Sports & Exhibition Authority of Pittsburgh and Allegheny County

Financial Statements and Required Supplementary Information

For the Years Ended December 31, 2011 and 2010
with Independent Auditor's Report

MaherDuessel
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

Pursuing the profession while promoting the public good®
www.md-cpas.com

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

TABLE OF CONTENTS

MaherDuessel
Certified Public Accountants

Pittsburgh
503 Martindale Street
Suite 600
Pittsburgh, PA 15212
Main 412.471.5500
Fax 412.471.5508

Harrisburg
3003 North Front Street
Suite 101
Harrisburg, PA 17110
Main 717.232.1230
Fax 717.232.8230

Butler
112 Hollywood Drive
Suite 204
Butler, PA 16001
Main 724.285.6800
Fax 724.285.6875

Independent Auditor's Report

Board of Directors
Sports & Exhibition Authority of Pittsburgh
and Allegheny County

We have audited the accompanying statements of net assets of the Sports & Exhibition Authority of Pittsburgh and Allegheny County (Authority), as of December 31, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through xiii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Maher Duessel

Pittsburgh, Pennsylvania
April 12, 2012

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2011

As management of the Sports & Exhibition Authority of Pittsburgh and Allegheny County (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority as of and for the fiscal years ended December 31, 2011 and 2010. This Management's Discussion and Analysis is designed to assist the reader in focusing on the significant financial issues and activities. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- The assets of the Authority exceeded its liabilities on December 31, 2011 by $455 million (net assets). This represents a $25 million decrease (5%) compared to prior year-end net assets. Net assets as of December 31, 2011 are less than December 31, 2010 due to the continued depreciation on the Authority's capital assets, payment on bonds and loans outstanding and payoff in 2011 of the Convention Center chiller plant from 2010 refinancing proceeds.

- The Authority's total cash and cash equivalents balance at the close of the 2011 fiscal year was $71 million, representing a $13 million decrease over the prior year-end. Decreased cash is a result of expenditures for construction costs related to the New Arena project, Convention Center Riverfront Plaza, and predevelopment costs on the Lower Hill Redevelopment project.

- The Authority recognized $21.6 million in operating revenues for the calendar year 2011, a 17% increase over 2010's operating revenues. Ticket surcharges were up $823,000 and parking revenues from the North Shore Garage and parking lots were up $262,000 because of the two NFL playoff games, the NHL Winter Classic Game, and three summer concerts, all held at Heinz Field.

Convention Center operations revenue from rentals, events services and ancillary services increased $2.5 million or 41% while operating expenses increased $500,000 or 5%. There were 10 more events in 2011 than there were in 2010 (including three conventions). There were also 124,000 more attendees at the Convention Center in 2011. While convention centers historically operate at a deficit, the 2011 deficit was $1.7 million or $2 million less than the 2010 deficit. This is due in part to the 2010 refinancing of the Hotel Tax bonds which paid off the chiller plant, reducing annual lease payments by $700,000 and the refinancing of the PNC/Dollar Bank 2010 loan which reduced annual debt by $300,000 per year. The deficit is covered by payments from the Commonwealth of Pennsylvania's Economic Development and Tourism Fund and Hotel Tax revenue. As shown on the statements of revenues, expenses, and changes in net assets, total Authority operating revenues ($21.6 million), net of operating expenses of $63.5 million, resulted in a $41.9 million operating loss. This result includes depreciation and amortization expenses of $50 million.

Overview of the Financial Statements

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial report, which is comprised of a single enterprise fund.

To understand the operations and financial statements depicted, it is important to understand the primary role of the Authority. As a joint authority for the City of Pittsburgh and Allegheny County, the Authority's mission is to provide venues for sporting, entertainment, educational, cultural, civic, and social events for the benefit of the general public. The Authority was responsible for the complete implementation of the Regional Destination Financing Plan (the Plan). In addition to constructing the stadiums, the Plan consisted of the expansion of the Convention Center, parking facilities, riverfront park development, as well as the infrastructure improvements associated with these projects. The combined cost of the Plan exceeded $1 billion with monies coming from revenue bonds, state appropriations, federal funds, corporate and philanthropic funds, and sports team contributions. The Authority owns PNC Park, Heinz Field, the Convention Center (and connecting garage), Civic Arena, Consol Energy Center and garage, North Shore Garage, North Shore Riverfront Park, the Benedum Center, and the Heinz History Center. The Authority leases PNC Park and Heinz Field to Pittsburgh Associates (holder of the Pittsburgh Pirates Major League Baseball Franchise) and PSSI Stadium Corp. (a related entity to the holder of the Pittsburgh Steelers National Football League Franchise), respectively, both of which operate the facilities through 2030. The Civic Arena was leased to Lemieux Group LP, (the holder of the Pittsburgh Penguins National Hockey League Franchise), which was responsible for its operations and management. On August 1, 2010, the new Consol Energy Center was completed and became the new home for the hockey franchise. The Authority now leases Consol Energy Center to the Lemieux Group LP which operates that facility through June 30, 2040. At that time, the Authority closed the Civic Arena. The Authority began demolition of the Civic Arena in September 2011 in preparation for the Lower Hill Redevelopment project. The Authority oversees management of the Convention Center including the Convention Center garage, North Shore Garage, and North Shore Riverfront Park. The Authority's ownership of the Benedum Center and the Heinz History Center is for financing purposes only; the Authority has no significant operating or management responsibility with respect to those facilities. As of December 2011, close-out issues remain on the Consol Energy Center project.

Financial Statements

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

> *The statement of net assets* presents information on all of the Authority'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 Authority is improving or deteriorating.

The *statement of revenues, expenses, and changes in net assets* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change 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. accrued receivables).

The *statement of cash flows* reports cash and cash equivalent activities for the year resulting from operating activities, non-capital financing activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year cash and cash equivalents balance reconciles to the cash and cash equivalents balance at the end of the calendar year.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to analyze the changing financial position of the Authority as a whole. In the case of the Authority, assets exceed liabilities by $455 million as of December 31, 2011, a $25 million decrease from the prior year. The overall decrease is a result of several factors. In 2010, the Authority refinanced the Hotel Tax Revenue Bonds, Series of 2010 and Regional Asset District Sales Tax Revenue Bonds, Series of 2010. Proceeds from these refinancings were used to payoff the Convention Center chiller plant lease in 2011. Completion of the Consol Energy Center construction and Convention Center Riverfront Plaza decreased cash. Capital Assets were depreciated and/or amortized by $50 million.

Unrestricted net assets report the amount of discretionary assets that an organization has to meet its obligations. The net asset summary below shows that the unrestricted portion of net assets is positive by $33,000, due to the Authority operating revenues exceeding expenses for 2011. Additional information can be found in the "Economic Factors and 2011 Budget" section of the Management's Discussion and Analysis.

Condensed Summary of Net Assets at December 31 (in thousands)

	2011	2010
Current assets	$ 71,115	$ 82,649
Capital assets	1,137,453	$ 1,176,713
Other assets	100,543	57,412
Total assets	$ 1,309,111	$ 1,316,774
Current liabilities	$ 30,232	$ 34,626
Bonds outstanding (net of current portion)	684,880	701,933
Other long-term liabilities	138,083	99,451
Total liabilities	$ 853,195	$ 836,010
Net Assets:		
Invested in capital assets, net of related debt	$ 413,059	$ 428,895
Restricted	42,824	52,429
Unrestricted	33	(560)
Total net assets	$ 455,916	$ 480,764

Condensed Summary of Revenues, Expenses, and Changes in Net Assets at December 31 (in thousands)

	2011	2010
Operating revenues	$ 21,620	$ 18,143
Operating expenses:		
Operations and maintenance	11,920	10,698
General and administrative	1,203	1,140
Depreciation and amortization	50,328	55,291
Other expenses	50	2
Total operating expenses	63,501	67,131
Operating income (loss)	(41,881)	(48,988)
Nonoperating revenues (expenses):		
Allegheny Regional Asset District and City, County, State	25,956	37,604
Hotel rooms tax	14,680	14,496
Stadium Authority parking subsidy	844	1,625
Pittsburgh Casino operator	7,602	7,596
Pittsburgh Penguins	271	1,117
Federal grants	1,188	5,115
Foundation and other grants	866	25
Project administrative and development income (net of expense)	(11)	(42)
Interest expense (net of interest income)	(34,630)	(27,045)
Unrealized gain/loss on investments	(2)	(116)
Miscellaneous	268	325
Total nonoperating revenues (expenses)	17,032	40,700
Decrease in net assets	$ (24,849)	$ (8,288)

By far, the largest portion of the Authority's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of related debt ($413 million). This category comprises 91% of the total net assets. Total net assets also include restricted net assets of $43 million. During 2011, decreases in the Authority's investment in capital assets, net of related debt, were mainly a result of paying debt service and depreciation and amortization of fixed assets exceeding new construction activities. The Authority uses its capital assets primarily to provide public venues for baseball (PNC Park), football (Heinz Field), hockey and other arena events (Consol Energy Center), and for convention center events (David L. Lawrence Convention Center). Other major capital assets are two parking garages, and the North Shore Riverfront Park. Consequently, these assets are not available for future spending. Almost 100% of the roughly $1 billion in capital assets are capitalized and in-service.

Current assets include cash, investments, and receivables for event rentals, parking fees, surcharges, and contributions. Current assets decreased by $11.5 million from 2010. With the opening of the New Arena and completion of construction, most bond proceeds have been spent and thus reclassified from current to capital assets, net. Noncurrent assets include restricted cash and cash equivalents, deferred lease costs and capital assets.

The largest component of the Authority's liabilities is bonds payable, which are secured by pledged revenues as described below in debt administration. The current portion of bonds payable increased in accordance with bond payment schedules by $1.5 million due to debt service requirements. Other long-term liabilities increased by $38 million, the largest contributing factor being the increase in the derivative instrument interest rate swap liability which, under generally accepted accounting principles, is considered a hedged transaction and offset by a deferred outflow of resources in the noncurrent assets section.

The Authority's operating revenues are derived from surcharge/team rent, parking revenues, and Convention Center income from building rental, event services, catering and concession charges, and ancillary charges such as booth cleaning, security, audio visual, and electrical usage. The Authority's unrestricted operating revenues support the administrative costs of the Authority and the operation of the Convention Center. The restricted operating revenues related to charges/fees imposed by the Authority are pledged for debt repayment or capital maintenance reserves. Non-operating revenues are primarily composed of federal, state, local, and foundation related grants for the operations of the Convention Center, and payment of debt and costs related to capital projects. The majority of the restricted grants in 2011 were comprised of (1) $10.9 million from the Commonwealth of Pennsylvania's Economic Development and Tourism Fund revenue for ongoing Convention Center operations, reimbursement and repayment of loan debt, and debt service on the Commonwealth of Pennsylvania Lease Revenue Bonds Series A of 2007, (2) $14.68 million from Allegheny County Hotel Tax for operations of the Convention Center and debt service on the Hotel Room Excise Tax Revenue Bonds, (3) $14.325 million from Allegheny Regional Asset District (RAD) for debt service on the RAD Sales Tax Revenue Bond Refunding Series of 2010 and RAD Refinancing Bonds Series 2005, and (4) $7.6 million from the Rivers Casino for debt service on the Commonwealth Lease Revenue Bonds Series A of 2007.

Including the depreciation and amortization expense of $50 million, the Authority's operating loss was $41.9 million. Operations, without depreciation and amortization expense, would have yielded a surplus of $8.4 million which is composed of restricted surcharge/rent revenue for the various teams' capital reserve funds and bond debt service obligations and North Shore Garage revenue restricted to payment of garage debt.

Capital Assets

As of December 31, 2011, the Authority's investment in capital assets was $1 billion (net of accumulated depreciation). Investment in capital assets includes buildings, improvements, equipment, infrastructure, and land (which is valued at $127 million and is not depreciated). All construction-in-progress for facilities and assets that are open and operating were capitalized.

In 2011, $8.8 million was spent on the Convention Center Riverfront Plaza; it was completed and opened in the second quarter of 2011. In addition, the major expenses capitalized during 2011 included $2.9 million for the Civic Arena, $2.49 million for Consol Energy Center, $1.2 million for Heinz Field, and $814,000 for the Convention Center. Additional information on capital assets can be found in Note 4 of this report.

Debt Administration

Long-term debt of the Authority is comprised of nine bond issues and several loans payable.

Four bonds were issued to finance the Regional Destination Financing Plan. Hotel Room Excise Tax Revenue Bonds Series 1999, Regional Asset District Sales Tax Revenue Bonds Series 1999, Taxable Ticket Surcharge Revenue Bonds, and Series 2000 and Parking Revenue Bonds Series A of 2001. In 2010, three of these bonds were refinanced in part or in full (1) Hotel Room Excise Tax Revenue Bonds Series 1999, (2) Regional Asset District Sales Tax Revenue Bonds Series 1999, and (3) Parking Revenue Bonds Series A of 2001. The remaining bonds are:

Bond Issue	Issue Date	Initial Principal Amount	Pledged Revenue Stream	Bond Ratings* Standard & Poor's	Bond Ratings* Moody's
Hotel Revenue Bonds	May-1999	$ 42,700,000 **	Hotel Room Excise Tax	AAA	Aaa
Hotel Revenue Bonds	Oct-2010	$ 146,465,000	Hotel Room Excise Tax	AAA (negative outlook)	Aa3 (negative outlook)
RAD Revenue Bonds	Sept-2010	$ 173,765,000	Regional Asset District 1% Sales Tax	AAA (negative outlook)	Aa3 (negative outlook)
Ticket Surcharge Revenue Bonds	Aug-2000	$ 17,175,000	Steeler Football Ticket Surcharge	AAA	Aaa

*Rating at time of original issuance/may be based on bond insurance

**Balance on Original Bond after refinancing

Principal payments totaling $7,925,000 were made in 2011 on these bonds leaving outstanding debt of $42,700,000, $142,255,000, $170,345,000 and $15,050,000, respectively.

Two 2005 bond issues relate to the refinancing of the 1999 Auditorium Bonds that had an initial combined principal amount of $36,550,000.

Bond Issue	Issue Date	Initial Principal Amount	Pledged Revenue Stream	Bond Ratings * Standard & Poor's	Bond Ratings * Moody's
RAD Sales Tax Bonds, Refunding Series 2005	Jan-2005	$ 13,250,000	RAD Sales Tax proceeds	AAA	Aaa
Auditorium Bonds, Refunding Series A of 2005	Sept-2005	$ 8,345,000	City of Pittsburgh & Allegheny County	n/a	Aaa

* Ratings based on the purchase of bond insurance at time of issuance

Additional information is shown in Note 6 of this report. The outstanding principal amount as of December 31, 2011 for these bonds is $5,660,000 and $2,785,000, respectively.

The Authority issued three bonds to finance the construction of the New Arena Project.

Bond Issue	Issue Date	Initial Principal Amount	Pledged Revenue Stream	Bond Ratings * Standard & Poor's	Bond Ratings * Moody's
Commonwealth Lease Revenue Bonds Series A of 2007	Oct-2007	$ 252,000,000	Gaming Economic Development and Tourism Fund and Casino Operator	A-1	VMIG 1
Commonwealth Lease Revenue Bonds Taxable Series B of 2007	Oct-2007	$ 61,265,000	Pittsburgh Penguins	A-1	VMIG 1
Commonwealth Lease Revenue Bonds Taxable Series 2010	Apr-2010	$ 17,360,000	Pittsburgh Penguins	A	Aa3

* Ratings based on the purchase of bond insurance at time of issuance

The Series A bonds are secured by revenues from the Commonwealth of Pennsylvania's Economic Development and Tourism Fund and by a payment agreement with the Pittsburgh Casino operator. In 2011, payments of $7.5 million were received from the Commonwealth and $7.6 million was received in accordance with the casino payment agreement. The Series B bonds and the Series 2010 bonds are secured by rents due from the Pittsburgh Penguins; $5,460,000 was received for both bonds in 2011.

There are two active loans/notes outstanding at December 31, 2011. The first is a loan from the Howard Heinz Endowment and the Vira I. Heinz Endowment with an original value of $1.5 million each to promote economic development and environmental initiatives by constructing improvements at the Convention Center in accordance with the Green Building Standards. Repayments on the Heinz loans were to begin in 2008; however, the Heinz Endowments agreed twice to amendments of the agreement in 2008 and 2009, delaying the due date of the principal and interest payments until 2010. In 2010, the Heinz Endowments forgave the first principal payment of $100,000 on each of the two loans. In 2011, the Heinz Endowments agreed to forgive $866,658 of the loan balance providing the Authority continue efforts at the Convention Center to work towards achieving and maintaining LEED recertification. The current balance of the outstanding loans is $1,532,667.

The second loan is a PNC Bank/Dollar Bank loan in the amount of $41,175,574. In 2010, the Authority refinanced a 2004 PNC Bank/Dollar Bank loan which financed costs for operations and capital costs for the Convention Center and the 2001 Parking Revenue Bonds which were originally issued to finance the Regional Destination Financing Plan. The balance of the 2010 loan is comprised of a $24,698,370 fixed rate note issued to PNC Bank and a $10,352,941 fixed rate note issued to Dollar Bank. See Note 7 to the financial statements for further information.

Economic Factors and the 2011 Budget

Certain factors were considered in preparing the Authority's budget for the 2011 fiscal year. Foremost was that the Convention Center would continue to operate at a loss as do most public facilities of this type. Although the Authority endeavors to keep the operating loss at a minimum, the overriding goal is the economic benefit that visitors bring to the City of Pittsburgh. Operating the Convention Center as a world-class facility supported by market sensitive rental pricing causes the operating loss. Operating revenues such as building income from rentals, food and beverage, and other ancillary services, as well as, the unrestricted portion of the hotel tax allocation, unpledged parking revenues, and an appropriation from the Commonwealth of Pennsylvania's Economic Development and Tourism Fund, fund the operating activity and administration of the Convention Center. The Authority's 2011 operating budget is balanced; and no operating cash flow issues are present.

In accordance with Act 71 of 2004 (the Pennsylvania Race Horse Development and Gaming Act), in 2011 the Authority anticipated and received moneys from the Commonwealth of Pennsylvania's Economic Development and Tourism Fund for (a) operating costs of the Convention Center ($1.7 million) and (b) repayment of certain Convention Center debt ($1.7 million) to help cover the operating costs of the Convention Center. Receipt of the Act 71 funding is directly dependent on the gaming revenues received by the state. While the Authority has received the 2011 payments from the fund, if in the future these monies are not received and other revenue streams do not materialize, the Authority will have cash flow difficulties. It may then call upon the Cooperation Agreement with the City of Pittsburgh and Allegheny County. This agreement, dated January 23, 1978, approves a shared payment by the City of Pittsburgh and Allegheny County to cover the Authority's operating deficit with respect to the Convention Center.

Future Events that will Financially Impact the Authority

In early 2012, the Stadium Authority, a related entity of the Authority, refinanced outstanding debt on the West General Robinson Street Garage, secured by, among other things, net revenues from the North Shore Parking Garage and various Authority lots. This refinancing will help stabilize the financing for all North Shore parking facilities.

Based on a study conducted by CJL Engineering, the Authority invested $649,000 in energy saving projects in 2011 at the Convention Center such as capacitors for power factor correction and MDF/IDF room cooling (a project that allows the chiller plant to be shut down in winter months). Payback from energy cost savings resulting from these capital projects is estimated to be 3.8 years. Major lighting and ventilation energy saving projects will continue into 2012.

Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Sports & Exhibition Authority, 425 Sixth Avenue, Suite 2750, Pittsburgh, PA 15219.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

STATEMENTS OF NET ASSETS

DECEMBER 31, 2011 AND 2010

Assets	2011	2010
Current assets:		
Cash and cash equivalents	$ 1,062,989	$ 513,158
Restricted cash and cash equivalents	61,082,390	75,476,215
Receivables:		
Trade (no allowance for doubtful accounts necessary)	1,694,864	1,955,012
Interest	154,483	142,478
Restricted contributions and grants	1,243,185	1,567,804
Prepaid expenses	199,227	170,476
Total current assets	65,437,138	79,825,143
Noncurrent assets:		
Restricted cash and cash equivalents	7,527,028	8,122,715
Restricted investments	1,359,918	1,359,758
Deferred lease costs	15,484,031	16,025,746
Deferred outflow of resources	81,849,550	34,727,629
Capital assets, net	1,137,452,817	1,169,283,327
Construction-in-progress	-	7,429,793
Total noncurrent assets	1,243,673,344	1,236,948,968
Total Assets	$ 1,309,110,482	$ 1,316,774,111
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	$ 3,789,926	$ 10,230,118
Deferred revenue	559,321	566,016
Interest payable	8,001,488	5,898,621
Current portion of bonds payable	16,565,000	14,985,000
Current portion of loans/notes payable	1,315,890	2,599,551
Current portion of capital lease obligation	-	347,127
Total current liabilities	30,231,625	34,626,433
Noncurrent liabilities:		
Accrued liabilities	1,848,672	2,142,168
Deferred revenue	1,082,546	1,269,650
Developer credits	14,525,000	14,525,000
Derivative instrument - interest rate swap	81,849,550	34,727,629
Bonds payable	684,879,662	701,932,944
Loans/notes payable	38,777,636	40,960,851
Capital lease obligation	-	5,825,421
Total noncurrent liabilities	822,963,066	801,383,663
Total Liabilities	853,194,691	836,010,096
Net Assets:		
Invested in capital assets, net of related debt	413,058,538	428,894,844
Restricted for capital activity and debt service	42,823,715	52,429,463
Unrestricted	33,538	(560,292)
Total Net Assets	455,915,791	480,764,015
Total Liabilities and Net Assets	$ 1,309,110,482	$ 1,316,774,111

See accompanying notes to financial statements.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Operating Revenues:		
Restricted:		
Surcharges/rents	$ 8,427,861	$ 8,331,733
North Shore parking garage, net	1,299,558	1,149,725
Convention Center parking garage, net	1,725,240	1,631,013
Unrestricted:		
Ticket surcharges	1,053,866	326,551
Parking lot revenue, net	509,654	396,638
License fees	2,861,389	2,624,678
Event service revenue	1,181,540	631,392
Ancillary revenue	4,315,711	2,667,197
Other revenue	245,444	384,194
Total operating revenues	21,620,263	18,143,121
Operating Expenses:		
Operations and maintenance	11,920,647	10,698,278
General and administrative	1,202,853	1,140,079
Depreciation and amortization	50,328,256	55,290,711
Other expenses	49,709	1,980
Total operating expenses	63,501,465	67,131,048
Operating Loss	(41,881,202)	(48,987,927)
Non-operating Revenues (Expenses):		
Restricted:		
Allegheny Regional Asset District	14,325,000	12,585,000
PA Gaming Economic Development & Tourism Fund	10,900,000	13,500,000
Other Commonwealth of PA Grants	221,470	11,013,885
Pittsburgh casino operator	7,601,534	7,596,019
Hotel rooms tax	14,680,183	14,495,680
Stadium Authority	844,223	1,624,950
Penguins/developer payments	-	1,117,114
City of Pittsburgh and Allegheny County	510,442	505,442
Federal grants	1,188,062	5,115,406
Foundation and other grants	866,658	25,000
Miscellaneous revenue	496,525	236,159
Interest expense	(34,846,176)	(26,836,365)
Interest revenue	215,107	172,954
Unrealized gain (loss) on investments	(2,542)	(115,558)
Unrestricted:		
Project administration revenue	22,000	22,000
Miscellaneous revenue	139,499	447,700
Interest expense	859	(382,063)
Project development expense	(32,745)	(63,936)
Bank/trustee fees	(97,121)	(358,483)
Total non-operating revenues, net	17,032,978	40,700,904
Change in Net Assets	(24,848,224)	(8,287,023)
Net Assets:		
Beginning of year	480,764,015	489,051,038
End of year	$ 455,915,791	$ 480,764,015

See accompanying notes to financial statements.

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Cash Flows From Operating Activities:		
Cash received from operations	$ 21,628,272	$ 17,445,951
Cash paid for operating expenses	(9,418,103)	(6,137,778)
Cash paid to employees	(5,497,815)	(5,082,933)
Cash received from other income	245,444	384,194
Net cash provided by (used in) operating activities	6,957,798	6,609,434
Cash Flows From Non-Capital Financing Activities:		
Cash received from hotel tax distributions	2,367,683	2,628,870
Cash received from Allegheny Regional Asset District	-	500,000
Cash received from PA Gaming Economic Development & Tourism Fund	1,700,000	1,700,000
Other receipts (payments)	438,175	304,726
Net cash provided by (used in) non-capital financing activities	4,505,858	5,133,596
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(17,045,968)	(142,435,938)
Proceeds from issuance of bonds and notes	-	397,912,865
Refunded bonds and notes	-	(356,027,223)
Bond and note issuance costs	-	(8,021,219)
Interest payments on bonds, notes/loans payable, and capital lease obligations	(33,241,971)	(38,868,313)
Cash received from Allegheny Regional Asset District for bond payments	14,325,000	12,085,000
Cash received from hotel rooms tax for bond payments	12,312,500	11,866,810
Cash received from PA Gaming Economic Development & Tourism Fund for capital items and bond and loan payments	9,200,000	11,800,000
Cash received from Pittsburgh casino operator for bond payments	7,601,534	7,596,019
Cash received from City of Pittsburgh and Allegheny County for bond payments	510,442	505,442
Cash received from Stadium Authority for capital items and bond payments	844,223	909,452
Cash received from Penguins/developer for capital items	-	1,117,114
Cash received from other capital related grants	1,734,151	18,003,011
Settlement proceeds	1,500,000	4,780,000
Principal payments on bonds payable	(14,991,068)	(6,871,067)
Principal payments on capital lease obligations	(6,172,548)	(307,806)
Principal payments on loans/notes payable	(2,600,218)	(4,873,439)
Net cash provided by (used in) capital and related financing activities	(26,023,923)	(90,829,292)
Cash Flows From Investing Activities:		
Interest income received	220,409	1,317,760
Proceeds from sales and maturities of investments	-	100,686,240
Purchase of investments	(2,702)	(1,359,758)
Bank/trustee fees paid	(97,121)	(358,483)
Net cash provided by (used in) investing activities	120,586	100,285,759
Net Increase (Decrease) in Cash and Cash Equivalents	(14,439,681)	21,199,497
Cash and Cash Equivalents:		
Beginning of year	84,112,088	62,912,591
End of year	$ 69,672,407	$ 84,112,088
Consists of:		
Restricted cash and cash equivalents	$ 68,609,418	$ 83,598,930
Unrestricted cash and cash equivalents	1,062,989	513,158
	$ 69,672,407	$ 84,112,088
Reconciliation of Operating Loss to Net Cash Flows Provided By (Used In) Operating Activities:		
Operating loss	$ (41,881,202)	$ (48,987,927)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	50,328,256	55,290,711
Change in operating assets and liabilities:		
Operating receivables	260,148	(238,193)
Prepaid operating expenses	(28,751)	(8,384)
Operating liabilities	(1,720,653)	553,227
Total adjustments	48,839,000	55,597,361
Net cash provided by (used in) operating activities	$ 6,957,798	$ 6,609,434

See accompanying notes to financial statements.

1. NATURE OF OPERATIONS AND REPORTING ENTITY

The Public Auditorium Authority of Pittsburgh and Allegheny County was incorporated on February 3, 1954, pursuant to the Public Auditorium Authorities Law, as a joint authority organized by the City of Pittsburgh (City) and Allegheny County (County) to provide educational, cultural, physical, civic, and social events for the benefit of the general public. Effective November 1999, the Public Auditorium Authority of Pittsburgh and Allegheny County's name was legally changed to the Sports & Exhibition Authority of Pittsburgh and Allegheny County (Authority). The Public Auditorium Authorities Law was re-codified in 2000 and the Authority is now authorized and exists under the Sports and Exhibition Authority Act through March 23, 2049.

As a joint authority for the City and County, the Authority provides venues for sporting, entertainment, educational, cultural, civic, and social events for the public. The Authority owns but leases PNC Park, Heinz Field, Consol Energy Center, the Benedum Center, and the Heinz History Center property to other entities who are responsible for their operation. The Authority owns and is responsible for the operation of the David L. Lawrence Convention Center (Convention Center). The Authority also owns two parking facilities, and is responsible for riverfront park development and various associated infrastructure improvements. Involvement with the Benedum Center and the Heinz History Center is limited to the initial financing structures for those facilities. The Authority has no other significant responsibility with respect to those facilities.

The Board of Directors (Board) of the Authority is a seven member group appointed by the Mayor of the City and Chief Executive of the County. Each executive appoints three members and the Mayor and County Executive jointly appoint the seventh member. The Board is responsible for the overall activities and operations of the Authority. The Board has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. For financial reporting purposes, the Authority is a stand-alone entity and is not a component unit of the City or the County. A component unit is defined as an entity that is operationally and financially accountable to a primary government.

The Stadium Authority of the City of Pittsburgh (Stadium Authority) owned Three Rivers Stadium located in the City. The Stadium was razed in February 2001 to make way for Heinz Field and PNC Park. The Stadium Authority is now responsible for the development of the land between the newly constructed stadium and ballpark. A portion of that land was conveyed to the Authority for construction of infrastructure. The remaining land was retained by the Stadium Authority to be developed according to a master development plan. Pending development, the land is used for surface parking with a portion of the revenue from these lots pledged to the debt service on the Authority's PNC Bank/Dollar Bank loan (see Note 7). The Stadium Authority has a separate board appointed by the Mayor of the City. As of December 31, 2011, one board member serves on both the Stadium Authority board and the Sports and Exhibition Authority board. An Administrative Services Agreement was entered into in November 2002 between the Stadium Authority and the Authority whereby the Authority staff performs all administrative services required for the Stadium Authority to fulfill its duties and obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America applicable to governmental units and promulgated by the Governmental Accounting Standards Board (GASB). The Authority follows all GASB pronouncements and Financial Accounting Standards Board (FASB) authoritative guidance issued on or before November 30, 1989, except those that conflict with GASB pronouncements. In accordance with GASB Statement No. 20, the Authority does not apply FASB pronouncements issued after November 30, 1989. The Authority is considered a special purpose government engaged in business-type activities, and as such, presents the financial statements required for enterprise funds. A summary of the Authority's more significant accounting policies applied by management in the preparation of the accompanying financial statements follows:

Basis of Accounting and Measurement Focus

The Authority's financial statements are prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Revenues are recognized when earned and expenses are recognized when a liability is incurred. All assets and all liabilities associated with the operations of the Authority are included on the statements of net assets. The statements of revenues, expenses, and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in the Authority's net total assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Authority considers cash in bank accounts and short-term investments with original maturities of three months or less from the date of purchase as cash equivalents.

Investments

The Authority records investments at fair value in the statements of net assets. Interest revenue and realized and unrealized gains and losses on investments are reflected in the statements of revenues, expenses, and changes in net assets. Fair value has been determined based on quoted market prices.

Capital Assets

Capital assets are stated at cost which includes all costs during the construction period for acquisition of land, rights of way, surveys, engineering costs, roads, bridges, and other construction costs for constructed assets. Capital assets include the infrastructure network built in connection with the Authority's other capital projects. Infrastructure includes roads, sidewalks, water lines, and sewer lines. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the related assets. No depreciation expense is recorded for land or construction-in-progress. Repairs and maintenance that do not extend the lives of the applicable assets are charged to expense as incurred.

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed and amortized over the useful life of the assets. During the years ended December 31, 2011 and 2010, there was $0 and $8,081,758, respectively, in net capitalized interest.

Capital assets includes infrastructure associated with certain development projects of the Authority including North Shore, Convention Center, and Consol Energy Center. Some of this infrastructure is dedicated to the City after the completion of the projects, mainly road and sewer system infrastructure, to be maintained by the City. The Authority considers these costs an integral part of the total development cost of the projects and, accordingly, capitalizes and amortizes them over the life of the projects.

Noncurrent Accrued Liabilities

Noncurrent accrued liabilities, which represent monies held on behalf of the Stadium Authority to be used to pay for the development of commercial, retail, and residential facilities in the North Shore Option Area, totaled $1,849,263 and $2,142,168 at December 31, 2011 and 2010, respectively.

Revenues

The Authority's operating revenues consist of excess ticket surcharges, rents, parking revenues and Convention Center revenue from building rentals, event services, and catering and concessions. Non-operating revenues consist primarily of grants and subsidies received that are restricted for capital related costs, the payment of debt service, or operation of the Convention Center. Grants and subsidies are recorded as revenue when all applicable eligibility requirements are met.

When both restricted and unrestricted resources are available for use, the Authority's policy is to use restricted resources first, and then unrestricted resources as needed.

Surcharges/Rent

Surcharges are certain revenues derived from a ticket surcharge on each ticket sold for Pittsburgh Steelers football games, University of Pittsburgh Panthers football games, Pittsburgh Pirates baseball games, a parking surcharge on Pittsburgh Penguins hockey games, and surcharges on other events held at Heinz Field, PNC Park, and the Consol Energy Center. Each football season, the first $1,400,000 of total ticket surcharge monies collected from Pittsburgh Steelers football games is restricted to pay principal and interest on the Ticket Surcharge Revenue Bonds. Each baseball season, the first $1,500,000 of total ticket surcharge monies collected from Pittsburgh Pirates baseball games stays with the team (adjusted annually for CPI increases). The Authority receives the Pittsburgh Panther surcharge in full, and certain excess over the restrictions mentioned above from Pittsburgh Steelers and the Pittsburgh Pirates.

With respect to the Consol Energy Center, rent is due each October to pay the Commonwealth Lease Revenue Bonds Taxable Series B of 2007 ($4.3 million), Taxable Series of 2010 ($1.36 million), and parking surcharge of $400,000 is due and deposited to the Capital Reserve Fund for the arena. All other surcharge revenue with respect to tickets at the arena and its parking stays with the team.

Parking Revenues

Parking revenues are generated from parking services at the North Shore parking garage, the Convention Center parking garage, and Authority lots in both downtown and on the North Shore, net of the related expenses. Alco Parking, Inc. operates these facilities through management contracts. Currently, the net revenues of the North Shore parking garage, the Convention Center parking garage, and revenues of certain Stadium Authority lots (Lots 1 and 7A through 7J) are fully restricted for purposes of repaying the $41 million (original principal amount) bank notes described in Note 7. An affiliated entity of the owner of the Pittsburgh Penguins hockey team (such affiliated entity, as applicable, herein referred to as the Pittsburgh Penguins) operates the Consol Energy Center garage and remaining parking at the old Civic Arena site and all parking revenue is retained by the team.

Hotel Room Excise Tax

The County imposes a 7% hotel room tax on the temporary use or occupancy of hotel rooms within the County. The County is required to collect the tax and to distribute the funds to the appropriate entities, including the Authority, in accordance with state law (16 P.S. Section 4970.2 et seq) as follows: (1) provide the Municipality of Monroeville with 1/3 of the revenues generated in that jurisdiction, (2) fund the monthly debt service on the Authority's Hotel Room Excise Tax Revenue Bonds, (3) reimburse the County for a collection fee of 5%, and (4) remaining funds, if any, to fund Convention Center operations and regional tourist promotional activities.

Casino Operator Revenue

As described in Note 6, the Authority receives semi-annual payments from the operator of the casino located in Pittsburgh based on a Payment Agreement which details the payment due dates. The Authority recognizes this revenue when the payments become due.

Classification of Net Assets

GASB Statement No. 34, *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,"* requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- Restricted – This component of net assets consists of constraints placed on net assets used through external restrictions.

- Unrestricted – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Pending Pronouncements

GASB has issued the following Statements which will become effective in future years as shown below. Management has not yet determined the impact of these statements on the Authority's financial statements.

GASB Statement No. 61, *"The Financial Reporting Entity."* The objective of this Statement is to have financial reporting entity financial statements be more relevant by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. This Statement will become effective for the December 31, 2013 year-end.

GASB Statement No. 62, *"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."* The objective of this Statement is to codify into the GASB standards guidance located in FASB and AICPA pronouncements. This Statement will become effective for the December 31, 2012 year-end.

GASB Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."* The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. This Statement will become effective for the December 31, 2012 year-end.

Reclassifications

Certain comparative amounts for the prior year have been reclassified to conform to the current year presentation. Such reclassifications did not affect net assets or changes therein.

3. Cash, Cash Equivalents, and Investments

The Authority maintains all cash deposits in qualified public depositories and is authorized to invest in securities of the United States government, other instruments that are collateralized by United States government securities, repurchase agreements subject to certain restrictions, and other debt instruments set forth by the office of the State Treasurer of the Commonwealth of Pennsylvania (Commonwealth). These types of investments are held by the purchasing bank in the Authority's name. The Authority's investment activities are governed by the Commonwealth, bond covenants, trust agreements, and the Authority's investment policy.

The following is a summary of the Authority's cash and cash equivalents, and investments for the year ended December 31, 2011:

	Bond Related	Non-bond Related	Total
Cash equivalents:			
Cash	$ -	$ 10,159,022	$ 10,159,022
Money market funds	30,828,569	8,030,023	38,858,592
INVEST	-	20,654,793	20,654,793
	$ 30,828,569	$ 38,843,838	$ 69,672,407
Investments:			
FNMA	$ 1,359,918	$ -	$ 1,359,918

The following is a description of the Authority's deposit and investment risks:

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority does not have a formal deposit policy for custodial credit risk. As of December 31, 2011, $8,188,172 of the Authority's bank balance of $10,712,058 was exposed to custodial credit risk because it was uninsured and collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have carrying amounts of $10,159,022 at December 31, 2011.

The Authority's investments (INVEST and money markets) are not exposed to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The fair value of these investments is the same as their carrying amount. The fair value of the Authority's investment in INVEST is the same as the value of the pool shares. All investments in an external investment pool that are not SEC registered are subject to oversight by the Commonwealth.

Credit Risk. The Authority has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2011, $27 million of money markets were rated A-1, $11.8 million of money markets and $1.36 million of FNMA investments were rated Aaa, and the remaining $20.7 million money markets and investments in INVEST were rated AAA by Standard & Poor's.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the Authority's investments. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority's investments have maturities of less than one year.

4. Capital Assets

Capital assets and accumulated depreciation consist of the following:

	January 1, 2011	Additions	Deletions	December 31, 2011	Useful Lives
Operating assets:					
Office equipment and furniture	$ 330,516	$ 24,495	$ -	$ 355,011	5-10
Improvements	115,166	-	-	115,166	10
	445,682	24,495	-	470,177	
Less accumulated depreciation	282,368	35,124	-	317,492	
Total operating assets	163,314	(10,629)	-	152,685	
Civic Arena:					
Land	4,017,916	-	4,017,916	-	
Land improvements	2,630,313	-	-	2,630,313	5-40
Building and improvements	59,767,318	-	-	59,767,318	10-40
Equipment	6,181,977	-	-	6,181,977	10
	72,597,524	-	4,017,916	68,579,608	
Less accumulated depreciation	68,579,608	-	-	68,579,608	
Total Civic Arena	4,017,916	-	4,017,916	-	
Lower Hill Redevelopment:					
Land	-	4,017,916	-	4,017,916	
Land improvements	473,667	2,680,660	-	3,154,327	
Total Lower Hill Redevelopment	473,667	6,698,576	-	7,172,243	
Consol Energy Center:					
Land	24,238,765	-	-	24,238,765	
Infrastructure	36,881,380	-	-	36,881,380	40
Building	297,703,936	2,441,307	-	300,145,243	30
Equipment	30,917,132	287,805	-	31,204,937	5
	389,741,213	2,729,112	-	392,470,325	
Less accumulated depreciation	17,040,767	17,150,027	-	34,190,794	
Total Consol Energy Center	372,700,446	(14,420,915)	-	358,279,531	

(Continued)

	January 1, 2011	Additions	Deletions	December 31, 2011	Useful Lives
Benedum Center:					
Land	11,022,494	-	-	11,022,494	
Building and improvements	570,189	-	-	570,189	40
	11,592,683		-	11,592,683	
Less accumulated depreciation	392,005	14,255	-	406,260	
Total Benedum Center	11,200,678	(14,255)	-	11,186,423	
John Heinz History Center:					
Land	480,000	-	-	480,000	
Building	2,620,000	-	-	2,620,000	50
	3,100,000	-	-	3,100,000	
Less accumulated depreciation	1,004,300	52,400	-	1,056,700	
Total John Heinz History Center	2,095,700	(52,400)	-	2,043,300	
PNC Park:					
Land	19,321,705	-	-	19,321,705	
Building	236,581,382	243,000	-	236,824,382	30-40
Equipment	12,818,751	-	-	12,818,751	5-10
	268,721,838	243,000	-	268,964,838	
Less accumulated depreciation	88,096,373	7,894,146	-	95,990,519	
Total PNC Park	180,625,465	(7,651,146)	-	172,974,319	
North Shore Garage:					
Land	776,629	-	-	776,629	
Building	23,808,640	413,456	-	24,222,096	30
Equipment	7,096	-	-	7,096	5-10
	24,592,365	413,456	-	25,005,821	
Less accumulated depreciation	7,481,312	807,403	-	8,288,715	
Total North Shore Garage	17,111,053	(393,947)	-	16,717,106	
Heinz Field:					
Land	8,183,167	-	-	8,183,167	
Building	245,117,729	1,201,357	-	246,319,086	30-40
Equipment	12,132,757	-	-	12,132,757	5-10
	265,433,653	1,201,357	-	266,635,010	
Less accumulated depreciation	88,443,007	8,210,636	-	96,653,643	
Total Heinz Field	176,990,646	(7,009,279)	-	169,981,367	

(Continued)

	January 1, 2011	Additions	Deletions	December 31, 2011	Useful Lives
Convention Center:					
Land	20,668,214	-	-	20,668,214	
Building	353,298,060	814,448	-	354,112,508	30-40
Smallwares	500,000	-	-	500,000	5
Equipment	11,850,976	1,045,223	-	12,896,199	5-10
	386,317,250	1,859,671	-	388,176,921	
Less accumulated depreciation	106,738,204	12,368,001		119,106,205	
Total Convention Center	279,579,046	(10,508,330)	-	269,070,716	
Infrastructure:					
Convention Center	41,448,462	-	-	41,448,462	40
North Shore	63,296,903	-	-	63,296,903	40
	104,745,365	-	-	104,745,365	
Less accumulated depreciation	20,290,199	2,618,632	-	22,908,831	
Total Infrastructure	84,455,166	(2,618,632)	-	81,836,534	
North Shore Riverfront Park:					
Land	24,194,065	-	-	24,194,065	
Infrastructure	2,024,627	-	-	2,024,627	50
	26,218,692	-	-	26,218,692	
Less accumulated depreciation	158,576	40,493	-	199,069	
Total Riverfront Park	26,060,116	(40,493)	-	26,019,623	
Convention Center Park:					
Land and improvements	257,087	8,804,260	-	9,061,347	
Other capitalized assets	14,751,084	-	-	14,751,084	30
Less accumulated depreciation	1,238,873	595,404	-	1,834,277	
Total other capitalized assets	13,310,231	(595,404)	-	12,916,807	
Total Capital Assets, net	$ 1,169,283,327	$ (27,812,594)	$ 4,017,916	$ 1,137,452,817	

Capital assets included above that are not being depreciated totaled $125 million and $113 million for the years ended December 31, 2011 and 2010, respectively. Depreciation and amortization totaled $50 million and $55 million for the years ended December 31, 2011 and 2010, respectively.

The costs of the Benedum Center and the Heinz History Center are original acquisition costs by the Authority. Any costs to build and improve these properties subsequent to acquisition have been incurred and capitalized by the Pittsburgh Trust for Cultural Resources and the Historical Society of Western Pennsylvania.

Capital assets identified as Lower Hill Redevelopment relate to property within the Civic Arena Option Area as described in Note 13.

5. Construction-in-Progress

The construction-in-progress detail is as follows:

	January 1, 2011	Additions	Deletions	December 31, 2011
Convention Center Riverfront Park	$ 7,429,793	$ -	$ 7,429,793	$ -

Construction-in-progress as of January 1, 2011 relates to construction costs associated with the Convention Center Riverfront Plaza which opened the second quarter of 2011.

6. Bonds Payable

All bonds issued by the Authority are limited obligation bonds, collateralized by supporting agreements entered into as of the date of each bond issue between the Authority, the City, the County, or other designated entity(ies), and/or some specifically identified revenue stream(s).

	January 1, 2011	Reductions	December 31, 2011
Allegheny Regional Asset District Sales Tax Revenue Bonds, Refunding Series 2005 of $13,250,000, due in annual installments ranging from $665,000 to $2,695,000 through February 2019, interest payable semi-annually on February 15 and August 15 at rates ranging from 3% to 4.125%, issued in January 2005 to partially refinance the 1999 Series Auditorium Bonds and to fund certain costs of the Convention Center. Funding Source: Allegheny Regional Asset District Sales Tax, paid directly to the Trustee.	$ 6,385,000	$ (725,000)	$ 5,660,000
Auditorium Bonds, Refunding Series A 2005 of $8,345,000, due in annual installments ranging from $245,000 to $1,155,000 through December 2018, interest payable semi-annually on June 15 and December 15 at rates ranging from 3.05% to 4.00%, issued in September 2005 to partially refinance the 1999 Series Auditorium Bonds and to fund certain costs of the Convention Center. Funding Source: 1/2 each by the City and County, paid directly to the Trustee.	3,180,000	(395,000)	2,785,000
Commonwealth Lease Revenue Bonds Series A of 2007 of $252,000,000, due in annual installments ranging from $4,260,000 to $13,950,000 through November 2038, interest payable semi-annually on May 1 and November 1 at synthetic fixed rate of 4.020% pursuant to a related interest rate swap, issued in October 2007 to fund the construction of a new multi-purpose arena and related facilities. Funding Source: $7.5 million annually from Economic Development and Tourism Fund and $7.5 million annually by casino operator, paid directly to the Trustee.	238,650,000	(4,840,000)	233,810,000
Commonwealth Lease Revenue Bonds Taxable Series B of 2007 of $61,265,000, due in annual installments ranging from $620,000 to $4,095,000 through November 2039, interest payable semi-annually on May 1 and November 1 at synthetic fixed rate of 5.335% pursuant to a related interest rate swap, issued in October 2007 to fund the construction of a new multi-purpose arena and related facilities. Funding Source: Pittsburgh Penguins, paid directly to the Trustee.	60,645,000	(860,000)	59,785,000
Commonwealth Lease Revenue Bonds Taxable Series of 2010 of $17,360,000 due in annual installments ranging from $225,000 to $1,300,000 through November 2039, interest payable semi-annually on May 1 and November 1 at rates ranging from 3.98% to 7.04%, issued April 28, 2010 to fund the construction of a new multi-purpose arena and related facilities. Funding Source: Pittsburgh Penguins, paid directly to the Trustee.	17,135,000	(240,000)	16,895,000
Hotel Room Excise Tax Revenue Bonds Series 1999 of $193,375,000, partially refunded by the Hotel Room Excise Tax Revenue Bonds Series of 2010. Remaining balance due in installments from 2025 to 2029 in amounts ranging from $7,940,000 to $9,455,000, interest payable semi-annually on February 1 and August 1 at 4.5%, issued in May 1999 to finance the Convention Center project including capital improvements and land acquisition for related facilities. Funding Source: County Hotel Room Excise Tax, paid directly to the Trustee.	42,700,000	-	42,700,000

(Continued)

SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH AND ALLEGHENY COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	January 1, 2011	Reductions	December 31, 2011
Hotel Room Excise Tax Revenue Bond Series 2010 of $146,465,000 due in annual installments ranging from $2,680,000 to $12,125,000 through February 2035, interest payable semi-annually on February 1 and August 1 at rates ranging from 5.00% to 5.25%, issued to refinance a portion of the Hotel Room Excise Tax Revenue Bonds, Series 1999. Funding Source: County Hotel Room Excise Tax, paid directly to the Trustee.	146,465,000	(4,210,000)	142,255,000
Allegheny Regional Asset District Sales Tax Revenue Bonds, Refunding Series 2010 of $173,765,000, due in annual installments ranging from $3,420,000 to $12,760,000 through February 2031, interest payable semi-annually on February 1 and August 1 at rates ranging from 2% to 5%, issued in September 9, 2010 to refinance the Regional Asset District Sales Tax Revenue Bonds Series of 1999. Funding Source: Allegheny Regional Asset District Sales Tax, paid directly to the Trustee.	173,765,000	(3,420,000)	170,345,000
Taxable Ticket Surcharge Revenue Bonds Series 2000 of $17,175,000, due in annual installments ranging from $145,000 to $2,835,000 through July 2030, interest payable semi-annually on January 1 and July 1 at rates ranging from 7.72% to 7.92%, issued in August 2000 to finance the construction of Heinz Field. Funding Source: Steelers Ticket Surcharge, paid directly to the Trustee.	15,345,000	(295,000)	15,050,000
Total bonds payable	704,270,000	(14,985,000)	689,285,000
Deferred amounts:			
For issuance premiums	18,969,211	(872,989)	18,096,222
On refunding	(6,321,267)	384,707	(5,936,560)
	12,647,944	(488,282)	12,159,662
Bonds payable, net	$ 716,917,944	$ (15,473,282)	$ 701,444,662

The aggregate annual amount of principal and interest payments required on bonds payable is as follows:

	Total Principal	Interest	Total
2012	$ 16,565,000	$ 31,840,102	$ 48,405,102
2013	17,700,000	31,143,040	48,843,040
2014	18,805,000	30,397,591	49,202,591
2015	19,965,000	29,577,819	49,542,819
2016	23,165,000	28,650,877	51,815,877
2017-2021	136,110,000	127,588,077	263,698,077
2022-2026	155,435,000	97,396,098	252,831,098
2027-2031	143,365,000	60,316,987	203,681,987
2032-2036	128,825,000	23,397,012	152,222,012
2037-2041	29,350,000	2,643,395	31,993,395
Total	$ 689,285,000	$ 462,950,998	$ 1,152,235,998

Interest payments related to the Commonwealth Lease Revenue Bonds Series A and B of 2007 have been calculated using the synthetic fixed rates as described in Note 9. At December 31, 2011 the variable rate on the Series A and B bonds approximated .14% and .298%, respectively.

Arbitrage Payable

The proceeds of certain bond issues are restricted by yield limitations. The earnings on certain investments may generate arbitrage where the rate of investment earnings exceeds the yield limitations. The excess earnings, or rebatable arbitrage, is required to be computed in accordance with, and pursuant to, Section 148 of the Internal Revenue Code of 1986 (Code), and the temporary treasury regulations issued by the Internal Revenue Service on May 12, 1989, under Section 148(i) of the Code. The Internal Revenue Service requires the arbitrage computation to be performed and the amount remitted every fifth year that the bonds are outstanding. The Authority has determined there are currently no arbitrage obligations due.

Regional Asset District Sales Tax Revenue Refunding Bonds

On January 13, 2005, the Authority issued $13,250,000 of Sports & Exhibition Authority of

Pittsburgh and Allegheny County Regional Asset District Sales Tax Revenue Bonds, Refunding Series of 2005 (RAD Refunding Bonds) with an average interest rate of 3.37% to refund a portion of each maturity of the 1999 Series Auditorium Bonds with an average interest rate of 5.52%.

The RAD Refunding Bonds are payable from and secured by payments and other revenues to be received by the Authority through 2018 under an Amended and Restated Cooperation and Support Agreement among the Authority, the City, the County, and the Allegheny County Regional Asset District (RAD). The Authority received $925,000 and $965,000 for each of the calendar years 2011 and 2010, respectively.

Auditorium Refunding Bonds

On September 29, 2005, the Authority issued $8,345,000 of Sports & Exhibition Authority of Pittsburgh and Allegheny County Auditorium Bonds, Refunding Series A of 2005 (Auditorium Refunding Bonds) with an average interest rate of 3.82% to refund a portion of each maturity of the 1999 Series Auditorium Bonds with an average interest rate of 5.20%.

Pursuant to a Supporting Agreement among the Authority, the City, and the County dated September 15, 2005, the City and the County each have unconditionally agreed to pay to the Authority, on a pro-rata basis, one half of the principal and interest on these Refunding Series A Auditorium Bonds as it becomes due and payable.

Commonwealth Lease Revenue Bonds, Series A and Taxable Series B

On October 4, 2007, the Authority issued $252,000,000 of variable interest rate Sports & Exhibition Authority of Pittsburgh and Allegheny County Commonwealth Lease Revenue Bonds, Series A of 2007 (Series A Bonds) and $61,265,000 of variable interest rate Sports & Exhibition Authority of Pittsburgh and Allegheny County Commonwealth Lease Revenue Bonds, Taxable Series B of 2007 (Taxable Series B Bonds) (collectively the New Arena Bonds) to acquire, construct, and equip a multi-purpose public auditorium and related facilities (New Arena Project). The New Arena Bonds are to be repaid from (1) rent payments due from the sublease of the new arena to the Pittsburgh Penguins, (2) annual grants from the Pennsylvania Economic Development & Tourism Fund (EDTF) created pursuant to Act 71 of 2004, and (3) annual payments from the holder of the slots license for the facility located in the City.

The Authority subleased the New Arena Project to the Pittsburgh Penguins (the New Arena Lease) obligating the Pittsburgh Penguins to pay the Authority thirty annual lease payments of $4.1 million initially, increasing to $4.3 annually thereafter, with final payment on

September 25, 2039, which has been pledged to support the New Arena Bonds.

The Commonwealth has appropriated $7.5 million per year for 30 years (ending October 2036) from EDTF to support the debt service on the New Arena Bonds (Note 19).

A Payment Agreement between the Authority and Holdings Acquisition Co, LLC, (d/b/a Rivers Casino), the holder of the slots license for the City of Pittsburgh, was executed November 10, 2009 requiring semi-annual payments to begin October 2009 and ending October 2038. Payments received pursuant to the Payment Agreement are pledged to secure the New Arena Bonds.

The Authority has leased the New Arena Project to the Commonwealth and the Commonwealth has subleased it back to the Authority. The Commonwealth is obligated to pay rent under the lease only to the extent there is a deficiency or delay in receipt of any portion of the amounts due from the three (3) sources listed above.

The Authority entered into interest rate swap agreements with PNC Bank, National Association (Counterparty) in connection with the New Arena Bonds. Pursuant to the swap agreements, the Authority pays a fixed rate of interest to the Counterparty and the Counterparty then pays a variable rate of interest to the bond trustee to pay debt service on the New Arena Bonds (Note 9).

Commonwealth Lease Revenue Bonds, Taxable Series of 2010

In 2010, the Authority issued $17,360,000 of fixed rate Sports & Exhibition Authority of Pittsburgh and Allegheny County Commonwealth Lease Revenue Bonds, Taxable Series of 2010 to pay costs to complete the acquisition, construction, and equipping of Consol Energy Center. The Series 2010 Bonds are to be repaid from increased rent payments due from the sublease of the new arena to the Pittsburgh Penguins per the Second Amendment to the New Arena Lease.

Hotel Room Excise Tax Revenue Bonds

On May 26, 1999, the Authority issued $193,375,000 of Public Auditorium Authority of Pittsburgh and Allegheny County Hotel Room Excise Tax Revenue Bonds, Series 1999 (1999 Hotel Bonds). In connection with the issuance of the Hotel Bonds, the Authority entered into a support agreement with the County, the County Treasurer, and the County Controller dated May 1, 1999, which requires the County, solely through the use of funds provided by the Hotel Room Excise Tax, to provide payment sufficient to service the Hotel Bonds through 2035.

On October 13, 2010, the Authority issued $146,465,000 in Hotel Room Excise Tax Revenue Bonds, Series of 2010 (2010 Hotel Bonds) to (a) redeem on October 18, 2010 the portion of the Hotel Room Excise Tax Revenue Bonds, Series 1999 being refunded; (b) prepay on November 1, 2010 the PNC/Dollar Variable Rate note (see Note 7); and (c) pay a portion of the purchase price of the cooling system in the Convention Center. The bonds have an average interest rate of 4.60% and were issued at an original issue premium of $9.1 million which is being amortized over the life of the bonds. $42,700,000 aggregate principal amount of the original 1999 Hotel Bonds remained outstanding after the issuance of the 2010 Hotel Bonds.

The Authority received Hotel Room Excise Tax Revenues in the amount of $12,312,500 and $11,866,820 for each of the calendar years 2011 and 2010, respectively for payment of indebtedness on the 1999 and 2010 bonds.

Regional Asset District Sales Tax Revenue Bonds, Series of 2010

On September 8, 2010, the Authority issued $173,765,000 of Allegheny County Regional Asset District (RAD) Sales Tax Revenue Bonds, Series of 2010 (RAD Bonds). Pursuant to the Second Amendment to the Cooperation and Support Agreement with the Authority, the City, the County, and the RAD dated August 1, 2010, RAD agreed to provide financial support to the Authority for the RAD Bonds through 2030. The bond proceeds were used to: (a) redeem on September 9, 2010 all of the Authority's Regional Asset District Sales Tax Revenue Bonds, Series of 1999; (b) provide funds for capital projects to the Convention Center.

The Authority received $13,400,000 and $10,870,000 from RAD for each of the calendar years 2011 and 2010, respectively, for payment of indebtedness on the 2010 bonds.

Taxable Ticket Surcharge Revenue Bonds

In September 2000, the Authority issued $17,175,000 of Sports & Exhibition Authority of Pittsburgh and Allegheny County Taxable Ticket Surcharge Revenue Bonds, Series 2000 (Ticket Surcharge Bonds). In connection with the issuance of the Ticket Surcharge Bonds, the Authority entered into a Security, Pledge, and Assignment Agreement with the Pittsburgh Steelers Sports, Inc. (PSSI) to facilitate the collection and receipt of a 5% ticket surcharge (not to exceed $3 per ticket) on each ticket sold for all exhibition, regular season, and post-season National Football League (NFL) games in which PSSI's NFL franchise is designated to be the "home team" by the rules of the NFL. For each football season beginning with the 2002 NFL season, the first $1,400,000 of total ticket surcharge monies collected for these NFL events will be made available for payments of principal and interest on these bonds.

7. LOANS/NOTES PAYABLE

Terms of the loans and notes payable are as follows:

	January 1, 2011	Reductions	December 31, 2011
Loan from the Stadium Authority in the amount of $1,200,000, issued May 2005, variable interest tied to funding commitment.	$ 1,200,000	$ (1,200,000)	$ -
Loan from Heinz Endowments in the amount of $3,000,000, issued December 2002, 1% interest, deferred until December 31, 2010, annual payments through December 2022.	2,600,000	(1,066,658)	1,533,342
Loan from Allegheny County in the amount of $3,100,000, issued October 1991, 0% interest, no stated repayment terms.	3,100,000	-	3,100,000
Loan from Allegheny County in the amount of $50,000, issued pre-1982, 0% interest, no stated repayment terms.	50,000	-	50,000
Loan from the City of Pittsburgh in the amount of $50,000, issued pre-1982, 0% interest, no stated repayment terms.	50,000	-	50,000
(Fixed) Note from PNC Bank and Dollar Bank in the amount of $37,176,138 issued April 18, 2010, seven year term with 20 year amortization, 4.5% fixed interest, paid monthly.	36,560,402	(1,200,218)	35,360,184
Total loans/notes payable	$ 43,560,402	$ (3,466,876)	$ 40,093,526

The aggregate amount of principal and interest payments required on loans and notes payable are as follows:

	Principal	Interest	Total Debt Service
2012	$ 1,315,496	$ 1,614,498	$ 2,929,994
2013	1,447,053	1,550,342	2,997,395
2014	1,508,261	1,487,134	2,995,395
2015	1,572,320	1,421,074	2,993,394
2016	1,635,517	1,355,878	2,991,395
2017-2021	29,148,212	579,411	29,727,623
2022-2026	3,466,667	4,667	3,471,334
Total	$ 40,093,526	$ 8,013,004	$ 48,106,530

PNC Bank/Dollar Bank 2010 Loan

On April 18, 2010, the Authority closed on a $41,176,138 loan transaction with PNC Bank and Dollar Bank. A $26,194,462 fixed rate note and a $4 million variable rate note were issued to PNC Bank and a $10,981,676 fixed rate note was issued to Dollar Bank. The $4 million variable rate note was prepaid on November 1, 2010 with proceeds of the 2010 Hotel Tax Refunding Bonds (see Note 6).

The loan refinanced (1) a 2004 PNC Bank/Dollar Bank Loan which financed costs for operations and capital costs for the Convention Center and (2) the 2001 Parking Revenue Bonds. Of the total $41 million loan, $16,751,161 was to refinance the 2004 loan and $24,424,977 was to refinance the 2001 Parking Revenue Bonds. Security for this loan is (1) residual/discretionary Hotel Tax (restricted to Convention Center portion), (2) revenues from Convention Center garage, (3) grants from the Pennsylvania EDTF (restricted to the Convention Center portion), (4) revenues from North Shore garage, and (5) revenues from Stadium Authority Lots 1 and 7A through 7J (restricted to the North Shore garage portion.)

Subsequent to December 31, 2011, the Stadium Authority refinanced a $19 million loan for its West General Robinson Street garage with a loan from PNC Bank/Dollar Bank. In connection with this Stadium Authority loan, the Authority amended the documents related to its 2010 PNC Bank/Dollar Bank loan to extend the pledge of certain collateral (North Shore garage and Convention Center garage revenues and Authority surface lot revenues) to the Stadium Authority loan.

Heinz Endowment Loans

In 2001, the Howard Heinz Endowments and the Vira I. Heinz Endowments (Endowments) provided a $3 million loan to the Authority to support the green building features of the Convention Center. The Endowments forgave the first year's payment of $115,000 in principal for each loan and deferred the interest in 2009. Additionally the Endowments approved the delay of the second payment until December 31, 2010. On December 21, 2011, the Endowments amended the loan to forgive $33,333 of principal for each loan each year, reducing the principal payments by one-third and allowing for prepayment of principal, without penalty. The payments are to be made with any regular payment of principal and interest, with the prepaid principal being credited to the next year's principal payment. In 2011, a total of $67,333 was prepaid on the loans, leaving a principal balance total of $1,533,342.

8. Capital Lease Obligation

The Authority leased a water chiller plant under a capital lease. On January 3, 2011, proceeds from the issuance of the 2010 RAD Bonds and the 2010 Hotel Bonds were used to pay the termination amount provided for in the documents and title to the chiller plant was transferred to the Authority (see Note 6) terminating the capital lease.

9. Derivative Financial Instruments - Interest Rate Swaps

The Authority had the following interest rate swaps as of December 31, 2011 and 2010:

	Notional Amount	Effective Date	Maturity Date	Interest Rate Paid	Interest Rate Received	Counterparty Credit Rating	Underlying Bonds
Hedging Derivatives							
Cash flow hedges							
Receive variable - pay fixed							
Interest rate swaps	$ 59,785,000	10/4/2007	11/1/2039	5.335%	1M LIBOR	A2	2007 Series B
	233,810,000	10/4/2007	11/1/2038	4.020%	SIFMA	A2	2007 Series A

	Notional Amount	12/31/2009 Market Value *	Change in Market Value	12/31/2010 Market Value *	Change in Market Value	12/31/2011 Market Value *
Hedging Derivatives						
Cash flow hedges						
Receive variable - pay fixed						
Interest rate swaps	$ 59,785,000	$ (8,087,555)	$ (4,322,364)	$ (12,409,919)	$ (13,337,304)	$ (25,747,223)
	233,810,000	(17,878,654)	(4,439,056)	(22,317,710)	(33,784,617)	(56,102,327)
Total		$ (25,966,209)	$ (8,761,420)	$ (34,727,629)	$ (47,121,921)	$ (81,849,550)

* The market value is an estimated net present value of the expected cash flows calculated using relevant mid-market data inputs and based on the assumption of no unusual market conditions or forced liquidation.

Objective of the Interest Rate Swaps

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance of its variable rate New Arena Bonds, the Authority entered into pay-fixed, receive-variable interest rate swap agreements with PNC Bank, National Association (Counterparty). The intention of the swaps was to effectively change the Authority's variable interest rates on the New Arena Bonds to synthetic fixed rates of 4.020% (Series A) and 5.335% (Taxable Series B).

Terms

The swap agreements were entered into at the same time the New Arena Bonds were issued (October 2007). The swap agreements expire on November 1, 2038 (Series A) and November 1, 2039 (Taxable Series B), consistent with the final maturity of each series of bonds.

The interest payments on the interest rate swaps are calculated based on notional amounts, all of which began reducing in 2008, so that the notional amounts approximate the principal outstanding on the respective bonds. The swap's original notional amounts were $252,000,000 (Series A) and $61,265,000 (Series B). The interest rate swaps expire consistent with the final maturity of the respective bonds.

Pursuant to the swap contracts, the Authority pays the Counterparty semi-annually on each November 1 and May 1, and the Counterparty pays the Authority monthly on the first of each month. For the year ended December 31, 2011, the Authority paid $9,515,858 fixed and received $395,045 variable with respect to the swap on the Series A Bonds, and paid

$3,212,141 fixed and received $116,454 variable with respect to the swap on the Taxable Series B Bonds. At December 31, 2011, the SIFMA Municipal Swap Index and 1M LIBOR rates were .10% and .27%, respectively.

Accounting and Risk Disclosures

As noted in the tables above, current period changes in market value for the interest rate swaps that are accounted for as hedges are recorded on the statements of net assets as deferred outflows. The cumulative fair market value of the outstanding interest rate swaps of December 31, 2011 and 2010 are reported on the statements of net assets as a swap liability.

The Authority has the ability to early terminate the interest rate swaps and to cash settle the transaction on any business day by providing at least two business days written notice to the counterparty. Evidence that the Authority has sufficient funds available to pay any amount payable to the counterparty must be provided at the time notice is given. At early termination, the Authority will be required to pay or receive a settlement amount which is comprised of the market value of the terminated transaction(s) based on market quotations and any amounts accrued under the contract(s).

Through the use of derivative instruments such as interest rate swaps, the Authority is exposed to a variety of risks, including credit risk, remarketing/interest rate/basis risk and termination risk.

- Credit risk is the risk that the counterparty will not fulfill its obligations. The credit ratings by Moody's Investors Service, Inc., a nationally recognized statistical rating organization for the respective counterparties are listed in the table above. If the counterparty fails to perform according to the terms of the interest rate swap agreements, there is some risk of loss to the Authority; if the Authority would need to replace the swaps, it would likely cost the Authority the then fair market values. Because the swaps have negative fair market values, there is no current credit risk to the Authority. This risk includes the potential for the counterparty to fail to make periodic variable rate payments to the Authority and the counterparty to fail to make termination payments to the Authority, if the swaps are terminated and a termination payment is due from the counterparty.

  The Authority has not entered into master netting arrangements with its Counterparty; as such each derivative instrument should be evaluated on an individual basis for credit risk.

  Concentration of credit risk: The Authority currently has one counterparty for both of their interest rate swaps. Total fair market value of interest rate swaps held with this counterparty is ($81,849,550) at December 31, 2011.

The Authority had an agreement with the counterparty that required the counterparty to post collateral if certain circumstances existed in a specific period of the swap agreement. This provision expired on May 1, 2010. Currently, there are terms if the Counterparty's credit rating falls below A- by Standard & Poor's or A3 by Moody's Investors Services, Inc., then there would be an automatic termination event under the swap as required by the swap insurer. As of year-end, the Counterparties had not and were not required to post collateral for these transactions, nor had a termination event occur.

Remarketing/interest rate/basis risk is the risk that arises when variable interest rates on a derivative and associated bond are based on different indexes. The Authority is subject to remarketing/interest rate/basis risk as the interest index on the variable rate arm of the swaps is based on the SIFMA Municipal Swap Index (Series A Bonds) or 1M LIBOR (Taxable Series B Bonds), as previously discussed, and the variable interest rate on the New Arena Bonds is based on a trading spread to the index based on current market conditions as determined by the remarketing agent. Although expected to correlate over the long-term, the short-term relationships between the SIFMA Municipal Swap Index and the weekly tax exempt rate, and the 1M LIBOR and the weekly taxable rate may vary. The variance could adversely affect the Authority's calculated payments, and synthetic interest rates may not be realized. This risk has been minimized, however, because the swap indexes are directly related to the markets for the bonds and the variance over the long-term are expected to be minimal.

Termination risk is the risk that the swap will end before the final maturity of the New Arena Bonds. The stated term of the swaps is equal to the term of the bonds. There are instances, however, when the swaps could be terminated earlier. The swaps use the International Swaps and Derivatives Association Master Agreement, which includes standard termination events, such as rating downgrades, covenant violations, bankruptcy, or swap payment default by either the Authority or the Counterparty. The Authority or the Counterparty may terminate the swaps if the other party fails to perform under the terms of the contract. Additional termination events include provisions such as if the underlying bonds were converted to fixed rate, if the indenture or Commonwealth lease is amended or supplemented in a manner that adversely affects the counterparty without the counterparty’s prior approval, or in the event of an natural or man made disaster, armed conflict, act of terrorism, riot, etc. beyond the control of the parties that would occur that would prevent a party from performing under the terms of the contract. If the swaps are terminated, the variable-rate bonds would no longer carry a synthetic fixed interest rate.

- Rollover risk is the risk that a derivative associated with the Authority's debt does not extend to the maturity of that debt. When the derivative terminates, the associated debt will no longer have the benefit of the derivative. The Authority is not exposed to rollover risk as the swap agreements terminate on the same day the last payment is due on the respective bonds.

10. Employee Benefit Plans

The Authority has a defined contribution retirement plan (plan) covering substantially all of its full-time employees. None of its employees are subject to collective bargaining agreements. Participation in the plan requires an employee to have completed six months of service. Employees are required to make mandatory contributions to the plan equal to 5% of their base compensation, on a pre-tax basis. The Authority annually contributes 7% of eligible employee compensation to the plan. Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the remainder of a participant's account is based on years of continuous service. A participant is 100% vested after five years of service. The Authority contributed $67,714 and $58,680 to the plan for the years ended December 31, 2011 and 2010, respectively. In 2000, the Authority established a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code of 1986. Under the deferred compensation plan, employees may voluntarily contribute additional pre-tax monies up to allowable federal limits. Eligibility for the deferred compensation plan is consistent with the defined contribution retirement plan and employees are 100% vested in any contributions and earnings thereon. The Authority does not make matching contributions to the deferred compensation plan.

11. Operation of David L. Lawrence Convention Center

By agreement dated January 1, 2002, the Authority entered into a management agreement with SMG, a Pennsylvania general partnership, to provide management services for the Convention Center. A new agreement was entered into on January 1, 2011 for a five year term. SMG will be paid a fixed fee as base compensation for providing the management services and may be entitled to an annual incentive fee based on the gross income in excess of the average of the gross income for the prior three years. The incentive fee is capped at 20% of total fees.

The Convention Center generates revenue through rental contracts and various ancillary services charged directly to the customer. The largest component of ancillary services is food and beverage (F & B) which generated 37% of the Center's revenue in 2011. The Authority entered into a contract with Levy Premium Food Service L.P. (Levy) on June 1, 2003 to manage the F & B services at the Convention Center. The original contract expired on December 31, 2010 at which time a new contract was entered into for a three year term with a two year renewal option. Levy earns a gross receipts incentive fee based on 2% of F & B receipts up to $3 million, 4% from $3 - $5 million, and 6% over $5 million and a profit incentive fee based on 3% of F & B profit. Total fees are capped at $250,000 with a CPI increase capped at 4%.

12. CIVIC ARENA AUDITORIUM

The New Arena Lease commenced on August 1, 2010, at which time the Authority assumed day to day operations and maintenance of the Civic Arena. The Authority entered into a building management agreement with Oxford Development Company that lasted until the building was turned over to Noralco Corporation, the demolition contractor. Demolition of the exterior of the structure began in September 2011 and is expected to be completed in May 2012.

In an effort to repurpose, reuse or recycle as much of the building as possible, the Authority provided that:

- Through contractual terms with the demolition contract, 95% of nonhazardous building materials and debris from the demolition is being recycled, including 50,000 tons of concrete from the building which will be crushed and re-used as fill at the site;
- Through a public internet auction 1,290 arena seats and 6,500 items of memorabilia, equipment, appliances, electronics, and furniture were sold;
- Construction Junction removed for recycling remaining usable office furniture, building materials, and miscellaneous metal;
- Goodwill Industries collected 49 televisions as well as computer and other electronic components for reuse and recycling and 14 televisions were donated to the Education Partnership for reuse by teachers;
- 276 pounds of scrap electronics were removed for recycling;
- More than 40,000 square feet of the stainless steel skin of the roof was sold for creation of memorabilia; and
- Penn State Center for Sustainability reused more than 200 shrubs as part of a landscaping and training program and the City forester provided for the reuse of timber of approximately 10 trees as art work.

The Authority provided for the following in order to preserve, for historical purposes, records, and building objects:

- A Historic Building Survey was prepared in accordance with standards of the Secretary of the Interior and filed at the Library of Congress;
- Original architectural drawings were donated to the University Libraries of Carnegie Mellon University Architecture Archives;
- Scanned architectural and engineering drawings, a video and movie collection, and Authority records and artifacts were donated to the Heinz History Center; and
- Additional artifacts were (i) donated to the Hockey Hall of Fame and (ii) preserved for later incorporation into the redevelopment of the site.

As provided in by the New Arena Lease the Pittsburgh Penguins manage, operate, maintain and receive all net revenue from the parking spaces located on the Civic Arena site.

13. CIVIC ARENA OPTION AREA

Pursuant to the Option Agreement dated September 18, 2007 as amended, between the Authority, the URA, and the Pittsburgh Penguins, the Pittsburgh Penguins are given rights to develop the Civic Arena site (approximately 28 acres 2/3 of which is owned by the Authority and 1/3 is owned by the Urban Redevelopment Authority of Pittsburgh (URA)), on certain terms and conditions. Upon identifying a parcel it wishes to develop, the Pittsburgh Penguins are to purchase the parcel from the Authority or the URA at fair market value, as determined by an appraisal. The Pittsburgh Penguins are entitled to an aggregate of $15 million of credits to be applied to the purchase prices. At the termination of the Option Agreement, if the Pittsburgh Penguins have not received the full $15 million of credits, the Authority is obligated to pay the difference in cash. The URA and the Redevelopment Authority of Allegheny County have agreed to loan such amounts to the Authority if needed.

The Authority initially recorded $15 million of deferred lease costs and a developer credit liability associated with this transaction. One parcel of land valued at $475,000 was sold in 2009, using $475,000 of credits. No parcels were purchased in 2011 or 2010. At December 31, 2011 and 2010, the balance of credits as reported on the statements of net assets totaled $14.53 million.

The deferred lease costs are to be amortized over the term of the New Arena Lease and will be adjusted upon each purchase by the Pittsburgh Penguins based on the value of credits used and the book value of land sold. For the land transaction in 2009, the Authority's cost basis of the land exceeded the credits used by $1.25 million. At December 31, 2011 and

2010, the balance of deferred lease costs as reported on the statements of net assets totaled $15.5 million and $16 million, respectively.

14. CONSOL ENERGY CENTER OPERATING LEASE

Pursuant to the New Arena Development Agreement dated September 30, 2007, as amended and a long-term sublease agreement dated September 18, 2007, as amended (the New Arena Lease) the Authority agreed to issue debt to finance the development and construction of the New Arena (including an attached parking garage) and Pittsburgh Penguins agreed to lease and play professional hockey at the New Arena for a term beginning on August 1, 2010, and ending on June 30, 2040. Under the terms of the original New Arena Lease, the rent amount due from the Pittsburgh Penguins is (a) $4.1 million per year and (b) $200,000 for each lease year in which certain additional parking spaces are delivered by the Authority. This rent is to be used to pay the Commonwealth Lease Revenue Bonds, Taxable Series B of 2007 (Note 6).

Under the terms of the New Arena Lease, parking surcharge in the amount of $400,000 is due from the Pittsburgh Penguins each year. The Pittsburgh Penguins shall collect and retain any parking surcharge collected above this amount.

Upon occupancy of the New Arena (August 1, 2010), the Authority deposited $3,000,000 into the Capital Reserve Fund for the New Arena. Pursuant to the New Arena Lease, the Authority deposits $400,000 annually into this account from the parking surcharge received from the Pittsburgh Penguins, as described above. The Capital Reserve Fund balance for the New Arena held $3,584,853 and $3,197,350 respectively as of December 31, 2011 and 2010.

On February 16, 2010, the Authority and the Pittsburgh Penguins entered into the Second Amendment to the New Arena Lease whereby the team agreed to pay an additional rent payment of $1,360,000 per year which is used to pay the Commonwealth Lease Revenue Bonds, Taxable Series of 2010 (Note 6).

Under the conditions of this New Arena Lease, the Pittsburgh Penguins are granted the exclusive right to any naming and advertising rights pertaining to the New Arena. The Pittsburgh Penguins are obligated to pay all expenses in connection with the maintenance, use, repair, and occupancy of the New Arena necessary to keep and maintain the New Arena in first-class condition, reasonably consistent with other comparable facilities, subject to certain limited exclusions.

15. BENEDUM CENTER OPERATING LEASE

On June 15, 1984, the Authority acquired certain property and entered into an agreement to lease the property to the Allegheny International Realty Development Corporation (AIRDC). AIRDC subsequently assigned the lease to the Pittsburgh Trust for Cultural Resources (Trust) for purposes of constructing and operating the Benedum Center. The lease agreement provides for annual rentals of one dollar and requires the Trust to pay for improvements, maintenance, utilities, and insurance. The lease is for a period of fifty years and is due to expire in June 2034 with an option to renew the lease for an additional thirty years.

16. HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA OPERATING LEASE

On October 22, 1991, the Authority acquired the former Chautaqua Ice Company property and entered into an agreement to lease the property to the Historical Society of Western Pennsylvania (Society). The Society has established The Heinz History Center and supporting facilities that operate as a museum, research center, and cultural facility for the benefit of the general public. The lease agreement provides for annual rental of one dollar and requires the Society to pay for improvements, maintenance, utilities, and insurance. The lease is for a period of 25 years and is due to expire in October 2016. The Society has the option to renew the lease for three consecutive periods of 25 years each at an annual rental mutually agreed to by the parties. The Society has obtained a mortgage loan to finance construction on the property. The Authority has consented to the use of the building as collateral on the loan.

17. PNC PARK OPERATING LEASE

The Authority has entered into a lease agreement with Pittsburgh Associates (Pirates) with a primary term of 29.5 years, commencing in March 2001. Obligated payments to the Authority include the following components: (a) Base Rent, (b) Excess Gate Revenues (i) 5% of gate revenues over $44.5 million and (ii) 10% of gate revenues over $52 million, (c) Excess Concession Revenues, the sum of (i) should the Pirates arrangement with the concessionaire(s) selected by the team entitle the team to receive more than 42% of the aggregate gross concession revenues, the Pirates shall pay the Authority 5% of the excess over the 42%, but less than 45%, and 10% of the excess above 45% and (ii) 5% of gross food and beverage revenues in excess of $9.00 per capita, and (d) Ticket Surcharges, the team shall receive and retain the first $1,500,000 of ticket surcharge each year, with the next $375,000 (adjusted annually by CPI increases) paid to the Authority for deposit into the Capital Reserve Fund, and the next $250,000 paid directly to the Authority. The Pirates shall retain any ticket surcharges collected above these amounts.

Under the conditions of this operating lease, the Pirates are granted the exclusive right to any naming, advertising, broadcasting, and telecommunications rights pertaining to PNC Park. The Pirates are obligated to pay all expenses in connection with the maintenance, use, repair, and occupancy of PNC Park necessary to keep and maintain PNC Park in a first-class condition, reasonably consistent with other comparable facilities, subject to certain limited exclusions. Since the opening of the facility, the Pirates have paid for $12.7 million of leasehold improvements and furniture, fixtures, and equipment. Although these fixed asset purchases would remain with the building as property of the Authority if there was a default by the Pirates, these assets are not capitalized by the Authority.

The lease also provides for the creation of a Capital Reserve Fund, which is funded from ticket surcharges from Major League Baseball games and concerts, rent, excess concession, gate revenues, and other funding as necessary. The Capital Reserve Fund for PNC Park held $7,000,154 and $6,518,332, respectively, as of December 31, 2011 and 2010.

18. HEINZ FIELD OPERATING LEASE

The Authority has entered into a lease agreement with PSSI Stadium Corporation (PSSI) with a primary term of 29.5 years, commencing in August 2001. PSSI (a related entity to the Steelers) subleases the facility to Pittsburgh Steelers Sports, Inc. (Steelers) and the University of Pittsburgh. Obligated payments to the Authority include the following components: (a) Non-Sporting Event Revenues, 15% of net revenues from nonsporting events, (b) Ticket Surcharge Revenues, a 5% ticket surcharge shall be imposed by the Authority on all tickets sold for events at Heinz Field, with lease year surcharge proceeds over $1,400,000 for NFL Events paid to the Authority for deposit into the Capital Reserve Fund and all surcharge monies collected for non-NFL events being paid directly to the Authority, and (c) Visitor's Club Seat Revenues, beginning in year 16 of the lease, visiting team's share of club seat revenues shall be remitted to the Authority for deposit into the Capital Reserve Fund.

Under the conditions of this operating lease, PSSI is granted the exclusive right to any naming, advertising, broadcasting, and telecommunications rights pertaining to Heinz Field. PSSI is obligated to pay all expenses in connection with the maintenance, use, repair, and occupancy of Heinz Field necessary to keep and maintain Heinz Field in a first-class condition, reasonably consistent with other comparable facilities, subject to certain limited exclusions. Since the opening of the facility, PSSI has paid for $33.6 million of leasehold improvements and furniture, fixtures, and equipment. Although these fixed asset purchases would remain with the building and as property of the Authority if there was a default by PSSI, under accounting principles generally accepted in the United States of America, these assets cannot be capitalized by the Authority.

The lease also provides for the creation of a Capital Reserve Fund, which is to be funded from ticket surcharges from National Football League games, college football games, and concerts, excess concession, gate, and food and beverage revenues. The Capital Reserve Fund for Heinz Field held $6,042,442 and $6,329,353, respectively, as of December 31, 2011 and 2010.

19. PENNSYLVANIA GAMING ECONOMIC DEVELOPMENT & TOURISM FUND

Section 14.07 of Act 71 of 2004 (PA Race Horse Development and Gaming Act) provided for the creation of the EDTF. Act 53 of 2007, known as the EDTF Capital Budget Itemization Act of 2007, authorized recurring funding to the Authority for certain projects from the EDTF. The Authority will receive the following project allocations:

1. $20,000,000 - For the retirement of indebtedness of the Convention Center. The allocation will be disbursed in increments of at least $1.7 million over ten years with the remaining balance being disbursed within the following two years. The fourth increment of $1.7 million was received and recognized as non-operating revenue in 2011.

2. $20,000,000 - For the payment of the operating deficit of the Convention Center. The allocation will be disbursed in increments of at least $1.7 million over ten years with the remaining balance being disbursed within the following two years. The amount cannot exceed the operating deficit of the Convention Center. The fourth increment of $1.7 million was received and recognized as non-operating revenue in 2011.

3. $225,000,000 - For the construction of the New Arena Project. The allocation will be disbursed in increments of $7.5 million for thirty years or the retirement of the debt, whichever is less. The fifth increment totaling $7.5 million was received and recognized as non-operating revenue in 2011. The remaining increments of $7.5 million are to be paid in 2012 through 2036.

4. $44,000,000 – For the costs related to the Convention Center including financing a Convention Center hotel. The allocation was to be disbursed in increments of at least $3.7 million over ten years with the remaining balance being disbursed within the following two years. Act 1 of 2010, effective July 1, 2011 deleted the authorization with respect to the direct funding related to a convention center hotel and application must be made through the Commonwealth Finance Authority. The third and final increment of $2.6 million was received and recognized as non-operating revenue in 2010.

20. INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT

Total net assets include an amount invested in capital assets, net of related debt. The calculations for the years ending 2011 and 2010 are as follows:

	2011	2010
Capital assets, net	$ 1,137,452,817	$ 1,169,283,327
Construction in progress	-	7,429,793
Lease acquisition costs, net	959,030	1,500,746
Less bonds payable related to capital assets	(701,444,662)	(716,917,944)
Less loans/notes payable related to captial assets	(40,093,526)	(43,560,402)
Less obligations under capital leases	-	(6,172,548)
Plus net unspent bond proceeds	16,184,879	17,331,872
Invested in capital assets, net of related debt	$ 413,058,538	$ 428,894,844

21. SEGMENT INFORMATION

The operating segment captures the operation of the Convention Center, its parking garage, and the Authority's administrative office. The capital development segment includes the Authority's bond issues and loans and pledged revenues related to several capital development projects including PNC Park, Heinz Field, Consol Energy Center, the David L. Lawrence Convention Center, the North Shore Parking Garage, Convention Center Parking Garage, Civic Arena, and all related infrastructure. Investors in the bonds rely solely on the revenues pledged for the projects for repayment.

Statement of Net Assets - 2011

	Operating	Capital Development	Total
Current assets	$ 8,430,328	$ 66,682,405	$ 75,112,733
Capital assets, net	2,195,503	1,135,257,314	1,137,452,817
Noncurrent assets	1,849,263	98,693,499	100,542,762
Total Assets	12,475,094	1,300,633,218	1,313,108,312
Current liabilities	4,666,718	29,562,737	34,229,455
Noncurrent liabilities	6,131,218	816,831,848	822,963,066
Total Liabilities	10,797,936	846,394,585	857,192,521
Net assets invested in capital, net	(1,004,497)	414,063,035	413,058,538
Net assets restricted	2,648,117	40,175,598	42,823,715
Net assets unrestricted	33,538	-	33,538
Total Net Assets	$ 1,677,158	$ 454,238,633	$ 455,915,791

Statement of Revenues, Expenses, and Changes in Net Assets - 2011

	Operating	Capital Development	Total
Restricted operating revenues	$ 1,725,240	$ 9,727,419	$ 11,452,659
Unrestricted operating revenues	9,663,368	504,236	10,167,604
Less: operating expenses	(12,495,930)	(677,279)	(13,173,209)
Less: depreciation/amortization	(87,524)	(50,240,732)	(50,328,256)
Operating Loss	(1,194,846)	(40,686,356)	(41,881,202)
Restricted nonoperating revenues	5,892,364	46,135,646	52,028,010
Unrestricted nonoperating revenues (expenses)	(105,147)	(27,261)	(132,408)
Interest expense	-	(34,862,624)	(34,862,624)
Transfers	(3,176,045)	3,176,045	-
Change in Net Assets	1,416,326	(26,264,550)	(24,848,224)
Beginning Net Assets	260,832	480,503,183	480,764,015
Ending Net Assets	$ 1,677,158	$ 454,238,633	$ 455,915,791

Statement of Cash Flows - 2011

	Operating	Capital Development	Total
Cash flows from operating activities	$ (1,643,093)	$ 8,600,891	$ 6,957,798
Cash flows from non-capital financing activities	1,075,836	3,430,022	4,505,858
Cash flows from capital and related financing activities	1,675,989	(27,699,912)	(26,023,923)
Cash flows from investing activities	(70,991)	191,577	120,586
Increase (decrease) in cash and cash equivalents	1,037,741	(15,477,422)	(14,439,681)
Cash and Cash Equivalents, Beginning	7,680,644	76,431,444	84,112,088
Cash and Cash Equivalents, Ending	$ 8,718,385	$ 60,954,022	$ 69,672,407
Consists of:			
Restricted cash and cash equivalents	$ 7,655,396	$ 60,954,022	$ 68,609,418
Unrestricted cash and cash equivalents	1,062,989	-	1,062,989
	$ 8,718,385	$ 60,954,022	$ 69,672,407

Note: This segment information includes inter-segment receivables/payables.

Statement of Net Assets - 2010

	Operating	Capital Development	Total
Current assets	$ 6,002,239	$ 78,616,454	$ 84,618,693
Capital assets, net	2,259,016	1,174,454,104	1,176,713,120
Noncurrent assets	2,142,671	55,269,061	57,411,732
Total Assets	10,403,926	1,308,339,619	1,318,743,545
Current liabilities	3,628,244	32,967,623	36,595,867
Noncurrent liabilities	6,514,850	794,868,813	801,383,663
Total Liabilities	10,143,094	827,836,436	837,979,530
Net assets invested in capital, net	(940,984)	429,835,828	428,894,844
Net assets restricted	1,762,108	50,667,355	52,429,463
Net assets unrestricted	(560,292)	-	(560,292)
Total Net Assets	$ 260,832	$ 480,503,183	$ 480,764,015

Statement of Revenues, Expenses, and Changes in Net Assets - 2010

	Operating	Capital Development	Total
Restricted operating revenues	$ 1,631,013	$ 9,481,458	$ 11,112,471
Unrestricted operating revenues	6,504,194	526,456	7,030,650
Less: operating expenses	(11,482,246)	(358,091)	(11,840,337)
Less: depreciation/amortization	(84,355)	(55,206,356)	(55,290,711)
Operating Loss	(3,431,394)	(45,556,533)	(48,987,927)
Restricted nonoperating revenues	6,530,261	62,172,600	68,702,861
Unrestricted nonoperating revenues (expenses)	(10,804)	68,219	57,415
Interest expense	(132,305)	(27,927,067)	(28,059,372)
Transfers	(2,921,723)	2,921,723	-
Change in Net Assets	34,035	(8,321,058)	(8,287,023)
Beginning Net Assets	226,797	488,824,241	489,051,038
Ending Net Assets	$ 260,832	$ 480,503,183	$ 480,764,015

Statement of Cash Flows - 2010

	Operating	Capital Development	Total
Cash flows from operating activities	$ (2,721,552)	$ 9,330,986	$ 6,609,434
Cash flows from non-capital financing activities	750,909	4,382,687	5,133,596
Cash flows from capital and related financing activities	1,380,855	(92,210,147)	(90,829,292)
Cash flows from investing activities	(69,091)	100,354,850	100,285,759
Increase (decrease) in cash and cash equivalents	(658,879)	21,858,376	21,199,497
Cash and Cash Equivalents, Beginning	8,339,523	54,573,068	62,912,591
Cash and Cash Equivalents, Ending	$ 7,680,644	$ 76,431,444	$ 84,112,088
Consists of:			
Restricted cash and cash equivalents	$ 7,167,486	$ 76,431,444	$ 83,598,930
Unrestricted cash and cash equivalents	513,158	-	513,158
	$ 7,680,644	$ 76,431,444	$ 84,112,088

Note: This segment information includes inter-segment receivables/payables.

22. COMMITMENTS AND CONTINGENCIES

Litigation

The Authority is involved in claims and legal actions arising from construction and in the normal course of operations. The Authority has closed out its final construction contracts for the Convention Center. In February 2010, the Authority finalized the settlement with various parties involved in the 2007 loading dock failure. In October 2011, the Board approved a settlement with various parties involving the design, construction and installation of flat roof areas and related waterproofing at the Convention Center. Additionally, there are multiple claims resulting from the operation of SEA facilities; Convention Center, Heinz Field, PNC Park, and Consol Energy Center, and parking garages for which in some cases the respective teams or management companies have indemnified the Authority, the range of potential loss and the outcomes of these cases cannot be determined. In the opinion of management, the ultimate disposition of these matters, considering indemnification agreements, insurance, and Authority defenses will not have a material adverse effect on the Authority's financial position.