

**STADIUM AUTHORITY OF THE CITY OF PITTSBURGH  
Pittsburgh, Pennsylvania**

**Report on Audit of Financial Statements**

**For the Year Ended March 31, 2011**

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

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March 31, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of the  
Stadium Authority of the City of Pittsburgh  
Pittsburgh, Pennsylvania

We have audited the accompanying statement of net assets of the Stadium Authority of the City of Pittsburgh (Authority) as of March 31, 2011 and the related statements of revenues, expenses, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Information for the year ended March 31, 2010, is presented for comparative purposes only and was extracted from the financial statements for that year, which we audited. Our report dated July 12, 2010, expressed an unqualified opinion on those statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of March 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

July 8, 2011

*McGee Maruca & Associates, P.C.*

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Statement of Net Assets

March 31,

Assets

	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	\$ 4,514,055	\$ 1,636,740
Cash – debt service garage loans	394,108	0
Receivable – ALCO Parking	293,617	0
Other receivable	1,047,777	213,670
Interest receivable	5,262	3,510
Prepaid insurance	8,054	8,815
Note receivable – current portion	<u>0</u>	<u>250,000</u>
Total current assets	<u>6,262,873</u>	<u>2,112,735</u>
Fixed assets:		
Building	27,193,926	27,178,523
HOV improvements	2,241,369	2,241,369
Machinery/equipment	43,588	0
Less: accumulated depreciation	<u>(3,447,272)</u>	<u>(2,702,672)</u>
Net fixed assets	<u>26,031,611</u>	<u>26,717,220</u>
Restricted assets:		
Non-routine maintenance	175,264	0
Development fund	2,706,748	2,410,223
Loan collateral	0	2,517,308
Insurance escrow	44,126	41,041
Replacement reserve	125,375	125,816
Reserve/loans escrow	<u>233,500</u>	<u>266,486</u>
Total restricted assets	<u>3,285,013</u>	<u>5,360,874</u>
Notes receivable, less current portion	<u>0</u>	<u>1,401,745</u>
Total assets	<u>\$35,579,497</u>	<u>\$35,592,574</u>

See the accompanying notes to the financial statements.

**Liabilities**

	<u>2011</u>	<u>2010</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,194,900	\$ 281,271
Accrued interest payable	118,801	126,918
Current portion of long-term debt	<u>574,616</u>	<u>241,386</u>
Total current liabilities	1,888,317	649,575
Long-term loans payable	19,778,815	20,353,430
Grants from the City of Pittsburgh	<u>22,775,168</u>	<u>22,775,168</u>
Total liabilities	<u>44,442,300</u>	<u>43,778,173</u>
Net assets:		
Invested in capital assets, net of related debt	5,678,181	6,122,403
Restricted for capital activity and debt service	3,212,736	4,453,181
Unrestricted balance	<u>(17,753,720)</u>	<u>(18,761,183)</u>
Total net assets	<u>( 8,862,803)</u>	<u>( 8,185,599)</u>
Total liabilities and net assets	<u>\$35,579,497</u>	<u>\$35,592,574</u>

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Statements of Revenues, Expenses and Changes in Net Assets

For the Years Ended March 31,

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Parking	\$ 4,215,208	\$ 4,087,948
Other	20,000	( 13,632)
Interest	<u>66,802</u>	<u>39,136</u>
Total operating revenues	<u>4,302,010</u>	<u>4,113,452</u>
Operating expenses:		
Salary reimbursement	47,566	47,566
Administrative	105,598	94,208
Operations and development	1,508,745	1,395,033
Insurance	50,419	57,603
Interest	1,378,678	1,640,510
Trustee and financing related fees	378	41,218
Amortization and depreciation	<u>744,600</u>	<u>735,497</u>
Total operating expenses	<u>3,835,984</u>	<u>4,011,636</u>
Operating profit	<u>466,026</u>	<u>101,817</u>
Non-operating revenues (expenses):		
Interest income on SEA loan	8,106	5,647
Capital transferred to the Sports and Exhibition Authority	( 1,083,991)	( 1,527,861)
Other Income	1,012	29,813
Development fund expense	( 68,357)	( 121,481)
Allegheny Regional Asset District Grant	<u>0</u>	<u>2,530,000</u>
Total non-operating revenues, net	<u>( 1,143,230)</u>	<u>916,118</u>
Change in net assets	( 677,204)	1,017,935
Net assets beginning of year	<u>( 8,185,599)</u>	<u>( 9,203,534)</u>
Net assets end of year	<u>\$( 8,862,803)</u>	<u>\$( 8,185,599)</u>

See accompanying notes to the financial statements

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Statement of Cash Flows

For the Years Ended March 31,

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Parking	\$3,921,591	\$4,087,948
Other	( 814,107)	( 2,586)
Interest	<u>65,050</u>	<u>49,329</u>
Total receipts	3,172,534	4,134,691
Salaries	( 47,566)	( 47,566)
Administrative	( 105,598)	( 94,208)
Operations and development	( 595,116)	(1,236,053)
Insurance	( 49,658)	( 53,445)
Trustee and bond related fees	<u>( 378)</u>	<u>( 41,218)</u>
Total cash provided by operating activities	<u>2,374,218</u>	<u>2,662,201</u>
Cash flows from noncapital financing activities:		
Grants from the Allegheny Regional Asset District	<u>0</u>	<u>2,635,000</u>
Total cash provided by non-capital activities	<u>0</u>	<u>2,635,000</u>
Cash flows from capital and related financing activities:		
Principal payments of long-term debt	( 241,385)	(2,599,590)
Payments to SEA	(1,083,991)	(1,527,861)
Interest paid on long-term debt	<u>(1,386,795)</u>	<u>(1,538,592)</u>
Net cash used in capital and related financing activities	<u>(2,712,171)</u>	<u>(5,666,043)</u>
Cash flows from investment activities:		
(Deposits) withdrawals to development funds	( 296,525)	46,859
Purchase of fixed assets	( 58,991)	( 169,318)
(Deposits) withdrawals to insurance escrow	( 3,085)	4,260
(Deposits) withdrawals to replacement reserve	441	53,239
(Deposit) withdrawal loan collateral	2,517,308	0
Collection on notes receivable	1,651,745	250,000
Other	( 59,239)	( 86,021)
(Deposits) to non-routine maintenance	( 175,264)	0
(Deposits) withdrawals to reserve loans	<u>32,986</u>	<u>6,028</u>
Net cash provided in investment activities	<u>3,609,376</u>	<u>105,047</u>
Net increase (decrease) in cash and cash equivalents	3,271,423	( 263,795)
Cash and cash equivalents at beginning of year	<u>1,636,740</u>	<u>1,900,535</u>
Cash and cash equivalents at end of year	<u>\$4,908,163</u>	<u>\$1,636,740</u>

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Statement of Cash Flows, continued

For the Years Ended March 31,

		<u>2010</u>
Cash flows from operating activities:		
Operating profit (loss)	\$ 466,026	\$ 101,817
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Amortization/depreciation	744,600	735,497
Interest on debt	1,378,678	1,640,510
Changes in operating assets and liabilities:		
Receivable - ALCO Parking	( 293,617)	0
Other receivables	( 834,107)	11,046
Accounts payable and accrued expenses	913,629	158,980
Prepaid insurance	761	4,158
Interest receivable	<u>( 1,752)</u>	<u>10,193</u>
Total cash provided by operating activities	<u>\$2,374,218</u>	<u>\$2,662,201</u>

See accompanying notes to the financial statements.



# STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

## Notes to the Financial Statements

March 31, 2011

(1) **Organization**

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

The Authority was responsible for the management of Three Rivers Stadium (Stadium) located in the City of Pittsburgh. The Stadium was home to the Pittsburgh Pirates (Pirates) and Pittsburgh Steelers (Steelers) professional sports teams and was also utilized for various concerts and other events until it was razed in February 2001. Subsequent to the razing of the Stadium, the Authority is responsible for the development of the land between the newly constructed stadium and ballpark. (See Note 5.) A portion of that land was conveyed to the Sports & Exhibition Authority for construction of infrastructure. The remaining land was retained by the Authority to be developed according to a master development plan. The Authority has entered into an option agreement dated September 23, 2003, as amended (the Option Agreement) with a joint venture of the Steelers and Pirates (North Shore Developers, L.P.) for the development of a portion of that land. The Authority has constructed a public parking garage on a portion of that land. Pending development the remaining land is used for surface parking.

The Authority is reported as a discretely presented component unit in the City financial statements. The Authority's component unit status is due to the City's appointment of Authority Board members. The board of directors (Board) of the Authority is appointed by the Mayor of the City. The Board is responsible for all the activities and operations of the Authority.

An Administrative Services Agreement was entered into in November 2002 between the Stadium Authority and the Sports & Exhibition Authority of Pittsburgh and Allegheny County (SEA) whereby the SEA staff performs all administrative services required for the Stadium Authority to fulfill its duties and obligations. The Stadium Authority reimburses the Authority certain expenses on a year-by-year basis. The SEA has a separate board appointed by the Mayor of the City of Pittsburgh and the County Executive. Currently, one board member serves on both boards.

# STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

## Notes to the Financial Statements, continued

March 31, 2011

### (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 follows all GASB pronouncements and Financial Accounting Standards Board (FASB) authoritative guidance issued on or before November 30, 1989, except those that conflict with GASB pronouncements. In accordance with GASB Statement No. 20, the Authority does not apply FASB pronouncements issued after November 30, 1989. 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:

#### (a) **Basis of Preparation**

The accompanying financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when an obligation has been incurred. The financial statement format and presentation reflects the Authority's role as an enterprise fund. The statements are maintained in accordance with generally accepted accounting principles and practices for government authorities, as described above.

GASB Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*," requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- Restricted – This component of net assets consists of net assets that have constraints on use from external restrictions.
- Unrestricted – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

March 31, 2011

(2) **Summary of Significant Accounting Policies, continued**

(b) **Management Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles 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.

(c) **Cash and Cash Equivalents**

The Authority considers all investments acquired with an original maturity of 180 days or less to be cash equivalents.

(d) **Restricted Assets**

Restricted assets include the portion of the Development Funds that are from net parking revenue deposits which can only be used for certain eligible expenses as outlined in the Option Agreement and Agreement Regarding Parking Revenues dated January 15, 2001.

The restricted assets also include \$403,000 of escrow reserves relating to the ERECT and SIF loans and \$175,264 for non-routine maintenance.

(3) **Cash and Cash Equivalents**

The Authority's policy is to maintain 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. 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 of Pennsylvania.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

March 31, 2011

(3) **Cash and Cash Equivalents, continued**

The following is a summary of the fair value of the Authority's cash and cash equivalents at March 31:

	2011	2010
Unrestricted cash and cash equivalents:		
Cash	\$ 133,683	\$ 368,156
Money market funds	164,190	163,940
Certificate of deposit	<u>4,610,290</u>	<u>1,104,644</u>
	<u>\$ 4,908,163</u>	<u>\$ 1,636,740</u>
Restricted cash and cash equivalents:		
Money market funds	403,000	433,344
Certificate of deposit	<u>175,264</u>	<u>2,517,308</u>
	<u>\$ 578,264</u>	<u>\$ 2,950,652</u>

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

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

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

# STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

## Notes to the Financial Statements, continued

March 31, 2011

### (4) **Land**

The Authority's balance sheet does not include any value for land as it was conveyed to the Authority by the Urban Redevelopment Authority of Pittsburgh (the "URA"). Under generally accepted accounting principles the Authority would report this land at its cost basis. The Authority's original cost basis of this land is \$0.

Pursuant to the Option Agreement approximately 400,000 square feet of land between the ballpark and the stadium (the Option Area), has been or is being developed. The land was originally divided into 12 development parcels. Per the Option Agreement the agreed sale price per square foot ranges from \$8 to \$15, for a total approximate agreed sales price value of \$4 million. The Authority had sold one parcel for approximately \$500,000 in September 2003 a second and third parcel for a combined total of \$455,000 in June 2004 and a fourth parcel (plus certain additional land) for a total price of approximately \$1.2 million in December 2008. In December 2008 adjustments to the parcels were made resulting in the number of parcels being decreased from 12 to 11. The agreed sales price value of the remaining land is approximately \$2.3 million. No parcels were sold in the year ending March 31, 2011.

A 172,000 square foot parcel outside the Option Area was sold in October 2008 for \$1.3 million for the entertainment center.

### (5) **Development Funds**

In accordance with the Option Agreement, the Authority deposits certain parking revenues in team development funds maintained by the SEA. Pursuant to the Option Agreement, these funds are transferred to the teams as development occurs.

Timing of these deposits is based on receipts from ALCO parking (Note 10). In 2011 the reporting period was changed from a January 1 to December 31 calendar year to April 1 to March 31 lease year. As a result, deposits to the development fund include the January 1, 2010 to March 31, 2011 time period. \$294,638 and \$215,329 was deposited or will be deposited to the team development funds for 2011 and 2010 respectively. The Teams received earned distributions from these accounts of \$125,925 and \$79,341 for each of these year endings.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

March 31, 2011

(6) **Building**

Property and equipment is recorded at cost. Repair and maintenance costs which do not increase the useful lives of the assets are charged to operations as incurred. Depreciation is computed on the straight-line basis over the following estimated useful lives:

Buildings and Improvements	40 years
Machinery and Equipment	5 years

Depreciation expense for the year ended March 31, 2011 was \$744,600.

(7) **Long-Term Debt**

On December 18, 1985, an irrevocable trust was established to defease the previously issued Stadium Authority 1971 Series A and 1982 Series B Bonds. Neither the trust, which has sufficient amounts on deposits to retire the Series A and B Bonds, nor the obligation is included in the Authority's balance sheet. The amount of these outstanding defeased bonds at March 31, 2011 and 2010 is \$2,420,000 and \$4,680,000, respectively. Subsequent to year end, on April 1, 2011 the bonds were paid and the balance on the defeased bonds is \$0. The irrevocable trust was funded from the net proceeds of the Guaranteed Stadium Refunding Bonds, Series 1985 (Series 1985 Bonds), which were issued December 18, 1985 in the principal amount of \$32,405,000.

Long-term debt consists of the following loans at March 31, 2011:

In 2005 the ERECT Fund <sup>(a)</sup>, Strategic Investment Fund <sup>(b)</sup> and the Infrastructure Development Fund <sup>(c)</sup> loaned the Authority a total of \$21,450,000 to fund the construction of the West General Robinson Street Garage. In September 2009 the Authority amended the terms of the ERECT and SIF loans, deferring principal from October 1, 2009 through September 1, 2010.

The garage was built and opened in 2006 in accordance with the time frame requirements of the Option Area Development Agreement (Note 4). It was recognized that the garage was needed to allow for future economic development and to compensate for the reduction in supply of surface parking spaces that would result. It was also recognized that the construction of the garage was ahead of the demand that would ultimately support it. To date and for the foreseeable future, the garage has not and will not generate revenues sufficient to fully cover expenses and debt service. The deficit has been covered by the Authority's unrestricted cash balances and by the Steelers and Pirates Development Funds per the Reaffirmation Settlement and Amendment Agreement (Pirates 2006 parking revenues and Steelers 2006 through 2010 parking revenues). The Authority expects current funds on hand will be available to cover the deficit as needed.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

March 31, 2011

(7) **Long-Term Debt, continued**

(a) Employee Real Estate Construction Fund (ERECT) \$16,004,473

The ERECT loan for \$16,700,000 has a 25 year amortization and a 10 year term. Principal was due on the loan beginning August 2007; interest was payable at a rate of 7.5% until July 1, 2010, at which time the rate changed to 7%.

(b) Strategic Investment Fund (SIF) 3,098,958

The SIF loan for \$3,500,000 has a 15-year amortization and a 10-year term. Principal was due on the loan beginning August 2007; interest is payable at a rate of 6.5%.

(c) Infrastructure Development Program (IDP) 1,250,000

The IDP Loan was received as a lump sum \$1,250,000 loan on August 22, 2005. It has a term of 20 years with a 2% interest rate. Interest payments are made semi-annually on June 1 and December 1 beginning in 2009. The first principal payment will be December 1, 2011 and annually thereafter. The last payment will be December 1, 2028.

Total 20,353,431

Less current portion (574,616)

\$19,778,815

Scheduled maturities and principal payments on the three loans for the next five years are as follows:

3/31/2012	\$ 574,616
3/31/2013	611,323
3/31/2014	650,254
3/31/2015	692,069
3/31/2016 and thereafter	<u>17,825,169</u>
	<u>\$20,353,431</u>

# STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

## Notes to the Financial Statements, continued

March 31, 2011

(8) **Grants from the City of Pittsburgh**

Under the terms of an agreement dated July 1, 1965, and amended on various dates through June 17, 1992, the City made total grants of \$22,775,168 to the Authority to cover the excess of the aggregate costs of operations and maintenance of the Stadium and debt service on the Stadium bonds over the total funds available to the Authority for those purposes, to be repaid if funds are available. The City does not include the \$22,775,168 in grants as a receivable on its audited financial statements, due to the unlikelihood of collection.

(9) **Related Party**

On January 15, 2001, the SEA issued the "Sports & Exhibition Authority of Pittsburgh and Allegheny County Parking Revenue Bonds, Series of 2001" (the Parking Bonds). In connection with the issuance by the SEA of the Parking Bonds, the Authority entered into a security agreement (the Agreement Regarding Parking Revenues) with the SEA, the Trustee for the Parking Bonds, ALCO Parking, the Steelers and the Pirates. In the security agreement the Authority pledged a portion of its revenues from parking Lots 1 through 7J to help secure the Parking Bonds. In April, 2010 the SEA refinanced the Parking Revenue Bonds along with a 2005 Dollar/PNC Bank loan with a new 2010 Dollar/PNC Bank Loan. In connection with the 2010 Dollar/PNC Bank Loan the Authority entered into a Collateral Assignment of Parking Revenue Agreement with the Lender that pledges certain parking revenues from Lot 1 and Lots 7A through 7J to help secure the 2010 loan.

(10) **Leases**

On March 23, 1989, the Authority entered into an agreement with the Commonwealth of Pennsylvania (PennDOT) to lease certain property near Heinz Field and PNC Park to be used for public parking. The term of the lease was 21 years and is renewable for four additional 10-year periods. At the end of the first term (March 31, 2010) the Authority exercised its option to renew the lease for four (4) ten year terms, extending the lease to March 31, 2050. The Authority expensed \$67,517 and \$54,700 related to this agreement for each of the years ended March 31, 2011 and 2010. The state increased the monthly rate for the first ten year renewal to what equates to \$70,080 per year. This new rate began August 2010 and ends March 2020.



STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued  
March 31, 2011

(10) Leases, continued

Future minimum lease requirements from the Authority for PennDOT are as follows:

2012	\$ 70,080
2013	70,080
2014	70,080
2015	70,080
2016-20	<u>350,400</u>
	<u>\$630,720</u>

The Authority entered into a lease agreement with ALCO Parking for certain parcels of land controlled by the Authority to be used for parking lots. The original lease term was a 40-year period, which began April 1, 1970 and ended March 31, 2010. ALCO Parking has exercised its option to extend the term of the lease for four consecutive additional periods of 10 years each to March 31, 2050. The original lease contained provisions for fixed rental and additional rentals based on various factors as specified in the lease agreement.

Beginning April 1, 2010 with the first lease option extension, the provisions relating to the Residual Rental Lease (rather than Fixed Rental Lease) now apply such that ALCO Parking pays to the Authority an amount equal to the greater of (i) 50% of the Parking Residual Rent Income or (ii) 50% of the Residual Base Period Rent.

The Authority expensed \$8,500 and \$34,000 for required routine maintenance for the years ended March 31, 2011 and 2010. While prudent to provide for, starting April 1, 2010 the lease agreement no longer specifically requires money for routine maintenance to be restricted.

The lease agreement defines the lease year as the period of 12 months, beginning on April 1, 1970 and ending on March 31, 1971 and each succeeding twelve month period during the term. In 2005 a verbal agreement changed the Lease Year from April 1 - March 31 to January 1 - December 31 of each calendar year. In February, 2011 the SEA and ALCO entered into a Memorandum of Understanding changing the Lease Year back to the original April 1 to March 31 dates.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

March 31, 2011

(11) **Conditional Receivable**

Pursuant to the Agreement Regarding Parking Revenues certain of the Authority's parking lot revenues are pledged for debt service on the SEA's financing of the North Shore Garage. (Note 9) \$9,002,245 of Authority funds were so used for the period April 2001 through March 31, 2011. These revenues are to be re-paid to the Authority in the event of "excess pledged revenue." The excess is to be distributed based upon which lot or garage the revenue is derived from and its priority. The Authority is the last priority in each case; therefore the repayment of subsidy to the Authority is uncertain and not recorded on the balance sheet.

(12) **Investment in Capital Assets, Net of Related Debt**

Total net assets include an amount for investment in capital assets, net of related debt. The calculations for the years ending March 31, 2011, and 2010 are as follows:

	2011	2010
Capital assets, net	\$26,031,611	\$26,717,220
Less: loans/notes payable related to capital assets	<u>20,353,430</u>	<u>20,594,817</u>
Invested in capital assets, net of related debt	<u>\$ 5,678,181</u>	<u>\$ 6,122,403</u>

(13) **Subsequent Event**

Subsequent events were evaluated through July 8, 2011, which is the date the financial statements were available to be issued. No subsequent events were noted, except the defeased bond payment disclosed in footnote #7.



Leslie A. McGee, C.P.A.  
Lisa Maruca DiPardo, C.P.A.

July 8, 2011

To the Finance Committee  
Stadium Authority of the City of Pittsburgh  
Pittsburgh, PA

We have audited the financial statements of Stadium Authority of the City of Pittsburgh for the year ended March 31, 2011, and have issued our report thereon dated July 8, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 20, 2009. Professional standards also require that we communicate to you the following information related to our audit

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Stadium Authority of the City of Pittsburgh are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no sensitive estimates affecting the financial statements for the year ended March 31, 2011.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 8, 2011.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Finance Committee, Board of Directors and management of Stadium Authority of the City of Pittsburgh and should not be used for any other purpose.

Very truly yours,



McGee Maruca & Associates, P.C.