 301,371	292,943	283,277	275,291
Payment in lieu of taxes	837	1,612	1,966	1,821
Interest earnings	2,360	6,660	11,083	9,166
Fines and forfeits	8,556	7,739	8,048	8,565
Licenses and fees (4)	26,478	27,329	30,161	16,050
Intergovernmental	57,963	66,607	60,152	66,217
Charges for user services	7,057	5,583	4,519	15,690
Pension state aid	16,000	16,000	13,250	13,258
Miscellaneous	4,911	1,297	3,838	3,080
Total	\$ <u>425,533</u>	<u>425,770</u>	<u>416,294</u>	<u>409,138</u>

(1) Includes general, special revenue, debt service and capital projects funds.

(2) Includes penalty and interest.

(3) Restated for GASB No. 22 implementation.

(4) Includes BBI, EMS, Cable Bureau Trust Funds beginning in 1999.

1998	1997	1996	1995	1994 (3)	1993
269,472	263,767	269,213	253,528	248,829	239,500
2,313	2,171	3,583	4,981	4,644	4,646
10,321	8,432	8,942	5,263	3,673	3,722
8,031	7,351	6,861	5,782	6,471	5,234
6,995	11,171	8,323	7,447	9,511	8,155
62,401	64,055	59,152	52,478	46,663	45,666
21,025	22,279	18,457	17,922	17,071	17,706
14,632	—	—	—	—	—
2,987	1,722	1,141	2,095	2,379	3,713
398,177	380,948	375,672	349,496	339,241	328,342

Table 1A
CITY OF PITTSBURGH, PENNSYLVANIA

General Fund Tax Revenues by Source

Last Ten Years

(Amounts in Thousands)

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999 (3)</u>
Real estate tax	\$ 123,756	117,294	113,449	117,966
Mercantile tax	7,283	7,467	7,194	6,935
Amusement tax	9,554	8,809	8,256	5,584
Personal property tax	—	—	—	—
Earned income tax	47,642	46,684	48,707	41,595
Deed transfer tax	10,218	8,322	8,743	10,816
Sewage charges (1)	—	—	—	—
Parking tax	32,215	32,208	30,960	28,817
Occupation privilege tax	3,134	3,094	3,244	3,106
Business privilege tax	42,952	43,859	38,468	35,447
Institution/service tax	470	538	521	616
Penalties and interest	2,620	3,667	3,234	4,898
Public service privilege	967	1,016	936	680
Cable indirect cost	—	—	—	—
Regional Asset District	20,560	19,985	19,565	18,831
Total tax revenues	\$ <u>301,371</u>	<u>292,943</u>	<u>283,277</u>	<u>275,291</u>

(1) Sewage amount is in a nontax revenue category for years 1997 through 1999.

(2) Restated for GASB No. 22 implementation.

(3) Includes tax lien sales.

1998	1997 (3)	1996 (3)	1995	1994	1993 (2)
112,434	123,993	120,136	112,752	113,306	113,675
7,038	6,773	6,966	6,489	6,580	6,739
7,813	5,744	6,415	5,789	8,692	11,085
—	—	—	8	4,079	3,737
42,941	36,901	39,146	34,793	39,675	37,151
9,317	7,537	6,711	7,281	5,756	5,932
—	—	1,474	1,441	1,486	1,267
28,728	23,461	22,757	21,937	21,261	20,448
3,142	2,670	2,890	3,145	3,289	3,090
35,269	35,465	36,210	35,337	33,252	31,325
802	1,098	909	822	696	455
2,045	2,380	3,730	4,078	4,299	4,123
641	703	399	450	400	473
1,175	—	343	—	—	—
18,127	17,042	21,127	19,206	6,058	—
269,472	263,767	269,213	253,528	248,829	239,500

Table 2
CITY OF PITTSBURGH, PENNSYLVANIA
 General Governmental Expenditures (1)
 Last Ten Years
 (Amounts in Thousands)

	<u>2002 (3)</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
General government	\$ 71,000	46,512	44,252	43,004
Public safety	207,966	157,684	150,360	143,878
Public works	53,624	27,121	27,619	28,129
Sanitation	12,684	10,600	10,640	10,062
Community, recreational and cultural	11,978	9,220	7,286	8,403
Employee benefits, etc.	—	65,273	60,596	58,582
Claims and judgments	2,180	1,531	1,012	10,409
Miscellaneous	2,365	2,816	1,448	633
Intergovernmental programs	20,083	21,568	15,495	21,176
Capital outlay	7,893	33,572	38,212	48,448
Bond issue costs	991	321	—	594
Debt service/authorities	88,590	98,200	97,092	84,016
Total	\$ <u>479,354</u>	<u>474,418</u>	<u>454,012</u>	<u>457,334</u>

(1) Includes general, special revenue, debt service, and capital projects funds.

(2) Restated for GASB No. 16 implementation.

(3) Restated for GASB No. 34 implementation. Employee benefits are now distributed to the various departments/functions.

1998	1997	1996	1995	1994	1993 (2)
42,927	51,401	31,691	29,880	27,603	25,296
139,567	137,815	134,602	131,838	129,879	127,607
29,901	27,167	36,487	39,558	38,246	40,024
9,981	12,050	12,770	12,035	11,966	15,366
7,920	8,407	8,557	8,147	14,657	18,434
310,299	73,535	89,521	52,109	60,129	51,920
2,519	(3,854)	4,436	2,519	1,165	1,778
1,885	980	1,192	2,581	3,076	2,719
15,542	10,191	23,560	22,652	17,899	18,173
42,484	45,630	46,117	39,108	37,029	39,905
2,385	601	1,651	1,138	376	492
75,545	55,396	52,218	66,392	59,806	59,188
680,955	419,319	442,802	407,957	401,831	400,902

Table 3

CITY OF PITTSBURGH, PENNSYLVANIA

Assessed Value, Tax Rate, Levy, and Collections

Last Ten Years

(Amounts in Thousands)

Fiscal year	(2) Assessed valuation of land and buildings	Land millage	Building millage	Original net levy	Adjusted net levy (1)	Budgeted
1993	2,055,751	184.5	32.00	\$ 121,026	\$ 117,662	\$ 113,200
1994	2,070,364	184.5	32.00	121,269	119,694	111,500
1995	2,047,583	184.5	32.00	121,976	117,959	112,117
1996	2,036,489	184.5	32.00	118,952	115,898	109,720
1997	2,047,441	184.5	32.00	119,741	111,066	109,180
1998	2,085,013	184.5	32.00	121,674	105,822	110,715
1999	2,096,829	184.5	32.00	122,053	117,382	113,715
2000	2,125,768	184.5	32.00	125,422	119,649	112,010
2001	13,346,238	10.8	10.80	144,139	127,784	115,900
2002	14,677,667	10.8	10.80	158,454	131,245	121,500

(1) Represents net levy as of December 31 of the tax year (i.e., net of exonerations, discounts and additions granted in that year).

(2) In 2001, assessed value percent of market value increased to 100%.

(3) 2001 and 2002 receipts are net of refunds.

Year of original levy							Delinquent taxes						
(3) Receipts		Percent of original net levy collected	Percent of adjusted net levy collected	Percent of budget collected	Collection		Percent of budget collected						
					Budget	Receipts							
\$	112,390	%	92.9	%	95.5	%	99.3	\$	5,800	\$	4,932	%	85.0
	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

Table 4
CITY OF PITTSBURGH, PENNSYLVANIA
Assessed and Estimated Actual Value of Property
Last Ten Years
(Amounts in Thousands)

Fiscal year	Real property		Personal property		Total		(2) Ratio of total assessed value to total estimated actual value
	Assessed value	Estimated actual value	Assessed value	Estimated actual value	Assessed value	Estimated actual value	
1993	\$ 2,055,751	\$ 9,344,323	\$ 1,052,933	\$ 1,052,933	\$ 3,108,684	\$ 10,397,256	0.299
1994	2,070,364	9,720,019	934,944	934,944	3,005,308	10,654,963	0.282
1995	2,047,583	9,658,410	(1)		2,047,583	9,658,410	0.212
1996	2,036,489	9,934,093	(1)		2,036,489	9,934,093	0.205
1997	2,047,441	10,085,916	(1)		2,047,441	10,085,916	0.203
1998	2,085,013	10,530,369	(1)		2,085,013	10,530,369	0.198
1999	2,096,829	10,978,162	(1)		2,096,829	10,978,162	0.191
2000	2,125,768	11,129,675	(1)		2,125,768	11,129,675	0.191
2001	13,346,238	13,346,238	(1)		13,346,238	13,346,238	1.000 (3)
2002	14,671,667	14,671,667	(1)		14,671,667	14,671,667	1.000

(1) In 1995, as part of the Regional Asset District (RAD) Tax, the personal property tax was repealed.

(2) Source Pa. State Tax Equalization Board (www.steb.state.pa.us) Common Level Ratio.

(3) The 2001 reassessment went to 100% assessed to market value.

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)			
1993	184.500	32.000	58.870	59.700	36.500	155.070
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

- (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.

Table 6
CITY OF PITTSBURGH, PENNSYLVANIA

Principal Real Estate Taxpayers

December 31, 2002

(Amounts in Thousands)

Taxpayer	Principal type of business	2002 assessed valuation	Percentage of total assessed value
500 Grant Street Associates (One Mellon Center)	Real Estate	\$ 517,850	3.53
600 Grant Street Associates (USX Building)	Real Estate	264,303	1.81
Market Associates (Subsidiary of PPG Industries)	Real Estate	205,076	1.40
Grant Liberty Development	Real Estate	146,661	1.00
Oxford Development	Real Estate	139,111	0.95
Pittsburgh National Corporation	Commercial banking	138,117	0.95
Buncher Company	Real Estate	137,959	0.95
Gateway Trizec, Inc. (previously known as Equitable Life Assurance Society of the United States)	Real Estate	131,704	0.90
Penn Liberty Holding Co.	Real Estate	84,970	0.58
Harrah's Forest City Associates	Real Estate	30,052	0.21

Source: City of Pittsburgh – Department of Finance

Note: This reflects the change in the City's assessment process. (See footnote #6.)

Total assessed value (in thousands) \$14,671,652

**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

Local Government Unit Debt Act

December 31, 2002

	Nonelectoral debt	Lease rental debt
Gross debt (1):		
Principal amount of bonds issued and outstanding:		
General obligation	\$ 886,268,792	—
Auditorium Authority	—	13,467,500
Stadium Authority	—	22,687,992
Urban Redevelopment Authority	—	64,029,724
Total gross debt	886,268,792	100,185,216
Items deductible from gross debt:		
Cash and legal investments held in sinking fund for payment of bonds and notes	456,755	—
Cash in bond fund applicable to debt	40,778,087	—
Delinquent real estate taxes and sewage collections	1,697,411	—
Self-liquidating and subsidized debt:		
Urban Redevelopment Authority	—	1,531,031
Taxable General Obligation Pension Bond, 1996B	19,620,000	—
Taxable General Obligation Pension Bond, 1998ABC	251,865,000	—
Total deductions	314,417,253	1,531,031
Net debt	\$ 571,851,539	98,654,185

(1) Direct obligations of the Pittsburgh Water and Sewer Authority in the amount of \$544,606,000 are not considered debt of the City for purpose of this calculation.

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, 2002

Allocation of Total Net Debt

Net nonelectoral debt	\$ 571,851,539
Net lease rental debt	<u>98,654,185</u>
Net nonelectoral and lease rental debt	<u>\$ 670,505,724</u>

Debt Incurring Margin

	<u>2000</u>	<u>2001</u>	<u>2002</u>
Total net revenue of the City	\$ 354,169,980	357,012,350	359,250,987
Borrowing base (arithmetic average of total net revenue for said three fiscal years)			<u>\$ 356,811,106</u>

	<u>Net nonelectoral debt (borrowing base x 250%)</u>	<u>Net nonelectoral and lease rental debt (borrowing base x 350%)</u>
Debt limitations	\$ 892,027,764	1,248,838,870
Less existing net debt	<u>(571,851,539)</u>	<u>(670,505,724)</u>
Remaining debt incurring margin	<u>\$ 320,176,225</u>	<u>578,333,146</u>

Table 8

CITY OF PITTSBURGH, PENNSYLVANIA

Ratio of Net General Obligation Bonded Debt to Assessed Value
and Net General Obligation Bonded Debt Per Capita

Last Ten Years

(Amounts in Thousands)

Fiscal year	Population	Assessed value (1)	Gross bonded debt	Less debt service funds	Net general bonded debt	Ratio of net general bonded debt to assessed value	Net general bonded debt per capita
1993	370	\$ 2,055,751	\$ 485,591	\$ 530	\$ 485,061	% 23.60	\$ 1,311
1994	370	2,070,364	472,642	635	472,007	22.80	1,276
1995	370	2,047,583	548,004	7,311	540,693	26.41	1,461
1996	370	2,036,489	579,210	21,747	557,463	27.37	1,507
1997	370	2,047,441	637,768	16,749	621,019	30.33	1,678
1998	370	2,085,013	879,185	12,512	866,673	41.57	2,342
1999	370	2,096,829	914,640	15,705	898,935	42.87	2,430
2000	335	2,125,768	884,428	14,798	869,630	40.91	2,596
2001	335	13,348,278	852,821	11,044	841,777	6.31	2,513
2002	335	14,669,013	891,423	510	890,913	6.08	2,659

(1) Method of assessing real estate was changed in 2001. See footnote 5.

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 (3)	Ratio of debt to general governmental expenditures
1993	\$ 20,675	\$ 30,826	\$ 51,501	\$ 400,902	% 12.84
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

(1) City of Pittsburgh and Equipment Leasing Authority bonds only

(2) Excludes bond issuance and other costs

(3) Includes general, special revenue, capital projects and debt service funds

Table 10
CITY OF PITTSBURGH, PENNSYLVANIA
 Computation of Direct and Overlapping Debt
 December 31, 2002
 (Amounts in Thousands)

Jurisdiction	Net debt outstanding	Percentage applicable to City	Amount applicable to City
Direct debt:			
City of Pittsburgh:			
General obligation	\$ 885,785	%	\$ 885,785
Stadium Authority	22,688	100	22,688
Auditorium Authority	26,936	50	13,468
Urban Redevelopment Authority	223,963	29	64,029
Parking Authority	83,979	100	83,979
	<hr/>		<hr/>
Total direct debt	1,243,351		1,069,949
Overlapping debt:			
Pittsburgh Water and Sewer Authority	549,094	— (1)	—
The School District of Pittsburgh	399,442	100	399,442
Allegheny County	678,358	26	176,373
	<hr/>		<hr/>
Total overlapping debt	1,626,894		575,815
	<hr/>		<hr/>
Total direct and overlapping debt	\$ 2,870,245		1,645,764
	<hr/>		<hr/>

- (1) Direct obligations of the Pittsburgh Water and Sewer Authority in the amount of \$544,606,000 are not considered debt of the City for purpose of this calculation.

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							
1993	\$	51,165	\$	37,990	\$	13,175	\$	4,445	\$	13,866	\$	18,311	0.72
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

(1) Total operating expenses exclusive of depreciation and amortization

Table 11A

CITY OF PITTSBURGH, PENNSYLVANIA

Revenue Bond Coverage –
The Stadium Authority of the City of Pittsburgh (1)

Last Ten Years

(Amounts in Thousands)

Fiscal year	Gross revenues (2)		operating expenses (3)		Net revenue available for debt service	Debt service requirements (4)			Coverage (5)
						Principal	Interest	Total	
1993	\$	7,857	\$	5,644	\$ 2,213	\$ 1,620	\$ 3,805	\$ 5,425	0.41
1994		7,661		4,849	2,812	2,452	3,490	5,942	0.47
1995		8,661		5,411	3,250	2,829	4,007	6,836	0.48
1996		7,577		5,494	2,083	2,546	3,243	5,789	0.36
1997		5,772		7,210	(1,438)	2,547	3,889	6,436	—
1998		6,132		7,173	(1,041)	3,700	3,409	7,109	—
1999		5,326		7,485	(2,159)	7,101	2,854	9,955	—
2000		6,662		6,886	(224)	8,477	2,586	11,063	—
2001		6,997		8,468	(1,471)	4,817	2,218	7,035	—
2002		1,214		5,989	(4,775)	3,510	1,902	5,412	—

(1) Figures presented are for the fiscal year end of March 31

(2) Total revenues including interest

(3) Total operating expenses exclusive of depreciation, interest, baseball lease credit adjustments and loss on disposal of turf.

(4) Debt service payments on notes are excluded

(5) The City guarantees the payment of Stadium Authority debt service and/or operating losses

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
1993	369,879	\$ 21,903	38.1	40,167	6.0
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

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 13
CITY OF PITTSBURGH, PENNSYLVANIA
Property Value, Construction and Bank Deposits
Last Ten Years
(Amounts in Thousands)

Fiscal year		Property value (1)	Construction (2)		Bank deposits (3)
			Number of permits issued	Dollar value	
1993	\$	2,055,751	3,363	\$ 212,452	\$ 30,113,033
1994		2,070,364	3,148	201,982	30,529,054
1995		2,047,583	3,019	158,575	37,372,876
1996		2,036,489	2,793	250,315	72,833,745
1997		2,047,441	2,490	193,471	76,412,827
1998		2,085,013	2,405	388,570	80,400,721
1999		2,096,829	2,271	414,860	88,576,149
2000		2,125,768	2,283	827,765	78,406,393
2001		13,346,238	2,239	531,131	68,345,238
2002		14,293,256	2,216	344,222	68,208,452

(1) Assessed value from Table 4

Data sources

(2) Bureau of Building Inspection, City of Pittsburgh

(3) Federal Reserve Bank, Cleveland branch

Table 14
CITY OF PITTSBURGH, PENNSYLVANIA

Miscellaneous Statistics

December 31, 2002

Date of incorporation	1816
Form of government	Mayor/Council
Number of employees (excluding police and fire)	1,995
Area in square miles	55.5
Name of government facilities and services:	
Miles of streets	1,035
Number of bridges	117
Number of street lighting units	43,000
Culture and recreation:	
Recreation centers	19
Senior centers	19
Parks	36
Parklets	71
Park acreage	2,581
Swimming pools	32
Tennis court sites	125
Ballfields	126
Skate parks	2
Basketball courts	150
Play areas	154
Bike trail	1
Ice rinks	1
Zoo	1
Fire protection:	
Number of stations	35
Number of fire personnel and officers	898
Number of calls answered	30,000
Number of building inspections	95,300
Police protection:	
Number of stations	6
Number of police officers	1,165
Number of law violations:	
Physical arrests	18,369
Traffic violations	32,000
Emergency medical protection:	
Number of units	17
Number of personnel	215
Number of calls answered	64,500
Facilities and services not included in the reporting entity:	
Water System:	
Miles of water mains	1,200
Daily average consumption in gallons	70,000,000
Maximum daily capacity of plant in gallons	117,000,000
Education:	
Number of elementary schools	57
Number of elementary school instructors	941
Number of adult education centers	3
Number of adult education teachers	19
Number of secondary schools and special education centers	18
Number of secondary schools and special education instructors	593
Number of middle schools	18
Number of middle school instructors	450
Number of community colleges	1
Number of universities	7
Hospitals:	
Number of hospitals	10
Number of patient beds	6,218

Table 15
CITY OF PITTSBURGH, PENNSYLVANIA
City Employment
Last Ten Years

<u>Fiscal year</u>	<u>Regular budgeted positions</u>		<u>Actual January payroll</u>
1993	5,019	\$	4,698
1994	4,984		4,961
1995	4,451		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	,	4,124

OTHER INFORMATION

CITY OF PITTSBURGH, PENNSYLVANIA

Salaries and Surety Bonds of Principal Officials

For the Year Ended December 31, 2002

Official	Budgeted Annual salary	Amount of surety bond
Mayor	\$ 91,415	\$ 10,000
Director of Finance	89,597	200,000
Controller	57,736	10,000
Members of City Council (9)	52,123	

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2002

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
General Obligation Bonds, 1992, Series A (zero coupon bond)	06/01/92	\$ 29,894,645	16,750,983
General Obligation Bonds, 1992, Series C (zero coupon bond)	10/15/92	4,440,559	3,458,011
General Obligation Bonds, 1993, Series A	04/01/93	60,745,000	44,250,000
General Obligation Bonds, 1994, Series A	08/01/94	37,000,000	3,295,000
Carried forward			<u>67,753,994</u>

Maturity information	Coupon or ceiling rate of interest	2003 Maximum debt service requirements	
		Interest	Principal
\$3,240,000 in 2003	% 6.30	\$ 1,581,452	1,658,548
\$2,535,000 in 2004	6.40		
\$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		
(\$4,204,017) Unamortized Bond Discount			
\$2,260,000 in 2003	6.25	1,095,173	1,164,827
\$1,430,000 in 2004	6.35		
(\$231,989) Unamortized Bond Discount			
\$2,745,000 in 2003	4.90	2,371,060	2,745,000
\$2,880,000 in 2004	5.00		
\$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		
\$1,605,000 in 2003	5.20	173,030	1,605,000
\$1,690,000 in 2004	5.30		
		<hr/>	<hr/>
		5,220,715	7,173,375

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2002

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Brought forward			\$ 67,753,994
General Obligation Bonds, 1995, Series A	12/01/95	\$ 75,000,000	73,475,000
General Obligation Bonds, 1995, Series B	12/01/95	104,705,000	91,515,000
General Obligation Bonds, 1996, Series A	12/15/96	162,535,000	86,950,000
Carried forward			<u>319,693,994</u>

Maturity information	Coupon or ceiling rate of interest	2003 Maximum debt service requirements	
		Interest	Principal
		\$ 5,220,715	7,173,375
\$425,000 in 2003	% 4.50	3,817,402	425,000
\$445,000 in 2004	4.60		
\$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		
\$4,385,000 in 2003	4.50	4,433,731	4,385,000
\$4,610,000 in 2004	4.60		
\$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		
\$16,780,000 in 2003	5.00	4,366,600	16,780,000
\$17,540,000 in 2004	4.50		
\$18,425,000 in 2005	6.00		
\$19,485,000 in 2006	6.00		
\$14,720,000 in 2007	6.00		
		17,838,448	28,763,375

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2002

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Brought forward			\$ 319,693,994
General Obligation Bonds, 1996, Series B	12/15/96	\$ 37,710,000	19,620,000
General Obligation Bonds, 1997, Series A	12/01/97	20,295,000	11,080,000
General Obligation Bonds, 1997, Series B	12/01/97	29,735,000	29,735,000
Carried forward			<u>380,128,994</u>

Maturity information	Coupon or ceiling rate of interest	2003 Maximum debt service requirements	
		Interest	Principal
		\$ 17,838,448	28,763,375
\$ 715,000 in 2003	% 6.30	1,306,608	715,000
\$ 760,000 in 2004	6.40		
\$ 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		
\$2,580,000 in 2003	4.75	540,800	2,580,000
\$2,700,000 in 2004	4.75		
\$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		
		21,219,636	32,058,375

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2002

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Brought forward			\$ 380,128,994
General Obligation Bonds, 1997, Series B	12/01/97	\$ 20,120,000	20,120,000
General Obligation Bonds, 1998, Series A,B,C	03/01/98	255,865,000	251,865,000
Carried forward			652,113,994

Maturity information	Coupon or ceiling rate of interest	2003 Maximum debt service requirements	
		Interest	Principal
		\$ 21,219,636	32,058,375
\$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 2003	5.80	16,395,779	1,000,000
\$1,000,000 in 2004	5.93		
\$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		
		38,665,896	33,058,375

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2002

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Brought forward			\$ 652,113,994
General Obligation Bonds, 1998, Series D	03/01/98	\$ 129,490,000	127,180,000
General Obligation Bonds, 1999, Series A	12/15/99	57,140,000	2,295,000
Carried forward			781,588,994

Maturity information	Coupon or ceiling rate of interest	2003 Maximum debt service requirements	
		Interest	Principal
		\$ 38,665,896	33,058,375
\$2,430,000 in 2003	% 4.50	6,344,415	2,430,000
\$2,365,000 in 2004	4.00		
\$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 2003	4.35	109,777	255,000
\$255,000 in 2004	4.50		
\$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		
		45,120,088	35,743,375

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2002

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Brought forward			\$ 781,588,994
General Obligation Bonds, 2002, Series A	1/17/02	\$ 126,585,000	126,585,000
Subtotal			908,173,994
Less: Unamortized bond issuance costs			(6,895,298)
Unamortized bond discounts/premiums			1,741,079
Excess cost on debt refinancing			(6,806,708)
Less bonds funded by Stadium Authority			(16,750,983)
Total general obligation bonds payable			879,462,084

Maturity information	Coupon or ceiling rate of interest	2003 Maximum debt service requirements	
		Interest	Principal
		\$ 45,120,088	35,743,375
\$5,000 in 2003	% 4.00	6,651,072	5,000
\$1,545,000 in 2004	4.00		
\$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		
		51,771,160	35,748,375
		(1,581,452)	(1,658,548)
		50,189,708	34,089,827

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2002

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Public Auditorium Authority Revenue Bonds (City share)			
Auditorium Bonds (Refunding), 1999 Series	10/15/99	\$ 18,275,000	13,467,500
Total Public Auditorium Authority Revenue Bonds			<u>13,467,500</u>

Maturity information	Coupon or ceiling rate of interest	2003 Maximum debt service requirements	
		Interest	Principal
\$1,727,500 in 2003	% 4.50	\$ 678,350	1,727,500
\$1,797,500 in 2004	4.60		
\$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		
		<u>678,350</u>	<u>1,727,500</u>

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2002

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Urban Redevelopment Authority Taxable Revenue Bonds			
Urban Redevelopment Authority of Pittsburgh, Guaranteed Tax Increment Financing Bonds, 1994, Series A	02/02/94	\$ 2,085,535	1,531,031
Urban Redevelopment Authority Taxable Revenue Bonds, 1994, Series B	06/15/94	8,245,000	2,165,000
Carried forward			<u>3,696,031</u>

Maturity information	Coupon or ceiling rate of interest	2003 Maximum debt service requirements	
		Interest	Principal
\$98,410 in 2003	% 6.25	\$ 106,743	98,410
\$104,088 in 2004	6.35		
\$111,657 in 2005	6.45		
\$119,228 in 2006	6.50		
\$126,798 in 2007	7.20		
\$134,365 in 2008	7.20		
\$145,723 in 2009	7.20		
\$155,185 in 2010	7.20		
\$166,540 in 2011	7.20		
\$177,895 in 2012	7.20		
\$191,142 in 2013	7.20		
\$1,040,000 in 2003	8.00	173,200	1,040,000
\$1,125,000 in 2004	8.00		
		279,943	1,138,410

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2002

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Brought forward			\$ 3,696,031
Urban Redevelopment Authority of Pittsburgh Special Tax Development Bonds, 1995, Series A	02/01/95	\$ 61,390,000	54,065,000
Urban Redevelopment Authority Redevelopment Bonds, 1995, Series B	12/01/95	2,855,787	2,136,635
Carried forward			<u>59,897,666</u>

Maturity information	Coupon or ceiling rate of interest	2003 Maximum debt service requirements	
		Interest	Principal
		\$ 279,943	1,138,410
\$1,440,000 in 2003	% 8.50	4,817,878	1,440,000
\$1,570,000 in 2004	8.55		
\$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		
\$153,293 in 2003	5.75	122,246	153,293
\$164,648 in 2004	5.75		
\$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		
		5,220,067	2,731,703

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2002

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Brought forward			\$ 59,897,666
Urban Redevelopment Authority Redevelopment Bonds, 1995, Series C	12/01/95	\$ 1,637,016	1,461,012
Urban Redevelopment Authority of Pittsburgh Taxable Redevelopment Bonds, 1996 Series	05/15/96	3,179,187	2,671,046
Total Urban Redevelopment Authority Bonds			<u>64,029,724</u>

Maturity information	Coupon or ceiling rate of interest	2003 Maximum debt service requirements	
		Interest	Principal
		\$ 5,220,067	2,731,703
\$60,560 in 2003	% 5.75	88,209	60,560
\$64,345 in 2004	5.75		
\$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		
\$124,674 in 2003	7.17	204,000	124,674
\$132,230 in 2004	7.31		
\$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		
		5,512,276	2,916,937

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2002

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Stadium Authority Revenue Bonds			
Guaranteed Refunding Bonds, Series 1993	08/15/93	\$ 15,945,000	7,625,000
Subtotal			7,625,000
Less unamortized bond discount			(77,008)
Plus General Obligation Bonds funded by Stadium Authority			15,140,000
Net Stadium Authority Bonds and notes payable			22,687,992

Maturity information	Coupon or ceiling rate of interest		2003 Maximum debt service requirements	
			Interest	Principal
\$1,780,000 in 2002	%	4.55	\$ 364,743	1,780,000
\$1,860,000 in 2003		4.70		
\$1,945,000 in 2004		4.85		
\$2,040,000 in 2005		5.00		
			364,743	1,780,000
			—	—
			1,057,061	2,207,939
			1,421,804	3,987,939

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2002

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Public Parking Authority of Pittsburgh			
Parking System Revenue Bonds, Series 1992A	08/15/92	\$ 60,960,000	40,375,276
Carried forward			<u>40,375,276</u>

Maturity information	Coupon or ceiling rate of interest	2003 Maximum debt service requirements	
		Interest	Principal
\$2,785,000 in 2003	% 5.50	\$ 2,320,337	2,785,000
\$2,940,000 in 2004	5.75		
\$3,105,000 in 2005	5.75		
\$3,285,000 in 2006	5.75		
\$3,475,000 in 2007	5.88		
\$3,680,000 in 2008	5.88		
\$3,895,000 in 2009	5.88		
\$4,125,000 in 2010	5.88		
\$4,365,000 in 2011	5.88		
\$4,625,000 in 2012	5.88		
\$4,895,000 in 2013	5.88		
(\$799,724) unamortized bond discount			
		2,320,337	2,785,000

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2002

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Brought forward			\$ 40,375,276
Parking System Revenue Bond, Series 1992B	8/15/92	\$ 15,155,000	14,390,000
Carried forward			54,765,276

Maturity information	Coupon or ceiling rate of interest	2003 Maximum debt service requirements	
		Interest	Principal
		\$ 2,320,337	2,785,000
\$275,000 in 2003	% 4.55	764,648	275,000
\$290,000 in 2004	4.65		
\$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		
		3,084,985	3,060,000

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2002

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Brought forward			\$ 54,765,276
Parking System Revenue Bonds, Series 2000	8/15/00	\$ 29,330,000	29,156,161
Total Public Parking Authority Bonds and notes payable			<u>83,921,437</u>
Plus Premium 2000 Series			<u>57,934</u>
			<u>83,979,371</u>

Maturity information	Coupon or ceiling rate of interest	2003 Maximum debt service requirements	
		Interest	Principal
		\$ 3,084,985	3,060,000
\$660,000 in 2003	% 4.65	1,656,440	660,000
\$690,000 in 2004	4.75		
\$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		
(\$173,839) unamortized bond discount			
		4,741,425	3,720,000
		—	—
		4,741,425	3,720,000

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2002

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Water and Sewer Authority Bonds			
Revenue Refunding Bonds, 1993, Series A	10/15/93	\$ 278,970,000	206,930,000
Revenue Bonds, 1993, Series B	10/15/93	10,785,000	10,785,000
Carried forward			<u>217,715,000</u>

Maturity information	Coupon or ceiling rate of interest	2003 Maximum debt service requirements	
		Interest	Principal
\$10,505,000 in 2003	% 4.60	\$ 10,864,151	10,505,000
\$11,000,000 in 2004	4.70		
\$11,515,000 in 2005	4.75		
\$12,060,000 in 2006	4.80		
\$12,640,000 in 2007	4.90		
\$13,260,000 in 2008	5.00		
\$13,920,000 in 2009	5.00		
\$14,620,000 in 2010	5.00		
\$15,350,000 in 2011	6.50		
\$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		
\$1,325,000 in 2017	5.00	471,844	—
\$1,390,000 in 2018	5.00		
\$1,460,000 in 2019	5.00		
\$1,535,000 in 2020	5.00		
\$1,610,000 in 2021	5.00		
\$1,690,000 in 2022	5.00		
\$1,775,000 in 2023	5.00		
		11,335,995	10,505,000

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2002

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Brought forward			\$ 217,715,000
First Lien Revenue Bonds, 1998, Series A	03/01/98	\$ 93,355,000	93,355,000
First Lien Revenue Bonds, 1998, Series B (zero coupon bond)	03/01/98	36,440,070	46,861,000
Subordinate Revenue Bonds, 1998, Series C	03/01/98	101,970,000	101,970,000
Carried forward			459,901,000

Maturity information	Coupon or ceiling rate of interest	2003 Maximum debt service requirements	
		Interest	Principal
		\$ 11,335,995	10,505,000
\$8,455,000 in 2017	% 5.00	4,725,117	—
\$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		
(\$119,244,000) unamortized bond discount			
\$9,225,000 in 2017	5.00	5,185,327	—
\$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		
		21,246,439	10,505,000

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2002

<u>Serial bonds</u>	<u>Date of issue</u>	<u>Amount sold</u>	<u>Amount outstanding</u>
Brought forward			\$ 459,901,000
First Lien Revenue Bonds, 2002 Series	03/01/02	107,500,000	107,500,000
Carried forward			567,401,000

Maturity information	Coupon or ceiling rate of interest	2003 Maximum debt service requirements	
		Interest	Principal
		\$	
\$1,910,000 in 2004	% 4.00	21,246,439	10,505,000
\$1,990,000 in 2005	4.00	5,384,863	—
\$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		
		26,631,302	10,505,000

CITY OF PITTSBURGH, PENNSYLVANIA

Schedule of Bonds and Notes Payable

December 31, 2002

Serial bonds	Date of issue	Amount sold	Amount outstanding
Brought forward			\$ 567,401,000
Pennvest Revolving Loan	Various	\$ 4,519,000	4,488,000

Gross Water and Sewer Authority Revenue Bonds	571,889,000
Plus net bond discount	(2,936,000)
Less:	
Deferred series 1991 refunding loss	(15,526,000)
Deferred series 1998 refunding loss	(4,333,000)
	<hr/>
Net Water and Sewer Authority Revenue Bonds	549,094,000
	<hr/>
Total bonds and notes payable	\$ 1,612,720,671

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