

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH
Pittsburgh, Pennsylvania

Report on Audit of Financial Statements

For the Year Ended March 31, 2008

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

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March 31, 2008

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

INDEPENDENT AUDITOR'S REPORT

To the Members of 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, 2008 and the related statements of revenues and expenses, changes in deficiency 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 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, 2007, is presented for comparative purposes only and was extracted from the financial statements for that year, which we audited. Our report dated August 29, 2007, 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, 2008, 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 24, 2008 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 grants 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 performed for the purpose of forming an opinion on the basic financial statements of Stadium Authority of the City of Pittsburgh taken 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

July 24, 2008

McLee Morison & Associates, P.C.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Statement of Net Assets

March 31,

Assets

	<u>2008</u>	<u>2007</u>
Current assets:		
Cash and cash equivalents	\$ 2,048,335	\$ 2,944,440
Receivable – Allegheny Regional Asset District funding	205,000	290,000
Other receivable	201,525	108,645
Interest receivable	1,902	17,717
Prepaid insurance	8,096	9,800
Note receivable – current portion	<u>240,000</u>	<u>235,000</u>
Total current assets	<u>2,704,858</u>	<u>3,605,602</u>
Fixed assets:		
Building	27,009,205	26,914,445
HOV improvements	2,241,369	0
Less: accumulated depreciation	<u>(1,235,910)</u>	<u>(504,645)</u>
Net fixed assets	<u>28,014,664</u>	<u>26,409,800</u>
Restricted assets:		
Development fund	2,971,206	2,285,003
Insurance escrow	48,628	32,441
Replacement reserve	115,526	52,202
Reserve/loans escrow	<u>894,462</u>	<u>2,570,746</u>
Total restricted assets	<u>4,029,822</u>	<u>4,940,392</u>
Notes receivable, less current portion	<u>1,817,985</u>	<u>2,112,194</u>
Construction-in-progress	<u>0</u>	<u>965,205</u>
Total assets	<u>\$36,567,329</u>	<u>\$38,033,193</u>

See the accompanying notes to the financial statements.

Liabilities

	<u>2008</u>	<u>2007</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 208,533	\$ 1,209,858
Accrued interest payable	34,167	24,167
Current portion of long-term debt	397,301	249,225
Current portion of long-term payable to the City of Pittsburgh	<u>2,220,000</u>	<u>2,025,000</u>
Total current liabilities	2,860,001	3,508,250
 Long-term loans payable	 20,771,782	 21,200,775
 Long-term payable to the City of Pittsburgh	 2,425,000	 4,645,000
 Grants from the City of Pittsburgh	 <u>22,775,168</u>	 <u>22,775,168</u>
 Total liabilities	 <u>48,831,951</u>	 <u>52,129,193</u>
 Deficiency in net assets:		
Capital contributed	45,024,557	43,101,469
Accumulated deficit	<u>(57,289,179)</u>	<u>(57,197,469)</u>
Total deficiency in net assets	 <u>(12,264,622)</u>	 <u>(14,096,000)</u>
	 <u>\$36,567,329</u>	 <u>\$38,033,193</u>

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Statements of Revenues and Expenses

For the Years Ended March 31,

	<u>2008</u>	<u>2007</u>
Revenues:		
Parking	\$ 3,757,653	\$ 2,552,500
Other	50,161	103,693
Interest	<u>266,123</u>	<u>202,707</u>
Total revenues	<u>4,073,937</u>	<u>2,858,900</u>
Expenses:		
Salary reimbursement	32,566	32,566
Administrative	32,354	25,710
Operations and development	1,281,272	722,253
Insurance	83,252	26,760
Interest	2,073,170	914,793
Trustee and bond related fees	19,956	17,928
Amortization and depreciation	<u>731,264</u>	<u>504,646</u>
Total expenses	<u>4,253,835</u>	<u>2,244,656</u>
Excess of revenues over expenses before nonoperating revenue	(179,898)	614,244
Nonoperating revenue (expense):		
Easement Revenue	0	2,582,528
Interest income on SEA loan	0	49,125
Other Income	7,238	4,902
Development fund expense	0	(14,983)
Allegheny Regional Asset District Grant	<u>2,530,000</u>	<u>2,530,000</u>
Excess of revenues over expenses	<u>\$ 2,357,339</u>	<u>\$ 5,765,816</u>

See accompanying notes to the financial statements.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Statement of Changes in Deficiency in Net Assets

For the Years Ended March 31,

	<u>Capital Contributed</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Deficiency in assets, March 31, 2006	\$ 40,573,393	\$(61,288,658)	\$(20,715,265)
Capital transferred to the Sports and Exhibition Authority	0	(1,674,627)	(1,674,627)
Excess of revenues over expenses	0	5,765,816	5,765,816
State grants for garage construction	<u>2,528,076</u>	<u>0</u>	<u>2,528,076</u>
Deficiency in assets, March 31, 2007	43,101,469	(57,197,469)	(14,096,000)
Capital transferred to the Sports and Exhibition Authority	0	(2,449,049)	(2,449,049)
Excess of revenues over expenses	0	2,357,339	2,357,339
State grants for garage construction	<u>1,923,088</u>	<u>0</u>	<u>1,923,088</u>
Deficiency in assets, March 31, 2008	<u>\$ 45,024,557</u>	<u>\$(57,289,179)</u>	<u>\$(12,264,622)</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>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Parking	\$ 3,757,653	\$ 2,599,556
Other	(35,482)	74,245
Interest	<u>281,938</u>	<u>184,990</u>
Total receipts	4,004,109	2,858,791
Salaries	(32,566)	(32,566)
Administrative	(32,354)	(25,710)
Operations and development	(2,282,597)	(686,742)
Insurance	(81,548)	(36,560)
Trustee and bond related fees	<u>(19,956)</u>	<u>(17,928)</u>
Total cash provided by operating activities	<u>1,555,088</u>	<u>2,059,285</u>
Cash flows from noncapital financing activities:		
Grants from the Allegheny Regional Asset District	<u>2,615,000</u>	<u>3,239,203</u>
Total cash provided by non-capital activities	<u>2,615,000</u>	<u>3,239,203</u>
Cash flows from capital and related financing activities:		
Grant and loan proceeds	1,923,088	11,710,290
Principal payments of long-term debt	(2,305,917)	(1,855,000)
Payments to SEA	(2,159,840)	(647,769)
Interest paid on long-term debt	<u>(2,063,170)</u>	<u>(953,959)</u>
Net cash provided in capital and related financing activities	<u>(4,605,839)</u>	<u>8,253,562</u>
Cash flows from investment activities:		
Deposits to development funds	(686,203)	(617,556)
Purchase of fixed assets	(1,370,924)	(7,920,393)
Deposits to insurance escrow	(16,187)	(32,441)
Deposits to replacement reserve	(63,324)	(52,202)
(Deposits) withdrawals to reserve loans	<u>1,676,284</u>	<u>(2,570,746)</u>
Net cash used in investment activities	<u>(460,354)</u>	<u>(11,193,338)</u>
Net increase (decrease) in cash and cash equivalents	(896,105)	2,358,712
Cash and cash equivalents at beginning of year	<u>2,944,440</u>	<u>585,728</u>
Cash and cash equivalents at end of year	<u>\$ 2,048,335</u>	<u>\$ 2,944,440</u>

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Statement of Cash Flows, continued

For the Years Ended March 31,

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Excess (deficit) of revenues over expenses before		
Nonoperating revenue	\$(179,898)	\$ 614,244
Adjustments to reconcile change in net assets		
to net cash provided (used) by operating activities:		
Amortization/Depreciation	731,264	504,646
Interest on debt	2,073,170	914,793
Changes in operating assets and liabilities:		
Other receivables	(92,880)	(29,447)
Accounts payable and accrued expenses	(994,087)	82,566
Prepaid insurance	1,704	(9,800)
Interest receivable	<u>15,815</u>	<u>(17,717)</u>
Total cash provided by operating activities	<u>\$ 1,555,088</u>	<u>\$ 2,059,285</u>

See accompanying notes to the financial statements.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements

March 31, 2008

(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 two newly constructed stadiums. (See Note 5.) A portion of that land was conveyed to the Sports & Exhibition Authority (SEA) 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 (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 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.

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

A summary of 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.

In accordance with Statement of Governmental Accounting Standards No. 34, the Authority has elected not to apply Statements of Financial Accounting Standards and related interpretations issued on or before November 30, 1989.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

March 31, 2008

(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 120 days or less to be cash equivalents.

(d) **Restricted Assets**

Restricted assets consist of certain receivables created as a result of agreements between the Authority and a third party that operates the Stadium parking areas.

Restricted assets also include the portion of the Development Funds from net parking revenue deposits which can only be used for certain eligible expenses as outlined in the Option Agreement.

The restricted assets also include \$1,058,616 of escrow reserves relating to the ERECT and SIF loans.

(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, bond covenants, and trust agreements, where applicable.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

March 31, 2008

(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:

	<u>2008</u>	<u>2007</u>
Unrestricted cash and cash equivalents:		
Cash	\$ 446,188	\$ 12,822
Money market funds	85,152	82,269
Certificate of deposit	<u>1,516,995</u>	<u>2,849,349</u>
	<u>\$2,048,335</u>	<u>\$2,944,440</u>
Restricted cash and cash equivalents:		
Money Market funds	<u>\$1,058,616</u>	<u>\$2,655,389</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 four banks. Deposits that exceed \$100,000 constitute federally uninsured amounts. At March 31, 2008, \$300,000 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 and uncollateralized. Credit risk is low however, as a majority of the uninsured and uncollateralized balance 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, 2008

(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 (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 the Authority is developing the majority of the land by selling parcels and directing the proceeds of the sale to the Authority development fund that is held by the Sports & Exhibition Authority of Pittsburgh and Allegheny County (SEA) on behalf of the Authority. There is approximately 400,000 square feet of land being developed, which is divided into approximately 12 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 during fiscal year 2004 and a second and third parcel for a combined total of \$455,000 during fiscal year 2005. The agreed sales price value of the remaining land is approximately \$2.68 million.

(5) **Development Fund**

In connection with the development of the land between Heinz Field and PNC Park (Option Area) the Authority has entered into the Option Agreement. 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. For the current year ended, \$354,519 was deposited to the team development funds.

In accordance with the Agreement Regarding Parking Revenues, section 2, (see Note 10) and the Option Agreement, section 5.9, the Authority also deposits certain parking revenues and land sale revenues in the Authority development fund also maintained by the SEA. Pursuant to the Agreement Regarding Parking Revenues and the Option Agreement those funds are used for garages and other development costs.

(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
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Depreciation expense for the year ended March 31, 2008 was \$731,264.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

March 31, 2008

(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, 2008 and 2007 is \$8,775,000 and \$10,625,000, respectively. 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. (See Note 8.)

Long-term debt consists of the following loans at March 31, 2008:

Employee Real Estate Construction Fund (ERECT)	\$16,524,325
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The ERECT loan has a 25 year amortization and a 10 year term. Principal was due on the loan beginning August 2007; interest is payable at a rate of 7.5%.

Strategic Investment Fund (SIF)	3,394,757
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The SIF loan 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%.

Infrastructure Development Program (IDP)	<u>1,250,000</u>
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The IDP Loan was received as a lump sum 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	21,169,082
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Less current portion	(<u>397,301</u>)
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	<u>\$20,771,782</u>
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STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

March 31, 2008

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

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

2009	\$ 397,301
2010	426,559
2011	457,981
2012	574,615
2013	<u>19,312,626</u>
	<u>\$21,169,082</u>

(8) **Long-Term Payable to the City of Pittsburgh**

On June 17, 1992, the Authority entered into an agreement with the City to restructure the Series 1985 Bonds. Under the agreement, the City issued bonds and certain bond proceeds were escrowed for repayment of the Authority's Series 1985 Bonds in return for the Authority making future payments to the City. The funds to be provided to the City are recorded by the Authority as an obligation payable to the City. The payments required to be made by the Authority subsequent to the restructuring approximate the outstanding debt service requirements under the Series 1985 Bonds. As security for the restructured obligations, the Authority granted a security interest in the receipts and revenues of the Authority as defined in the agreement.

The payments due the City, based on the agreement, are as follows as of March 31, 2008:

<u>March 1,</u>	<u>Interest Rate</u>	<u>Amount Due to City Related to Series 1985 Bonds</u>
2009	9.0%	\$ 2,220,000
2010	9.0%	<u>2,425,000</u>
		<u>\$ 4,645,000</u>

(9) **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.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

March 31, 2008

(10) Related Party

The Authority entered into a cooperation and support agreement with the SEA, the City of Pittsburgh, the County of Allegheny and the Allegheny Regional Asset District (the District) dated May 6, 1999. The agreement requires the District to provide grant payments to the Authority through 2010 at an aggregate amount in each calendar year that closely matches the timing and amounts due with respect to the Long Term Payable to the City of Pittsburgh (see Note 8.) The Authority has directed and the District has agreed that the District makes these payments directly to the City. The District grant payments are recorded as nonoperating revenue in the period that the District authorizes the amounts for distribution, provided the amounts to be paid are collectible. The District approved grants to be distributed to the Authority of \$2,530,000 for calendar year 2008, and the Authority recorded grant revenue of the same amount for the year ended March 31, 2008.

In July 1999, as amended in February 2002, the Authority and SEA entered into a support agreement pursuant to which the SEA guarantees the payments due to the city with respect to the Long Term Payable to the City of Pittsburgh (see Note 8) which are paid from amounts due from the District, as described above.

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 pledges a portion of its revenues from certain parking lots to help secure the Parking Bonds.

In October 2002, the Authority entered into an agreement to loan the SEA up to \$4,000,000, of which only \$2,400,000 was drawn. Interest accrues on the note at 2.5% and is payable in semi-annual installments on January 15 and July 15. Annual principal payments began on January 15, 2004 and range from \$215,000 to \$270,000 ending on January 15, 2013. The Authority credits the SEA for all unpledged parking and license agreement revenue earned with respect to the lots between Heinz Field and PNC Park up to \$1,542,014. The Authority recorded credits of approximately \$289,209 and \$488,517 to the SEA during the years ended March 31, 2008 and 2007, respectively, which reduced the note receivable. The outstanding balance at March 31, 2008 is \$857,985.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Financial Statements, continued

March 31, 2008

(10) Related Party, continued

On May 12, 2005, the Authority agreed to lend \$1,200,000 to the SEA for capital cash flow purposes of the Convention Center. The monies will be repaid to the Stadium Authority when the SEA receives Act 71 funding for reimbursement of \$10 million expended for costs incurred to date related to the Convention Center hotel. Interest will be paid to the Stadium Authority at a rate equivalent to what its operating account would have earned over the term of the loan. The rate as of March 31, 2008 is 1.85%.

(11) 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 is 21 years and is renewable for four additional 10-year periods. The Authority expensed \$63,817 and \$54,700 respectively related to this agreement for each of the years ended March 31, 2008 and 2007.

The Authority entered into a lease agreement with Alco Parking for certain parcels of the Authority's land to be used for parking lots. The original lease term was a 40-year period, which began April 1, 1970. ALCO has exercised, its option to extend the term of the lease for four consecutive additional periods of 10 years each. The lease contains provisions for fixed rental and additional rentals based on various factors as specified in the lease agreement. The Authority expensed \$42,500 and \$34,000 respectively for required routine maintenance for each of the years ended March 31, 2008 and 2007.

Future minimum lease requirements for the Authority for both PennDOT and Alco Parking are as follows (assuming renewal of the PennDOT lease):

2009	\$ 88,700
2010	88,700
2011	88,700
2012	<u>88,700</u>
	<u>\$354,800</u>

(12) Conditional Receivable

Pursuant to the Agreement Regarding Parking Revenues whereby the Authority's parking lot revenues are pledged for debt service on the SEA's Parking Bonds (\$6,040,148 for the period April 2001 through March 31, 2008), those 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 of \$6,040,148 is uncertain and not recorded on the balance sheet.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Schedule of Expenditures of Federal Awards

For the Year Ended March 31, 2008

Federal Grantor/ Pass-through Grantor <u>Program Title</u>	Federal CFDA <u>Number</u>	Contract <u>Number</u>	Federal <u>Expenditures</u>
U.S. Department of Transportation:			
Pass-through from the Commonwealth of Pennsylvania Department of Transportation: Highway Planning and Construction	20.205	*117551	<u>\$1,229,712</u>
Total			<u>\$1,229,712</u>

* Denotes major program

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Notes to the Schedule of Expenditures of Federal Awards

March 31, 2008

NOTE 1: GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Organization. Federal awards received directly from federal agencies as well as federal awards passed through other organizations are included on the schedule. Public support and revenues and other revenues are not included.

NOTE 2: BASIS OF PREPARATION

The Schedule of Expenditures of Federal Awards for the year ended March 31, 2008, is prepared in conformity with generally accepted accounting principles.



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***

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

We have audited the financial statements of the Stadium Authority of the City of Pittsburgh (Authority) for the year ended March 31, 2008 and have issued our report thereon dated July 24, 2008. 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 the Authority's 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 the Authority's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 the Authority's 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 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 24, 2008

McLee Maruca & Associates, P.C.



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

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133**

Board of Directors
Stadium Authority of the City of Pittsburgh

Compliance

We have audited the compliance of the Stadium Authority of the City of Pittsburgh (Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2008. The Authority's 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 the Authority's management. Our responsibility is to express an opinion on the Authority's 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 the Authority's 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 the Authority's compliance with those requirements.

In our opinion, the Authority 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, 2008.

Internal Control Over Compliance

The management of the Authority 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 the Authority's 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 24, 2008

McLee Maruca & Associates, P.C.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Schedule of Findings and Questioned Costs

For the Year Ended March 31, 2008

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. There were no significant deficiencies relating to the audit of the financial statements to report.
3. No instances of noncompliance material to the financial statements of Stadium Authority of the City of Pittsburgh were disclosed during the audit.
4. There were no significant deficiencies relating to the audit of the major federal award program.
5. The auditor's report on compliance for the major federal award programs for Stadium Authority of the City of Pittsburgh expresses an unqualified opinion.
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>Program</u>	<u>Federal CFDA Number</u>
a. Pass through from Pennsylvania Department of Transportation	20.205
8. The threshold for distinguishing 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

Reportable Conditions:

There were no reportable conditions for the year ended March 31, 2008.

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

There were no findings or questioned costs for the year ended March 31, 2008.

STADIUM AUTHORITY OF THE CITY OF PITTSBURGH

Summary Schedule of Prior Year Audit Findings

For the Year Ended March 31, 2008

There were no findings for the year ended March 31, 2007.