ALLEGHENY COUNTY
HOSPITAL DEVELOPMENT AUTHORITY

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

ALLEGHENY COUNTY
HOSPITAL DEVELOPMENT AUTHORITY

YEARS ENDED DECEMBER 31, 2015 AND 2014

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March 15, 2016

Independent Auditor's Report

Board of Directors
Allegheny County Hospital Development Authority
Pittsburgh, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the Allegheny County Hospital Development Authority – Administrative Fund (the "Authority") as of and for the year ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015 and 2014, the respective changes in financial position, and the cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-5 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 audits 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.

The Binkley Kanavy Group, LLC

Certified Public Accountants

ALLEGHENY COUNTY HOSPITAL DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

The Allegheny County Hospital Development Authority's (the "Authority") Management's Discussion and Analysis is designed to provide an overview of the Authority's financial activities for the year ended December 31, 2015, and should be read in conjunction with the Authority's financial statements which begin on page 6.

The Authority issues revenue bonds and notes for eligible projects in Allegheny County on behalf of hospitals and related facilities. Each issue is secured separately from other issues and is payable from receipts from the entity on whose behalf the bonds or notes were issued.

This report consists of two parts: management's discussion and analysis and the basic financial statements, which include the notes to the financial statements. The basic financial statements include the statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, and the notes to the financial statements.

The Statements of Net Position, (the difference between assets and liabilities), found on page 6, is for the administrative fund, which is a proprietary fund. The Statements of Net Position include all of the Authority's assets and liabilities, provide information about the Authority's financial position, and indicate which assets, if any, are restricted as to use. A proprietary fund is considered a separate accounting entity, with a separate set of self-balancing accounts, using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned, and expenses are recognized when incurred.

The Statements of Revenues, Expenses, and Changes in Net Position, found on page 7, provide information on how the Authority's direct expenses of a given activity are offset by program revenues.

The Statements of Cash Flows, on page 8, indicates how much cash was provided and used by operating activities as well as other cash sources and uses, such as investing and financing activities.

The Notes to the Financial Statements (Notes), starting on page 9, provide information essential to understanding the basic financial statements.

Government-Wide Financial Analysis

The following schedule reflects the changes in net position compared to prior years.

Net Position Administrative Fund	**2015**	**2014**	**Change**
Total Assets	$ 1,970,942	$ 2,256,578	$ (285,636)
Total Liabilities	-	-	-
Total Net Position	$ 1,970,942	$ 2,256,578	$ (285,636)

Total Net Position decreased by $285,636 consisting of a $285,636 decrease in total assets. The decrease in total assets was due to the 2015 net loss.

ALLEGHENY COUNTY HOSPITAL DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

	2015	2014
Operating Revenues:		
Administrative Fees:		
Annual	$ 485,448	$ 492,349
Closing	-	-
Legal fee income	-	-
Miscellaneous	500.00	-
Total operating revenues	485,948	492,349
Operating Expenses:		
Administrative fees	500,000	500,000
Contributions to Allegheny County	240,825	240,825
Trustee and professional fees	28,750	28,750
Other	2,925	4,217
Total Operating Expenses	772,500	773,792
Operating Loss	(286,552)	(281,443)
Non-Operating Revenues:		
Interest income	916	484
Net Loss	(285,636)	(280,959)
Net Position:		
Beginning of year	2,256,578	2,537,537
End of year	$ 1,970,942	$ 2,256,578

Operating Revenues Include:

1. Annual Administrative Fees are collected from entities on whose behalf the debt was issued for as long as the debt is outstanding. There was a $6,901 decrease in annual administrative fees in 2015 compared to 2014. The principle reason was the decrease in the number of outstanding debt issuances which decreased annual fees collected in 2015.

Operating Expenses Include:

1. An Administrative fee is paid to the Allegheny County Department of Economic Development ("ACED") annually to help defray the costs of administering the Authority's activities. The Authority paid ACED $500,000 in 2015 and 2014.

2. The Authority pays dues to the Southwestern Pennsylvania Commission on behalf of Allegheny County. The Authority paid $240,825 for dues in both 2015 and 2014.

Requests for Information

- The financial report is designed to provide an overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Fiscal Manager of Operations; One Chatham Center, Suite 900; 112 Washington Place; Pittsburgh, PA 15219.

ALLEGHENY COUNTY HOSPITAL DEVELOPMENT AUTHORITY

ADMINISTRATIVE FUND
STATEMENTS OF NET POSITION
DECEMBER 31,

	2015	2014
Assets		
Current Assets:		
Cash and cash equivalents	$ 1,969,705	$ 2,256,578
Accounts receivable	1,237	-
Total Assets	$ 1,970,942	$ 2,256,578
Liabilities and Net Position		
Current Liabilities:		
Accounts payable	$ -	$ -
Total Current Liabilities	-	-
Unrestricted net position	1,970,942	2,256,578
Total Net Position	1,970,942	2,256,578
Total Liabilities and Net Position	$ 1,970,942	$ 2,256,578

See accompanying notes to financial statements.

ALLEGHENY COUNTY HOSPITAL DEVELOPMENT AUTHORITY

ADMINISTRATIVE FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
DECEMBER 31,

	2015	2014
Operating Revenues:		
Administrative fees:		
Annual	$ 485,448	$ 492,349
Closing	-	-
Legal fee income	-	-
Miscellaneous	500	-
Total operating revenues	485,948	492,349
Operating Expenses:		
Administrative fees	500,000	500,000
Trustee and professional fees	28,750	28,750
Contribution to Allegheny County	240,825	240,825
Other	2,925	4,217
Total operating expenses	772,500	773,792
Operating Loss	(286,552)	(281,443)
Non-Operating Revenues:		
Interest income	916	484
Net Loss	(285,636)	(280,959)
Net Position:		
Beginning of year	2,256,578	2,537,537
End of year	$ 1,970,942	$ 2,256,578

See accompanying notes to financial statements.

ALLEGHENY COUNTY HOSPITAL DEVELOPMENT FUND

ADMINISTRATIVE FUND
STATEMENTS OF CASH FLOWS
DECEMBER 31,

	2015	2014
Cash Flows From Operating Activities:		
Receipts from customers	$ 484,711	$ 493,586
Payments for goods and services	(531,675)	(532,967)
Payment of contribution to Allegheny County	(240,825)	(240,825)
Net cash used in operating activities	(287,789)	(280,206)
Cash Flows From Investing Activities:		
Interest received	916	484
Net cash provided by investing activities	916	484
Net Decrease in Cash and Cash Equivalents	(286,873)	(279,722)
Cash and Cash Equivalents:		
Beginning of year	2,256,578	2,536,300
End of year	$ 1,969,705	$ 2,256,578
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating Loss	$ (286,552)	$ (281,443)
Adjustments to reconcile operating loss to net cash used in operating activities:		
(Increase)/decrease in accounts receivable	(1,237)	1,237
Increase/(decrease) in accounts payable	-	-
Net cash flows used in operating activities	$ (287,789)	$ (280,206)

See accompanying notes to financial statements.

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Allegheny County Hospital Development Authority (the "Authority") was created by a resolution of the Board of Commissioners of Allegheny County (the "County") under the Municipality Authorities Act of the General Assembly of the Commonwealth of Pennsylvania, approved May 2, 1945, P.L. 382, as amended and supplemented. The purpose of the Authority is to acquire, hold, construct, improve, maintain, own, operate, and lease hospitals and related facilities, and other projects acquired, constructed, or improved for related purposes. The Authority, incorporated in 1971, has a legal life through 2045.

The Authority issues revenue bonds and notes for eligible projects in Allegheny County. Each issue is payable from receipts derived by the Authority from the entity on whose behalf the debt was issued and is secured separately and distinctly from the issues for every other entity. All debt instruments are supported by the credit of the respective institution involved in each individual project. The interest rate, terms of the repayment, and dollar amount of the bonds are matters of direct negotiation between the institution and the bond underwriters.

These financial statements include only the Authority's Administrative Fund. The Administrative Fund accounts only for promotional and administrative operations of the Authority and interest earnings from investing Administrative Fund resources. The Administrative Fund does not include any assets or liabilities relating to Authority debt issues.

The governing body of the Authority is a Board of Directors (the "Board"). The Board consists of members appointed by the County Executive of Allegheny County. Allegheny County has not included the Authority in its reporting entity because Allegheny County's accountability for the Authority does not extend beyond making these appointments.

A summary of the Authority's significant accounting policies are as follows:

A. Basis of Accounting

The Administrative Fund is a proprietary fund type, accounted for on the accrual basis of accounting in accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statements. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

B. Closing and Annual Fees

The Administrative Fund charges those entities on whose behalf the debt is issued a closing fee at the inception of each issue and annual fees due on each anniversary of the issue for as long as the issue is outstanding. The closing fee is greater than the recurring annual fee because it incorporates recovery of administrative expenses, including professional advisors, incurred by the Authority on behalf of sponsoring the issue. Annual fees are non-refundable and are recognized as revenue at the time they are due. Management believes this approach best matches revenues with related expenses.

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Advance

In prior years, the Authority advanced approximately $1,200,000 to Residential Resources, Inc. to be used to collateralize mortgages of properties purchased to house mental health/mental retardation residents of Allegheny County. The Authority maintains a secondary interest in the properties to secure the advance. The return of the funds to the Authority is dependent upon Residential Resources, Inc. developing the ability to provide its own collateral to supplant the collateral advanced by the Authority. Due to the contingent nature of the ultimate return of these funds, no asset has been recorded in the financial statements of the Authority.

D. Cash and Cash Equivalents

For purposes of presentation, the Authority considers all highly liquid deposits with maturities of three months or less when obtained to be cash and cash equivalents.

E. Accounts Receivable

Accounts receivable represent annual fees billed and unpaid at the end of the year.

F. Classification of Net Position

Net positions are classified into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of these assets. There were no net investments in capital assets at year-end.

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Classification of Net Position – (continued)

Restricted – This component of net position consists of constraints placed on net position use through external restrictions imposed by creditors, grantors, contributors, or regulation.

Unrestricted – This component of net position consists of assets that do not meet the definition of "restricted" or "net investments in capital assets."

NOTE 2: ADMINISTRATIVE SERVICES

The Authority contracts annually with the Allegheny County Department of Economic Development (ACED) for various administrative support services, including space and personnel. The fee for these services in 2015 and 2014 was $500,000 for each year, which was paid by the Administrative Fund.

NOTE 3: DEPOSITS AND INVESTMENTS

GASB Statement No. 40, "*Deposit and Investment Risk Disclosures,"* requires disclosures related to the following deposit and investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk, if any. The following is a description of the Authority's deposit and investment risks:

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a formal deposit policy for custodial credit risk. As of December 31, 2015 and 2014, the carrying values and the bank balances of the Authority's deposits were approximately $98,000 and $36,000, respectively. Of the bank balances as of December 31, 2015 and 2014, the full carrying values and bank values of the Authority's deposits were covered by federal depository insurance.

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

The Authority is authorized to make investments of the following types pursuant to the Municipality Authorities Act of 1945: (1) United States Treasury bills, (2) short-term obligations of the United States government or its agencies or instrumentalities, (3) deposits in savings accounts or time deposits or share accounts of institutions which are insured, (4) obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political subdivision thereof, and (5) shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the investments of that company meet the criteria in (1) through (4) above.

As of December 31, 2015 and 2014 the Authority's investments were held in the Pennsylvania Local Government Investment Trust (PLGIT). The Authority's investments in PLGIT entail pools managed by others, which are not evidenced by specific securities. All investments in the external investment pool, which are not SEC-registered, are subject to oversight by the Commonwealth of Pennsylvania. At December 31, 2015 and 2014, the Authority had cash and cash equivalents balances of approximately $2.0 million and $2.3 million, of which approximately $1.9 million and $2.2 million, respectively, were held in PLGIT. The fair value of these cash equivalents of approximately $1.9 million at December 31, 2015, is the same as the value of the pool shares. The fair value of these cash equivalents and investments of approximately $2.2 million at December 31, 2014, is the same as the value of the pool shares.

Interest Rate Risk – 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; however, the investments in PLGIT described above all have maturities of less than one year.

Credit Risk – The Authority does not have a formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2015 and 2014, the Authority's investments in PLGIT were rated AAA by Standard & Poor's.

NOTE 4: CONDUIT DEBT

The Authority administers the Hospital Development Bond Program (Program). Under this Program, the Authority issued limited obligation Loan Revenue Bonds and Notes to provide below-market interest rate financing for hospitals. The Revenue Bonds and Notes are repayable solely from each hospital's respective resources. Neither the general credit of the Authority nor the general credit and taxing power of Allegheny County has been pledged for the payment of debt service. The Authority has no obligation for repayment of this debt from other resources.

The outstanding balance of the debt issued as of December 31, 2015 and 2014 is $1.588 billion and $1.720 billion, respectively.

NOTE 5: CONTRIBUTIONS TO ALLEGHENY COUNTY

The Contributions to Allegheny County during 2015 and 2014 are annual dues that the Authority paid the Southwestern Pennsylvania Commission on behalf of Allegheny County.