

**ALLEGHENY COUNTY  
AUTHORITY FOR IMPROVEMENTS IN MUNICIPALITIES  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2010**

**ALLEGHENY COUNTY  
AUTHORITY FOR IMPROVEMENTS IN MUNICIPALITIES  
YEAR ENDED DECEMBER 31, 2010**

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INDEPENDENT AUDITORS' REPORT

March 23, 2011

Board of Directors  
Allegheny County Authority for Improvements in Municipalities  
Pittsburgh, PA

We have audited the accompanying statement of net assets of each major fund of the Allegheny County Authority for Improvements in Municipalities (the "Authority"), as of and for the year ended December 31, 2010, and the related statement of revenues, expenses, and changes in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 each major fund of the Authority as of December 31, 2010, and statement of revenues, expenses, and changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 4 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion of the Authority's basic financial statements. The accompanying Schedule of Loans Receivable of the General Fund on page 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Loans Receivable of the General Fund has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*The Binkley Kanavy Group, LLC*  
Certified Public Accountants

**AUTHORITY FOR IMPROVEMENTS IN MUNICIPALITIES  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2010**

The Authority for Improvements in Municipalities of Allegheny County (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, 2010, and should be read in conjunction with the Authority's financial statements, which begin on page 5.

The financial section of this audit report consists of the following: management's discussion and analysis; statement of net assets, the statement revenues, expenses, and changes in net assets, and the statement of cash flows; notes to the financial statements; and the additional information section.

The Statement of Net Assets (the difference between assets and liabilities), found on page 5, reports information on the activities of the Authority using the accrual basis of accounting. It includes the Authority's assets and liabilities and indicates which assets, if any, are restricted as to use. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when they are incurred. A proprietary fund is considered a separate accounting entity with a separate set of self-balancing accounts. The Authority reports the following four proprietary funds:

- General Fund: where the general operating activities of the Authority are reported.
- Urban Development Action Grant Fund (UDAG): where UDAG grant revenues and expenditures are reported.
- Commerce Loan Fund: where the repayment of loans previously provided by the Pennsylvania Department of Commerce are reported.
- Community Development Block Grant Fund (CDBG): where CDBG grant revenues and expenditures are reported.

The statement revenues, expenses, and changes in net assets, found on page 6, provides information on how the Authority's direct expenses of a given activity are offset by program revenues. Separate columns are utilized for each of the Authority's business-type activities.

The Statement of Cash Flows, found on page 7, indicates how much cash was provided and used in operating activities as well as other cash sources and uses, such as investing and financing activities. The statement of cash flows includes a reconciliation of operating income to net cash provided by operating activities.

The Notes to the Financial Statements (Notes), starting on page 8, provide information essential to understanding the basic financial statements. The Notes reflect the implementation of the provisions of Governmental Accounting Standards Board (GASB) Statement 40. Statement 40 requires the disclosure of the common risks (credit risk, concentration of credit risk, interest risk, and foreign currency risk) associated with deposits and investments highly sensitive to change in interest rates which could result in losses. Statement No. 40 also requires the disclosure of state or local governments deposit and investment policies related to these risks. GASB 40 was adopted in 2005.

**AUTHORITY FOR IMPROVEMENTS IN MUNICIPALITIES  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2010**

The additional information section following the notes to the financial statements reports general fund loans granted in 2010, total principal repayments, and outstanding principal balances as of December 31, 2010.

**Government-Wide Financial Analysis**

The schedule below reflects the changes in net assets compared to prior years.

**Net Assets- Administrative Fund**

|                   | <u>2010</u>         | <u>2009</u>         | <u>Change</u>       |
|-------------------|---------------------|---------------------|---------------------|
| Total Assets      | \$ 2,567,457        | \$ 2,459,035        | \$ 108,422          |
| Total Liabilities | <u>386,968</u>      | <u>102,122</u>      | <u>284,846</u>      |
| Total Net Assets  | <u>\$ 2,180,489</u> | <u>\$ 2,356,913</u> | <u>\$ (176,424)</u> |

Total Net Assets decreased by \$176,424. Total Assets increased by \$108,422 and total liabilities increased by \$284,846. The principal reason for the increase in liabilities is a loan that the Authority received during 2010.

|  | <u>2010</u>         | <u>2009</u>         |
|--|---------------------|---------------------|
| <b><u>Operating Revenues:</u></b>                |                     |                     |
| Interest from loans                              | \$ 33,912           | \$ 34,284           |
| Program income                                   | <u>12,763</u>       | <u>43,489</u>       |
| Total operating revenues                         | <u>\$ 46,675</u>    | <u>\$ 77,773</u>    |
| <b><u>Operating Expenses:</u></b>                |                     |                     |
| Administration fee                               | \$ 150,000          | \$ 150,000          |
| Professional services                            | 16,291              | 19,933              |
| Program disbursements                            | -                   | 250,000             |
| Other  | <u>35,571</u>       | <u>3,459</u>        |
| Total operating expenses                         | <u>201,862</u>      | <u>423,392</u>      |
| Operating Income (Loss)                          | <u>\$ (155,187)</u> | <u>\$ (345,619)</u> |
| <b><u>Non-Operating Revenues (Expenses):</u></b> |                     |                     |
| Interest   | \$ 790              | \$ 10,483           |
| Interest transfers to other funds                | <u>(22,027)</u>     | <u>-</u>            |
| Total non-operating revenues (expenses)          | <u>\$ (21,237)</u>  | <u>\$ 10,483</u>    |
| Net Income (Loss)                                | <u>\$ (176,424)</u> | <u>\$ (335,136)</u> |

**AUTHORITY FOR IMPROVEMENTS IN MUNICIPALITIES  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2010**

Operating Revenues include:

- Interest from loans totaled \$33,912 in 2010, a decrease of \$372 from loan interest of \$34,284 in 2009.
- Other revenues recorded for the General Fund consist of various administrative and legal fees of \$12,763 in 2010, a decrease of \$30,726 over the \$43,489 of other revenues received in 2009.

Operating Expenses include:

- 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 \$150,000 in both 2010 and 2009.
- Professional fees are the contracted audit and legal fees paid in 2010 and 2009.
- Program disbursements are grants paid from the Authority through its various programs. There was a decrease of \$250,000 in program disbursements in 2010 (\$0 in 2010 compared to \$250,000 in 2009). The decrease is because there were no Special Economic Development projects in 2010.
- Other expenses include legal advertising, directors and officers’ liability insurance and miscellaneous costs paid in 2010 and 2009.
- The decrease in non-operating interest income of \$9,693 was a result of the decrease in investment amounts and low interest rates in 2010.

**Current Conditions Expected to Significantly Affect Net Assets or Results of Operations**

- No conditions are anticipated that would significantly affect net assets or results of operations in 2011.

**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: Assistant Manager of Operations; 425 Sixth Avenue Suite #800; Pittsburgh, PA 15219.

**AUTHORITY FOR  
IMPROVEMENT IN MUNICIPALITIES**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2010**

| Assets                                  | Business-Type Activities - Enterprise Funds |                        |                   |                    |  | Total            |
|---|---|------------------------|-------------------|--------------------|--|------------------|
|   | General Fund                                | Urban                  |                   | Commerce Loan Fund | Community Development Block Grant Fund |                  |
|   |   | Development Grant Fund | Action Grant Fund |                    |  |                  |
| <b>Current Assets:</b>                  |   |                        |                   |                    |  |                  |
| Cash and cash equivalents               | \$ 738,492                                  | \$ -                   | \$ -              | \$ -               | \$ -                                   | 738,492          |
| Current Portion of loans receivable     | 354,441                                     | -                      | -                 | -                  | -                                      | 354,441          |
| Due from the General Fund               | -   | -                      | -                 | 124,149            | -                                      | 124,149          |
| Due from Commerce Loan Fund             | 14,683                                      | -                      | -                 | -                  | -                                      | 14,683           |
| <b>Total Current Assets</b>             | <b>1,107,616</b>                            | <b>-</b>               | <b>-</b>          | <b>124,149</b>     | <b>-</b>                               | <b>1,231,765</b> |
| <b>Noncurrent Assets:</b>               |   |                        |                   |                    |  |                  |
| Loan Receivable                         | 1,417,767                                   | -                      | -                 | -                  | -                                      | 1,417,767        |
| Restricted Cash                         | 42,074                                      | 229,527                | 61,925            | -                  | -                                      | 333,526          |
| <b>Total Assets</b>                     | <b>2,567,457</b>                            | <b>229,527</b>         | <b>61,925</b>     | <b>124,149</b>     | <b>\$ -</b>                            | <b>2,983,058</b> |
| <b>Liabilities and Net Assets</b>       |   |                        |                   |                    |  |                  |
| <b>Current Liabilities</b>              |   |                        |                   |                    |  |                  |
| Accounts Payable                        | \$ 12,819                                   | \$ -                   | \$ -              | \$ -               | \$ -                                   | 12,819           |
| Due to CDBG Fund                        | 124,149                                     | -                      | -                 | -                  | -                                      | 124,149          |
| Due to General Fund                     | -   | -                      | 14,683            | -                  | -                                      | 14,683           |
| <b>Total Current Liabilities</b>        | <b>136,968</b>                              | <b>-</b>               | <b>14,683</b>     | <b>-</b>           | <b>-</b>                               | <b>151,651</b>   |
| <b>Noncurrent Liabilities:</b>          |   |                        |                   |                    |  |                  |
| Loan Payable                            | 250,000                                     | -                      | -                 | -                  | -                                      | 250,000          |
| <b>Total Liabilities</b>                | <b>386,968</b>                              | <b>-</b>               | <b>14,683</b>     | <b>-</b>           | <b>-</b>                               | <b>401,651</b>   |
| <b>Net Assets:</b>                      |   |                        |                   |                    |  |                  |
| Restricted for projects                 | 42,074                                      | 229,527                | 47,242            | 124,149            | -                                      | 442,992          |
| Unrestricted                            | 2,138,415                                   | -                      | -                 | -                  | -                                      | 2,138,415        |
| <b>Total Net Assets</b>                 | <b>2,180,489</b>                            | <b>229,527</b>         | <b>47,242</b>     | <b>124,149</b>     | <b>\$ -</b>                            | <b>2,581,407</b> |
| <b>Total Liabilities and Net Assets</b> | <b>2,567,457</b>                            | <b>229,527</b>         | <b>61,925</b>     | <b>124,149</b>     | <b>\$ -</b>                            | <b>2,983,058</b> |

See accompanying notes to financial statements.

**AUTHORITY FOR  
IMPROVEMENT IN MUNICIPALITIES**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2010**

|  | Business-Type Activities - Enterprise Funds |                        |                   |                    |  | Total     |
|--|---|------------------------|-------------------|--------------------|--|-----------|
|  | General Fund                                | Urban                  |                   | Commerce Loan Fund | Community Development Block Grant Fund |           |
|  |   | Development Grant Fund | Action Grant Fund |                    |  |           |
| <b>Operating Revenues:</b>                     |   |                        |                   |                    |  |           |
| Interest from loans                            | 33,912                                      | -                      | -                 | -                  | -                                      | 33,912    |
| Program income                                 | 12,763                                      | -                      | 80,316            | -                  | -                                      | 93,079    |
| Total operating revenues                       | 46,675                                      | -                      | 80,316            | -                  | -                                      | 126,991   |
| <b>Operating Expenses:</b>                     |   |                        |                   |                    |  |           |
| Administration fee                             | 150,000                                     | -                      | -                 | -                  | -                                      | 150,000   |
| Professional services                          | 16,291                                      | -                      | -                 | -                  | -                                      | 16,291    |
| Repayments to the Commonwealth of Pennsylvania | -   | -                      | 89,647            | -                  | -                                      | 89,647    |
| Other  | 35,571                                      | -                      | -                 | -                  | -                                      | 35,571    |
| Total operating expenses                       | 201,862                                     | -                      | 89,647            | -                  | -                                      | 291,509   |
| <b>Operating Loss</b>                          | (155,187)                                   | -                      | (9,331)           | -                  | -                                      | (164,518) |
| <b>Non-Operating Revenues (Expenses):</b>      |   |                        |                   |                    |  |           |
| Interest                                       | 790   | -                      | -                 | -                  | -                                      | 790       |
| Interest transfer to other funds               | (22,027)                                    | -                      | -                 | 41                 | -                                      | (22,027)  |
| Interest transfers from other funds            | -   | -                      | -                 | -                  | 22,027                                 | 22,027    |
| Total non-operating revenues (expenses)        | (21,237)                                    | -                      | -                 | 41                 | 22,027                                 | 979       |
| <b>Change in Net Assets</b>                    | (176,424)                                   | -                      | (9,290)           | 22,027             | 22,027                                 | (163,539) |
| <b>Net Assets:</b>                             |   |                        |                   |                    |  |           |
| Beginning of year                              | 2,356,913                                   | -                      | 229,379           | 56,532             | 102,122                                | 2,744,946 |
| End of year                                    | 2,180,489                                   | -                      | 229,527           | 47,242             | 124,149                                | 2,581,407 |

See accompanying notes to financial statements.

**AUTHORITY FOR  
IMPROVEMENT IN MUNICIPALITIES**

**STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2010**

|   | Business-Type Activities - Enterprise Funds |                              |                   |                    |  | Total        |
|---|---|------------------------------|-------------------|--------------------|--|--------------|
|   | General Fund                                | Urban Development Grant Fund |                   | Commerce Loan Fund | Community Development Block Grant Fund |              |
|   |   | Development Grant Fund       | Action Grant Fund |                    |  |              |
| <b>Cash Flows From Operating Activities:</b>  |   |                              |                   |                    |  |              |
| Receipts from customers   | \$ 12,766                                   | -                            | -                 | -                  | -                                      | \$ 12,766    |
| Payments for goods and services   | (9,164)                                     | -                            | -                 | -                  | -                                      | (9,164)      |
| Other payments  | (150,000)                                   | -                            | -                 | -                  | -                                      | (150,000)    |
| Loan interest payments  | 33,912                                      | -                            | -                 | -                  | -                                      | 33,912       |
| Loans disbursed   | (970,045)                                   | -                            | -                 | -                  | -                                      | (970,045)    |
| Loan principal repayments   | 322,943                                     | -                            | -                 | 80,316             | -                                      | 403,259      |
| Repayments to Commonwealth of Pennsylvania  | -   | -                            | -                 | (89,647)           | -                                      | (89,647)     |
| Net cash provided by (used in) operating activities   | (759,588)                                   | -                            | -                 | (9,331)            | -                                      | (768,919)    |
| <b>Cash Flows From Investing Activities:</b>  |   |                              |                   |                    |  |              |
| Proceeds from RAAC Loan   | 250,000                                     | -                            | -                 | -                  | -                                      | 250,000      |
| Interest received   | 790   | 148                          | -                 | 41                 | -                                      | 979          |
| Net cash provided by (used in) investing activities   | 250,790                                     | 148                          | -                 | 41                 | -                                      | 250,979      |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>   | (508,798)                                   | 148                          | -                 | (9,290)            | -                                      | (517,940)    |
| <b>Cash and Cash Equivalents:</b>   |   |                              |                   |                    |  |              |
| Beginning of year   | 1,289,364                                   | 229,379                      | -                 | 71,215             | -                                      | 1,589,958    |
| End of year   | 780,566                                     | 229,327                      | -                 | 61,925             | -                                      | 1,072,018    |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:</b> |   |                              |                   |                    |  |              |
| Operating income (loss)   | \$ (155,187)                                | -                            | -                 | \$ (9,331)         | -                                      | \$ (164,518) |
| Non cash activity   | 29,879                                      | -                            | -                 | -                  | -                                      | 29,879       |
| Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:   |   |                              |                   |                    |  |              |
| Change in assets and liabilities:   |   |                              |                   |                    |  |              |
| Loans Receivable  | (647,095)                                   | -                            | -                 | -                  | -                                      | (647,095)    |
| Accounts Payable  | 12,819                                      | -                            | -                 | -                  | -                                      | 12,819       |
| Total adjustments   | (604,401)                                   | -                            | -                 | -                  | -                                      | (604,401)    |
| Net cash provided by (used in) operating activities   | \$ (759,588)                                | -                            | -                 | \$ (9,331)         | -                                      | \$ (768,919) |

See accompanying notes to financial statements.

**ALLEGHENY COUNTY AUTHORITY FOR IMPROVEMENTS IN  
MUNICIPALITIES  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

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

The Authority for Improvements in Municipalities (the "Authority") was established by Allegheny County (County), Pennsylvania, in 1968 pursuant to the Municipality Authorities Act of Pennsylvania. The Authority's activities include providing assistance in the form of grants and loans to cities, boroughs, townships, and authorities situated in the County, and lease financing for capital equipment purchases by non-profit hospitals and municipalities throughout Pennsylvania. The Authority's Board of Directors (Board) is appointed by the County. The County has not included the Authority in its reporting entity because the 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 Authority has various programs that are reported as separate Enterprise Funds. The Authority accounts for its programs on the accrual basis of accounting. Accordingly, revenues are recorded when earned and expenses are recorded when incurred. Inter-fund transactions are generally recognized when they are incurred.

In applying the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds*," the Authority applies all GASB pronouncements and all Financial Accounting Standards Board pronouncements, Accounting Principals Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 which do not conflict with or contradict GASB pronouncements.

Proprietary fund operating revenues, such as program income, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of interest on loans receivable. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions, such as capital contributions, grants, or ancillary activities.

**ALLEGHENY COUNTY AUTHORITY FOR IMPROVEMENTS IN  
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NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES – (continued)**

A. Basis of Accounting – (continued)

A description of each fund of the Authority is presented below:

o General Fund

The General Fund is the principal operating fund of the Authority, which accounts for all financial transactions, except those required to be accounted for in other funds. The General Fund includes loan and grant activities undertaken at the discretion of the Authority's Board entailing resources, which are otherwise unrestricted.

o Urban Development Action Grant Fund

The Urban Development Action Grant Fund (UDAG) accounts for the proceeds of UDAG monies applied for and received by the County on behalf of itself and four other municipalities within the County. The UDAG funds were provided to the municipalities so as to retain and enhance employment within their boundaries.

The Authority acts as custodian and administrator of the UDAG funds and is paid annual administration fees.

o Commerce Loan Fund

The Authority acts as an agent for certain loan repayments from entities who had previously received funds from the Pennsylvania Department of Commerce. Certain portions of the loan repayments are remitted to the Pennsylvania Department of Commerce. The Authority collects the loan repayments and disburses these same funds to the appropriate governmental entities. Any interest earned on the amounts collected is permitted to be retained by the Authority.

o Community Development Block Grant Fund

The restricted Community Development Block Grant (CDBG) Fund accounts for the proceeds of CDBG monies made available to the Authority for two projects located at the Regional Industrial Development Corporation Park.

B. 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.

**ALLEGHENY COUNTY AUTHORITY FOR IMPROVEMENTS IN  
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NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES – (continued)**

C. Restricted Assets

Restricted Assets represent resources set aside for liquidation of specific obligations. See Note 4 for details of restricted assets.

D. Classification of Net Assets

In accordance with the provisions of GASB Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*," net assets are classified 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, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of these assets. There were no net assets invested in capital assets, net of related debt at year-end.
- Restricted – This component of net assets consists of constraints placed on net asset use through external restrictions imposed by donors (such as through the receipt and use of federal dollars).
- 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."

E. Loans Receivable

Loans receivable in the General Fund consist of loans that are primarily for infrastructure projects and financing of capital needs of the municipal entities within Allegheny County. Loans are recorded on the Statement of Net Assets at face value. The loans have rates ranging from 0% to 5% and with terms of approximately five years. The loan amounts range from approximately \$5,000 to \$225,000. Total loans receivable at December 31, 2010 and 2009 are \$1,772,208 and \$1,125,106 respectively.

The portion of loans expected to be collected by the Authority within one year are shown as current assets of the Authority in the Statement of Net Assets.

**ALLEGHENY COUNTY AUTHORITY FOR IMPROVEMENTS IN  
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NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES – (continued)**

F. Accounts Receivable

The Authority uses the allowance method in providing for loan losses. Accordingly, potential losses are recorded to the allowance and provided for as bad debt expense when the collection is doubtful. Conversely, when management is of the opinion that previously reserved loans are collectible, the current year's provision is reduced.

Authority management believes all outstanding loans are collectible at December 31, 2010 and 2009 and, therefore, no allowance is needed at December 31, 2010 and 2009.

G. Adoption of Governmental Accounting Standards Board Statements

In 2010, the Authority adopted the GASB Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets*". The adoption of this statement had no effects on the previously stated amounts.

In 2010, the Authority adopted the GASB Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments*". The adoption of this statement had no effects on the previously stated amounts.

In 2010, the Authority adopted the GASB Statement No. 58, "*Accounting and Financial Reporting for Chapter 9 Bankruptcies*". The adoption of this statement had no effects on the previously stated amounts.

H. Pending Changes in Accounting Principles

In March 2009, the GASB issued Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". The Authority is required to adopt Statement No. 54 for its 2011 calendar year financial statements.

In December 2009, the GASB issued Statement No. 57, "*OPEB Measurements by Agent Employers and Agent Multiple-Employers Plans*". The Authority is required to adopt Statement No. 57 for its 2012 calendar year financial statements.

In June 2010, the GASB issued Statement No. 59, "*Financial Instruments Omnibus*". The Authority is required to adopt Statement No. 59 for its 2012 calendar year financial statements.

**ALLEGHENY COUNTY AUTHORITY FOR IMPROVEMENTS IN  
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NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES – (continued)**

H. Pending Changes in Accounting Principles- (continued)

In November 2010, the GASB issued Statement No. 60, "*Accounting and Financial Reporting for Service Concession Arrangements*". The Authority is required to adopt Statement No. 60 for its 2012 calendar year financial statements.

In November 2010, the GASB issued Statement No. 61, "*The Financial Reporting Entity: Omnibus*". The Authority is required to adopt Statement No. 61 for its 2013 calendar year financial statements.

In December 2010, the GASB issued Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*". The Authority is required to adopt Statement No. 62 for its 2012 calendar year financial statements.

The Authority has not completed the various analysis required to estimate the financial statement impact of these new pronouncements.

**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 for the year ended December 31, 2010 was \$150,000, which was paid by the General 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. 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, 2010, the carrying value of the Authority's deposits was \$2,588 and the bank balance of the Authority's deposits was \$2,588. As of December 31, 2010, all of the Authority's bank balance was covered by federal depository insurance.

**ALLEGHENY COUNTY AUTHORITY FOR IMPROVEMENTS IN  
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**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, 2010, 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. The book value of these investments as of December 31, 2010, was \$1,069,430.

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, 2010, the Authority's investments in PLGIT were rated AAA by Standard's & Poor's.

**NOTE 4: RESTRICTED ASSETS**

Assets whose use is limited to a specific purpose have been classified as restricted in balance sheet/statement of net assets. Restricted cash is composed of the following:

- The *General Fund* reported a restricted cash balance of \$42,074 at year-end that consists of the amount of unexpended funds received from Allegheny County for the Special Economic Development Program.
- The entire cash balance of \$229,529 in the *Urban Development Action Grant Fund* is considered to be restricted at year end because all monies contained within UDAG are reserved for municipalities wishing to enhance employment within their boundaries.
- The *Commerce Loan Fund* cash balance, net of amounts due to the General Fund, of \$47,242 is restricted as assets that are collected on behalf of other entities and remitted to the Pennsylvania Department of Commerce by the Authority.

**ALLEGHENY COUNTY AUTHORITY FOR IMPROVEMENTS IN  
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**NOTE 4: RESTRICTED ASSETS – (continued)**

- The *CDBG* fund has restricted assets consisting of an amount due to the *CDBG* fund from the General Fund. The funds are restricted because they are to be used on specific projects.

**NOTE 5: CONDUIT DEBT**

The Authority issued limited obligation tax-exempt notes (amount issued as of December 31, 2010 and 2009 was approximately \$33 million, at the end of each year) to provide below-market interest rate financing for qualifying organizations. The tax-exempt notes are repayable solely from each qualifying organization's respective resources. Neither the general credit of the Authority nor the general credit and taxing power of the County has been pledged for the payment of debt service. The Authority has administrative and fiduciary responsibilities; however, it has no obligation for repayment of this debt from other resources.

**NOTE 6: PROGRAM DISBURSEMENTS**

In 2007 Allegheny County contributed \$1 million to the Authority for use in the Economic Development Program. The Economic Development Program awards funding for public infrastructure projects that impact large scale economic development projects. Eligible entities must demonstrate a need for funding, a significant community impact, and the grant funds can not be greater than the matching investment. In 2010, none of these funds were disbursed. In 2009, program disbursements totaled \$250,000 to the Allegheny County Airport Authority for Phase II of a ramp extension. The balance of the \$1 million contribution is \$42,074 and is shown as restricted cash in the General Fund.

**NOTE 7: LOANS PAYABLE**

During 2010, the Authority entered into a loan agreement with the Redevelopment Authority of Allegheny County. The proceeds of this loan were to be used by the Authority to provide additional funding for its revolving loan fund. The outstanding principal of this loan at December 31, 2010 was \$250,000. This loan bears 0% interest and the entire loan balance is due by June 1, 2013.

**ALLEGHENY COUNTY AUTHORITY FOR IMPROVEMENTS IN MUNICIPALITIES**  
**SCHEDULE OF LOANS RECEIVABLE - GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2010**

|                              | December 31,<br>2009 | 2010<br>Loans     | Principal<br>Repayments | December 31,<br>2010 |
|------------------------------|----------------------|-------------------|-------------------------|----------------------|
| Aleppo Township              | \$ -                 | \$ 100,000        | \$ -                    | \$ 100,000           |
| Borough of Avalon            | 15,000               | -                 | 15,000                  | -                    |
| Borough of Avalon            | 50,535               | -                 | 12,634                  | 37,901               |
| Borough of Bellevue          | 59,200               | -                 | 14,800                  | 44,400               |
| Ben Avon Heights Boro        | -                    | 141,900           | -                       | 141,900              |
| Borough of Braddock Hills    | -                    | 25,000            | -                       | 25,000               |
| Borough of Carnegie          | 150,000              | -                 | 30,000                  | 120,000              |
| Dormont Borough              | 135,000              | -                 | 45,000                  | 90,000               |
| East Deer Township           | 60,000               | -                 | 20,000                  | 40,000               |
| Borough of East McKeesport   | 175,450              | -                 | 43,866                  | 131,584              |
| Borough of East McKeesport   | -                    | 30,000            | -                       | 30,000               |
| Borough of Glassport         | -                    | 29,599            | -                       | 29,599               |
| Harmar Township              | -                    | 50,000            | -                       | 50,000               |
| Harrison Township            | 40,000               | -                 | 8,000                   | 32,000               |
| Township of Kennedy          | -                    | 100,000           | -                       | 100,000              |
| Liberty Borough              | 60,000               | -                 | 20,000                  | 40,000               |
| Borough of McKees Rocks      | 40,000               | -                 | 8,000                   | 32,000               |
| Borough of Munhall           | -                    | 104,400           | -                       | 104,400              |
| Borough of North Versailles  | -                    | 101,050           | -                       | 101,050              |
| Borough of Oakdale           | 10,000               | -                 | 5,000                   | 5,000                |
| Borough of Pitcairn          | 7,500                | -                 | 7,500                   | -                    |
| Borough of Pitcairn          | 60,904               | -                 | -                       | 60,904               |
| Port Vue Borough             | 48,000               | -                 | 12,000                  | 36,000               |
| Port Vue Borough             | 50,221               | -                 | 10,044                  | 40,177               |
| Borough of Sewickley Heights | 15,000               | -                 | 15,000                  | -                    |
| Borough of Sewickley Hills   | 30,000               | -                 | 30,000                  | -                    |
| Steel Valley COG             | -                    | 94,430            | -                       | 94,430               |
| Borough of Versailles        | -                    | 85,000            | -                       | 85,000               |
| Borough of West View         | 100,000              | -                 | 20,000                  | 80,000               |
| White Oak Borough            | -                    | 108,666           | -                       | 108,666              |
| White Oak Borough            | 18,296               | -                 | 6,099                   | 12,197               |
| <b>Totals</b>                | <b>\$ 1,125,106</b>  | <b>\$ 970,045</b> | <b>\$ 322,943</b>       | <b>\$ 1,772,208</b>  |