Sports & Exhibition Authority of Pittsburgh and Allegheny County

Financial Statements and Required Supplementary Information

For the Years Ended December 31, 2013 and 2012
with Independent Auditor's Reports

MaherDuessel
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

Pursuing the profession while promoting the public good®
www.md-cpas.com

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

TABLE OF CONTENTS

Independent Auditor's Report

Management's Discussion and Analysis i

Financial Statements:

Statements of Net Position 1

Statements of Revenues, Expenses, and Changes in Net Position 2

Statements of Cash Flows 3

Notes to Financial Statements 4

Independent Auditor's Report in Accordance with *Government Auditing Standards*:

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 38

MaherDuessel
Certified Public Accountants

Pittsburgh
503 Martindale Street
Suite 600
Pittsburgh, PA 15212
Main 412.471.5500
Fax 412.471.5508

Harrisburg
3003 North Front Street
Suite 101
Harrisburg, PA 17110
Main 717.232.1230
Fax 717.232.8230

Butler
112 Hollywood Drive
Suite 204
Butler, PA 16001
Main 724.285.6800
Fax 724.285.6875

Independent Auditor's Report

Board of Directors
Sports & Exhibition Authority of Pittsburgh
and Allegheny County

Report on the Financial Statements

We have audited the accompanying financial statements of the Sports & Exhibition Authority of Pittsburgh and Allegheny County (Authority), which comprise the statements of net position as of December 31, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Maher Duessel

Pittsburgh, Pennsylvania
April 10, 2014

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2013

As management of the Sports & Exhibition Authority of Pittsburgh and Allegheny County (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority as of and for the fiscal years ended December 31, 2013 and 2012. This Management's Discussion and Analysis is designed to assist the reader in focusing on the significant financial issues and activities. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities on December 31, 2013 by $401 million (net position). This represents a $25 million decrease compared to prior year-end net position. This is mainly due to the current year depreciation of capital assets offset by funding received for payments on bonds and loans outstanding.

- The Authority's total cash and cash equivalents balance at the close of the 2013 fiscal year was $74 million, representing a $2.3 million increase over the prior year-end. Increased cash is a result of restricted grants received for design of the Lower Hill Redevelopment site infrastructure project, reimbursement of insurance proceeds due to minimal workers' compensation claims on the Consol Energy Center construction, and surcharges earned at individual facilities and other moneys restricted for capital improvements of those facilities (i.e., Heinz Field, PNC Park, Consol Energy Center, and David L Lawrence Convention Center (Convention Center)).

- The Authority recognized $22 million in restricted and unrestricted operating revenues for the calendar year 2013, $700,000 more than 2012. Pirates' revenues were $743,000, which was 16% greater than

2012, the Steelers' and Penguins' revenues (primarily surcharges and rent) were the same as 2012. Convention Center operations revenue from rentals, event services, and ancillary services was $8.5 million, $277,000 or 3% ahead of 2012 revenues, while operating expenses increased $85,000 or less than 1%. There were two more events in 2013 than there were in 2012 and $227,000 or 5.5% more in ancillary services, e.g., food and beverage, internet, etc. The Convention Center operates at a planned loss, as is the case with the vast majority of convention centers in the country. The 2013 operating shortfall was $1.9 million or 9% less than 2012. The shortfall is covered by payments from the Commonwealth of Pennsylvania's Economic Development and Tourism Fund and Allegheny County's Hotel Tax revenue. As shown on the statements of revenues, expenses, and changes in net position, total Authority operating revenues ($22 million), net of operating expenses ($63.6 million), resulted in a $41.3 million operating loss; this result, however, includes depreciation and amortization expenses of $50.5 million.

Overview of the Financial Statements

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial report, which is comprised of a single enterprise fund.

To understand the operations and financial statements depicted, it is important to understand the primary role of the Authority. As a joint authority for the City of Pittsburgh and Allegheny County, the Authority's mission is to provide venues for sporting, entertainment, educational, cultural, civic, and social events for the benefit of the general public. In 1998, the Authority undertook and implemented the Regional Destination Financing Plan (Plan) to develop and construct a football stadium and baseball park, an expanded convention center, parking facilities, riverfront park development, as well as the infrastructure improvements associated with these projects. The combined cost of the Plan exceeded $1 billion with monies coming from revenue bonds, state appropriations, federal funds, corporate and philanthropic funds, and sports team contributions. In 2010, the Authority completed construction of Consol Energy Center, which replaced the Civic Arena as the home of Pittsburgh's hockey franchise. The Authority completed the demolition of the Civic Arena in September 2012 in preparation for the Lower Hill Redevelopment project.

The Authority owns PNC Park, Heinz Field, the Convention Center (and riverfront plaza), Consol Energy Center and garage, North Shore Garage, North Shore Riverfront Park, the Benedum Center, the Heinz History Center, and 19 acres of land that had been the site of the Civic Arena. The Authority leases PNC Park and Heinz Field to Pittsburgh Associates (holder of the Pittsburgh Pirates Major League Baseball Franchise) and PSSI Stadium Corp. (a related entity to the holder of the Pittsburgh Steelers National Football League Franchise), respectively, both of which operate the facilities through 2030. The Authority leases Consol Energy Center to the Lemieux Group LP (the holder of the Pittsburgh Penguins National Hockey League Franchise), which operates that facility through June 30, 2040. The Authority oversees management of the Convention Center, garage and riverfront plaza, the North Shore Garage, and the North Shore Riverfront Park. The Authority's ownership of the Benedum Center and the Heinz History Center is for financing purposes only; the Authority has no significant operating or management responsibility with respect to those facilities.

Financial Statements

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

> *The statements of net position* present information on all of the Authority's assets, deferred outflows of resources, and liabilities, with the difference between the three reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statements of revenues, expenses, and changes in net position* present information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position 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., accrued receivables).

The *statements of cash flows* report cash and cash equivalent activities for the year resulting from operating activities, non-capital financing activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year cash and cash equivalents balance reconciles to the cash and cash equivalents balance at the end of the calendar year.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to analyze the changing financial position of the Authority as a whole. In the case of the Authority, assets and deferred outflows of resources exceed liabilities by $401 million as of December 31, 2013, a $25 million or 6% decrease from the prior year. This is a result of several factors. The Authority reduced total capital assets by $46 million due to depreciation and amortization. After paying 2013 debt service, bonds and loans were reduced by $20 million; these reductions were primarily funded by City, County, and State revenue sources. The deferred outflows of resources decreased $44 million due to the accumulated decrease in fair value of hedging derivatives and decrease in deferred charges on bond refundings. The accumulated decrease in the fair value of hedging derivatives is offset by a corresponding decrease in liabilities.

Unrestricted net position reports the amount of discretionary assets that an organization has to meet its obligations. The net position summary below shows that the unrestricted portion of net position is positive by $341,000 due to the Authority revenues exceeding expenses for 2013. Additional information can be found in the "Economic Factors" section of the Management's Discussion and Analysis.

Condensed Summary of Net Position at December 31 (in thousands)

	2013	**2012**
Current assets	$ 69,260	$ 66,965
Capital assets	1,043,182	1,089,465
Other assets	24,545	24,077
Total assets	1,136,987	1,180,507
Deferred outflows of resources	44,228	88,165
Current liabilities	33,480	31,136
Bonds outstanding (net of current portion)	655,155	674,952
Other long-term liabilities	91,589	136,901
Total liabilities	780,224	842,989
Net position:		
Net investment in capital assets	356,659	381,187
Restricted capital activity/debt service	43,992	43,892
Unrestricted	341	604
Total net position	$ 400,992	$ 425,683

By far, the largest portion of the Authority's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of related debt ($357 million). This category comprises 89% of the total net position. Total net position also includes a restricted net position of $44 million. During 2013, decreases in the Authority's net investment in capital assets were mainly a result of depreciation and amortization of fixed assets exceeding new construction activities net of debt service payments on various loans and bonds. The Authority uses its capital assets primarily to provide public venues for baseball (PNC Park), football (Heinz Field), hockey and other arena events (Consol Energy Center), and for convention center events (Convention Center). Other major capital assets are two parking garages, and the North Shore Riverfront Park. Consequently, these assets are not available for future spending. Construction projects at the Convention Center started and/or completed in 2013 include the second floor loading dock traffic topping, camera repair and replacement for the security system, repair and improvement of the fire protection system, and roof repairs. Almost 100% of the over $1 billion in capital assets are capitalized and in-service.

Current assets include cash, investments, and receivables for event rentals, parking fees, surcharges, and contributions. Current assets are $2.3 million greater than 2012 because of receipt of receivables due from the Pittsburgh Steelers, Pittsburgh Pirates, Pittsburgh Penguins, and Levy Restaurants for money restricted to each facility's capital reserve fund. Noncurrent assets include restricted cash and cash equivalents and deferred lease costs related to the Lower Hill Redevelopment site and were $628,000 less in 2013 due to the amortization of the deferred lease costs.

The largest component of the Authority's liabilities is bonds payable, which are secured by pledged revenues as described below in debt administration. The current portion of bonds payable increased in accordance with bond payment schedules by $420,000 due to debt service requirements. Other long-term liabilities decreased by

$17.5 million due to debt service payments on bonds and loans. The accumulated decrease in fair value of hedging derivatives decreased $44 million, the result of the long-term interest rate increasing since 2012.

Condensed Summary of Revenues, Expenses, and Changes in Net Position at December 31 (in thousands)

	2013	2012
Operating revenues	$ 22,276	$ 21,577
Operating expenses:		
Operations and maintenance	11,771	11,638
General and administrative	1,234	1,169
Depreciation and amortization	50,539	50,320
Other expenses	66	78
Total operating expenses	63,610	63,205
Operating income (loss)	(41,334)	(41,628)
Nonoperating revenues (expenses):		
Allegheny Regional Asset District and City, County, State	27,693	26,599
Hotel rooms tax	15,636	15,513
Stadium Authority parking subsidy	(1,063)	864
Pittsburgh Casino operator	7,611	7,608
Foundation and other grants	7	146
Project administrative and development income (net of expense)	25	(133)
Interest expense (net of interest income)	(33,373)	(34,043)
Miscellaneous	107	(119)
Total nonoperating revenues (expenses)	16,643	16,435
Increase (Decrease) in net position	$ (24,691)	$ (25,193)

The Authority's operating revenues are derived from ticket surcharge, team rent, parking revenues, and Convention Center income from building rental, event services, catering and concession charges, and ancillary fees such as booth cleaning, security, audio visual, and electrical usage. The Authority's unrestricted operating revenues support the administrative costs of the Authority and the operation of the Convention Center. The restricted operating revenues related to charges/fees imposed by the Authority are pledged for debt repayment or capital maintenance reserves. Non-operating revenues are primarily composed of state and local related grants for the operations of the Convention Center, and payment of debt and costs related to capital projects. The majority of the restricted grants in 2013 were comprised of (1) $15.6 million from Allegheny County Hotel Rooms Tax for operations of the Convention Center and debt service on the Hotel Room Excise Tax Revenue Bonds, (2) $14.2 million from Allegheny Regional Asset District (RAD) for debt service on the RAD Sales Tax Revenue Bond Refunding Series of 2010 and RAD Refunding Series of 2005 (3) $12.3 million from the Commonwealth of Pennsylvania's Economic Development and Tourism Fund revenue for ongoing Convention Center operations, reimbursement and repayment of loan debt, and debt service payments and related expenses on the Commonwealth Lease Revenue Bonds Series A of 2007, (4) $7.6 million from the Rivers Casino for debt service on the Commonwealth Lease Revenue Bonds Series A of 2007, and (5) $6.2 million from the Pittsburgh Penguins for debt service on the Commonwealth Lease Revenue Bonds Taxable Series B of 2007, Commonwealth Lease Revenue Bonds Series 2010, and rent and parking surcharge to be restricted to the New Arena capital reserve account.

Including the depreciation and amortization expense of $50.5 million, the Authority's operating loss was $41.3 million. Operations, without depreciation and amortization expense, would have yielded a surplus of $9.2 million, which is composed of restricted surcharge/rent revenue for the various facility capital reserve funds and bond debt service obligations and North Shore Garage revenue restricted to payment of garage debt.

Capital Assets

As of December 31, 2013, the Authority's investment in capital assets was $1 billion (net of accumulated depreciation). Investment in capital assets includes buildings, improvements, equipment, infrastructure, and land (which is valued at $128 million and is not depreciated). All construction-in-progress for facilities and assets that are open and operating were capitalized, except for predevelopment costs related to the Lower Hill Redevelopment project. The major expenses capitalized during 2013 included projects totaling $1 million for the Convention Center, $950,000 for Heinz Field, and $322,000 for PNC Park. Additional information on capital assets can be found in Note 4 of this report.

Debt Administration

Long-term debt of the Authority outstanding as of December 31, 2013 is comprised of nine bond issues and several loans payable.

Four bonds were originally issued to finance the Regional Destination Financing Plan: Hotel Room Excise Tax Revenue Bonds Series 1999, Regional Asset District Sales Tax Revenue Bonds Series 1999, Taxable Ticket Surcharge Revenue Bonds, Series 2000 and Parking Revenue Bonds Series A of 2001. In 2010 and 2012, three bond issues were refinanced in full: (1) Hotel Room Excise Tax Revenue Bonds Series 1999, (2) Regional Asset District Sales Tax Revenue Bonds Series 1999, and (3) Parking Revenue Bonds Series A of 2001.

Bond Issue	Issue Date	Maturity Date	Initial Principal Amount	Pledged Revenue Stream	Bond Ratings* Standard & Poor's	Bond Ratings* Moody's
Hotel Room Excise Tax Revenue Bonds, Series of 2010	Oct-2010	Feb-2035	$ 146,465,000	Hotel Room Excise Tax	AAA (negative outlook)	Aa3 (negative outlook)
Hotel Room Excise Tax Revenue Bonds, Series of 2012	Aug-2012	Feb-2029	$ 44,160,000	Hotel Room Excise Tax	AA- (stable outlook)	Aa3 (on review for possible downgrade)
RAD Sales Tax Revenue Bonds Refunding Series 2010	Sept-2010	Feb-2031	$ 173,765,000	Regional Asset District 1% Sales Tax	AAA (negative outlook)	Aa3 (negative outlook)
Taxable Ticket Surcharge Revenue Bonds	Aug-2000	Jul-2030	$ 17,175,000	Steeler Football Ticket	AAA	Aaa

* Ratings at time of issuance based on the purchase of bond insurance

As of December 31, 2013, the Authority has outstanding the above-listed Regional Destination Financing Plan bonds. (See PNC/Dollar Bank loan note referencing the refinancing of the Parking Revenue Bonds.) In 2013, principal payments made on the bonds were $4,035,000, $715,000, $5,675,000, and $345,000 totaling $10,770,000, leaving outstanding debt of $351,815,000 in total.

The below-described RAD Sales Tax Bonds, Refunding Series 2005 and Auditorium Bonds, Refunding Series A 2005 relate to the refinancing of the 1999 Auditorium Bonds that had an initial combined principal amount of $36,550,000 and refunded bonds which related to improvements made to the Civic Arena. Principal payments made in 2013 were $700,000 and $450,000, with outstanding principal amounts as of December 31, 2013 of $4,250,000 and $1,920,000, respectively.

Bond Issue	Issue Date	Maturity Date	Initial Principal Amount	Pledged Revenue Stream	Bond Ratings * Standard & Poor's	Moody's
RAD Sales Tax Bonds, Refunding Series 2005	Jan-2005	Feb-2019	$ 13,250,000	RAD Sales Tax Proceeds	AAA	Aaa
Auditorium Bonds, Refunding Series A of 2005	Sept-2005	Dec-2018	$ 8,345,000	City of Pittsburgh & Allegheny County	n/a	Aaa

* Ratings at time of issuance based on the purchase of bond insurance

The Authority issued three series of bonds to finance the construction of the New Arena Project - Commonwealth Lease Revenue Bonds Series A of 2007, Commonwealth Lease Revenue Bonds Taxable Series B of 2007, and Commonwealth Lease Revenue Bonds Series of 2010. Principal payments of $5,270,000, $965,000, and $260,000 were made in 2013 on the three bonds, respectively. The outstanding balance on these bonds as of December 31, 2013 is $223,490,000, $57,905,000, and $16,385,000, respectively.

Bond Issue	Issue Date	Issue Date	Initial Principal Amount	Pledged Revenue Stream	Bond Ratings * Standard & Poor's	Moody's
Commonwealth Lease Revenue Bonds Series A of 2007	Oct-2007	Nov-2038	$ 252,000,000	Gaming Economic Development and Tourism Fund and Casino Operator	A-1	VMIG 1
Commonwealth Lease Revenue Bonds Taxable Series B of 2007	Oct-2007	Nov-2039	$ 61,265,000	Pittsburgh Penguins	A-1	VMIG 1
Commonwealth Lease Revenue Bonds Taxable Series 2010	Apr-2010	Nov-2039	$ 17,360,000	Pittsburgh Penguins	A	Aa3

* Ratings at time of issuance based on the purchase of bond insurance

The Bond issuance costs, net of prepaid insurance costs, have been restated to reflect GASB 65. Additional information on bonds is shown in Note 6 of this report.

There are two active loans/notes outstanding at December 31, 2013. The first, 2001 loans from the Howard Heinz Endowment and the Vira I. Heinz Endowment in the amount of $1.5 million each, was to promote economic development and environmental initiatives by constructing improvements at the Convention Center in accordance with the Green Building Standards. In 2011, the Heinz Endowments agreed to forgive $866,658 of the loan balance providing the Authority continues efforts at the Convention Center to work towards achieving and maintaining LEED recertification. The current balance of the Heinz Endowment outstanding loans is $1,200,000.

The second loan is a PNC Bank/Dollar Bank loan in the amount of $41,175,574. In 2010, the Authority refinanced a 2004 PNC Bank/Dollar Bank loan ($16,751,161), which financed costs for operations and capital costs for the Convention Center, and the 2001 Parking Revenue Bonds ($24,424,977), which were originally issued to finance the Regional Destination Financing Plan. The balance on the 2010 loan is comprised of a $23,109,590 fixed rate note issued to PNC Bank and a $9,686,709 fixed rate note issued to Dollar Bank. See Note 7 to the financial statements for further information.

In 2012, the Stadium Authority, a related entity of the Authority, refinanced outstanding debt on the West General Robinson Street Garage, secured by, among other things, net revenues from the North Shore Parking Garage and various Authority lots. This refinancing has helped stabilize the financing for all North Shore parking facilities.

Economic Factors

Certain factors were considered in preparing the Authority's budget for the 2014 fiscal year. The Convention Center operating revenues, as well as the unrestricted portion of the hotel tax allocation and an appropriation from the Commonwealth of Pennsylvania's Economic Development and Tourism Fund, would be used to fund the operating activity and administration of the Convention Center. The Authority endeavors to minimize the need for supplemental revenue by maximizing operating revenues such as building income from rentals, food and beverage, and other ancillary services and minimizing expenses with the overriding goal of the Convention Center being to market and price events that create economic benefit to the region. The Authority's 2014 operating budget is balanced, and no operating cash flow issues are present.

In accordance with Act 71 of 2004 (the Pennsylvania Race Horse Development and Gaming Act), in 2014 the Authority anticipates receiving money from the Commonwealth of Pennsylvania's Economic Development and Tourism Fund for (a) operating costs of the Convention Center ($1.7 million), and (b) repayment of certain Convention Center debt ($1.7 million). Receipt of the Act 71 funding is directly dependent on the gaming revenues received by the state. Pursuant to the Act, these funds have been appropriated through 2019. If in the future these moneys are not received and the unrestricted portion of the hotel tax revenues are not sufficient or are unavailable and other revenue streams do not materialize, the Authority will have cash flow difficulties. In such case, it may then be forced to call upon the Cooperation Agreement with the City of Pittsburgh and Allegheny County. This agreement, dated January 23, 1978, approves a shared payment by the City of Pittsburgh and Allegheny County to cover the Authority's operating deficit with respect to the Convention Center.

Future Events that will Financially Impact the Authority

The Authority and the Urban Redevelopment Authority (URA) are owners of a 28-acre site where the former Civic Arena was located. The Pittsburgh Penguins have a 10-year option to develop the site. The Penguins have been working with the Authority and URA on a master plan for a mixed-use development of the site. The plan includes a street grid system that is important to reintegrate the Hill District neighborhood with Downtown and to establish development sites.

The Authority has contracted for engineering design services for the existing roads around the site and a new roadway grid including storm sewer, sanitary sewer, waterlines, and streetscapes on the 28-acre site. Preliminary design of the existing exterior roadway and final design of the new interior roadway are expected to be complete in 2014. The roadway design allows for construction to be done in phases. As funding is obtained, construction on a new phase can begin. It is anticipated construction on the first phase of the roadway project will begin in the second half of 2014.

Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Sports & Exhibition Authority, 171 10th Street, 2nd Floor, Pittsburgh, PA 15222.

Certain factors were considered in preparing the Authority's budget for the 2014 fiscal year. The Convention Center operating revenues, as well as the unrestricted portion of the hotel tax allocation and an appropriation from the Commonwealth of Pennsylvania's Economic Development and Tourism Fund, would continue to be needed to fund the operating activity and administration of the Convention Center. The Authority endeavors to minimize the need for hotel tax revenue by maximizing operating revenues such as building income from rentals, food and beverage, and other ancillary services, and minimizing expenses. But the overriding goal to market and price events at the Convention Center to create economic benefit to the region. The Authority's 2014 operating budget is balanced, and no operating cash flow issues are present.

In accordance with Act 71 of 2004 (the Pennsylvania Race Horse Development and Gaming Act), in 2014 the Authority anticipates receiving money from the Commonwealth of Pennsylvania's Economic Development and Tourism Fund for (a) operating costs of the Convention Center ($1.7 million), and (b) repayment of certain Convention Center debt ($1.7 million). Receipt of the Act 71 funding is directly dependent on the gaming revenues received by the state. While the Authority has received the 2013 payments from the fund, if in the future these moneys are not received and other revenue streams do not materialize, the Authority will have cash flow difficulties. It may then be forced to call upon the Cooperation Agreement with the City of Pittsburgh and Allegheny County. This agreement, dated January 23, 1978, approves a shared payment by the City of Pittsburgh and Allegheny County to cover the Authority's operating deficit with respect to the Convention Center.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

STATEMENTS OF NET POSITION

DECEMBER 31, 2013 AND 2012

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	$ 993,305	$ 2,076,719
Restricted cash and cash equivalents	65,803,145	62,272,015
Receivables:		
Trade (no allowance for doubtful accounts necessary)	1,660,920	1,594,377
Restricted contributions and grants	537,088	245,078
Other	71,006	589,237
Prepaid expenses	194,134	187,435
Total current assets	69,259,598	66,964,861
Noncurrent assets:		
Restricted cash and cash equivalents	8,948,234	7,777,288
Restricted investments	-	1,357,295
Other receivables	100,000	-
Lease acquisition costs	14,400,600	14,942,316
Capital assets, net	1,043,182,388	1,089,464,950
Construction in progress	1,096,535	-
Total noncurrent assets	1,067,727,757	1,113,541,849
Total Assets	1,136,987,355	1,180,506,710
Deferred Outflows of Resources		
Accumulated decrease in fair value of hedging derivatives	38,469,310	81,990,988
Deferred charges on bond refundings	5,759,280	6,174,361
Total Deferred Outflows of Resources	44,228,590	88,165,349
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	4,971,076	2,895,235
Unearned revenue	679,662	694,777
Interest payable	7,619,451	7,817,265
Current portion of bonds payable	18,835,000	18,415,000
Current portion of loans/notes payable	1,374,917	1,313,719
Total current liabilities	33,480,106	31,135,996
Noncurrent liabilities:		
Accrued liabilities	1,895,092	2,092,789
Unearned revenue	877,775	990,244
Developer credits	14,525,000	14,525,000
Fair value of hedging derivatives	38,469,310	81,990,988
Bonds payable	655,155,223	674,952,142
Loans/notes payable	35,821,391	37,301,603
Total noncurrent liabilities	746,743,791	811,852,766
Total Liabilities	780,223,897	842,988,762
Net Position		
Net investment in capital assets	356,659,039	381,187,371
Restricted for capital activity and debt service	43,992,118	43,891,792
Unrestricted	340,891	604,134
Total Net Position	$ 400,992,048	$ 425,683,297

See accompanying notes to financial statements.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Operating Revenues:		
Restricted:		
Surcharges/rents	$ 8,949,742	$ 8,976,109
North Shore parking garage, net	1,536,622	1,504,764
Convention Center parking garage, net	1,828,731	1,730,792
Parking lot revenue, net	485,298	451,619
Unrestricted:		
Ticket surcharges	683,334	430,023
License fees	2,884,168	2,957,614
Event service revenue	1,133,532	1,009,475
Ancillary revenue	4,381,167	4,153,792
Other revenue	393,142	363,324
Total operating revenues	22,275,736	21,577,512
Operating Expenses:		
Operations and maintenance	11,771,230	11,638,471
General and administrative	1,233,694	1,168,605
Depreciation and amortization	50,538,893	50,320,014
Other expenses	65,785	78,076
Total operating expenses	63,609,602	63,205,166
Operating Loss	(41,333,866)	(41,627,654)
Non-operating Revenues (Expenses):		
Restricted:		
Allegheny Regional Asset District	14,249,000	14,293,000
PA Gaming Economic Development & Tourism Fund	10,900,000	10,900,000
Other Commonwealth of PA Grants	1,426,021	855,516
Pittsburgh casino operator	7,611,520	7,607,751
Hotel rooms tax	15,636,055	15,512,500
Stadium Authority	(1,063,779)	863,593
City of Pittsburgh and Allegheny County	1,118,030	550,614
Foundation and other grants	7,000	145,900
Other revenue	98,604	319,814
Interest expense	(33,496,257)	(34,202,340)
Interest revenue	122,352	159,586
Unrestricted:		
Other revenue	132,666	157,473
Project development expense	(4,620)	(160,876)
Financing expenses	(93,975)	(568,316)
Total non-operating revenues, net	16,642,617	16,434,215
Change in Net Position	(24,691,249)	(25,193,439)
Net Position:		
Beginning of year, as restated	425,683,297	450,876,736
End of year	$ 400,992,048	$ 425,683,297

See accompanying notes to financial statements.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Cash Flows From Operating Activities:		
Cash received from operations	$ 21,800,936	$ 21,450,131
Cash paid for operating expenses	(7,592,208)	(7,531,482)
Cash paid to employees	(5,574,029)	(5,609,762)
Cash received from other income	393,142	363,324
Net cash provided by (used in) operating activities	9,027,841	8,672,211
Cash Flows From Non-Capital Financing Activities:		
Cash received from hotel tax distributions	2,469,389	2,750,000
Cash received from PA Gaming Economic Development & Tourism Fund	1,700,000	1,700,000
Other receipts (payments)	30,487	(210,885)
Net cash provided by (used in) non-capital financing activities	4,199,876	4,239,115
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(3,907,956)	(7,456,403)
Proceeds from issuance of bonds and notes	-	46,175,783
Refunded bonds and notes	-	(42,700,000)
Bond and note issuance costs	-	(866,167)
Interest payments on bonds, notes/loans payable, and capital lease obligations	(34,242,440)	(34,919,214)
Cash received from Allegheny Regional Asset District for bond payments	14,249,000	14,293,000
Cash received from hotel rooms tax for bond payments	13,166,666	12,762,500
Cash received from PA Gaming Economic Development & Tourism Fund for capital items and bond and loan payments	9,200,000	9,200,000
Cash received from Pittsburgh casino operator for bond payments	7,611,520	7,607,751
Cash received from City of Pittsburgh and Allegheny County	1,118,030	550,614
Cash received from (paid to) Stadium Authority for capital items and bond payments	-	863,593
Cash received from other capital related grants	1,642,739	1,999,523
Principal payments on bonds payable	(18,415,000)	(16,565,000)
Principal payments on loans/notes payable	(1,419,014)	(1,478,204)
Net cash provided by (used in) capital and related financing activities	(10,996,455)	(10,532,224)
Cash Flows From Investing Activities:		
Interest income received	124,080	166,333
Proceeds from sales and maturities of investments	1,357,295	2,705
Bank/trustee fees paid	(93,975)	(94,525)
Net cash provided by (used in) investing activities	1,387,400	74,513
Net Increase (Decrease) in Cash and Cash Equivalents	3,618,662	2,453,615
Cash and Cash Equivalents:		
Beginning of year	72,126,022	69,672,407
End of year	$ 75,744,684	$ 72,126,022
Consists of:		
Restricted cash and cash equivalents	$ 74,751,379	$ 70,049,303
Unrestricted cash and cash equivalents	993,305	2,076,719
	$ 75,744,684	$ 72,126,022
Reconciliation of Operating Loss to Net Cash Flows Provided By (Used In) Operating Activities:		
Operating loss	$ (41,333,866)	$ (41,627,654)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	50,538,893	50,320,014
Change in operating assets and liabilities:		
Operating receivables	(66,543)	100,487
Prepaid operating expenses	(6,699)	11,792
Operating liabilities	(103,944)	(132,428)
Total adjustments	50,361,707	50,299,865
Net cash provided by (used in) operating activities	$ 9,027,841	$ 8,672,211

See accompanying notes to financial statements.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

1. NATURE OF OPERATIONS AND REPORTING ENTITY

The Public Auditorium Authority of Pittsburgh and Allegheny County was incorporated on February 3, 1954, pursuant to the Public Auditorium Authorities Law, as a joint authority organized by the City of Pittsburgh (City) and Allegheny County (County). Effective November 1999, the Public Auditorium Authority of Pittsburgh and Allegheny County's name was legally changed to the Sports & Exhibition Authority of Pittsburgh and Allegheny County (Authority). The Public Auditorium Authorities Law was re-codified in 2000 and the Authority is now authorized and exists under the Sports and Exhibition Authority Act through March 23, 2049.

As a joint authority for the City and County, the Authority provides venues for sporting, entertainment, educational, cultural, civic, and social events for the public. The Authority owns but leases PNC Park, Heinz Field, Consol Energy Center, Lower Hill Redevelopment site, the Benedum Center, and the Heinz History Center property to other entities who are responsible for their operation. The Authority owns and is responsible for the operation of the David L. Lawrence Convention Center (Convention Center). The Authority also owns two parking facilities, riverfront parks, and various associated infrastructure improvements. Involvement with the Benedum Center and the Heinz History Center is limited to the initial financing structures for those facilities. The Authority has no other significant responsibility with respect to those facilities.

The Board of Directors (Board) is a seven-member group appointed by the Mayor of the City and Chief Executive of the County. Each executive appoints three members and the Mayor and County Executive jointly appoint the seventh member. The Board is responsible for the overall activities and operations of the Authority. The Board has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and is primary accountability for fiscal matters. For financial reporting purposes, the Authority is a stand-alone entity and is not a component unit of the City or the County. A component unit is defined as an entity that is operationally and financially accountable to a primary government.

The Stadium Authority of the City of Pittsburgh (Stadium Authority) owned Three Rivers Stadium located in the City. Three Rivers Stadium was razed in February 2001 to make way for Heinz Field and PNC Park. The Stadium Authority is now responsible for the development of the land between the newly constructed stadium and ballpark. A portion of that land was conveyed to the Authority for construction of infrastructure. The remaining land was retained by the Stadium Authority to be developed according to a master development plan. Pending development, the land is used for surface parking with a portion of the revenue from the surface parking lots pledged to the debt service on the Authority's

PNC Bank/Dollar Bank loan (see Note 7). The Stadium Authority has a separate board appointed by the Mayor of the City. An Administrative Services Agreement was entered into in November 2002 between the Stadium Authority and the Authority whereby the Authority staff performs all administrative services required for the Stadium Authority to fulfill its duties and obligations.

2. Summary of Significant Accounting Policies

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America applicable to governmental units and promulgated by the Governmental Accounting Standards Board (GASB). The Authority is considered a special purpose government engaged in business-type activities and, as such, presents the financial statements required for enterprise funds. A summary of the Authority's more significant accounting policies applied by management in the preparation of the accompanying financial statements follows:

Basis of Accounting and Measurement Focus

The Authority's financial statements are prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Revenues are recognized when earned and expenses are recognized when a liability is incurred. All assets, deferred outflows of resources, deferred inflows of resources and liabilities associated with the operations of the Authority are included on the statements of net position. The statements of revenues, expenses, and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in the Authority's total net position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Authority considers cash in bank accounts and short-term investments with original maturities of three months or less from the date of purchase as cash equivalents.

Investments

The Authority records investments at fair value in the statements of net position. Interest revenue and realized and unrealized gains and losses on investments are reflected in the statements of revenues, expenses, and changes in net position. Fair value has been determined based on quoted market prices.

Capital Assets

Capital assets are stated at cost which includes all costs during the construction period for acquisition of land, rights of way, surveys, engineering costs, roads, bridges, buildings and other construction costs for constructed assets. Once completed and in operation, additional projects valued at greater than $5,000 are capitalized; however, professional fees are expensed unless the total value of the project exceeds $1 million. Capital assets include the infrastructure network (roads, sidewalks, water lines, and sewer lines) built in connection with the Authority's capital projects. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the related assets. No depreciation expense is recorded for land or construction-in-progress. Repairs and maintenance that do not extend the lives of the applicable assets are charged to expense as incurred.

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed and amortized over the useful life of the assets. During the years ended December 31, 2013 and 2012, there was no net capitalized interest.

Capital assets includes infrastructure associated with certain development projects of the Authority including North Shore, Convention Center, and Lower Hill Redevelopment. Some of this infrastructure is dedicated to the City or accepted by Pittsburgh Water and Sewer Authority (PWSA) after the completion of the projects, mainly road, water, and sewer system infrastructure, to be maintained by the City and PWSA. The Authority, however, considers these costs an integral part of the total development cost of the projects and, accordingly, capitalizes and amortizes them over the life of the projects.

Refunding Transactions

In accordance with applicable guidance, the excess of the reacquisition price over the net carrying amount of refunded debt is recorded as a deferred outflow of resources on the statements of net position and amortized as a component of interest expense over the shorter of the term of the refunding issue or refunded bonds.

Noncurrent Accrued Liabilities

Noncurrent accrued liabilities, which represent monies held on behalf of the Stadium Authority in a development fund and payable to the Steelers and Pirates upon the development of commercial, retail, and residential facilities in the North Shore Option Area, totaled $729,117 and $1,154,450 at December 31, 2013 and 2012, respectively.

In addition, a Stadium Authority development fund is held to facilitate the construction and financing of parking garages on the North Shore. $1,165,975 and $938,339 were held in this fund as of December 31, 2013 and 2012, respectively.

Revenues

The Authority's operating revenues consist of excess ticket surcharges, rents, parking revenues and Convention Center revenue from building rentals, event services, and catering and concessions. Non-operating revenues consist primarily of grants and subsidies received that are restricted for capital related costs, the payment of debt service, or operation of the Convention Center. Grants and subsidies are recorded as revenue when all applicable eligibility requirements are met.

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

Surcharges/Rent

Surcharges are certain revenues derived from tickets or parking at the various facilities imposed by the Authority in accordance with the team leases. A ticket surcharge is imposed on each ticket sold for Pittsburgh Steelers football games, University of Pittsburgh Panthers football games, Pittsburgh Pirates baseball games, and other events held at Heinz Field and PNC Park. A parking surcharge is imposed on cars parked at the Lower Hill Redevelopment site and the Consol Energy Center Garage. Additionally, the team leases provide that the Steelers, Pirates, and Penguins pay rent and/or other amounts to the Authority annually. See Note 12, Consol Energy Center; Note 16, PNC Park; and Note 17, Heinz Field for the specific terms of each lease as it relates to the surcharges, rents, and/or other amounts and the restricted uses of the funds.

Parking Revenues

Parking revenues are generated from parking services at the North Shore parking garage, the Convention Center parking garage, and Authority lots in both downtown and on the

North Shore, net of the related expenses. Alco Parking, Inc. operates these facilities through lease or management contracts. Currently, the net revenues of the North Shore parking garage, the Convention Center parking garage, Authority lots and revenues of certain Stadium Authority lots (Lots 1 and 7A through 7J) are fully restricted for purposes of repaying the Authority's PNC Bank/Dollar Bank 2010 bank notes and the Stadium Authority's PNC Bank/Dollar Bank 2012 bank notes described in Note 7. An affiliated entity of the owner of the Pittsburgh Penguins hockey team (such affiliated entity, as applicable, herein referred to as the Pittsburgh Penguins) operates the Consol Energy Center garage and parking at the Lower Hill Redevelopment site and all net parking revenue is retained by the team.

Hotel Room Excise Tax

The County imposes a 7% hotel room tax on the temporary use or occupancy of hotel rooms within the County. The tax is composed of a 5% Basic Levy and a 2% Added Levy. From the 5% Basic Levy, the County is required to collect the tax and to distribute the funds to the appropriate entities, including the Authority, in accordance with state law (16 P.S. Section 4970.2 et seq) as follows: (1) provide the Municipality of Monroeville with 1/3 of the revenues generated in that jurisdiction, (2) fund the monthly debt service on the Authority's Hotel Room Excise Tax Revenue Bonds and reimburse the County for a collection fee of 5%, (3) make available 2/5 of the Basic Levy to the Greater Pittsburgh Convention and Visitor's Bureau and (4) remaining funds, if any, to fund Convention Center operations and regional tourist promotional activities. The 2% Added Levy is applied in accordance with State Law (53 Pa.C.S.A. Section 8721) as follows: (1) to the Municipality of Monroeville, 1/3 of the revenues generated in that jurisdiction, and (2) the remaining balance to pay debt service on the Authority's Hotel Room Excise Tax Revenue Bonds.

Casino Operator Revenue

As described in Note 6, the Authority receives semi-annual payments from the holder of the gaming license for the facility located in Pittsburgh based on a Payment Agreement which details the payment due dates. The Authority recognizes this revenue when the payments are received.

Classification of Net Position

Accounting standards require the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- Restricted – This component of net position consists of constraints placed on net position used through external restrictions, reduced by liabilities related to those assets.
- Unrestricted – This component of net position consists of assets that do not meet the definition of "restricted" or "net investment in capital assets."

Adoption of Accounting Pronouncements

The requirements of the following GASB Statements were adopted for the Authority's 2013 financial statements:

GASB Statement No. 61, *"The Financial Reporting Entity."* The objective of this Statement is to have financial reporting entity financial statements be more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

GASB Statement No. 65, *"Items Previously Reported as Assets and Liabilities."* This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Under the provisions of this Statement, bond issuance costs are to be expensed in the period incurred rather than deferred and amortized. The Authority's net position as of January 1, 2013 and 2012 have been restated by $5,266,686 and $5,039,055, respectively, to reflect this change. The other primary impact of this Statement to the Authority was to classify the deferred amounts on refunding as deferred outflows of resources. The provisions of this Statement were applied retroactively for all periods presented.

Pending Pronouncements

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

GASB has issued Statement No. 70, *"Accounting and Financial Reporting for Nonexchange Financial Guarantees,"* effective for periods beginning after June 15, 2013. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Authority maintains all cash deposits in qualified public depositories and is authorized to invest in securities of the United States government, other instruments that are collateralized by United States government securities, repurchase agreements subject to certain restrictions, and other debt instruments set forth by the office of the State Treasurer of the Commonwealth of Pennsylvania (Commonwealth). These types of investments are held by the purchasing bank in the Authority's name. The Authority's investment activities are governed by the Commonwealth, bond covenants, trust agreements, and the Authority's investment policy.

The following is a summary of the Authority's cash and cash equivalents, and investments for the year ended December 31, 2013:

	Bond Related	Non-bond Related	Total
Cash equivalents:			
Cash	$ -	$ 11,176,608	$ 11,176,608
Money market funds	33,570,487	8,492,178	42,062,665
INVEST	-	22,505,411	22,505,411
	$ 33,570,487	$ 42,174,197	$ 75,744,684

Bond related cash and cash equivalents and investments relate to accounts established pursuant to the Authority's trust indentures. Non-bond related cash includes operating cash and other cash received through grant agreements, enabling legislation, or other contractual agreements. Restricted cash and cash equivalents and investments are reported on the statements of net position and are classified as current or noncurrent based on expected use.

The following is a description of the Authority's deposit and investment risks:

Custodial Credit Risk – Deposits. In the case of cash, this is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority does not have a formal deposit policy for custodial credit risk. As of December 31, 2013, $11,562,860 of the Authority's cash balance of $12,115,744 was exposed to custodial credit risk because it was uninsured and collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have carrying amounts of $11,176,608 at December 31, 2013.

The Authority's investments (INVEST and money markets) are not exposed to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The fair value of these investments is the same as their carrying amount. All investments in an external investment pool that are not SEC registered are subject to oversight by the Commonwealth.

Credit Risk. The Authority has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2013, $29 million of money markets were rated A-1^{+}, $13 million of money markets were rated Aaa, and the remaining $22.5 million of investments in INVEST were rated AAA by Standard & Poor's.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates that will adversely affect the fair market value of the Authority's investments. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority's investments, however, have maturities of less than one year.

4. Capital Assets

Capital assets and accumulated depreciation consist of the following:

	2013	2012	Useful Lives (in years)
Land and improvements	$ 127,947,397	$ 127,916,544	
Infrastructure	143,744,916	143,686,594	40-50
Building and improvements	1,172,249,545	1,168,821,468	10-50
Equipment	70,459,911	70,262,548	5-10
Other assets	8,657,040	8,657,040	30
Total capital assets	1,523,058,809	1,519,344,194	
Accumulated depreciation/amortization	(479,876,421)	(429,879,244)	
Capital assets, net	$ 1,043,182,388	$ 1,089,464,950	

Capital assets included above that are not being depreciated totaled $128 million for the years ended December 31, 2013 and 2012. Accumulated depreciation/amortization does not include amortization of lease acquisition costs.

Changes in capital assets, net of accumulated depreciation, by development project, were as follows:

	January 1, 2013	Depreciation	Additions	Deletions	December 31, 2013
Lower Hill Redevelopment	$ 10,164,569	$ -	$ 30,851	$ -	$ 10,195,420
Benedum Center	11,172,169	14,255	-	-	11,157,914
John Heinz History Center	1,990,900	52,400	-	-	1,938,500
PNC Park	165,554,219	7,956,272	322,561	-	157,920,508
North Shore Garage	15,909,703	807,403	-	-	15,102,300
Heinz Field	163,317,894	8,346,254	1,005,889	-	155,977,529
Convention Center	290,922,366	13,581,223	1,093,352	-	278,434,495
Convention Center Park	9,061,346	-	-	-	9,061,346
North Shore Riverfront Park	26,242,920	63,223	58,329	-	26,238,026
Consol Energy Center	340,227,333	17,185,178	1,203,633	-	324,245,788
North Shore Infrastructure	47,478,479	1,582,423	-	-	45,896,056
Other	7,423,052	408,546	-	-	7,014,506
Total	$ 1,089,464,950	$ 49,997,177	$ 3,714,615	$ -	$ 1,043,182,388

The costs of the Benedum Center and the Heinz History Center are original acquisition costs by the Authority. Any costs to build and improve these properties subsequent to acquisition have been incurred and capitalized solely by the Pittsburgh Trust for Cultural Resources and the Historical Society of Western Pennsylvania.

Capital assets identified as Lower Hill Redevelopment relate to property within the Civic Arena Option Area as described in Note 13.

5. Construction in Progress

Construction in progress of $1,096,535 as of December 31, 2013, relates to design costs incurred in 2013 associated with the Lower Hill Redevelopment infrastructure project.

6. Bonds Payable

All bonds issued by the Authority are limited obligation bonds, collateralized by supporting agreements entered into as of the date of each bond issue between the Authority, the City, the County, or other designated entity(ies), and/or some specifically identified revenue stream(s).

	January 1, 2013	Additions (Reductions)	December 31, 2013
Allegheny Regional Asset District Sales Tax Revenue Bonds, Refunding Series 2005 of $13,250,000, due in annual installments ranging from $665,000 to $2,695,000 through February 2019, interest payable semi-annually on February 15 and August 15 at rates ranging from 3% to 4.125%, issued in January 2005 to partially refinance the 1999 Series Auditorium Bonds and to fund certain costs of the Convention Center. Funding Source: Allegheny Regional Asset District Sales Tax, paid directly to the Trustee.	$ 4,950,000	$ (700,000)	$ 4,250,000
Auditorium Bonds, Refunding Series A 2005 of $8,345,000, due in annual installments ranging from $245,000 to $1,155,000 through December 2018, interest payable semi-annually on June 15 and December 15 at rates ranging from 3.05% to 4.00%, issued in September 2005 to partially refinance the 1999 Series Auditorium Bonds and to fund certain costs of the Convention Center. Funding Source: 1/2 each by the City and County, paid directly to the Trustee.	2,370,000	(450,000)	1,920,000
Commonwealth Lease Revenue Bonds Series A of 2007 of $252,000,000, due in annual installments ranging from $4,260,000 to $13,950,000 through November 2038, interest payable semi-annually on May 1 and November 1 at synthetic fixed rate of 4.020% pursuant to a related interest rate swap, issued in October 2007 to fund the construction of a new multi-purpose arena and related facilities. Funding Source: $7.5 million annually from PA Economic Development and Tourism Fund and $7.5 million annually by casino operator, paid directly to the Trustee.	228,760,000	(5,270,000)	223,490,000
Commonwealth Lease Revenue Bonds Taxable Series B of 2007 of $61,265,000, due in annual installments ranging from $620,000 to $4,095,000 through November 2039, interest payable semi-annually on May 1 and November 1 at synthetic fixed rate of 5.335% pursuant to a related interest rate swap, issued in October 2007 to fund the construction of a new multi-purpose arena and related facilities. Funding Source: Pittsburgh Penguins, paid directly to the Trustee.	58,870,000	(965,000)	57,905,000
Commonwealth Lease Revenue Bonds Taxable Series of 2010 of $17,360,000 due in annual installments ranging from $225,000 to $1,300,000 through November 2039, interest payable semi-annually on May 1 and November 1 at rates ranging from 3.98% to 7.04%, issued April 28, 2010 to fund the construction of a new multi-purpose arena and related facilities. Funding Source: Pittsburgh Penguins, paid directly to the Trustee.	16,645,000	(260,000)	16,385,000

(Continued)

	January 1, 2012	Additions (Reductions)	December 31, 2012
Hotel Room Excise Tax Revenue Bond Series 2010 of $146,465,000 due in annual installments ranging from $2,680,000 to $12,125,000 through February 2035, interest payable semi-annually on February 1 and August 1 at rates ranging from 5.00% to 5.25%, issued to refinance a portion of the Hotel Room Excise Tax Revenue Bonds, Series 1999. Funding Source: County Hotel Room Excise Tax, paid directly to the Trustee.	138,805,000	(4,035,000)	134,770,000
Hotel Room Excise Tax Revenue Bond Series 2012 of $44,160,000 due in annual installments ranging from $30,000 to $9,590,000 through February 2029, interest payable semi-annually on February 1 and August 1 at rates ranging from 2.00% to 5.00%, issued to refinance all of the outstanding Hotel Room Excise Tax Revenue Bonds, Series 1999. Funding Source: County Hotel Room Excise Tax, paid directly to the Trustee.	44,160,000	(715,000)	43,445,000
Allegheny Regional Asset District Sales Tax Revenue Bonds, Refunding Series 2010 of $173,765,000, due in annual installments ranging from $3,420,000 to $12,760,000 through February 2031, interest payable semi-annually on February 1 and August 1 at rates ranging from 2% to 5%, issued in September 9, 2010 to refinance the Regional Asset District Sales Tax Revenue Bonds Series of 1999. Funding Source: Allegheny Regional Asset District Sales Tax, paid directly to the Trustee.	164,890,000	(5,675,000)	159,215,000
Taxable Ticket Surcharge Revenue Bonds Series 2000 of $17,175,000, due in annual installments ranging from $145,000 to $2,835,000 through July 2030, interest payable semi-annually on January 1 and July 1 at rates ranging from 7.72% to 7.92%, issued in August 2000 to finance the construction of Heinz Field. Funding Source: Steelers Ticket Surcharge, paid directly to the Trustee.	14,730,000	(345,000)	14,385,000
Total bonds payable	674,180,000	(18,415,000)	655,765,000
Deferred amounts:			
For issuance premiums	19,187,142	(961,919)	18,225,223
Bonds payable, net	$ 693,367,142	$ (19,376,919)	$ 673,990,223

The aggregate annual amount of principal and interest payments required on bonds payable is as follows:

	Total Principal	Interest	Total
2014	$ 18,835,000	$ 30,364,016	$ 49,199,016
2015	19,995,000	29,543,644	49,538,644
2016	21,055,000	28,616,102	49,671,102
2017	21,760,000	27,603,858	49,363,858
2018	23,070,000	26,546,982	49,616,982
2019-2023	126,775,000	116,066,220	242,841,220
2024-2028	157,320,000	83,136,780	240,456,780
2029-2033	160,985,000	44,374,626	205,359,626
2034-2038	100,575,000	12,627,305	113,202,305
2039-2041	5,395,000	309,988	5,704,988
Total	$ 655,765,000	$ 399,189,521	$ 1,054,954,521

Interest payments related to the Commonwealth Lease Revenue Bonds Series A and B of 2007 have been calculated using the synthetic fixed rates as described in Note 9. At December 31, 2013, the variable rate on the Series A and B bonds approximated .284% and .48%, respectively. The 2012 variable rate on the Series A and B bonds approximated .237% and .288%, respectively.

Arbitrage

The proceeds of certain bond issues are restricted by yield limitations. The earnings on certain investments may generate arbitrage where the rate of investment earnings exceeds the yield limitations. The excess earnings, or rebatable arbitrage, is required to be computed in accordance with, and pursuant to, Section 148 of the Internal Revenue Code of 1986 (Code), and the temporary treasury regulations issued by the Internal Revenue Service on May 12, 1989, under Section 148(i) of the Code. The Internal Revenue Service requires the arbitrage computation to be performed and the amount remitted every fifth year that the bonds are outstanding. The Authority has determined there are currently no arbitrage obligations due.

Regional Asset District Sales Tax Revenue Refunding Bonds

On January 13, 2005, the Authority issued $13,250,000 of Sports & Exhibition Authority of Pittsburgh and Allegheny County Regional Asset District Sales Tax Revenue Bonds, Refunding Series of 2005 (RAD Refunding Bonds) with an average interest rate of 3.37% to refund a portion of each maturity of the 1999 Series Auditorium Bonds with an average interest rate of 5.52%.

The RAD Refunding Bonds are payable from and secured by payments and other revenues to be received by the Authority through 2018 under an Amended and Restated Cooperation and Support Agreement among the Authority, the City, the County, and the Allegheny County Regional Asset District (RAD). The Authority received $849,000 and $893,000 for the calendar years 2013 and 2012, respectively, used for debt service payments.

Auditorium Refunding Bonds

On September 29, 2005, the Authority issued $8,345,000 of Sports & Exhibition Authority of Pittsburgh and Allegheny County Auditorium Bonds, Refunding Series A of 2005 (Auditorium Refunding Bonds) with an average interest rate of 3.82% to refund a portion of each maturity of the 1999 Series Auditorium Bonds with an average interest rate of 5.20%.

Pursuant to a Supporting Agreement among the Authority, the City, and the County dated September 15, 2005, the City and the County each have unconditionally agreed to pay to the Authority, on a pro-rata basis, one half of the principal and interest on these Refunding Series A Auditorium Bonds as it becomes due and payable. The Authority received $268,896 and $258,555 from each the City and the County in 2013 and 2012, respectively.

Commonwealth Lease Revenue Bonds, Series A and Taxable Series B

On October 4, 2007, the Authority issued $252,000,000 of variable interest rate Sports & Exhibition Authority of Pittsburgh and Allegheny County Commonwealth Lease Revenue Bonds, Series A of 2007 (Series A Bonds) and $61,265,000 of variable interest rate Sports & Exhibition Authority of Pittsburgh and Allegheny County Commonwealth Lease Revenue Bonds, Taxable Series B of 2007 (Taxable Series B Bonds) (collectively the New Arena Bonds) to acquire, construct, and equip a multi-purpose public auditorium and related facilities (New Arena Project). The New Arena Bonds are to be repaid from (1) rent payments due from the sublease of the new arena to the Pittsburgh Penguins, (2) annual grants from the Pennsylvania Economic Development & Tourism Fund (EDTF) created pursuant to Act 71 of 2004, and (3) annual payments from the holder of the gaming license for the facility located in the City.

The Authority subleased the New Arena Project to the Pittsburgh Penguins (the New Arena Lease) obligating the Pittsburgh Penguins to pay the Authority thirty annual lease payments of $4.1 million initially, increasing to $4.3 million in 2012, with final payment on September 25, 2039, which has been pledged to support the New Arena Bonds.

The Commonwealth has appropriated $7.5 million per year for 30 years (ending September 2036) from EDTF to support the debt service on the New Arena Bonds (Note 18).

A Payment Agreement between the Authority and Holdings Acquisition Co, LLC, (d/b/a Rivers Casino), the holder of the gaming license for the facility located in the City of Pittsburgh, was executed November 10, 2009 requiring semi-annual payments to begin October 2009 and ending October 2038 with such payment pledged to secure the New Arena Bonds. Payments in the amount of $7.612 million and $7.608 million were received in 2013 and 2012, respectively.

The Authority entered into interest rate swap agreements with PNC Bank, National Association (Counterparty) in connection with the New Arena Bonds. Pursuant to the swap agreements, the Authority pays a fixed rate of interest to the Counterparty and the Counterparty then pays a variable rate of interest to the bond trustee to pay debt service on the New Arena Bonds (Note 9).

The Authority has leased the New Arena Project to the Commonwealth and the Commonwealth has subleased it back to the Authority. The Commonwealth is obligated to pay rent under the lease only to the extent there is a deficiency or delay in receipt of any amounts needed to pay debt service. The Commonwealth paid the Authority $736,853 in 2013 and $544,684 in 2012 pursuant to the Commonwealth lease.

Moody's Investors Service announced on January 23, 2013 that, due to its downgrade of Assured Guaranty Municipal Corp.'s long-term rating and the existence of a provision in the Standby Bond Purchase Agreement that would result in an automatic termination of that document with certain further downgrades of the bond insurer, it revised its ratings of the bonds. The resulting effect was a downgrade in the Authority's Commonwealth Lease Revenue Bonds Series A and B of 2007 long-term rating from Aa3 to A1 and short-term rating from VMIG1 to VMIG 3. Thereafter, the Authority entered into a First Amendment to Standby Bond Purchase Agreement with PNC Bank, National Association, which removed the automatic termination provision, resulting in Moody's reinstating the short-term rating back to VMIG 1.

Commonwealth Lease Revenue Bonds, Taxable Series of 2010

In 2010, the Authority issued $17,360,000 of fixed rate Sports & Exhibition Authority of Pittsburgh and Allegheny County Commonwealth Lease Revenue Bonds, Taxable Series of 2010 to pay costs to complete the acquisition, construction, and equipping of Consol Energy Center. The Series 2010 Bonds are to be repaid from increased rent payments ($1.36 million per year) due from the Pittsburgh Penguins per the Second Amendment to the New Arena Lease.

Hotel Room Excise Tax Revenue Bonds

On May 26, 1999, the Authority issued $193,375,000 of Public Auditorium Authority of Pittsburgh and Allegheny County Hotel Room Excise Tax Revenue Bonds, Series 1999 (1999 Hotel Bonds). In connection with the issuance of the Hotel Bonds, the Authority entered into a support agreement with the County, the County Treasurer, and the County Controller dated May 1, 1999, which requires the County, solely through the use of funds provided by the Hotel Room Excise Tax, to provide payment sufficient to service the Hotel Bonds through 2035.

On October 13, 2010, the Authority issued $146,465,000 in Hotel Room Excise Tax Revenue Bonds, Series of 2010 (2010 Hotel Bonds) to (a) redeem on October 18, 2010 the portion of the Hotel Room Excise Tax Revenue Bonds, Series 1999 being refunded; (b) prepay on November 1, 2010 the PNC/Dollar Variable Rate note (see Note 7); and (c) pay a portion of the purchase price of the cooling system in the Convention Center. The bonds have an average interest rate of 4.60% and were issued at an original issue premium of $9.1 million, which is being amortized over the life of the bonds.

On June 6, 2012, the Authority issued $44,160,000 in Hotel Room Excise Tax Revenue Bonds, Refunding Series of 2012 (2012 Hotel Bonds) to (a) refund the Authority's remaining Hotel Room Excise Tax Revenue Bonds, Series of 1999 and (b) reimburse the Authority for a portion of the purchase price of a cooling system in the David L. Lawrence Convention Center. The bonds have an average interest rate of 4.08% and were issued at an original issue premium of $2 million, which is being amortized over the life of the bonds.

The 2012 refunding resulted in a deferred refunding loss of $636,000 which is being amortized over the life of the 2012 Hotel Bonds. The Authority completed the refunding to obtain an economic gain of $1.9 million, which was received at the time of issuance and used for the purposes listed in (b) above. The debt service requirements of the 2012 Hotel Bonds is substantially the same as what the debt service requirements would have been on the remaining 1999 Bonds if there had been no refunding.

The Authority received Hotel Room Excise Tax Revenues in the amount of $13,166,667 and $12,762,500 for each of the calendar years 2013 and 2012, respectively, for payment of indebtedness on the 2010 and 2012 bonds.

Regional Asset District Sales Tax Revenue Bonds, Series of 2010

On September 8, 2010, the Authority issued $173,765,000 of Allegheny County Regional Asset District (RAD) Sales Tax Revenue Bonds, Series of 2010 (2010 RAD Bonds). Pursuant to the Second Amendment to the Cooperation and Support Agreement with the Authority, the City, the County, and the RAD dated August 1, 2010, RAD agreed to provide financial support to the Authority for the 2010 RAD Bonds through 2030. The bond proceeds were used to: (a) redeem on September 9, 2010 all of the Authority's Regional Asset District Sales Tax Revenue Bonds, Series of 1999; and (b) provide funds for capital projects to the Convention Center.

The Authority received $13,400,000 from RAD for each of the calendar years 2013 and 2012 for payment of indebtedness on the 2010 RAD Bonds.

Taxable Ticket Surcharge Revenue Bonds

In September 2000, the Authority issued $17,175,000 of Sports & Exhibition Authority of Pittsburgh and Allegheny County Taxable Ticket Surcharge Revenue Bonds, Series 2000 (Ticket Surcharge Bonds). In connection with the issuance of the Ticket Surcharge Bonds, the Authority entered into a Security, Pledge, and Assignment Agreement with the Pittsburgh Steelers Sports, Inc. (PSSI) to facilitate the collection and receipt of a 5% ticket surcharge (not to exceed $3 per ticket) on each ticket sold for all exhibition, regular season, and post-season National Football League (NFL) games in which PSSI's NFL franchise is designated to be the "home team" by the rules of the NFL. For each football season beginning with the 2002 NFL season, the first $1,400,000 of total ticket surcharge monies collected for these NFL events will be made available for payments of principal and interest on these bonds.

7. LOANS/NOTES PAYABLE

Terms of the loans and notes payable are as follows:

	January 1, 2013	Reductions	December 31, 2013
Loan from Heinz Endowments in the amount of $3,000,000, issued December 2002, 1% interest, deferred until December 31, 2010, annual payments through December 2022.	$ 1,305,336	$ (105,327)	$ 1,200,009
Loan from Allegheny County in the amount of $3,100,000, issued October 1991, 0% interest, no stated repayment terms.	3,100,000	-	3,100,000
Loan from Allegheny County in the amount of $50,000, issued pre-1982, 0% interest, no stated repayment terms.	50,000	-	50,000
Loan from the City of Pittsburgh in the amount of $50,000, issued pre-1982, 0% interest, no stated repayment terms.	50,000	-	50,000
(Fixed) Note from PNC Bank and Dollar Bank in the amount of $37,176,138 issued April 18, 2010, seven-year term with 20-year amortization, 4.5% fixed interest, paid monthly.	34,109,986	(1,313,687)	32,796,299
Total loans/notes payable	$ 38,615,322	$ (1,419,014)	$ 37,196,308

The aggregate amount of principal and interest payments required on loans and notes payable are as follows:

Year:	Principal	Interest	Total Debt Service
2014	$ 1,374,917	$ 1,487,134	$ 2,862,051
2015	1,572,330	1,421,074	2,993,404
2016	1,635,517	1,355,878	2,991,395
2017	28,613,536	546,078	29,159,614
2018	133,333	11,333	144,666
2019-2023	666,675	26,667	693,342
No Maturity	3,200,000	-	3,200,000
Total	$ 37,196,308	$ 4,848,164	$ 42,044,472

PNC Bank/Dollar Bank 2010 Loan

On April 18, 2010, the Authority closed on a $41,176,138 loan transaction with PNC Bank and Dollar Bank. A $26,194,462 fixed rate note and a $4 million variable rate note were issued to PNC Bank and a $10,981,676 fixed rate note was issued to Dollar Bank. The $4 million variable rate note was prepaid on November 1, 2010 with proceeds of the 2010 Hotel Tax Refunding Bonds (see Note 6).

The loan refinanced (1) a 2004 PNC Bank/Dollar Bank Loan which financed costs for operations and capital costs for the Convention Center and (2) the 2001 Parking Revenue Bonds. Of the total $41 million loan, $16,751,161 was to refinance the 2004 loan and $24,424,977 was to refinance the 2001 Parking Revenue Bonds. Security for this loan is (1) residual/discretionary Hotel Tax (restricted to Convention Center portion), (2) revenues from Convention Center garage, (3) grants from the Pennsylvania EDTF (restricted to the Convention Center portion), (4) revenues from North Shore garage, and (5) revenues from Stadium Authority Lots 1 and 7A through 7J (restricted to the North Shore garage portion.)

Stadium Authority

On February 14, 2012 the Stadium Authority refinanced a $19 million loan for its West General Robinson Street garage with a loan from PNC Bank/Dollar Bank. In connection with this Stadium Authority loan, the Authority amended the documents related to its 2010 PNC/Dollar Bank loan to extend the pledge of certain collateral (North Shore garage, Convention Center garage and Authority surface lot revenues) to the Stadium Authority loan.

Heinz Endowment Loans

In 2001, the Howard Heinz Endowments and the Vira I. Heinz Endowments (Endowments) provided $3 million in loans to the Authority to support the green building features of the Convention Center. The Endowments forgave the first year's payment of $115,000 in principal for each loan and deferred the interest in 2009. Additionally the Endowments approved the delay of the second payment until December 31, 2010. On December 21, 2011, the Endowments amended the loan to forgive $33,333 of principal for each loan each year, reducing the principal payments by one-third and allowing for prepayment of principal, without penalty. In 2013 and 2012, $0 and $66,000 of principal was due and paid and $105,327 and $161,338, respectively, was prepaid on the loans, leaving a principal balance on December 31, 2013 of $1.2 million.

8. NET INVESTMENT IN CAPITAL ASSETS

Total net position includes net investment in capital assets. The calculations for the years ending 2013 and 2012 are as follows:

	2013	2012
Capital assets, net	$ 1,043,182,388	$ 1,089,464,950
Construction in progress	1,096,535	-
Lease acquisition costs, net of developer credits	(124,400)	417,316
Less bonds payable related to capital assets	(668,230,943)	(687,192,781)
Less loans/notes payable related to capital assets	(37,196,308)	(38,615,322)
Plus net unspent bond proceeds	17,931,767	17,113,208
Net investment in capital assets	$ 356,659,039	$ 381,187,371

9. DERIVATIVE FINANCIAL INSTRUMENTS - INTEREST RATE SWAPS

The Authority had the following interest rate swaps as of December 31, 2013 and 2012:

	Notional Amount	Effective Date	Maturity Date	Rate Paid	Rate Received	Moody's/S&P Rating*	Underlying Bonds
Hedging Derivatives							
Cash flow hedges							
Receive variable - pay fixed	$ 57,905,000	10/4/2007	11/1/2039	5.335%	1M LIBOR	A2/ A	2007 Series B
Interest rate swaps	223,490,000	10/4/2007	11/1/2038	4.020%	SIFMA	A2/ A	2007 Series A

	Notional Amount	12/31/2011 Market Value **	Change in Market Value	12/31/2012 Market Value **	Change in Market Value	12/31/2013 Market Value **
Hedging Derivatives						
Cash flow hedges						
Receive variable - pay fixed						
Interest rate swaps	$ 57,905,000	$ (25,747,223)	$ 1,258,739	$ (24,488,484)	$ 11,266,644	$ (13,221,840)
	223,490,000	(56,102,327)	(1,400,177)	(57,502,504)	32,255,034	(25,247,470)
Total		$ (81,849,550)	$ (141,438)	$ (81,990,988)	$ 43,521,678	$ (38,469,310)

* Counterparty Ratings as of December 31, 2013.
** The market value is an estimated net present value of the expected cash flows calculated using relevant mid-market data inputs and based on the assumption of no unusual market conditions or forced liquidation.

Objective of the Interest Rate Swaps

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance of its variable rate New Arena Bonds, the Authority entered into pay-fixed, receive-variable interest rate swap agreements with PNC Bank, National Association (Counterparty). The intention of the swaps was to effectively change the Authority's variable interest rates on the New Arena Bonds to synthetic fixed rates of 4.020% (Series A) and 5.335% (Taxable Series B).

Terms

The swap agreements were entered into at the same time the New Arena Bonds were issued (October 2007). The swap agreements expire on November 1, 2038 (Series A) and November 1, 2039 (Taxable Series B), consistent with the final maturity of each series of bonds.

The interest payments on the interest rate swaps are calculated based on notional amounts, all of which began reducing in 2008, so that the notional amounts approximate the principal outstanding on the respective bonds. The swap's original notional amounts were $252,000,000 (Series A) and $61,265,000 (Series B). The interest rate swaps expire consistent with the final maturity of the respective bonds.

Pursuant to the swap contracts, the Authority pays the Counterparty semi-annually on each November 1 and May 1, and the Counterparty pays the Authority monthly on the first of each month. For the year ended December 31, 2013, the Authority paid $9,916,152 fixed and received $224,276 variable with respect to the swap on the Series A Bonds, and paid $3,140,715 fixed and received $112,836 variable with respect to the swap on the Taxable Series B Bonds. At December 31, 2013, the SIFMA Municipal Swap Index and 1M LIBOR rates were .0568% and .1672%, respectively.

Accounting and Risk Disclosures

As noted in the tables above, current period changes in market value for the interest rate swaps that are accounted for as hedges are recorded on the statements of net position as deferred outflows. The cumulative fair market value of the outstanding interest rate swaps of December 31, 2013 and 2012 are reported on the statements of net position as a swap liability.

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

Through the use of derivative instruments such as interest rate swaps, the Authority is exposed to a variety of risks, including credit risk, remarketing/interest rate/basis risk and termination risk.

- Credit risk is the risk that the counterparty will not fulfill its obligations. The credit ratings by Moody's Investors Service, Inc., a nationally recognized statistical rating organization for the respective counterparties are listed in the table above. If the counterparty fails to perform according to the terms of the interest rate swap agreements, there is some risk of loss to the Authority; if the Authority would need to replace the swaps, it would likely cost the Authority the then fair market values. Because the swaps have negative fair market values, there is no current credit risk to the Authority. This risk includes the potential for the counterparty to fail to make periodic variable rate payments to the Authority and the counterparty to fail to make termination payments to the Authority, if the swaps are terminated and a termination payment is due from the counterparty.

  The Authority has not entered into master netting arrangements with its Counterparty; as such each derivative instrument should be evaluated on an individual basis for credit risk.

  Concentration of credit risk: The Authority currently has one counterparty for both of their interest rate swaps. Total fair market value of interest rate swaps held with this counterparty is ($38,469,310) at December 31, 2013.

  The Authority had an agreement with the counterparty that required the counterparty to post collateral if certain circumstances existed in a specific period of the swap agreement. This provision expired on May 1, 2010. Current terms provide that if the Counterparty's credit rating falls below A- by Standard & Poor's or A3 by Moody's Investors Services, Inc., then there would be an automatic termination event under the swap as required by the swap insurer. As of year-end, the Counterparty had not and was not required to post collateral for these transactions, nor had a termination event occurred.

- Remarketing/interest rate/basis risk is the risk that arises when variable interest rates on a derivative and associated bond are based on different indexes. The Authority is subject to remarketing/interest rate/basis risk as the interest index on the variable rate arm of the swaps is based on the SIFMA Municipal Swap Index (Series A Bonds) or 1M LIBOR (Taxable Series B Bonds), as previously discussed, and the variable interest rate on the New Arena Bonds is based on a trading spread to the index based on current market conditions as determined by the remarketing agent. Although expected to correlate over the long-term, the short-term relationships between the SIFMA Municipal Swap Index and the weekly tax exempt rate, and the 1M LIBOR and the weekly taxable rate may vary. The variance could adversely affect the Authority's calculated payments, and synthetic interest rates may not be realized. This risk has been minimized, however, because the swap indexes are directly related to the markets for the bonds and the variance over the long-term are expected to be minimal.

- Termination risk is the risk that the swap will end before the final maturity of the New Arena Bonds. The stated term of the swaps is equal to the term of the bonds. There are instances, however, when the swaps could be terminated earlier. The swaps use the International Swaps and Derivatives Association Master Agreement, which includes standard termination events, such as rating downgrades, covenant violations, bankruptcy, or swap payment default by either the Authority or the Counterparty. The Authority or the Counterparty may terminate the swaps if the other party fails to perform under the terms of the contract. Additional termination events include provisions such as if the underlying bonds were converted to fixed rate, if the indenture or Commonwealth lease is amended or supplemented in a manner that adversely affects the counterparty without the counterparty's prior approval, or in the event of a natural or man-made disaster, armed conflict, act of terrorism, riot, etc., beyond the control of the parties that would occur that would prevent a party from performing under the terms of the contract. If the swaps are terminated, the variable-rate bonds would no longer carry a synthetic fixed interest rate.

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

10. EMPLOYEE BENEFIT PLANS

The Authority has a defined contribution retirement plan (plan) covering substantially all of its full-time employees. None of its employees are subject to collective bargaining agreements. Participation in the plan requires an employee to have completed six months of service. Employees are required to make mandatory contributions to the plan equal to 5% of their base compensation, on a pre-tax basis. The Authority annually contributes 7% of eligible employee compensation to the plan. Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the remainder of a participant's account is based on years of continuous service. A participant is 100% vested after five years of service. The Authority contributed $68,201 and $47,163 to the plan for the years ended December 31, 2013 and 2012, respectively. In 2000, the Authority established a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code of 1986. Under the deferred compensation plan, employees may voluntarily contribute additional pre-tax monies up to allowable federal limits. Eligibility for the deferred compensation plan is consistent with the defined contribution retirement plan and employees are 100% vested in any contributions and earnings thereon. The Authority does not make matching contributions to the deferred compensation plan.

11. OPERATION OF DAVID L. LAWRENCE CONVENTION CENTER

By agreement dated January 1, 2002, the Authority entered into a management agreement with SMG, a Pennsylvania general partnership, to provide management services for the Convention Center. A new agreement was entered into on January 1, 2011 for a five-year term. SMG is paid a fixed fee as base compensation for providing the management services and may be entitled to an annual incentive fee based on the gross income in excess of the average of the gross income for the prior three years. The incentive fee is capped at 20% of total fees.

The Convention Center generates revenue through rental contracts and various ancillary services charged directly to the customer. The largest component of ancillary services is food and beverage (F & B), which generated 38% of the Center's revenue in 2013. The Authority entered into a contract with Levy Premium Food Service L.P. (Levy) on January 1, 2011 to manage the F & B services at the Convention Center. A First Amendment to the Food/Beverage Agreement was signed September 12, 2013, extending the term of the agreement to December 31, 2016 with a two-year renewal option. Levy earns a fee based on 2% of F & B gross receipts up to $3 million, 4% from $3 - $5 million, and 6% over $5 million and a fee based on 3% of F & B profit. Total fees are capped at $250,000, with a CPI increase capped at 4%. Levy also provided a contribution in the amount of $250,000. If the

SEA does not extend the term for the additional two-year extension, a reimbursement of $100,000 will be due back to Levy.

12. CONSOL ENERGY CENTER OPERATING LEASE

Pursuant to the New Arena Development Agreement dated September 30, 2007, as amended and a long-term sublease agreement dated September 18, 2007, as amended (the New Arena Lease) the Authority agreed to issue debt to finance the development and construction of the New Arena (including an attached parking garage) and Pittsburgh Penguins agreed to lease and play professional hockey at the New Arena for an initial term beginning on August 1, 2010, and ending on June 30, 2040. Under the terms of the original New Arena Lease, the rent amount due from the Pittsburgh Penguins is (a) $4.1 million per year and (b) $200,000 for each lease year in which certain additional parking spaces are delivered by the Authority. (The additional parking spaces were delivered in 2012.) This rent is to be used to pay the debt service on Commonwealth Lease Revenue Bonds, Taxable Series B of 2007 (Note 6).

Under the terms of the New Arena Lease, parking surcharge in the amount of $400,000 is due from the Pittsburgh Penguins each year. The Pittsburgh Penguins collect and retain any parking surcharge collected above this amount. Upon occupancy of the New Arena (August 1, 2010), the Authority deposited $3,000,000 into the Capital Reserve Fund for the New Arena. Pursuant to the New Arena Lease, the Authority deposits the $400,000 annual parking surcharge received from the Pittsburgh Penguins in this account. The Capital Reserve Fund balance held $4.75 million and $4.3 million, respectively, as of December 31, 2013 and 2012.

On February 16, 2010, the Authority and the Pittsburgh Penguins entered into the Second Amendment to the New Arena Lease, whereby the team agreed to pay an additional rent payment of $1,360,000 per year, which amount is used to pay the debt service on the Commonwealth Lease Revenue Bonds, Taxable Series of 2010 (Note 6).

The Authority and the Pittsburgh Penguins entered into the Third Amendment to the New Arena Lease effective August 1, 2010, whereby the Penguins agreed to pay the Authority an additional $100,000 per year in rent in connection with the expanded service yard and the Authority agreed to deposit this additional rent payment into the Capital Reserve Fund. All rent and surcharge payments due from the Pittsburgh Penguins were received and deposited in 2013.

Under the conditions of this New Arena Lease, the Pittsburgh Penguins are granted the exclusive right to any naming and advertising rights pertaining to the New Arena. The

Pittsburgh Penguins are obligated to pay all expenses in connection with the maintenance, use, repair, and occupancy of the New Arena necessary to keep and maintain the New Arena in first-class condition, reasonably consistent with other comparable facilities, subject to certain limited exclusions. Since the opening of the facility, the Pittsburgh Penguins have paid for $4.2 million of leasehold improvements and furniture, fixtures, and equipment. Although these fixed asset purchases would remain with the building as property of the Authority upon termination of the lease, these assets are not capitalized by the Authority.

13. LOWER HILL REDEVELOPMENT

With the commencing of the New Arena Lease (Note 12) in 2010, the Authority was required per the Option Agreement dated September 18, 2007 as amended, between the Authority, the URA, and the Pittsburgh Penguins, (Option Agreement) to demolish the former Civic Arena and prepare the site for use as a parking lot. Demolition of the exterior of the structure began in September 2011 and was completed in September 2012. The surface has been paved to be used for parking until the property is developed. Pending the redevelopment of the property, now called the Lower Hill Redevelopment (Lower Hill) site, the Pittsburgh Penguins manage, operate, maintain, and receive all net revenue from the parking spaces located on the site (subject to the $400,000 parking surcharge described in Note 12) until October 22, 2022.

In 2012, the Authority entered into a Cooperation Agreement with the City and the Urban Redevelopment Authority of Pittsburgh (URA), whereby an amount equal to the City parking tax generated from the new parking created from the demolition of the Civic Arena is split jointly between the Authority and the URA. The use of this grant is restricted to the design and construction of roads and infrastructure and is capped at $2 million ($1 million for each entity) and terminates December 31, 2016. $212,893 was recorded in 2013 and $33,504 was recorded in 2012.

Pursuant to the Option Agreement, the Pittsburgh Penguins are given rights to develop the Lower Hill site (approximately 28 acres, 2/3 of which is owned by the Authority and 1/3 of which is owned by the URA), on certain terms and conditions. Upon identifying a parcel it wishes to develop, the Pittsburgh Penguins are to purchase the parcel from the Authority or the URA at fair market value, as determined by an appraisal. The Pittsburgh Penguins were entitled to an aggregate of $15 million of credits to be applied to the purchase prices. At the termination of the Option Agreement, if the Pittsburgh Penguins have not received the full $15 million of credits, the Authority is obligated to pay the difference in cash. The URA and the Redevelopment Authority of Allegheny County have agreed to loan such amounts to the Authority if needed.

One parcel of land valued at $475,000 was sold in 2009, using $475,000 of credits. No parcels were purchased in 2013 or 2012. At December 31, 2013 and 2012, the balance of credits as reported on the statements of net position totaled $14.525 million.

The lease acquisition costs are to be amortized over the term of the New Arena Lease and will be adjusted upon each purchase by the Pittsburgh Penguins based on the value of credits used and the book value of land sold. For the land transaction in 2009, the Authority's cost basis of the land exceeded the credits used by $1.25 million. At December 31, 2013 and 2012, the balance of lease acquisition costs as reported on the statements of net position totaled $14.4 and $14.9 million, respectively.

14. BENEDUM CENTER OPERATING LEASE

On June 15, 1984, the Authority acquired certain property and entered into an agreement to lease the property to the Allegheny International Realty Development Corporation (AIRDC). AIRDC subsequently assigned the lease to the Pittsburgh Trust for Cultural Resources (Trust) for purposes of constructing and operating the Benedum Center. The lease agreement provides for annual rentals of one dollar and requires the Trust to pay for improvements, maintenance, utilities, and insurance. The lease is for a period of fifty years and is due to expire in June 2034, with an option to renew the lease for an additional thirty years.

15. HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA OPERATING LEASE

On October 22, 1991, the Authority acquired the former Chautaqua Ice Company property and entered into an agreement to lease the property to the Historical Society of Western Pennsylvania (Society). The Society has established The Heinz History Center and supporting facilities that operate as a museum, research center, and cultural facility for the benefit of the general public. The lease agreement provides for annual rental of one dollar and requires the Society to pay for improvements, maintenance, utilities, and insurance. The lease is for a period of 25 years and is due to expire in October 2016. The Society has the option to renew the lease for three consecutive periods of 25 years each at an annual rental mutually agreed to by the parties. The Society has obtained a mortgage loan to finance construction on the property. The Authority has consented to the use of the building as collateral on the loan.

16. PNC PARK OPERATING LEASE

The Authority has entered into a lease agreement with Pittsburgh Associates (Pirates) with an initial term of 29.5 years, commencing in March 2001. Obligated payments to the Authority include the following components: (a) Base Rent of $100,000 per year, (b) Excess Gate Revenues which are (i) 5% of gate revenues over $44.5 million up to and including $52 million (ii) 10% of gate revenues over $52 million increased annually by the percentage increase in the Average Ticket Price, (c) Excess Concession Revenue, which is the sum of (i) should the Pirates arrangement with the concessionaire(s) selected by the team entitle the team to receive more than 42% of the aggregate gross concession revenues, the Pirates shall pay the Authority 5% of the excess over the 42%, but less than 45%, and 10% of the excess above 45% and (ii) 5% of gross food and beverage revenues in excess of $9.00 per capita (adjusted annually by CPI increases) and (d) Ticket Surcharges - the team shall receive and retain the first $1,500,000 of ticket surcharges each year, with the next $375,000 (adjusted annually by CPI increases) paid to the Authority for deposit into the Capital Reserve Fund, and the next $250,000 paid directly to the Authority. The Pirates shall retain any ticket surcharges collected above these amounts. In fiscal year 2013, the Authority recognized $100,000 in Base Rent, $743,175 in ticket surcharges, and $0 for Excess Gate and/or Concession Revenues.

Under the conditions of this operating lease, the Pirates are granted the exclusive right to any naming, advertising, broadcasting, and telecommunications rights pertaining to PNC Park. The Pirates are obligated to pay all expenses in connection with the maintenance, use, repair, and occupancy of PNC Park necessary to keep and maintain PNC Park in a first-class condition, reasonably consistent with other comparable facilities, subject to certain limited exclusions. Since the opening of the facility, the Pirates have paid for $15.5 million of leasehold improvements and furniture, fixtures, and equipment. Although these fixed asset purchases would remain with the building as property of the Authority upon termination of the lease, these assets are not capitalized by the Authority.

The lease also provides for the creation of a Capital Reserve Fund, which is to be funded from ticket surcharges from Major League Baseball games and concerts, rent, excess concession, gate revenues, and other funding. The Capital Reserve Fund for PNC Park held $8.4 and $7.6 million respectively, as of December 31, 2013 and 2012.

17. HEINZ FIELD OPERATING LEASE

The Authority has entered into a lease agreement with PSSI Stadium Corporation (PSSI) with an initial term of 29.5 years, commencing in August 2001. PSSI (a related entity to the Steelers) subleases the facility to Pittsburgh Steelers Sports, Inc. (Steelers) and the University of Pittsburgh. Obligated payments to the Authority include the following components (a) Ticket Surcharge Revenues NFL Events (5% ticket surcharge is imposed by the Authority on all NFL Events tickets sold at Heinz Field (capped at $3), with the first $1.4 million of total ticket surcharge monies collected restricted to pay principal and interest on the Ticket Surcharge Revenue Bonds and surcharge proceeds over $1.4 million paid to the Authority for deposit into the Capital Reserve Fund; (b) Ticket Surcharge Revenues Non-NFL Events (5% ticket surcharge is imposed by the Authority on all Non-NFL Events tickets (capped at $2.25), all surcharge monies collected for non-NFL events are paid directly to the Authority) and (c) Non-Sporting Event Revenues (15% of net revenues from non-sporting events). In fiscal year 2013, the Authority recognized $490,369 in Ticket Surcharge Revenues from NFL Events, and $683,334 from Non-NFL Events.

Under the conditions of this operating lease, PSSI is granted the exclusive right to any naming, advertising, broadcasting, and telecommunications rights pertaining to Heinz Field. PSSI is obligated to pay all expenses in connection with the maintenance, use, repair, and occupancy of Heinz Field necessary to keep and maintain Heinz Field in a first-class condition, reasonably consistent with other comparable facilities, subject to certain limited exclusions. Since the opening of the facility, PSSI has paid for $36 million of leasehold improvements and furniture, fixtures, and equipment. Although these fixed asset purchases would remain with the building as property of the Authority upon termination of the lease, these assets are not capitalized by the Authority.

The lease also provides for the creation of a Capital Reserve Fund, which is to be funded from ticket surcharges from National Football League games, college football games, and concerts, the Authority's share of Non-Sporting Event Revenues, and other funding. The Capital Reserve Fund for Heinz Field held $5.7 and $5 million respectively, as of December 31, 2013 and 2012.

18. PENNSYLVANIA GAMING ECONOMIC DEVELOPMENT & TOURISM FUND (EDTF)

Section 14.07 of Act 71 of 2004 (PA Race Horse Development and Gaming Act) provided for the creation of the EDTF. Act 53 of 2007, known as the Capital Budget Itemization Act of 2007, authorized recurring funding to the Authority for certain projects from the EDTF. The Authority receives the following:

1. $20,000,000 - for the retirement of indebtedness of the Convention Center. The allocated amount is disbursed in increments of at least $1.7 million over ten years with the remaining balance being disbursed within the following two years. The fifth and sixth increments of $1.7 million were received and recognized as non-operating revenue in 2012 and 2013.

2. $20,000,000 - for the payment of the operating deficit of the Convention Center. The allocated amount is disbursed in increments of at least $1.7 million over ten years, with the remaining balance being disbursed within the following two years. The amount cannot exceed the operating deficit of the Convention Center. The fifth and sixth increments of $1.7 million were received and recognized as non-operating revenue in 2012 and 2013.

3. $225,000,000 - for the construction of the New Arena Project. The allocated amount is disbursed in increments of $7.5 million for thirty years or the retirement of the debt, whichever is less. The sixth and seventh increments in the amount of $7.5 million have been received and recognized as non-operating revenue in 2012 and 2013. The remaining increments of $7.5 million are to be paid in 2014 through 2036.

19. SEGMENT INFORMATION

The operating segment captures the operation of the Convention Center, its parking garage, and the Authority's administrative office.

The capital development segment includes the Authority's bond issues and loans, pledged revenues and expenses related to capital development projects including PNC Park, Heinz Field, Consol Energy Center, the Convention Center and its garage, the North Shore Parking Garage, Lower Hill Redevelopment and all related infrastructure. Investors in the bonds rely solely on the revenues pledged for the projects for repayment.

Statement of Net Position - 2013

	Operating	Capital Development	Total
Current assets	$ 6,291,711	$ 66,712,293	$ 73,004,004
Capital assets, net	2,101,834	1,042,177,089	1,044,278,923
Noncurrent assets	1,895,693	21,553,141	23,448,834
Total Assets	10,289,238	1,130,442,523	1,140,731,761
Deferred Outflows of Resources	-	44,228,590	44,228,590
Current liabilities	4,224,346	33,000,166	37,224,512
Noncurrent liabilities	5,972,867	740,770,924	746,743,791
Total Liabilities	10,197,213	773,771,090	783,968,303
Net investment in capital assets	(1,098,166)	357,757,205	356,659,039
Restricted net position	(31,268)	44,023,386	43,992,118
Unrestricted net position	340,891	-	340,891
Total Net Position	$ (788,543)	$ 401,780,591	$ 400,992,048

	Operating	Development	Total
Restricted operating revenues	$ 2,314,029	$ 10,486,364	$ 12,800,393
Unrestricted operating revenues	8,982,279	493,064	9,475,343
Less: operating expenses	(12,456,633)	(614,076)	(13,070,709)
Less: depreciation/amortization	(110,386)	(50,428,507)	(50,538,893)
Operating Loss	(1,270,711)	(40,063,155)	(41,333,866)
Restricted nonoperating revenues	5,869,575	44,235,227	50,104,802
Unrestricted nonoperating revenues (expenses)	58,572	(24,500)	34,072
Interest expense	-	(33,496,257)	(33,496,257)
Transfers	(6,185,105)	6,185,105	-
Change in Net Position	(1,527,669)	(23,163,580)	(24,691,249)
Beginning Net Position, as restated	739,126	424,944,171	425,683,297
Ending Net Position	$ (788,543)	$ 401,780,591	$ 400,992,048

Statement of Cash Flows - 2013

	Operating	Capital Development	Total
Cash flows from operating activities	$ (1,143,541)	$ 12,697,837	$ 11,554,296
Cash flows from non-capital financing activities	(1,121,426)	5,321,302	4,199,876
Cash flows from capital and related financing activities	1,700,000	(15,222,910)	(13,522,910)
Cash flows from investing activities	(72,629)	1,460,029	1,387,400
Increase (decrease) in cash and cash equivalents	(637,596)	4,256,258	3,618,662
Cash and Cash Equivalents, Beginning	5,264,891	66,861,131	72,126,022
Cash and Cash Equivalents, Ending	$ 4,627,295	$ 71,117,389	$ 75,744,684
Consists of:			
Restricted cash and cash equivalents	$ 3,633,990	$ 71,117,389	$ 74,751,379
Unrestricted cash and cash equivalents	993,305	-	993,305
	$ 4,627,295	$ 71,117,389	$ 75,744,684

Statement of Net Position - 2012

	Operating	Capital Development	Total
Current assets	$ 5,907,719	$ 62,835,992	$ 68,743,711
Capital assets, net	2,212,221	1,087,252,729	1,089,464,950
Noncurrent assets	-	24,076,899	24,076,899
Total Assets	8,119,940	1,174,165,620	1,182,285,560
Deferred Outflows of Resources	-	88,165,349	88,165,349
Current liabilities	3,191,166	29,723,680	32,914,846
Noncurrent liabilities	4,189,648	807,663,118	811,852,766
Total Liabilities	7,380,814	837,386,798	844,767,612
Net investment in capital assets	(987,780)	382,175,151	381,187,371
Restricted net position	1,122,772	42,769,020	43,891,792
Unrestricted net position	604,134	-	604,134
Total Net Position	$ 739,126	$ 424,944,171	$ 425,683,297

Statement of Revenues, Expenses, and Changes in Net Position - 2012

	Operating	Capital Development	Total
Restricted operating revenues	$ 2,182,411	$ 10,480,873	$ 12,663,284
Unrestricted operating revenues	8,568,816	345,412	8,914,228
Less: operating expenses	(12,384,555)	(500,597)	(12,885,152)
Less: depreciation/amortization	(111,454)	(50,208,560)	(50,320,014)
Operating Loss	(1,744,782)	(39,882,872)	(41,627,654)
Restricted nonoperating revenues	6,150,195	45,058,079	51,208,274
Unrestricted nonoperating revenues (expenses)	60,657	(632,376)	(571,719)
Interest expense	-	(34,202,340)	(34,202,340)
Transfers	(5,404,102)	5,404,102	-
Change in Net Position	(938,032)	(24,255,407)	(25,193,439)
Beginning Net Position, as restated	1,677,158	449,199,578	450,876,736
Ending Net Position	$ 739,126	$ 424,944,171	$ 425,683,297

Statement of Cash Flows - 2012

	Operating	Capital Development	Total
Cash flows from operating activities	$ (1,825,936)	$ 10,498,147	$ 8,672,211
Cash flows from non-capital financing activities	(1,282,979)	5,522,094	4,239,115
Cash flows from capital and related financing activities	1,571,828	(12,104,052)	(10,532,224)
Cash flows from investing activities	(67,144)	141,657	74,513
Increase (decrease) in cash and cash equivalents	(1,604,231)	4,057,846	2,453,615
Cash and Cash Equivalents, Beginning	6,869,122	62,803,285	69,672,407
Cash and Cash Equivalents, Ending	$ 5,264,891	$ 66,861,131	$ 72,126,022
Consists of:			
Restricted cash and cash equivalents	$ 3,188,172	$ 66,861,131	$ 70,049,303
Unrestricted cash and cash equivalents	2,076,719	-	2,076,719
	$ 5,264,891	$ 66,861,131	$ 72,126,022

Note: This segment information includes inter-segment receivables/payables.

20. COMMITMENTS AND CONTINGENCIES

Litigation

The Authority is involved in claims and legal actions arising from construction and in the normal course of operations. Additionally, there are multiple claims resulting from the operation of SEA facilities, including Convention Center, Heinz Field, PNC Park, and Consol Energy Center, and parking garages; for which in some cases the respective tenants or management companies have indemnified the Authority, the range of potential loss and the outcomes of these cases cannot be determined. In the opinion of management, the ultimate disposition of these matters, considering indemnification agreements, insurance, and Authority defenses, will not have a material adverse effect on the Authority's financial position.

PSSI Stadium LLC initiated a lawsuit by Praecipe for Writ of Summons on October 30, 2012 and then filed a Complaint against the Authority on December 14, 2012 claiming that, pursuant to the terms of the lease for Heinz Field, the Authority is obligated to pay for certain modifications to the stadium in an estimated amount of approximately $43 million. The Authority believes it has meritorious defenses against the suit and, accordingly, no provision has been made in the financial statements for its ultimate resolution.

Sports & Exhibition Authority of Pittsburgh and Allegheny County

Independent Auditor's Report
in Accordance with
Government Auditing Standards

For the Year Ended December 31, 2013

MaherDuessel
Certified Public Accountants

Pittsburgh
503 Martindale Street
Suite 600
Pittsburgh, PA 15212
Main 412.471.5500
Fax 412.471.5508

Harrisburg
3003 North Front Street
Suite 101
Harrisburg, PA 17110
Main 717.232.1230
Fax 717.232.8230

Butler
112 Hollywood Drive
Suite 204
Butler, PA 16001
Main 724.285.6800
Fax 724.285.6875

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Sports & Exhibition Authority of Pittsburgh
and Allegheny County

We have audited, in accordance with the 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, the financial statements of the Sports & Exhibition Authority of Pittsburgh and Allegheny County (Authority), which comprise the statement of net position as of December 31, 2013, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 10, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maher Duessel

Pittsburgh, Pennsylvania
April 10, 2014