

Comprehensive Annual Financial Report for the year ended December 31, 2004



Hon. Tom Flaherty Esq.
City Controller



CITY OF PITTSBURGH
PENNSYLVANIA

CITY OF PITTSBURGH, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

Prepared by: Office of City Controller

TOM FLAHERTY, CONTROLLER



TOM FLAHERTY
CITY CONTROLLER

CITY OF PITTSBURGH, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2004

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INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

City of Pittsburgh



Pennsylvania

OFFICE OF THE CITY CONTROLLER
TOM FLAHERTY, CONTROLLER

412-255-2055
FAX 412-255-2958

June 30, 2005

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

I am pleased to submit The Comprehensive Annual Financial Report (CAFR) of the City of Pittsburgh (City) for the year ended December 31, 2004.

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

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

FINANCIAL INFORMATION

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

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

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

ECONOMIC CONDITION

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

Economic Background

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

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

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

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

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

REVENUES

Real Estate Tax - Real estate property in the City is assessed by the Allegheny County Board of Property Assessment, Appeals and Review at a rate of 100% of its fair market value. The rates for 2004 were 10.8 mills on buildings and on land. A mill is \$1 on each \$1,000 of assessed value. All real estate in Allegheny County is reassessed every three years. The 2004 total assessed valuation for the City is \$13,237,681,712 vs. the 2003 total of \$13,578,918,394, a 2.5% decrease.

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

Business Privilege Tax - The City taxes the gross receipts from operating or conducting a service business, trade or profession in, or attributable to, the City at a rate of 6 mills. In 2005 and 2006, the rate will be 2 mills on gross receipts of businesses operating in the City. In 2007 through 2009, the rate will be 1 mill.

Parking Tax - A tax equal to 50%, raised from a rate of 31% in 2003, of the consideration paid for each parking transaction is levied on the patrons of non-residential parking places in the City; e.g. on a \$12 parking rate, \$4 is tax, or 50% of the \$8 underlying parking charge. The rate is to be reduced to 45% in 2007, 37.5% in 2008, and 35% in 2009.

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

Mercantile Tax - A tax of 1 mill is levied on the gross receipts of wholesale dealers of goods, wares, and merchandise. A 2 mill tax is levied on retail vendors of goods, wares, and merchandise. In 2005, this tax is eliminated.

Occupation Privilege Tax - A \$10 annual tax is levied upon each individual whose principal place of employment is located in the City. This tax was changed in 2004 for 2005 to an Emergency and Municipal Services Tax of \$52.

Deed Transfer Tax - A tax of 1.5% of the consideration paid for real property transfers is levied upon the transfer of an interest in real property situated in the City. In 2005, the rate increased to 2%.

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

New taxes authorized in 2004 to be instituted in 2005:

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

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

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

RISK MANAGEMENT

The City is self-insured for purposes of workers' compensation benefits. Provisions are recorded in the General Fund for benefits estimated to be payable from available spendable financial resources. As non-current amounts mature, they are liquidated from General Fund resources. In order to qualify for and maintain self-insurance status, the City must comply with certain Commonwealth of Pennsylvania requirements. The requirements for 2004 are as follows: (1) maintain an irrevocable trust fund; the City's contribution to the fund is determined annually in negotiations with the Commonwealth of Pennsylvania Department of Labor, (2) satisfy the financial responsibility requirements established by the Commonwealth of Pennsylvania, (3) establish liability reserves based upon expected future payments for all claims outstanding one year or more at the end of the fiscal year. The City complied with all of the above requirements during 2004. The irrevocable trust, which is recorded as an expendable trust fund, may only be used in the event of default by the City under the self-insurance regulations.

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

AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended December 31, 2003.

The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last twelve consecutive years (fiscal years ended 1992-2003). We believe that our current CAFR continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

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

Respectfully submitted,



Tom Flaherty
City Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Pittsburgh,
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

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



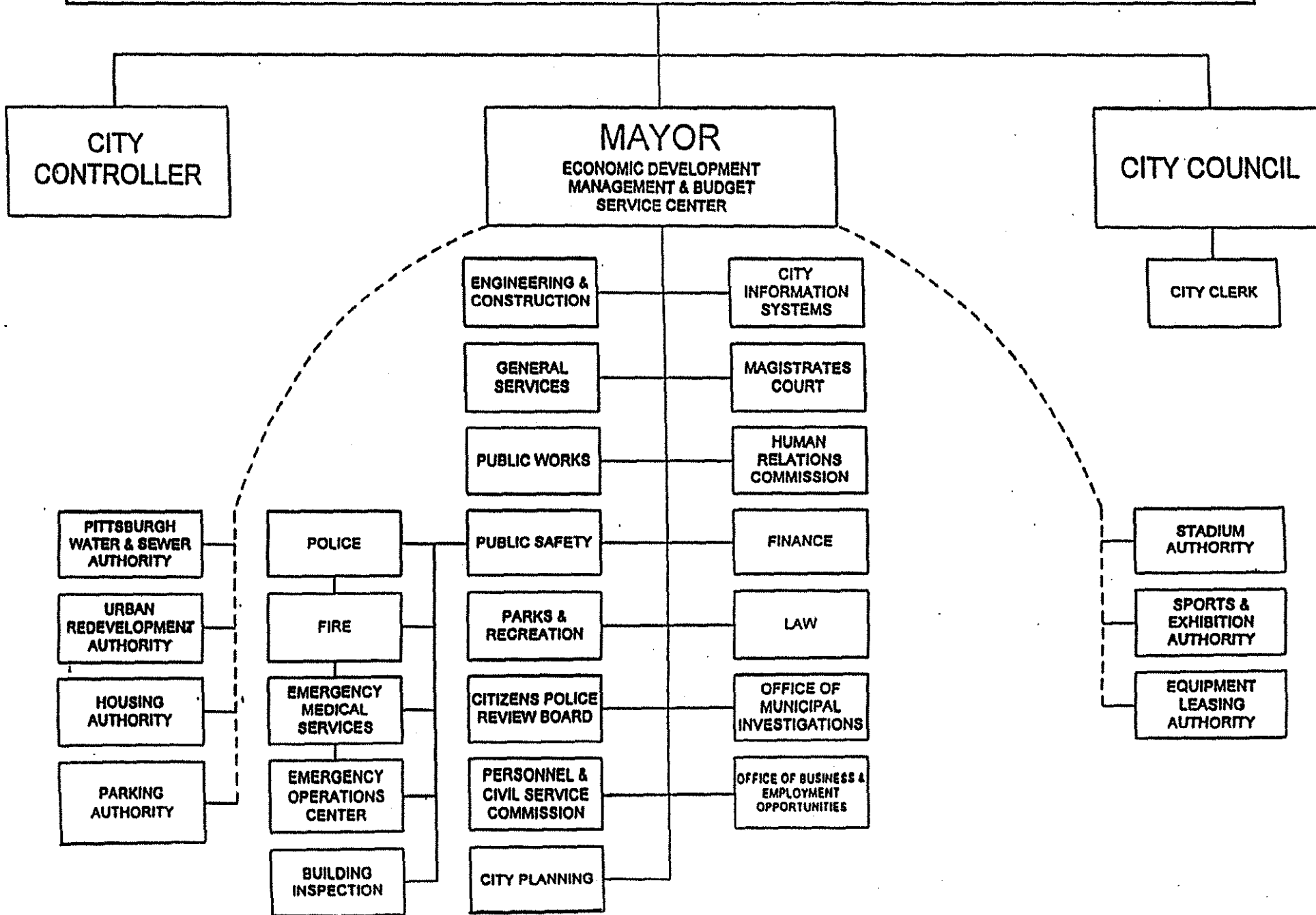
Nancy L. Zjelka

President

Jeffrey R. Enos

Executive Director

CITIZENS OF THE CITY OF PITTSBURGH



CITY OF PITTSBURGH, PENNSYLVANIA

ELECTED CITY OFFICIALS

December 31, 2004

MAYOR

Tom Murphy

CONTROLLER

Tom Flaherty

MEMBERS OF COUNCIL

Eugene Ricciardi, President, District 3

Alan Hertzberg, Finance/Budget Committee, District 2

Luke Ravenstahl, District 1

Sala Udin, District 6

Jim Motznik, District 4

Doug Shields, District 5

Len Bodack, District 7

Bill Peduto, District 8

Twanda Carlisle, District 9

FINANCIAL SECTION

MAHER DUESSEL

CERTIFIED PUBLIC ACCOUNTANTS

THREE GATEWAY CENTER – SIX WEST
PITTSBURGH, PA 15222

(412) 471-5500
FAX (412) 471-5500

Independent Auditor's Report

The Honorable Members of Council
City of Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pittsburgh, Pennsylvania (City), as of and for the year ended December 31, 2004, which collectively comprise the City's financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Public Parking Authority of Pittsburgh (Parking Authority) and the Stadium Authority of the City of Pittsburgh (Stadium Authority), which represent 12% of the assets and 20% of the revenues of the aggregate discretely presented component units. These financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Parking Authority and the Stadium Authority, are based solely upon the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2004 and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and Community Development Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The Honorable Members of Council
City of Pittsburgh, Pennsylvania
Page Two

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

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

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



June 20, 2005

MANAGEMENT'S DISCUSSION
AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Pittsburgh (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the beginning of this report, and in the basic financial statements and supplementary information.

Financial Highlights

- The liabilities of the City exceeded its assets at the close of the most recent fiscal year by \$742.0 million. As of December 31, 2004, the City, in its statement of net assets, has a net asset unrestricted deficit of \$777.0 million. The accumulated deficit results principally from the City's outstanding general obligation bonds being issued over the years to finance projects that do not result in recording assets; specifically to fund the payments to the Pension Trust Fund (\$266.0 million outstanding as of December 31, 2004), the City's borrowings to finance economic development efforts (including projects to the City's Authorities, principally the URA), and maintenance expenditures on city infrastructure and equipment needs.
- The City's total net assets decreased by \$29.3 million in 2004.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$45.7 million, a decrease of \$31.7 million from the previous year. Approximately 48% of this total amount, \$22.1 million, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$11.7 million (compared to \$31.1 million in 2003) or 2.8 % of total General Fund expenditures and debt service transfers for 2004, down from 7.8% in 2003 and 15% in 2002.

The City's gross bonded debt amounted to \$822.3 million at the end of the fiscal year. No new debt was issued in 2004, while \$38.1 million in principal payments were made for a decrease in outstanding debt from the 2003 balance of \$860.4 million.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

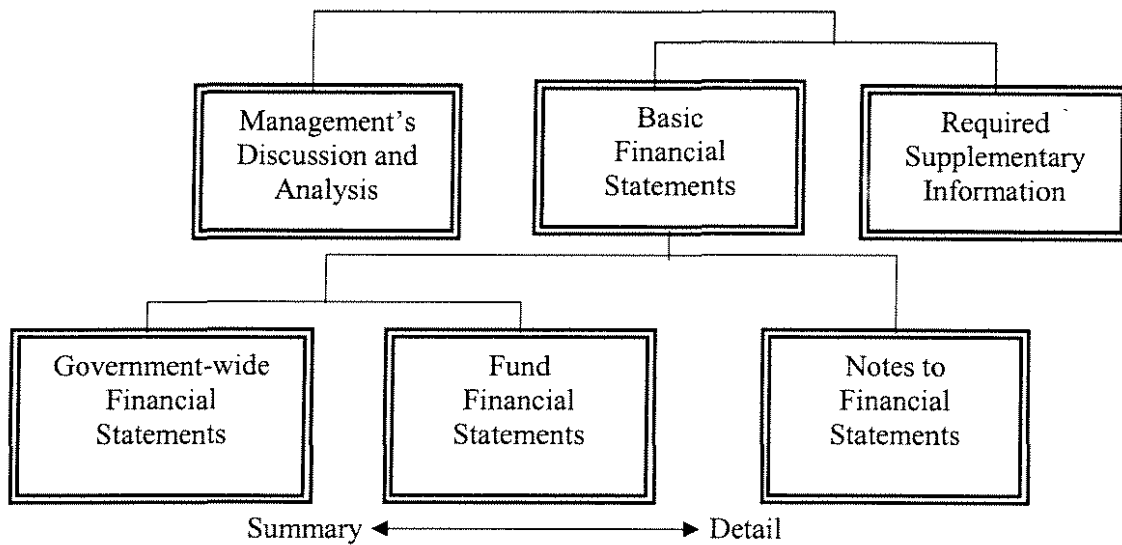


Figure A-2 summarizes the major features of the City’s financial statements. The remainder of this overview section of Management’s Discussion and Analysis explains the structure and contents of each of the statements.

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

GOVERNMENT-WIDE STATEMENTS

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

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

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

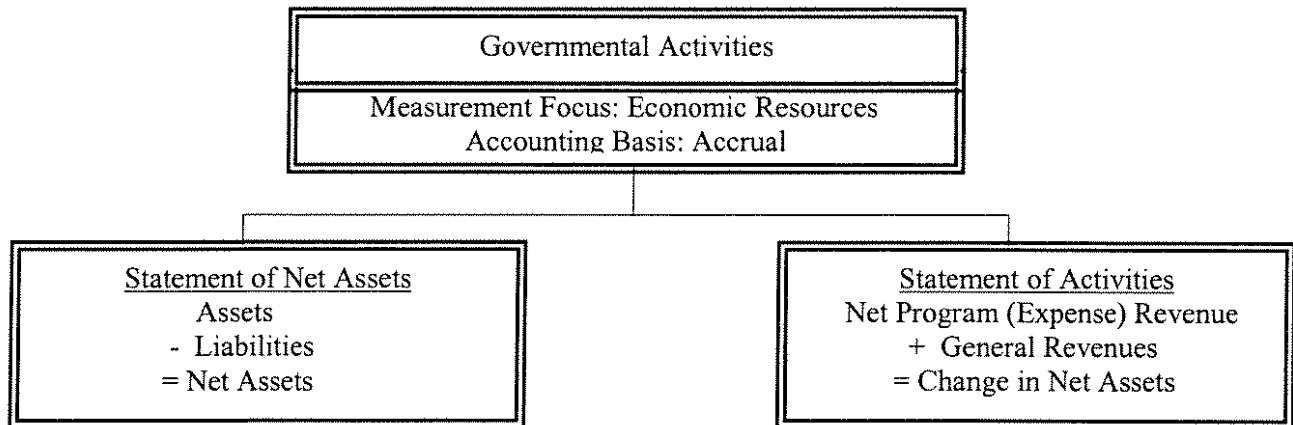
The statement of activities presents information showing how the government’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event gives rise to the change that occurs, regardless of the timing of related cash

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

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

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

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



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

FUND FINANCIAL STATEMENTS

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

funds. Some funds are required by State law.

The City has two kinds of funds:

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

In the case of the City, liabilities exceeded assets by \$742.0 million at the close of the most recent fiscal year.

By far the largest portion of the City's deficit in net assets is its unrestricted deficit of (\$777.0) million. This deficit is partially offset by investment in capital assets less any related debt still outstanding used to acquire those assets of \$33.1 million. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending and the assets have been financed with debt in an amount that exceeds the capital assets carrying value.

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

Summary of Condensed Net Assets:

The following table presents a condensed summary of net assets:

City of Pittsburgh's Net Assets

	Governmental Activities	
	(\$ millions)	
	2004	2003
Assets		
Current assets:		
Unrestricted assets	\$ 64	\$ 81
Restricted assets	22	36
Capital assets	200	193
Total assets	286	310
Liabilities		
Current liabilities	128	128
Long-term liabilities, outstanding	900	895
Total liabilities	1,028	1,023
Net Assets		
Invested in capital assets, net of related debt	33	14
Restricted	2	1
Unrestricted	(777)	(728)
Total net assets	\$ (742)	\$ (713)

At the end of the current fiscal year, the City reports a (\$742.0 million) net deficit for the governmental activities due in part to its debt burden outstanding. This is consistent with the prior fiscal year.

Summary of Changes in Net Assets:

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

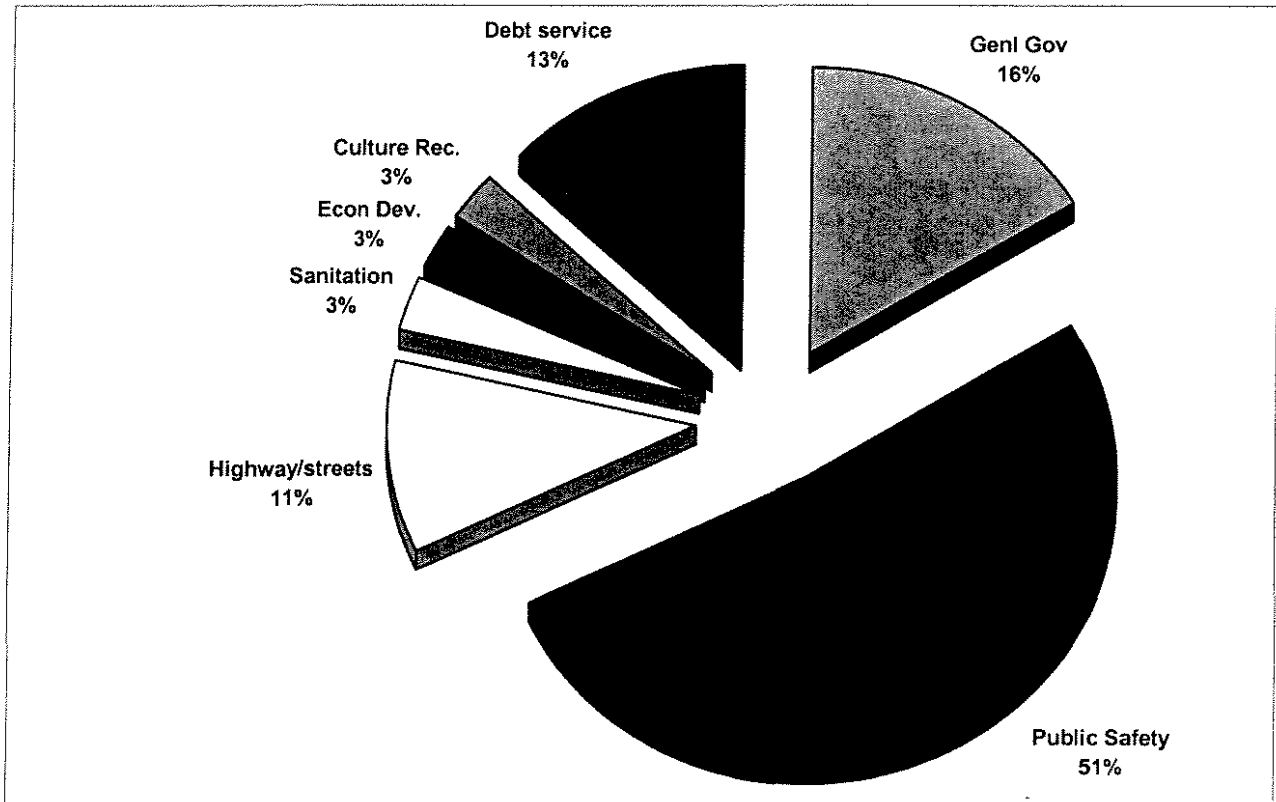
Governmental activities - Governmental activities decreased the City's net assets by \$29.0 million. A key element that limited the decrease in net assets was the increase in parking tax revenue by \$15.0 million due to the increased tax from a 31% to 50% rate. The remaining amounts are as follows:

City's of Pittsburgh Activities

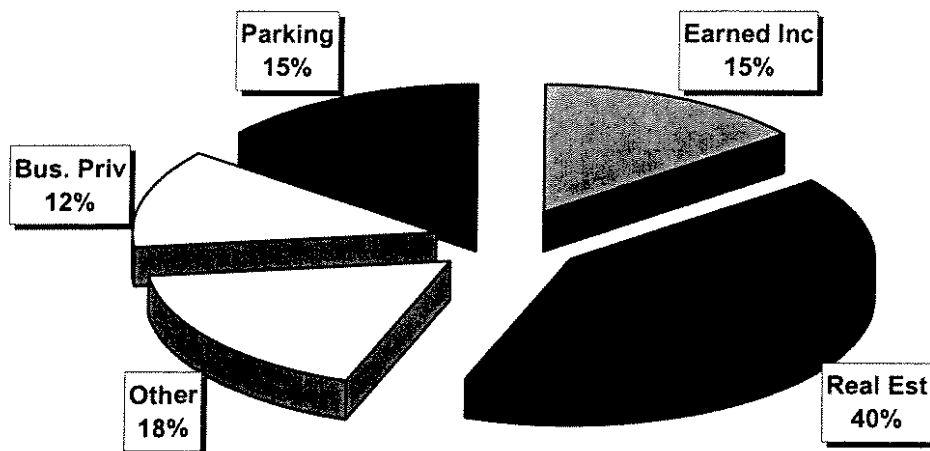
(\$ millions)	Governmental Activities	
	2004	2003
Revenues:		
Program revenues:		
Charges for services	\$ 41	\$ 44
Operating grants and contributions	43	49
Capital grants and contributions	33	39
Total program revenues	117	132
General revenues:		
Real estate property taxes	132	128
Earned income taxes	47	46
Business privilege taxes	40	44
Parking taxes	47	32
RAD sales taxes	21	20
Deed transfer taxes	12	9
Amusement taxes	7	9
Mecantile	8	8
Other taxes	6	8
Other	4	4
Total general revenues	324	308
Total revenues	441	440
Expenses:		
General government	76	69
Public safety	243	222
Highways/streets	51	50
Sanitation	14	12
Economic development	12	25
Culture and recreation	13	11
Interest on debt	49	50
Debt subsidies to Authorities and Component Units	12	15
Total expenses	470	454
Change in Net Assets	(29)	(14)
Net Assets:		
Beginning of year	(713)	(699)
End of year	\$ (742)	\$ (713)

Public Safety alone accounted for an increase in expenditures of \$21.0 million, partially offset by a decrease in Economic Development spending of \$13 million. Merger talks between the Fire Department and EMS have failed and plans are now being proposed to spin-off EMS to be directly run as part of the area hospitals to help resolve the City's budget crisis.

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



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



Governmental Funds

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

Revenues for the General Fund totaled \$382.6 million in 2004, an increase of \$12.4 million, or by 3.3%, compared to 2003. The net increase of \$14.5 million in tax revenue was due to an increase of \$15.4 million, 48.3%, in parking tax revenue. Real estate taxes were up by \$3.6 million, earned income taxes were up \$0.7, business privilege taxes dropped by \$3.8 million, and amusement taxes dropped by \$2.0 million. Real estate taxes increased because of increases in the assessed value of properties and business privilege taxes decreased due to fewer businesses paying the tax in the City. The business privilege tax will be phased-out beginning in 2005 and replaced by the new payroll preparation tax. The occupation tax of \$10 per employee will be replaced in 2005 by the \$52 per employee emergency services tax.

In addition to the above General Fund tax revenues, the City collected \$29.7 million in the Community Development Fund, \$3.9 million in Capital Projects, and \$14.5 million in Other Governmental Funds pass-thru federal and state monies.

At the end of the current fiscal year the City's governmental funds reported combined ending fund balances of \$45.7 million, a decrease of \$31.6 million from 2003. Approximately 48% of this total fund balance, or \$22.2 million constitutes unreserved, undesignated fund balance,

which is available for spending at the government's discretion. The remainder of the fund balance is reserved to: 1) liquidate contracts and purchase orders of the prior period, \$11.7 million encumbrances; 2) pay debt service \$0.2 million; 3) other reserved purposes, \$1.7 million; and 4) restricted for capital projects \$10.1 million.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$11.7 million, while total fund balance for the General Fund \$14.5 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 2.8% of total General Fund expenditures and operating transfers, while total fund balance represents 3.5% of General Fund expenditures and operating transfers. A fund balance percentage of 15-20% of expenditures is typically considered a sign of financial health.

The fund balance of the City's General Fund decreased by \$20.7 million during the current fiscal year and by \$27.0 million in 2003.

Expenditures and uses, including debt service payments/transfers, for the General Fund in 2004 increased to \$419.1 million, compared to \$398.1 million in 2003 representing an increase of 5.0% or \$21.0 million overall. Despite the City's best efforts to hold the line on expenditures where possible, i.e. lower salary costs due to layoffs and wage freezes of \$15.0 million, the following increases were out of the City's control: higher pension and workers compensation costs of \$5.6 million, higher debt service and debt subsidies of \$16.8 million

The largest dollar increase in expenditures and transfers was the \$16.0 million increase in transfers to the Debt Service Fund. Transfers to the Debt Service Fund of \$87.0 million combined with debt subsidies of \$14.4 million totaled \$101.4 million and passed the \$100.0 million mark for the first time. The debt subsidies are for the URA, SEA, and Auditorium Authority and are commitments made by the City over the life of the bonds. The increase of \$16.8 million was due to the deferral of principal payments in 2003 and prior years. Debt and debt subsidies accounted for 24.6% of the expenditures illustrating the magnitude of the City's annual debt service, constituting over one out of every 4 dollars spent out of the General Fund. This is the highest ratio of debt as a percent of total expenditures paid by the City.

The Debt Service Fund has a total fund balance of \$215,547 all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the Debt Service Fund was \$43,425.

The Community Development Fund had intergovernmental revenues of \$29.7 million and expenditures of \$29.7 million. The Capital Projects Fund had \$6.1 million of revenues, \$14.7 million in maintenance costs, \$1.1 million of capital related expenditures, and paid \$1.0 million of operating transfers. The Capital Projects Fund, fund balance decreased by \$10.6 million in 2004 to \$20.1 million as of December 31, 2004.

General Fund Budgetary Highlights

Actual General Fund revenues were below the budgeted revenues by \$34.1 million. \$10.0 million of this gap was due to budgeting of additional authority payments that were to be negotiated but were never realized. In addition, the final budgeted expenses exceeded the final budgeted revenues by \$6.2 million, in effect budgeting a deficit for the year, i.e. use of prior year

ending fund balances. Many revenue sources did not meet budget estimates; real estate, earned income, parking, business privilege and amusement taxes all contributed to about \$15.0 million of the shortfall. The deed transfer tax exceeded budgeted revenue by \$2.1 million. The net effect of these and other budget variances was a \$15.0 million actual tax revenue collected under budget. Primarily due to supplemental appropriations, final budget General Fund expenditures were greater than original budget by \$6.2 million or about 1.6% and exceeded the actual expenditures by \$19.5 million or 5.2%.

During fiscal year 2004, City Council amended the budget primarily for the following reasons:

- To appropriate funds to pay commitments in the form of encumbrances for General Fund purchase orders authorized and issued, but for which goods and services were not received nor paid for by December 31, 2004 totaled \$2.8 million of which \$1.0 million was due to employee benefits carryovers.

Capital Asset and Debt Administration

Capital assets - The City's investment in capital assets for its governmental-type activities as of December 31, 2004, amounts to \$200.1 million net of accumulated depreciation. This investment in capital assets includes building and building improvements, land, machinery and equipment, furniture and fixtures, vehicles, infrastructure, and construction-in-progress.

Major capital asset events during the current fiscal year were limited due to the inability of the City to float a new bond and lack of working capital to invest in assets. The only major increase in assets is the recording of a capital lease for the new Public Safety Building for \$15.4 million. Also, vehicles, machinery, and equipment totaling \$3.7 million were purchased.

City of Pittsburgh's Changes in Capital Assets

(\$ millions)	Governmental Activities	
	2004	2003
Land and land improvements	\$ 46	\$ 46
Construction in progress	6	5
Buildings and building improvements	89	93
Capital lease	15	-
Infrastructure	172	172
Vehicles	42	41
Furniture and fixtures	7	7
Machinery and equipment	3	2
	380	366
Less accumulated depreciation for:		
Buildings	(70)	(72)
Infrastructure	(68)	(62)
Vehicles	(32)	(30)
Furniture and fixtures	(7)	(7)
Machinery and equipment	(3)	(2)
	(180)	(173)
Total capital net assets	\$ 200	\$ 193

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

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

Long-term debt - At the end of the current fiscal year, the City had total debt outstanding of \$822.3 million which comprises debt backed by the full faith and credit of the government.

City of Pittsburgh's Outstanding Debt

(\$ millions)	Governmental Activities	
	2004	2003
General obligation bonds:		
Beginning balance at January 1	\$ 860	\$ 879
Debt Issued	-	15
Refinanced bonds	-	(8)
Principal payments	(38)	(26)
Ending balance at December 31	\$ 822	\$ 860

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

Significant Events

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

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

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

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

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

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

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

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

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

As of June 2005, the new tax revenues provided for under the Plan and passed by the Legislature have been collected at a rate consistent with expectations of meeting the budgeted figures passed last November. In addition, most areas of the general government are projected to fall within or below budgeted expenditures.

Cash Position

During 2004 the City continued efforts begun in the latter half of 2003 to control costs, improve collections and maintain solvency. These efforts combined with remaining available fund balance produced benefits into 2004 by allowing the City to meet its beginning of the year obligations without executing a bank note. Although the cash balance available for general operations of the City as of December 31, 2004 was \$13.6 million, this was not enough to maintain normal function throughout the City in January 2005. As a result, on January 4, 2005, the City executed a \$40.0 million Non-revolving Tax and Revenue Anticipation Credit Facility to provide liquidity to cover expenses prior to the collection of Real Estate tax revenues received primarily during the first two months of the year. The City only required a \$20.0 million draw on that facility to meet its early-year obligations and as of March 31, 2005 the borrowing has been repaid.

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

Due to the revenue increase combined with the cost reductions in the budget, the City is projecting a cash balance at the end of 2005 of \$20.0 million, an improvement of \$6.4 million, or 32%, in liquidity over one year ago. There is every indication at this time that this projection is realistic and that there should be no need to seek outside funding for continuing operations into early 2006. However, to be assured of the ability of the City to maintain its service commitments in light of some unforeseen expenditure, the City will again seek to obtain a commitment from local banking institutions of a credit-line facility to be used to start off next year.

Requests for information

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

BASIC FINANCIAL STATEMENTS

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF NET ASSETS

DECEMBER 31, 2004

Assets	Primary Governmental Activities	Component Units
Current assets:		
Cash, cash equivalents, and investments	\$ 27,342,017	\$ 252,547,807
Restricted cash	21,914,735	9,500,520
Investments - restricted	-	6,160,253
Real estate taxes (net of allowance for uncollectible accounts of \$10,420,631)	9,692,982	-
Accounts receivable, net	-	20,300,694
Accrued interest receivable	82,782	491,582
Due from other governments	8,809,747	8,822,414
Due from component unit	704,549	-
Taxpayer - assessed taxes receivable	11,789,030	-
Inventory	-	1,555,000
Notes receivable	-	294,799
Other receivables	5,335,498	13,090,576
Grant receivable	-	2,568,166
Prepaid expenses	-	179,000
Total current assets	85,671,340	315,510,811
Noncurrent assets:		
Trusteed and restricted funds:		
Cash and cash equivalents	-	25,757,000
Investments	-	32,892,845
Accrued interest receivable	-	86,000
Accounts receivable - parking	-	45,753
Total restricted assets	-	58,781,598
Capital assets:		
Capital assets not being depreciated:		
Land and land improvement	45,602,091	34,004,092
Construction-in-progress	6,290,212	21,699,067
Capital assets being depreciated:		
Buildings and building improvements	88,778,564	39,957,089
Parking facilities	-	115,743,627
Machinery and equipment	3,040,408	107,363,709
Utility plant	-	427,677,000
Non-utility plant	-	16,477,000
Furniture and fixtures	7,413,052	-
Vehicles	41,420,241	-
Infrastructure	172,182,057	-
Capital lease	15,434,653	-
Less accumulated depreciation	(180,047,142)	(182,277,676)
Total net capital assets	200,114,136	580,643,908
Leasehold improvements	-	299,551
Other assets	-	1,799,507
Bond issuance costs, net of amortization	-	8,644,324
Loans/notes receivable	-	158,076,414
Assets held for sale	-	29,090,224
Development fund	-	1,130,364
Total noncurrent assets	200,114,136	838,465,890
Total Assets	\$ 285,785,476	\$ 1,153,976,701

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF NET ASSETS

DECEMBER 31, 2004

(Continued)

	Primary Government Governmental Activities	Component Units
Liabilities		
Current liabilities:		
Accounts payable - wastewater treatment	-	14,322,000
Accrued expenses and deferred income	-	1,025,182
Accounts and retainage payable	10,153,310	410,462
Accrued payroll and related obligations	11,563,865	39,278,498
Accrued interest payable	15,624,012	7,516,350
Accrued worker's compensation	16,587,483	-
Accrued compensated absences	19,678,999	-
Accrued claims and judgments	3,420,000	-
Unearned revenue	-	19,014,073
Due to other governments	6,562,999	-
Capital lease liability, current portion	411,388	-
Note due to City of Pittsburgh, current portion	-	1,540,000
Bonds and loans payable, current portion	44,040,000	33,683,229
Total current liabilities	128,042,056	116,789,794
Noncurrent liabilities:		
Unearned revenue	-	442,000
Accrued payroll - related obligations	-	962,000
Note due to the City of Pittsburgh	-	2,006,996
Bonds and loans payable, net of unamortized premiums/ discounts and bond issuance costs	778,232,363	849,451,701
Accrued workers' compensation	95,128,513	-
Accrued compensated absences	10,145,292	-
Accrued claims and judgments	1,500,000	-
Capital lease liability	14,697,203	-
Advance from the City of Pittsburgh	-	22,775,168
Total noncurrent liabilities	899,703,371	875,637,865
Total Liabilities	1,027,745,427	992,427,659
Net Assets		
Investments in capital assets, net of related debt	33,115,655	(17,751,149)
Restricted for:		
Capital projects	-	2,153,635
Debt service	215,547	13,894,053
Employee benefits	964,916	-
Endowments	722,535	-
Public Parking Authority	-	11,210,373
Urban development	-	21,775,414
Lending programs	-	144,137,626
Multi-family Housing Program	-	19,386
Unrestricted net assets	(776,978,604)	(13,890,296)
Total Net Assets	\$ (741,959,951)	\$ 161,549,042

(Concluded)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2004

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Component Units
Primary government:						
Governmental activities:						
General government	\$ 75,496,380	\$ 18,628,556	\$ 25,869,601	\$ 7,430,167	\$ (23,568,056)	\$ -
Public safety	242,704,887	19,921,883	11,935,973	1,455,136	(209,391,895)	-
Highway and streets	50,930,630	1,159,321	4,062,407	9,494,436	(36,214,466)	-
Sanitation	13,801,070	344,173	560,633	-	(12,896,264)	-
Economic development (includes debt subsidies to URA of \$11,013,255)	23,088,545	-	-	13,445,922	(9,642,623)	-
Culture and recreation (includes debt subsidies to Sports and Exhibition and Public Auditorium Authorities of \$2,857,749)	15,797,978	1,298,261	884,142	1,560,452	(12,055,123)	-
Interest on long-term debt plus bond issuance cost and amortization of premiums and discounts	48,709,900	-	-	-	(48,709,900)	-
Total primary government	\$ 470,529,390	\$ 41,352,194	\$ 43,312,756	\$ 33,386,113	(352,478,327)	-
Total component units	\$ 197,062,599	\$ 123,661,152	\$ 48,214,617	\$ 13,203,268	(11,983,562)	(11,983,562)
General revenues:						
Real estate taxes					131,606,692	-
Earned income taxes					46,638,799	-
Business privilege taxes					40,119,601	-
Parking tax					47,313,082	-
Sales taxes from the Regional Asset District					21,460,780	-
Deed transfer tax					11,633,787	-
Amusement tax					7,479,540	-
Mercantile tax					7,915,096	-
Other taxes					5,538,445	-
Unrestricted investment earnings					1,016,417	3,301,515
Donations and endowments					267,995	-
Gain (Loss) of sale of assets					-	1,153,744
Miscellaneous					2,165,547	3,771,425
Total general revenues					323,155,781	8,226,684
Change in net assets					(29,322,546)	(3,756,878)
Net assets - beginning					(712,637,405)	165,305,920
Net assets - ending					\$ (741,959,951)	\$ 161,549,042

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

CITY OF PITTSBURGH, PENNSYLVANIA

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2004

Assets	General	Debt Service	Special Revenue CDBG	Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 13,282,191	\$ -	\$ 1,664,918	\$ -	\$ 12,394,908	\$ 27,342,017
Cash and cash equivalents - restricted	305,461	187,774	-	21,421,500	-	21,914,735
Receivables:						
Real estate taxes (net of allowances for uncollectible accounts of \$10,420,631)	9,692,982	-	-	-	-	9,692,982
Taxpayer - assessed taxes receivable	11,789,030	-	-	-	-	11,789,030
Other receivables	4,363,346	-	-	-	972,150	5,335,496
Due from component units	704,549	-	-	-	-	704,549
Accrued interest	51,400	27,773	-	-	3,610	82,783
Advance to other fund	-	-	-	1,300,000	-	1,300,000
Due from other governments	4,179,092	-	2,470,802	573,753	1,586,100	8,809,747
Due from other funds	4,287,159	-	-	64,873	272,510	4,624,542
Total Assets	\$ 48,655,210	\$ 215,547	\$ 4,135,720	\$ 23,360,126	\$ 15,229,278	\$ 91,595,881

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2004

(Continued)

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue CDBG</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Liabilities and Fund Balance						
Liabilities:						
Accounts payable	\$ 6,306,066	\$ -	\$ 1,633,016	\$ 886,540	\$ 840,060	\$ 9,665,682
Accrued liabilities	11,070,841	-	118,671	-	546,010	11,735,522
Retainage payable	-	-	-	315,970	-	315,970
Advance from other fund	-	-	1,300,000	-	-	1,300,000
Due to other funds	2,242	-	999,416	2,052,496	1,570,388	4,624,542
Due to other governments	5,049,111	-	-	-	1,513,888	6,562,999
Accrued claims and judgments	3,420,000	-	-	-	-	3,420,000
Deferred revenue, principally real estate taxes	8,277,520	-	-	-	-	8,277,520
Total Liabilities	34,125,780	-	4,051,103	3,255,006	4,470,346	45,902,235
Fund Balance:						
Reserved:						
Encumbrances	1,130,759	-	-	10,054,529	429,991	11,615,279
Reserved for endowments	722,535	-	-	-	-	722,535
Reserved for employee benefits	964,916	-	-	-	-	964,916
Advance	-	-	-	1,300,000	-	1,300,000
Unreserved:						
Undesignated:						
General Fund	11,711,220	-	-	-	-	11,711,220
Special Revenue Fund	-	-	84,617	-	10,328,941	10,413,558
Designated for subsequent years expenditures	-	215,547	-	8,750,591	-	8,966,138
Total Fund Balance	14,529,430	215,547	84,617	20,105,120	10,758,932	45,693,646
Total Liabilities and Fund Balance	\$ 48,655,210	\$ 215,547	\$ 4,135,720	\$ 23,360,126	\$ 15,229,278	\$ 91,595,881

(Concluded)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2004

Total Fund Balance - Governmental Funds \$ 45,693,646

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

Capital assets including construction-in-progress used in governmental activities are not current financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$380,161,278 and the accumulated depreciation is \$180,047,142. 200,114,136

Property taxes receivable and other revenues will be collected in the future, but are not available to pay for the current period's expenditures and therefore, are deferred in the funds. Receivable amounts are shown net of allowances, but are not deferred in the governmental activities statements. 8,277,520

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

Bonds payable, net of unamortized premiums/ discounts and bond issuance costs	\$ (822,272,363)	
Capital lease liability	(15,108,591)	
Accrued workers' compensation	(111,715,996)	
Accrued compensated absences	(29,824,291)	
Accrued interest payable	(15,624,012)	
Accrued claims and judgments	(1,500,000)	(996,045,253)

Total Net Assets - Governmental Activities \$ (741,959,951)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2004

	General	Debt Service	Special Revenue CDBG	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes, including penalties and interest	\$ 316,267,789	\$ -	\$ -	\$ 955,690	\$ -	\$ 317,223,479
Payment in lieu of taxes	688,144	-	-	-	-	688,144
Interest and dividends	628,493	337,258	-	-	50,667	1,016,418
Fines and forfeits	8,325,248	-	-	-	201,536	8,526,784
Intergovernmental revenues	28,847,885	-	29,748,302	3,891,231	14,464,872	76,952,290
Charge for user services	26,611,318	-	-	-	5,960,670	32,571,988
Donations and endowments	267,995	-	-	-	-	267,995
Miscellaneous	1,007,394	-	-	1,276,429	434,625	2,718,448
Total revenues	382,644,266	337,258	29,748,302	6,123,350	21,112,370	439,965,546
Expenditures:						
Current:						
General government	55,303,660	-	8,027,729	2,785,178	949,671	67,066,238
Public safety	202,540,226	-	1,353,931	1,153,542	6,845,884	211,893,583
Public works	21,168,786	-	5,608,259	10,687,658	3,824,320	41,289,023
Sanitation	13,974,648	-	-	-	22,778	13,997,426
Community, recreational, and cultural	4,773,855	-	2,083,108	1,712	9,583,151	16,441,826
Economic and physical development	-	-	12,033,366	-	-	12,033,366
Claims and judgments	2,795,690	-	-	-	-	2,795,690
Miscellaneous	1,275,498	-	-	-	-	1,275,498
Debt service:						
Principal retirement of bonds	-	40,760,000	-	-	-	40,760,000
Interest on bonds	-	48,077,781	-	-	-	48,077,781
Bond issuance costs	-	-	-	-	-	-
Pittsburgh Sports and Exhibition Authority subsidy	459,637	-	-	-	-	459,637
Public Auditorium Authority subsidy	2,398,112	-	-	-	-	2,398,112
Urban Redevelopment Authority subsidy	12,138,255	-	-	-	-	12,138,255
Capital outlay:						
Building	15,434,653	-	-	-	-	15,434,653
Highways, streets, and other construction projects	-	-	641,909	1,054,689	1,785,311	3,481,909
Total expenditures	332,263,020	88,837,781	29,748,302	15,682,779	23,011,115	489,542,997
Excess (Deficiency) of Revenues Over Expenditures	50,381,246	(88,500,523)	-	(9,559,429)	(1,898,745)	(49,577,451)
Other Financing Sources (Uses):						
Capital lease	15,434,653	-	-	-	-	15,434,653
Transfers from other funds	377,500	86,008,948	-	-	1,848,358	88,234,806
Transfer from discretely presented component units	-	2,535,000	-	-	-	2,535,000
Transfer to other funds	(86,857,307)	-	-	(999,999)	(377,500)	(88,234,806)
Total other financing sources (uses)	(71,045,154)	88,543,948	-	(999,999)	1,470,858	17,969,653
Net Change in Fund Balance	(20,663,908)	43,425	-	(10,559,428)	(427,887)	(31,607,798)
Fund Balance:						
Beginning of year	35,193,338	172,122	84,617	30,664,548	11,186,819	77,301,444
End of year	\$ 14,529,430	\$ 215,547	\$ 84,617	\$ 20,105,120	\$ 10,758,932	\$ 45,693,646

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2004

Net Change in Fund Balance - Governmental Funds

\$ (31,607,798)

Amounts reported for governmental activities in the statement of activities are

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

Capital outlays	\$ 6,021,094	
Less: net deletions	(552,907)	
Less: depreciation expense	<u>(12,978,985)</u>	(7,510,798)

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

1,794,197

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

38,646,788

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

(30,644,935)

Change in Net Assets of Governmental Activities

\$ (29,322,546)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2004

(Amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes, net of refunds and banking fees:				
Real estate	\$ 128,000	\$ 128,000	\$ 123,576	\$ (4,424)
Nonprofit payment for services	2,650	2,650	688	(1,962)
Mercantile	7,400	7,400	7,500	100
Amusement	9,953	9,953	7,714	(2,239)
Earned income	46,789	46,789	45,185	(1,604)
Deed transfer	8,500	8,500	10,614	2,114
Parking	47,313	47,313	44,511	(2,802)
Occupation privilege	3,200	3,200	3,176	(24)
Business privilege	43,250	43,250	39,902	(3,348)
Institution and service privilege	430	430	475	45
Public service	1,125	1,125	1,158	33
Penalties and interest	2,700	2,700	2,552	(148)
Act 77 - tax relief	14,200	14,200	13,396	(804)
Total taxes	315,510	315,510	300,447	(15,063)
Interest earnings				
Fines and forfeits	1,825	1,825	605	(1,220)
	7,337	7,337	6,691	(646)
Licenses and fees:				
Liquor and malt beverage	430	430	407	(23)
Business	31	31	66	35
General government	740	740	749	9
Rentals and charges	3,935	3,435	3,722	287
Total licenses and fees	5,136	4,636	4,944	308
Federal and state grants	3,197	3,197	986	(2,211)
Reimbursement, CDBG	2,055	2,055	1,292	(763)
Public Parking Authority	1,900	1,900	1,900	-
PWSA reimbursement	5,300	5,300	5,300	-
Sports and Exhibition Authority	87	87	87	-
State utility tax	450	450	367	(83)
Act 77 - operations	5,990	5,990	5,903	(87)
Act 77 - civic arena	1,600	1,600	1,600	-
Additional Authority payments	9,800	10,300	276	(10,024)
Breakeven centers	20,180	20,180	17,484	(2,696)
Joint operations	100	100	100	-
Provisions of services	7,814	7,814	6,025	(1,789)
Sale of public property	50	50	-	(50)
Delinquent receivables - magistrates court	500	500	722	222
Total revenues	388,831	388,831	354,729	(34,102)

(Continued)

See accompanying notes to financial statements.

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

YEAR ENDED DECEMBER 31, 2004

(Amounts Express in Thousands)

(Continued)

	Original Adopted Budget	Transfers and Prior Year Carryover	Final Budget	Expenditures	Encumbrances	Total Actual	Variance
Expenditures:							
General Government:							
City Council and City Clerk's Office:							
City Council:							
Salaries	1,378	7	1,385	1,306	-	1,306	79
Council service, supplies, and equipment	13	2	15	2	-	2	13
Education and training	17	-	17	4	-	4	13
Miscellaneous services	96	20	116	99	-	99	17
Total city council	1,504	29	1,533	1,411	-	1,411	122
City Clerk's Office:							
Salaries	513	(1)	512	499	-	499	13
Premium pay	4	8	12	12	-	12	-
Miscellaneous services	169	88	257	131	1	132	125
Supplies	15	-	15	15	-	15	-
Equipment	7	-	7	-	-	-	7
Total city clerk's office	708	95	803	657	1	658	145
Mayor's Office:							
Salaries	1,291	-	1,291	1,244	-	1,244	47
Premium pay	2	-	2	1	-	1	1
Miscellaneous services	99	2	101	4	-	4	97
Education and training	85	-	85	82	-	82	3
Supplies	31	1	32	15	-	15	17
Equipment	3	-	3	1	-	1	2
Rentals	5	-	5	4	-	4	1
Total mayor's office	1,516	3	1,519	1,351	-	1,351	168
City Information Systems:							
Salaries	2,538	-	2,538	2,254	-	2,254	284
Premium pay	30	-	30	3	-	3	27
Miscellaneous services	754	-	754	643	-	643	111
Education and travel expense	38	-	38	38	-	38	-
Supplies	169	-	169	73	-	73	96
Equipment	35	12	47	26	-	26	21
Rentals	276	-	276	274	-	274	2
Utilities	625	-	625	505	-	505	120
Total city information systems	4,465	12	4,477	3,816	-	3,816	661
Magistrates Court:							
Salaries	1,117	-	1,117	1,114	-	1,114	3
Premium pay	16	4	20	18	-	18	2
Miscellaneous services	172	(4)	168	161	-	161	7
Education and training	1	-	1	-	-	-	1
Supplies	11	1	12	11	-	11	1
Equipment	1	-	1	-	-	-	1
Rentals	12	-	12	10	-	10	2
Total magistrates court	1,330	1	1,331	1,314	-	1,314	17
Commission on Human Relations:							
Salaries	145	-	145	145	-	145	-
Miscellaneous services	26	45	71	7	20	27	44
Education and training	1	-	1	-	-	-	1
Supplies	1	-	1	1	-	1	-
Equipment	1	-	1	-	1	1	-
Total commission on human relations	174	45	219	153	21	174	45

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2004

(Amounts Express in Thousands)

(Continued)

	Original Adopted Budget	Transfers and Prior Year Carryover	Final Budget	Expenditures	Encumbrances	Total Actual	Variance
Department of Finance:							
Salaries	3,035	(115)	2,920	2,789	-	2,789	131
Premium pay	31	-	31	13	-	13	18
Miscellaneous services	977	355	1,332	763	71	834	498
Education and training	13	-	13	1	-	1	12
Supplies	440	16	456	291	-	291	165
Materials	5	2	7	-	-	-	7
Equipment	52	4	56	9	-	9	47
Repairs	2	-	2	-	-	-	2
Rentals	30	-	30	26	-	26	4
Total department of finance	4,585	262	4,847	3,892	71	3,963	884
Office of City Controller:							
Salaries	2,577	-	2,577	2,569	-	2,569	8
Premium pay	8	-	8	2	-	2	6
Miscellaneous services	148	58	206	128	9	137	69
Education and training	21	-	21	19	-	19	2
Supplies	11	8	19	9	3	12	7
Equipment	17	4	21	7	10	17	4
Rentals	15	2	17	14	-	14	3
Total office of city controller	2,797	72	2,869	2,748	22	2,770	99
Department of Law:							
Salaries	1,417	(1)	1,416	1,404	-	1,404	12
Premium pay	-	1	1	1	-	1	-
Miscellaneous services	508	339	847	374	50	424	423
Education and training	18	-	18	10	-	10	8
Supplies	23	3	26	22	1	23	3
Equipment	25	(25)	-	-	-	-	-
Rentals	8	-	8	8	-	8	-
Total department of law	1,999	317	2,316	1,819	51	1,870	446
Department of Law - OBEO:							
Salaries	212	-	212	137	-	137	75
Miscellaneous services	51	-	51	1	-	1	50
Education and travel expense	4	-	4	3	-	3	1
Supplies	3	-	3	-	-	-	3
Equipment	13	-	13	3	-	3	10
Total department of Law - OBEO	283	-	283	144	-	144	139
Department of Law - OMI:							
Salaries	424	-	424	343	-	343	81
Premium pay	1	-	1	-	-	-	1
Miscellaneous services	167	75	242	178	-	178	64
Education and training	10	-	10	-	-	-	10
Supplies	6	2	8	4	-	4	4
Equipment	3	1	4	3	-	3	1
Rentals	3	2	5	2	-	2	3
Total department of law - OMI	614	80	694	530	-	530	164
Department of Personnel and Civil Service Commission:							
Salaries	1,163	-	1,163	1,154	-	1,154	9
Premium pay	3	-	3	1	-	1	2
Miscellaneous services	242	280	522	114	73	187	335
Education and training	12	-	12	5	-	5	7
Supplies	18	12	30	16	1	17	13
Equipment	55	31	86	23	-	23	63
Materials	4	-	4	-	-	-	4
Repairs	1	-	1	-	-	-	1
Rentals	3	-	3	2	-	2	1
Total department of personnel and civil service commission	1,501	323	1,824	1,315	74	1,389	435

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2004

(Amounts Express in Thousands)

(Continued)

	Original Adopted Budget	Transfers and Prior Year Carryover	Final Budget	Expenditures	Encumbrances	Total Actual	Variance
Department of City Planning:							
Salaries	921	-	921	884	-	884	37
Premium pay	4	-	4	1	-	1	3
Miscellaneous services	57	5	62	35	-	35	27
Education and training	4	-	4	-	-	-	4
Supplies	22	-	22	14	-	14	8
Rentals	7	-	7	5	-	5	2
Equipment	6	2	8	6	-	6	2
Grants	-	328	328	177	-	177	151
Utilities	2	-	2	1	-	1	1
Total department of city planning	1,023	335	1,358	1,123	-	1,123	235
Total general government	22,499	1,574	24,073	20,273	240	20,513	3,560
Public Safety - Department of Public Safety:							
Bureau of Administration:							
Salaries and wages	241	-	241	87	-	87	154
Miscellaneous services	-	339	339	249	-	249	90
Education and training	-	-	-	-	-	-	-
Supplies and materials	-	-	-	-	-	-	-
Equipment	106	4	110	106	-	106	4
Repairs	-	-	-	-	-	-	-
Total bureau of administration	347	343	690	442	-	442	248
Bureau of Emergency Medical Services:							
Salaries	8,890	(163)	8,727	8,461	-	8,461	266
Premium pay	2,115	150	2,265	2,198	-	2,198	67
Miscellaneous services	103	1	104	103	-	103	1
Education and training	14	13	27	25	-	25	2
Supplies and materials	216	13	229	200	5	205	24
Equipment	126	6	132	92	23	115	17
Rentals	3	-	3	3	-	3	-
Repairs	54	-	54	50	-	50	4
Uniforms	121	-	121	117	-	117	4
Total bureau of emergency medical services	11,642	20	11,662	11,249	28	11,277	385
Bureau of Police:							
Salaries	53,367	301	53,668	50,140	-	50,140	3,528
Premium pay	6,600	(300)	6,300	3,579	-	3,579	2,721
Miscellaneous services	1,663	94	1,757	1,545	-	1,545	212
Education and training	76	77	153	13	-	13	140
Supplies and materials	296	46	342	255	10	265	77
Equipment	139	97	236	219	-	219	17
Repairs	8	-	8	10	-	10	(2)
Rentals	140	19	159	122	1	123	36
Uniforms	879	209	1,088	849	-	849	239
Total bureau of police	63,168	543	63,711	56,732	11	56,743	6,968
Bureau of Fire:							
Salaries and wages	49,288	(1,703)	47,585	47,263	-	47,263	322
Premium pay	10,631	1,703	12,334	12,334	-	12,334	-
Miscellaneous services	136	-	136	102	-	102	34
Education and training	13	-	13	3	-	3	10
Supplies	128	15	143	128	-	128	15
Repairs	40	-	40	34	-	34	6
Equipment	27	-	27	27	-	27	-
Uniforms	648	-	648	497	-	497	151
Total bureau of fire	60,911	15	60,926	60,388	-	60,388	538

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2004

(Amounts Express in Thousands)

(Continued)

	Original Adopted Budget	Transfers and Prior Year Carryover	Final Budget	Expenditures	Encumbrances	Total Actual	Variance
Bureau of Building Inspection:							
Salaries	2,552	(28)	2,524	2,500	-	2,500	24
Premium pay	5	-	5	-	-	-	5
Miscellaneous services	129	28	157	120	-	120	37
Education and training	8	-	8	8	-	8	-
Supplies	13	-	13	11	-	11	2
Repairs	1	-	1	-	-	-	1
Rentals	6	-	6	2	-	2	4
Equipment	9	-	9	9	-	9	-
Uniforms	13	-	13	7	-	7	6
Total bureau of building inspection	2,736	-	2,736	2,657	-	2,657	79
Total public safety - department of public safety	138,804	921	139,725	131,468	39	131,507	8,218
Department of General Services:							
Administration:							
Salaries	827	34	861	861	-	861	-
Premium pay	9	-	9	6	-	6	3
Miscellaneous services	230	37	267	218	-	218	49
Education and training	1	-	1	1	-	1	-
Supplies	14	2	16	7	1	8	8
Equipment	4	1	5	-	-	-	5
Repairs	1	-	1	-	-	-	1
Rentals	549	13	562	495	18	513	49
Total administration	1,635	87	1,722	1,588	19	1,607	115
Facilities Management:							
Salaries	1,823	21	1,844	1,844	-	1,844	-
Premium pay	46	-	46	38	-	38	8
Miscellaneous services	905	3	908	901	-	901	7
Supplies	19	1	20	16	3	19	1
Equipment	8	-	8	5	1	6	2
Repairs	19	-	19	19	-	19	-
Materials	117	16	133	110	10	120	13
Uniforms	28	-	28	26	-	26	2
Total facilities management	2,965	41	3,006	2,959	14	2,973	33
Fleet Management:							
Salaries	2,347	(355)	1,992	1,913	-	1,913	79
Premium pay	195	-	195	145	-	145	50
Miscellaneous services	271	6	277	277	-	277	-
Education and training	2	-	2	-	-	-	2
Supplies	2,791	307	3,098	3,075	1	3,076	22
Materials	33	3	36	36	-	36	-
Equipment	336	7	343	342	-	342	1
Uniforms	46	-	46	36	-	36	10
Repairs	914	-	914	914	-	914	-
Rentals	12	-	12	12	-	12	-
Utilities	-	21	21	-	-	-	21
Total fleet management	6,947	(11)	6,936	6,750	1	6,751	185
Community Communications:							
Salaries	516	-	516	509	-	509	7
Premium pay	15	-	15	7	-	7	8
Miscellaneous services	54	15	69	39	-	39	30
Supplies	25	4	29	15	1	16	13
Equipment	85	30	115	48	1	49	66
Total community communications	695	49	744	618	2	620	124

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2004

(Amounts Express in Thousands)

(Continued)

	Original Adopted Budget	Transfers and Prior Year Carryover	Final Budget	Expenditures	Encumbrances	Total Actual	Variance
Department of Engineering and Construction:							
Operations:							
Premium pay	25	25	50	-	-	-	50
Miscellaneous services	17	-	17	11	-	11	6
Education and training	1	-	1	-	-	-	1
Supplies	25	2	27	19	6	25	2
Equipment	8	-	8	3	3	6	2
Rentals	28	-	28	27	-	27	1
Repairs	1	-	1	1	-	1	-
Materials	6	1	7	4	1	5	2
Total operations	111	28	139	65	10	75	64
Total Department of General Services	12,353	194	12,547	11,980	46	12,026	521
Public Works - Department of Public Works:							
Administration:							
Salaries	1,054	(8)	1,046	985	-	985	61
Premium pay	45	-	45	4	-	4	41
Miscellaneous services	170	8	178	178	-	178	-
Education and training	10	-	10	1	-	1	9
Supplies	25	-	25	17	-	17	8
Equipment	50	3	53	43	-	43	10
Rentals	15	-	15	11	-	11	4
Total administration	1,369	3	1,372	1,239	-	1,239	133
Operations:							
Salaries	6,823	-	6,823	6,792	-	6,792	31
Premium pay	773	-	773	396	-	396	377
Miscellaneous services	290	-	290	284	-	284	6
Supplies	150	12	162	91	1	92	70
Equipment	80	22	102	68	-	68	34
Materials	450	11	461	444	5	449	12
Repairs	395	-	395	275	-	275	120
Rentals	615	20	635	619	10	629	6
Total operations	9,576	65	9,641	8,969	16	8,985	656
Environmental Services:							
Salaries	6,934	1	6,935	6,168	-	6,168	767
Premium pay	600	-	600	506	-	506	94
Miscellaneous services	3,552	(25)	3,527	2,791	-	2,791	736
Supplies	121	-	121	22	1	23	98
Equipment	32	2	34	7	-	7	27
Uniforms	90	-	90	89	-	89	1
Materials	8	-	8	1	-	1	7
Rentals	8	-	8	5	-	5	3
Total environmental services	11,345	(22)	11,323	9,589	1	9,590	1,733
Total public works	22,290	46	22,336	19,797	17	19,814	2,522
Community, Recreational, and Cultural - Department of Parks and Recreation:							
Administration:							
Salaries	1,421	-	1,421	1,312	-	1,312	109
Premium pay	83	-	83	37	-	37	46
Miscellaneous services	543	237	780	465	53	518	262
Education and training	5	-	5	-	-	-	5
Supplies	284	-	284	69	-	69	215
Utilities	160	-	160	160	-	160	-
Repairs	9	-	9	2	-	2	7
Rentals	42	-	42	16	-	16	26
Equipment	42	-	42	22	-	22	20
Grants	-	58	58	6	-	6	52
Total community, recreational, and cultural - department of parks and recreation	2,589	295	2,884	2,089	53	2,142	742

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2004

(Amounts Express in Thousands)

(Continued)

	Original Adopted Budget	Transfers and Prior Year Carryover	Final Budget	Expenditures	Encumbrances	Total Actual	Variance
Nondepartmental:							
Employee Benefits:							
Pension	17,195	-	17,195	17,047	-	17,047	148
Fringe benefits	72,962	2,334	75,296	73,055	100	73,155	2,141
Total employee benefits	90,157	2,334	92,491	90,102	100	90,202	2,289
Claims and Judgments - Citywide	1,500	246	1,746	1,698	(450)	1,248	498
Citizens Review Board:							
Salaries	279	-	279	234	-	234	45
Miscellaneous services	99	14	113	69	10	79	34
Education and training	9	-	9	6	-	6	3
Supplies	5	2	7	3	-	3	4
Equipment	2	-	2	1	-	1	1
Rentals	50	9	59	50	7	57	2
Total citizens review board	444	25	469	363	17	380	89
Utilities-Citywide	7,550	92	7,642	6,706	-	6,706	936
GF Grants-Citywide	-	72	72	-	-	-	72
GF Grants-Other	4,040	-	4,040	40	-	40	4,000
Miscellaneous (Postage/refunds)-Citywide	985	412	1,397	1,012	288	1,300	97
Debt Service:							
Debt service	86,232	-	86,232	86,009	-	86,009	223
Debt service subsidy	3,613	-	3,613	3,613	-	3,613	-
Total debt service	89,845	-	89,845	89,622	-	89,622	223
Government cooperative measures	(4,225)	-	(4,225)	-	-	-	(4,225)
Total Nondepartmental	190,296	3,181	193,477	189,543	(45)	189,498	3,979
Total Expenditures	388,831	\$ 6,211	395,042	\$ 375,150	\$ 350	375,500	19,542
Excess (Deficiency) of Revenues over Expenditures	\$ -		\$ (6,211)			\$ (20,771)	\$ (14,560)

(Continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2004
(Amounts expressed in thousands)
(continued)

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

Sources/Inflows of Resources:

Actual amounts (budgetary basis) revenues from the statement of revenues, expenditures, and changes in fund balance - actual and budget	\$ 354,729
Actual amounts not included on budgetary basis.	1,135
Capital lease not included in budgetary basis but included as revenue on a GAAP basis.	15,435
State pension aid not included in budgetary basis but included as revenue on a GAAP basis.	17,902
The adjustments to convert to GAAP basis, recording of receivables and revenues, not included in budget.	<u>8,878</u>
Total General Fund revenue and capital lease proceeds on GAAP basis as reported on the statement of revenues, expenditures, and change in fund balance.	<u><u>\$ 398,079</u></u>

Users/Outflows of Revenues:

Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison statement.	\$ 375,150
Actual amounts not included on budgetary basis.	15,935
Capital lease not included in budgetary basis but included as expenditures on a GAAP basis.	15,435
State pension aid not included in budgetary basis but included as expenditures on a GAAP basis.	17,902
The adjustments to convert to GAAP basis, recording of expenditures and liabilities not included in budget.	<u>(5,679)</u>
Total General Fund expenditures and net transfers as reported on the statement of revenues, expenditures, and change in fund balance.	<u><u>\$ 418,743</u></u>

(concluded)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 50,706,932	\$ 50,706,932	\$ 26,479,096	\$ (24,227,836)
Expenditures:				
General government:				
Council and City Clerk's Office	5,409,152	5,409,152	2,027,950	3,381,202
Finance	51,855	51,855	-	51,855
Department of Personnel and Human Relations	956,127	956,127	503,384	452,743
Department of City Planning	5,690,930	5,690,930	3,271,455	2,419,475
General services	165,849	165,849	9,705	156,144
Public safety	1,873,006	1,873,006	1,252,896	620,110
Public works:				
Public works	7,317,976	7,317,976	5,220,610	2,097,366
Engineering and construction	4,031,762	4,031,762	991,361	3,040,401
Community, recreational, and cultural programs	3,074,046	3,074,046	1,560,452	1,513,594
Intergovernmental programs	22,136,229	22,136,229	11,047,522	11,088,707
Total expenditures	50,706,932	50,706,932	25,885,335	24,821,597
Excess (Deficiency) of Revenues Over Expenditures	-	-	593,761	593,761
Fund Balance:				
Beginning of year	-	-	974,441	974,441
End of year	\$ -	\$ -	\$ 1,568,202	\$ 1,568,202

(continued)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2004

(Amounts expressed in thousands)

(continued)

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

Sources/Inflows of Resources:

Actual amounts (budgetary basis) revenues from the budgetary comparison statement.	\$ 26,479
The adjustments to convert to GAAP basis, recording of receivables and revenues, not included in budget.	<u>3,269</u>
Total community development fund revenue on GAAP basis as reported on the statement of revenues, expenditures, and change in fund balance.	<u>\$ 29,748</u>

Users/Outflows of Revenues:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 25,885
The adjustments to convert to GAAP basis, recording of expenditures and liabilities not included in budget.	<u>3,863</u>
Total community development fund expenditures and other financing uses as reported on the statement of revenues, expenditures, and change in fund balance.	<u>\$ 29,748</u>

(concluded)

See accompanying notes to financial statements.

FIDUCIARY FUND STATEMENTS

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

DECEMBER 31, 2004

	<u>Pension Trust Fund</u>	<u>Agency Fund</u>
Assets		
Cash and cash equivalents	\$ 36,998,961	\$ 4,939,445
Investments:		
Mutual funds	112,286,865	-
Preferred and common stock	126,497,027	-
Fixed income	98,569,338	-
Accounts receivable	-	14,340
Other assets	368,969	292,151
Due from component units	-	721,099
Accrued interest and dividend receivables	1,659,618	-
Total Assets	376,380,778	5,967,035
Liabilities		
Benefits and related withholdings payable	2,610,955	-
Accounts payable	120,493	7,500
Due to other governments	-	18,884
Deposits held in trust	-	1,836,026
Accrued liabilities and other payables	40,923	4,104,625
Total Liabilities	2,772,371	5,967,035
Net Assets		
Held in trust for pension benefits	\$ 373,608,407	\$ -

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2004

	Pension Trust Fund
Additions:	
Contributions:	
Employer	\$ 17,619,509
Plan members	10,512,737
State	17,901,923
Total contributions	<u>46,034,169</u>
Investment income:	
Net appreciation in fair value of investments	26,432,214
Interest and dividends	10,815,704
Total investment income	<u>37,247,918</u>
Investment expense	<u>(956,815)</u>
Net investment income	36,291,103
Miscellaneous:	
Other	639,670
Total additions	<u>82,964,942</u>
Deductions:	
Benefit payments	65,641,282
Refund of employee contributions	1,740,097
Administrative expense	1,393,662
Total deductions	<u>68,775,041</u>
Increase in Net Assets	14,189,901
Net Assets:	
Beginning of year	<u>359,418,506</u>
End of year	<u>\$ 373,608,407</u>

See accompanying notes to financial statements.

COMBINING STATEMENTS OF
DISCRETE COMPONENT UNITS

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING BALANCE SHEET

COMPONENT UNITS

DECEMBER 31, 2004

Assets	URA	URA PDF Trust	Water and Sewer Authority	Stadium Authority	Public Parking Authority	Total
Current assets:						
Cash and cash equivalents	\$ 224,897,133	\$ -	\$ 20,617,000	\$ 2,442,160	\$ 111,940	\$ 248,068,233
Cash and cash equivalents - restricted	-	6,166,113	-	-	3,334,407	9,500,520
Investments - unrestricted	-	-	-	-	4,479,574	4,479,574
Investments - restricted	-	-	-	-	6,160,253	6,160,253
Accounts receivable	-	-	19,927,000	-	373,694	20,300,694
Due from other governments	8,822,414	-	-	-	-	8,822,414
Grant receivable	-	-	-	2,568,166	-	2,568,166
Notes receivable	-	-	-	87,754	207,045	294,799
Inventory	-	-	1,555,000	-	-	1,555,000
Accrued interest	-	8,839	-	-	482,743	491,582
Other receivables	10,597,090	-	2,332,000	161,486	-	13,090,576
Other receivables - restricted	-	-	-	-	-	-
Prepays	-	-	179,000	-	-	179,000
Total current assets	244,316,637	6,174,952	44,610,000	5,259,566	15,149,656	315,510,811
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	-	-	25,757,000	-	-	25,757,000
Investments	-	-	16,004,000	-	16,888,845	32,892,845
Accrued interest receivable	-	-	86,000	-	-	86,000
Accounts receivable - parking	-	-	-	45,753	-	45,753
Total restricted assets	-	-	41,847,000	45,753	16,888,845	58,781,598
Capital assets:						
Buildings and building improvements	39,957,089	-	-	-	-	39,957,089
Land and land improvements	15,077,285	-	-	-	18,926,807	34,004,092
Parking facilities	-	-	-	-	115,743,627	115,743,627
Machinery and equipment	-	-	102,167,000	-	5,196,709	107,363,709
Utility plant	-	-	427,677,000	-	-	427,677,000
Non-utility plant	-	-	16,477,000	-	-	16,477,000
Construction-in-progress	1,567,604	-	17,413,000	1,011,498	1,706,965	21,699,067
Less: accumulated depreciation	(8,878,148)	-	(122,012,000)	-	(51,387,528)	(182,277,676)
Total capital assets	47,723,830	-	441,722,000	1,011,498	90,186,580	580,643,908
Leasehold improvements	-	-	-	-	299,551	299,551
Other assets	1,799,507	-	-	-	-	1,799,507
Other assets - restricted	-	-	-	-	-	-
Assets held for sale	29,090,224	-	-	-	-	29,090,224
Assets held for sale - restricted	-	-	-	-	-	-
Loans/notes receivable	151,834,052	-	-	1,965,000	4,277,362	158,076,414
Loans/notes receivable - restricted	-	-	-	-	-	-
Deposits held for development fund	-	-	-	1,130,364	-	1,130,364
Bond issue costs, net of amortization	-	-	7,357,000	12,501	1,274,823	8,644,324
Total noncurrent assets	230,447,613	-	490,926,000	4,165,116	112,927,161	838,465,890
Total Assets	\$ 474,764,250	\$ 6,174,952	\$ 535,536,000	\$ 9,424,682	\$ 128,076,817	\$ 1,153,976,701

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

COMBINING BALANCE SHEET

COMPONENT UNITS

DECEMBER 31, 2004

(Continued)

	URA	URA PDF Trust	Water and Sewer Authority	Stadium Authority	Public Parking Authority	Total
Liabilities						
Current liabilities:						
Bonds and loans payable, current portion	\$ 7,933,229	\$ 3,070,000	\$ 16,180,000	\$ 1,945,000	\$ 4,555,000	\$ 33,683,229
Note due to City of Pittsburgh, current portion	-	-	-	1,540,000	-	1,540,000
Accrued payroll and related obligations	-	-	810,000	-	-	810,000
Accounts payable - City of Pittsburgh	-	-	-	-	410,462	410,462
Accounts payable - wastewater treatment	-	-	14,322,000	-	-	14,322,000
Unearned revenue	19,014,073	-	-	-	-	19,014,073
Accrued expenses and deferred income	-	-	-	-	1,025,182	1,025,182
Accounts payable and other accrued expenses	29,250,822	-	6,186,000	19,502	3,012,174	38,468,498
Accrued interest payable	-	-	6,551,000	87,500	877,850	7,516,350
Total current liabilities	<u>56,198,124</u>	<u>3,070,000</u>	<u>44,049,000</u>	<u>3,592,002</u>	<u>9,880,668</u>	<u>116,789,794</u>
Noncurrent liabilities:						
Unearned revenue	-	-	442,000	-	-	442,000
Accrued payroll and related obligations	-	-	962,000	-	-	962,000
Note due to City of Pittsburgh	-	-	-	2,006,996	-	2,006,996
Bonds and loans payable, net of current portion	185,985,243	47,985,000	531,673,000	10,215,000	73,593,458	849,451,701
Advances from the City of Pittsburgh	-	-	-	22,775,168	-	22,775,168
Total noncurrent liabilities	<u>185,985,243</u>	<u>47,985,000</u>	<u>533,077,000</u>	<u>34,997,164</u>	<u>73,593,458</u>	<u>875,637,865</u>
Total Liabilities	<u>242,183,367</u>	<u>51,055,000</u>	<u>577,126,000</u>	<u>38,589,166</u>	<u>83,474,126</u>	<u>992,427,659</u>
Net Assets						
Invested in capital assets, net of related debt	18,287,462	-	(52,022,000)	-	15,983,389	(17,751,149)
Restricted for:	-	-	-	-	-	-
Capital projects	-	-	-	-	2,153,635	2,153,635
Debt service	-	-	7,726,000	-	6,168,053	13,894,053
Public Parking Authority	-	-	-	-	11,210,373	11,210,373
Urban Development	21,775,414	-	-	-	-	21,775,414
Lending programs	144,137,626	-	-	-	-	144,137,626
Multi-family housing program	19,386	-	-	-	-	19,386
Unrestricted	48,360,995	(44,880,048)	2,706,000	(29,164,484)	9,087,241	(13,890,296)
Total Net Assets	<u>\$ 232,580,883</u>	<u>\$ (44,880,048)</u>	<u>\$ (41,590,000)</u>	<u>\$ (29,164,484)</u>	<u>\$ 44,602,691</u>	<u>\$ 161,549,042</u>

(Concluded)

See accompanying notes to financial statements.

CITY OF PITTSBURGH, PENNSYLVANIA

STATEMENT OF ACTIVITIES

COMPONENT UNITS

YEAR ENDED DECEMBER 31, 2004

	Program Revenues				Urban Redevelopment Authority							Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	URA Component Units		Water and Sewer Authority	Stadium Authority	Public Parking Authority	Total	
							URA PDF Trust						
Urban Redevelopment Authority:													
Governmental activities:													
Urban development	\$ 50,167,424	\$ -	\$ 38,591,818	\$ 7,348,778	\$ (4,226,828)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,226,828)	
General government	8,917,901	4,306,307	2,500,000	-	(2,111,594)	-	-	-	-	-	-	(2,111,594)	
Interest on long-term debt	1,398,156	-	-	-	(1,398,156)	-	-	-	-	-	-	(1,398,156)	
Total governmental activities	60,483,481	4,306,307	41,091,818	7,348,778	(7,736,578)	-	-	-	-	-	-	(7,736,578)	
Business-type activities:													
Lending programs	9,304,327	9,666,034	251,238	-	-	612,945	-	-	-	-	-	612,945	
Property management	3,553,716	3,179,838	-	-	-	(373,878)	-	-	-	-	-	(373,878)	
Total business-type activities	12,858,043	12,845,872	251,238	-	-	239,067	-	-	-	-	-	239,067	
Component units	2,539,381	93,011	702,281	943,877	-	-	(800,212)	-	-	-	-	(800,212)	
Total URA	75,880,905	17,245,190	42,045,337	8,292,655	(7,736,578)	239,067	(800,212)	-	-	-	-	(8,297,723)	
Urban Redevelopment Authority - PDF Trust:													
General government	-	-	6,169,280	-	-	-	-	6,169,280	-	-	-	6,169,280	
Interest on debt, net	4,605,290	-	-	-	-	-	-	(4,605,290)	-	-	-	(4,605,290)	
Total PDF Trust	4,605,290	-	6,169,280	-	-	-	-	1,563,990	-	-	-	1,563,990	
Pittsburgh Water and Sewer Authority	81,943,000	73,800,000	-	-	-	-	-	-	(8,143,000)	-	-	(8,143,000)	
Stadium Authority	1,766,435	1,438,455	-	4,676,333	-	-	-	-	-	4,348,353	-	4,348,353	
Public Parking Authority	32,866,969	31,177,507	-	234,280	-	-	-	-	-	-	(1,455,182)	(1,455,182)	
Total Component Units	\$ 197,062,599	\$ 123,661,152	\$ 48,214,617	\$ 13,203,268	(7,736,578)	239,067	(800,212)	1,563,990	(8,143,000)	4,348,353	(1,455,182)	(11,983,562)	
General revenues:													
Investment income					878,221	918,502	38,942	-	685,000	126,958	653,892	3,301,515	
Gain (loss) on sale of assets					-	-	614,001	-	-	539,743	-	1,153,744	
Miscellaneous					4,447,348	-	(3,457)	-	-	(727,785)	55,319	3,771,425	
Total general revenues					5,325,569	918,502	649,486	-	685,000	(61,084)	709,211	8,226,684	
Change in net assets					(2,411,009)	1,157,569	(150,726)	1,563,990	(7,458,000)	4,287,269	(745,971)	(3,756,878)	
Net assets - beginning					147,743,312	81,360,138	4,881,599	(46,444,038)	(34,132,000)	(33,451,753)	45,348,662	165,305,920	
Net assets - ending					\$ 145,332,303	\$ 82,517,707	\$ 4,730,873	\$ (44,880,048)	\$ (41,590,000)	\$ (29,164,484)	\$ 44,602,691	\$ 161,549,042	

See accompanying notes to financial statements.