

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

**Report on Audit of Financial Statements**

**For the Year Ended March 31, 2012**

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

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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, 2012 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Information for the year ended March 31, 2011, is presented for comparative purposes only and was extracted from the financial statements for that year, which we audited. Our report dated July 8, 2011, 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2012 on our consideration of Stadium Authority of the City of Pittsburgh'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

July 16, 2012

*McLee Maruca & Associates, P.C.*

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Statement of Net Assets

March 31, 2012 and 2011

Assets

	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 3,850,979	\$ 4,514,055
Cash – debt service garage loans	0	394,108
Receivable – ALCO Parking	18,466	293,617
Other receivable	113,278	1,047,777
Interest receivable	156	5,262
Prepaid insurance	<u>15,170</u>	<u>8,054</u>
Total current assets	<u>3,998,049</u>	<u>6,262,873</u>
Fixed assets:		
Building	28,344,856	27,193,926
HOV improvements	2,241,369	2,241,369
Machinery/equipment	43,588	43,588
Less: accumulated depreciation	<u>(4,220,645)</u>	<u>(3,447,272)</u>
Net fixed assets	<u>26,409,168</u>	<u>26,031,611</u>
Restricted assets:		
Non-routine maintenance	74,144	175,264
Development fund	2,226,741	2,706,748
Insurance escrow	0	44,126
Replacement reserve	0	125,375
Reserve/loans escrow	<u>1,429,607</u>	<u>233,500</u>
Total restricted assets	<u>3,730,492</u>	<u>3,285,013</u>
Total assets	<u>\$34,137,709</u>	<u>\$35,579,497</u>

See the accompanying notes to the financial statements.

## Liabilities

	<u>2012</u>	<u>2011</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 199,052	\$ 1,194,900
Accrued interest payable	63,763	118,801
Current portion of long-term debt	<u>786,967</u>	<u>574,616</u>
Total current liabilities	1,049,782	1,888,317
Long-term loans payable	18,725,884	19,778,815
Grants from the City of Pittsburgh	<u>22,775,168</u>	<u>22,775,168</u>
Total liabilities	<u>42,550,834</u>	<u>44,442,300</u>
Net assets:		
Invested in capital assets, net of related debt	6,896,317	5,678,181
Restricted for capital activity and debt service	2,914,138	3,212,736
Unrestricted balance	<u>(18,223,580)</u>	<u>(17,753,720)</u>
Total net assets	<u>( 8,413,125)</u>	<u>( 8,862,803)</u>
Total liabilities and net assets	<u>\$34,137,709</u>	<u>\$35,579,497</u>

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Statements of Revenues, Expenses and Changes in Net Assets

For the Years Ended March 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Parking	\$ 4,741,137	\$ 4,215,208
Other	1,133	20,000
Interest	<u>7,641</u>	<u>66,802</u>
Total operating revenues	<u>4,749,911</u>	<u>4,302,010</u>
Operating expenses:		
Salary reimbursement	47,566	47,566
Administrative	307,868	105,598
Operations and development	1,679,449	1,508,745
Insurance	41,039	50,419
Interest	1,237,898	1,378,678
Trustee and financing related fees	186,328	378
Amortization and depreciation	<u>773,373</u>	<u>744,600</u>
Total operating expenses	<u>4,273,521</u>	<u>3,835,984</u>
Operating profit	<u>476,390</u>	<u>466,026</u>
Non-operating revenues (expenses):		
Interest income on SEA loan	0	8,106
Capital transferred to the Sports and Exhibition Authority	( 747,641)	( 1,083,991)
Capital Contribution FHWA	857,065	0
Other Income	773	1,012
Development fund expense	<u>( 136,909)</u>	<u>( 68,357)</u>
Total non-operating revenues, net	<u>( 26,712)</u>	<u>( 1,143,230)</u>
Change in net assets	449,678	( 677,204)
Net assets beginning of year	<u>( 8,862,803)</u>	<u>( 8,185,599)</u>
Net assets end of year	<u>\$( 8,413,125)</u>	<u>\$( 8,862,803)</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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Parking	\$ 5,016,288	\$ 3,921,591
Other	935,632	( 814,107)
Interest	<u>12,747</u>	<u>65,050</u>
Total receipts	5,964,667	3,172,534
Salaries	( 47,566)	( 47,566)
Administrative	( 307,868)	( 105,598)
Operations and development	( 2,675,297)	( 595,116)
Insurance	( 48,155)	( 49,658)
Trustee and bond related fees	<u>( 186,328)</u>	<u>( 378)</u>
Total cash provided by operating activities	<u>2,699,453</u>	<u>2,374,218</u>
Cash flows from capital and related financing activities:		
Principal payments of long-term debt	(19,240,580)	( 241,385)
Proceed from long-term debt	18,400,000	0
Capital contribution FHWA	857,065	0
Payments to SEA	( 747,641)	( 1,083,991)
Interest paid on long-term debt	<u>( 1,292,936)</u>	<u>( 1,386,795)</u>
Net cash used in capital and related financing activities	<u>( 2,024,092)</u>	<u>( 2,712,171)</u>
Cash flows from investment activities:		
(Deposits) withdrawals to development funds	480,007	( 296,525)
Purchase of fixed assets	( 1,150,930)	( 58,991)
(Deposits) withdrawals to insurance escrow	44,126	( 3,085)
(Deposits) withdrawals to replacement reserve	125,375	441
(Deposit) withdrawal loan collateral	0	2,517,308
Collection on notes receivable	0	1,651,745
Other	( 136,136)	( 59,239)
(Deposits) withdrawals to non-routine maintenance	101,120	( 175,264)
(Deposits) withdrawals to reserve loans	<u>( 1,196,107)</u>	<u>32,986</u>
Net cash provided (used) in investment activities	<u>( 1,732,545)</u>	<u>3,609,376</u>
Net increase (decrease) in cash and cash equivalents	( 1,057,184)	3,271,423
Cash and cash equivalents at beginning of year	<u>4,908,163</u>	<u>1,636,740</u>
Cash and cash equivalents at end of year	<u>\$ 3,850,979</u>	<u>\$ 4,908,163</u>



STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Statement of Cash Flows, continued

For the Years Ended March 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Operating profit (loss)	\$ 476,390	\$ 466,026
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Amortization/depreciation	773,373	744,600
Interest on debt	1,237,898	1,378,678
Changes in operating assets and liabilities:		
Receivable - ALCO Parking	275,151	( 293,617)
Other receivables	934,499	( 834,107)
Accounts payable and accrued expenses	( 995,848)	913,629
Prepaid insurance	( 7,116)	761
Interest receivable	<u>5,106</u>	<u>( 1,752)</u>
Total cash provided by operating activities	<u>\$ 2,699,453</u>	<u>\$ 2,374,218</u>

See accompanying notes to the financial statements.

# STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

## Notes to the Financial Statements

March 31, 2012

### (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 and 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 and 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.

# STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

## Notes to the Financial Statements, continued

March 31, 2012

### (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, 2012

(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 dated Sept. 25, 2003, Agreement Regarding Parking Revenues dated January 15, 2001 and the Amendment Agreement dated Nov. 11, 2011.

The restricted assets also include \$1,429,607 of debt service reserves relating to the 2012 PNC/Dollar loans and \$74,144 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, 2012

(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, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Unrestricted cash and cash equivalents:		
Cash	\$ 135,612	\$ 133,683
Money market funds	234,344	164,190
Certificate of deposit	<u>3,481,023</u>	<u>4,610,290</u>
	<u>\$3,850,979</u>	<u>\$4,908,163</u>
Restricted cash and cash equivalents:		
Money market funds	\$1,429,607	\$ 403,000
Certificate of deposit	<u>74,144</u>	<u>175,264</u>
	<u>\$1,503,751</u>	<u>\$ 578,264</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 institution. Currently the Authority maintains its cash and cash equivalent balances at three financial institutions; two are FDIC insured banks and the third is at PA Invest. At FDIC insured banks, 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, 2012, \$869,956 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.

# STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

## Notes to the Financial Statements, continued

March 31, 2012

### (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 original Option Agreement the agreed sale price per square foot ranged 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. In November, 2011 an Amendment Agreement was signed (a) adjusting the parcels back to 12, (b) defining a take down schedule for the remaining 8 parcels and (c) providing for revenues earned on the Parcel 3 properties to support the development of Additional Parking and in the absence of additional parking, applied to pay debt service on the West General Robinson Street Garage or the SEA's North Shore Garage. The sale price of the remaining land is to be based on an appraised value of the intended use of the property. No parcels were sold in the year ending March 31, 2012. The Amendment Agreement provides that the sale of the fifth and sixth parcels must occur by December 31, 2012.

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

In accordance with the Option Agreement (Note 4), 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 9). In 2011 the reporting period was changed from a January 1 through December 31 calendar year to an April 1 through March 31 lease year, to accurately reflect what was in the original ALCO lease. As a result, for fiscal year 2011, deposits to the development fund included the January 1, 2010 to March 31, 2011 time period. The fiscal year 2012 deposits reflect the April 1 through March 31 time period. \$377,347 and \$294,638 was deposited or will be deposited to the team development funds for 2012 and 2011 respectively. The Teams received earned distributions from these accounts of \$133,449 and 125,925 for each of these year endings. Parcel 3 deposits for 2012 were \$86,897.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

March 31, 2012

(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, 2012 was \$773,373.

(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 last payment due on the outstanding defeased bonds was \$2,420,000 paid on April 1, 2011 and therefore 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.

In 2005 the ERECT Fund, Strategic Investment Fund and the Infrastructure Development Fund loaned the Authority a total of \$21,450,000 to fund the construction of the West General Robinson Street Garage. On February 14, 2012 the Authority refinanced \$15,319,326.83 of the ERECT loan and \$2,872,452.09 of the SIF loan with notes from PNC Bank and Dollar Bank. A \$10,400,000 fixed rate note was issued by PNC Bank and a \$5,000,000 fixed rate note was issued from Dollar Bank. PNC Bank also issued a variable rate note in the amount of \$3,000,000.

The SEA also holds a 2010 Dollar/PNC Bank Loan. The Authority entered into a Collateral Assignment of Parking Revenue Agreement with the SEA in 2010 that pledged certain parking revenues from Lots 1 and 7A through 7J to help secure the 2010 loan. The Authority and the SEA amended the documents related to the 2010 PNC/Dollar Bank loan to extend the pledge of certain collateral to the 2012 Authority loan. As a result, the security for the 2012 loan is the assignment of net revenues from (1) the West General Robinson Street Garage, (2) Lots 7A to 7J, (3) Lots 1 through 5, (4) the Convention Center Garage, (5) the North Shore Garage, and (6) SEA surface lots revenue.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

March 31, 2012

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

The garage was built and opened in 2006 in accordance with the time frame requirements of the Option 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. With this refinancing and the collateral pledged to it, the Authority anticipates in the near future the garage will begin to generate revenues sufficient to fully cover expenses and debt service.

Balances and terms of the loans/notes payable at March 31, 2012 are as follows:

(a) PNC Bank Fixed Rate Loan	\$10,355,245
The PNC Bank loan for \$10,400,000 has a 20 year amortization and a 63 month term. Principal was due on the loan beginning March 2012; interest is payable at a rate of 3.8%.	
(b) Dollar Bank Fixed Rate Loan	4,978,484
The Dollar Bank loan for \$5,000,000 has a 20 year amortization and a 63 month term. Principal was due on the loan beginning March 2012; interest is payable at a rate of 3.8%.	
(c) PNC Bank Variable Rate Loan	2,987,500
The PNC Bank loan for \$3,000,000 has a 20 year amortization and a 63 month term. Principal was due on the loan beginning March 2012; interest is based on the sum of (A) 70% of LIBOR plus (B) 195 basis points (1.95%) for the applicable LIBOR Interest Period.	
(d) Infrastructure Development Program (IDP)	<u>1,191,622</u>
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 was made December 1, 2011 and will be made annually thereafter. The last payment will be December 1, 2028.	
Total	19,512,851
Less current portion	<u>( 786,967)</u>
	<u>\$18,725,884</u>



STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

March 31, 2012

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

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

3/31/2013	\$ 786,967
3/31/2014	778,073
3/31/2015	799,433
3/31/2016	821,631
3/31/2017 and thereafter	<u>16,326,747</u>
	<u>\$19,512,851</u>

(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) **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, 2011) 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 \$70,080 and \$67,517 related to this agreement for each of the years ended March 31, 2012 and 2011. The rate of \$70,080 began August 2010 and ends March 2020.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

March 31, 2012

(9) **Leases, continued**

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

2013	\$ 70,080
2014	70,080
2015	70,080
2016	70,080
2017-2020	<u>280,320</u>
	<u>\$ 560,640</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. For fiscal year 2012 Parking Residual Rent was greater and therefore the basis of the calculation.

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, 2012

(10) **Conditional Receivable**

Pursuant to the Collateral Assignment of Parking Revenues dated April 19, 2010 between the Authority and PNC Bank and Dollar Bank, and prior thereto 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 7). \$9,389,782 of Authority funds were so used for the period April 2001 through March 31, 2012. These revenues are to be re-paid to the Authority in the event of "excess pledged revenue." This excess pledged revenue would be from the operations of the North Shore Garage however because repayment of subsidy to the Authority is uncertain it is not recorded on the balance sheet.

(11) **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, 2012, and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Capital assets, net	\$26,409,168	\$26,031,611
Less: loans/notes payable related to capital assets	<u>(19,512,851)</u>	<u>(20,353,430)</u>
Invested in capital assets, net of related debt	<u>\$ 6,896,317</u>	<u>\$ 5,678,181</u>

(12) **Subsequent Event**

Subsequent events were evaluated through July 16, 2012, which is the date the financial statements were available to be issued. No subsequent events were noted.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Schedule of Expenditures of Federal Awards

For the Year Ended March 31, 2012

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA#</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation			
Passed through PA Department of Transportation: Highway Planning and Construction	20.205	118375	<u>\$ 857,065</u>
Total federal awards			<u>\$ 857,065</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

# STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

## Notes to the Schedule of Expenditures of Federal Awards

March 31, 2012

### NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Stadium Authority of the City of Pittsburgh under programs of the federal government for the year ended March 31, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Stadium Authority of the City of Pittsburgh, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Stadium Authority of the City of Pittsburgh.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a.) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Government*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b.) Pass-through entity identifying numbers are presented where available.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Schedule of Findings and Questioned Costs

For the Year Ended March 31, 2012

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Stadium Authority of the City of Pittsburgh.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Stadium Authority of the City of Pittsburgh, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There were no significant deficiencies relating to the audit of the major federal award programs reported in the Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal programs for Stadium Authority of the City of Pittsburgh expresses an unqualified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included:

<u>Federal Grantor/ Pass – through Grantor/ Program Title</u>	<u>Federal CFDA#</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation Pass through Pa Department of Transportation: Highway Planning and Construction	20.205	118375	\$ <u>857,065</u>
Total federal awards			\$ <u>857,065</u>

8. The dollar threshold used to distinguish Types A and B programs was \$300,000.
9. Stadium Authority of the City of Pittsburgh did not qualify as a low risk auditee.

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Award Program Audit

None

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Summary Schedule of Prior Year Audit Findings

For the Year Ended March 31, 2012

There were no findings for the year ended March 31, 2011.



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

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  
Stadium Authority of the City of Pittsburgh

We have audited the financial statements of Stadium Authority of the City of Pittsburgh as of and for the year ended March 31, 2012, and have issued our report thereon dated July 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Stadium Authority of the City of Pittsburgh internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Stadium Authority of the City of Pittsburgh internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of Stadium Authority of the City of Pittsburgh internal control over financial reporting.

*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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Stadium Authority of the City of Pittsburgh financial statements are free of 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*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

July 16, 2012

*McLee Maruca & Associates, P.C.*

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

Independent Auditor's Report on Compliance with Requirements that could  
have a Direct and Material Effect on Each Major Program and on Internal  
Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Directors  
Stadium Authority of the City of Pittsburgh

**Compliance**

We have audited the compliance of Stadium Authority of the City of Pittsburgh with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2012. Stadium Authority of the City of Pittsburgh major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Stadium Authority of the City of Pittsburgh management. Our responsibility is to express an opinion on Stadium Authority of the City of Pittsburgh compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Stadium Authority of the City of Pittsburgh compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Stadium Authority of the City of Pittsburgh compliance with those requirements.

In our opinion, Stadium Authority of the City of Pittsburgh complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2012.

### **Internal Control Over Compliance**

The management of Stadium Authority of the City of Pittsburgh is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Stadium Authority of the City of Pittsburgh internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. According, we do not express an opinion on the effectiveness of Stadium Authority of the City of Pittsburgh internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

July 16, 2012

*McLee Maruca & Associates, P.C.*