

Financial Statements

**THE ALLEGHENY REGIONAL ASSET DISTRICT**

December 31, 2008

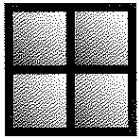
**THE ALLEGHENY REGIONAL ASSET DISTRICT**

Financial Statements

December 31, 2008

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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, 2008, 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, 2008, 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.

*McKeon Vance & Senko*

Certified Public Accountants

February 25, 2009

## 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, 2008.

### **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 - 2008

|                                   |                 |
|-----------------------------------|-----------------|
| Current and other Assets          | \$39,181,915    |
| Total Assets                      | \$39,181,915    |
| Long Term Liabilities Outstanding | \$172,685,000   |
| Other Liabilities                 | \$4,996,554     |
| Total Liabilities                 | \$177,681,554   |
| Net Assets                        |                 |
| Restricted                        | \$33,983,102    |
| Unrestricted                      | (\$172,482,741) |
| Total Net Assets                  | (\$138,499,639) |

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. This chart is stated in an accrual basis consistent with the audited financial statements.

**Allegheny Regional Asset District**  
Change in Net Assets  
Governmental Activities-2008

|   |                 |
|---|-----------------|
| Revenues  |                 |
| General Revenues                                  |                 |
| Sales Tax   | \$79,893,240    |
| Investment Income                                 | \$731,689       |
| Reductions and long term debt                     | \$2,010,000     |
| Total General Revenue and transfers               | \$82,634,929    |
| Expenses  |                 |
| General Government                                | \$595,470       |
| Culture and Recreation                            | \$74,600,527    |
| Interest on long term debt                        | \$8,805,892     |
| Total Expense                                     | \$84,001,889    |
| Change in Net Assets                              | \$(1,366,960)   |
| Net assets 12/31/07                               | \$(137,138,032) |
| Prior period Adjustments –lapses returned to fund | \$5,353         |
| Net Assets 12/31/08                               | \$(138,499,639) |

**Financial Analysis of Government Fund's**

The following chart provides detail on the activities in the two governmental funds on a cash basis as well as the interaction between them.

|   | <b>Sales Tax Revenue Fund</b> | <b>General Fund</b> |
|---|-------------------------------|---------------------|
| Balance 12/31/07 net of receivables                           | \$ 22,750,599                 | \$206,369           |
| Actual tax revenue (cash basis)                               | \$ 80,893,240                 |                     |
| Interest earnings   | \$729,679                     | \$2,010             |
| Allocations authorized  | (\$83,413,332)                |                     |
| Transfer to general fund                                      | (\$589,000)                   | \$589,000           |
| Lapses, refunds, misc. revenue, adjustments from prior period | \$11,916                      | \$350               |
| Net administrative expenses                                   |                               | (\$595,470)         |
| Balance 12/31/08 net of receivables                           | \$20,383,102                  | \$202,259           |
| Receivable taxes (pledged to 2009 grants)                     | \$13,600,000                  |                     |
| Fund Balance 12/31/08   | \$33,983,102                  | \$202,259           |

## Comparative Analysis

Current revenue (taxes plus interest) to the Sales Tax Revenue Fund increased by .5% over the previous year. In addition to current revenue, the District used \$2.4 million of deferred revenue (reserve) to meet its 2008 obligations.

The following table details the current revenue history on a cash basis.

### Sales Tax Revenue Fund Current Revenue History

|      | Tax<br>(a)    | Interest<br>(b) | Total Current Revenue<br>(a+b) | % change<br>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%                   |
| 2007 | \$ 79,893,644 | \$ 1,333,508    | \$ 81,227,152                  | 3.3%                   |
| 2008 | \$ 80,893,240 | \$ 729,679      | \$ 81,622,919                  | .5%                    |

The District Board adopted a Sales Tax Revenue Fund fund balance (reserve) target to equal 15% of current revenue which, based on 2008 revenue would be \$12.2 million, net of receivables. The District's intention is to reduce the reserve until that level is reached and the District expects to utilize around \$9 million of reserve over the next two budget cycles

### Budget Variances

In the sales tax revenue fund, the District initially anticipated \$77.4 million in new tax receipts for the year projecting a recession impact earlier than it actually developed. That estimate was revised upward during the year based on actual experience. The final tax receipt was \$80.9 million. Interest earnings were anticipated at \$500,000 and came in at \$729,679.

The grant budget (sales tax revenue fund) was originally set at just under \$84 million. It was amended only once in order to add \$34,932 to the capital grant for the City of Pittsburgh Regional Parks in order to meet the statutory requirement to allocate at least 1% of current tax revenue to the capital requirements of that system. There were \$6,913 in current year lapses and \$5,003 in prior year lapses from unspent grants.

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. Expenses increased during the year largely associated with the cost to relocate the District's offices and upgrade its technology systems and with the increased in employee health care coverage.



### **Other Significant Matters**

There were no additions to the debt of the District during 2008.

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. 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, 425 Sixth Avenue, Suite 1610, Pittsburgh Pa. 15219, 412-227-1900 or [info@radworkshere.org](mailto:info@radworkshere.org).

# THE ALLEGHENY REGIONAL ASSET DISTRICT

## Statement of Net Assets

December 31, 2008

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>Assets:</b>                               |                                    |
| Cash and investments                         | \$ 25,581,915                      |
| Sales tax revenue receivable                 | <u>13,600,000</u>                  |
| <b>Total assets</b>                          | <b>\$ <u>39,181,915</u></b>        |
| <b>Liabilities:</b>                          |                                    |
| Accounts payable                             | \$ 14,160                          |
| Allocations payable - capital/operating 2008 | 3,507,668                          |
| Allocations payable - capital 2007           | 913,885                            |
| Allocations payable - capital 2006           | 367,489                            |
| Allocations payable - capital 2005           | 193,352                            |
| Long-term debt due within one year           | 2,110,000                          |
| Long-term debt due in more than one year     | <u>170,575,000</u>                 |
| <b>Total liabilities</b>                     | 177,681,554                        |
| <b>Net assets:</b>                           |                                    |
| Restricted                                   | 33,983,102                         |
| Unrestricted                                 | <u>(172,482,741)</u>               |
| <b>Total net assets</b>                      | <b>(138,499,639)</b>               |
| <b>Total liabilities and net assets</b>      | <b>\$ <u>39,181,915</u></b>        |

*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, 2008

| Functions/Programs                                    | Direct<br>Expenses          | Program<br>Revenues<br>Charges for<br>Services | <u>Net (Expense) revenue and<br/>Changes in Net Assets<br/>Primary Government</u> |                               |
|---|-----------------------------|--|---|-------------------------------|
|   |                             |  | Governmental<br>Activities  | Total                         |
| <b>Governmental activities:</b>                       |                             |  |   |                               |
| General government                                    | \$ 595,470                  | \$ -   | \$( 595,470)  | \$( 595,470)                  |
| Culture and recreation                                | 74,600,527                  | -  | ( 74,600,527)   | ( 74,600,527)                 |
| Interest on long-term debt                            | <u>8,805,892</u>            | <u>-</u>                                       | <u>( 8,805,892)</u>   | <u>( 8,805,892)</u>           |
| <b>Total primary<br/>governmental<br/>activities</b>  | <b>\$ <u>84,001,889</u></b> | <b>\$ <u>-</u></b>                             | <b>( <u>84,001,889</u>)</b>   | <b>( <u>84,001,889</u>)</b>   |
| <b>General revenues:</b>                              |                             |  |   |                               |
| Sales tax   |                             |  | 79,893,240  | 79,893,240                    |
| Investment earnings                                   |                             |  | 731,689   | 731,689                       |
| Miscellaneous   |                             |  | -   | -                             |
| Reduction in long-term debt                           |                             |  | <u>2,010,000</u>  | <u>2,010,000</u>              |
| <b>Total general revenues<br/>and transfers</b>       |                             |  | <b><u>82,634,929</u></b>  | <b><u>82,634,929</u></b>      |
| Change in net assets                                  |                             |  | ( 1,366,960)  | ( 1,366,960)                  |
| Net assets, beginning of year<br>as previously stated |                             |  | (137,138,032)   | (137,138,032)                 |
| Prior period adjustment                               |                             |  | <u>5,353</u>  | <u>5,353</u>                  |
| Net assets, beginning of year as restated             |                             |  | <u>(137,132,679)</u>  | <u>(137,132,679)</u>          |
| <b>Net assets, end of year</b>                        |                             |  | <b><u>\$(138,499,639)</u></b>   | <b><u>\$(138,499,639)</u></b> |

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

**THE ALLEGHENY REGIONAL ASSET DISTRICT**

Balance Sheet – Governmental Funds

December 31, 2008

|  | <b>General</b>           | <b>Sales Tax<br/>Revenue<br/>Fund</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|--------------------------|---------------------------------------|---|
| <b>Assets:</b>   |                          |                                       |   |
| Cash and investments   | \$ 216,419               | \$ 25,365,496                         | \$ 25,581,915                           |
| Sales tax revenue receivable   | <u>-</u>                 | <u>13,600,000</u>                     | <u>13,600,000</u>                       |
| <b>Total assets</b>  | <b>\$ <u>216,419</u></b> | <b>\$ <u>38,965,496</u></b>           | <b>\$ <u>39,181,915</u></b>             |
| <b>Liabilities:</b>  |                          |                                       |   |
| Accounts payable   | \$ 14,160                | \$ -                                  | \$ 14,160                               |
| Allocations payable - 2008   | -                        | 3,507,668                             | 3,507,668                               |
| Allocations payable - 2007   | -                        | 913,885                               | 913,885                                 |
| Allocations payable - 2006   | -                        | 367,489                               | 367,489                                 |
| Allocations payable - 2005   | <u>-</u>                 | <u>193,352</u>                        | <u>193,352</u>                          |
| <b>Total liabilities</b>   | <b>14,160</b>            | <b>4,982,394</b>                      | <b>4,996,554</b>                        |
| <b>Fund balance:</b>   |                          |                                       |   |
| Unreserved   | 202,259                  | -                                     | 202,259                                 |
| Reserved for culture and recreation  | <u>-</u>                 | <u>33,983,102</u>                     | <u>33,983,102</u>                       |
| <b>Total fund balance</b>  | <b><u>202,259</u></b>    | <b><u>33,983,102</u></b>              | <b><u>34,185,361</u></b>                |
| <b>Total liabilities and fund balance</b>  | <b>\$ <u>216,419</u></b> | <b>\$ <u>38,965,496</u></b>           | <b>\$ <u>39,181,915</u></b>             |
| <b>Reconciliation:</b>   |                          |                                       |   |
| Total fund balance - governmental funds  |                          |                                       | \$ 34,185,361                           |
| 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>(172,685,000)</u>                    |
| <b>Total net assets - governmental activities</b>  |                          |                                       | <b>\$ <u>(138,499,639)</u></b>          |

*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, 2008

|   | <u>Governmental Fund Types</u> |                                       |  |
|---|--------------------------------|---------------------------------------|--|
|   | <u>General</u>                 | <u>Sales Tax<br/>Revenue<br/>Fund</u> | <u>Total<br/>(Memorandum<br/>Only)</u> |
| <b>Revenues:</b>  |                                |                                       |  |
| Taxes   | \$ -                           | \$ 79,893,240                         | \$ 79,893,240                          |
| Investment income   | <u>2,010</u>                   | <u>729,679</u>                        | <u>731,689</u>                         |
| <b>Total revenues</b>   | 2,010                          | 80,622,919                            | 80,624,929                             |
| <b>Expenditures:</b>  |                                |                                       |  |
| Current:  |                                |                                       |  |
| Administration  | 595,470                        | -                                     | 595,470                                |
| Culture and recreation  | <u>-</u>                       | <u>83,406,419</u>                     | <u>83,406,419</u>                      |
| <b>Total expenditures</b>   | <u>595,470</u>                 | <u>83,406,419</u>                     | <u>84,001,889</u>                      |
| <b>Excess (deficiency) of revenue over<br/>expenditures</b>   | (593,460)                      | ( 2,783,500)                          | ( 3,376,960)                           |
| <b>Other financing sources (uses):</b>  |                                |                                       |  |
| Transfers in  | 589,000                        | -                                     | 589,000                                |
| Transfers out   | <u>-</u>                       | <u>( 589,000)</u>                     | <u>( 589,000)</u>                      |
| <b>Total other financing sources (uses)</b>   | <u>589,000</u>                 | <u>( 589,000)</u>                     | <u>-</u>                               |
| <b>Excess (deficiency) of revenues and other<br/>financing sources over expenditures and<br/>other financing uses</b> | ( 4,460)                       | ( 3,372,500)                          | ( 3,376,960)                           |
| Fund balance, beginning of year as previously<br>stated   | 206,369                        | 37,350,599                            | 37,556,968                             |
| Prior period adjustment   | <u>350</u>                     | <u>5,003</u>                          | <u>5,353</u>                           |
| Fund balance, beginning of year as restated   | <u>206,719</u>                 | <u>37,355,602</u>                     | <u>37,562,321</u>                      |
| <b>Fund balance, end of year</b>  | <u>\$ 202,259</u>              | <u>\$ 33,983,102</u>                  | <u>\$ 34,185,361</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, 2008

### 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 (\$989,943 for 2008) 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 2008, 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 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.

## THE ALLEGHENY REGIONAL ASSET DISTRICT

Notes to Financial Statements (Continued)

December 31, 2008

### Note 1. Summary of Significant Accounting Policies (Continued)

#### A. Organization and Purpose (Continued)

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 (RDFP) 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 RDFP 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.

#### 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.

# THE ALLEGHENY REGIONAL ASSET DISTRICT

Notes to Financial Statements (Continued)

December 31, 2008

## Note 1. Summary of Significant Accounting Policies (Continued)

### B. Reporting Entity (Continued)

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.

### 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.



# THE ALLEGHENY REGIONAL ASSET DISTRICT

Notes to Financial Statements (Continued)

December 31, 2008

## Note 1. Summary of Significant Accounting Policies (Continued)

### D. Measurement Focus and Basis of Accounting (Continued)

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, 2008, 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.

### 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.

# THE ALLEGHENY REGIONAL ASSET DISTRICT

Notes to Financial Statements (Continued)

December 31, 2008

## **Note 1. Summary of Significant Accounting Policies (Continued)**

### **H. Budgetary Procedures (Continued)**

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 an adjustment of increased allocations of \$34,932 for both the City of Pittsburgh and Allegheny County. Allegheny County's initial grant exceeded the required amount.

### **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 three years. There was no significant change in insurance coverage for the year.

## **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.

# THE ALLEGHENY REGIONAL ASSET DISTRICT

Notes to Financial Statements (Continued)

December 31, 2008

## Note 2. Deposits and Investments (Continued)

### 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). All eligible accounts are insured up to \$250,000 each through December 31, 2009 as the result of the new legislation, H.R. 1424, Section 136, passed by Congress and signed into law on October 3, 2008.

|          | <b>Total<br/>Category 1</b> | <b>Total<br/>Category 3</b> | <b>Bank<br/>Balance</b> | <b>Carrying<br/>Amount</b> |
|----------|-----------------------------|-----------------------------|-------------------------|----------------------------|
| Deposits | \$ <u>250,000</u>           | \$ <u>8,680,133</u>         | \$ <u>8,930,133</u>     | \$ <u>8,949,875</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 \$16,651,782 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 2016. The rental expense in 2008 under these agreements was \$38,798. The future minimum rental payments are as follows:

|           |                   |
|-----------|-------------------|
| 2009      | \$ 37,853         |
| 2010      | 37,507            |
| 2011      | 37,507            |
| 2012      | 37,938            |
| 2013      | 36,225            |
| 2014-2016 | <u>78,488</u>     |
|           | \$ <u>265,518</u> |

**THE ALLEGHENY REGIONAL ASSET DISTRICT**

Notes to Financial Statements (Continued)

December 31, 2008

**Note 4. Interfund Transfers**

Interfund transfers as of December 31, 2008 consisted of:

|                        | <b>Transfers<br/>In</b> | <b>Transfers<br/>Out</b> |
|------------------------|-------------------------|--------------------------|
| Major Funds:           |                         |                          |
| General                | \$ 589,000              | \$ -                     |
| Sales Tax Revenue Fund | <u>-</u>                | <u>589,000</u>           |
|                        | \$ <u>589,000</u>       | \$ <u>589,000</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, 2008:

|  |                      |
|--|----------------------|
| Balance at December 31, 2007 (excluding A/R)       | \$ 22,750,599        |
| Tax receipts                                       | 80,893,240           |
| Investment income                                  | 729,679              |
| Lapsed grant funds, grant repayment                | 5,003                |
| Expenditures                                       | (83,406,419)         |
| Transfer to general fund                           | <u>( 589,000)</u>    |
| Cash balance, net of payables at December 31, 2008 | 20,383,102           |
| Sales tax revenue receivable                       | <u>13,600,000</u>    |
| <b>Balance at December 31, 2008 (including AR)</b> | \$ <u>33,983,102</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; 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, 2008

### **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 2008 was \$315,382. Total 2008 contributions to the plan by the District were \$22,077.

The balance as of December 31, 2008 is \$260,118 of which approximately \$260,118 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, 2008

**Note 8. Long-Term Debt (Continued)**

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

|           | <b>Principal</b>      | <b>Interest</b>       | <b>Total</b>          |
|-----------|-----------------------|-----------------------|-----------------------|
| 2009      | \$ 2,110,000          | \$ 8,700,255          | \$ 10,810,255         |
| 2010      | 2,220,000             | 8,589,368             | 10,809,368            |
| 2011      | 2,335,000             | 8,475,493             | 10,810,493            |
| 2012      | 4,980,000             | 8,286,393             | 13,266,393            |
| 2013      | 5,240,000             | 8,025,978             | 13,265,978            |
| 2014-2018 | 30,520,000            | 35,683,900            | 66,203,900            |
| 2019-2023 | 39,070,000            | 26,937,063            | 66,007,063            |
| 2024-2028 | 49,865,000            | 15,872,687            | 65,737,687            |
| 2029-2032 | <u>36,345,000</u>     | <u>2,911,293</u>      | <u>39,256,293</u>     |
|           | \$ <u>172,685,000</u> | \$ <u>123,482,430</u> | \$ <u>296,167,430</u> |

**Note 9. Prior Period Adjustment**

Undisbursed 2007 capital grant funds for the Allegheny Land Trust, Historical Society, Upper St. Clair Regional Parks and 2007 payables not billed in the amount of \$5,353 were lapsed into fund balance in accordance with District policy. As a result, opening fund balance has been restated as follows:

|   |                      |
|---|----------------------|
| Fund balance, December 31, 2007, as previously stated | \$ 37,556,968        |
| Prior period adjustments:                             |                      |
| Lapse of capital grant funds                          | <u>5,353</u>         |
| <b>Total prior period adjustment</b>                  | <u>5,353</u>         |
| <b>Fund balance, December 31, 2007, as restated</b>   | \$ <u>37,562,321</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, 2008

|  | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>     | <b>Variance<br/>Favorable/<br/>(Unfavorable)</b> |
|--|----------------------------|-------------------------|-------------------|--|
| <b>Revenues:</b>   |                            |                         |                   |  |
| Investment income  | \$ 8,170                   | \$ 8,170                | \$ 2,010          | \$( 6,160)                                       |
| Miscellaneous income   | <u>-</u>                   | <u>-</u>                | <u>-</u>          | <u>-</u>   |
| <b>Total revenues</b>  | <u>8,170</u>               | <u>8,170</u>            | <u>2,010</u>      | <u>( 6,160)</u>                                  |
| <b>Expenditures:</b>   |                            |                         |                   |  |
| Administration:  |                            |                         |                   |  |
| Salaries   | 316,100                    | 316,100                 | 315,382           | 718  |
| Benefits and taxes   | 116,120                    | 116,120                 | 115,619           | 501  |
| Professional services  | 44,000                     | 44,000                  | 42,195            | 1,805  |
| Rent   | 38,000                     | 38,000                  | 38,798            | ( 798)   |
| Contractual services   | 18,400                     | 18,400                  | 19,649            | ( 1,249)   |
| Office supplies, printing  | 23,000                     | 23,000                  | 21,160            | 1,840  |
| Travel and mileage   | 4,000                      | 4,000                   | 2,441             | 1,559  |
| Payroll and bank charges   | 1,550                      | 1,550                   | 1,510             | 40   |
| Memberships  | 500                        | 500                     | 155               | 345  |
| Insurance  | 11,200                     | 11,200                  | 10,804            | 396  |
| Postage  | 5,000                      | 5,000                   | 5,224             | ( 224)   |
| Advertising  | 2,000                      | 2,000                   | 1,319             | 681  |
| Telecommunications   | 13,500                     | 13,500                  | 3,419             | 10,081   |
| Access and opportunity program   | -                          | -                       | -                 | -  |
| Fixed assets   | 5,000                      | 5,000                   | 3,589             | 1,411  |
| Special project - move/IT  | <u>20,000</u>              | <u>20,000</u>           | <u>14,206</u>     | <u>5,794</u>                                     |
| <b>Total expenditures</b>  | <u>618,370</u>             | <u>618,370</u>          | <u>595,470</u>    | <u>22,900</u>                                    |
| Excess (deficiency) of revenues<br>over expenditures   | (610,200)                  | (610,200)               | (593,460)         | 16,740   |
| <b>Other financing sources:</b>  |                            |                         |                   |  |
| Transfers in   | <u>589,000</u>             | <u>589,000</u>          | <u>589,000</u>    | <u>-</u>   |
| <b>Excess (deficiency) of revenues<br/>and other financing sources<br/>over expenditures</b> | <u>\$( 21,200)</u>         | <u>\$( 21,200)</u>      | <u>\$( 4,460)</u> | <u>\$ 16,740</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, 2008

|   | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>         | <b>Variance<br/>Favorable/<br/>(Unfavorable)</b> |
|---|----------------------------|-------------------------|-----------------------|--|
| <b>Revenues:</b>  |                            |                         |                       |  |
| Taxes   | \$ 77,400,000              | \$ 77,400,000           | \$ 79,893,240         | \$ 2,493,240                                     |
| Investment income   | <u>500,000</u>             | <u>500,000</u>          | <u>729,679</u>        | <u>229,679</u>                                   |
| <b>Total revenues</b>   | <u>77,900,000</u>          | <u>77,900,000</u>       | <u>80,622,919</u>     | <u>2,722,919</u>                                 |
| <b>Expenditures:</b>  |                            |                         |                       |  |
| Culture and recreation:   |                            |                         |                       |  |
| Carnegie Library of Pittsburgh  | 18,200,000                 | 18,200,000              | 18,200,000            | -  |
| Allegheny County Regional<br>Park System  | 18,000,000                 | 18,000,000              | 18,000,000            | -  |
| Stadium Authority of Pittsburgh -<br>debt service   | -                          | -                       | -                     | -  |
| Sports and Exhibition Authority -<br>debt service RDFP                                    | 13,400,000                 | 13,400,000              | 13,400,000            | -  |
| Sports and Exhibition Authority -<br>debt service arena                                   | 1,000,000                  | 1,000,000               | 1,000,000             | -  |
| Allegheny County Library<br>Association   | 8,082,000                  | 8,082,000               | 8,082,000             | -  |
| Regional Park System of the<br>City of Pittsburgh   | 5,476,000                  | 5,476,000               | 5,510,932             | ( 34,932)  |
| Pittsburgh Zoo  | 3,497,400                  | 3,497,400               | 3,497,400             | -  |
| Carnegie Institute  | 2,868,000                  | 2,868,000               | 2,868,000             | -  |
| Phipps Conservatory   | 2,279,600                  | 2,279,600               | 2,279,600             | -  |
| National Aviary in Pittsburgh   | 1,215,300                  | 1,215,300               | 1,215,300             | -  |
| Renziehausen Park   | 690,800                    | 690,800                 | 690,800               | -  |
| Renaissance Grant Program   | -                          | -                       | -                     | -  |
| Other   | <u>8,669,300</u>           | <u>8,669,300</u>        | <u>8,662,387</u>      | <u>6,913</u>                                     |
| <b>Total expenditures</b>   | <u>83,378,400</u>          | <u>83,378,400</u>       | <u>83,406,419</u>     | <u>( 28,019)</u>                                 |
| Excess (deficiency) of revenues<br>over expenditures                                      | ( 5,478,400)               | ( 5,478,400)            | ( 2,783,500)          | 2,694,900  |
| <b>Other financing uses:</b>  |                            |                         |                       |  |
| Operating transfers out   | ( 589,000)                 | ( 589,000)              | ( 589,000)            | -  |
| <b>Excess (deficiency) of revenues<br/>over expenditures and other<br/>financing uses</b> | <u>\$( 6,067,400)</u>      | <u>\$( 6,067,400)</u>   | <u>\$( 3,372,500)</u> | <u>\$ 2,694,900</u>                              |

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