

Financial Statements

THE ALLEGHENY REGIONAL ASSET DISTRICT

December 31, 2006

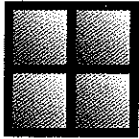
THE ALLEGHENY REGIONAL ASSET DISTRICT

Financial Statements

December 31, 2006

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McKeever Varga & Senko

*Certified Public Accountants
Personal Financial Planners
Business Consultants*

Independent Auditors' Report

Board of Directors

THE ALLEGHENY REGIONAL ASSET DISTRICT

Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, and each major fund of The Allegheny Regional Asset District (District) as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis and Budgetary Comparison information on pages 3 through 7 and 21 through 22 are not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with Section 3119-B of Act 1993-77 dated December 22, 1993, insofar as it relates to the District's documentation of employment practices and actions taken by the Board of Directors of the District to develop and expand minority and women's business enterprises. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance


Certified Public Accountants

March 19, 2007

MANAGEMENT DISCUSSION AND ANALYSIS

As management of the Allegheny Regional Asset District (“the District”), we offer readers of the District’s financial statements this narrative and overview of financial activities of the District for the fiscal year ended December 31, 2006.

Fund Financial Statements

Since the activities of the District are limited to making grants to eligible regional assets, the funds of the District are all governmental in nature. There are no proprietary or fiduciary funds at this time. The governmental funds include a General Fund for paying for the business operations of the District and a Sales Tax Revenue Fund for receiving the proceeds of the sales tax and making allocations to assets

The financial statements are presented in compliance with rules of the Governmental Accounting Standards Board (GASB). As a result, the District is not able to balance its long term debt with future revenues despite the fact that payment of the debt is entirely contingent on receipt of those revenues. Therefore, the statement of net assets shows a negative unrestricted deficit.

GASB also requires the presentation of statements by activity category. However, the District has only one activity area, making grants to regional assets.

Overview of the Financial Statements

The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

Government-wide Financial Statements.

These statements are designed to provide the reader with an overview of the entire District operation.

The *statement of net assets* presents information on all of the District’s assets and liabilities with the difference reported as net assets. The District’s restricted net assets represents reserve for funding future grants. The unrestricted net assets are a combination of long term debt offset by the general fund balance. As noted above, GASB now prohibits offsetting long term debt with future revenue.

The *statement of activities* presents information showing how the government’s net assets changed during the last year. The District does not charge for its services so there is no program revenue to record.

Governmental Funds

The governmental fund statements deal with the near term receipts and expenditures and are useful in evaluating performance during a fiscal period. The statements include a *combined balance sheet* for the two funds showing the overall financial position at the end of the year, and a *statement of revenue, expenditures and changes in fund balance* for both funds. Finally, because the District adopts a budget for both funds, there are statements comparing budget and actual for both funds.

Notes to the Financial Statements. The notes are designed to assist the reader in understanding the legal structure and purpose of the District as well as its organization, basis of accounting, financial procedures and commitments.

Government-wide Financial Analysis

The District does not conduct business related activities so all of the net assets and liabilities are shown under governmental activities.

As illustrated in the following table, current assets represent cash and investments along with taxes receivable. The long term liabilities represent the principal amount of a 1999 bond issue that supported grants to the Sports and Exhibition Authority for the construction of new stadium and convention center facilities. The District pledged future grants of \$13,400,000 a year toward the debt contingent on receipt of sufficient revenues. The obligation goes through the 2031 budget year. Other liabilities are miscellaneous grants payable to a number of regional assets.

Restricted net assets are funds that are available for future grant making while the unrestricted net assets represent the long term debt offset by general fund revenue not pledged toward future grant making. The negative net assets results from the fact that the District does not own property or equipment of sufficient value to offset long term obligations.

Allegheny Regional Asset District Net Assets

Governmental Activities - 2006

Current and other Assets	\$ 36,398,808
Total Assets	\$ 36,398,808
Long Term Liabilities Outstanding	\$ 176,625,000
Other Liabilities	\$ 2,535,338
Total Liabilities	\$ 179,160,338
Net Assets	
Restricted	\$ 33,665,824
Unrestricted	(\$176,427,354)
Total Net Assets	(\$142,761,530)

As shown in the following table, governmental activities increased net assets as a result of tax and interest revenue in excess of initial budget estimates.

Allegheny Regional Asset District
Change in Net Assets
Governmental Activities-2006

Revenues	
General Revenues	
Sales Tax (including \$650,000 increase in taxes receivable)	\$ 78,184,427
Investment Income	\$ 1,128,080
Miscellaneous Revenue	\$ 169,657
Total General Revenue and Transfers	\$ 79,482,164
Expenses	
General Government	\$ 542,547
Culture and Recreation	\$ 63,238,537
Interest on long term debt	\$ 10,870,000
Total Expense	\$ 74,651,084
Change in Net Assets	
Net assets 12/31/05	(\$147,592,610)
Net assets 12/31/06	(\$142,761,530)

Financial Analysis of Government Fund's

The following chart provides detail on the activities in the two governmental funds as well as the interaction between them. In addition to tax revenue, the District receives repayment on grants either as a matter of contract or audit finding. Other grants lapse when actual project costs are less than authorized. These results had a no impact on the District finances in 2006.

	Sales Tax Revenue Fund	General Fund
Balance 12/31/05 net of receivables	\$ 15,893,779	\$ 188,612
Actual tax revenue	\$ 77,534,427	
Interest earnings	\$ 1,119,046	\$ 9,034
Allocations authorized	(\$74,108,538)	
Transfer to general fund	(\$ 542,547)	\$ 542,547
Lapses, refunds, misc. revenue	\$ 169,657	
Net administrative expenses		\$ (542,547)
Balance 12/31/06 net of receivables	\$20,065,824	\$ 197,646
Receivable taxes (pledged to 2006 grants)	\$13,600,000	
Fund Balance 12/31/06	\$33,665,824	\$ 197,646

Comparative Analysis

Current revenue (taxes plus interest) to the Sales Tax Revenue Fund increased by 3.6% over the previous year. The District projected a reduction in consumer spending during 2006 in light of increasing interest rates and energy costs. The reductions did not materialize. Although auto sales tax revenue declined by 4.5% as expected, other retail sales more than made up the difference. As a result, the District did not need to utilize reserve to meet its 2006 obligations and, in fact, added to net assets by year end. With additional resources the Board increased 2007 allocations by \$3.6 million or by 4.7% from the previous year. The board also reopened the discretionary capital grant program.

The following table details the current revenue history.

Sales Tax Revenue Fund Current Revenue History

	Tax (a)	Interest (b)	Total Current Revenue (a+b)	% change prev. year
1995	\$ 52,770,292	\$ 886,277	\$ 53,656,569	
1996	\$ 59,826,998	\$ 1,030,649	\$ 60,857,647	13.4%
1997	\$ 62,844,529	\$ 1,224,352	\$ 64,068,881	5.3%
1998	\$ 65,949,865	\$ 1,243,500	\$ 67,193,365	4.8%
1999	\$ 68,358,116	\$ 1,381,486	\$ 69,739,602	3.8%
2000	\$ 73,546,980	\$ 1,975,485	\$ 75,522,465	8.3%
2001	\$ 71,895,902	\$ 1,270,408	\$ 73,166,310	-3.1%
2002	\$ 72,557,965	\$ 548,017	\$ 73,105,982	-.001%
2003	\$ 71,765,711	\$ 303,005	\$ 72,068,716	-1.5%
2004	\$ 72,543,230	\$ 298,079	\$ 72,841,309	1.0%
2005	\$ 75,270,261	\$ 631,928	\$ 75,902,189	4.2%
2006	\$ 77,534,427	\$ 1,119,046	\$ 78,653,473	3.6%

The District Board adopted a Sales Tax Revenue Fund fund balance (reserve) target to equal 15% of current revenue which, based on 2006 revenue would be \$11.6 million, net of receivables. The District's intention is to reduce the reserve until that level is reached.

The general fund balance stood at \$197,646 at the end of the year an increase of \$9,034 representing interest earned during the year. In 2007, the Board has budgeted to \$30,000 of the balance toward new obligations.

Budget Variances

In the sales tax revenue fund, the District initially anticipated \$72.9 million in new tax receipts for the year. That estimate was revised upward during the year based on actual experience. The final tax receipt was \$77.5 million. Interest earnings were anticipated at \$450,000 and came in at \$1.1 million due to rate increases during the year and higher than anticipated balances. The expense budget was amended once during the year. Act 77 requires that the District allocate 1% of its annual tax revenue to each of the Pittsburgh and Allegheny County regional parks for capital projects. Once the final revenue was known, the contracts were amended increasing the budget by a total of \$92,688.

The general fund expenditures were below budget in total although certain line items were minimally exceeded. These were offset with lower than anticipated expenditures in other areas.

Other Significant Matters

Three new board members were appointed in 2006, Mr. Robert Jones, Mr Stanley Parker and Ms Dusty Elias Kirk. Dr. Herman Jones was reelected as the at large member

There were no additions to the debt of the District during 2006.

Other than furniture and equipment, the District does not own property and is not responsible for infrastructure. The District does not own and, therefore, does not record items in excess of \$5,000 in value.

To management's knowledge there are no outstanding legal matters to which the District is party as litigation brought by contractors on the PNC Park project of the Sports and Exhibition Authority filed in 2001 was settled with no impact on the District. Legal counsel can provide a separate letter on these matters

Requests for Information

Questions on this report or requests for additional information should be addressed to the Executive Director, Allegheny Regional Asset District, One Smithfield Street – Suite 310, Pittsburgh, PA. 15222 or info@radworkshere.org.

THE ALLEGHENY REGIONAL ASSET DISTRICT

Statement of Net Assets

December 31, 2006

	Governmental Activities
Assets:	
Cash and investments	\$ 22,798,808
Sales tax revenue receivable	<u>13,600,000</u>
Total assets	\$ <u>36,398,808</u>
Liabilities:	
Accounts payable	\$ 4,197
Allocation payable - 2006	1,650,272
Allocation payable - capital 2002	250,000
Allocation payable - capital 2004	35,000
Allocation payable - capital 2005	595,869
Long-term debt	<u>176,625,000</u>
Total liabilities	179,160,338
Net assets:	
Restricted	33,665,824
Unrestricted	<u>(176,427,354)</u>
Total net assets	(142,761,530)
Total liabilities and net assets	\$ <u>36,398,808</u>

The notes to the financial statements are an integral part of this statement

THE ALLEGHENY REGIONAL ASSET DISTRICT

Statement of Activities

Year Ended December 31, 2006

Functions/Programs	Direct Expenses	Program Revenues Charges for Services	Net (Expense) revenue and Changes in Net Assets Primary Government	
			Governmental Activities	Total
Governmental activities:				
General government	\$ 542,547	\$ -	\$(542,547)	\$(542,547)
Culture and recreation	63,238,537	-	(63,238,537)	(63,238,537)
Interest on long-term debt	<u>10,870,000</u>	<u>-</u>	<u>(10,870,000)</u>	<u>(10,870,000)</u>
Total primary governmental activities	\$ <u>74,651,084</u>	\$ <u>-</u>	<u>(74,651,084)</u>	<u>(74,651,084)</u>
General revenues:				
Sales tax			78,184,427	78,184,427
Investment earnings			1,128,080	1,128,080
Miscellaneous			<u>169,657</u>	<u>169,657</u>
Total general revenues and transfers			<u>79,482,164</u>	<u>79,482,164</u>
Change in net assets			4,831,080	4,831,080
Net assets, beginning of year			<u>(147,592,610)</u>	<u>(147,592,610)</u>
Net assets, end of year			<u>\$(142,761,530)</u>	<u>\$(142,761,530)</u>

The notes to the financial statements are an integral part of this statement.

THE ALLEGHENY REGIONAL ASSET DISTRICT

Balance Sheet – Governmental Funds

December 31, 2006

	General	Sales Tax Revenue Fund	Total Governmental Funds
Assets:			
Cash and investments	\$ 201,843	\$ 22,596,965	\$ 22,798,808
Sales tax revenue receivable	<u> -</u>	<u>13,600,000</u>	<u>13,600,000</u>
Total assets	\$ <u>201,843</u>	\$ <u>36,196,965</u>	\$ <u>36,398,808</u>
Liabilities:			
Accounts payable	\$ 4,197	\$ -	\$ 4,197
Allocation payable - 2006	-	1,650,272	1,650,272
Allocation payable - 2002	-	250,000	250,000
Allocation payable - 2004	-	35,000	35,000
Allocation payable - 2005	<u> -</u>	<u>595,869</u>	<u>595,869</u>
Total liabilities	4,197	2,531,141	2,535,338
Fund balance:			
Unreserved	197,646	-	197,646
Reserved for culture and recreation	<u> -</u>	<u>33,665,824</u>	<u>33,665,824</u>
Total fund balance	<u>197,646</u>	<u>33,665,824</u>	<u>33,863,470</u>
Total liabilities and fund balance	\$ <u>201,843</u>	\$ <u>36,196,965</u>	\$ <u>36,398,808</u>
Reconciliation:			
Total fund balance - governmental funds			\$ 33,863,470
Long-term liabilities, including 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			<u>(176,625,000)</u>
Total net assets - governmental activities			\$ <u>142,761,530</u>

The notes to the financial statements are an integral part of this statement.

THE ALLEGHENY REGIONAL ASSET DISTRICT

Statement of Revenues, Expenditures, and Changes in
Fund Balance – Governmental Funds

Year Ended December 31, 2006

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Sales Tax Revenue Fund</u>	<u>Total (Memorandum Only)</u>
Revenues:			
Taxes	\$ -	\$ 78,184,427	\$ 78,184,427
Grant repayment	-	169,657	169,657
Investment income	9,034	1,119,046	1,128,080
Miscellaneous income	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	9,034	79,473,130	79,482,164
Expenditures:			
Current:			
Administration	542,547	-	542,547
Culture and recreation	<u>-</u>	<u>74,108,537</u>	<u>74,108,537</u>
Total expenditures	<u>542,547</u>	<u>74,108,537</u>	<u>74,651,084</u>
Deficiency of revenue over expenditures	(533,513)	5,364,593	4,831,080
Other financing sources (uses):			
Transfers in	542,547	-	542,547
Transfers out	<u>-</u>	<u>(542,547)</u>	<u>(542,547)</u>
Total other financing sources (uses)	<u>542,547</u>	<u>(542,547)</u>	<u>-</u>
Deficiency of revenues and other financing sources over expenditures and other financing uses	9,034	4,822,046	4,831,080
Fund balance, beginning of year	<u>188,612</u>	<u>28,843,778</u>	<u>29,032,390</u>
Fund balance, end of year	\$ <u>197,646</u>	\$ <u>33,665,824</u>	\$ <u>33,863,470</u>

The notes to the financial statements are an integral part of this statement.

THE ALLEGHENY REGIONAL ASSET DISTRICT

Notes to Financial Statements

December 31, 2006

Note 1. Summary of Significant Accounting Policies

A. Organization and Purpose

The Allegheny Regional Asset District (District) was created by the Commonwealth of Pennsylvania (Commonwealth) Act 77 of 1993 (Act) for the purpose of supporting and financing regional assets, engaging in the oversight and coordination of regional assets, and assuring the efficient and effective operation and development of regional assets. Regional assets are defined in the Act as “a civic, recreational, library, sports, or cultural facility or project designated as such by the District.”

The District is governed by a seven-member Board of Directors (Board). The Board is appointed in the following manner: four members of the Board are appointed by the (County) Chief Executive Officer with confirmation by County Council, two members are appointed by the Mayor of the City of Pittsburgh, and one member is elected by the six appointed Board members. The term of the Board members is concurrent with the term of the officials who appointed them into the office. The elected Board member serves a two-year term. In addition, the Governor of the Commonwealth may appoint a non-voting member to the Board of the District.

Effective July 1, 1994, the Act allowed for a one percent tax to be levied upon each retail sale of tangible personal property or services, as more fully defined in the Tax Reform Code of 1971, and on the rent of hotel rooms within the County. The Act allows for the County to levy the tax and the Pennsylvania Department of Revenue (Department) to collect the tax. The District receives one-half of the tax revenue collected by the Department, net of an administrative fee charged by the Commonwealth (\$957,169 for 2006) which is not reflected on the financial statements of the District. There is at least a two-month lag between most actual sales and receipt by the District.

In fulfilling its purpose, the District supports regional assets identified as contractual assets and non-contractual assets. Contractual assets were defined in 1995 as regional assets who entered into ten-year cooperation and support agreements with the District. During 2006, there were nine contractual assets covering the years 2005 through 2010. The nine contractual assets are: Carnegie Library of Pittsburgh, Allegheny County Regional Park System, Allegheny County Library Association, Regional Park System of the City of Pittsburgh, Pittsburgh Zoo, Carnegie Institute, Phipps Conservatory, National Aviary in Pittsburgh, and Renziehausen Park.

During 1997, the District entered into a multi-year agreement with the Sports and Exhibition Authority of Pittsburgh and Allegheny County (Authority) to fund improvements to the Mellon Arena. The original agreement covered the years 1997 to 2006 and provided the grants of \$1,600,000 a year until the year 2006 when the grant is reduced to \$800,000. In 1999, this agreement was amended to allow for a refinancing but the payment amount and terms were not changed. This grant is subject to the availability of funds.

THE ALLEGHENY REGIONAL ASSET DISTRICT

Notes to Financial Statements (Continued)

December 31, 2006

Note 1. Summary of Significant Accounting Policies (Continued)

A. Organization and Purpose (Continued)

During 1999, the District entered into a second multi-year agreement with the Authority to offset the costs of the City of Pittsburgh and Allegheny County for refunding the Mellon Arena bond issue. The term of this agreement is from 2000 to 2018 and requires an allocation of \$1,600,000 through 2006 and then at varying lower amounts through 2018. This grant is subject to the availability of funds.

On November 29, 2004 the Board authorized amendments to the agreements covering the Mellon Arena debt service payments. Under the amendments, the amount and disbursement date of District grants remain unchanged. However, the grants were placed on a parity status with contractual assets and the Regional Destination Financing Plan (RDFFP) grants.

Also during 1999, the District entered into a third multi-year agreement with the Authority and the Pittsburgh Stadium Authority providing for termination of the contractual asset status for Three Rivers Stadium and for annual debt service payments toward construction of two new stadiums, expansion of the Convention Center, as well as the Regional Destination Financing Plan. The agreement provides for the District to make payments of \$13,400,000 per year beginning in 2000 and continuing through 2030. Unlike the other two-multi year agreements with the Authority, this commitment is considered debt of the District (Note 8)

During 2002, the District extended the contractual asset of the Carnegie Library to 2028 for \$1,000,000 of the funding.

The 1995 funding level of the contractual assets serves as the floor funding level for subsequent years. Though the District has created these multi-year agreements with the contractual assets, there is a provision in the agreement that if the District does not receive sufficient revenue to cover the level of funding provided for in the agreements, lesser amounts may be funded. Rather, the District will provide funding to contractual assets and the RDFFP contract based on total revenue received on a pro rata basis. The total annual commitment for the contractual assets is \$38,425,000. In addition, the District is required by the Act to allocate at least 1% of its annual tax revenue to the County and 1% to the City of Pittsburgh for capital purchases in the various parks.

Non-contractual assets are regional assets that are funded on an annual basis, if sufficient funds are available. Each year, the District reviews applications received from organizations within the District. The applications are presented to the Board of the District who makes final determinations as to which organizations will be designated to receive funding.

THE ALLEGHENY REGIONAL ASSET DISTRICT

Notes to Financial Statements (Continued)

December 31, 2006

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity

The District is not considered to be part of the financial reporting entity of any other governmental entity, as defined by GASB Statement No. 14, "*The Financial Reporting Entity*." All decisions regarding personnel matters, contracts, budgets, and actions on agreements with regional assets requires an affirmative vote of at least six members of the District's Board. As a result, no one governmental entity has control of the voting majority of the Board.

These financial statements do not include the tax revenues, which are generated under the Act and remitted directly to the County or municipalities within the County.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities* are supported by sales tax.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function or segment and 2) grants that are restricted to meeting the operational or capital requirements of a particular function or segment; of which the District has none. Other items not properly included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental fund types are reported as separate columns in the fund financial statements. The District has two funds, of which both are major funds.

The District reports the following major governmental funds:

The *General Fund* is the operating fund of the District. The General Fund accounts for administrative expenditures in carrying out the programs of the District supported by the transfer of tax revenues from the Sales Tax Revenue Fund.

The *Sales Tax Revenue Fund* is used to account for the proceeds of the tax revenues generated under the Act as well as allocations to various regional assets. These allocations are made on a monthly, quarterly, or annual basis. Up to one percent of the tax revenues collected are transferred to the General Fund for administrative costs.

THE ALLEGHENY REGIONAL ASSET DISTRICT

Notes to Financial Statements (Continued)

December 31, 2006

Note 1. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrued basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to compensated absences are recorded only when payment is due.

E. Investments

Investments are stated at fair value.

F. Capital Assets

The District's policy is to capitalize all assets over \$5,000 for financial statement purposes. As of December 31, 2006, the District has no assets that meet this threshold.

G. Long-Term Obligations

In the government-wide financial statements, long-term debt is reported as a liability in the governmental activities statement of net assets.

THE ALLEGHENY REGIONAL ASSET DISTRICT

Notes to Financial Statements (Continued)

December 31, 2006

Note 1. Summary of Significant Accounting Policies (Continued)

H. Budgetary Procedures

Annual budgets for the General Fund and Sales Tax Revenue Fund were adopted using the modified accrual basis of accounting. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

At least ninety days prior to year end, a proposed budget is submitted to the District's Board for the succeeding year. The budget includes proposed expenditures for contractual and non-contractual regional assets, as previously defined and the revenues anticipated to finance them. Public hearings are conducted to obtain comments on the proposed budget. At least thirty days prior to year end, the budget is legally adopted through the passage of a resolution by the District's Board. The adoption of the budget and the adoption of budget amendments require an affirmative vote from six members of the District's Board.

In accordance with Act 77 the District must allocate 1% of its tax revenues to the City of Pittsburgh and Allegheny County for capital projects in the regional parks. The original adopted budget included these allocations based on estimated tax revenues with the understanding that adjustments may be necessary based on actual tax revenues. The final budget includes these adjustments of increased allocations of \$46,344 for both the City of Pittsburgh and Allegheny County.

I. Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years. There was no significant change in insurance coverage for the year.

THE ALLEGHENY REGIONAL ASSET DISTRICT

Notes to Financial Statements (Continued)

December 31, 2006

Note 2. Deposits and Investments

Pennsylvania statutes provide 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 and certificate of deposits. The statutes do not prescribe regulations related to demand deposits. However, they do not allow the pooling of governmental funds for investment purposes. The deposit and investment policy of the District adheres to state statutes. Deposits of the District are maintained in either highly liquid money market funds or pooled for investment purposes in the Pennsylvania Treasurer's Invest Program for Local Governments (PTIP). These investments are stated at market. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the District.

A. Deposits

The following is a summary of the primary government's deposits which were insured by the Federal Depository Insurance Company (Category 1) and the balance which was not insured or collateralized in the District's name, but was 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 (Category 3).

	Total Category 1	Total Category 3	Bank Balance	Carrying Amount
Deposits	\$ <u>100,000</u>	\$ <u>6,251,571</u>	\$ <u>6,351,571</u>	\$ <u>6,295,494</u>

B. Investments

The District's investments in the PTIP and other money market funds of local financial institutions cannot be classified by risk category because it entails pools managed by others that are not evidenced by specific securities. The carrying amount and fair value is \$16,503,314 at year end.

Note 3. Lease Agreements

The District is party to certain lease agreements for office space and equipment which extend through the year 2009. The rental expense in 2006 under these agreements was \$26,771. The future minimum rental payments are as follows:

2007	\$ 2,600
2008	692
2009	346
2010	-
2011	-
	<u> </u>
	\$ <u>3,638</u>

THE ALLEGHENY REGIONAL ASSET DISTRICT

Notes to Financial Statements (Continued)

December 31, 2006

Note 4. Interfund Transfers

Interfund transfers as of December 31, 2006 consisted of:

	Transfers In	Transfers Out
Major Funds:		
General	\$ 542,547	\$ -
Sales Tax Revenue Fund	<u>-</u>	<u>542,547</u>
	\$ <u>542,547</u>	\$ <u>542,547</u>

The District transfers from the Sales Tax Revenue Fund to cover administrative expenses.

Note 5. Sales Tax Revenue Fund Balance

Following is a summary of the composition of the Sales Tax Revenue Fund fund balance at December 31, 2006:

Balance at December 31, 2005 (excluding A/R)	\$ 15,893,779
Tax receipts	77,534,426
Investment income	1,119,046
Lapsed grant funds, grant repayment	169,657
Expenditures	(74,108,538)
Transfer to general fund	<u>(542,547)</u>
Cash balance, net of payables at December 31, 2006	20,065,823
Sales tax revenue receivable	<u>13,600,000</u>
Balance at December 31, 2006 (including AR)	\$ <u>33,665,823</u>

Note 6. Pension

The District has adopted a defined contribution pension plan for its employees. The plan is a money purchase plan whereby plan assets are not trustee'd; rather, they are invested in an annuity contract. Under the plan, the District makes an annual contribution equal to seven percent of each employee's gross earnings.

THE ALLEGHENY REGIONAL ASSET DISTRICT

Notes to Financial Statements (Continued)

December 31, 2006

Note 6. Pension (Continued)

Employees vest as follows: 20% after two years, 40% after three years, 60% after four years, 80% after five years, and 100% after six years. Employees are eligible for retirement benefits upon reaching age 55. Total payroll and covered payroll for 2006 was \$301,509. Total 2006 contributions to the plan by the District were \$21,106

The balance as of December 31, 2006 is \$299,590 of which approximately \$299,590 is vested by employees

Note 7. Contingencies

The District is dependent upon the State to collect and forward sales taxes. Future collections may be subject to adjustments from prior periods.

Note 8. Long-Term Debt

On May 1, 1999, the Sports and Exhibition Authority of Pittsburgh and Allegheny County (the Authority) issued \$176,625,000 of Regional asset District Sales Tax Revenue Bonds, Series of 1999 ("the Bonds") with interest rates ranging from 4.35% to 5.25%. The District has entered into an agreement with the Authority whereby the District will make monthly payments for repayment of the bonds. Annual payments will be approximately \$13,400,000 through 2031. Through 2011, a portion of the \$13,400,000 will be used for debt service still outstanding on Three Rivers Stadium. After that time, the entire payment will be applied to debt service on the Bonds.

In the event that the District does not have funding to cover the obligation and funding of its contractual assets, funding will be reduced pro rata. To cover such a contingency, the Authority has purchased an insurance policy that would provide repayment of principal and interest on the bonds.

The Commonwealth of Pennsylvania considers this agreement to be lease-rental debt of the District

THE ALLEGHENY REGIONAL ASSET DISTRICT

Notes to Financial Statements (Continued)

December 31, 2006

Note 8. Long-Term Debt (Continued)

The following is a schedule, by years, of the principal maturities of long-term debt at December 31:

	Principal	Interest	Total
2007	\$ 1,930,000	\$ 8,898,120	\$ 10,828,120
2008	2,010,000	8,805,892	10,815,892
2009	2,110,000	8,700,255	10,810,255
2010	2,220,000	8,589,367	10,809,367
2011	2,335,000	8,475,493	10,810,493
2012-2016	27,605,000	38,671,020	66,276,020
2017-2021	35,425,000	30,667,938	66,092,938
2022-2026	45,230,000	20,624,563	65,854,563
2027-2031	<u>57,760,000</u>	<u>7,753,794</u>	<u>65,513,794</u>
	<u>\$ 176,625,000</u>	<u>\$ 141,186,442</u>	<u>\$ 317,811,442</u>

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the GASB, but not considered a part of the basic financial statements. Such information includes:

Budgetary Comparison Schedule – General Fund

Budgetary Comparison Schedule – Sales Tax Revenue Fund

THE ALLEGHENY REGIONAL ASSET DISTRICT

Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Investment income	\$ -	\$ -	\$ 9,034	\$ 9,034
Miscellaneous income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>-</u>	<u>-</u>	<u>9,034</u>	<u>9,034</u>
Expenditures:				
Administration:				
Salaries	302,000	302,000	301,509	491
Benefits and taxes	116,250	116,250	100,979	15,271
Professional services	40,500	40,500	37,753	2,747
Rent	28,500	28,500	26,771	1,729
Contractual services	14,450	14,450	18,297	(3,847)
Office supplies, printing	26,000	26,000	21,758	4,242
Travel and mileage	4,000	4,000	1,760	2,240
Payroll and bank charges	1,200	1,200	1,275	(75)
Memberships	500	500	404	96
Insurance	11,200	11,200	10,732	468
Postage	4,000	4,000	5,571	(1,571)
Advertising	2,000	2,000	1,268	732
Telephones	3,200	3,200	2,893	307
Access and opportunity program	10,000	10,000	7,406	2,594
Fixed assets	<u>5,100</u>	<u>5,100</u>	<u>4,171</u>	<u>929</u>
Total expenditures	<u>568,900</u>	<u>568,900</u>	<u>542,547</u>	<u>26,353</u>
Excess (deficiency) of revenues over expenditures	(568,900)	(568,900)	(533,513)	35,387
Other financing sources:				
Transfers in	<u>568,900</u>	<u>568,900</u>	<u>542,547</u>	<u>(26,353)</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,034</u>	<u>\$ 9,034</u>

The notes to the financial statements are an integral part of this statement.

THE ALLEGHENY REGIONAL ASSET DISTRICT

Budgetary Comparison Schedule – Sales Tax Revenue Fund

Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	\$ 72,900,000	\$ 72,900,000	\$ 78,184,427	\$ 5,284,427
Grant repayment	-	-	169,657	169,657
Investment income	450,000	450,000	1,119,046	669,046
Miscellaneous income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>73,350,000</u>	<u>73,350,000</u>	<u>79,473,130</u>	<u>6,123,130</u>
Expenditures:				
Culture and recreation:				
Carnegie Library of Pittsburgh	16,435,000	16,435,000	16,435,000	-
Allegheny County Regional				
Park System	14,910,000	14,956,344	14,956,344	-
Stadium Authority of Pittsburgh -				
debt service	2,530,000	2,530,000	2,530,000	-
Sports and Exhibition Authority -				
debt service RDFP	10,870,000	10,870,000	10,870,000	-
Sports and Exhibition Authority -				
debt service arena	2,400,000	2,400,000	2,400,000	-
Allegheny County Library				
Association	7,663,500	7,663,500	7,663,500	-
Regional Park System of the				
City of Pittsburgh	5,204,300	5,250,644	5,250,644	-
Pittsburgh Zoo	3,115,550	3,115,550	3,115,550	-
Carnegie Institute	2,626,500	2,626,500	2,626,500	-
Phipps Conservatory	1,979,900	1,979,900	1,979,900	-
National Aviary in Pittsburgh	1,006,500	1,006,500	1,006,500	-
Renziehausen Park	661,150	661,150	661,150	-
Other	<u>4,613,450</u>	<u>4,613,449</u>	<u>4,613,449</u>	<u>-</u>
Total expenditures	<u>74,015,850</u>	<u>74,108,537</u>	<u>74,108,537</u>	<u>-</u>
Deficiency of revenues				
over expenditures	(665,850)	(758,537)	5,364,593	6,123,130
Other financing sources:				
Operating transfers out	<u>(568,900)</u>	<u>(568,900)</u>	<u>(542,547)</u>	<u>26,353</u>
Deficiency of revenues over				
expenditures and other				
financing uses	<u>\$(1,234,750)</u>	<u>\$(1,327,437)</u>	<u>\$ 4,822,046</u>	<u>\$ 6,149,483</u>

The notes to the financial statements are an integral part of this statement