

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the year ended December 31, 2005

Anthony J. Pokora
Acting City Controller



CITY OF PITTSBURGH
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

Prepared by: Office of City Controller

ANTHONY J. POKORA, ACTING CONTROLLER



**Acting City Controller
Anthony J. Pokora**

CITY OF PITTSBURGH, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2005

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CITY OF PITTSBURGH,
PENNSYLVANIA

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

City of Pittsburgh



Pennsylvania

OFFICE OF THE
CITY CONTROLLER
ANTHONY J. POKORA
DEPUTY CONTROLLER

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FAX:412-255-8990
tony.pokora@city.pittsburgh.pa.us

June 30, 2006

The Honorable Mayor, Members of
City Council, and the Citizens of
the City of Pittsburgh, Pennsylvania:

I am pleased to submit The Comprehensive Annual Financial Report (CAFR) of the City of Pittsburgh (City) for the year ended December 31, 2005.

We believe that the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. This statement will enable the reader to gain an understanding of the City's financial activities. Responsibility for both the accuracy of data, and the completeness and fairness of the presentation, rests with the management of the City. This report contains all the funds of the City.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

FINANCIAL INFORMATION

Internal Control: Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting information is compiled to prepare financial statements in accordance with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the

benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgements by management.

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

ECONOMIC CONDITION

Located at the confluence of the Ohio, Monongohela, and Allegheny Rivers, the City serves as the seat for Allegheny County. The City is the largest of the County's 130 municipalities. Downtown Pittsburgh is commonly known as the Golden Triangle and serves as the regional center for Southwestern Pennsylvania, Eastern Ohio, and Northern West Virginia. According to the 2000 census, the City's population is approximately 340,000.

Economic Background

The City continues to build and strengthen its economy not only by expanding existing businesses, but also by working to attract new businesses and industries to the region. The primary goal is to assist businesses both small and large in developing and enhancing working relationships among economic development practitioners throughout the state. By supporting the growth of the existing business core and marketing its competitive advantages to attract new businesses, the City has modernized its economy.

Initiatives such as *one-stop service providers* allow firms doing business in the City to assign a project coordinator who will serve as a single point of contact throughout the development process. The City also contains three State Enterprise Zones which enable businesses located within those designated areas to enjoy more favorable interest rates and tax incentives. The City has several sites included among the Commonwealth's Keystone Opportunity Zones, which exempt a majority of state and local taxes for a number of years.

The City is also working to make downtown the region's chief entertainment destination. The expansion of the convention center and two new sports facilities attract visitors from the surrounding region. The downtown office climate is getting a boost from companies who have recently built new offices, such as ALCOA, GNC, Mellon Bank, PNC Bank, Seagate, Del Monte, Heinz, Highmark Blue Cross/Blue Shield, and Kvaerner Metals.

The City has also implemented an aggressive strategy to reclaim the City's valuable riverfront property and reuse industrial sites left behind by the decline of the steel mills. Through the Urban Redevelopment Authority (URA), the City has acquired land and prepared sites to lay the groundwork for economic development. A variety of technology companies and university researchers have located their operations at the Pittsburgh Technology Center. Through the URA, the City purchased the 130 acre former LTV South Side Works site in late 1993. The site has been developed into a mixed use

development including housing, office space, warehousing, restaurants, retail, entertainment, and light-industrial and high-technology space. The University of Pittsburgh Medical Center (UPMC) has finished an 80,000 square-foot distribution center and a 45,000-square foot office and laboratory facility called Pittsburgh Life Sciences Center is under construction. Over 500,000 square feet of office space is either under construction or in the planning stages. The Mon Con/Hot Metal Bridge that once carried molten steel across the Monongohela River has been renovated to allow cars and pedestrians to travel between the South Side Works and the Pittsburgh Technology Center. In addition, residential and commercial developments completed on Washington's Landing on the banks of the Allegheny River proved that the strategy of land acquisition and site preparation can be used effectively as an economic development strategy.

REVENUES

Real Estate Tax - Real estate property in the City is assessed by the Allegheny County Board of Property Assessment, Appeals and Review at a rate of 100% of its fair market value. The rates for 2005 were 10.8 mills on buildings and on land. A mill is \$1 on each \$1,000 of assessed value. The 2005 total assessed valuation for the City is \$13,234,644,632 vs. the 2004 total of \$13,237,681,712, a decrease of less than .1%.

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

Business Privilege Tax - The City taxes the gross receipts from operating or conducting a service business, trade or profession in, or attributable to, the City at a rate of 2 mills. In 2004, the rate was 6 mills on gross receipts of businesses operating in the City. In 2007 through 2009, the rate will be 1 mill.

Parking Tax - A tax equal to 50% of the consideration paid for each parking transaction is levied on the patrons of non-residential parking places in the City; e.g. on a \$12 parking rate, \$4 is tax, or 50% of the \$8 underlying parking charge. The rate is to be reduced to 45% in 2007, 37.5% in 2008, and 35% in 2009.

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

Mercantile Tax - This tax was eliminated in 2005. Previously, a tax of 1 mill was levied on the gross receipts of wholesale dealers of goods, wares, and merchandise. A 2 mill tax was levied on retail vendors of goods, wares, and merchandise.

Occupation Privilege Tax - This tax was eliminated in 2005 and replaced by the Emergency and Municipal Service Tax. Previously, a \$10 annual tax was levied upon each individual whose principal place of employment is located in the City.

Deed Transfer Tax - A tax of 2% of the consideration paid for real property transfers is levied upon the transfer of an interest in real property situated in the City. In 2004, the rate was 1.5%.

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

New taxes instituted in 2005:

Emergency and Municipal Services Tax - A \$52 tax levied upon each individual whose principal place of employment is located in the City, regardless of residency.

Payroll Preparation Tax - This new tax is imposed on all for-profit companies at a rate of .55% of the total wages of all employees who work in the City.

Facility Usage Fee – A 3% tax on wages earned by non-resident athletes and performers that work at certain facilities that have been subsidized with public money.

Tax Payments - Real estate taxes are payable in three installments, but a 2% discount was granted if paid by February 10th. If payment is not made on time, interest is charged at the rate of 10% per annum, and is added to the balance of the tax due for the year.

RISK MANAGEMENT

The City is self-insured for purposes of workers' compensation benefits. Provisions are recorded in the General Fund for benefits estimated to be payable from available spendable financial resources. As non-current amounts mature, they are liquidated from General Fund resources. In order to qualify for and maintain self-insurance status, the City must comply with certain Commonwealth of Pennsylvania requirements. The requirements for 2005 are as follows: (1) maintain an irrevocable trust fund; the City's contribution to the fund is determined annually in negotiations with the Commonwealth of Pennsylvania Department of Labor, (2) satisfy the financial responsibility requirements established by the Commonwealth of Pennsylvania, (3) establish liability reserves based upon expected future payments for all claims outstanding one year or more at the end of the fiscal year. The City complied with all of the above requirements during 2005. The irrevocable trust, which is recorded as an expendable trust fund, may only be used in the event of default by the City under the self-insurance regulations.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The City covers all claim settlements and judgments, not covered by insurance, within its General and Capital Projects Funds.

AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended December 31, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

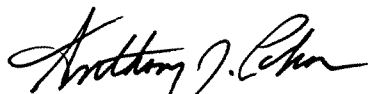
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last thirteen consecutive years (fiscal years ended 1992-2004). We believe that our current CAFR continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The preparation of this report could not be possible without the concerted effort of the entire staff of the Controller's Office. The continued efforts of the accounting department are gratefully appreciated. I would like to thank the employees of the various departments and authorities of the City for their assistance in providing the Controller's staff and the independent auditors with the necessary information to complete this report.

Respectfully submitted,



Anthony J. Pokora
City Controller

CITY OF PITTSBURGH,
PENNSYLVANIA

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Pittsburgh,
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

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



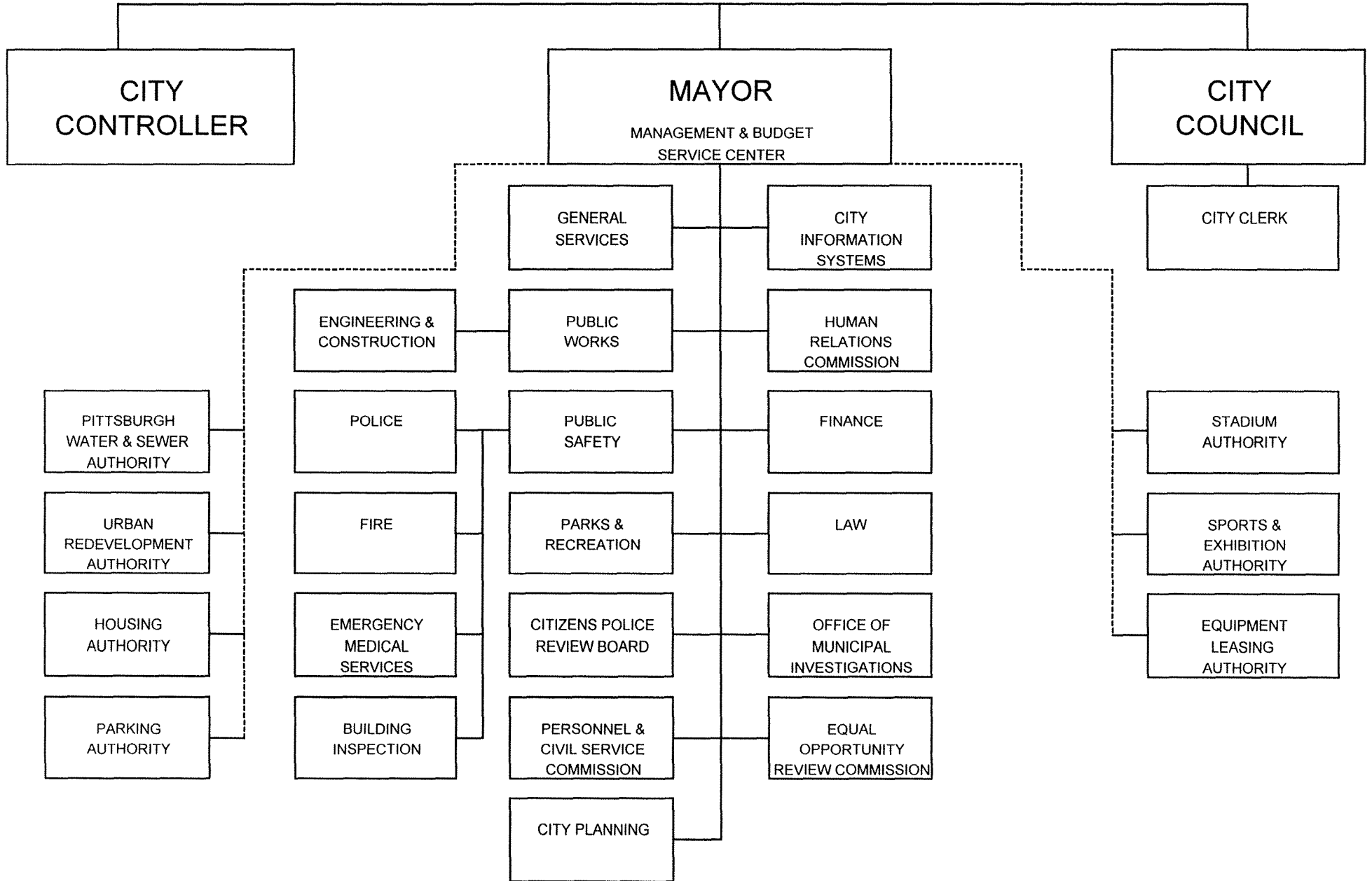
Carla E. Perry

President

Jeffrey R. Emer

Executive Director

CITIZENS OF THE CITY OF PITTSBURGH



CITY OF PITTSBURGH, PENNSYLVANIA

ELECTED CITY OFFICIALS

As of June 30, 2006

MAYOR

Bob O'Connor

CONTROLLER

Anthony J. Pokora

MEMBERS OF COUNCIL

Luke Ravenstahl, President, District 1

Doug Shields, Finance/Budget Committee, District 5

Daniel Deasy, District 2

Jeffrey Koch, District 3

Jim Motznik, District 4

Tonya Payne, District 6

Len Bodack, District 7

Bill Peduto, District 8

Twanda Carlisle, District 9

CITY OF PITTSBURGH,
PENNSYLVANIA

FINANCIAL SECTION

MAHER DUESSEL

CERTIFIED PUBLIC ACCOUNTANTS

THREE GATEWAY CENTER – SIX WEST
PITTSBURGH, PA 15222

(412) 471-5500
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Independent Auditor's Report

The Honorable Members of Council
City of Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pittsburgh, Pennsylvania (City), as of and for the year ended December 31, 2005, which collectively comprise the City's financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Public Parking Authority of Pittsburgh (Parking Authority) and the Stadium Authority of the City of Pittsburgh (Stadium Authority), which collectively represents 7% of the assets and 22% of the revenues of the aggregate discretely presented component units. These financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Parking Authority and the Stadium Authority, are based solely upon the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2005 and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and Community Development Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully discussed in Note 1(B), the City is considered a distressed community under the provisions of the "Municipalities Financial Recovery Act" (Act 47) of the

The Honorable Members of Council
City of Pittsburgh, Pennsylvania
Independent Auditor's Report
Page Two

Commonwealth of Pennsylvania. Under the provisions of Act 47, the City adopted a financial recovery plan (Plan), which among other things, permits the City to increase certain tax rates and fees, levy new taxes, and requires reduction of certain spending levels. The Plan is intended to enable the City to maintain services at the current level. The implementation of the Plan is subject to periodic review by the Pennsylvania Department of Community and Economic Development.

The Management's Discussion and Analysis on pages i through xv, and the pension schedules on pages 92 through 94 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



June 12, 2006

MANAGEMENT'S DISCUSSION
AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Pittsburgh (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the beginning of this report, and in the basic financial statements and supplementary information.

Financial Highlights

- The liabilities of the City exceeded its assets at the close of the most recent fiscal year by \$695.2 million. As of December 31, 2005, the City, in its statement of net assets, has a net asset unrestricted deficit of \$729.3 million. The accumulated deficit results principally from the City's outstanding general obligation bonds being issued over the years to finance projects that do not result in recording assets; specifically to fund the payments to the Pension Trust Fund (\$264.7 million outstanding as of December 31, 2005), the City's borrowings to finance economic development efforts (including projects to the City's Authorities, principally the URA), and maintenance expenditures on City infrastructure and equipment needs.
- The City's total net assets increased by \$46.8 million in 2005.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$63.0 million, an increase of \$17.3 million from the previous year. Approximately 74% of this total amount, \$46.7 million, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$34.1 million (compared to \$11.7 million in 2004) or 8.5 % of total General Fund expenditures and debt service transfers for 2005, up from 2.8% in 2004 and 7.8% in 2003.

The City's gross bonded debt amounted to \$786.7 million at the end of the fiscal year. New debt was issued in 2005 for \$195.0 million, while \$30.5 million in principal payments were made and \$200.1 million of debt was defeased for a decrease in outstanding debt from the 2004 balance of \$822.3 million.

Overview of the Financial Statements

This Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements.

The financial section of this report consists of three parts: Management's Discussion and Analysis, the basic financial statements (including notes to the financial statements and detailed budgetary comparison schedules), and combining and individual fund statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements:

The first two statements (pages 1 - 3) are government-wide financial statements that provide long-term and short-term information about the City's overall financial status.

The remaining statements (pages 3 through 23) are fund financial statements that focus on individual parts of City government, reporting operations in more detail than the government-wide statements.

The governmental funds statements describe how general government services were financed such as public safety and sanitation.

Fiduciary fund statements provide information about the retirement plans for City employees in which the City acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support City activities.

The financial statements include notes that provide an explanation for certain information in the financial statements and also provide more details for this information. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, a section with combining statements provides details about the non-major governmental funds that are presented in single columns in the basic financial statements. The following diagram shows how the required components of this comprehensive annual financial report are arranged and relate to one another.

Figure A-1
REQUIRED COMPONENTS OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

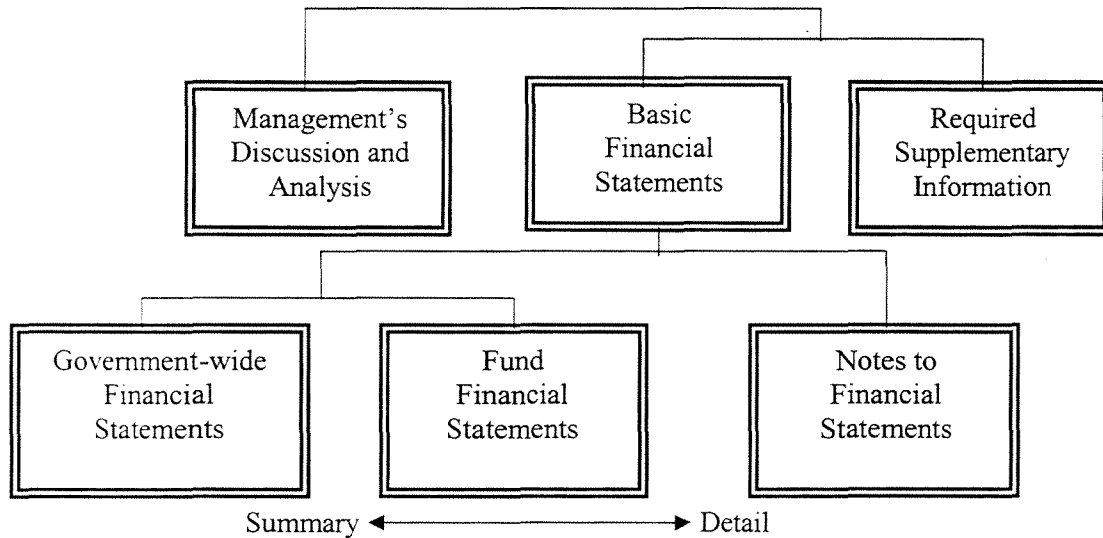


Figure A-2 summarizes the major features of the City’s financial statements. The remainder of this overview section of Management’s Discussion and Analysis explains the structure and contents of each of the statements.

	Figure A-2		
	Major Features of City’s Government-Wide and Fund Financial Statements		
	Government-wide Statements	Fund Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as police, fire, and recreation	Instances in which the City is the trustee or agent for someone else’s resources, such as the retirement plans for City employees
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Combined statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the City’s funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the City’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

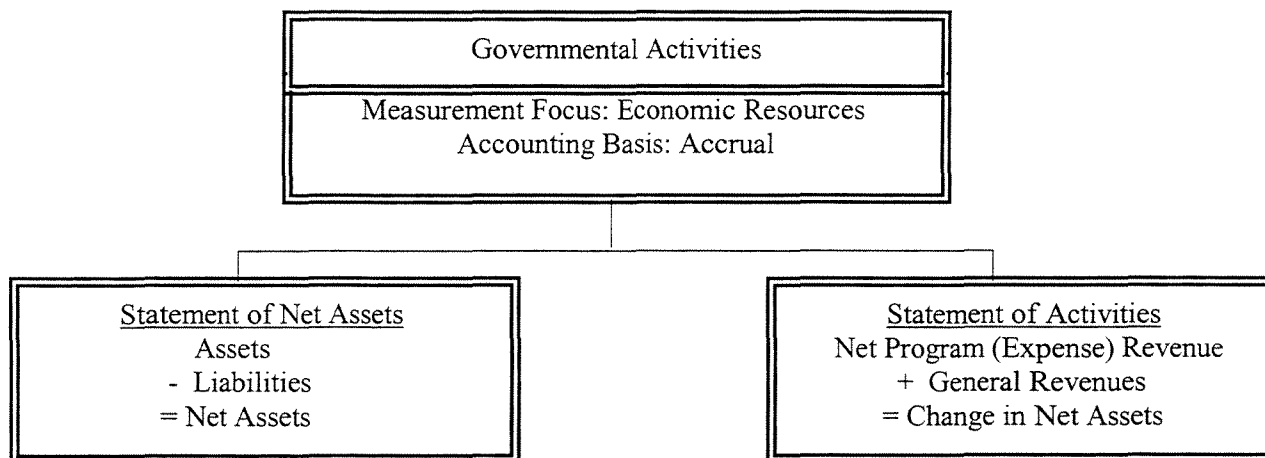
The statement of activities presents information showing how the government’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event gives rise to the change that occurs, regardless of the timing of related cash

flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found in the financial section of this report. The two government-wide statements report the City’s net assets and how they have changed. The statement of net assets includes all of the City’s assets and liabilities, except fiduciary funds. Net assets - the difference between the City’s assets and liabilities - is one way to measure the City’s financial health, or position. Over time, increases or decreases in the City’s net assets are an indicator of whether its financial health is improving or deteriorating. The statement of activities focuses on how the City’s net assets changed during the year. Additional non-financial factors such as changes in the City’s real property tax base and general economic conditions must be considered to assess the overall position of the City. The primary features of government-wide financial statements are reflected in Figure A-3.

**Figure A-3
Government-wide Financial Statements**



- *Governmental activities* - Most of the City’s basic services are included here, such as the police, public works, recreation, and general administration. Property and earned income taxes, charges for services, and state grants finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City’s most significant funds, not the City as a whole. Funds are accounting groups that the City uses to keep track of specific sources of funding and spending for particular purposes. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All

of the funds of the City can be divided into two categories: governmental funds and fiduciary funds. Some funds are required by State law.

The City has two kinds of funds:

- *Governmental Funds* - Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, the Capital Projects Fund, the Community Development Fund, and the Debt Service Fund, all of which are considered to be major funds. Data from the other six governmental funds (non-major funds) are combined into a single, aggregated presentation (other governmental funds).

The City adopts an annual appropriated budget for its General Fund, Capital Projects Fund, and Community Development Fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 4-18 of this report.

- *Fiduciary Funds – (Pension Trust Funds and Agency Funds)* - The City administers three pension plans. One is for the general employees and the others are for police officers and firemen. These plans cover essentially all full-time employees. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate combined statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to

finance its operations.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Pittsburgh's own programs. Agency funds are custodial in nature and do not involve measurement of results of operations.

The basic fiduciary fund financial statements can be found on pages 19-20 of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-91 of this report.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 92-94 of this report.

Government-wide Financial Analysis

In the case of the City, liabilities exceeded assets by \$695.2 million at the close of the most recent fiscal year.

By far the largest portion of the City's deficit in net assets is its unrestricted deficit of (\$729.3) million. This deficit is partially offset by investment in capital assets less any related debt still outstanding used to acquire those assets of \$32.1 million. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending and the assets have been financed with debt in an amount that exceeds the capital assets carrying value.

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

Summary of Condensed Net Assets:

The following table presents a condensed summary of net assets:

City of Pittsburgh's Net Assets

	Governmental Activities	
	(\$ millions)	
	2005	2004
Assets		
Current assets:		
Unrestricted assets	\$ 95	\$ 64
Restricted assets	13	22
Capital assets	194	200
Total assets	302	286
Liabilities		
Current liabilities	130	128
Long-term liabilities, outstanding	867	900
Total liabilities	997	1,028
Net Assets		
Invested in capital assets, net of related debt	32	33
Restricted	2	2
Unrestricted	(729)	(777)
Total net assets	\$ (695)	\$ (742)

At the end of the current fiscal year, the City reports a (\$695.2 million) net deficit for the governmental activities due in part to its debt burden outstanding. This is consistent with the prior fiscal year.

Summary of Changes in Net Assets:

The following table shows the revenues and expenses of the primary government.

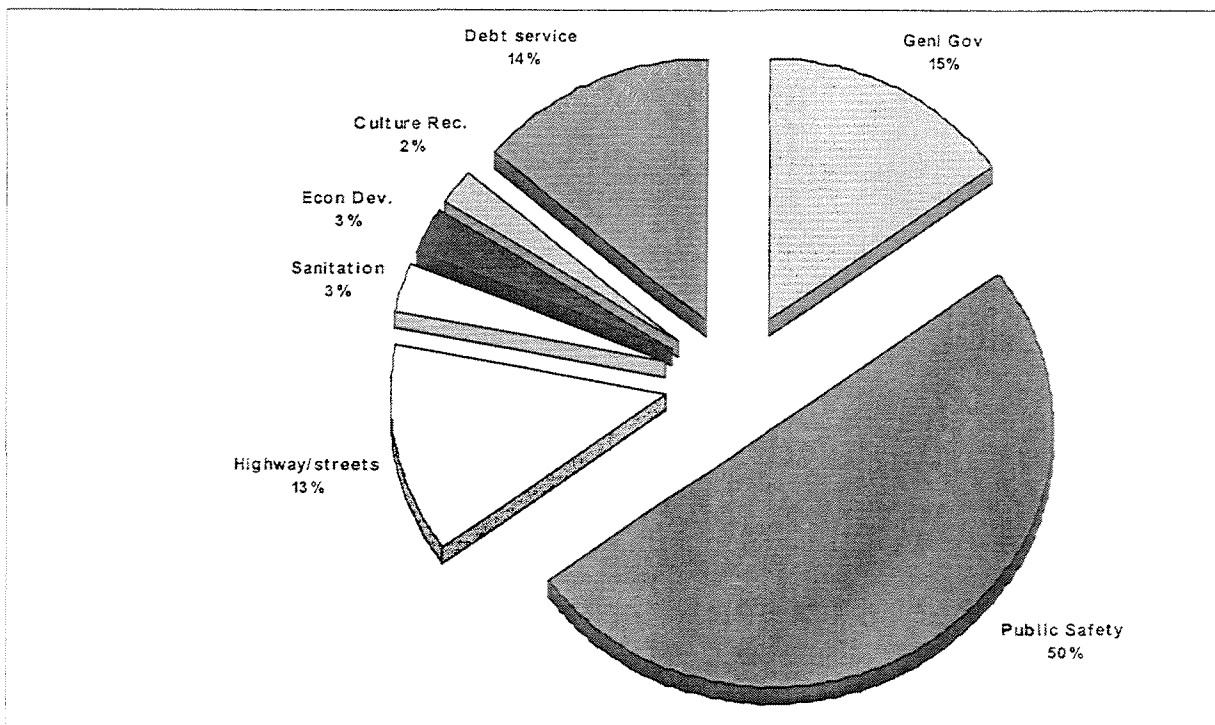
Governmental activities - Governmental activities increased the City's net assets by \$46.7 million. Key elements in the increase in net assets were the new Emergency and Municipal Services Tax of \$16.3 million and the new Payroll Preparation Tax of \$38.5 million, offset by the elimination of the Mercantile Tax of \$7.4 million. The remaining amounts are as follows:

City's of Pittsburgh Activities

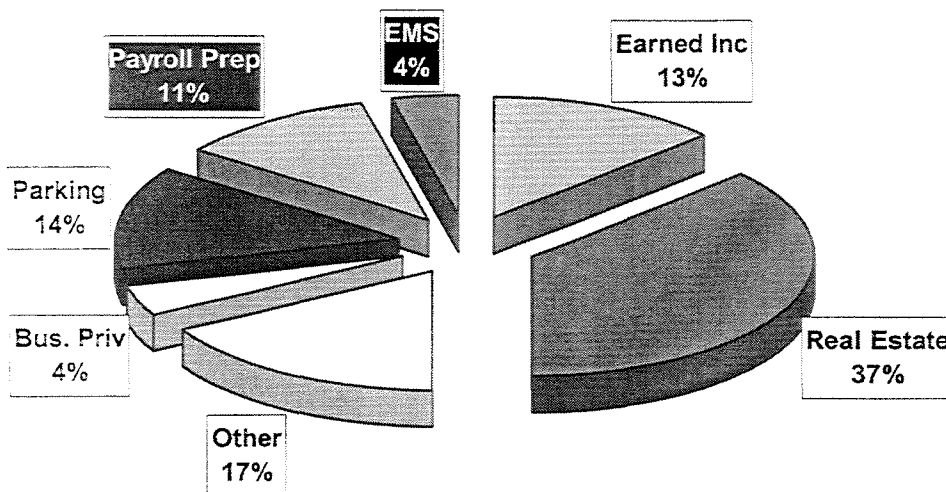
(\$ millions)	Governmental Activities	
	2005	2004
Revenues:		
Program revenues:		
Charges for services	\$ 41	\$ 41
Operating grants and contributions	44	43
Capital grants and contributions	27	33
Total program revenues	112	117
General revenues:		
Real estate property taxes	133	132
Earned income taxes	49	47
Business privilege taxes	14	40
Emergency and municipal services taxes	16	-
Payroll preparation taxes	39	-
Parking taxes	52	47
RAD sales taxes	21	21
Deed transfer taxes	18	12
Amusement taxes	11	7
Payment in lieu of taxes	5	1
Mercantile	-	8
Other taxes	3	6
Other	4	3
Total general revenues	365	324
Total revenues	477	441
Expenses:		
General government	63	76
Public safety	213	243
Highways/streets	55	51
Sanitation	15	14
Economic development	15	12
Culture and recreation	10	13
Interest on debt	43	49
Bond issuance costs	2	-
Debt subsidies to Authorities and Component Units	14	12
Total expenses	430	470
Change in Net Assets	47	(29)
Net Assets:		
Beginning of year	(742)	(713)
End of year	\$ (695)	\$ (742)

Public Safety accounted for a decrease in expenditures of \$30.0 million plus a decrease in General Government spending of \$13.0 million.

Expenses of the governmental statement of activities are shown below by functional area:



General Fund tax revenues (73% of total revenue) are presented below by type of tax:



Governmental Funds

Governmental funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Revenues for the General Fund totaled \$422.3 million in 2005, an increase of \$39.7 million, or by 10.4%, compared to 2004. The net increase of \$35.0 million in tax revenue was mostly due to an increase of \$38.3 million in the new payroll preparation tax, \$16.3 million in the emergency and municipal service tax, \$4.9 million increase in the parking tax, offset by a \$7.4 decrease caused by the elimination of the mercantile tax, a \$3.2 million decrease due to the elimination of the occupational privilege tax, and a \$26.4 decrease in business privilege tax due to a decrease in millage. Earned income taxes were up \$1.8 million, amusement taxes increased by \$3.2 million, and deed transfer tax increased by \$6.5 million. Real estate taxes were flat mainly due to changes in the assessed values caused by taxpayer appeals on the value of their property. The occupation tax of \$10 per employee was replaced in 2005 by the \$52 per employee emergency services tax.

In addition to the above General Fund tax revenues, the City collected \$23.6 million in the Community Development Fund, \$4.0 million in Capital Projects, and \$23.2 million in Other Governmental Funds pass-thru federal and state monies.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$63.0 million, an increase of \$17.3 million from 2004. Approximately 74% of this total fund balance, or \$46.7 million constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to: 1) liquidate contracts and purchase orders encumbered in the prior period, \$11.8 million; 2) pay debt service \$0.2 million; 3) other reserved purposes, \$1.8 million; and 4) restricted for capital projects \$2.5 million.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$34.1 million, while total fund balance for the General Fund was \$38.1 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 8.5% of total General Fund expenditures and operating transfers, while total fund balance represents 9.5% of General Fund expenditures and operating transfers. A fund balance percentage of 15-20% of expenditures is typically considered a sign of financial health.

The fund balance of the City's General Fund increased by \$23.6 million during the current fiscal year and decreased by \$20.7 million in 2004.

Expenditures and uses, including debt service payments/transfers, for the General Fund in 2005 decreased to \$402.7 million, compared to \$419.1 million in 2004 representing a decrease of 3.9% or \$16.4 million overall. The City was able to do this by holding the line on expenditures where possible, i.e. lower salary costs due to layoffs and wage freezes of \$8.5 million. The 2004 expenditures included a one-time capitalized lease for the new public safety building of \$15.4 million.

Transfers to the Debt Service Fund of \$81.2 million combined with debt subsidies of \$13.7 million totaled \$94.9 million compared to \$101.4 million in 2004. The debt subsidies are for the URA and Auditorium Authority and are commitments made by the City over the life of the bonds. The decrease of \$6.5 million was due mainly to debt refinancing in 2005 and a decrease of \$1.3 million in debt subsidies. Debt and debt subsidies accounted for 23.7% of the expenditures illustrating the magnitude of the City's annual debt service, constituting almost one out of every 4 dollars spent out of the General Fund.

The Debt Service Fund has a total fund balance of \$177,245 all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service Fund was \$38,302.

The Community Development Fund had intergovernmental revenues of \$23.6 million and expenditures of \$23.6 million. The Capital Projects Fund had \$4.0 million of revenues, \$9.7 million in maintenance costs, \$1.9 million of capital related expenditures, \$2.4 million of bond issue costs, and paid \$1.0 million of operating transfers. The Capital Projects Fund, fund balance decreased by \$8.6 million in 2005 to \$11.5 million as of December 31, 2005.

General Fund Budgetary Highlights

Actual General Fund revenues were below the budgeted revenues by \$3.1 million mainly due to a decrease in expected traffic fines of \$2.3 million. In addition, the final cash basis revenues exceeded the final cash basis expenditures by \$17.5 million, in effect budgeting a surplus for the year. Some revenue sources did not meet budget estimates; real estate, non profit payments for services, and payroll preparation tax all contributed to about \$13.3 million of the shortfall. But other revenue streams offset this; the deed transfer tax exceeded budgeted revenue by \$5.9 million, parking tax by \$5.8 million, and emergency and municipal tax by \$3.0 million. The net effect of these and other budget variances was \$2.6 million actual tax revenue collected over budget. Primarily due to supplemental appropriations, final budget General Fund expenditures were greater than original budget by \$3.7 million or about 0.9% and exceeded the actual expenditures by \$24.3 million or 5.8%.

During fiscal year 2005, City Council amended the budget primarily for the following reasons:

- To appropriate funds to pay prior year commitments in the form of encumbrances for General Fund purchase orders authorized and issued, but for which goods and services were not received nor paid for by December 31, 2004 totaled \$3.7 million.

Capital Asset and Debt Administration

Capital assets - The City's investment in capital assets for its governmental-type activities as of December 31, 2005, amounts to \$193.7 million net of accumulated depreciation. This investment in capital assets includes building and building improvements, land, machinery and equipment, furniture and fixtures, vehicles, infrastructure, capital lease, and construction-in-progress.

Major capital asset events during the current fiscal year were limited due to the inability of the City to float a new capital bond and lack of working capital to invest in assets. The only major increase in assets is the recording of the McArdle Roadway Viaduct renovation for \$4.8 million. Also, furniture, vehicles, and machinery and equipment totaling \$4.9 million were purchased.

City of Pittsburgh's Changes in Capital Assets

(\$ millions)	Governmental Activities	
	2005	2004
Land and land improvements	\$ 46	\$ 46
Construction in progress	2	6
Buildings and building improvements	89	89
Capital lease	15	15
Infrastructure	177	172
Vehicles	43	42
Furniture and fixtures	8	7
Machinery and equipment	3	3
Total capital assets	383	380
Less accumulated depreciation for:		
Buildings	(72)	(70)
Infrastructure	(74)	(68)
Vehicles	(33)	(32)
Furniture and fixtures	(7)	(7)
Machinery and equipment	(3)	(3)
Total accumulated depreciation	(189)	(180)
Total capital net assets	\$ 194	\$ 200

The largest increase in infrastructure assets was due to completion of roadway construction projects; the financing of which was primarily contributed by the state.

More detailed information about capital assets is provided in Note 6 to the financial statements.

Long-term debt - At the end of the current fiscal year, the City had total debt outstanding of \$786.7 million which comprises debt backed by the full faith and credit of the government.

City of Pittsburgh's Outstanding Debt

(\$ millions)	Governmental Activities	
	2005	2004
General obligation bonds:		
Beginning balance at January 1	\$ 822	\$ 860
Debt issued and other	200	-
Refinanced bonds	(200)	-
Principal payments and other	(35)	(38)
Ending balance at December 31	\$ 787	\$ 822

More detailed information about long-term debt is provided in Note 9 of the financial statements.

Significant Events

In November 2003, the City sought municipal self-help as a “financially distressed” municipality under the Municipalities Financial Recovery Act (Act 47). The PA Department of Community and Economic Development (DCED), after review of the City’s application and advice of its legal and financial experts, agreed. The Act 47 coordinators issued their Recovery Plan on June 11, 2004, which was adopted by Pittsburgh City Council on June 29, 2004.

Subsequent to the City’s designation as financially distressed under Act 47, the State legislature under Act 11 established an Intergovernmental Cooperation Authority (ICA) to provide fiscal oversight for the City for a period of seven years. Act 11 stipulated that the ICA is to operate concurrently and equally with the Act 47 coordinators.

In accordance with specific requirements under Act 11 and with the support and approval of both the Act 47 coordinators and ICA oversight committee, the City submitted on November 5, 2004 its 2005 Operating and Capital Budgets and Five-Year Financial Forecast and Performance Plan. The Plan called for both expenditure cut backs and proposed a new tax levy structure.

Expenditure reductions and controls included: salary freezes city-wide for at least two years, Public Safety cost reduction achieved primarily through the renegotiation of the Firefighter contract, reductions to all elected officials’ budgets and regular reporting requirements verifying adherence to the Plan’s budget.

On November 21, 2004, the State Legislature approved legislation providing Pittsburgh with new taxing authority that was intended to balance its 2005 and subsequent operating budget allowing for a surplus each year to build a fund balance of \$21.9 million by 2009. Taxes included: a 0.55% tax on the gross payroll of all for-profit businesses, \$52 on individuals working in the City, 3.0% tax on wages earned by non-resident sports players and performers using the stadium and arena, a shift in earned income away from the school district and to the City beginning in

2007, elimination of the \$4.0 million payment of regional asset district sales tax to the school district and a gradual reduction in the City's parking tax beginning in 2007. The tax package provided for the gradual reduction of the business privilege tax, total elimination of the mercantile tax and the implementation of a new tax on gross payroll of all for-profit businesses. This restructuring will result in a broader based tax structure going forward.

On January 4, 2005, the City executed a \$40.0 million Non-revolving Tax and Revenue Anticipation Credit Facility to provide liquidity to cover expenses prior to the collection of Real Estate tax revenues received primarily during the first two months of the year. The City only required a \$20.0 million draw on that facility to meet its early-year obligations and as of March 31, 2005 the City had repaid that borrowing.

During the first quarter of 2005, the City signed a 5-year contract with the Firefighter's Union that provided the City with a budget savings of \$9.1 million in 2005. A combination of staff reduction, station closings and benefit renegotiation produced those savings. The ICA is currently challenging the contract in Commonwealth Court stating that although it met the monetary target under the approved 5-year plan, it failed in the specific required reduction strategies. Should the ICA prevail, the impact would be felt primarily in work process flows and oversight.

By April of 2005, all three bond rating agencies boosted the rating of City bonds to investment grade status, thereby providing the City with the opportunity to take advantage of favorable bond rates. On June 7, 2005, the City closed on refinancing \$195.0 million worth of bonds which will produce a \$6.0 million cash savings in debt financing costs for the year. This savings in the operations will make available needed funds for capital purchases and programs, such as street repair, vacant building demolition and other immediate needs of the City not able to be funded from other sources.

Also on June 10, 2006, the City closed on \$194.2 million of refinancing bonds and \$47.8 million of general obligation bonds to be used for capital improvements over the next three years. The refinancing saved the City \$4.2 million in debt service costs (cash flows) between the new bonds and the bonds refinanced over the next 20 years.

Cash Position

During 2005, the City continued efforts begun in the latter half of 2003 to control costs, improve collections and maintain solvency. These efforts combined with remaining available fund balance produced benefits into 2005 by allowing the City to meet its beginning of the year obligations without executing a bank note at the beginning of 2006. The City expects cash flows to be sufficient enough in 2006 to maintain a positive cash position.

In recognition of the City's cost containment and efficiency efforts, and as a result of the support of both State oversight committees, on November 21, 2004 the Pennsylvania Legislature passed a tax package that empowered the City of Pittsburgh to modernize its taxation structure.

Due to the revenue increase combined with the cost reductions in the budget, at the end of 2005, the City projected a 2006 ending cash balance of \$13.8 million, a decrease of \$17.3 million, or 56%, in liquidity over one year ago. There is every indication at this time that this projection is realistic and that there should be no need to seek outside funding for continuing operations into early 2007. However, to be assured of the ability of the City to maintain its service

commitments in light of some unforeseen expenditure, the City will again seek to obtain a commitment from local banking institutions of a credit-line facility to be used to start off 2007.

Requests for information

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

CITY OF PITTSBURGH,
PENNSYLVANIA

BASIC FINANCIAL STATEMENTS

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF NET ASSETS

DECEMBER 31, 2005

	Primary Governmental Activities	Component Units
Assets		
Current assets:		
Cash, cash equivalents, and investments	\$ 48,779,843	\$ 239,536,221
Restricted cash	13,076,402	12,928,745
Investments - restricted	-	619,773
Real estate taxes (net of allowance for uncollectible accounts of \$9,245,605)	13,141,468	-
Accounts receivable, net	-	21,457,156
Accrued interest receivable	218,552	804,369
Due from other governments	8,891,432	5,667,829
Due from component unit	697,093	-
Taxpayer - assessed taxes receivable	14,760,825	-
Inventory	-	1,563,000
Notes receivable	-	282,329
Other receivables	9,126,775	12,087,098
Grant receivable	-	2,546,000
Prepaid expenses	-	247,000
Total current assets	108,692,390	297,739,520
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	-	9,931,000
Investments	-	133,258,091
Accrued interest receivable	-	667,000
Accounts receivable - parking	-	9,997
Total restricted assets	-	143,866,088
Capital assets:		
Capital assets not being depreciated:		
Land and land improvement	45,602,091	40,231,208
Construction-in-progress	2,357,319	17,633,672
Capital assets being depreciated:		
Buildings and building improvements	88,778,564	39,733,532
Parking facilities	-	116,482,893
Machinery and equipment	3,124,618	107,721,497
Utility plant	-	444,237,000
Non-utility plant	-	16,634,000
Furniture and fixtures	7,653,034	-
Vehicles	43,510,006	-
Infrastructure	176,973,642	-
Capital lease	15,434,653	-
Less accumulated depreciation	(189,765,580)	(203,862,688)
Total net capital assets	193,668,347	578,811,114
Leasehold improvements	-	423,171
Other assets	-	1,863,215
Bond issuance costs, net of amortization	-	10,611,565
Loans/notes receivable	-	141,188,480
Assets held for sale	-	31,342,791
Development fund	-	2,059,375
Total noncurrent assets	193,668,347	910,165,799
Total Assets	302,360,737	1,207,905,319

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF NET ASSETS

DECEMBER 31, 2005

(Continued)

	Primary Government Governmental Activities	Component Units
Liabilities		
Current liabilities:		
Accounts payable - wastewater treatment	-	11,428,000
Accrued expenses and deferred income	-	1,019,927
Accounts and retainage payable	15,587,001	2,337,626
Accrued payroll and related obligations	12,439,026	43,777,404
Accrued interest payable	14,751,738	8,327,195
Accrued worker's compensation	17,557,104	-
Accrued compensated absences	15,585,670	-
Accrued claims and judgments	2,425,000	-
Unearned revenue	-	15,665,532
Due to other governments	3,661,966	-
Capital lease liability, current portion	459,855	-
Note due to City of Pittsburgh, current portion	-	1,690,000
Bonds and loans payable, current portion	47,625,000	35,239,948
Total current liabilities	130,092,360	119,485,632
Noncurrent liabilities:		
Unearned revenue	-	420,000
Other liabilities	-	6,242,000
Accrued payroll - related obligations	-	830,000
Note due to the City of Pittsburgh	-	8,525,000
Bonds and loans payable, net of unamortized premiums/ discounts and bond issuance costs	739,031,199	887,691,488
Accrued workers' compensation	103,585,258	-
Accrued compensated absences	8,655,896	-
Accrued claims and judgments	2,000,000	-
Capital lease liability	14,215,587	-
Advance from the City of Pittsburgh	-	22,775,168
Total noncurrent liabilities	867,487,940	926,483,656
Total Liabilities	997,580,300	1,045,969,288
Net Assets		
Invested in capital assets, net of related debt	32,093,268	(30,738,781)
Restricted for:		
Capital projects	-	2,461,373
Debt service	177,245	19,205,687
Employee benefits	1,145,197	-
Endowments	702,451	-
Public Parking Authority	-	9,852,839
Urban development	-	25,752,605
Lending programs	-	86,251,527
Multi-family Housing Program	-	4,624,530
Unrestricted net assets	(729,337,724)	44,526,251
Total Net Assets	\$ (695,219,563)	\$ 161,936,031

(Concluded)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2005

Functions/Programs					Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Program Revenues			Primary Governmental	Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary government:						
Governmental activities:						
General government	\$ 63,221,610	\$ 17,833,330	\$ 16,537,048	\$ 7,314,777	\$ (21,536,455)	\$ -
Public safety	213,197,078	20,600,780	16,019,749	960,490	(175,616,059)	-
Highway and streets	55,024,821	935,553	8,515,590	8,424,715	(37,148,963)	-
Sanitation	14,693,283	718,066	517,308	-	(13,457,909)	-
Economic development (includes debt subsidies to URA of \$13,008,603)	27,981,189	-	-	8,701,367	(19,279,822)	-
Culture and recreation (includes debt subsidies Public Auditorium Authorities of \$717,557)	10,516,854	1,520,052	2,294,895	1,327,410	(5,374,497)	-
Interest on long-term debt plus bond issuance cost and amortization of premiums and discounts	45,374,017	-	-	-	(45,374,017)	-
Total primary government	\$ 430,008,852	\$ 41,607,781	\$ 43,884,590	\$ 26,728,759	(317,787,722)	-
Total component units	\$ 197,153,909	\$ 140,392,740	\$ 41,191,315	\$ 6,587,614	-	(8,982,240)
General revenues:						
Real estate taxes					132,619,472	-
Earned income taxes					48,436,582	-
Business privilege taxes					14,291,935	-
Emergency services tax					16,339,969	-
Payroll preparation tax					38,377,704	-
Parking tax					52,241,679	-
Sales taxes from the Regional Asset District					20,943,521	-
Deed transfer tax					18,170,377	-
Amusement tax					10,730,856	-
Nonprofit payment for municipal services					5,373,497	-
Mercantile tax					358,600	-
Other taxes					2,861,880	-
Unrestricted investment earnings					2,231,226	6,679,937
Donations and endowments					100	-
Gain (loss) of sale of assets					-	1,704,974
Miscellaneous					1,550,712	1,003,704
Total general revenues					364,528,110	9,388,615
Change in net assets					46,740,388	406,375
Net assets - beginning					(741,959,951)	161,529,656
Net assets - ending					\$ (695,219,563)	\$ 161,936,031

See accompanying notes to financial statements.

CITY OF PITTSBURGH,
PENNSYLVANIA

FUND FINANCIAL STATEMENTS

CITY OF PITTSBURGH,
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2005

Assets	General	Debt Service	Special Revenue CDBG	Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 30,828,008	\$ -	\$ 1,598,022	\$ -	\$ 16,353,813	\$ 48,779,843
Cash and cash equivalents - restricted	311,898	157,667	-	12,606,837	-	13,076,402
Receivables:						
Real estate taxes (net of allowances for uncollectible accounts of \$9,245,605)	13,141,468	-	-	-	-	13,141,468
Taxpayer - assessed taxes receivable	14,760,825	-	-	-	-	14,760,825
Other receivables	8,700,642	-	-	-	426,132	9,126,774
Due from component units	697,093	-	-	-	-	697,093
Accrued interest	187,224	19,578	-	-	11,749	218,551
Advance to other fund	-	-	-	1,300,000	-	1,300,000
Due from other governments	4,671,501	-	2,830,116	526,791	863,024	8,891,432
Due from other funds	3,168,645	-	4,231	64,873	278,869	3,516,618
Total Assets	\$ 76,467,304	\$ 177,245	\$ 4,432,369	\$ 14,498,501	\$ 17,933,587	\$ 113,509,006

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2005

(Continued)

	General	Debt Service	Special Revenue CDBG	Capital Projects	Other Governmental Funds	Total Governmental Funds
Liabilities and Fund Balance						
Liabilities:						
Accounts payable	\$ 10,249,732	\$ -	\$ 2,143,734	\$ 760,884	\$ 2,245,022	\$ 15,399,372
Accrued liabilities	12,084,946	-	37,502	-	316,578	12,439,026
Retainage payable	-	-	-	187,627	-	187,627
Advance from other fund	-	-	1,300,000	-	-	1,300,000
Due to other funds	2,667	-	866,516	2,019,294	628,141	3,516,618
Due to other governments	1,956,603	-	-	-	1,705,363	3,661,966
Accrued claims and judgments	2,425,000	-	-	-	-	2,425,000
Deferred revenue, principally real estate taxes	11,616,565	-	-	-	-	11,616,565
Total Liabilities	38,335,513	-	4,347,752	2,967,805	4,895,104	50,546,174
Fund Balance:						
Reserved:						
Encumbrances	2,226,834	-	-	9,071,578	484,712	11,783,124
Reserved for endowments	702,451	-	-	-	-	702,451
Reserved for employee benefits	1,145,197	-	-	-	-	1,145,197
Advance	-	-	-	1,300,000	-	1,300,000
Unreserved:						
Undesignated:						
General Fund	34,057,309	-	-	-	-	34,057,309
Special Revenue Fund	-	-	84,617	-	12,553,771	12,638,388
Designated for subsequent years expenditures	-	177,245	-	1,159,118	-	1,336,363
Total Fund Balance	38,131,791	177,245	84,617	11,530,696	13,038,483	62,962,832
Total Liabilities and Fund Balance	\$ 76,467,304	\$ 177,245	\$ 4,432,369	\$ 14,498,501	\$ 17,933,587	\$ 113,509,006

(Concluded)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

YEAR ENDED DECEMBER 31, 2005

Total Fund Balance - Governmental Funds \$ 62,962,832

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

Capital assets including construction-in-progress used in governmental activities are not current financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$383,433,927 and the accumulated depreciation is \$189,765,580. 193,668,347

Property taxes receivable and other revenues will be collected in the future, but are not available to pay for the current period's expenditures and therefore, are deferred in the funds. Receivable amounts are shown net of allowances, but are not deferred in the governmental activities statements. 11,616,565

Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable, net of unamortized premiums/ discounts and bond issuance costs	\$ (786,656,199)	
Capital lease liability	(14,675,442)	
Accrued workers' compensation	(121,142,362)	
Accrued compensated absences	(24,241,566)	
Accrued interest payable	(14,751,738)	
Accrued claims and judgments	(2,000,000)	(963,467,307)

Total Net Assets - Governmental Activities \$ (695,219,563)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2005

	General	Debt Service	Special Revenue CDBG	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes, including penalties and interest	\$ 351,332,113	\$ -	\$ -	\$ 701,417	\$ -	\$ 352,033,530
Payment in lieu of taxes	5,373,497	-	-	-	-	5,373,497
Interest and dividends	1,689,611	386,358	-	149	155,108	2,231,226
Fines and forfeits	3,813,973	-	-	-	425,347	4,239,320
Intergovernmental revenues	24,084,165	2,525,000	23,576,641	3,152,117	19,800,425	73,138,348
Charges for user services	34,929,472	-	-	-	2,438,989	37,368,461
Donations and endowments	100	-	-	-	-	100
Miscellaneous	1,068,683	-	-	189,333	375,635	1,633,651
Total revenues	422,291,614	2,911,358	23,576,641	4,043,016	23,195,504	476,018,133
Expenditures:						
Current:						
General government	50,146,189	-	6,692,198	1,513,397	1,767,684	60,119,468
Public safety	205,775,385	-	1,121,393	327,486	1,515,658	208,739,922
Public works	30,017,472	-	5,791,341	7,753,647	4,490,252	48,052,712
Sanitation	13,547,014	-	-	-	121,311	13,668,325
Community, recreational, and cultural	6,303,834	-	824,074	37,776	2,310,574	9,476,258
Economic and physical development	-	-	9,147,635	56,500	6,605,364	15,809,499
Claims and judgments	727,798	-	-	-	-	727,798
Miscellaneous	1,038,130	-	-	-	-	1,038,130
Debt service:						
Principal retirement of bonds	-	40,420,000	-	-	-	40,420,000
Interest on bonds	154,923	43,689,577	-	-	-	43,844,500
Bond issuance costs	128,931	-	-	2,408,683	-	2,537,614
Public Auditorium Authority subsidy	717,557	-	-	-	-	717,557
Urban Redevelopment Authority subsidy	13,008,603	-	-	-	-	13,008,603
Capital outlay:						
Highways, streets, and other construction projects	-	-	-	1,934,620	1,068,602	3,003,222
Total expenditures	321,565,836	84,109,577	23,576,641	14,032,109	17,879,445	461,163,608
Excess (Deficiency) of Revenues Over Expenditures	100,725,778	(81,198,219)	-	(9,989,093)	5,316,059	14,854,525
Other Financing Sources (Uses):						
Refunding bond proceeds	-	-	-	194,995,000	-	194,995,000
Bond premium	-	-	-	12,151,334	-	12,151,334
Payment to escrow agent	-	-	-	(204,731,673)	-	(204,731,673)
Transfers from other funds	4,036,500	81,159,917	-	-	1,482,477	86,678,894
Transfer to other funds	(81,159,917)	-	-	(999,992)	(4,518,985)	(86,678,894)
Total other financing sources (uses)	(77,123,417)	81,159,917	-	1,414,669	(3,036,508)	2,414,661
Net Change in Fund Balance	23,602,361	(38,302)	-	(8,574,424)	2,279,551	17,269,186
Fund Balance:						
Beginning of year	14,529,430	215,547	84,617	20,105,120	10,758,932	45,693,646
End of year	<u>\$ 38,131,791</u>	<u>\$ 177,245</u>	<u>\$ 84,617</u>	<u>\$ 11,530,696</u>	<u>\$ 13,038,483</u>	<u>\$ 62,962,832</u>

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2005

Net Change in Fund Balance - Governmental Funds

\$ 17,269,186

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays less net deletions in the current period:

	\$	5,774,427	
Capital outlays		(82,938)	
Less: net deletions		(12,137,277)	
Less: depreciation expense		(12,137,277)	(6,445,788)

Some taxes and other revenues will not be collected for several months after the City's year-end, they are not considered as "available" revenues in the governmental funds. Deferred revenues increased by this amount during the year.

3,339,045

The issuance of long-term obligations (e.g. notes and bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.

36,488,437

In the statement of activities, certain expenses - workers' compensation, compensated absences, claims and judgments, and interest are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount incurred versus the amount used.

(3,910,492)

Change in Net Assets of Governmental Activities

\$ 46,740,388

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes, net of refunds and banking fees:				
Real estate	\$ 128,500	\$ 128,500	\$ 124,516	\$ (3,984)
Payment in lieu of taxes	6,666	6,666	794	(5,872)
Mercantile	-	-	488	488
Payroll preparation	41,250	41,250	37,826	(3,424)
Amusement	8,750	8,750	9,771	1,021
Earned income	46,295	46,295	47,388	1,093
Deed transfer	13,046	13,046	18,983	5,937
Parking	44,488	44,488	50,323	5,835
Occupation privilege	-	-	307	307
Emergency municipal service	12,958	12,958	15,999	3,041
Business privilege	13,846	13,846	13,816	(30)
Institution and service privilege	478	478	353	(125)
Facility usage fee	1,410	1,410	1,484	74
Public service	1,138	1,138	352	(786)
Penalties and interest	3,170	3,170	2,377	(793)
Act 77 - tax relief	12,946	12,946	12,793	(153)
Total taxes, net of refunds and banking fees	334,941	334,941	337,570	2,629
Interest earnings	833	833	1,538	705
Fines and forfeits	6,555	6,555	4,274	(2,281)
Licenses and fees:				
Liquor and malt beverage	441	441	411	(30)
Business	31	31	2	(29)
General government	913	913	867	(46)
Rentals and charges	4,879	4,879	3,738	(1,141)
Total licenses and fees	6,264	6,264	5,018	(1,246)
Federal and state grants	9,113	9,113	8,473	(640)
Reimbursement, CDBG	1,323	1,323	700	(623)
Public Parking Authority	1,900	1,900	1,460	(440)
PWSA reimbursement	5,300	5,300	5,300	-
Sports and Exhibition Authority	88	88	-	(88)
State utility tax	461	461	467	6
Act 77 - civic arena	1,600	1,600	-	(1,600)
Miscellaneous	557	557	905	348
Breakeven centers	21,169	21,169	21,725	556
Joint operations	100	100	136	36
Provisions of services	9,182	9,182	9,729	547
State aid - pension	17,640	17,640	17,166	(474)
Sale of public property	50	50	-	(50)
Delinquent receivables - magistrates court	500	500	-	(500)
Total revenues	417,576	417,576	414,461	(3,115)

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in thousands)

(Continued)

	Original Adopted Budget	Transfers and Prior Year Carryover	Final Budget	Expenditures	Encumbrances	Total Actual	Variance
Expenditures:							
General Government:							
City Council:							
Salaries	1,593	21	1,614	1,580	-	1,580	34
Council service, supplies, and equipment	5	-	5	5	-	5	-
Education and training	-	15	15	15	-	15	-
Equipment	8	-	8	3	1	4	4
Miscellaneous services	119	3	122	109	-	109	13
Total city council	1,725	39	1,764	1,712	1	1,713	51
City Clerk's Office:							
Salaries	-	7	7	-	-	-	7
Miscellaneous services	-	68	68	1	-	1	67
Supplies	-	1	1	-	-	-	1
Rentals	-	12	12	-	-	-	12
Equipment	-	6	6	-	-	-	6
Transfers	-	6	6	-	-	-	6
Total city clerk's office	-	100	100	1	-	1	99
Mayor's Office:							
Salaries	999	87	1,086	1,085	-	1,085	1
Premium pay	2	-	2	2	-	2	-
Miscellaneous services	100	(52)	48	67	-	67	(19)
Education and training	84	(13)	71	66	-	66	5
Supplies	30	(18)	12	11	-	11	1
Equipment	3	(1)	2	1	-	1	1
Utilities	5	-	5	2	-	2	3
Total mayor's office	1,223	3	1,226	1,234	-	1,234	(8)
City Information Systems:							
Salaries	2,805	-	2,805	2,553	-	2,553	252
Premium pay	34	-	34	24	-	24	10
Miscellaneous services	1,338	-	1,338	1,199	-	1,199	139
Education and travel expense	25	-	25	22	-	22	3
Supplies	168	-	168	164	-	164	4
Equipment	146	12	158	147	-	147	11
Utilities	673	-	673	506	-	506	167
Total city information systems	5,189	12	5,201	4,615	-	4,615	586
Magistrates Court:							
Salaries	88	-	88	88	-	88	-
Premium pay	1	-	1	1	-	1	-
Supplies	-	1	1	-	-	-	1
Total magistrates court	89	1	90	89	-	89	1
Commission on Human Relations:							
Salaries	141	17	158	156	-	156	2
Miscellaneous services	26	60	86	4	20	24	62
Education and training	1	-	1	-	-	-	1
Supplies	1	-	1	1	-	1	-
Equipment	1	1	2	1	-	1	1
Total commission on human relations	170	78	248	162	20	182	66

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in thousands)

(Continued)

	Original Adopted Budget	Transfers and Prior Year Carryover	Final Budget	Expenditures	Encumbrances	Total Actual	Variance
Department of Finance:							
Salaries	2,978	(92)	2,886	2,481	-	2,481	405
Premium pay	32	-	32	31	-	31	1
Miscellaneous services	1,448	199	1,647	1,089	12	1,101	546
Education and training	10	-	10	3	-	3	7
Supplies	375	16	391	294	-	294	97
Materials	4	2	6	2	1	3	3
Equipment	42	4	46	26	-	26	20
Repairs	2	-	2	-	-	-	2
Rentals	29	-	29	21	-	21	8
Total department of finance	4,920	129	5,049	3,947	13	3,960	1,089
Office of City Controller:							
Salaries	1,984	430	2,414	2,399	-	2,399	15
Premium pay	7	-	7	1	-	1	6
Miscellaneous services	101	55	156	105	8	113	43
Education and training	11	-	11	10	-	10	1
Supplies	9	5	14	8	-	8	6
Equipment	15	12	27	6	8	14	13
Rentals	13	-	13	9	4	13	-
Total office of city controller	2,140	502	2,642	2,538	20	2,558	84
Department of Law:							
Salaries	1,417	-	1,417	1,349	-	1,349	68
Premium pay	1	-	1	-	-	-	1
Miscellaneous services	496	74	570	410	113	523	47
Education and training	17	-	17	13	-	13	4
Supplies	25	1	26	23	1	24	2
Equipment	24	-	24	5	-	5	19
Rentals	8	-	8	6	-	6	2
Total department of law	1,988	75	2,063	1,806	114	1,920	143
Department of Law - EORC:							
Salaries	212	(7)	205	116	-	116	89
Premium pay	1	7	8	8	-	8	-
Miscellaneous services	49	-	49	-	45	45	4
Education and training	4	-	4	-	-	-	4
Supplies	-	1	1	-	-	-	1
Equipment	3	-	3	1	-	1	2
Rentals	13	-	13	3	-	3	10
Total department of law - EORC	282	1	283	128	45	173	110
Department of Law - OMI:							
Salaries	424	-	424	366	-	366	58
Premium pay	1	-	1	-	-	-	1
Miscellaneous services	256	69	325	68	50	118	207
Education and training	10	-	10	8	-	8	2
Supplies	6	1	7	6	-	6	1
Equipment	3	-	3	3	-	3	-
Rentals	2	-	2	1	-	1	1
Total department of law - OMI	702	70	772	452	50	502	270
Department of Personnel and Civil Service Commission:							
Salaries	1,199	-	1,199	1,122	-	1,122	77
Premium pay	3	-	3	-	-	-	3
Miscellaneous services	383	244	627	281	21	302	325
Education and training	8	-	8	5	-	5	3
Supplies	18	6	24	18	-	18	6
Equipment	56	1	57	28	-	28	29
Materials	4	-	4	4	-	4	-
Repairs	1	(1)	-	-	-	-	-
Rentals	8	-	8	8	-	8	-
Total department of personnel and civil service commission	1,680	250	1,930	1,466	21	1,487	443

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in thousands)

(Continued)

	Original Adopted Budget	Transfers and Prior Year Carryover	Final Budget	Expenditures	Encumbrances	Total Actual	Variance
Department of City Planning:							
Salaries	884	-	884	839	-	839	45
Premium pay	4	-	4	1	-	1	3
Miscellaneous services	92	5	97	65	7	72	25
Education and training	4	-	4	-	-	-	4
Supplies	22	-	22	20	-	20	2
Rentals	8	-	8	4	-	4	4
Equipment	6	2	8	6	-	6	2
Grants	-	326	326	103	-	103	223
Utilities	2	-	2	-	-	-	2
Total department of city planning	1,022	333	1,355	1,038	7	1,045	310
Total general government	21,130	1,593	22,723	19,188	291	19,479	3,244
Public Safety - Department of Public Safety:							
Bureau of Administration:							
Salaries and wages	194	-	194	188	-	188	6
Miscellaneous services	-	110	110	-	-	-	110
Equipment	-	3	3	-	-	-	3
Total bureau of administration	194	113	307	188	-	188	119
Bureau of Emergency Medical Services:							
Salaries and wages	8,996	(730)	8,266	8,256	-	8,256	10
Premium pay	2,323	714	3,037	2,876	-	2,876	161
Miscellaneous services	110	1	111	91	1	92	19
Education and training	14	12	26	20	-	20	6
Supplies and materials	240	7	247	214	15	229	18
Equipment	128	25	153	132	1	133	20
Rentals	3	1	4	3	-	3	1
Repairs	56	-	56	42	-	42	14
Uniforms	122	-	122	115	-	115	7
Total bureau of emergency medical services	11,992	30	12,022	11,749	17	11,766	256
Bureau of Police:							
Salaries	55,699	(3,045)	52,654	49,408	-	49,408	3,246
Premium pay	6,072	-	6,072	5,141	-	5,141	931
Miscellaneous services	1,562	94	1,656	1,482	1	1,483	173
Education and training	66	44	110	22	-	22	88
Supplies and materials	288	52	340	273	10	283	57
Equipment	142	90	232	142	1	143	89
Repairs	8	-	8	6	-	6	2
Rentals	144	33	177	126	3	129	48
Uniforms	902	194	1,096	999	4	1,003	93
Total bureau of police	64,883	(2,538)	62,345	57,599	19	57,618	4,727
Bureau of Fire:							
Salaries and wages	40,253	575	40,828	40,763	-	40,763	65
Premium pay	10,163	2,000	12,163	12,041	-	12,041	122
Miscellaneous services	133	(25)	108	108	-	108	-
Education and training	11	-	11	11	-	11	-
Supplies	125	39	164	145	-	145	19
Repairs	41	-	41	30	-	30	11
Equipment	28	-	28	28	-	28	-
Uniforms	1,037	-	1,037	457	-	457	580
Total bureau of fire	51,791	2,589	54,380	53,583	-	53,583	797

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in thousands)
(Continued)

	Original Adopted Budget	Transfers and Prior Year Carryover	Final Budget	Expenditures	Encumbrances	Total Actual	Variance
Bureau of Building Inspection:							
Salaries	2,623	-	2,623	2,381	-	2,381	242
Premium pay	5	-	5	(2)	-	(2)	7
Miscellaneous services	169	-	169	129	-	129	40
Education and training	25	-	25	14	-	14	11
Supplies	13	-	13	12	-	12	1
Repairs	1	-	1	-	-	-	1
Rentals	6	-	6	3	-	3	3
Equipment	9	-	9	9	-	9	-
Uniforms	14	-	14	12	-	12	2
Total bureau of building inspection	2,865	-	2,865	2,558	-	2,558	307
Total public safety - department of public safety	131,725	194	131,919	125,677	36	125,713	6,206
Department of General Services:							
Administration:							
Salaries	836	87	923	919	-	919	4
Premium pay	12	25	37	37	-	37	-
Miscellaneous services	241	11	252	245	-	245	7
Education and training	1	-	1	1	-	1	-
Supplies	13	4	17	14	-	14	3
Equipment	4	1	5	5	-	5	-
Repairs	1	-	1	1	-	1	-
Rentals	1,959	22	1,981	1,900	95	1,995	(14)
Total administration	3,067	150	3,217	3,122	95	3,217	-
Facilities Management:							
Salaries	1,970	(168)	1,802	1,802	-	1,802	-
Premium pay	47	(10)	37	27	-	27	10
Miscellaneous services	884	20	904	824	6	830	74
Education and training	1	-	1	1	-	1	-
Supplies	19	4	23	17	2	19	4
Equipment	8	1	9	9	1	10	(1)
Rentals	-	1	1	-	-	-	1
Repairs	19	-	19	19	-	19	-
Materials	120	23	143	110	12	122	21
Uniforms	28	-	28	25	-	25	3
Total facilities management	3,096	(129)	2,967	2,834	21	2,855	112
Fleet Management:							
Salaries	113	245	358	341	-	341	17
Premium pay	1	32	33	33	-	33	-
Miscellaneous services	4,174	(490)	3,684	3,273	408	3,681	3
Supplies	1,750	354	2,104	2,104	-	2,104	-
Equipment	-	1	1	-	-	-	1
Uniforms	-	-	-	10	-	10	(10)
Repairs	738	-	738	405	334	739	(1)
Utilities	-	21	21	-	-	-	21
Total fleet management	6,776	163	6,939	6,166	742	6,908	31
Community Communications:							
Salaries	-	15	15	14	-	14	1
Miscellaneous services	-	2	2	12	-	12	(10)
Equipment	-	29	29	40	-	40	(11)
Total community communications	-	46	46	66	-	66	(20)
Total department of general services	12,939	230	13,169	12,188	858	13,046	123

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in thousands)

(Continued)

	Original Adopted Budget	Transfers and Prior Year Carryover	Final Budget	Expenditures	Encumbrances	Total Actual	Variance
Department of Public Works:							
Administration:							
Salaries	451	-	451	451	-	451	-
Premium pay	47	-	47	4	-	4	43
Miscellaneous services	167	-	167	167	-	167	-
Education and training	10	-	10	5	-	5	5
Supplies	24	-	24	21	-	21	3
Equipment	51	3	54	33	-	33	21
Rentals	15	-	15	15	-	15	-
Total administration	765	3	768	696	-	696	72
Operations:							
Salaries	11,787	-	11,787	11,556	-	11,556	231
Premium pay	745	-	745	569	-	569	176
Miscellaneous services	192	1	193	188	-	188	5
Supplies	99	13	112	73	2	75	37
Equipment	56	22	78	53	-	53	25
Materials	1,132	16	1,148	1,121	2	1,123	25
Repairs	272	-	272	254	-	254	18
Rentals	430	14	444	436	2	438	6
Total operations	14,713	66	14,779	14,250	6	14,256	523
Environmental Services:							
Salaries	6,945	-	6,945	5,995	-	5,995	950
Premium pay	621	-	621	368	-	368	253
Miscellaneous services	3,488	-	3,488	2,592	-	2,592	896
Supplies	118	1	119	33	-	33	86
Equipment	33	2	35	24	-	24	11
Uniforms	86	-	86	75	-	75	11
Materials	8	-	8	1	-	1	7
Rentals	8	-	8	3	-	3	5
Total environmental services	11,307	3	11,310	9,091	-	9,091	2,219
Engineering:							
Salaries	1,650	-	1,650	1,590	-	1,590	60
Miscellaneous services	-	1	1	-	-	-	1
Supplies	-	7	7	5	1	6	1
Equipment	-	3	3	3	-	3	-
Materials	-	1	1	1	-	1	-
Total engineering	1,650	12	1,662	1,599	1	1,600	62
Total department of public works	28,435	84	28,519	25,636	7	25,643	2,876
Community, Recreational, and Cultural -							
Department of Parks and Recreation:							
Administration:							
Salaries	2,754	-	2,754	2,316	-	2,316	438
Premium pay	87	-	87	78	-	78	9
Miscellaneous services	481	210	691	464	60	524	167
Education and training	4	-	4	2	-	2	2
Supplies	226	-	226	195	14	209	17
Repairs	9	-	9	8	-	8	1
Rentals	43	-	43	23	-	23	20
Equipment	43	-	43	40	2	42	1
Grants	-	51	51	2	-	2	49
Total community, recreational, and cultural - department of parks and recreation	3,647	261	3,908	3,128	76	3,204	704

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in thousands)
(Continued)

	Original Adopted Budget	Transfers and Prior Year Carryover	Final Budget	Expenditures	Encumbrances	Total Actual	Variance
Nondepartmental:							
Employee Benefits:							
Pension	40,315	-	40,315	40,055	-	40,055	260
Fringe benefits	75,686	723	76,409	75,343	380	75,723	686
Total employee benefits	116,001	723	116,724	115,398	380	115,778	946
Claims and Judgments - Citywide	2,087	12	2,099	1,369	-	1,369	730
Citizens Review Board:							
Salaries	279	-	279	237	-	237	42
Miscellaneous services	97	24	121	71	10	81	40
Education and training	7	-	7	4	-	4	3
Supplies	5	2	7	4	-	4	3
Equipment	2	-	2	1	2	3	(1)
Rentals	51	11	62	54	2	56	6
Total citizens review board	441	37	478	371	14	385	93
Utilities-Citywide	8,074	92	8,166	6,949	-	6,949	1,217
GF Grants-Citywide	-	72	72	-	-	-	72
GF Grants-Other	40	-	40	4,040	-	4,040	(4,000)
Miscellaneous (Postage/refunds)-Citywide	1,434	406	1,840	846	282	1,128	712
Debt Service:							
Debt service	88,557	-	88,557	81,444	-	81,444	7,113
Debt service subsidy	2,318	-	2,318	717	-	717	1,601
Total debt service	90,875	-	90,875	82,161	-	82,161	8,714
Fund balance restoration	748	-	748	-	-	-	748
Total nondepartmental	219,700	1,342	221,042	211,134	676	211,810	9,232
Total expenditures	417,576	3,704	421,280	396,951	1,944	398,895	22,385
Excess (Deficiency) of Revenues over Expenditures	\$ -		\$ (3,704)			\$ 15,566	\$ 19,270

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in thousands)

(Continued)

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/Inflows of Resources:

Actual amounts (budgetary basis) revenues from the statement of revenues, expenditures, and changes in fund balance - actual and budget.	\$	414,461
Actual amounts not included on budgetary basis.		454
The adjustments to convert to GAAP basis, recording of receivables and revenues, not included in budget.		<u>11,413</u>
Total General Fund revenue and transfers in on GAAP basis as reported on the statement of revenues, expenditures, and changes in fund balance.		
	\$	<u>426,328</u>

Users/Outflows of Revenues:

Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison statement.	\$	396,951
Actual amounts not included on budgetary basis.		323
The adjustments to convert to GAAP basis, recording of expenditures and liabilities not included in budget.		<u>5,452</u>
Total General Fund expenditures and transfers out as reported on the statement of revenues, expenditures, and changes in fund balance.		
	\$	<u>402,726</u>

(Concluded)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) COMMUNITY DEVELOPMENT FUND

YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 43,865,550	\$ 43,865,550	\$ 21,612,897	\$ (22,252,653)
Expenditures:				
General government:				
Council and City Clerk's Office	5,077,702	5,077,702	2,296,835	2,780,867
Finance	51,855	51,855	7,400	44,455
Department of Personnel and Human Relations	826,213	826,213	228,836	597,377
Department of City Planning	5,265,217	5,265,217	2,489,187	2,776,030
General services	156,144	156,144	47,921	108,223
Public safety	2,841,610	2,841,610	905,742	1,935,868
Public works:				
Public works	7,334,471	7,334,471	4,583,555	2,750,916
Engineering and construction	2,831,267	2,831,267	1,175,662	1,655,605
Community, recreational, and cultural programs	2,213,594	2,213,594	1,346,447	867,147
Intergovernmental programs	17,267,477	17,267,477	8,599,767	8,667,710
Total expenditures	43,865,550	43,865,550	21,681,352	22,184,198
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ (68,455)	\$ (68,455)

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) COMMUNITY DEVELOPMENT FUND

YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in thousands)

(Continued)

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/Inflows of Resources:

Actual amounts (budgetary basis) revenues from the budgetary comparison statement.	\$	21,613
The adjustments to convert to GAAP basis, recording of receivables and revenues, not included in budget.		<u>1,964</u>
Total community development fund revenue on GAAP basis as reported on the statement of revenues, expenditures, and changes in fund balance.	\$	<u><u>23,577</u></u>

Users/Outflows of Revenues:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$	21,681
The adjustments to convert to GAAP basis, recording of expenditures and liabilities not included in budget.		<u>1,896</u>
Total community development fund expenditures and other financing uses as reported on the statement of revenues, expenditures, and changes in fund balance.	\$	<u><u>23,577</u></u>

(Concluded)

See accompanying notes to financial statements.

FIDUCIARY FUND STATEMENTS

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

DECEMBER 31, 2005

	Pension Trust Fund	Agency Fund
Assets		
Cash and cash equivalents	\$ 35,095,965	\$ 4,944,861
Investments:		
Preferred and common stock	110,698,994	-
U.S. government and agency obligations	44,857,518	-
Corporate and other obligations	61,683,189	-
Mutual funds	107,110,109	-
Hedge funds	10,776,632	-
Accounts receivable	-	344,650
Other assets	-	117,318
Due from component units	150,645	-
Accrued interest and dividend receivables	2,019,803	-
	372,392,855	5,406,829
Liabilities		
Benefits and related withholdings payable	2,741,192	-
Accounts payable	17,273	26,384
Deposits held in trust	-	1,828,637
Accrued liabilities and other payables	297,164	3,551,808
	3,055,629	5,406,829
Net Assets		
Held in trust for pension benefits	\$ 369,337,226	\$ -

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2005

	Pension Trust Fund
Additions:	
Contributions:	
Employer - pension benefits	\$ 19,554,666
Employer - other benefits	4,069,890
Plan members	9,890,250
State	17,165,521
Total contributions	<u>50,680,327</u>
Investment income:	
Net appreciation in fair value of investments	11,028,379
Interest and dividends	10,562,500
Total investment income	<u>21,590,879</u>
Investment expense	<u>(1,033,317)</u>
Net investment income	20,557,562
Miscellaneous:	
Other	<u>1,307,887</u>
Total additions	<u>72,545,776</u>
Deductions:	
Benefit payments	72,395,588
Refund of employee contributions	1,998,005
Administrative expense	<u>2,423,364</u>
Total deductions	<u>76,816,957</u>
Decrease in Net Assets	(4,271,181)
Net Assets:	
Beginning of year	<u>373,608,407</u>
End of year	<u>\$ 369,337,226</u>

See accompanying notes to financial statements.

COMBINING STATEMENTS OF
DISCRETE COMPONENT UNITS

CITY OF PITTSBURGH,
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING BALANCE SHEET

COMPONENT UNITS

DECEMBER 31, 2005

	URA	Pittsburgh Water and Sewer Authority	Stadium Authority	Public Parking Authority	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 205,512,939	\$ 26,344,000	\$ 1,535,550	\$ 148,291	\$ 233,540,780
Cash and cash equivalents - restricted	6,041,623	-	-	6,887,122	12,928,745
Investments - unrestricted	-	-	-	5,995,441	5,995,441
Investments - restricted	-	-	-	619,773	619,773
Accounts receivable	-	20,844,000	-	613,156	21,457,156
Due from other governments	5,667,829	-	-	-	5,667,829
Grant receivable	-	-	2,546,000	-	2,546,000
Notes receivable	-	-	59,226	223,103	282,329
Inventory	-	1,563,000	-	-	1,563,000
Accrued interest	-	-	-	804,369	804,369
Other receivables	10,294,227	1,791,000	1,871	-	12,087,098
Prepays	-	247,000	-	-	247,000
Total current assets	227,516,618	50,789,000	4,142,647	15,291,255	297,739,520
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	-	9,931,000	-	-	9,931,000
Investments	-	73,161,000	-	60,097,091	133,258,091
Accrued interest receivable	-	667,000	-	-	667,000
Accounts receivable - parking	-	-	9,997	-	9,997
Total restricted assets	-	83,759,000	9,997	60,097,091	143,866,088
Capital assets:					
Buildings and building improvements	39,733,532	-	-	-	39,733,532
Land and land improvements	15,077,285	-	-	25,153,923	40,231,208
Parking facilities	-	-	-	116,482,893	116,482,893
Machinery and equipment	-	102,167,000	-	5,554,497	107,721,497
Utility plant	-	444,237,000	-	-	444,237,000
Non-utility plant	-	16,634,000	-	-	16,634,000
Construction-in-progress	3,694,287	9,843,000	1,242,459	2,853,926	17,633,672
Less: accumulated depreciation	(10,195,708)	(138,330,000)	-	(55,336,980)	(203,862,688)
Total capital assets	48,309,396	434,551,000	1,242,459	94,708,259	578,811,114
Leasehold improvements	-	-	-	423,171	423,171
Other assets	1,863,215	-	-	-	1,863,215
Assets held for sale	31,342,791	-	-	-	31,342,791
Loans/notes receivable	135,394,838	-	1,740,000	4,053,642	141,188,480
Deposits held for development fund	-	-	2,059,375	-	2,059,375
Bond issue costs, net of amortization	-	7,662,000	4,167	2,945,398	10,611,565
Total noncurrent assets	216,910,240	525,972,000	5,055,998	162,227,561	910,165,799
Total Assets	444,426,858	576,761,000	9,198,645	177,518,816	1,207,905,319

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING BALANCE SHEET

COMPONENT UNITS

DECEMBER 31, 2005

(Continued)

	URA	Pittsburgh Water and Sewer Authority	Stadium Authority	Public Parking Authority	Total
Liabilities					
Current liabilities:					
Bonds and loans payable, current portion	\$ 11,665,950	\$ 17,600,000	\$ 2,028,998	\$ 3,945,000	\$ 35,239,948
Note due to City of Pittsburgh, current portion	-	-	1,690,000	-	1,690,000
Accrued payroll and related obligations	-	912,000	-	-	912,000
Accounts payable - City of Pittsburgh	-	-	-	2,337,626	2,337,626
Accounts payable - wastewater treatment	-	11,428,000	-	-	11,428,000
Unearned revenue	15,665,532	-	-	-	15,665,532
Accrued expenses and deferred income	-	-	-	1,019,927	1,019,927
Accounts payable and other accrued expenses	34,497,872	4,998,000	98,467	3,271,065	42,865,404
Accrued interest payable	-	6,671,000	75,833	1,580,362	8,327,195
Total current liabilities	61,829,354	41,609,000	3,893,298	12,153,980	119,485,632
Noncurrent liabilities:					
Unearned revenue	-	420,000	-	-	420,000
Other liabilities	-	-	-	6,242,000	6,242,000
Accrued payroll and related obligations	-	830,000	-	-	830,000
Note due to the City of Pittsburgh	-	-	8,525,000	-	8,525,000
Bonds and loans payable, net of current portion	203,112,084	573,171,000	-	111,408,404	887,691,488
Advances from the City of Pittsburgh	-	-	22,775,168	-	22,775,168
Total noncurrent liabilities	203,112,084	574,421,000	31,300,168	117,650,404	926,483,656
Total Liabilities	264,941,438	616,030,000	35,193,466	129,804,384	1,045,969,288
Net Assets					
Invested in capital assets, net of related debt	16,464,152	(65,381,000)	-	18,178,067	(30,738,781)
Restricted for:					
Capital projects	-	-	-	2,461,373	2,461,373
Debt service	-	9,393,000	-	9,812,687	19,205,687
Public Parking Authority	-	-	-	9,852,839	9,852,839
Urban Development	25,752,605	-	-	-	25,752,605
Lending programs	86,251,527	-	-	-	86,251,527
Multi-family housing program	4,624,530	-	-	-	4,624,530
Unrestricted	46,392,606	16,719,000	(25,994,821)	7,409,466	44,526,251
Total Net Assets	\$ 179,485,420	\$ (39,269,000)	\$ (25,994,821)	\$ 47,714,432	\$ 161,936,031

(Concluded)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF ACTIVITIES

COMPONENT UNITS

YEAR ENDED DECEMBER 31, 2005

	Program Revenues				Urban Redevelopment Authority						Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	URA Component Unit	Water and Sewer Authority	Stadium Authority	Public Parking Authority	Total
Urban Redevelopment Authority:											
Governmental activities:											
Urban development	\$ 45,134,218	\$ -	\$ 31,203,542	\$ 496,322	\$ (13,434,354)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (13,434,354)
General government	8,930,581	5,722,351	2,500,000	-	(708,230)	-	-	-	-	-	(708,230)
Interest on long-term debt	1,839,721	-	-	-	(1,839,721)	-	-	-	-	-	(1,839,721)
Total governmental activities	55,904,520	5,722,351	33,703,542	496,322	(15,982,305)	-	-	-	-	-	(15,982,305)
Business-type activities:											
Lending programs	14,485,726	9,162,020	7,487,773	-	-	2,164,067	-	-	-	-	2,164,067
Property management	3,132,812	2,926,739	-	-	-	(206,073)	-	-	-	-	(206,073)
Total business-type activities	17,618,538	12,088,759	7,487,773	-	-	1,957,994	-	-	-	-	1,957,994
Component units	1,996,458	96,604	-	481,310	-	-	(1,418,544)	-	-	-	(1,418,544)
Total URA	75,519,516	17,907,714	41,191,315	977,632	(15,982,305)	1,957,994	(1,418,544)	-	-	-	(15,442,855)
Pittsburgh Water and Sewer Authority	84,058,000	85,031,000	-	-	-	-	973,000	-	-	-	973,000
Stadium Authority	1,580,554	1,457,838	-	4,667,000	-	-	-	4,544,284	-	-	4,544,284
Public Parking Authority	35,995,839	35,996,188	-	942,982	-	-	-	-	943,331	-	943,331
Total Component Units	<u>\$ 197,153,909</u>	<u>\$ 140,392,740</u>	<u>\$ 41,191,315</u>	<u>\$ 6,587,614</u>	(15,982,305)	1,957,994	(1,418,544)	973,000	4,544,284	943,331	(8,982,240)
General revenues:											
Investment income					1,645,401	1,752,335	44,944	1,348,000	49,125	1,840,132	6,679,937
Gain (loss) on sale of assets					-	-	1,264,883	-	440,091	-	1,704,974
Miscellaneous					2,517,503	-	21,760	-	(1,863,837)	328,278	1,003,704
Total general revenues					4,162,904	1,752,335	1,331,587	1,348,000	(1,374,621)	2,168,410	9,388,615
Change in net assets					(11,819,401)	3,710,329	(86,957)	2,321,000	3,169,663	3,111,741	406,375
Net assets - beginning					145,332,303	37,637,659	4,711,487	(41,590,000)	(29,164,484)	44,602,691	161,529,656
Net assets - ending					<u>\$ 133,512,902</u>	<u>\$ 41,347,988</u>	<u>\$ 4,624,530</u>	<u>\$ (39,269,000)</u>	<u>\$ (25,994,821)</u>	<u>\$ 47,714,432</u>	<u>\$ 161,936,031</u>

See accompanying notes to financial statements.

NOTES TO BASIC
FINANCIAL STATEMENTS

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – PRIMARY GOVERNMENT

Description of City

The City of Pittsburgh, Pennsylvania (City or primary government) was incorporated on July 20, 1816 and chartered as a home rule municipality on January 5, 1976. The City operates under a strong mayor form of government and provides the following services as authorized by its charter: public safety (police, fire, and emergency medical services), highways and streets, sanitation, economic development, cultural and recreational, public improvements, planning and zoning, and general administrative services.

The major accounting principles and practices followed by the City are presented below to assist the reader in evaluating the financial statements and the accompanying notes.

(A) The Financial Reporting Entity

Consistent with the guidance contained in Governmental Accounting Standards Board (GASB) No. 14, “*The Financial Reporting Entity*,” the criteria used by the City to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, etc.) outside of the legal City entity within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the City reviews the applicability of the following criteria:

The City is financially accountable for:

1. Legally separate organizations if City officials appoint a voting majority of the organization’s governing body and the City is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.
 - a. **Impose its Will** – If the City can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.
 - b. **Financial Benefit or Burden** – Exists if the City (1) is entitled to the organization’s resources, (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

2. Legally separate organizations that are fiscally dependent on the City, fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges or issue bonded debt without approval by the City.

Based on the foregoing criteria, the reporting entity has been defined to include all the legally separate-government entities for which the City is financially accountable or for which there is a significant relationship (component units). Specific information on the nature of the various potential component units and a description of how the aforementioned criteria have been considered in determining whether or not to include or exclude such organizations in the City's financial statements are provided in the following paragraphs. Audited financial statements for all of the component units are available for public inspection in the City Controller's office.

(B) Net Asset Deficit and Liquidity

As of December 31, 2005, the City, in its statement of net assets, shows a total net deficit of \$695.2 with an unrestricted net asset deficit of \$729.3 million offset by \$34.1 million in capital and restricted assets. A structural imbalance that has been growing over years as a result of demographic shifts of residents and businesses, non-profit legislation and a stagnant taxation authority for the City has lead to this deficit. The largest components of the unrestricted deficit are principally the general obligation debt to meet funding requirements to the Pension Trust Fund, borrowings to finance economic development efforts (including projects of the City's Authorities, related principally to the URA), maintenance, and equipment expenditures on City infrastructure. The City's debt service expenditures and debt subsidies in its governmental funds were \$84.3 million and \$13.7 million, respectively, or a combined 21.2% of its total expenditures; and the City used 27.6% of its current tax revenues to finance debt service requirements.

On January 4, 2005, the City executed a \$40.0 million Non-revolving Tax and Revenue Anticipation Credit Facility to provide liquidity to cover expenses prior to the collection of Real Estate tax revenues received primarily during the first two months of the year. The City only required a \$20.0 million draw on that facility to meet its early-year obligations. The City repaid the entire borrowing as of March 31, 2005.

In November 2003, the City sought municipal self-help as a "financially distressed" municipality under the Municipalities Financial Recovery Act (Act 47) of the Commonwealth of Pennsylvania. The Commonwealth of Pennsylvania legislature also established an Intergovernmental Cooperation Authority (ICA) to provide fiscal oversight for the City for a period of seven years. The Act 47 coordinators appointed by the Commonwealth issued their five-year Recovery Plan, which was adopted by the City Council on June 29, 2004, making it a City ordinance. The Plan provides for a package of new revenues and significant expenditure reductions. During 2005, the City

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

continued efforts to control costs, improve collections, and maintain solvency. New revenues for fiscal year 2005 consisted of the payroll preparation tax, emergency services tax, and the facility usage fee. The cash balance available for general operations of the City as of December 31, 2005 was \$30.8 million, this was enough to maintain normal function throughout the City in January 2006. Moving forward in 2006, the City submitted for approval "The 2006 Operating and Capital Budgets and Five-Year Financial Forecast & Performance Plan" based on the approval Act 47 Recovery Plan. Due to changes in the City's administration, the final 2006 Operating Budget was not approved until April 12, 2006. A preliminary budget had been approved in December 2005. The ICA approved the City's submission enabling the City to move forward with City Council approval of the final 2006 budget. Going forward, the Act 47 coordinators and the ICA will provide continued oversight to ensure compliance with the 2006 operating budget and approved five-year plan.

(C) Individual Component Unit Disclosures

Blended Component Units

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

City of Pittsburgh Equipment Leasing Authority
City Pension Trust

City of Pittsburgh Equipment Leasing Authority (ELA)

The ELA was incorporated in 1980 to serve as a financing vehicle for the acquisition of equipment. The Board consists of a Deputy Mayor, Directors of the Department of General Services and the Department of Finance, one member of City Council, and one individual designated by City Council.

Although it is legally separate from the City, the ELA is reported as if it were part of the City government, because its sole purpose is to finance the City equipment needs. Its operations are included within other government funds. It operates on a December 31 fiscal year.

City Pension Trust

As described in Note 7, the City has a comprehensive pension trust for financial reporting purposes that is comprised of three defined benefit pension funds: the

CITY OF PITTSBURGH, PENNSYLVANIA

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Municipal Pension Fund (Municipal); the Policemen's Relief and Pension Fund (Police); and the Firemen's Relief and Pension Fund (Fire), which together cover substantially all City employees. As required by Pennsylvania Law, a comprehensive Board oversees funding and investing activities. This Board consists of seven members, four of whom are appointed by the Mayor.

Fund benefit matters are administered by separate boards which include, for all funds, the president of the City Council and the City Controller and additionally, in the case of the Municipal and Fire plans, the Mayor.

The pension funds operate on a fiscal year ending December 31. Their operations are included in the Pension Trust Fund, as a fiduciary fund.

Discretely Presented Component Units

Discretely presented component units are entities that are legally separate from the primary government but for which the primary government's financial statements to be misleading or incomplete. As these component units do not meet the criteria for blended presentation, they are reported separately from the primary government. The component units presented in this manner are the following:

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

Pittsburgh Water and Sewer Authority (PWSA)

The PWSA was incorporated in February 1984 under the Municipality Authorities Act of 1945 to assume responsibility for the operation and improvement of the City's water distribution and wastewater collection systems. In 1984, pursuant to a Lease and Management Agreement, the PWSA leased the entire City water supply, distribution, and wastewater collection system (System) from the City and assumed responsibility for establishing and collecting user fees and charges and for maintaining and improving the System. The Lease and Management Agreement provided for the City to operate and maintain the System for the PWSA subject to the general supervision of the PWSA. The City and the PWSA agreed to terminate the Lease and Management Agreement in July 1995 and concurrently entered into an Agreement and a Capital Lease Agreement (collectively referred to as the Agreements). The effect of these Agreements, as more fully described in Note 4, was to substantially transfer financial and management responsibility for the System to the PWSA.

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

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

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

The Board of Directors (Board) of the Stadium Authority, a five-member group, is appointed by the Mayor of the City. The Board is responsible for all the activities and operations of the Authority. The City is the guarantor of the Authority's debt. The Stadium Authority operates on a fiscal year ending March 31.

Public Parking Authority of Pittsburgh (Parking Authority)

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

Urban Redevelopment Authority of Pittsburgh (URA)

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

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through intergovernmental grants. Additionally, the URA has incurred note and bond indebtedness to finance specific programs.

The URA is considered to be a component unit of the City as the Mayor of Pittsburgh appoints the Board of Directors of the URA, and a financial benefit/burden relationship exists between the City and the URA. In addition, the City guarantees approximately 32% of the URA's debt.

The reporting entity of the URA includes the accounts of all URA operations as well as two entities, which qualify as component units of the URA under the provisions of GASB Statement No. 14. The component units of the URA are the URA Housing Corporation and the Pittsburgh Housing Development Corporation.

During fiscal year 2005, it was determined by the URA that the Pittsburgh Development Fund Trust (PDF Trust) which had previously been reported as a separate component unit of the City should be reported as part of the URA's existing PDF Enterprise Fund. The PDF Trust is not a separate legal entity and this change results in improved financial reporting to better meet the needs of both the City's and the URA's financial statement users. As a result of this adjustment, 2004 end of the year net assets for the PDF Trust and the URA's business-type activities net assets were combined.

The URA and all its component units operate on a fiscal year ending December 31. Separate financial statements for these component units can be obtained through the Finance Department of the URA.

Administrative Offices

City of Pittsburgh
Equipment Leasing Authority
City-County Building, 5th Floor
414 Grant Street
Pittsburgh, PA 15219

Pittsburgh Water and Sewer Authority
441 Smithfield Street
Pittsburgh, PA 15222

City of Pittsburgh Finance Department
Combined Pension Trust Funds
City-County Building
414 Grant Street
Pittsburgh, PA 15219

Public Parking Authority of Pittsburgh
232 Boulevard of the Allies
Pittsburgh, PA 15219

Stadium Authority of the City
of Pittsburgh
503 Martindale Street, 4th Floor
Pittsburgh, PA 15212

Urban Redevelopment Authority
of Pittsburgh
200 Ross Street
Pittsburgh, PA 15219

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Joint Venture

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

The Public Auditorium Authority of Pittsburgh and Allegheny County (Authority) was incorporated on February 3, 1954 pursuant to the Public Auditorium Law Act of July 29, 1953 as a joint authority organized by the City and Allegheny County to provide educational, cultural, physical, civic, and social events for the benefit of the general public. Effective November 1999, the Public Auditorium Authority legally changed its name to the Sports and Exhibition Authority of Pittsburgh and Allegheny County (SEA). The SEA is currently responsible for the management of the David L. Lawrence Convention Center (Convention Center) and leases the Mellon Arena (formerly the Civic Arena), the Benedum Center and the John Heinz History Center to other entities located in the City. The SEA was also responsible for the construction of the new Pittsburgh Steelers Sports, Inc. (Pittsburgh Steelers) football stadium (Heinz Field), the Pittsburgh Associates' (Pittsburgh Pirates) baseball park (PNC Park), the Convention Center expansion project, and various associated infrastructure improvements referred to collectively as the Regional Destination Financing Plan. For the year ended December 31, 2005, the SEA's operating loss was \$40,237,829, and the change in net assets was a decline of \$26,067,433 and the SEA had total net assets of \$513,146,454. Under a 1978 Cooperation Agreement, the City and Allegheny County are responsible to finance the Convention Center's operating deficits.

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

In 2004, the SEA borrowed \$20 million from local banks to be used for both operating and capital needs. The following revenues are pledged for repayment of this loan: parking revenues generated at the Convention Center parking garage, sponsorship revenues, and discretionary hotel tax receipts. Additionally, as part of the transaction, the City and Allegheny County reaffirmed their responsibilities under a 1978 Cooperation Agreement to finance the Convention Center's operating deficits, including principal and interest on this loan. As of December 31, 2005, the remaining balance is \$18,888,889.

The SEA has suffered operating deficits and has indicated that it may require funding from the City and Allegheny County in the future. No liability has yet been recorded for any such payments, as the City does not anticipate payment during 2006 and any future payments, if any, are yet to be determined.

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

Related Organizations

Housing Authority of the City of Pittsburgh (Housing Authority)

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

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

The Housing Authority operates on a fiscal year ended December 31.

Jointly Governed Organization

The Allegheny County Sanitary Authority (ALCOSAN) was organized under the Municipality Authorities Act of 1945 to collect, transport, and treat wastewater for the City and seventy-seven (77) other Allegheny County municipalities. ALCOSAN'S Board has seven members: three are appointed by the City, three are appointed by Allegheny County, and one is appointed jointly by Allegheny County and the City. The City has no direct ongoing financial interest or responsibility for ALCOSAN. See Note 4 for transactions with the PWSA.

(D) *Financial Statement Presentation*

In June 1999, GASB issued Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.*" GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. GASB Statement No. 34 was developed to make annual reports easier to understand and more useful to people who use governmental financial information to make decisions. The basic financial statements and required supplementary information under GASB Statement No. 34 include:

Management's Discussion and Analysis (MD&A) – MD&A introduces the basic financial statements and provides an analytical overview of the government's financial activities in a narrative format. An analysis of the government's overall financial

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position and results of operations is included to assist users in assessing whether financial position has improved or deteriorated as a result of the year's activities. This is considered required supplementary information and is not part of the basic financial statements.

Government – Wide Financial Statements – Financial statements prepared using the economic resources measurement focus and full accrual basis of accounting for all the government's activities are required. These statements include all assets, liabilities, revenues, and expenses of the primary government and its component units, excluding fiduciary activities.

The effect of inter-fund activity has been eliminated from these statements. The City does not allocate indirect expenses. The government-wide statements segregate governmental activities, which are normally supported by taxes and intergovernmental revenues, and business-type activities, if any, which rely on user fees and charges for support. Component units, which are legally separate and discretely presented, are also segregated.

Statement of Net Assets – presents both governmental and business-type activities, if any, on the full accrual, economic resource basis, which incorporates long-term assets and receivables, as well as long-term debt and obligations.

Statement of Activities – presents the net cost of each individual function. Program revenues are presented as a reduction of the total cost of providing program services. Program revenues include charges for services, operating grants and contributions and capital grants that are directly associated with a specific function. Taxes and other revenue sources not reported as program revenue and included as general revenue.

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

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

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

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

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

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

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

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

Other Governmental Funds – This fund includes all other non-major governmental funds.

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

Pension Trust Fund – The Comprehensive Fund accounts for the operations of the City's pension plans as described in Note 7. This is accounted for in the same manner as a proprietary fund type. Measurement focus is upon determination of the change in net assets and financial position.

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

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

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Pittsburgh Water and Sewer Authority
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Budgetary Comparison Statements – The statements are presented to demonstrate whether resources were obtained and used in accordance with the government’s legally adopted budget for the General Fund and the Community Development Fund. The City revises the original budget over the course of the year for various reasons. Under the new reporting model, budgetary information continues to be provided and now includes a comparison of the government’s original adopted budget to the current comparison of final budget and actual results. The City’s budget is prepared on the cash basis of accounting (Non-GAAP).

(E) Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental activities in the government-wide statement are presented using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recognized when earned, and expenses are recognized when a liability has been incurred, regardless of the timing of related cash flows.

Governmental funds are accounted for using the current resource measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. General Fund tax revenues are considered measurable when they have been levied. To be considered available and thus susceptible to accrual, the real estate taxes must be collected within the City’s period of availability of sixty (60) days. Uncollected real estate taxes at the end of this period are reported as deferred revenues. Interest income and intergovernmental receivables (state and federal grants to the extent of allowable expenditures) are considered susceptible to accrual. The City considers all non-real estate taxes and other revenues reported in the governmental fund to be available if the revenues are collected within sixty (60) days. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures and other long-term liabilities, such as workers’ compensation, accrued claims and judgments, and both short and long-term compensated absences are recorded only when payment is due and payable.

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The City generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific situation.

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

(F) *Cash and Cash Equivalents*

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

(G) *Investments*

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

(H) *Due To/From Other Governments*

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

(I) *Taxpayer Assessed Taxes Receivable*

Local wage taxes and other miscellaneous City taxes are recorded in the City's accounts as taxpayer assessed receivables and revenue at the time of the underlying transactions. Taxes for which there is an enforceable legal claim as of December 31, 2005 but which were levied to finance fiscal year 2006 operations have been recorded as deferred revenue until such time as the taxes become due.

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(J) Other Receivables

Other City accounts receivable are recorded in the City's accounts as other receivables when earned, less an allowance for uncollectible accounts.

(K) Capital Assets

Capital assets acquired or constructed by the City are reported in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost. Capital assets with an initial individual cost of more than \$5,000 and estimated useful life in excess of one year. Gifts or contributions are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the estimated useful life of each capital asset. No depreciation expense is recorded for land and construction-in-progress. The estimated useful lives for capital assets are as follows:

Furniture and fixtures	3-5 years
Building and structures	25-50 years
Equipment	2-10 years
Infrastructure	20-50 years
Vehicles	2-10 years

(L) Workers' Compensation

The City is self-insured for purposes of workers' compensation benefits. Both short- and long-term amounts payable are reported within the government-wide financial statements only.

In order to qualify for and maintain self-insurance status, the City must comply with certain Commonwealth requirements. The requirements for 2005 are as follows:

- Maintain an irrevocable trust fund. The City's contribution to the fund is determined annually in negotiations with the Commonwealth Department of Labor.
- Satisfy the financial responsibility requirements of the Commonwealth of Pennsylvania.
- Establish liability reserves based upon expected future payments for all claims outstanding one year or more at the end of any fiscal year.

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

CITY OF PITTSBURGH, PENNSYLVANIA

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The PWSA is also self-insured for general liability coverage and has established a Self-Insured Escrow Fund (general liability) to cover potential liability claims.

(M) *Compensated Absences*

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

Liabilities for compensated absences are not liquidated until leave is actually taken by employees or leave balances are paid upon termination. Accordingly, in the fund financial statements for governmental funds, no expenditure is reported for compensated absences until they are due and payable. Current and non-current portions of compensated absences totaling \$24,241,566 are recorded in the governmental activities, in the government-wide statements, and represent a reconciling item between the government-wide and fund presentations.

(N) *Pensions*

Because the City has had no prior excess contributions or contribution deficiencies, its annual pension cost on the accrual basis is equivalent to its actuarially determined annual required contributions (see Note 7). Pension expenditures are recognized under the modified accrual basis within government funds to the extent of the City contributions. Contributions made to the plans represent 100% of the minimum municipal obligation.

(O) *Long-Term Obligations*

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

(P) *Interfund Transactions*

On fund financial statements, receivables and payables resulting from outstanding balances are classified as "Interfund receivables/payables." These amounts are eliminated in the governmental column of the statement of net assets. Flow of cash or goods from one fund to another without a requirement for repayment is reported as

CITY OF PITTSBURGH, PENNSYLVANIA

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Interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

(Q) *Encumbrances*

The City uses encumbrance accounting for budgetary reporting, wherein purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation. Funding for all encumbrances lapses at year-end and re-appropriation is required by the City Council with the exception of capital fund project encumbrances.

(R) *Net Assets*

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets net of related debt consist of capital assets, net of accumulated depreciation, and related debt used in the acquisition or construction of capital assets. Net assets are reported as restricted when there are limitations imposed on their use through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Unrestricted net assets are available for use in the current period.

(S) *Use of Estimates*

Management of the City has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses, and the disclosure of contingent assets and liabilities to prepare their financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(T) *Pending Pronouncements*

In April 2004, GASB issued Statement No. 43, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*" and in June 2004 issued GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*" These statements provide the accounting and reporting requirements for the benefit plans as well as require that public sector employers accrue the cost of any postretirement healthcare or similar benefits (OPEB) they may offer to employees. Currently, the City recognizes the cost of other postemployment benefits on a pay-as-you-go basis. For the government-wide financial statements, GASB Statement No. 45 requires that governments account for and report the annual cost of OPEB and the outstanding obligations and commitments

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related to OPEB in the same manner as they currently do for pensions. These standards may require an actuarial valuation to be performed.

These changes in accounting will be applicable in calendar year 2006 and 2007, respectively. The effect of implementation of these statements has not yet been determined.

In July 2005, GASB issued Statement No. 47, "*Accounting for Termination Benefits.*" This statement establishes accounting standards for termination benefits. Currently, the City recognizes the cost of termination benefits on a pay-as-you-go basis. For the purpose of the government-wide financial statements, GASB Statement No. 47 is requiring that governments recognize a liability and expense for voluntary termination benefits.

This change in accounting will be applicable in calendar year 2006. The effect of implementation of these statements has not yet been determined.

Component Unit Disclosures:

Assets Held for Sale

Assets held for sale relate mainly to land held by the URA with the intention of selling it to a third party for development. These assets are held at the lower of cost or estimated net realizable value.

Loans Receivable

In the governmental funds of the URA, loans receivable are recognized when the loan is established for loans with terms of 30 years or less. In the governmental funds, the loan balances are fully offset by deferred revenue, as loan repayments are not considered to be available as current resources. Loans with amortization terms greater than 30 years or which are repayable on a contingent basis, such as the sale of the property or completion of development, are treated as grants for accounting purposes and are recorded as expenditures when disbursed.

It is the URA's policy to provide for future losses on loans based on an evaluation of the current loan portfolio, current economic conditions, and such other factors which, in the URA's judgment, may impact collectibility.

Other Long-term Liabilities

An Agreement of Sale in Lieu of Condemnation (Agreement) was executed on April 14, 2004 between the Public Parking Authority and Greyhound Lines, Inc. (Greyhound). As stipulated in the Agreement, the Public Parking Authority purchased

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from Greyhound the property located at the corner of Liberty Avenue and 11th street for the purchase price of \$6,242,000 for the construction of the new bus terminal. Upon completion of the new bus terminal, Greyhound will lease the bus terminal from the Public Parking Authority. The lease calls for an annual base rent of \$1 for an initial term of 30 years with three consecutive 10 year extension for an annual base rent of \$100,000. This amount will be recognized as revenue over the term of the initial lease.

2. BUDGETS AND BUDGETARY ACCOUNTING

1. **General Budget Policies** – As required by the Home Rule Charter, the City follows these procedures in establishing the budgetary data reflected in the financial statement:
 - a. On the second Monday of November preceding the fiscal year, the Mayor presents to City Council a General Fund and Community Development Fund operating budget and a capital budget for the succeeding fiscal year.
 - b. Public hearings are conducted to obtain the advice of other officials and citizens as part of the preparation of these budgets.
 - c. Before the beginning of the fiscal year, City Council adopts, by resolution, these budgets.
 - d. The adoption of the operating and capital budgets constitutes an appropriation or setting apart of funds from general resources of the City for purposes set forth in the budgets.
 - e. City Council may amend, by resolution, the operating budget within five weeks after the beginning of the fiscal year, but not thereafter except with the approval of the Mayor. The capital budget may, by resolution, be amended by City Council at any time.
 - f. City Council at all times may, by resolution, transfer funds from one account to another if the total operating budget amount is not exceeded. No revision to the budget may be made without City Council approval. The operating budget shall in any event, remain balanced at all times.
 - g. The capital budget is generally based on a proposed six year capital program, which must be updated each year and submitted to City Council by the Mayor at least 30 days prior to the day the operating budget is submitted. The capital budget also includes appropriations for the Community Development Fund. Budget and actual data for the Community Development Fund is reflected in the Community Development Fund. The remainder of the capital budget is reflected in the Capital Project Fund.
 - h. Formal budgetary integration is employed as management control device for the General, the Community Development, and the Capital Projects Funds. Formal budgetary integration is not employed for the debt service fund since effective budgetary control is alternatively achieved through general obligation bond indenture provisions, nor for the other governmental funds since control is prepared on a project

CITY OF PITTSBURGH, PENNSYLVANIA

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basis. The General, Community Development, and Capital Projects Funds have legally adopted annual budgets.

- i. All budgets are prepared and controlled at the department level on a line item basis (i.e., salaries, supplies, equipment, miscellaneous services). Due to the voluminous number of projects, separately issued line item capital budget reports are available from the City Controller's Office. The general fund budget to actual comparison at the legal level of appropriation is located within the financial statements.
- j. Operating appropriations lapse at year-end. City Council can; however, authorize, by resolution, the carryover of appropriations to the following year. The Community Development and Capital Projects Funds appropriations carryover to subsequent years without formal re-appropriation.
- k. Operation budget figures are amended by City Council with Mayoral approval. These budget amendments represent line item transfers between expenditures accounts and carryover of appropriations from the previous year. The original approved General Fund budget includes revenues and expenditures of \$417.6 million in 2005. The budgetary expenditures, as amended, include carryover appropriation and other changes approved by City Council during 2005.

2. Budgetary Basis of Accounting

The General Fund budget is adopted on a cash basis. Budgeted encumbrances for purchase commitments are treated as restrictions of available cash and as expenditures. Budgets in Capital Projects Funds are also adopted on a cash basis, except that budgets for each project are adopted on a project basis, which may encompass a period longer than one year. Accordingly, budget figures, as amended, for Community Development and Capital Projects Funds reflect current year appropriations and unexpended prior year's appropriations.

3. DEPOSITS AND INVESTMENTS

Both Pennsylvania statutes and City code provide guidelines for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits, and certificates of deposit. Both allow the pooling of funds for investment purposes. Neither the statutes, nor City code prescribe regulations related to demand deposits, however, all depositories of City funds must meet qualifying criteria set forth in Section 223 of the City code.

The investment policy of the City compliments state statutes and adheres to prudent business practice. There were no investment transactions during the year that were in violation of either the state statutes or the policy of the City.

CITY OF PITTSBURGH, PENNSYLVANIA

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YEAR ENDED DECEMBER 31, 2005

GASB 40 "*Deposit and Investment Risk Disclosures*," requires disclosures related to the following deposit and investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. The following is a description of the City and its component units deposit and investment policies and related risk:

(A) *Primary Government Funds and Agency Funds*

Cash balances available for investment by most City funds are maintained in pooled bank and investment accounts to improve investment opportunities. Income from investment of pooled cash is recorded in the General Fund. Certain unrestricted and restricted cash and short-term investment balances in the accompanying balance sheet represent the undivided interest of each respective fund in the pooled accounts.

Investment policies permit the City to invest in the following:

1. U.S. Treasury Securities (bills, notes, bonds).
2. Obligations of specific agencies of the federal government where principal and interest is guaranteed by the U.S. government.
3. Fully insured or collateralized certificates of deposit at commercial banks and savings and loan associations accepted as depository institutions under the Pittsburgh City Code.
4. Money market mutual funds authorized by City Council whose portfolio consists of government securities issued by the U.S. government and that are fully guaranteed as to principal and interest.
5. Local government investment pools and or trusts as approved by the state legislature or City Council from time to time.
6. Repurchase agreements collateralized by the U.S. Treasury securities and marked to market. In order to participate in the repurchase agreement market, a depository must execute a master repurchase agreement contract with the City.

To ensure adequate liquidity, at least 10% but no more than 40% of the portfolio shall be in overnight repurchase agreements, money market funds, or other secure and liquid forms of acceptable investments. Unless specifically matched to a cash flow, at least 20% of the portfolio shall mature within 91 days with the maximum maturity of any investment to be no longer than one year from the date of purchase unless specifically approved in writing by the Director of Finance.

The City maintains compensating balances with some of its depository banks to offset specific charges for check clearing and other services.

CITY OF PITTSBURGH, PENNSYLVANIA

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YEAR ENDED DECEMBER 31, 2005

Governmental Funds

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank or counterparty failure, the City’s funds may not be returned to it. The City policy does not specifically address custodial credit risk. As of December 31, 2005, \$23,716,917 of the City’s cash and cash equivalent balances of \$24,616,917 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution’s name.

Interest Rate Risk – The City’s investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates; the City investments must have maturities no greater than ten years within the constraint of meeting cash flow requirements. As of December 31, 2005, the City’s exposure to interest rate risk was limited to \$4,200,000, 7.9% of deposit and investment funds available, with a weighted average maturity period of 81 days.

Credit Risk – The City’s investment policy limit its investment choices based on government backed instruments and credit ratings by nationally recognized statistical rating organizations. \$36,028,414 of the City’s cash and cash equivalents are held in U.S. Treasuries and are therefore not exposed to this type of risk.

Agency Funds

Custodial Credit Risk – As of December 31, 2005, the City Agency Funds’ cash and cash equivalent balances of \$3,312,448 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution’s name.

Interest Rate Risk – The City’s investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates; the City investments must have maturities no greater than ten years within the constraint of meeting cash flow requirements. As of December 31, 2005, the City’s Agency Funds had no exposure to interest rate risk.

Credit Risk – The City’s investment policy limit its investment choices based on government backed instruments and credit ratings by nationally recognized statistical rating organizations. \$6,000,000 of the City’s Agency Fund investments are held in U.S. Treasuries and are therefore not exposed to this type of risk.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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(B) Pension Trust

Deposits are maintained by all entities within the Funds. The Comprehensive Municipal Pension Trust Fund (CMPTF) holds all investment vehicles on behalf of the Funds. The CMPTF was established on January 1, 1988 by combining the assets and liabilities of the three prior investment plans representing the City of Pittsburgh Police and Fire Departments and Non-uniformed Municipal workers in order to provide a consolidated investment strategy to support the City of Pittsburgh pension obligation.

The CMPTF is governed by a formal investment policy established by its Board of Directors (Board). The policy dictates that investments must be managed in a manner consistent with the Pennsylvania Municipal Pension Plan Funding Standard and Recovery Act (Act 205) and the Pennsylvania Fiduciaries Code. The policy covers the two components of the CMPTF: 1) the Operating Fund and 2) the Long Term Assets. The Operating Fund is a liquidity pool to accept employee, employer and supplemental state contributions and to make benefit dispersals. As such, the Operating Fund investments are restricted to high quality, very short duration fixed income instruments whose average maturity must not exceed six months and whose quality is restricted to investment grade and above securities. The Long Term Asset component includes restrictions on both fixed income and equity investments as discussed below.

Deposits

Custodial Credit Risk – For a deposit, custodial credit risk is the risk that in the event of a bank failure, the combined deposits of the City's pension funds may not be returned to it. There are no formal deposit policies specifically addressing custodial credit risk.

As of December 31, 2005, \$316,301 of the City's pension cash and equivalents of the \$35,095,965 combined bank balance was insured by the Federal Depository Insurance Corporation. The remaining bank balance was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. \$3,771,537 of cash and cash equivalents were held at December 31, 2005 in the separate pension funds; the remaining \$31,324,428 was held in the CMPTF.

Investments

Long-term investments are all held by the CMPTF. These investments are assigned to professional asset managers that specialize in certain types of investments with oversight by an outside investment consultant and the Board in order to achieve an appropriate, diversified and balanced asset class mix to minimize portfolio risk.

CITY OF PITTSBURGH, PENNSYLVANIA

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The Investment Policy of the CMPTF dictates an allocation of 65% equity, 35% fixed income with a variation of 10% above or below these targets for each classification. Within each investment category are specific policies to further address various types of risk compared to return.

As of December 31, 2005, the CMPTF had the following cash and investments in its pension trust fund:

<u>Investment Type</u>	<u>Fair Market Value</u>
U.S. Treasury bills and government & related agency debt	\$ 44,857,518
Corporate debt	33,537,402
Other	28,145,787
Total debt securities	<u>106,540,707</u>
Cash and cash equivalents	31,324,428
Equity mutual funds	105,378,695
Bond mutual funds	1,731,414
Stocks	110,698,994
Hedge funds	10,776,632
Total cash and other investments	<u>259,910,163</u>
Combined total	<u>\$ 366,450,870</u>

Concentration of Credit Risk – The CMPTF investment guidelines address this risk by requiring diversity and investment percentage limits. With the exception of Federal Government and Agency obligations, no one issue will comprise more than 10% of the aggregate fixed-income portfolio without the Board’s prior approval. In addition equity investment concentration in any single industry and in any company shall not exceed 25% and 5%, respectively, of the market value of the plan assets. To further reduce risk, diversification will also be achieved by using multiple managers whose styles and strategies are sufficiently distinctive. As of December 31, 2005, these limits have been met.

Interest Rate Risk - The CMPTF has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The schedule below details maturity by investment type.

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Cash or Investment Type	Fair Market Value	Investment Maturities from December 31, 2005			
		Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
U.S. Treasury bills and government and related agency debt	\$ 44,857,518	\$ 1,912,586	\$ 7,924,547	\$ 11,733,368	\$ 23,287,017
Corporate debt	33,537,402	1,919,942	13,346,781	8,907,127	9,363,553
Other	28,145,787	1,344,499	353,270	511,725	25,936,293
Total debt securities	\$ 106,540,707	\$ 5,177,027	\$ 21,624,598	\$ 21,152,220	\$ 58,586,863

Credit Risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The policy guidelines of the CMPTF limit investments to Federal Government and Agency issues and corporate issues having a Moody's rating of Aaa to Baa, with the exception that up to 20% of the fixed income assets may be allocated to high yield fixed-income securities. The Pension trust fund's December 31, 2005 investments in corporate bonds have received the following ratings from Moody's:

	Moody's Credit Rating	% of Corporate Debt Portfolio
Corporate debt	Aaa	18.9%
Corporate debt	Aa1 - Aa3	17.8%
Corporate debt	A1 - Baa3	39.7%
Corporate debt	Bal & below	8.8%
Corporate debt	Unrated	14.8%
		100.0%

(C) Pittsburgh Water and Sewer Authority (PWSA)

The PWSA is authorized to invest in obligations of the U.S. government and government-sponsored agencies and instrumentalities; fully insured or collateralized certificates of deposit; commercial paper of the highest rating; repurchase agreements collateralized by government obligations or securities and highly rated bank promissory notes or investment funds or trusts; and, as to trust assets, as otherwise permitted by the trust indenture as supplemented and amended in 1998. Throughout the year ended December 31, 2005, the PWSA invested its funds in such authorized investments. The PWSA does not have a formal investment policy which addresses custodial credit risk, interest rate risk, credit risk, or concentration of credit risk.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the PWSA's deposits may not be returned to it. As of December 31, 2005, \$26,347,000 of the PWSA's bank balance of \$26,647,000 was exposed to custodial

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credit risk. These amounts are collateralized in accordance with Act 72 of the Pennsylvania state legislature which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have carrying amounts of \$26,344,000 as of December 31, 2005, all of which is reported as current assets in the statement of net assets.

In addition to the deposits noted above, included in cash and cash equivalents as noncurrent restricted assets on the statements of net assets are the following short-term investments: money market funds of \$3,112,000 and repurchase agreements of \$6,819,000. Of the PWSA's \$6,819,000 investment in repurchase agreements, all of the underlying securities are held by the investment's counterparty, not in the name of the PWSA.

At December 31, 2005, the PWSA held the following investment balances:

	Fair market value	Maturity in years Less than 1 year
Guaranteed Investment		
Contracts	\$ 49,657,000	\$ 49,657,000
Money market	3,112,000	3,112,000
Repurchase agreements	6,819,000	6,819,000
Commercial paper	15,482,000	15,482,000
INVEST	8,022,000	8,022,000
Total	<u>\$ 83,092,000</u>	<u>\$ 83,092,000</u>

The fair value of the PWSA's investments is the same as their carrying amount. Investments of \$73,161,000 are included as noncurrent restricted investments on the statement of net assets. Investments of \$9,931,000 consisting of money market funds of \$3,112,000 and repurchase agreements of \$6,819,000 are included as noncurrent restricted cash and cash equivalents on the statement of net assets. The fair value of the PWSA's investments in the external investment pool (INVEST) is the same as the value of the pool shares.

Interest Rate Risk – Interest rate risk, the risk that changes in the interest rates will adversely affect the fair market value of the PWSA's investments. The PWSA is not subject to interest rate risk as all of its investments at December 31, 2005 had maturities of less than one year.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. As of December 31, 2005, the PWSA's investments in the state investment pool (INVEST) and the guaranteed investment contracts were rated

CITY OF PITTSBURGH, PENNSYLVANIA

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AAA by Standard & Poor's. The PWSA's investments in commercial paper at December 31, 2005 was rated A1+ by Standard & Poor's. Additionally, at December 31, 2005, the PWSA had various repurchase agreements. The underlying securities of these repurchase agreements consist primarily of U.S. Treasuries, and are therefore not subject to credit risk.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The PWSA places no limit on the amount it may invest in any one issuer. More than five percent of the PWSA's investments are in Trinity Plus Fund guaranteed investment contracts, Tri-Party repurchase agreements, and General Electric commercial paper. These investments are 59.8%, 8.2%, and 18.6%, respectively, of the PWSA's total investments.

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

The carrying amounts of the Stadium Authority included cash deposits and money market pooled investments held with banks as of March 31, 2005.

Interest Rate Risk – Although the Stadium Authority does not have a formal investment policy, it follows the SEA's policy which limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The Stadium Authority is subject to credit risk on investments. The maximum amount of loss the Stadium 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 Stadium Authority does not hold any type of collateral on these investments.

Concentration of Credit Risk – The Stadium Authority places no limit on the amount that may be invested in any one issuer. The Stadium Authority maintains its cash and cash equivalent balances in several banks located in Pittsburgh, Pennsylvania. Deposits that exceed \$100,000 constitute federally uninsured amounts. At March 31, 2005, approximately \$176,038 of the Stadium 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 the uninsured and uncollateralized balance is in a bank money market product that invests in government-backed securities.

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(E) Public Parking Authority of Pittsburgh (Parking Authority)

Cash and Deposits

The Parking Authority's cash deposits and time deposits which are insured by the Federal Depository Insurance Company or which were not insured or collateralized in the Parking Authority's name, but were collateralized in accordance with Act 72 of the Pennsylvania State Legislature which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. At September 30, 2005, the Parking Authority had a bank and book balance of \$6,911,643 and \$7,035,413, respectively. \$6,887,122 of the cash balance is restricted at September 30, 2005.

Investments

As of September 30, 2005, the Parking Authority had the following investments of which \$60,716,864 are restricted as to their use. Blackrock and J.P. Morgan are in Mutual Fund investment pools.

Investment	Amount	% of Total Investment	Maturity	September 30, 2005 Rating	
				Standard & Poor's	Moody's
FSA Capital Management	\$ 37,363,431	56%		AAA	Aaa
J.P. Morgan US Gov Securities	17,480,133	26%		AAAm	Aaa
BlackrockPif Temporary Fund	5,895,266	9%		AAAm	Aaa
FHLMC	3,585,087	5%	11/30/2005	AAA	Aaa
General Electric Capital Corp	2,040,175	3%	12/1/2005	A1+	none
U.S. Treasury & LCL Government Ctf	248,038	0%			
Dwelling House Account	100,175	0%			
Total	<u>\$ 66,712,305</u>	<u>100%</u>			

Interest Rate Risk – The Parking Authority does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The Pennsylvania Municipality Authorities Act of 1945 provides for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations and insured or collateralized time deposits; however, they do allow pooling of governmental funds for investment. The Parking Authority has no investment policy that would further limit its investment choices. The deposit and investment policy of the Parking Authority adheres to State statutes, related trust indentures and prudent business practice. There were no deposit or investment transactions during the year

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that were in violation of either the state statutes or the policy of the Parking Authority.

Concentration of Credit Risk – The Parking Authority places no limit on the amount the Parking Authority may invest in any one issuer.

(F) *Urban Redevelopment Authority (URA)*

The URA is authorized to make investments of the following types pursuant to the Redevelopment Act which requires investments meet a “reasonable man” standard. Under the URA’s policy, authorized investments include (1) United States Treasury bills, (2) short-term obligations of the United States government or its agencies or instrumentalities, (3) deposits in savings accounts or time deposits or share accounts of institutions which are insured, (4) obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political subdivision thereof, and (5) shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the investments of that company meet the criteria of (1) through (4) above.

The deposit and investment practices of the URA and its component units adhere to statutory and contractual requirements and prudent business practice. Deposits of the governmental funds are either maintained in demand deposits or savings accounts, and certificates of deposit. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the trust indentures.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the URA’s deposits may not be returned to it. The URA does not have a formal policy for custodial credit risk. As of December 31, 2005, \$6,547,014 of the URA’s bank balance of \$7,231,032 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution’s name. As of December 31, 2005, the carrying amounts of the URA’s deposits were \$5,974,488. Included in this amount is a \$1,000,000 certificate of deposit of which \$900,000 is exposed to custodial credit risk.

As of December 31, 2005, \$23,935 of the component unit’s bank balance of \$156,548 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature. As of December 31, 2005, the carrying amounts of the component unit’s deposits were \$201,994.

As of December 31, 2005, \$83,043 of the Agency Fund’s bank balance of \$83,043 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature. At December 31, 2005, the bank balance was the same as the carrying amount of these deposits.

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In addition to the deposits noted above, included in the cash and investments were the following:

	Fair market value	Maturity in years						
		Less than 1 year	1-5 years	6-10 years	11-15 years	16-20 years	21-25 years	26-30 years
Money Market Funds	\$ 65,830,860	\$65,830,860	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Certificate of Deposit	1,000,000	1,000,000	-	-	-	-	-	-
GNMA	17,611,744	9,590,921	-	30,637	4,196,785	157,005	74,285	3,562,111
Guaranteed Investment Contracts	35,000,000	-	35,000,000	-	-	-	-	-
Federal Farm Credit Bank	2,459,247	-	2,459,247	-	-	-	-	-
FHLB	7,742,925	912,591	6,583,005	247,329	-	-	-	-
FNMA	49,158,654	1,054,945	1,033,264	337,301	773,209	11,074,071	23,638,019	11,247,845
FHLMC	9,067,425	83,028	8,984,397	-	-	-	-	-
Mutual Funds	17,507,225	13,698,514	552,580	171,300	1,496,062	1,588,769	-	-
Total	\$205,378,080	\$92,170,859	\$54,612,493	\$786,567	\$6,466,056	\$12,819,845	\$23,712,304	\$14,809,956

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the URA’s investments. The URA’s policy is to attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the URA will not directly invest in securities maturing more than five years from the date of purchase or in accordance with state and local statutes and ordinances.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The URA has an investment policy that limits its investment choices based on credit qualifications by investment type. As of December 31, 2005, the URA’s investments in money market funds, mutual funds, Federal Farm Credit Bank investments, FHLB investments, FNMA investments, and FHLMC investments were rated AAA by Standard & Poor’s. The Authority’s investments in guaranteed investment contracts are unrated.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investments in a single issuer. The URA has a concentration of credit risk policy to monitor concentrations to single issuers on a quarterly basis. More than 5% of the URA’s investments are in Fannie Mae asset-backed securities (24%) and guaranteed investment contracts (17%).

CITY OF PITTSBURGH, PENNSYLVANIA

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4. TRANSACTIONS WITH THE PITTSBURGH WATER AND SEWER AUTHORITY (PWSA)

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

(A) Cooperation Agreement

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

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

Under the Agreements, the PWSA provides up to 600 million gallons of water annually for the City's use without charge. The PWSA also continues to reimburse the City for the cost of subsidizing water service to those residents of the City situated beyond the PWSA's service area so that those water users pay charges, that mirror the rates of the PWSA. In 2005, the PWSA reimbursed \$1,093,000 to other City water companies on behalf of the City.

(B) System Lease

The City and PWSA entered into a Capital Lease Agreement (Capital Lease), effective July 27, 1995, with a term of thirty years, commencing as of July 15, 1995 and ending on September 1, 2025. The Capital Lease stipulates minimum lease payments of approximately \$101,000,000, including interest, all of which have been paid. The PWSA has the option to purchase the System in 2025 for \$1.

(C) Pension

As of December 31, 2003, the City has retained the pension obligation for the PWSA's employees who participate in the City's Municipal Pension Plan. The extent of the PWSA's participation in such obligation with respect to these employees whose membership continued upon becoming employees of the PWSA is determined by the shared interpretation of the City and the PWSA of the intent of the Cooperation Agreement.

CITY OF PITTSBURGH, PENNSYLVANIA

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

See additional related party transaction disclosures for the URA, Stadium Authority, and Parking Authority in Note 14.

5. REAL ESTATE TAXES AND PROPERTY TAX REASSESSMENTS

Real Estate Taxes

The City has the power to levy and collect ad valorem taxes on all taxable real estate within its boundaries. Real estate is assessed by Allegheny County Office of Property Assessment pursuant to the terms of the General County Assessment Law and the Second Class County Assessment Law, which require property to be assessed at actual market value. Property is assessed by the board at 100% of fair market value. The assessed value for 2005 was \$13,234,644,632. All real property in Allegheny County is required to be reassessed every three years.

A unified tax levy for land and buildings is made annually on January 1 and collected by the City. Taxes are payable annually or in three installments, at the taxpayers' option, normally due the last day of February, April 30, and July 31. A 2% discount is allowed on either the first installment or the full year tax payment, normally if paid by February 10. If no payment is received by the last day of February, the installment payment privilege is forfeited, and the entire tax for the year is considered delinquent. Penalty and interest is imposed on delinquent payments.

Delinquent taxes are liened every three years after the levy date. The City provides programs of tax abatement, administered by Allegheny County, for new construction and rehabilitation of residential and commercial/industrial properties pursuant to Commonwealth legislative authority. The residential abatement program provides for the abatement of taxes for a period of three years on the increased assessment attributable to new construction or rehabilitation up to an annually indexed average housing construction cost ceiling. The City makes tax abatements available for commercial/industrial properties for the assessment increase attributable to new construction.

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Property Tax Reassessments

The City, as part of Allegheny County, had all property reassessed for the year 2001. Assessments are now based on 100% of market value. Due to the magnitude of the changes from the previous assessments, particularly in the ratio of land to building values, the City was forced to abandon its two-tiered or bifurcated tax, which had been in existence since 1913. The City now taxes land and building at the same unified rate and plans to maintain a unified rate unless land values are reassessed in the future.

City and School Real Estate Taxes (property taxes) are based on the assessed value of the property as determined by the Allegheny County Board of Assessors. The assessed value of a property is broken down by land value and building value. For 2005, the City's tax rate was 10.8 mills on the assessed value of the property. The School District of Pittsburgh's tax rate was 13.92 on mills assessed value. A mill is 1/10 of a cent. For example, on a property assessed at \$1,000, the City Real Estate tax would be \$10.80. The School District of Pittsburgh Real Estate Tax would be \$13.92.

Taxes are billed on a calendar year. There are two tax relief programs in the City. They are: Homestead and Senior tax relief.

The City has accrued for tax refunds and tax credits within accounts payable on the statement of net assets and governmental funds (general) balance sheet for payments received that are subject to refund.

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6. CAPITAL ASSETS

	Balance January 1, 2005	Additions	Deletions	Balance December 31, 2005
Governmental activities:				
Non-depreciable assets:				
Land	\$ 45,602,091	\$ -	\$ -	\$ 45,602,091
Construction-in-progress	6,290,212	858,692	(4,791,585)	2,357,319
Total	51,892,303	858,692	(4,791,585)	47,959,410
Depreciable assets:				
Buildings and systems	88,778,564	-	-	88,778,564
Accumulated depreciation	(69,831,921)	(1,721,693)	-	(71,553,614)
Net	18,946,643	(1,721,693)	-	17,224,950
Furniture and fixtures	7,413,052	277,778	(37,796)	7,653,034
Accumulated depreciation	(7,131,035)	(154,713)	37,796	(7,247,952)
Net	282,017	123,065	-	405,082
Machinery and equipment	3,040,408	84,210	-	3,124,618
Accumulated depreciation	(2,824,385)	(75,667)	-	(2,900,052)
Net	216,023	8,543	-	224,566
Vehicles	41,420,241	4,553,747	(2,463,982)	43,510,006
Accumulated depreciation	(32,116,121)	(3,455,920)	2,381,043	(33,190,998)
Net	9,304,120	1,097,827	(82,939)	10,319,008
Infrastructure	172,182,057	4,791,585	-	176,973,642
Accumulated depreciation	(67,500,911)	(5,957,551)	-	(73,458,462)
Net	104,681,146	(1,165,966)	-	103,515,180
Capitalized leases	15,434,653	-	-	15,434,653
Accumulated depreciation	(642,769)	(771,733)	-	(1,414,502)
Net	14,791,884	(771,733)	-	14,020,151
Total depreciable assets	328,268,975	9,707,320	(2,501,778)	335,474,517
Total accumulated depreciation	(180,047,142)	(12,137,277)	2,418,839	(189,765,580)
Net	148,221,833	(2,429,957)	(82,939)	145,708,937
Governmental activities, capital assets, net	<u>\$ 200,114,136</u>	<u>\$ (1,571,265)</u>	<u>\$ (4,874,524)</u>	<u>\$ 193,668,347</u>

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

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General government	\$ 2,073,547
Public safety	2,567,645
Highways, streets, and other capital improvements	5,957,551
Sanitation	801,624
Public works	601,701
Culture and recreation	135,209
	<u>\$ 12,137,277</u>

Component unit's capital asset activity for the year ended December 31, 2005 was as follows:

	Balance January 1, 2005	Additions	Deletions	Balance December 31, 2005
Component Units:				
Non-depreciable assets:				
Land	\$ 34,004,092	\$ 6,480,184	\$ 253,068	\$ 40,231,208
Construction-in-progress	21,699,067	16,810,121	20,875,516	17,633,672
Total	55,703,159	23,290,305	21,128,584	57,864,880
Depreciable assets:				
Buildings and building improvements	39,957,089	88,300	311,857	39,733,532
Parking facilities	115,743,627	1,022,154	282,888	116,482,893
Machinery and equipment	107,363,709	396,395	38,607	107,721,497
Utility plant	427,677,000	17,954,000	1,394,000	444,237,000
Non-utility plant	16,477,000	157,000	-	16,634,000
Total	707,218,425	19,617,849	2,027,352	724,808,922
Less: accumulated depreciation	(182,277,676)	(21,804,944)	(219,932)	(203,862,688)
Net	\$ 580,643,908	\$ 21,103,210	\$ 22,936,004	\$ 578,811,114

7. PENSION PLANS

(A) Organization and Description of Plans

The City is responsible for the funding of retirement benefits for the three pension plans described below. Investments of the plans are held by the Comprehensive Municipal Pension Trust Fund (Comprehensive Trust), in accordance with the Municipal Pension Plan Funding Standard and Recovery Act of 1984 (Act 205), and are administered under the direction of that fund's Board.

In accordance with Act 205 and the Acts under which the Municipal Pension Plan of the City of Pittsburgh, the Policemen's Relief and Pension Plan of the City of

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Pittsburgh, and the Firemen's Relief and Pension Plan of the City of Pittsburgh were established; a separate accounting for the activities of these three plans is maintained including the employees' contributions, allocation of state aid and the City's annual contribution and a calculation of each Plan's undivided interest in the investments held by the Comprehensive Trust. Additionally, separate actuarial valuations are performed annually for each plan. However, the individual plans do not record the undivided interest in the investments in their individual plans since the assets of the Comprehensive Trust are available for the payments of benefits and expenses of any of the three pension plans without limitations. Therefore, in accordance with Government Accounting Standards, the City is considered to be administering a single plan for financial reporting purposes. The three pension plans plus the Comprehensive Trust constitute the City's Pension Plan.

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

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

The Municipal Pension Plan

The Municipal Pension Plan of the City of Pittsburgh (Municipal Plan) was established by Act 259 of May 28, 1915, P.L. 596. Every full-time employee of the City and the PWSA who is not covered by the Policemen's Plan or the Firemen's Plan is required to join the Municipal Plan after serving a 90-day probationary period. The Municipal Plan is a single employer defined benefit plan, and its purpose is to provide retirement, disability, and other benefits to its members. The City and members of the Municipal Plan are required to make contributions to the Municipal Plan for the purpose of paying benefits and administrative expenses. At January 1, 2005, the date of the most recent actuarial valuation, the Municipal Plan has 3,564 total members of which 1,819 are active members; 1,679 retirees, disabled, and survivors; and 66 terminated but vested members.

Effective January 1, 1995, the City terminated employment of the 255 employees of its Water Department. As part of a Cooperation Agreement with PWSA, the 255 terminated employees became employees of PWSA. The new PWSA employees' membership in the Municipal Plan continues with no break in service, as provided for by the Municipal Pension Act, because PWSA has no retirement plan. The City considers PWSA a part of the reporting entity and thus believes the plan continues to be

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a single employer plan. As of the date of these financial statements, no separate allocations of contributions to the Plan, Plan assets, or Plan liabilities have been allocated to the employees of PWSA, nor have any actuarial determinations been made. PWSA reimburses the City's General Fund for its portion of employer contributions in an amount which is not actuarially determined.

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

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

The retirement benefit for employees who became members of the Municipal Fund before January 1, 1975, is 55% of the first \$650 of average monthly compensation plus 30% of the amount in excess of \$650. Prior to January 1, 2002, the benefits for employees who became members after December 31, 1974, were reduced by 50% of the Social Security benefit. Beginning January 1, 2002, such benefits are no longer reduced by the Social Security benefits for certain classes of employees. All members receive a service increment of 1% of three year average pay, four year average pay if hired after December 31, 1987, for each year of service in excess of 20, to a maximum of \$100 per month. The retirement benefit for employees with less than 20 years of service is prorated. The percentage calculation is $240/\text{actual \# of years of service}$. In addition, for employees electing the program who have not attained the age of 60, the retirement benefit is reduced by $\frac{1}{2}\%$ for each month that payments commence prior to age 60, except for those hired before January 1, 1975, with 25 years of service. Average monthly compensation is defined as the average of salaries and wages during the highest 36 months of the final 60 months preceding retirement, excluding overtime. In 2001, an ordinance was passed to permit an election to change the method of calculation to be consistent with employees hired after January 1, 1988 and the elimination of the offset from social securities benefits received.

A member who meets the disability requirements, but who is not eligible to retire, is entitled to a disability benefit based upon his earnings at the date of disability without proration for service less than 20 years. For eligible employees hired on or after January

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1, 1988, the following rules apply:

- a. If an employee is age 60 or older with eight years of service, the employee will receive his normal retirement benefit.
- b. If an employee becomes disabled before attaining age 60, but with at least eight years of service, his benefit will be calculated as though he was age 60 with his service being the greater of 1) his service at disablement or 2) the lesser of 20 years and his completed service assuming he had continued to work until age 60.
- c. The above benefit will be reduced so that the combination of this benefit and the employee's monthly workers' compensation benefit shall not exceed the employee's regular salary level at the time of disablement.

A survivor benefit is available to the surviving spouse upon the death of an active member eligible for early retirement. The benefit amount is equal to 50% of the member's pension had the member retired at the date of death. A survivor benefit equal to the excess of the member's contributions over the retirement benefits paid is provided to the beneficiary of a member whose death occurs after the retirement date. The member's contributions are returned to the beneficiary of a member whose death occurs prior to eligibility for early retirement.

Normal retirement is upon attainment of age 60 and completion of 20 years of service. A plan member is eligible for early retirement upon attainment of age 50 and completion of eight years of service. For early retirees, benefit payments may be deferred until 60 years of age or paid immediately at reduced amounts.

Prior to January 1, 2002, upon termination and prior to vesting, a member's contributions were refundable without interest to the member. Beginning January 1, 2002, contributions were refundable with 5% interest for certain classes of employees. Employee contributions to the Plan are 5% of pre-tax pay for employees hired prior to January 1, 1988 and 4% of pre-tax pay for those hired thereafter.

In May 1995, the City offered its employees, who are covered by the Municipal Pension Plan and who had attained the age of 50 with a minimum of eight (8) years of service an Early Retirement Incentive Program (Program). The Program became effective July 1, 1995, for those employees who elected to participate by June 30, 1995, who had become members of the Municipal Plan prior to January 1, 1988.

The Policemen's Relief and Pension Plan

The Policemen's Relief and Pension Plan of the City of Pittsburgh (Policemen Plan) was established by Act 99 of May 25, 1935, P.L. 233. The Policemen Plan is a single employer defined benefit plan and its purpose is to provide retirement, disability, and other benefits to its members. P.L. 233 requires the City and members of the Policemen

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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Plan to make contributions to the Policemen Plan for the purpose of paying benefits and administrative expenses.

All employees of the Bureau of Police, including substitute uniformed employees, are eligible for membership in the Plan. At January 1, 2005, the Policemen Plan has 2,477 total members of which 804 are active members; 1,663 retirees, disabled, and survivors; and 10 terminated members not yet receiving benefits.

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

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

Service increments of \$20 per month for each year of service between 20 and 25 years and \$25 per month for each year in excess of 25 years are included in the retirement benefit. A death benefit is available for the survivors, as defined by the plan, of any member who dies in the performance of his duties. A surviving spouse benefit, which is applicable to deaths not in the line of duty, may also be elected by plan participants.

Effective January 1, 1989, regular pensioners receiving benefits prior to January 1, 1984 and disabled pensioners receiving benefits prior to January 1, 1985 received an increase in benefits based upon retirement year.

An employee who terminates employment after 20 years of service, and before age 50, is considered fully vested in the plan. The accrued benefit is payable at age 50 and is based on average pay at the time of termination. A terminated member may elect to continue making contributions to the plan, equal to the contribution rate in effect at the time of termination. In this event, the monthly benefit payable at age 50 will be based on the rate of pay which would have been in effect had the employee continued to work until age 50. If a member terminates employment before completing 20 years of service, accumulated employee contributions are refundable.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

Employee contributions to the Policemen Fund are 6% of pay plus \$1 per month. Those electing the surviving spouse benefit contribute an additional 1/2% of pay.

The Firemen's Relief and Pension Plan

The Firemen's Relief and Pension Plan of the City of Pittsburgh (Firemen Plan) was established by Act of May 25, 1933, P.L. 1050. The Firemen Plan is a single employer defined benefit plan. Its purpose is to provide retirement, disability, and other benefits to its members. P.L. 1050 requires the City and members of the Firemen Plan to make contributions to the Firemen Plan for the purpose of paying benefits and administrative expenses.

All employees of the Bureau of Fire, including the commanding officer and chief of the bureau, are eligible for membership in the Firemen Plan. At January 1, 2005, the Firemen Plan had 1,767 total members of which 737 are active members; 1,029 retirees, disabled, and survivors; and one terminated member not yet receiving benefits.

Retirement benefits are available at the employee's option upon completion of 20 years of service for any participant employed before January 1, 1976, or for those years employed thereafter, completion of 20 years service and attainment of age 50. Employees who become permanently disabled in the line of duty and who are unable to perform the duties of their position are eligible to receive a disability pension. Employees who become permanently disabled other than in the line of duty become eligible to receive a disability pension if they have completed ten years of service.

The regular pension benefit is equal to 50% of the wages earned during any three calendar years of service or the last 36 months average pay immediately preceding retirement. A service increment of \$20 per month in 1991 and thereafter is paid each member for each year of service in excess of 20. A death benefit is available for the survivors, as defined by the plan, of any member who dies in the performance of his duties. A surviving spouse benefit may also be elected by plan participants, which is applicable to deaths not in the line of duty. A lump-sum death benefit of \$1,200 is paid to the beneficiary of any deceased member.

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

Employee contributions to the Firemen Plan are 6% of pay plus \$1 per month. Those electing the surviving spouse benefit contribute an additional 1/2% of pay.

(B) Funding Status and Progress

In 1984, the Pennsylvania General Assembly passed the "Municipal Pension Plan

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

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

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

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

Act 205 contains both mandatory and optional remedies for municipalities to design a program for dealing with unfunded pension liabilities. The mandatory remedies implemented by the City were the development and adoption of an administrative improvement plan for its pension fund, the establishment of lower cost pension plans for new hires, and the aggregation of all the City's pension assets for investment purposes under the guidance of a new oversight board (the Comprehensive Municipal Pension Trust Fund Board). The Comprehensive Trust, which is comprised of seven members, four appointed by the Mayor and approved by Council and one elected from each plan, manages the investments of all pension assets and provides funds for each plan's monthly payment of benefits and administrative expenses from plan net assets. The optional remedies initially selected by the City were: 40-year amortization of the unfunded liability, level percent amortization, and a 15-year phase-in allowing the City to gradually increase its pension contributions.

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

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YEAR ENDED DECEMBER 31, 2005

the actuarially determined minimum municipal obligation, as defined, whichever is less.

Act 189 of 1990 amended the provisions of Chapter 3 of Act 205. Amendments require (1) annual payroll used in the calculation of financial requirements to be that of the current year (of the calculation) plus projected payroll to the end of the year and (2) an estimated state aid amount not be deducted from the total financial requirements in determining the minimum municipal obligation. The revised definition of the Minimum Municipal Obligation (MMO) is effective for MMO's developed and adopted for budgeting purposes subsequent to 1991. Additionally, the provisions for payment of the MMO were revised to require any one of three alternative methods, more fully described in Act 189, and payment of the MMO is to occur by December 31 of each year.

Annual Pension Cost

The City's annual pension cost for the past three years was as follows:

Fiscal Year Ended	(\$ in Thousands)		
	Municipal	Policemen	Firemen
December 31, 2005:			
Annual required contribution	\$ 10,143	\$ 17,531	\$ 9,046
Contribution made	10,143	17,531	9,046
December 31, 2004:			
Annual required contribution	8,136	14,892	8,530
Contribution made	8,136	14,892	8,530
December 31, 2003:			
Annual required contribution	4,325	12,926	6,624
Contribution made	4,325	12,926	6,624

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

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	Municipal	Policemen	Firemen
Actuarial valuation date	1/1/2005	1/1/2005	1/1/2005
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar Closed	Level dollar Closed	Level dollar Closed
Remaining amortization period	33 years	33 years	33 years
Asset valuation method	Market related	Market related	Market related
Actuarial assumptions:			
Investment rate of return	8.75%	8.75%	8.75%
Projected salary increases	4.00%	5.75%	5.75%
Cost-of-living adjustments	3.50%	3.50%	3.50%

Required contributions have been reduced as a result of the City's 1998 general obligation bond issue, which was used to make a \$250,000,000 contribution to the plan and reduce an accumulated unfunded actuarial liability.

Employer contributions reported in the statement of changes in fiduciary net assets include contributions for other post employment benefits which are not included in the Annual Required Contribution calculation, as further discussed in Note 8.

Three Year Trend Information

(Amounts expressed in thousands)

Fiscal Year Ending	Pension Plan	Pension Cost (ARC)	Total Contributions as a Percentage of Annual Required Contributions
12/31/2005	Municipal	\$ 10,143	100.0%
	Policemen	17,531	100.0%
	Firemen	9,046	100.0%
12/31/2004	Municipal	\$ 8,136	100.0%
	Policemen	14,892	100.0%
	Firemen	8,530	100.0%
12/31/2003	Municipal	\$ 4,325	100.0%
	Policemen	12,926	100.0%
	Firemen	6,624	100.0%

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NOTES TO FINANCIAL STATEMENTS

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At January 1, 2005, the membership of the three pension plans consisted of:

Status	Municipal	Policemen	Firemen	Total
Retirees and beneficiaries of deceased retirees currently receiving benefits	1,679	1,663	1,029	4,371
Terminated employees - vested	66	10	1	77
Total	1,745	1,673	1,030	4,448
Active members	1,819	804	737	3,360
Total membership	3,564	2,477	1,767	7,808

8. OTHER POSTEMPLOYMENT BENEFITS

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

Municipal Pension Fund:

The 1995 Early Incentive Retirement Program (Program) provides each of the employees who elected to retire under its provisions a monthly benefit of \$350 until attainment of 65 years of age. There are 36 retirees in this group with a total cost to the City in 2005 of \$184,450.

Policemen's Pension Fund:

Police officers retiring in 1979 are eligible at age 65 to receive a maximum of \$50 per month for hospitalization insurance premiums if such retirees actually pay such premiums. Police officers retiring in 1980 and 1981 are eligible at age 60 to receive a maximum of \$50 per month for hospitalization insurance premiums if such retirees actually pay such premiums. As of December 31, 2005, the Policemen's Fund has 51 retirees receiving the \$50 per month and 5 retirees eligible to receive such benefit in the future through January 2007. Surviving spouses of deceased retirees who do not otherwise receive survivors benefits under the plan received \$350 per month. The monthly cost of surviving spouse benefits of deceased retirees not otherwise receiving benefits is approximately \$9,450.

The City also provides funds to the Comprehensive Trust for cost of living adjustments and hospitalization benefits. Combined payments received from the City by the Comprehensive

CITY OF PITTSBURGH, PENNSYLVANIA

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Trust to fund such costs for the Municipal, Policemen's, and Firemen's Plans totaled \$2,344,414 for 2005.

In June of 2002, the General Assembly of the Commonwealth of Pennsylvania passed House Bill No. 1360, which amended Public Law No. 1192. As a result, Policemen and Firemen pension plans are required to pay increased special ad hoc postretirement adjustments to retirees based on years of service. For the year ended December 31, 2005, the additional monthly payments to retirees that were attributable to House Bill No. 1360 were approximately \$34,000 for the Firemen's Plan and \$50,000 for the Policemen's Plan.

Firemen's Pension Fund:

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

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

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

As of December 31, 2005, the Firemen's Pension Plan incurs a monthly expense of approximately \$6,100 for healthcare benefits and \$5,250 for surviving spouse benefits of deceased retirees.

Other:

The City provides healthcare benefits to 903 retired fire and police employees. In 1993, the City added a new retiree medical plan that provides healthcare benefits to police and fire retirees and their spouses that are over age 65. Prior to 1993, only those Municipal, Policemen, and Firemen retirees under age 65 received benefits. The benefit is funded by partial contributions from the retirees receiving coverage and the remainder by the City on a pay-as-you-go basis. During 2005, postretirement healthcare benefits expense paid by the City was \$13,725,660.

The City also provides life insurance benefits to retired police, fire, and municipal employees. The amount of life insurance coverage varies from \$4,000 to \$15,000 depending upon the bargaining unit and the year of retirement. This benefit is paid entirely by the City. Life insurance benefits for this group are paid on a pay-as-you-go basis from the general fund operating budget. There are 3,048 retirees in this group with a total cost during 2005 of \$434,420.

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9. LONG-TERM LIABILITIES

The maximum amount payable for future maturities of bond and interest on general long-term debt at December 31, 2005 and changes in bond principal for the year then ended are summarized below:

	Principal				
	Outstanding at December 31, 2004	Bonds paid or defeased and discount amortized during 2005	Bonds issued during 2005	Outstanding at December 31, 2005	Interest
Council and Public Election General Obligation Bonds:					
Fifteen general obligation bond issues with rates ranging from 4.0% to 7.0%. The bonds are payable from general revenues.					
2005	\$ 44,040,000	\$ 44,040,000	\$ -	\$ -	\$ -
2006	47,445,000	6,865,000	7,045,000	47,625,000	45,061,236
2007	49,915,000	13,155,000	13,200,000	49,960,000	42,794,508
2008	52,365,000	32,750,000	32,395,000	52,010,000	40,760,295
2009	55,035,000	34,405,000	33,980,000	54,610,000	38,263,996
2010	57,835,000	36,175,000	35,635,000	57,295,000	35,679,284
2011-2015	239,050,000	57,695,000	57,210,000	238,565,000	127,703,178
2016-2020	165,305,000	15,465,000	15,530,000	165,370,000	66,580,187
2021-2025	131,520,000	-	-	131,520,000	19,540,878
2026	4,490,000	-	-	4,490,000	235,725
Subtotal	<u>847,000,000</u>	<u>240,550,000</u>	<u>194,995,000</u>	<u>801,445,000</u>	<u>416,619,287</u>
Less: Unamortized discount on zero coupon bonds	(2,398,665)	(736,105)	-	(1,662,560)	-
Unamortized bond issuance costs	(5,794,472)	(935,768)	(2,408,683)	(7,267,387)	-
Unamortized bond discounts/premiums	2,486,317	(1,053,476)	12,151,334	15,691,127	-
Prepaid interest on debt refinancing	(6,239,481)	(283,613)	(4,601,673)	(10,557,541)	-
Less bonds funded by Stadium Authority	(12,781,336)	(1,788,896)	-	(10,992,440)	(9,529,068)
	<u>\$ 822,272,363</u>	<u>\$ 235,752,142</u>	<u>\$ 200,135,978</u>	<u>\$ 786,656,199</u>	<u>\$ 407,090,219</u>

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Discretely Presented Component Units

Debt related to URA supported by the City (debt recorded in the separate URA financial statements)

Future maturities of bond principal on URA related indebtedness supported by the City as of December 31, 2005 are as follows:

	Outstanding at December 31, 2004	Bonds paid or defeased and discount amortized during 2005	Bonds issued during 2005	Outstanding at December 31, 2005	Interest
Urban Redevelopment Authority					
Taxable Revenue Bonds:					
One Special Tax Development Bond with interest rates ranging from 4.5% to 5.0%. The bonds are payable solely from the City's assignment to URA of certain Allegheny Regional Asset District revenues.					
2005	\$ 3,070,000	\$ 3,070,000	\$ -	\$ -	\$ -
2006	3,345,000	3,345,000	4,830,000	4,830,000	2,806,850
2007	3,650,000	3,650,000	5,065,000	5,065,000	2,589,413
2008	3,985,000	3,985,000	5,320,000	5,320,000	2,349,775
2009	4,350,000	4,350,000	5,585,000	5,585,000	2,097,500
2010	4,755,000	4,755,000	5,885,000	5,885,000	1,819,500
2011-2014	27,900,000	27,900,000	30,785,000	30,785,000	4,194,125
	<u>\$ 51,055,000</u>	<u>\$ 51,055,000</u>	<u>\$ 57,470,000</u>	<u>\$ 57,470,000</u>	<u>\$ 15,857,163</u>

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

Debt related to URA supported by the City (debt not recorded in the separate URA financial statements)

	Principal		Outstanding at December 31, 2005	Interest
	Outstanding at December 31, 2004	Bonds paid or defeased and discount amortized during 2005		
Urban Redevelopment Authority				
Revenue Bonds:				
Eight tax increment financing (TIF) bonds with interest rates ranging from 5.75% to 10.5% and one TIF note with variable interest rates. Terms of the TIF require repayments of principal and interest in tax increment districts and related agreements.				
2005	\$ 991,956	\$ 991,956	\$ -	\$ -
2006	1,079,206	128,426	950,780	1,443,799
2007	1,185,379	136,580	1,048,799	1,373,565
2008	1,273,034	142,695	1,130,339	1,296,025
2009	1,383,480	148,811	1,234,669	1,211,028
2010	1,496,520	156,965	1,339,555	1,117,211
2011-2015	8,443,608	519,819	7,923,789	3,889,056
2016-2020	6,588,247	831,708	5,756,539	1,036,391
2021-2025	385,246	-	385,246	32,256
2025-2028	3,447,104	3,447,104	-	-
Total	<u>26,273,780</u>	<u>6,504,064</u>	<u>19,769,716</u>	<u>11,399,331</u>
Total Urban Redevelopment Authority related debt supported by the City	<u>\$ 77,328,780</u>	<u>\$ 9,574,064</u>	<u>\$ 77,239,716</u>	<u>\$ 41,357,139</u>

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

URA debt recorded by URA and not supported by City

The following is a summary of changes in long-term obligations of the URA for the year ended December 31, 2005:

	Balance at December 31, 2004	Additions	Retirements	Balance at December 31, 2005
Primary Government:				
Mortgage Revenue Bond Program	\$ 120,395,000	\$ -	\$ 26,330,000	\$ 94,065,000
Home Improvement Loan Program	10,975,000	-	3,475,000	7,500,000
Single Family Mortgage Revenue				
Draw Down Bonds	35,000,000	-	-	35,000,000
PDF Trust bonds	51,055,000	57,470,000	51,055,000	57,470,000
Bank loan	3,724,118	-	312,230	3,411,888
	<u>221,149,118</u>	<u>57,470,000</u>	<u>81,172,230</u>	<u>197,446,888</u>
Total proprietary fund debt				
Bank loans and line of credit	10,696,183	500,719	310,068	10,886,834
HUD Section 108 loans	10,725,000	-	515,000	10,210,000
Compensated absences	453,751	4,900	-	458,651
Other	238,000	-	238,000	-
	<u>243,262,052</u>	<u>57,975,619</u>	<u>82,235,298</u>	<u>212,456,173</u>
Total debt and other long-term obligations				
Original issue premium				798,088
Deferred interest				(7,344,288)
Total debt and other long-term obligations				<u>212,456,173</u>
Component Units:				
Pittsburgh Housing Development Corporation:				
Bank construction loans	1,711,420	1,035,624	425,183	2,321,861
Total Component Unit Debt	<u>1,711,420</u>	<u>1,035,624</u>	<u>425,183</u>	<u>2,321,861</u>
Total debt and other long-term obligations - reporting entity	<u>\$ 244,973,472</u>	<u>\$ 59,011,243</u>	<u>\$ 82,660,481</u>	<u>\$ 214,778,034</u>

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

Stadium Authority Debt

Future maturities of bond principal on Stadium Authority indebtedness at March 31, 2005 are as follows:

	Principal			
Outstanding at March 31, 2004	Bonds paid or defeased during 2005	Outstanding at March 31, 2005	Interest	
Stadium Authority Revenue Bonds				
and Notes:				
One revenue refunding bond issued with interest rate of 5.0%, The bonds are payable from revenue from the RAD tax.				
2005	\$ 1,945,000	\$ 1,945,000	\$ -	\$ -
2006	2,040,000	-	2,040,000	102,000
	3,985,000	1,945,000	2,040,000	102,000
Unamortized bond discount	(33,004)	(22,002)	(11,002)	-
	3,951,996	1,922,998	2,028,998	102,000
Plus: Gen. Oblig. Bonds funded by Stadium Authority	11,755,000	1,540,000	10,215,000	-
	\$ 15,706,996	\$ 3,462,998	\$ 12,243,998	\$ 102,000

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

Parking Authority Debt

Future maturities of bond and note principal on Parking Authority indebtedness at September 30, 2005 are as follows:

	Principal				
	Outstanding at September 30, 2004	Bonds paid or defeased and discount amortized during 2005	Bonds and notes issued during 2005	Outstanding at September 30, 2005	Interest
Parking Authority Revenue Bonds and Notes:					
Seven revenue bond issues with interest rates ranging from 2.0% to 5.0%. These bonds are payable from revenue from Parking Authority operations.					
2005	\$ 4,555,000	\$ 4,875,000	\$ 320,000	\$ -	\$ -
2006	4,700,000	1,075,000	490,000	4,115,000	4,523,721
2007	4,850,000	1,130,000	505,000	4,225,000	4,409,469
2008	5,040,000	1,195,000	540,000	4,385,000	4,267,791
2009	5,230,000	1,255,000	550,000	4,525,000	4,110,796
2010	5,460,000	1,330,000	485,000	4,615,000	3,937,302
2011-2015	21,455,000	7,830,000	14,871,848	28,496,848	20,188,636
2016-2020	10,345,000	10,345,000	24,877,114	24,877,114	17,506,386
2021-2025	13,800,000	13,800,000	32,645,000	32,645,000	6,867,715
2026-2028	2,815,000	2,815,000	8,295,000	8,295,000	371,635
	<u>78,250,000</u>	<u>45,650,000</u>	<u>83,578,962</u>	<u>116,178,962</u>	<u>66,183,451</u>
Plus bond premium	1,988,426	-	(162,326)	1,826,100	-
Less unamortized discount	(158,167)	-	67,867	(90,300)	-
Less deferred amount on refinancing	(1,931,801)	-	(629,557)	(2,561,358)	-
	<u>(1,901,542)</u>	<u>-</u>	<u>(791,016)</u>	<u>(2,625,558)</u>	<u>-</u>
Total	<u>\$ 78,148,458</u>	<u>\$ 45,650,000</u>	<u>\$ 82,854,946</u>	<u>\$ 115,353,404</u>	<u>\$ 66,183,451</u>

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

Pittsburgh Water and Sewer Authority Debt

Future maturities of bond and note principal on PWSA indebtedness at December 31, 2005 are as follows:

	Principal				Interest
	Outstanding at December 31, 2004	Bonds paid or defeased and discount amortized during 2005	Bonds and notes issued during 2005	Outstanding at December 31, 2005	
Pittsburgh Water and Sewer Authority					
Revenue Bonds:					
Five revenue bond issues with interest rates ranging from 3.0% to 5.5%, two revenue refunding bonds with interest rates ranging from 1.9% to 6.5%, and one note with variable interest rate. The bonds are payable from revenue from Water and Sewer operations.					
2005	\$ 16,180,000	\$ 16,180,000	\$ -	\$ -	\$ -
2006	16,606,000	-	944,000	17,550,000	25,449,620
2007	16,957,000	-	1,044,000	18,001,000	25,074,705
2008	17,374,000	-	1,067,000	18,441,000	24,629,305
2009	17,863,000	-	1,096,000	18,959,000	24,120,130
2010	18,434,000	-	1,120,000	19,554,000	23,605,429
2011-2015	106,943,800	-	6,239,200	113,183,000	102,212,967
2016-2020	130,135,400	-	11,405,600	141,541,000	79,909,897
2021-2025	165,051,800	-	9,137,200	174,189,000	50,063,444
2026-2030	171,625,000	-	11,485,000	183,110,000	122,184,213
2031	6,940,000	-	8,365,000	15,305,000	355,675
	<u>684,110,000</u>	<u>16,180,000</u>	<u>51,903,000</u>	<u>719,833,000</u>	<u>477,605,385</u>
Less net bond discount	(3,325,000)	(2,236,000)	122,000	(967,000)	-
Less unamortized discount on 1998 bonds	(114,099,000)	-	2,775,000	(111,324,000)	-
Less deferred refunding loss	(18,833,000)	-	2,062,000	(16,771,000)	-
Total	<u>\$ 547,853,000</u>	<u>\$ 13,944,000</u>	<u>\$ 56,862,000</u>	<u>\$ 590,771,000</u>	<u>\$ 477,605,385</u>

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

Guaranteed Debt of Non-Component Unit

The Public Auditorium Authority is now a part of the Sports and Exhibition Authority, which is not a component unit of the City. The following debt was guaranteed by the City when the Public Auditorium Authority was a component unit of the City. As of December 31, 2005, the City continues to guarantee the debt.

	Principal				
Outstanding at December 31, 2004	Bonds paid or defeased and discount amortized during 2005	Bonds and notes issued during 2005	Outstanding at December 31, 2005	Interest	
Public Auditorium Authority					
Revenue Bonds:					
One bond issue with interest rates ranging from 3.05% to 4.0%. The City's share of debt service on these bonds is payable from general revenues.					
2005	\$ 1,800,000	\$ 2,377,500	\$ 577,500	\$ -	\$ -
2006	1,490,000	1,490,000	585,000	585,000	136,211
2007	1,125,000	1,125,000	870,000	870,000	112,810
2008	455,000	455,000	180,000	180,000	78,011
2009	475,000	475,000	182,500	182,500	72,520
2010	477,500	477,500	187,500	187,500	65,211
2011-2015	2,560,000	2,560,000	1,100,000	1,100,000	216,343
2016-2018	1,560,000	1,560,000	490,000	490,000	33,366
Total	\$ 9,942,500	\$ 10,520,000	\$ 4,172,500	\$ 3,595,000	\$ 714,472

(A) Council and Public Election General Obligation Bonds

General Obligation Bonds - Series of 2005A&B

On June 1, 2005, the City issued \$116,860,000 of General Obligation Bonds, Series 2005A with an average interest rate of 5.0% and \$78,135,000 of General Obligation Bonds, Series 2005B with an average interest rate of 5.0%. These consisted of serial bonds all bearing a fixed rate at 5.0% with maturities commencing on September 1, 2006 and continuing annually through September 2018. Net proceeds of \$204,731,673 (including a bond premium of \$12,151,334 and bond issuance costs of \$2,408,683) were used to advance refund various series of bonds. The proceeds were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds in the following schedule. As a result, the refundable bonds will be considered defeased and the related liability for the bonds is removed from the City's liabilities.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

Issue/Series	Rate	Amount
1995 A	5.22%	\$ 72,140,000
1995B	5.01%	77,635,000
1997 A,B,C	5.22%	48,255,000
1998 D	5.00%	2,100,000
		\$ 200,130,000

The City's advance refunding decreased total debt service over the next 13 years by approximately \$805,000. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and new bonds) of approximately \$4 million.

Below is a schedule of General Obligation Bonds as of December 31, 2005:

Serial Bonds	Coupon or Ceiling Rate of Interest	Amount Outstanding
1992A*	6.55% - 6.75%	\$ 10,992,440
1993A	5.20% - 5.50%	35,605,000
1996A	6.00%	34,205,000
1996B	6.55% - 7.00%	17,335,000
1997A	5.00%	2,970,000
1997B	4.60%	3,120,000
1998A, B, C	6.05% - 7.00%	247,360,000
1998D	4.35% - 5.25%	114,680,000
1999A	4.75% - 5.15%	1,530,000
2002A	4.00% - 5.50%	123,425,000
2003A	4.00% - 5.50%	13,565,000
2005A	5.00%	116,860,000
2005B	5.00%	78,135,000
Subtotal		799,782,440
Less: Unamortized bond issuance costs		(7,267,388)
Unamortized bond discounts/premiums		15,691,128
Prepaid interest on debt refinancing		(10,557,541)
Less: Bonds funded by Stadium Authority		(10,992,440)
Total general obligation bonds payable		\$ 786,656,199

* Zero Coupon Bonds

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

The City's uninsured Bond Debt ratings are Moody's Baa3, Fitch BBB, and Standard & Poor's BBB and the City's insured Bond Debt ratings Moody's are Aaa, Fitch AAA, and Standard & Poor's AAA as of December 31, 2005.

In 1998, 2002, and 2005, the City refunded certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, neither the assets held in trust nor the refunded bonds appear in the accompanying financial statements. The outstanding balance of defeased bonds at December 31, 2005 is \$357,525,000.

(B) Stadium Authority

In October 1993, the Stadium Authority issued \$15,945,000 Guaranteed Stadium Refunding Bonds, Series 1993. These serial bonds bear various fixed interest rates and mature annually through October 1, 2005.

(C) Pittsburgh Water and Sewer Authority

In March 2002, the PWSA issued \$107,500,000 in Water and Sewer First Lien Revenue Bonds (2002 Bonds). The net proceeds of the bond issuance (approx. \$90 million) have been used to fund additional capital improvements. The 2002 Bonds bear interest at rates ranging from 4.00% to 5.50%. Interest is payable in semiannual installments on June 1 and December 1 until maturity. Stated maturities for the 2002 Bonds are at various face amounts on September 1 of each year beginning December 1, 2004 through 2031. The 2002 Bonds which mature after September 1, 2012, are subject to redemption prior to maturity at the option of the PWSA.

On September 23, 2003, the PWSA issued \$167,390,000 of Water and Sewer System Revenue Refunding Bonds (2003 Bonds). The proceeds of the 2003 Bonds were used to provide funds for the current refunding of a portion of the 1993 Bond Series. In connection with the 2003 debt refundings, the PWSA recorded a deferred refunding adjustment of \$3,162,000 which is being amortized as an adjustment to interest expense over the life of the bonds using the effective interest method.

The 2003 Bonds were issued at a bond discount of \$830,000, which is being amortized as an adjustment to interest expense over the life of the bonds using the effective interest method.

The 2003 Bonds bear interest at rates ranging from 1.450% to 4.75%. Interest is payable in semiannual installments on March 1 and September 1 until maturity. Stated maturities for the 2003 Bonds are at various face amounts on September 1 of each year beginning September 1, 2004 through 2023. The 2003 Bonds, which mature after

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

September 1, 2014, are subject to redemption prior to maturity at the option of the PWSA.

On May 24, 2005, the Authority issued \$50,385,000 of Water and Sewer System First Lien Revenue Bonds (2005 Bonds). The proceeds of the 2005 Bonds were primarily used to provide funds for capital improvements to the Authority's water and sewer system. The 2005 Bonds bear interest at rates ranging from 3.00% to 5.00% and mature through September 1, 2033.

The 2005 Bonds were issued at a bond premium of \$2,236, which is being amortized as an adjustment to interest expense over the life of the bonds using the effective interest method. Bond issuance costs of \$765 are also being amortized over the life of the 2005 Bonds using the effective interest method.

The 2005 Bonds bear interest at rates ranging from 3.00% to 5.00%. Interest is payable in semiannual installments on March 1 and September 1 until maturity. Stated maturities for the 2005 Bonds are at various face amounts on September 1 of each year beginning September 1, 2006 through 2033. The 2005 Bonds which mature after September 1, 2015, are subject to redemption prior to maturity at the option of the Authority. The 2005 Bonds that mature on September 1 of each of 2017, 2019, 2023, 2029, and 2033 are subject to mandatory sinking fund redemption.

The fair market value of the 2005 Bonds at December 31, 2005, with a carrying amount of \$50 million, based on quoted market prices, is approximately \$53 million.

(D) *Debt Related to Urban Redevelopment Authority of Pittsburgh (URA) supported by the City*

(1) URA - PDF - Special Tax Development Bonds, Taxable Series of 2005 (Debt recorded by URA)

In prior years, PDF bonds payable were issued by the URA as Special Tax Development Bonds, Taxable Series of 1995 for \$61,390,000 (Bonds). The Bonds proceeds were used to fund the Pittsburgh Development Fund to allow for development loans and investments to be made to certain projects in the City.

In 2002, the URA entered into a forward bond repurchase agreement which gave the counterparty the right to make the URA refund the 1995 bonds beginning at certain call dates. The URA received an up-front payment of \$2,385,000 in 2002 which was deferred. The call option was exercised on September 1, 2005 and the URA paid \$8,704,088 to the counterparty to settle this transaction.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

On September 1, 2005, the URA issued \$57,470,000 of Special Tax Development Refunding Bonds (2005 Bonds). The proceeds of the 2005 Bonds were used to provide funds for the current refunding of the 1995 Bond Series. Including the upfront payment received, this refunding resulted in an economic gain to the URA of approximately \$2,450,500. Debt service payments remained materially consistent with the previous debt service requirements. In connection with the debt refunding, the URA recorded a deferred refunding adjustment of \$7,344,288, which is being amortized as an adjustment to interest expense over the life of the bonds using the effective interest method.

The 2005 Bonds were issued at a premium of \$798,088, which is being amortized as an adjustment to interest expense over the life of the bonds using the effective interest method.

The City has allocated a portion of the Regional Asset District (RAD) Tax imposed by Allegheny County and irrevocably assigned that portion to the URA. The Bonds are limited obligations of the URA payable solely from that portion of the RAD Tax paid to the URA or the trustee and certain funds held under the indenture and the earnings thereon. The Bonds shall not be deemed to be a debt of the Commonwealth of Pennsylvania, Allegheny County, or the City or a pledge of the faith and credit of the Commonwealth of Pennsylvania, Allegheny County, or the City, and shall not be an obligation of the URA payable from any source except that portion of the RAD Tax assigned to the URA or the Trustee pursuant to the City's agreement and certain funds held under the indenture and the earnings thereon. The URA has no taxing power.

The Bonds bear interest at rates from 4.5% to 5.0% and mature through 2014. \$4,830,000 is due in 2006.

(2) Urban Redevelopment Authority of Pittsburgh (URA) Tax Increment Financing Bonds and Notes - Noncommitment Debt (Debt not recorded in the separate URA financial statements)

Tax Increment financing bonds are used to finance economic development within the City. The bond proceeds are used to fund various construction projects within the City. Real estate value is thus increased and will provide increased future tax revenue to the City. Under a Tax Increment Financing Cooperative Agreement (the TIF Agreement) with the City, County, and the School District of Pittsburgh, each entity agrees to assign its respective rights to the incremental taxes derived from the TIF project to the URA for the term of the bonds. The difference in the amount of real estate taxes attributable to the TIF property prior to and subsequent to the development of the property constitutes the "increment" that is available to pay debt service on the bonds.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

The bonds are not guaranteed by the full faith and credit of the City, and as a result of being jointly funded are not recorded in the City financial statements.

In the event that real estate tax revenues generated under the TIF Agreements are insufficient at any time to pay debt service on the bonds, the respective parties under the Minimum Payment Agreements have agreed to make payments sufficient to remedy such shortfalls. Amounts payable under the Minimum Payment Agreements correspond to debt service requirements on the respective Bonds. Pursuant to the Tenant Agreement, each tenant has agreed to guarantee the full and punctual payment when due of all obligations. During 2005, the City's share of the TIF revenue was \$5,508,603, whereas the City's share of the principal and interest paid on the TIF bonds and note were \$2,374,124.

As of December 31, 2005, the following is a list of the TIF bonds and notes outstanding:

<u>Serial Bonds</u>	<u>Coupon Rate of Interest</u>	<u>Total Outstanding</u>	<u>City Portion</u>
1995A (Penn Avenue Place)	5.75%-06.00%	\$ 4,340,000	\$ 1,642,691
1995B (Lazarus)	5.75%-06.25%	3,350,000	1,267,977
1996 (Alcoa)	7.42%-08.01%	6,005,000	2,268,689
1999 (PNC Bank)	6.10%-07.85%	9,905,000	4,038,271
2000 (Mellon)	7.46%-8.05%	12,995,000	5,298,064
2001 (Heinz)	6.61%-7.16%	3,410,000	1,251,132
2003A (Station Square)	8.25%-8.50%	3,625,000	1,330,016
2003B (Station Square)	10.50%	3,225,000	1,183,257
2003 Note (Panther Hollow)	Variable	4,060,000	1,489,619
Total		<u>\$ 50,915,000</u>	<u>\$ 19,769,716</u>

(E) Urban Redevelopment Authority of Pittsburgh (URA) Debt Recorded by URA and not Supported by City

The URA has various bonds and loans, which are the obligation of the URA and are not guaranteed or financed by the City. The proceeds of these bonds and notes are used to provide mortgages, loans, or grants to individuals or companies within the City to be used for urban redevelopment. The bonds and loans are payable from repayment of mortgages and loans and from other revenue and grants received by the URA. Debt issued for the URA as of December 31, 2005 is as follows:

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

Mortgage Revenue Bonds

The Mortgage Revenue Bond Program was created to provide below market rate mortgages for the purchase and rehabilitation of residential property within the City. The bonds, including various series and term bonds, bear interest at rates from 2.20% to 7.00% and mature through 2033.

Home Improvement Loan Program Bonds

The URA issued various series of bonds over the life of the program to finance the rehabilitation of residential housing for persons and families of low to middle income throughout the City of Pittsburgh but without regard to borrower's income in certain designated redevelopment areas within the City of Pittsburgh. Serial bonds of \$680,000 are currently outstanding. They bear interest at rates varying from 4.45% to 6.20% and mature through 2009. There are also term bonds outstanding of \$6,820,000 with stated interest rates from 5.15% to 6.375% and maturity dates ranging from 2006 through 2021.

Single Family Mortgage Revenue Draw Down Bonds

The purpose of the program is to preserve tax-exempt private activity volume cap by warehousing note proceeds resulting from prepayment redemptions, maturing principal or other special redemptions of the URA until the issuance of long-term bonds. As of December 31, 2005, \$35,000,000 of tax-exempt, short-term notes is outstanding, of which \$26,513,000 accrues interest subject to alternative minimum tax. The bonds accrue interest at a variable rate. The note proceeds are invested in a guaranteed investment agreement at a rate higher than the note rate. Upon the issuance of long-term bonds, the notes are refunded. The bonds have a mandatory tender date of June 1, 2009 and no principal payments are due until 2031.

Bank Loans

The URA received a loan to finance renovations to the Lexington Technology Park buildings. Monthly interest payments are currently being made at an effective rate between 5.62% and 8.30%. Lease rental payments are pledged as collateral for this loan. Final maturity is April 1, 2009.

In 2002, the URA received a loan to finance construction costs incurred to build a garage located at the South Side Works. Interest payments are at an effective rate of 7%, which is the 3-year FHLB rate plus 2.75%. Rental payments and a mortgage are pledged as collateral for this loan. At December 31, 2005, \$3.3 million is outstanding. Final maturity is February 28, 2019.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

In 2003, the URA received a second loan to finance construction costs incurred to build garage #2 at the South Side Works. Interest payments are at an effective rate of 6.75%, which is the 5-year FHLB rate plus 2.75%. A mortgage is pledged as collateral for this loan. At December 31, 2005, \$2,550,000 is outstanding. Final maturity is April 1, 2018.

On March 26, 2004, the Authority entered into a construction loan agreement. The amount of the loan commitment is a maximum of \$5.5 million and will be drawn down over the initial construction period. As of December 31, 2005, the outstanding loan balance was \$4,847,308 with the remainder to be drawn in the first half of 2005. No principal payments are due in 2005. The construction loan accrues interest at a variable rate. During the construction phase of the loan, the rate is prime less 25 basis points. The Authority makes interest only payments during the construction period. The loan becomes a term loan on the earlier of March 1, 2007 or another agreed upon commencement date once the construction is completed. After the loan becomes a term loan the loan will bear interest at one month LIBOR plus 225 basis points and the Authority will make monthly payments of both principal and interest.

Revolving Line of Credit

During 2000, the URA entered into a \$4 million line of credit agreement with Fannie Mae for the acquisition, construction, development, and rehabilitation of for-sale single-family housing and multi-family rental housing within the City. The line carries a term of five years, and each advance will bear interest ranging from LIBOR plus 92 basis points to LIBOR plus 141 basis points, depending on whether a first mortgage is available as a security. As a condition of the line, the URA has provided Fannie Mae with a bank letter of credit backed by \$1 million of the URA's General Fund. There were no draws or payments associated with this loan during 2005. In addition, no balance was outstanding as of December 31, 2005, and the line was terminated in the early part of 2006.

During 2002, the URA entered into a \$5 million line of credit agreement with Fannie Mae to finance site improvements related to the Summerset at Frick Park project. This line carries a term of 45 months, and each advance will bear interest of LIBOR plus 141 basis points. The loan is secured by a non-recourse promissory note and a \$1 million pledge from the General Fund. There is a balance outstanding of \$260,000 as of December 31, 2005, which was drawn during 2002.

HUD Section 108 Loans

During 2003, the URA received two HUD Section 108 loans to provide funding for the construction of garages at South Side Works. The first loan, in the amount of \$4.5 million is for an 850-space parking garage. The loan bears interest at 4%, with

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

semiannual principal and interest payments due February 1 and August 1. The loan matures on August 1, 2018. The loan is secured by 60% of the URA's interest in the tax increment from certain properties located in the South Side. At December 31, 2005, \$4.325 million is outstanding.

The second loan, in the amount of \$6.5 million is for the construction of a 367-space parking garage and site improvements in the South Side. The loan bears interest at 4%, with semiannual principal and interest payments due February 1 and August 1. The loan matures on August 1, 2018. The loan is secured by 60% of the URA's interest in the tax increment from certain properties located in the South Side as well as future Community Development Block Grants. At December 31, 2005, \$5.885 million is outstanding.

Annual debt service requirements of the URA are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 9,344,089	\$ 10,071,118	\$ 19,415,207
2007	9,155,392	9,649,014	18,804,406
2008	10,081,389	9,214,270	19,295,659
2009	12,954,155	8,612,270	21,566,425
2010	11,716,260	7,836,679	19,552,939
2011-2015	63,033,761	29,923,063	92,956,824
2016-2020	25,962,589	17,204,703	43,167,292
2021-2025	18,845,927	11,210,645	30,056,572
2026-2030	18,600,160	5,459,217	24,059,377
2031-2033	38,850,000	500,224	39,350,224
	<u>\$ 218,543,722</u>	<u>\$ 109,681,203</u>	<u>\$ 328,224,925</u>

Interest Rate Swap

During fiscal year 2004, the URA entered into a pay-fixed, receive-variable interest rate swap contract. The interest rate swap is effective on the first day of each month which began on October 1, 2004 and terminates on March 1, 2011. As of December 31, 2005, the swap had a fair value of \$(50,278). The mark to market value is an estimated net present value of the expected cash flows calculated using relevant mid-market data inputs and based on the assumption of no unusual market conditions or forced liquidation.

URA Component Unit Debt consists of the following:

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

PHDC-URA Loans

PHDC had outstanding construction loans payable to the URA of \$2,209,801. The loans are non-interest bearing. The loans mature through 2006, and are secured by a third lien position on real property and improvements.

PHDC-Bank Loans

The PHDC had outstanding construction loans payable to banks of \$2,321,861. Interest accrues on the loans at rates between 0% and 7.25%. Loans are due on demand or through 2006.

Future Maturities

Principal payments of \$4,531,662 are due in 2006 for component units.

All interest expense on loans of the URA and its component units is reported as program expense as the borrowings are essential to the programs and the financial statements would be misleading to exclude these charges as direct expenses.

(F) Other Long-Term Obligations

The following is a summary of transactions affecting other long-term obligations of the City during 2005:

	Accrued Workers' Compensation	Accrued Compensated Absences	Accrued Claims and Judgments	Capital Lease Obligation
Balance, January 1, 2005	\$ 111,715,996	\$ 29,824,191	\$ 4,920,000	\$ 15,108,591
Additions	32,941,321	9,055,766	874,239	-
Reductions/payments	(23,514,955)	(14,638,391)	(1,369,239)	(433,149)
Balance, December 31, 2005	121,142,362	24,241,566	4,425,000	14,675,442
Less amounts accrued within short-term	(17,557,104)	(15,585,670)	(2,425,000)	(459,855)
Long-term portion, December 31, 2005	<u>\$ 103,585,258</u>	<u>\$ 8,655,896</u>	<u>\$ 2,000,000</u>	<u>\$ 14,215,587</u>

The General Fund is used to liquidate the workers' compensation, compensated absences, claims and judgments, and capital lease obligations.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

Commencing on July 3, 2002, the City entered into a twenty year, noncancelable (unless there is a default of the terms by either party) lease for office space to be used by the Department of Public Safety, Police Bureau. The lease includes additional renewal options to extend the lease for four consecutive terms of five years each. The terms of the lease did not start until the Police Bureau takes possession of the property in March 2004. The first lease payment was made for March 2004.

The minimum future rental payments required by the lease are as follows:

	<u>Year Ended December 31,</u>
2006	\$ 1,260,000
2007	1,260,000
2008	1,260,000
2009	1,260,000
2010	1,260,000
2011-2015	6,926,500
2016-2020	<u>11,988,900</u>
Total	25,215,400
Less interest:	<u>(10,999,813)</u>
Present value	<u>\$ 14,215,587</u>

10. DUE FROM/TO OTHER GOVERNMENTS

(A) *Due From Other Governments*

The City receives funds from various government agencies as reimbursements for their share of City projects and as grants for City programs. The following amounts, as described below, are due from other governments at December 31, 2005:

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

General Fund:	
Commonwealth of Pennsylvania	\$ 925,353
Regional Asset District (RAD)	3,746,148
	<hr/>
	4,671,501
Special Revenue CDBG:	
Housing and Urban Development	2,830,116
	<hr/>
Other Governmental Funds:	
Job Training Partnership Program	528,791
Allegheny County - parks	334,233
	<hr/>
	863,024
Capital Projects:	
Pittsburgh Water and Sewer Authority	31,485
Commonwealth of Pennsylvania - Highway Fund	56,543
Federal Government - Highway Fund	438,763
	<hr/>
	526,791
	<hr/>
Total due from other governments - governmental funds	\$ 8,891,432
	<hr/> <hr/>

(B) Due To Other Governments

Funds collected by the City on behalf of other governments. The following amounts, as described below, are due to other governments at December 31, 2005:

General Fund:	
Pittsburgh Board of Education	\$ 264,821
Commonwealth of Pennsylvania	1,684,214
Sports and Exhibition Authority	7,568
	<hr/>
	1,956,603
Other Governmental Funds:	
Commonwealth of Pennsylvania	1,705,363
	<hr/>
Total due to other governments - governmental funds	\$ 3,661,966
	<hr/> <hr/>

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

11. INTERFUND RECEIVABLE AND PAYABLE BALANCES

	Due From				Total
	General	Other Governmental	Capital Projects	Community Development	
Due To:					
General	\$ -	\$ 623,910	\$ 2,019,294	\$ 525,441	\$ 3,168,645
Other Governmental	2,667	-	-	276,202	278,869
Capital Projects				1,364,873	1,364,873
Community Development	-	4,231	-	-	4,231
	<u>\$ 2,667</u>	<u>\$ 628,141</u>	<u>\$ 2,019,294</u>	<u>\$ 2,166,516</u>	<u>\$ 4,816,618</u>

Except as described below, interfund balances represent timing differences resulting from the difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments are made.

The Capital Projects Fund advanced funds to the CDBG Special Revenue fund in the amount of \$1.3 million.

12. OPERATING TRANSFERS

Transfers between primary government funds:

	Transfer From			Total
	General	Capital Projects	Other Governmental	
Transfer To:				
General Fund	\$ -	\$ -	\$ 4,036,500	\$ 4,036,500
Debt Service	81,159,917	-	-	81,159,917
Other Governmental	-	999,992	482,485	1,482,477
Total	<u>\$ 81,159,917</u>	<u>\$ 999,992</u>	<u>\$ 4,518,985</u>	<u>\$ 86,678,894</u>

Transfers are used (1) to move revenues from the funds that are required by statute or budget to collect them to the funds that are required by statute or budget to spend them, (2) to move receipts restricted for debt service from the funds collecting them to the Debt Service Fund as debt service payments become due, and (3) to move unrestricted revenues collected in the General Fund, which finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

13. FUND DEFICITS

(A) Stadium Authority Deficit

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

(B) Pittsburgh Water and Sewer Authority

The PWSA has a net asset deficit of \$39,269,000 as of December 31, 2005. The PWSA has extended its contract with a nationally known service company to improve operations, has placed delinquent accounts with a collection agency to improve collections, and has approved rate increases in an effort to cover increased debt service and to reduce the deficit position. Water usage rates will increase by 6.7% effective March 1, 2006.

14. RELATED PARTY TRANSACTIONS

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

On June 17, 1992, the City and the Stadium Authority entered into an agreement to restructure the Stadium Authority's Series 1985 Bonds. Under the agreement, the City issued bonds, and certain of these bond proceeds were escrowed for repayment of the Authority's Series 1985 Bonds. Funds provided by the City were used to fully redeem the Series 1985 Bonds during the fiscal year ended March 31, 1994. The funds provided are reflected by the Stadium Authority as long-term payable to the City for a total of \$10,215,000. However, the City does not have a corresponding receivable recorded due to the unlikelihood of collection since the stadium assets were significantly eliminated when the stadium was demolished.

- (B) The URA, acting as the City's agent under a 1981 cooperation agreement, made two loans from prior years' Urban Redevelopment Action Grant (UDAG) funds to a development company to assist in the construction of the Parkway Center Mall in the City's West End, which was completed in November 1982. Neither of these loans are

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

reflected as a receivable in the City's financial statements due to the contingent nature of repayments and unspecified terms when the loans were made.

The first loan of \$2,000,000 was made under an agreement dated October 30, 1981, as amended April 22, 1982 and April 2, 1984, the purpose of which was to assist in the construction costs of the mall; repayments are contingent upon positive cash flows and other factors. The loan, which has a 27-year term with varying interest rates, is to be repaid to the City by the URA at the City's discretion. The Parkway Center Mall asked for and received a deferral of their loan payment for 2003 through 2005. The balance of the receivable from the URA, should the City continue to exercise its option, at December 31, 2005 was \$1,106,650.

The second loan of \$6,819,972 was made under an agreement dated April 2, 1984 for the construction of highway ramps to connect the mall with I-279. This loan agreement was amended on July 13, 1992. Repayment of the loan was to commence on June 1, 1992. The term of the loan is 30 years with varying fixed interest rates. The remaining balance including accrued interest is \$5,335,338 at December 31, 2005.

- (C) In February 2000, the Parking Authority and the City amended the cooperation agreement between them dated February 5, 1995. Among other things, the amended cooperation agreement increased from \$1.4 million to \$1.9 million the Parking Authority's annual payment in lieu of real estate taxes to the City. Under the terms of the agreement, however, the payment to the City is made only upon the Parking Authority successfully meeting its annual debt service requirements, determined each year on December 15. This amendment effectively subordinates the Authority's annual payment in lieu of taxes, providing additional security for Authority bondholders. As a result of the June 2005 repayment of the outstanding URA Bonds on the Oliver Parking Facility, the Oliver Parking Tax TIF lapsed. In consideration of the increase in parking taxes received by the City for the Oliver Garage as a result of the lapsed TIF, the City agreed to a reduced payment in lieu of real estate taxes for the year ended September 30, 2005. The Parking Authority has reflected within their financial statements at September 30, 2005 as accounts payable and other accrued expenses amounts owed to the City for miscellaneous items totaling \$2,337,626. However, the City does not have a corresponding receivable of the same amount recorded due to the difference in years-ended.

15. CONSTRUCTION AND LEASE COMMITMENTS

As of December 31, 2005, the City had the following commitments with respect to unfinished capital projects:

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>
Edgebrook Avenue Bridge	\$ 77,701
P.J. McArdle Roadway	231,612
Schenley Oval Track	243,056
Windom Street Wall	509,335
Dunbar Playground	67,120
Total	<u>\$ 1,128,824</u>

The City has operating leases for copier rental and various other small office machines. The rental cost of the copier machines was \$176,507 for the year ending December 31, 2005.

16. REGIONAL ASSET DISTRICT REVENUES

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

RAD revenue allocated to the City totaled approximately \$20.2 million in 2005. The City allocated approximately \$4.4 million to park operations.

The City has irrevocably allocated/pledged a portion of its future Regional Asset District revenues to the URA for the establishment of the Pittsburgh Development Fund. As further discussed in Note 9, the Pittsburgh Development Fund is an economic development fund that will be used for making loans to and investments in certain projects located within the City. The amounts are pledged for the next 19 years with \$6,200,000 annually allocated for the first nine years and \$7,500,000 annually through 2014.

17. CONTINGENCIES

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

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

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

The City receives federal and state grants under a number of programs. The expenditures of the City under such programs are subject to audit and possible disallowance. Historically, such audits have not resulted in significant disallowances of program costs, and City management believes that audits of existing programs will not result in significant liability to the City. Any contingent liability accrual deemed appropriate has been reflected in the financial statements as presented.

18. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The risk of loss to which the City is exposed for the above mentioned items is handled through various insurance coverages. As of December 31, 2005, there were no settlements exceeding coverage for the past three years. The City also covers certain claim settlements and judgments from its General and Capital Projects Fund resources due to the prohibitive cost of carrying certain commercial insurance. The City currently reports all risk management activities out of its General Fund. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Provisions are recorded within current liabilities for amounts payable within one year. Amounts not payable within one year are reported within long-term liabilities.

Changes in the accrued claims and judgments liability during the years ended December 31, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
Accrued claims and judgments, January 1,	\$ 4,920,000	\$ 3,067,500
Current year claims	874,239	3,550,690
Claim payments	<u>(1,369,239)</u>	<u>(1,698,190)</u>
Accrued claims and judgments, December 31,	<u>\$ 4,425,000</u>	<u>\$ 4,920,000</u>

These accruals are subject to potential losses in excess of the amount recorded at year end; it is unlikely that the amount for such potential losses would be material.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

Also, the City is fully self-insured for workers' compensation benefits. These amounts were calculated by actuaries, based on industry standards and utilizing discount rates ranging between 1.08% and 5.43%. A self-insurance reserve fund in the amount of \$311,898 (classified as restricted within the General Fund) is maintained, due to a legal requirement under self-insurance regulations of the State of Pennsylvania, in the General Fund.

Changes in the accrued workers' compensation liability during the years ended December 31, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
Accrued workers' compensation, January 1	\$ 111,715,996	\$ 79,360,426
Current year claims	32,941,321	58,010,576
prior year accruals		
Claim payments	<u>(23,514,955)</u>	<u>(25,655,006)</u>
Accrued workers' compensation, December 31	<u>\$ 121,142,362</u>	<u>\$ 111,715,996</u>

19. SUBSEQUENT EVENTS

On June 6, 2006, the City closed on \$194.175 million worth of General Obligation Refinancing Bonds and \$47.8 million of General Obligation Bonds. The General Obligation Bonds are to be used to finance capital purchases and other capital programs for the next three years. The debt service savings on the refinancing over the next 20 years is \$4.2 million and the economic gain is \$3.9 million.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PITTSBURGH,
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA PENSION TRUST FUNDS

SCHEDULES OF FUNDING PROGRESS (Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) - Entry Age	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess as a Percentage of Covered Payroll
<u>Municipal:</u>						
1/1/1999	\$ 133,566	\$ 184,293	\$ (50,727)	72.47%	\$ 66,957	-75.76%
1/1/2000	140,158	183,715	(43,557)	76.29%	63,627	-68.46%
1/1/2001	124,935	185,656	(60,721)	67.29%	64,621	-93.96%
1/1/2002	111,528	205,300	(93,772)	54.32%	69,594	-134.74%
1/1/2003	91,604	212,206	(120,602)	43.17%	69,034	-174.70%
1/1/2005	109,791	234,134	(124,343)	46.89%	67,412	-184.45%
<u>Policemen:</u>						
1/1/1999	\$ 160,108	\$ 292,681	\$ (132,573)	54.70%	\$ 54,496	-243.27%
1/1/2000	169,358	298,470	(129,112)	56.74%	52,266	-247.03%
1/1/2001	150,833	305,282	(154,449)	49.41%	51,345	-300.81%
1/1/2002	133,280	314,033	(180,753)	42.44%	54,815	-329.75%
1/1/2003	106,340	323,466	(217,126)	32.88%	54,308	-399.80%
1/1/2005	117,822	353,479	(235,657)	33.33%	50,253	-468.94%
<u>Firemen:</u>						
1/1/1999	\$ 142,940	\$ 208,274	\$ (65,334)	68.63%	\$ 46,869	-139.40%
1/1/2000	158,093	215,462	(57,369)	73.37%	47,991	-119.54%
1/1/2001	147,291	222,041	(74,750)	66.34%	50,326	-148.53%
1/1/2002	136,442	233,373	(96,931)	58.47%	52,054	-186.21%
1/1/2003	114,527	230,092	(115,565)	49.77%	54,006	-213.99%
1/1/2005	145,995	255,770	(109,775)	57.08%	56,591	-193.98%

See accompanying note to supplementary pension schedules.

**CITY OF PITTSBURGH, PENNSYLVANIA
PENSION TRUST FUNDS**

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYERS
AND OTHER CONTRIBUTING ENTITIES
(Dollar Amounts in Thousands)

Calendar Year	Annual Required Contributions	Employer Contributions	Employer Contributions as a Percentage of Annual Required Contributions	Commonwealth of Pennsylvania Contributions	Commonwealth of Pennsylvania Contributions as a Percentage of Annual Required Contributions	Total Contributions	Total Contributions as a Percentage of Annual Required Contributions
<u>Municipal:</u>							
2000	\$ 2,613	\$ 694	26.6%	\$ 1,919	73.4%	\$ 2,613	100.0%
2001	3,865	825	21.3%	3,040	78.7%	3,865	100.0%
2002	2,829	373	13.2%	2,456	86.8%	2,829	100.0%
2003	4,325	1,025	23.7%	3,300	76.3%	4,325	100.0%
2004	8,136	1,321	16.2%	6,815	83.8%	8,136	100.0%
2005	10,143	3,537	34.9%	6,606	65.1%	10,143	100.0%
<u>Policemen:</u>							
2000	\$ 9,708	\$ 2,582	26.6%	\$ 7,126	73.4%	\$ 9,708	100.0%
2001	10,502	2,182	20.8%	8,320	79.2%	10,502	100.0%
2002	10,565	1,391	13.2%	9,174	86.8%	10,565	100.0%
2003	12,926	3,065	23.7%	9,861	76.3%	12,926	100.0%
2004	14,892	8,796	59.1%	6,096	40.9%	14,892	100.0%
2005	17,531	11,636	66.4%	5,895	33.6%	17,531	100.0%
<u>Firemen:</u>							
2000	\$ 5,730	\$ 1,525	26.6%	\$ 4,205	73.4%	\$ 5,730	100.0%
2001	5,783	1,143	19.8%	4,640	80.2%	5,783	100.0%
2002	5,032	662	13.2%	4,370	86.8%	5,032	100.0%
2003	6,624	1,571	23.7%	5,053	76.3%	6,624	100.0%
2004	8,530	3,540	41.5%	4,990	58.5%	8,530	100.0%
2005	9,046	4,381	48.4%	4,665	51.6%	9,046	100.0%

See accompanying note to supplementary pension schedules.

CITY OF PITTSBURGH, PENNSYLVANIA

NOTE TO REQUIRED SUPPLEMENTARY PENSION SCHEDULES

YEAR ENDED DECEMBER 31, 2005

The information presented in the required supplementary pension schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	<u>Municipal</u>	<u>Policemen</u>	<u>Firemen</u>
Actuarial valuation date	1/1/2005	1/1/2005	1/1/2005
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Closed	Level Dollar Closed	Level Dollar Closed
Remaining amortization period	33 years	33 years	33 years
Asset valuation method	Market related	Market related	Market related
Actuarial assumptions:			
Investment rate of return	8.75%	8.75%	8.75%
Projected salary increases	4.00%	5.75%	5.75%
Cost-of-living adjustments	3.50%	3.50%	3.50%

ADDITIONAL INFORMATION

CITY OF PITTSBURGH,
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING BALANCE SHEET

OTHER GOVERNMENTAL FUNDS

DECEMBER 31, 2005

	Equipment Leasing Authority	Liquid Fuels Tax	JTPA	Public Safety	Civic and Cultural	Total
Assets						
Cash and cash equivalents	\$ 1,955,412	\$ 2,289,179	\$ 1,058,379	\$ 6,326,254	\$ 4,724,589	\$ 16,353,813
Other receivables	-	-	-	395,928	30,204	426,132
Accrued interest	-	11,749	-	-	-	11,749
Due from other governments	-	-	528,790	-	334,234	863,024
Due from General Fund	-	-	-	2,667	-	2,667
Due from other Special Revenue Fund	-	-	43,921	-	232,281	276,202
Total Assets	\$ 1,955,412	\$ 2,300,928	\$ 1,631,090	\$ 6,724,849	\$ 5,321,308	\$ 17,933,587
Liabilities and Fund Balance						
Liabilities:						
Account payable	\$ -	\$ 634,638	\$ 1,138,746	\$ 267,485	\$ 204,153	\$ 2,245,022
Accrued liabilities	-	-	105,566	-	211,012	316,578
Due to General Fund	-	-	362,208	209,702	52,000	623,910
Due to other governments	-	-	-	1,705,363	-	1,705,363
Due to other Special Revenue Fund	-	-	-	4,231	-	4,231
Total Liabilities	-	634,638	1,606,520	2,186,781	467,165	4,895,104
Fund Balance:						
Reserve for encumbrances	-	-	-	145,047	339,665	484,712
Unreserved	1,955,412	1,666,290	24,570	4,393,021	4,514,478	12,553,771
Total Fund Balance	1,955,412	1,666,290	24,570	4,538,068	4,854,143	13,038,483
Total Liabilities and Fund Balance	\$ 1,955,412	\$ 2,300,928	\$ 1,631,090	\$ 6,724,849	\$ 5,321,308	\$ 17,933,587

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

OTHER GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2005

	Equipment Leasing Authority	Liquid Fuels Tax	JTPA	Public Safety	Civic and Cultural	Total
Revenues:						
Interest and dividends	\$ 764	\$ 144,729	\$ -	\$ 9,615	\$ -	\$ 155,108
Fines and forfeits	-	-	-	425,347	-	425,347
Intergovernmental revenues	-	5,314,193	6,605,364	2,326,689	5,554,179	19,800,425
Charges for user services	-	-	-	779,643	1,659,346	2,438,989
Miscellaneous	282,367	-	-	-	93,268	375,635
Total revenues	283,131	5,458,922	6,605,364	3,541,294	7,306,793	23,195,504
Expenditures:						
General government	612,293	-	-	1,071,562	83,829	1,767,684
Public safety	-	-	-	1,515,658	-	1,515,658
Public works	-	2,499,516	-	-	1,990,736	4,490,252
Sanitation	-	-	-	-	121,311	121,311
Community, recreational, and cultural	-	-	-	-	2,310,574	2,310,574
Economic and physical development	-	-	6,605,364	-	-	6,605,364
Capital outlay	1,068,602	-	-	-	-	1,068,602
Total expenditures	1,680,895	2,499,516	6,605,364	2,587,220	4,506,450	17,879,445
Excess (Deficiency) of Revenues Over Expenditures	(1,397,764)	2,959,406	-	954,074	2,800,343	5,316,059
Other Financing Sources (Uses):						
Operating transfers in	1,482,477	-	-	-	-	1,482,477
Operating transfers out	-	(4,036,500)	-	(482,485)	-	(4,518,985)
Total other financing sources (uses)	1,482,477	(4,036,500)	-	(482,485)	-	(3,036,508)
Net Change in Fund Balance	84,713	(1,077,094)	-	471,589	2,800,343	2,279,551
Fund Balance:						
Beginning of year	1,870,699	2,743,384	24,570	4,066,479	2,053,800	10,758,932
End of year	\$ 1,955,412	\$ 1,666,290	\$ 24,570	\$ 4,538,068	\$ 4,854,143	\$ 13,038,483

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING STATEMENT OF PLAN NET ASSETS PENSION TRUST FUNDS

DECEMBER 31, 2005

	Comprehensive Trust	Municipal Fund	Policemen's Fund	Firemen's Fund	Total
Assets					
Cash and cash equivalents	\$ 31,324,428	\$ 137,662	\$ 3,617,574	\$ 16,301	\$ 35,095,965
Investments:					
Preferred and common stock	110,698,994	-	-	-	110,698,994
U.S. government and agency obligations	44,857,518	-	-	-	44,857,518
Corporate and other obligations	61,683,189	-	-	-	61,683,189
Mutual funds	107,110,109	-	-	-	107,110,109
Hedge funds	10,776,632	-	-	-	10,776,632
Due from City of Pittsburgh	150,645	-	-	-	150,645
Accrued interest and dividend receivables	2,019,803	-	-	-	2,019,803
Total Assets	368,621,318	137,662	3,617,574	16,301	372,392,855
Liabilities					
Benefits and related withholdings payable	-	-	2,741,192	-	2,741,192
Due to City of Pittsburgh Trust and Agency Fund	-	7,004	5,848	4,421	17,273
Accrued liabilities and other payables	253,117	36,990	7,057	-	297,164
Total Liabilities	253,117	43,994	2,754,097	4,421	3,055,629
Net Assets Held in Trust for Pension Benefits	\$ 368,368,201	\$ 93,668	\$ 863,477	\$ 11,880	\$ 369,337,226

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2005

	Comprehensive Trust	Municipal Fund	Policemen's Fund	Firemen's Fund	Total
Additions:					
Contributions:					
Employer - pension benefits	\$ 19,554,666	\$ -	\$ -	\$ -	\$ 19,554,666
Employer - other benefits	3,343,080	-	726,810	-	4,069,890
Plan members	9,890,250	-	-	-	9,890,250
State	17,165,521	-	-	-	17,165,521
Total contributions	49,953,517	-	726,810	-	50,680,327
Investment income:					
Net appreciation in fair value of investments	11,028,379	-	-	-	11,028,379
Interest and dividends	10,560,165	-	-	2,335	10,562,500
Total investment income	21,588,544	-	-	2,335	21,590,879
Investment expense	(1,033,317)	-	-	-	(1,033,317)
Net investment income	20,555,227	-	-	2,335	20,557,562
Miscellaneous:					
Other	1,298,981	-	-	8,906	1,307,887
Total additions	71,807,725	-	726,810	11,241	72,545,776
Deductions:					
Benefit payments	-	18,889,235	31,397,909	22,108,444	72,395,588
Refund of employee contributions	-	1,380,329	566,266	51,410	1,998,005
Administrative expense	1,527,656	308,945	348,961	237,802	2,423,364
Total deductions	1,527,656	20,578,509	32,313,136	22,397,656	76,816,957
Increase (Decrease) in Net Assets before operating transfers	70,280,069	(20,578,509)	(31,586,326)	(22,386,415)	(4,271,181)
Operating Transfers to Pension Funds	(75,580,391)	20,584,949	32,600,442	22,395,000	-
Net Increase (Decrease) in Plan Net Assets	(5,300,322)	6,440	1,014,116	8,585	(4,271,181)
Net Assets:					
Beginning of year	373,668,523	87,228	(150,639)	3,295	373,608,407
End of year	\$ 368,368,201	\$ 93,668	\$ 863,477	\$ 11,880	\$ 369,337,226

CITY OF PITTSBURGH, PENNSYLVANIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2005

	Balance at December 31, 2004	Additions	Deletions	Balance at December 31, 2005
EMPLOYEE BENEFITS				
Assets				
Cash and cash equivalents	\$ 714,205	\$ 90,961,949	\$ 90,118,063	\$ 1,558,091
Other assets	292,151	117,318	292,151	117,318
Due from component units	721,099	-	721,099	-
Total Assets	<u>\$ 1,727,455</u>	<u>\$ 91,079,267</u>	<u>\$ 91,131,313</u>	<u>\$ 1,675,409</u>
Liabilities				
Accrued liabilities	<u>\$ 1,727,455</u>	<u>\$ 91,079,267</u>	<u>\$ 91,131,313</u>	<u>\$ 1,675,409</u>
PAYROLL WITHHOLDING				
Assets				
Cash and cash equivalents	\$ 66,609	\$ -	\$ -	\$ 66,609
Liabilities				
Accrued liabilities	<u>\$ 66,609</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,609</u>
DEPOSITS				
Assets				
Cash and cash equivalents	\$ 3,043,441	\$ 12,839,019	\$ 13,449,194	\$ 2,433,266
Other receivables	-	330,310	-	330,310
Total Assets	<u>\$ 3,043,441</u>	<u>\$ 13,169,329</u>	<u>\$ 13,449,194</u>	<u>\$ 2,763,576</u>
Liabilities				
Accrued liabilities	\$ 1,784,835	\$ 12,467,667	\$ 12,976,193	\$ 1,276,309
Deposits held in trust	1,258,606	701,662	473,001	1,487,267
Total Liabilities	<u>\$ 3,043,441</u>	<u>\$ 13,169,329</u>	<u>\$ 13,449,194</u>	<u>\$ 2,763,576</u>
OTHER				
Assets				
Cash and cash equivalents	\$ 1,115,190	\$ 641,788	\$ 870,083	\$ 886,895
Other receivables	14,340	-	-	14,340
Total Assets	<u>\$ 1,129,530</u>	<u>\$ 641,788</u>	<u>\$ 870,083</u>	<u>\$ 901,235</u>
Liabilities				
Accrued liabilities	\$ 525,726	\$ 432,890	\$ 425,135	\$ 533,481
Accounts payable	26,384	-	-	26,384
Deposits held in trust	577,420	208,898	444,948	341,370
Total Liabilities	<u>\$ 1,129,530</u>	<u>\$ 641,788</u>	<u>\$ 870,083</u>	<u>\$ 901,235</u>
TOTAL AGENCY FUNDS				
Assets				
Cash and cash equivalents	\$ 4,939,445	\$ 104,442,756	\$ 104,437,340	\$ 4,944,861
Other assets	292,151	117,318	292,151	117,318
Due from component units	721,099	-	721,099	-
Other receivables	14,340	330,310	-	344,650
Total Assets	<u>\$ 5,967,035</u>	<u>\$ 104,890,384</u>	<u>\$ 105,450,590</u>	<u>\$ 5,406,829</u>
Liabilities				
Accrued liabilities	\$ 4,104,625	\$ 103,979,824	\$ 104,532,641	\$ 3,551,808
Accounts payable	26,384	-	-	26,384
Deposits held in trust	1,836,026	910,560	917,949	1,828,637
Total Liabilities	<u>\$ 5,967,035</u>	<u>\$ 104,890,384</u>	<u>\$ 105,450,590</u>	<u>\$ 5,406,829</u>

CITY OF PITTSBURGH,
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CAPITAL PROJECTS FUND
YEAR ENDED DECEMBER 31, 2005

	Budget	Actual	Variance
Revenues:			
Intergovernmental	\$ 4,817,000	\$ 3,017,438	\$ (1,799,562)
Total revenues	4,817,000	3,017,438	(1,799,562)
Expenditures:			
Capital projects:			
Engineering and construction	50,666,520	2,971,930	47,694,590
Parks and recreation	1,055,934	37,777	1,018,157
Public works	11,126,904	4,936,904	6,190,000
General services	801,598	183,453	618,145
Urban Redevelopment Authority	1,051,500	-	1,051,500
Capital outlay	5,013,999	723,049	4,290,950
Other	9,595,555	2,933,322	6,662,233
Total expenditures	79,312,010	11,786,435	67,525,575
Excess (Deficiency) of Revenues			
Over Expenditures	(74,495,010)	(8,768,997)	65,726,013
Other Financing Sources (Uses):			
Operating transfers in	-	-	-
Net Change in Fund Balance	\$ (74,495,010)	\$ (8,768,997)	\$ 65,726,013

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE

CAPITAL PROJECTS FUND

YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in thousands)

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/Inflows of Resources:

Actual amounts (budgetary basis) revenues from the budgetary comparison statement. \$ 3,017

The adjustments to convert to GAAP basis, recording of receivables, and revenues not included in budget. 1,026

Total Capital Projects Fund revenue on GAAP basis as reported on the statement of revenues, expenditures, and changes in fund balance. \$ 4,043

Users/Outflows of Revenues:

Actual amounts (budgetary basis) of expenditures from the budgetary comparison statement. \$ 11,786

Transfer budgeted as project. (1,000)

The adjustments to convert to GAAP basis, recording of expenditures and liabilities not included in budget. 3,246

Total Capital Projects Fund expenditures as reported on the statement of revenues, expenditures, and changes in fund balance. \$ 14,032

CITY OF PITTSBURGH,
PENNSYLVANIA

STATISTICAL SECTION

Table 1
CITY OF PITTSBURGH, PENNSYLVANIA

GENERAL GOVERNMENTAL REVENUES (1)

LAST TEN YEARS
(MODIFIED ACCRUAL BASIS)

(\$'s in Thousands)

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Taxes (2)	\$ 352,034	\$ 317,223	\$ 302,991	\$ 301,371	\$ 292,943	\$ 283,277	\$ 275,291	\$ 269,472	\$ 263,767	\$ 269,213
Payment in lieu of taxes	5,373	688	510	837	1,612	1,966	1,821	2,313	2,171	3,583
Interest earnings	2,231	1,016	1,062	2,360	6,660	11,083	9,166	10,321	8,432	8,942
Fines and forfeits	4,239	8,527	7,693	8,556	7,739	8,048	8,565	8,031	7,351	6,861
Intergovernmental	55,972	58,797	72,400	57,963	66,607	60,152	66,217	62,401	64,055	59,152
Charges for user services (3)	37,369	32,826	36,054	33,535	32,912	34,680	31,740	28,020	33,450	26,780
Pension state aid	17,166	17,902	18,214	16,000	16,000	13,250	13,258	14,632	-	-
Miscellaneous	1,634	2,987	3,291	4,911	1,297	3,838	3,080	2,987	1,722	1,141
Total	\$ 476,018	\$ 439,966	\$ 442,215	\$ 425,533	\$ 425,770	\$ 416,294	\$ 409,138	\$ 398,177	\$ 380,948	\$ 375,672

Notes:

(1) Includes General, Special Revenue, Debt Service, and Capital Projects Funds.

(2) Includes penalty and interest.

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

Table 1A
CITY OF PITTSBURGH, PENNSYLVANIA

GENERAL FUND TAX REVENUES BY SOURCE

LAST TEN YEARS

(\$'s in Thousands)

	2005 (3)	2004	2003	2002	2001	2000	1999	1998	1997 (2)	1996 (2)
Real estate tax	\$ 128,080	\$ 128,037	\$ 127,113	\$ 123,756	\$ 117,294	\$ 113,449	\$ 117,966	\$ 112,434	\$ 123,993	\$ 120,136
Mercantile tax	249	7,688	7,909	7,283	7,467	7,194	6,935	7,038	6,773	6,966
Amusement tax	10,722	7,471	9,456	9,554	8,809	8,256	5,584	7,813	5,744	6,415
Payroll preparation tax	38,290	-	-	-	-	-	-	-	-	-
Earned income tax	48,238	46,439	45,924	47,642	46,684	48,707	41,595	42,941	36,901	39,146
Facilities usage fee	1,931	-	-	-	-	-	-	-	-	-
Deed transfer tax	18,170	11,634	9,172	10,218	8,322	8,743	10,816	9,317	7,537	6,711
Sewage charges (1)	-	-	-	-	-	-	-	-	-	1,474
Parking tax	52,186	47,273	31,893	32,215	32,208	30,960	28,817	28,728	23,461	22,757
Emergency services tax	16,445	3,189	3,143	3,134	3,094	3,244	3,106	3,142	2,670	2,890
Business privilege tax	13,748	40,130	43,424	42,952	43,859	38,468	35,447	35,269	35,465	36,210
Institution/service tax	323	514	424	470	538	521	616	802	1,098	909
Penalties and interest	2,356	2,364	3,394	2,620	3,667	3,234	4,898	2,045	2,380	3,730
Public service privilege	352	1,024	1,103	967	1,016	936	680	641	703	399
Cable indirect cost	-	-	-	-	-	-	-	1,175	-	343
Regional Asset District	20,242	20,505	20,036	20,560	19,985	19,565	18,831	18,127	17,042	21,127
Total tax revenues	<u>\$ 351,332</u>	<u>\$ 316,268</u>	<u>\$ 302,991</u>	<u>\$ 301,371</u>	<u>\$ 292,943</u>	<u>\$ 283,277</u>	<u>\$ 275,291</u>	<u>\$ 269,472</u>	<u>\$ 263,767</u>	<u>\$ 269,213</u>

Notes:

- (1) Sewage amount is in a nontax revenue category for years 1997 through 1999.
- (2) Includes tax lien sales.
- (3) In 2005, the occupation privilege tax was replaced by the emergency services tax. The business privilege tax was reduced. Two additional revenues were the payroll preparation tax and the facility usage fee. The mercantile tax was eliminated.

Table 2

CITY OF PITTSBURGH, PENNSYLVANIA

GENERAL GOVERNMENTAL EXPENDITURES (1)

LAST TEN YEARS

(\$'s in Thousands)

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
General government	\$ 60,119	\$ 68,885	\$ 61,994	\$ 71,000	\$ 46,512	\$ 44,252	\$ 43,004	\$ 42,927	\$ 51,401	\$ 31,691
Public safety	208,740	211,894	221,946	207,966	157,684	150,360	143,878	139,567	137,815	134,602
Public works	48,053	41,289	51,655	53,624	27,121	27,619	28,129	29,901	27,167	36,487
Sanitation	13,668	13,997	10,942	12,684	10,600	10,640	10,062	9,981	12,050	12,770
Community, recreational, and cultural	7,324	8,563	10,631	11,978	9,220	7,286	8,403	7,920	8,407	8,557
Employee benefits, etc. (2)	-	-	-	-	65,273	60,596	58,582	310,299	73,535	89,521
Claims and judgments	728	2,796	1,113	2,180	1,531	1,012	10,409	2,519	(3,854)	4,436
Miscellaneous	1,038	1,276	3,024	2,365	2,816	1,448	633	1,885	980	1,192
Intergovernmental programs	17,962	19,879	25,281	20,083	21,568	15,495	21,176	15,542	10,191	23,560
Capital outlay	3,003	17,132	21,108	7,893	33,572	38,212	48,448	42,484	45,630	46,117
Bond issue costs	2,538	-	200	991	321	-	594	2,385	601	1,651
Debt service/authorities	97,991	103,832	88,370	88,590	98,200	97,092	84,016	75,545	55,396	52,218
Total	\$ 461,164	\$ 489,543	\$ 496,264	\$ 479,354	\$ 474,418	\$ 454,012	\$ 457,334	\$ 680,955	\$ 419,319	\$ 442,802

Notes:

(1) Includes General, Special Revenue, Debt Service, and Capital Projects Funds.

(2) Restated for GASB No. 34 implementation. Employee benefits are distributed to the various departments/functions starting in 2002.

Table 3
CITY OF PITTSBURGH, PENNSYLVANIA
ASSESSED VALUE, TAX RATE, LEVY, AND COLLECTIONS

LAST TEN YEARS

(\$'s in Thousands)

Fiscal Year	(2) Assessed valuation of land and buildings	Land millage	Building millage	Original net levy	Adjusted net levy (1)	Budgeted	Year of original levy			Delinquent taxes			
							(3) Receipts	Percent of original net levy collected	Percent of adjusted net levy collected	Percent of budget collected	Collection		Percent of budget collected
								Budget	Receipts				
1996	\$ 2,036,489	184.50	32.00	\$118,952	\$115,898	\$109,720	\$110,276	92.7%	95.1%	100.5%	\$ 8,773	\$ 12,130	138.3%
1997	2,047,441	184.50	32.00	119,741	111,066	109,180	113,251	94.6	101.9	103.7	13,675	13,018	95.2
1998	2,085,013	184.50	32.00	121,674	105,822	110,715	112,562	92.5	99.3	101.6	5,521	6,644	120.3
1999	2,096,829	184.50	32.00	122,053	117,382	113,715	112,569	92.2	95.9	99.0	5,686	5,397	94.9
2000	2,125,768	184.50	32.00	125,422	119,649	112,010	110,644	88.2	92.5	98.8	4,500	2,967	65.9
2001	13,346,238	10.80	10.80	144,139	127,784	115,900	118,150	81.9	92.9	101.9	3,500	2,689	76.8
2002	14,677,667	10.80	10.80	158,454	131,245	121,500	123,692	78.1	94.2	102.0	4,300	4,359	101.0
2003	13,578,918	10.80	10.80	146,652	131,484	123,132	123,015	83.9	93.6	99.9	3,139	1,069	34.1
2004	13,237,682	10.80	10.80	142,966	127,864	122,500	119,918	83.9	93.8	97.9	5,500	4,435	80.6
2005	13,234,645	10.80	10.80	142,934	126,124	124,000	124,906	87.4	99.0	100.7	4,500	3,173	70.5

Notes:

- (1) Represents net levy as of December 31 of the tax year (i.e., net of exonerations, discounts, and additions granted in that year).
- (2) In 2001, assessed value percent of market value increased to 100% and a unified millage rate was enacted.
- (3) 2001 through 2005 receipts are net of refunds.

Table 4

CITY OF PITTSBURGH, PENNSYLVANIA

ASSESSSED AND ESTIMATED ACTUAL VALUE OF PROPERTY

LAST TEN YEARS

(\$'s in Thousands)

Fiscal Year	Real property		Allegheny County Common Level Ratio
	Net Taxable Assessed Value	Estimated Actual Value	
1996	\$ 2,036,489	\$ 9,934,093	0.205
1997	2,047,441	10,085,916	0.203
1998	2,085,013	10,530,369	0.198
1999	2,096,829	10,978,162	0.191
2000	2,125,768	11,307,273	0.188
2001	13,346,238	14,198,125	0.940
2002	14,671,667	15,047,863	0.975
2003	13,578,918	14,461,041	0.939
2004	13,237,682	13,237,682	1.000
2005	13,234,645	13,234,645	1.000

Notes:

- (1) Estimated Actual Value is calculated based upon the Allegheny County Common Level Ratio applied to the Net Taxable Assessed Value of City properties.

Table 5
CITY OF PITTSBURGH, PENNSYLVANIA

PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN YEARS

Fiscal Year	City of Pittsburgh			School district millage	County millage (2)	Total Millage
	Land millage	Building millage	Average (1)			
1996	184.500	32.000	58.414	59.700	25.200	143.314
1997	184.500	32.000	58.483	59.700	25.200	143.383
1998	184.500	32.000	58.483	59.700	25.200	143.383
1999	184.500	32.000	58.483	59.700	25.200	143.383
2000	184.500	32.000	58.483	59.700	25.200	143.383
2001	10.800	10.800	10.800	13.920	4.720	29.440
2002	10.800	10.800	10.800	13.920	4.720	29.440
2003	10.800	10.800	10.800	13.920	4.720	29.440
2004	10.800	10.800	10.800	13.310	4.690	28.800
2005	10.800	10.800	10.800	13.920	4.690	29.410

Notes:

- (1) Determined by multiplying the respective assessed valuation by the millage rate and dividing by the total assessed valuation.
- (2) As of January 1, 1998, the Institution District was dissolved and its 3.5 tax rate (millage) was included in Allegheny County millage.

The basis for the property tax rates is per each \$1,000 of assessed valuation.

Table 6

CITY OF PITTSBURGH, PENNSYLVANIA

PRINCIPAL REAL ESTATE TAXPAYERS

DECEMBER 31, 2005

(\$'s in Thousands)

Taxpayer	Principal type of business	2005 assessed valuation	Percentage of total assessed value
500 Grant Street Associates (One Mellon Center)	Real estate	\$ 457,943	3.46%
Buncher Company	Real estate	194,923	1.47%
Market Associates (Subsidiary of PPG Industries)	Real estate	185,000	1.40%
Pittsburgh National Corporation	Commercial banking	174,660	1.32%
600 Grant Street Associates (USX Building)	Real estate	160,000	1.21%
Oxford Development	Real estate	112,000	0.85%
Grant Liberty Development	Real estate	111,000	0.84%
Hertz Gateway Center LP (previously known as Gateway Trizec, Inc.)	Real estate	71,700	0.54%
Liberty Avenue Holdings	Real estate	45,210	0.34%
Harrahs Forest Assoc.	Real estate	54,798	0.41%

Source: City of Pittsburgh - Department of Finance

Note: Total assessed value of all property in the City of Pittsburgh (in thousands) \$13,234,645

Table 7

CITY OF PITTSBURGH, PENNSYLVANIA

NET DEBT AND REMAINING DEBT INCURRING MARGIN
IN ACCORDANCE WITH ACT NO. 52, APPROVED APRIL 28, 1978

LOCAL GOVERNMENT UNIT DEBT ACT

DECEMBER 31, 2005

	Nonelectoral debt	Lease rental debt
Gross debt (1)		
Principal amount of bonds issued and outstanding		
General obligation	\$ 786,656,199	\$ -
Auditorium Authority	-	3,595,000
Stadium Authority	-	12,243,998
Urban Redevelopment Authority	-	67,754,716
	786,656,199	83,593,714
Total gross debt		
786,656,199		
Items deductible from gross debt:		
Cash and legal investments held in sinking fund		
for payment of bonds and notes	157,667	-
Cash in bond fund applicable to debt	3,535,259	-
Delinquent real estate taxes	6,768,664	-
Self-liquidating and subsidized debt:		
Taxable General Obligation Pension Bonds, 1996B	17,335,000	-
Taxable General Obligation Pension Bonds, 1998ABC	247,360,000	-
	275,156,590	-
Total deductions		
275,156,590		
Net debt	\$ 511,499,609	\$ 83,593,714

(Continued)

- (1) Direct obligations of the Pittsburgh Water and Sewer Authority in the amount of \$590,771,000 are not considered debt of the City of Pittsburgh for purposes of this calculation.

Table 7-1

CITY OF PITTSBURGH, PENNSYLVANIA

NET DEBT AND REMAINING DEBT INCURRING MARGIN IN ACCORDANCE WITH ACT NO. 52, APPROVED APRIL 28, 1978

DECEMBER 31, 2005
(Continued)

Allocation of Total Net Debt	
Net nonelectoral debt	\$ 511,499,609
Net lease rental debt	<u>83,593,714</u>
Net nonelectoral and lease rental debt	<u><u>\$ 595,093,323</u></u>

Debt Incurring Margin			
	2003	2004	2005
Total net revenue of the City	<u>\$ 358,510,299</u>	<u>\$ 363,815,277</u>	<u>\$ 398,330,261</u>
Borrowing base (arithmetic average of total net revenue for said three fiscal years)			<u><u>\$ 373,551,946</u></u>

	Net nonelectoral debt (borrowing base x 250%)	Net nonelectoral and lease rental debt (borrowing base x 350%)
Debt limitations	\$ 933,879,864	\$ 1,307,431,810
Less existing net debt	<u>(511,499,609)</u>	<u>(595,093,323)</u>
Remaining debt incurring margin	<u><u>\$ 422,380,255</u></u>	<u><u>\$ 712,338,487</u></u>

(Concluded)

Table 8

CITY OF PITTSBURGH, PENNSYLVANIA

RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA

LAST TEN YEARS

(\$'s in Thousands)

Fiscal Year	Population	Assessed value (1)	General bonded debt	Less debt service funds	Net general bonded debt	Ratio of net general bonded debt to assessed value	Net general bonded debt per capita
1996	370	\$ 2,036,489	\$ 579,210	\$ 21,747	\$ 557,463	27.37%	1,507
1997	370	2,047,441	637,768	16,749	621,019	30.33%	1,678
1998	370	2,085,013	879,185	12,512	866,673	41.57%	2,342
1999	370	2,096,829	914,640	15,705	898,935	42.87%	2,430
2000	335	2,125,768	884,428	14,798	869,630	40.91%	2,596
2001	335	13,348,278	852,821	11,044	841,777	6.31%	2,513
2002	335	14,669,013	891,423	510	890,913	6.08%	2,659
2003	335	13,578,918	860,353	172	860,181	6.34%	2,568
2004	335	13,237,682	822,272	215	822,057	6.21%	2,454
2005	335	13,234,645	786,656	177	786,479	5.94%	2,348

Notes:

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

Table 9

CITY OF PITTSBURGH, PENNSYLVANIA

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT (1) TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES

LAST TEN YEARS

(\$'s in Thousands)

Fiscal Year	Principal	Interest (2)	Total debt service	Total general governmental expenditures	Ratio of debt to general governmental expenditures
1996	\$ 17,021	\$ 24,286	\$ 41,307	\$ 442,802	9.33%
1997	13,739	31,526	45,265	419,319	10.79%
1998	25,160	41,345	66,505	680,955	9.77%
1999	24,178	48,100	72,278	457,334	15.80%
2000	32,566	50,581	83,147	454,012	18.31%
2001	33,843	50,881	84,724	474,419	17.86%
2002	32,705	44,573	77,278	483,975	15.97%
2003	30,850	43,278	74,128	496,264	14.94%
2004	40,760	48,078	88,838	489,543	18.74%
2005	40,420	43,690	84,110	461,164	18.24%

Notes:

(1) City of Pittsburgh bonds only.

(2) Excludes bond issuance and other costs.

Table 10
CITY OF PITTSBURGH, PENNSYLVANIA
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 DECEMBER 31, 2005

(\$'s in Thousands)

Jurisdiction	Net debt outstanding	Percentage applicable to City	Amount applicable to City
Direct debt:			
City of Pittsburgh:			
General obligation	\$ 786,479	100%	\$ 786,479
Stadium Authority	12,244	100%	12,244
Auditorium Authority	7,190	50%	3,595
Urban Redevelopment Authority	108,385	71%	77,240
Parking Authority	<u>115,353</u>	100%	<u>115,353</u>
Total direct debt	1,029,651		994,911
Overlapping debt:			
Pittsburgh Water and Sewer Authority (1)	590,771	0%	-
The School District of Pittsburgh	434,397	100%	434,397
Allegheny County	<u>603,336</u>	26%	<u>156,867</u>
Total overlapping debt	<u>1,628,504</u>		<u>591,264</u>
Total direct and overlapping debt	<u>\$ 2,658,155</u>		<u>\$ 1,586,175</u>

(1) - Direct obligations of the Pittsburgh Water and Sewer Authority are not considered debt of the City of Pittsburgh.

Table 11
CITY OF PITTSBURGH, PENNSYLVANIA

REVENUE BOND COVERAGE
PITTSBURGH WATER AND SEWER AUTHORITY

LAST TEN YEARS

(\$'s in Thousands)

Fiscal Year	Gross revenues	(1) Operating expenses	Net revenue available for debt service	Principal	Interest	Total	Coverage
1996	\$ 59,497	\$ 27,137	\$ 32,360	\$ 7,980	\$ 25,248	\$ 33,228	0.97
1997	53,244	25,790	27,454	9,440	23,657	33,097	0.83
1998	54,836	25,897	28,939	8,550	18,269	26,819	1.08
1999	59,319	28,728	30,591	8,885	22,953	31,838	0.96
2000	59,641	32,338	27,303	9,245	22,516	31,761	0.86
2001	60,401	38,378	22,023	9,635	22,123	31,758	0.69
2002	63,916	37,403	26,513	10,065	25,364	35,429	0.75
2003	65,187	40,347	24,840	14,055	26,631	40,686	0.61
2004	73,880	39,300	34,580	12,079	23,325	35,404	0.98
2005	85,031	39,403	45,628	17,159	23,180	40,339	1.13

Notes:

(1) Total operating expenses exclusive of depreciation and amortization.

Table 11A
CITY OF PITTSBURGH, PENNSYLVANIA

REVENUE BOND COVERAGE
 THE STADIUM AUTHORITY OF THE CITY OF PITTSBURGH (1)

LAST TEN YEARS

(\$'s in Thousands)

Fiscal Year	Gross revenues (2)	Operating expenses (3)	Net revenue available for debt service	Debt service requirements (4)			Coverage (5)
				Principal	Interest	Total	
1996	\$ 7,577	\$ 5,494	\$ 2,083	\$ 2,546	\$ 3,243	\$ 5,789	0.36
1997	5,772	7,210	(1,438)	2,547	3,889	6,436	-
1998	6,132	7,173	(1,041)	3,700	3,409	7,109	-
1999	5,326	7,485	(2,159)	7,101	2,854	9,955	-
2000	6,662	6,886	(224)	8,477	2,586	11,063	-
2001	6,997	8,468	(1,471)	4,817	2,218	7,035	-
2002 (6)	1,214	5,989	(4,775)	3,510	1,902	5,412	-
2003 (6)	1,339	678	661	3,750	1,679	5,429	0.12
2004	1,438	322	1,116	3,275	1,425	4,700	0.24
2005	1,458	358	1,100	3,485	1,204	4,689	0.23

Notes:

- (1) Figures presented are for the fiscal year end of March 31.
- (2) Total revenues including interest.
- (3) Total operating expenses exclusive of depreciation, interest, baseball lease credit adjustments, and loss on disposal of turf.
- (4) Debt service payments on notes are excluded.
- (5) The City of Pittsburgh guarantees the payment of Stadium Authority debt service and/or operating losses.
- (6) The stadium was demolished in February 2001 to make way for PNC Park and Heinz Field, both financed by the Sports and Exhibition Authority.

Table 12
CITY OF PITTSBURGH, PENNSYLVANIA

DEMOGRAPHIC STATISTICS

LAST TEN YEARS

Fiscal Year	(1) Population	(2) Per capita income	(2) Median age	(3) School enrollment	(4) Unemployment rate percentage
1996	369,879	\$ 24,241 *	34.6	39,955	4.5%
1997	369,879	25,422	34.6	40,181	4.6%
1998	369,879	26,878	38.7	39,603	4.2%
1999	369,879	28,014	40.0	38,846	4.0%
2000	334,563	29,587	40.0	38,560	4.4%
2001	334,563	30,644	40.0	37,612	4.2%
2002	334,563	34,260	35.5	35,146	5.4%
2003	334,563	32,381	36.0	34,619	4.9%
2004	334,563	33,015	35.5	34,167	5.4%
2005	334,563	34,897	40.9	32,529	5.2%

Data Sources:

- (1) Census Bureau
- (2) U.S. Department of Commerce, 17-month lag
- (3) School District of Pittsburgh
- (4) U.S. Department of Labor, Bureau of Labor Statistics

* Change in method of calculation

Table 13

CITY OF PITTSBURGH, PENNSYLVANIA**PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS**

LAST TEN YEARS

(\$'s in Thousands)

<u>Fiscal Year</u>	<u>Property value (1)</u>	<u>Number of permits issued (2)</u>	<u>Dollar value</u>	<u>Bank deposits (3)</u>
1996	\$ 2,036,489	2,793	\$ 250,315	\$ 72,833,745
1997	2,047,441	2,490	193,471	76,412,827
1998	2,085,013	2,405	388,570	80,400,721
1999	2,096,829	2,271	414,860	88,576,149
2000	2,125,768	2,283	827,765	78,406,393
2001	13,346,238	2,239	531,131	68,345,238
2002	14,293,256	2,216	344,222	68,208,452
2003	13,578,918	2,022	596,463	62,631,246
2004	13,237,682	1,926	597,596	69,486,367
2005	13,234,645	1,844	389,030	77,701,953

Notes:

(1) Assessed value from Table 4

Data Sources:

(2) Bureau of Building Inspection, City of Pittsburgh

(3) Federal Reserve Bank, Cleveland branch

Table 14
CITY OF PITTSBURGH, PENNSYLVANIA

CITY EMPLOYMENT

LAST TEN YEARS

<u>Fiscal Year</u>	<u>Regular budgeted positions</u>	<u>Actual subsequent January payroll</u>
1996	4,319	4,217
1997	4,304	4,131
1998	4,285	4,044
1999	4,234	4,067
2000	4,365	4,236
2001	4,359	4,246
2002	4,305	4,099
2003	4,337	3,654
2004	3,700	3,312
2005	3,742	3,007

CITY OF PITTSBURGH,
PENNSYLVANIA

OTHER INFORMATION

CITY OF PITTSBURGH, PENNSYLVANIA

SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS

YEAR ENDED DECEMBER 31, 2005

<u>Official</u>	<u>Budgeted Annual Salary</u>	<u>Amount of Surety Bond</u>
Mayor	\$ 94,157	\$ 10,000
Director of Finance	92,285	20,000
Controller	59,468	10,000
Members of City council (9)	53,687	-

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2005

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2006 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, 1992 Series A (Zero Coupon Bond)	6/01/1992	\$ 29,894,645	\$ 10,992,440	\$2,530,000 in 2006	6.55	\$ 1,489,080	\$ 2,530,000
				\$2,530,000 in 2007	6.60		
				\$2,530,000 in 2008	6.65		
				\$2,535,000 in 2009	6.70		
				\$2,530,000 in 2010	6.75		
				(\$1,662,560) Unamortized Bond Discount			
General Obligation Bonds, 1993 Series A	4/01/1993	60,745,000	35,605,000	\$3,175,000 in 2006	5.20	1,938,535	3,175,000
				\$3,345,000 in 2007	5.30		
				\$3,525,000 in 2008	5.40		
				\$3,710,000 in 2009	5.50		
				\$3,915,000 in 2010	5.50		
				\$4,130,000 in 2011	5.50		
				\$4,360,000 in 2012	5.50		
				\$4,595,000 in 2013	5.50		
				\$4,850,000 in 2014	5.50		
General Obligation Bonds, 1996 Series A	12/15/1996	162,535,000	34,205,000	\$19,485,000 in 2006	6.00	1,467,750	19,485,000
				\$14,720,000 in 2007	6.00		
General Obligation Bonds, 1996 Series B	12/15/1996	37,710,000	17,335,000	\$865,000 in 2006	6.55	1,154,466	865,000
				\$925,000 in 2007	6.55		
				\$985,000 in 2008	6.60		
				\$1,055,000 in 2009	6.60		
				\$1,125,000 in 2010	6.60		
				\$1,200,000 in 2011	6.60		
				\$1,285,000 in 2012	6.60		
				\$1,375,000 in 2013	7.00		
				\$1,475,000 in 2014	7.00		
				\$1,580,000 in 2015	7.00		
				\$1,695,000 in 2016	7.00		
				\$1,820,000 in 2017	7.00		
\$1,950,000 in 2018	7.00						
Subtotal			98,137,440			6,049,831	26,055,000

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2005

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2006 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, 1997 Series A	12/01/1997	20,295,000	2,970,000	\$2,970,000 in 2006	5.00	148,500	2,970,000
General Obligation Bonds, 1997 Series B	12/01/1997	29,735,000	3,120,000	\$3,120,000 in 2007	4.60	143,520	-
General Obligation Bonds, 1998 Series ABC	3/01/1998	255,865,000	247,360,000	\$2,320,000 in 2006	6.05	16,086,999	2,320,000
				\$2,460,000 in 2007	6.10		
				\$2,565,000 in 2008	6.13		
				\$2,770,000 in 2009	7.00		
				\$3,010,000 in 2010	6.25		
				\$3,230,000 in 2011	6.25		
				\$7,890,000 in 2012	6.30		
				\$10,985,000 in 2013	6.35		
				\$11,690,000 in 2014	6.50		
				\$12,715,000 in 2015	6.50		
				\$13,560,000 in 2016	6.50		
				\$18,245,000 in 2017	6.50		
				\$13,235,000 in 2018	6.50		
				\$20,030,000 in 2019	6.60		
				\$21,400,000 in 2020	6.60		
				\$22,860,000 in 2021	6.60		
				\$24,425,000 in 2022	6.60		
				\$26,095,000 in 2023	6.60		
				\$27,875,000 in 2024	6.60		
Subtotal			<u>253,450,000</u>			<u>16,379,019</u>	<u>5,290,000</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2005

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2006 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, 1998 Series D	3/01/1998	129,490,000	114,680,000	\$7,050,000 in 2006	5.00	5,765,215	7,050,000
				\$7,400,000 in 2007	5.00		
				\$7,770,000 in 2008	5.25		
				\$8,195,000 in 2009	4.35		
				\$8,545,000 in 2010	5.00		
				\$8,985,000 in 2011	5.25		
				\$9,470,000 in 2012	4.60		
				\$9,900,000 in 2013	5.25		
				\$10,435,000 in 2014	5.13		
				\$7,795,000 in 2015	5.13		
				\$8,195,000 in 2016	5.25		
				\$4,980,000 in 2017	5.25		
				\$275,000 in 2018	5.00		
				\$2,305,000 in 2019	5.00		
				\$2,425,000 in 2020	5.00		
\$2,545,000 in 2021	5.00						
\$2,670,000 in 2022	5.00						
\$2,800,000 in 2023	5.00						
\$2,940,000 in 2024	5.00						
General Obligation Bonds, 1999 Series A	12/15/1999	57,140,000	1,530,000	\$255,000 in 2006	4.75	75,480	255,000
				\$255,000 in 2007	4.80		
				\$255,000 in 2008	4.90		
				\$255,000 in 2009	5.00		
				\$255,000 in 2010	5.00		
				\$255,000 in 2011	5.15		
Subtotal			116,210,000			5,840,695	7,305,000

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2005

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2006 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, 2002 Series A	1/17/2002	126,585,000	123,425,000	\$1,925,000 in 2006	4.00	6,524,672	1,925,000
				\$2,000,000 in 2007	4.00		
				\$1,980,000 in 2008	4.50		
				\$2,105,000 in 2009	5.00		
				\$2,275,000 in 2010	5.00		
				\$2,526,000 in 2011	5.00		
				\$10,500,000 in 2012	5.00		
				\$11,015,000 in 2013	5.50		
				\$11,545,000 in 2014	5.50		
				\$14,140,000 in 2015	5.50		
				\$14,570,000 in 2016	5.50		
				\$15,205,000 in 2017	5.13		
				\$3,495,000 in 2018	5.13		
				\$3,145,000 in 2019	5.13		
				\$3,310,000 in 2020	5.20		
				\$3,480,000 in 2021	5.25		
				\$3,660,000 in 2022	5.25		
\$3,850,000 in 2023	5.25						
\$4,055,000 in 2024	5.25						
\$4,265,000 in 2025	5.25						
\$4,490,000 in 2026	5.25						
General Obligation Bonds, 2003 Series A	6/01/2003	13,575,000	13,565,000	\$5,000 in 2006	4.00	517,269	5,000
				\$5,000 in 2007	4.00		
				\$5,000 in 2008	4.50		
				\$5,000 in 2009	5.00		
				\$5,000 in 2010	5.00		
				\$5,000 in 2011	5.00		
				\$6,655,000 in 2012	5.00		
\$6,880,000 in 2013	5.50						
Subtotal			<u>136,990,000</u>			<u>7,041,941</u>	<u>1,930,000</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2005

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2006 Maximum Debt Service Requirements	
						Interest	Principal
General Obligation Bonds, 2005 Series A	5/01/2005	116,860,000	116,860,000	\$3,470,000 in 2008 \$5,015,000 in 2009 \$35,635,000 in 2010 \$37,385,000 in 2011 \$6,415,000 in 2012 \$4,255,000 in 2013 \$4,465,000 in 2014 \$4,690,000 in 2015 \$4,930,000 in 2016 \$5,170,000 in 2017 \$5,430,000 in 2018	5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00	5,843,000	-
General Obligation Bonds, 2005 Series B	6/01/2005	78,135,000	78,135,000	\$7,045,000 in 2006 \$13,200,000 in 2007 \$28,925,000 in 2008 \$28,965,000 in 2009	5.00 5.00 5.00 5.00	3,906,750	7,045,000
Subtotal			<u>799,782,440</u>			<u>45,061,236</u>	<u>47,625,000</u>
Less: Unamortized bond issuance costs			(6,292,412)				
Unamortized bond discounts/premiums			14,716,152				
Excess costs on debt refinancing			(10,557,541)				
Less bonds funded by Stadium Authority			<u>(10,992,440)</u>			<u>(1,489,080)</u>	<u>(2,530,000)</u>
Total general obligation bonds payable			<u>\$ 786,656,199</u>			<u>\$ 43,572,156</u>	<u>\$ 45,095,000</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2005

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2006 Maximum Debt Service Requirements	
						Interest	Principal
Public Auditorium Authority Revenue Bonds (City Share) Auditorium Bonds (Refunding), 2005 Series A	9/15/2005	\$ 4,172,500	\$ 3,595,000	\$585,000 in 2006 \$870,000 in 2007 \$180,000 in 2008 \$182,500 in 2009 \$187,500 in 2010 \$197,500 in 2011 \$207,500 in 2012 \$225,500 in 2013 \$232,500 in 2014 \$237,500 in 2015 \$250,000 in 2016 \$117,500 in 2017 \$122,500 in 2018	4.00 4.00 3.05 4.00 4.00 3.38 3.45 3.50 3.60 3.65 3.80 3.90 4.00	\$ 136,211	\$ 585,000
Total Auditorium Authority Revenue Bonds			<u>\$ 3,595,000</u>			<u>\$ 136,211</u>	<u>\$ 585,000</u>
<u>Urban Redevelopment Authority Taxable Revenue Bonds</u> Urban Redevelopment Authority of Pittsburgh Special Tax Development Bonds, 2005 Series	9/1/2005	\$ 57,470,000	\$ 57,470,000	\$4,830,000 in 2006 \$5,065,000 in 2007 \$5,320,000 in 2008 \$5,585,000 in 2009 \$5,885,000 in 2010 \$6,205,000 in 2011 \$6,525,000 in 2012 \$6,880,000 in 2013 \$11,175,000 in 2014	4.50 4.75 4.75 5.00 5.00 5.00 5.00 5.00 5.00	\$ 2,806,850	\$ 4,830,000

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2005

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2006 Maximum Debt Service Requirements	
						Interest	Principal
Urban Redevelopment Authority Tax Increment Financing Bonds, 1995 Series B	12/1/1995	2,855,787	1,642,691	\$189,250 in 2006	5.75	93,355	189,250
				\$200,605 in 2007	6.00		
				\$215,745 in 2008	6.00		
				\$232,778 in 2009	6.00		
				\$247,918 in 2010	6.00		
				\$556,395 in 2011	6.00		
Urban Redevelopment Authority Tax Increment Financing Bonds, 1995 Series C	12/1/1995	1,637,016	1,267,977	\$79,485 in 2006	5.75	76,566	79,485
				\$81,378 in 2007	6.25		
				\$88,948 in 2008	6.25		
				\$94,625 in 2009	6.25		
				\$102,195 in 2010	6.25		
				\$111,658 in 2011	6.25		
				\$119,228 in 2012	6.25		
				\$128,690 in 2013	6.25		
				\$140,045 in 2014	6.25		
				\$321,725 in 2015	6.25		
Urban Redevelopment Authority Tax Increment Financing Bonds, 1996 Series	5/15/1996	3,179,187	2,268,689	\$154,898 in 2006	7.43	173,317	154,898
				\$168,121 in 2007	7.48		
				\$179,455 in 2008	7.53		
				\$196,456 in 2009	8.01		
				\$211,568 in 2010	8.01		
				\$230,458 in 2011	8.01		
				\$247,459 in 2012	8.01		
				\$270,127 in 2013	8.01		
				\$290,906 in 2014	8.01		
				\$319,241 in 2015	8.01		
Subtotal			5,179,357			343,238	423,633

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2005

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2006 Maximum Debt Service Requirements	
						Interest	Principal
Urban Redevelopment Authority Tax Increment Financing Bonds, 1999 Series	11/15/1999	4,723,205	4,038,271	\$169,196 in 2006	7.40	278,159	169,196
				\$183,465 in 2007	7.48		
				\$195,696 in 2008	7.50		
				\$212,004 in 2009	7.55		
				\$228,312 in 2010	7.85		
				\$246,659 in 2011	7.85		
				\$267,044 in 2012	7.85		
				\$289,467 in 2013	7.85		
				\$313,929 in 2014	7.85		
				\$338,391 in 2015	7.85		
				\$360,815 in 2016	6.10		
				\$383,238 in 2017	6.10		
				\$409,739 in 2018	6.10		
\$440,316 in 2019	6.10						
Urban Redevelopment Authority Tax Increment Financing Bonds, 2000 Series	3/15/2000	6,115,500	5,298,064	\$222,197 in 2006	7.46	408,325	222,197
				\$244,620 in 2007	7.48		
				\$267,044 in 2008	7.53		
				\$291,506 in 2009	7.58		
				\$322,083 in 2010	7.63		
				\$350,622 in 2011	7.68		
				\$383,238 in 2012	7.95		
				\$419,931 in 2013	7.95		
				\$460,701 in 2014	7.95		
				\$503,510 in 2015	7.95		
				\$525,933 in 2016	8.05		
				\$574,857 in 2017	8.05		
				\$625,820 in 2018	8.05		
\$106,002 in 2019	8.05						
Subtotal			9,336,335			686,484	391,393

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2005

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2006 Maximum Debt Service Requirements	
						Interest	Principal
Urban Redevelopment Authority Tax Increment Financing Bonds, 2001 Series	12/15/2001	1,456,593	1,251,132	\$55,035 in 2006	6.61	84,805	55,035
				\$60,539 in 2007	6.61		
				\$64,208 in 2008	6.61		
				\$67,877 in 2009	6.61		
				\$73,380 in 2010	6.61		
				\$77,049 in 2011	6.61		
				\$82,553 in 2012	6.71		
				\$88,056 in 2013	6.71		
				\$95,560 in 2014	7.16		
				\$100,898 in 2015	7.16		
				\$108,236 in 2016	7.16		
				\$117,408 in 2017	7.16		
				\$124,746 in 2018	7.16		
				\$135,753 in 2019	7.16		
Urban Redevelopment Authority Tax Increment Financing Bonds, 2003 Series A	1/1/2003	1,396,055	1,330,016	\$27,518 in 2006	8.25	110,302	27,518
				\$42,194 in 2007	8.25		
				\$44,028 in 2008	8.25		
				\$49,532 in 2009	8.25		
				\$53,201 in 2010	8.25		
				\$69,711 in 2011	8.25		
				\$77,049 in 2012	8.25		
				\$82,553 in 2013	8.25		
				\$89,891 in 2014	8.25		
				\$110,070 in 2015	8.25		
				\$121,077 in 2016	8.50		
				\$132,084 in 2017	8.50		
				\$139,422 in 2018	8.50		
				\$291,686 in 2019	8.50		
Subtotal			<u>2,581,148</u>			<u>195,107</u>	<u>82,553</u>

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2005

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2006 Maximum Debt Service Requirements	
						Interest	Principal
Urban Redevelopment Authority Tax Increment Financing Bonds, 2003 Series B	1/1/2003	1,201,598	1,183,257	\$18,345 in 2006	10.50	123,278	18,345
				\$27,518 in 2007	10.50		
				\$31,187 in 2008	10.50		
				\$40,359 in 2009	10.50		
				\$45,863 in 2010	10.50		
				\$56,870 in 2011	10.50		
				\$64,208 in 2012	10.50		
				\$78,884 in 2013	10.50		
				\$88,056 in 2014	10.50		
				\$97,229 in 2015	10.50		
				\$108,236 in 2016	10.50		
				\$119,243 in 2017	10.50		
				\$132,084 in 2018	10.50		
\$275,175 in 2019	10.50						
Urban Redevelopment Authority Tax Increment Financing Note, 2003 Series		1,515,297	1,489,619	\$34,856 in 2006	Variable	95,692	34,856
				\$40,359 in 2007	Variable		
				\$44,028 in 2008	Variable		
				\$49,532 in 2009	Variable		
				\$55,035 in 2010	Variable		
				\$58,704 in 2011	Variable		
				\$64,208 in 2012	Variable		
				\$69,711 in 2013	Variable		
				\$78,884 in 2014	Variable		
				\$84,387 in 2015	Variable		
				\$89,891 in 2016	Variable		
				\$93,560 in 2017	Variable		
				\$104,567 in 2018	Variable		
\$115,574 in 2019	Variable						
\$121,077 in 2020	Variable						
\$133,919 in 2021	Variable						
\$146,760 in 2022	Variable						
Total Urban Redevelopment Authority Bonds and Notes Payable			<u>\$ 77,239,716</u>			<u>\$ 4,250,649</u>	<u>\$ 5,780,780</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2005

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2006 Maximum Debt Service Requirements	
						Interest	Principal
Stadium Authority Revenue Bonds Guaranteed Refunding Bonds, Series 1993	8/15/1993	\$ 15,945,000	\$ 2,040,000	\$2,040,000 in 2005	5.00	\$ 102,000	\$ 2,040,000
			(11,002)				
			<u>10,215,000</u>			<u>1,057,061</u>	<u>2,207,939</u>
Less: Unamortized bond discount							
Plus: Gen. Oblig, Bonds funded by Stadium Authority							
Net Stadium Authority Bonds and Notes Payable			<u>\$ 12,243,998</u>			<u>\$ 1,159,061</u>	<u>\$ 4,247,939</u>
<u>Public Parking Authority of Pittsburgh</u> Parking Authority Revenue Bonds, Series 2002	11/01/2002	\$ 38,595,000	\$ 32,920,000	\$3,625,000 in 2006 \$3,720,000 in 2007 \$3,845,000 in 2008 \$3,975,000 in 2009 \$4,130,000 in 2010 \$4,320,000 in 2011 \$4,535,000 in 2012 \$4,770,000 in 2013	2.00 2.75 4.00 3.25 4.50 5.00 5.00 5.00	\$ 1,303,638	\$ 3,625,000
Parking Authority Current Interest Bonds, Series 2005A	01/15/2005	2,010,000	2,010,000	\$80,000 in 2006 \$85,000 in 2007 \$100,000 in 2008 \$105,000 in 2009 \$115,000 in 2010 \$125,000 in 2011 \$700,000 in 2019 \$500,000 in 2020 \$200,000 in 2026	2.00 2.20 2.30 2.50 2.70 3.00 4.00 4.10 4.30	72,350	80,000
Parking Authority Capital Appreciation Bonds, Series 2005A	01/15/2005	4,439,665	4,439,665	\$708,000 in 2013 \$1,175,510 in 2014 \$1,113,420 in 2015 \$602,490 in 2016 \$570,020 in 2017 \$270,225 in 2018	3.95 4.09 4.22 4.33 4.43 4.50	-	-
Subtotal			<u>39,369,665</u>			<u>1,375,988</u>	<u>3,705,000</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2005

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2006 Maximum Debt Service Requirements	
						Interest	Principal
Parking Authority Current Interest Bonds, Series 2005 B	01/15/2005	29,780,000	29,780,000	\$130,000 in 2012	3.10	1,376,930	-
				\$2,850,000 in 2019	4.00		
				\$3,100,000 in 2020	5.00		
				\$2,850,000 in 2021	5.00		
				\$2,950,000 in 2022	5.00		
				\$3,100,000 in 2023	5.00		
				\$3,250,000 in 2024	4.75		
				\$5,755,000 in 2025	4.75		
				\$5,795,000 in 2026	4.75		
				Parking Authority Capital Appreciation Bonds, Series 2005 B	01/15/2005		
\$1,423,304 in 2014	4.12						
\$1,341,375 in 2015	4.25						
\$1,645,096 in 2016	4.36						
\$1,408,342 in 2017	4.46						
\$1,595,941 in 2018	4.53						
Parking Authority Refunding Bonds, Series 2005 A	05/15/2005	34,745,000	34,745,000			\$60,000 in 2006	2.50
				\$70,000 in 2007	2.80		
				\$100,000 in 2009	3.00		
				\$365,000 in 2012	3.60		
				\$1,815,000 in 2013	5.00		
				\$1,905,000 in 2014	5.00		
				\$2,005,000 in 2015	5.00		
				\$2,100,000 in 2016	5.00		
				\$1,960,000 in 2017	5.00		
				\$2,325,000 in 2018	5.00		
				\$2,435,000 in 2019	5.00		
				\$2,565,000 in 2020	5.00		
				\$2,695,000 in 2021	5.00		
				\$2,845,000 in 2022	5.00		
				\$2,970,000 in 2023	5.00		
				\$3,115,000 in 2024	5.00		
				\$3,115,000 in 2025	5.00		
\$2,300,000 in 2026	4.50						
Subtotal			<u>73,969,297</u>			<u>3,057,933</u>	<u>60,000</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2005

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2006 Maximum Debt Service Requirements	
						Interest	Principal
Parking Authority Refunding Bonds, Series 2005 B	05/15/05	3,160,000	2,840,000	\$350,000 in 2006 \$350,000 in 2007 \$440,000 in 2008 \$345,000 in 2009 \$370,000 in 2010 \$485,000 in 2011 \$250,000 in 2012 \$250,000 in 2017	2.50 2.80 3.00 3.00 3.30 3.40 3.60 4.00	89,800	350,000
			<u>116,178,962</u>			<u>4,523,721</u>	<u>4,115,000</u>
Plus: Bond premium			1,826,100				
Less: Unamortized discount			(90,300)				
Less: Deferred amount on refinancing			<u>(2,561,358)</u>				
Total Public Parking Authority Bonds and Notes Payable			<u>\$ 115,353,404</u>			<u>\$ 4,523,721</u>	<u>\$ 4,115,000</u>
<u>Water and Sewer Authority Bonds</u>							
Revenue Refunding Bonds, 1993 Series A	10/15/1993	\$ 278,970,000	\$ 49,105,000	\$15,350,000 in 2011 \$16,345,000 in 2012 \$17,410,000 in 2013	6.50 6.50 6.50	\$ 3,191,825	\$ -
First Lien Revenue Bonds, 1998 Series A	3/1/1998	93,355,000	92,925,000	\$8,455,000 in 2017 \$8,450,000 in 2018 \$9,325,000 in 2019 \$9,790,000 in 2020 \$10,280,000 in 2021 \$10,790,000 in 2022 \$11,345,000 in 2023 \$11,940,000 in 2024 \$12,550,000 in 2025	5.00 5.00 5.00 5.00 5.00 5.10 5.25 5.10 5.05	4,703,618	-
			<u>142,030,000</u>			<u>7,895,443</u>	<u>-</u>

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2005

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2006 Maximum Debt Service Requirements	
						Interest	Principal
First Lien Revenue Bonds, 1998 Series B (zero coupon bonds)	3/1/1998	36,440,070	54,781,000	\$2,300,000 in 2017	5.18	-	-
				\$2,300,000 in 2018	5.21		
				\$2,300,000 in 2019	5.22		
				\$2,300,000 in 2020	5.22		
				\$2,300,000 in 2021	5.26		
				\$2,305,000 in 2022	5.26		
				\$2,300,000 in 2023	5.26		
				\$4,160,000 in 2024	5.27		
				\$4,160,000 in 2025	5.27		
				\$31,755,000 in 2026	5.26		
				\$31,755,000 in 2027	5.31		
				\$31,755,000 in 2028	5.28		
				\$31,755,000 in 2029	5.30		
				\$14,660,000 in 2030	5.23		
			(\$111,324,930) Unamortized Bond Discount				
Subordinate Revenue Bonds, 1998 Series C	3/1/1998	101,970,000	98,850,000	\$9,225,000 in 2017	5.00	5,029,326	-
				\$9,685,000 in 2018	5.00		
				\$7,050,000 in 2019	5.00		
				\$10,680,000 in 2020	5.10		
				\$11,225,000 in 2021	5.10		
				\$11,795,000 in 2022	5.25		
				\$12,415,000 in 2023	5.13		
				\$13,055,000 in 2024	5.10		
				\$13,720,000 in 2025	5.05		
Subtotal			153,631,000			5,029,326	-

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2005

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2006 Maximum Debt Service Requirements	
						Interest	Principal
First Lien Revenue Bonds, 2002 Series	3/1/2002	107,500,000	103,600,000	\$2,070,000 in 2006	4.00	5,228,862	2,070,000
				\$2,150,000 in 2007	4.00		
				\$2,235,000 in 2008	4.00		
				\$2,335,000 in 2009	4.50		
				\$2,440,000 in 2010	4.50		
				\$2,540,000 in 2011	4.00		
				\$2,665,000 in 2012	5.00		
				\$2,815,000 in 2013	5.50		
				\$2,955,000 in 2014	5.00		
				\$3,100,000 in 2015	5.00		
				\$3,270,000 in 2016	5.50		
				\$3,450,000 in 2017	5.50		
				\$3,615,000 in 2018	4.75		
				\$3,795,000 in 2019	5.00		
				\$3,985,000 in 2020	5.00		
				\$4,195,000 in 2021	5.25		
				\$4,415,000 in 2022	5.25		
				\$4,650,000 in 2023	5.25		
				\$4,890,000 in 2024	5.25		
				\$5,145,000 in 2025	5.13		
\$5,405,000 in 2026	5.13						
\$5,685,000 in 2027	5.13						
\$5,975,000 in 2028	5.13						
\$6,280,000 in 2029	5.13						
\$6,600,000 in 2030	5.13						

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2005

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2006 Maximum Debt Service Requirements	
						Interest	Principal
First Lien Revenue Refunding Bonds, 2003 Series	10/03/2003	167,390,000	143,895,000	\$13,835,000 in 2006	1.900	4,819,659	13,835,000
				\$14,100,000 in 2007	2.300		
				\$14,425,000 in 2008	2.650		
				\$14,805,000 in 2009	3.000		
				\$15,250,000 in 2010	3.300		
				\$405,000 in 2011	3.375		
				\$415,000 in 2012	3.625		
				\$430,000 in 2013	3.750		
				\$18,990,000 in 2014	4.000		
				\$19,750,000 in 2015	4.000		
				\$20,535,000 in 2016	4.000		
				\$1,375,000 in 2017	4.125		
				\$1,430,000 in 2018	4.250		
				\$1,490,000 in 2019	4.375		
\$1,560,000 in 2020	4.375						
\$1,625,000 in 2021	4.500						
\$1,700,000 in 2022	4.625						

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2005

(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2006 Maximum Debt Service Requirements	
						Interest	Principal
First Lien Revenue Bonds, 2005 Series	38,496	50,385,000	50,385,000	\$875,000 in 2006	3.00	2,306,330	875,000
				\$970,000 in 2007	3.00		
				\$995,000 in 2008	3.25		
				\$1,030,000 in 2009	3.25		
				\$1,065,000 in 2010	3.25		
				\$1,095,000 in 2011	3.20		
				\$1,130,000 in 2012	3.30		
				\$1,170,000 in 2013	3.40		
				\$1,210,000 in 2014	3.50		
				\$1,250,000 in 2015	3.63		
				\$1,300,000 in 2016	5.00		
				\$1,365,000 in 2017	5.00		
				\$1,860,000 in 2018	5.00		
				\$4,625,000 in 2019	5.00		
				\$1,580,000 in 2020	4.00		
				\$1,645,000 in 2021	4.13		
				\$1,710,000 in 2022	5.00		
				\$1,795,000 in 2023	5.00		
				\$1,885,000 in 2024	5.00		
				\$1,980,000 in 2025	5.00		
\$2,080,000 in 2026	5.00						
\$2,185,000 in 2027	5.00						
\$2,290,000 in 2028	5.00						
\$2,405,000 in 2029	5.00						
\$2,525,000 in 2030	5.00						
\$2,655,000 in 2031	5.00						
\$2,785,000 in 2032	5.00						
\$2,925,000 in 2033	5.00						

(Continued)

CITY OF PITTSBURGH, PENNSYLVANIA

SCHEDULE OF BONDS AND NOTES PAYABLE

YEAR ENDED DECEMBER 31, 2005

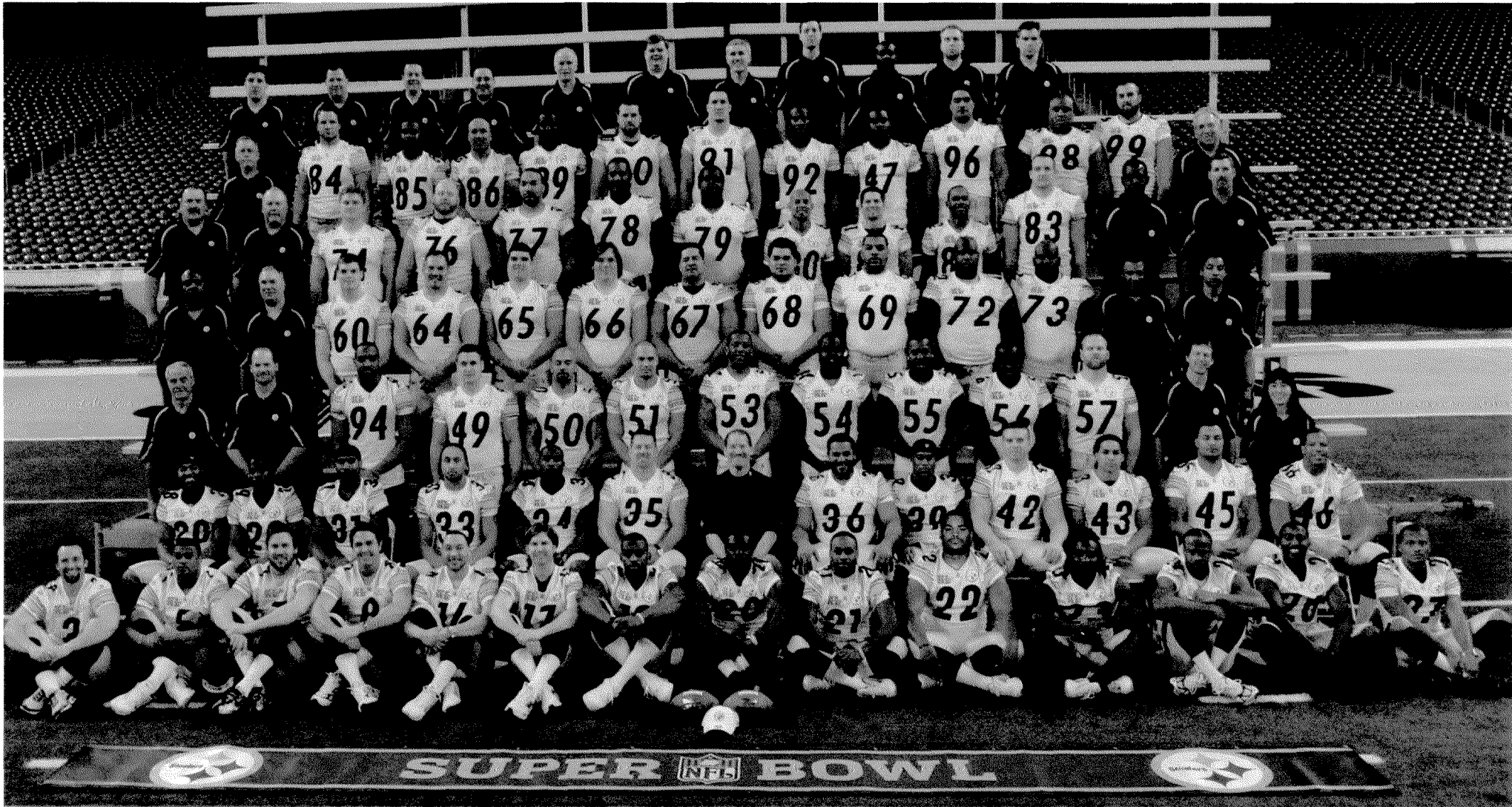
(Continued)

Serial Bonds	Date of Issue	Amount Sold	Amount Outstanding	Maturity Information	Coupon or Ceiling Rate of Interest	2006 Maximum Debt Service Requirements	
						Interest	Principal
Pennvest Revolving Loan	Various	14,968,000	14,968,000	\$770,000 in 2006 \$781,000 in 2007 \$786,000 in 2008 \$789,400 in 2009 \$799,400 in 2010 \$831,600 in 2011 \$831,600 in 2012 \$831,600 in 2013 \$831,600 in 2014 \$831,600 in 2015 \$889,200 in 2016 \$889,200 in 2017 \$889,200 in 2018 \$889,200 in 2019 \$889,200 in 2020 \$609,750 in 2021 \$609,750 in 2022 \$609,750 in 2023 \$609,750 in 2024	Variable	170,000	770,000
Gross Water and Sewer Authority Revenue Bonds			<u>608,509,000</u>			<u>25,449,620</u>	<u>17,550,000</u>
Plus: Net bond discount			(967,000)				
Less: Deferred series 1991 refunding loss			(10,672,000)				
Deferred series 1998 refunding loss			(3,438,000)				
Deferred series 2003 refunding loss			<u>(2,661,000)</u>				
Net Water and Sewer Authority Revenue Bonds			<u>\$ 590,771,000</u>			<u>\$ 25,449,620</u>	<u>\$ 17,550,000</u>

(Concluded)

CITY OF PITTSBURGH,
PENNSYLVANIA

Congratulations Pittsburgh Steelers Super Bowl XL Champs



Grateful appreciation is extended to the Pittsburgh Steeler organization for the use of their photos.

Office of City Controller

Anthony J. Pokora, Acting City Controller

414 Grant Street Pittsburgh, Pennsylvania 15219