

ALLEGHENY COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

the blinkleykanavy group
CERTIFIED PUBLIC ACCOUNTANTS

ALLEGHENY COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY

YEARS ENDED DECEMBER 31, 2011

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

March 27, 2012

Board of Directors
Allegheny County Industrial Development Authority
Pittsburgh, PA

We have audited the accompanying statement of net assets of each major fund and the aggregate remaining fund information of the Allegheny County Industrial Development Authority (the "Authority"), as of and for the year ended December 31, 2011, 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 Allegheny County Industrial Development Authority. Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 and the aggregate remaining fund information of the Allegheny County Industrial Development Authority, as of December 31, 2011, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by accounting principles generally accepted in the United States who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required basic part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Berkeley-Kanawh Group, LLC

Certified Public Accountants

**ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011**

The Allegheny County Industrial Development Authority's (the "IDA") Management's Discussion and Analysis is designed to provide an overview of IDA's financial activities for the year ended December 31, 2011, and should be read in conjunction with IDA's financial statements, which begin on page 7.

The focus of this report is to provide information about the IDA's activities taken as a whole. The components of the IDA's basic financial statements are the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; the Statement of Cash Flows; and the Notes to the Financial Statements. Separate columns are used for the IDA's various business-type activities. The major proprietary funds are reported individually.

The Statement of Net Assets, found on page 7, provides information about the IDA's financial position of the various enterprise funds using the accrual basis of accounting. It includes all of the IDA'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.

The Statement of Revenues, Expenses, and Changes in Net Assets, on page 8, reports all of the IDA's earnings and expenses by business-type activity uses the accrual basis of accounting.

The Statement of Cash Flows, on page 9, indicates how much cash was provided and used by operating activities as well as other cash sources and uses such as investments and financing activities.

The Notes to the Financial Statements (Notes), which begin on page 10, provides information essential to understanding the basic financial statements.

The Other Supplementary Information Section, starting on page 16, details other programs administered by the IDA on behalf of Allegheny County. The financial statements in this section consist of a Combining Balance Sheet- Other Enterprise Funds found on page 16, a Combining Statement of Revenues, Expenses, and Changes in Net Assets-Other Enterprise Funds found on page 17, and the Combining Statement of Cash Flows-Other Enterprise Funds found on page 18.

Government-Wide Financial Analysis

The following schedules reflect the condensed Statements of Net Assets for the Administrative Fund, the IDA Bond Fund, Small Business/ Distressed Community (SBDC) Fund, Development Action Assistance Fund (DAAP), and Other Enterprise Funds compared to prior year:

<u>Net Assets - Administrative Fund</u>	<u>2011</u>	<u>2010</u>	<u>Change</u>
Total Assets	\$ 713,946	\$ 925,429	\$ (211,483)
Total Liabilities	<u>37,947</u>	<u>38,005</u>	<u>(58)</u>
Total Net Assets	<u>\$ 675,999</u>	<u>\$ 887,424</u>	<u>\$ (211,425)</u>

Total net assets decreased by \$211,425 consisting of a \$211,483 decrease in total assets and a \$58 decrease in total liabilities. The decrease in assets is primarily due to the decrease in cash held by the fund.

**ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2011**

<u>Net Assets - SBDC Fund</u>	<u>2011</u>	<u>2010</u>	<u>Change</u>
Total Assets	\$ 3,827,296	\$ 3,901,801	\$ (74,505)
Total Liabilities	-	-	-
Total Net Assets	<u>\$ 3,827,296</u>	<u>\$ 3,901,801</u>	<u>\$ (74,505)</u>

Total net assets decreased by \$74,505. The decrease in total assets was due primarily to increasing the allowance for uncollectable accounts for outstanding loans that may not be collected.

<u>Net Assets - DAAP Fund</u>	<u>2011</u>	<u>2010</u>	<u>Change</u>
Total Assets	\$ 4,145,947	\$ 4,140,649	\$ 5,298
Total Liabilities	-	-	-
Total Net Assets	<u>\$ 4,145,947</u>	<u>\$ 4,140,649</u>	<u>\$ 5,298</u>

Total net assets increased by \$5,298. The increase in total assets was due primarily to the interest revenue earned on outstanding loans.

<u>Net Assets - Other Enterprise Fund</u>	<u>2011</u>	<u>2010</u>	<u>Change</u>
Total Assets	\$ 2,541,052	\$ 2,525,344	\$ 15,708
Total Liabilities	-	20,824	(20,824)
Total Net Assets	<u>\$ 2,541,052</u>	<u>\$ 2,504,520</u>	<u>\$ 36,532</u>

Other Enterprise Fund Programs are: Port of Pittsburgh Loan Program, Mon Valley Revolving Loan Program, Allegheny County UPARC Program, Allegheny County EDA Program, Minority Enterprise Loan Program (MEC), and the Sanders SELF Loan Program. The increase in net assets is due primarily to the income generated by the EDA Program.

**ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2011**

Changes in Net Assets

Our analysis below focuses on the changes in net assets for the Administrative Fund compared to prior years.

	<u>2011</u>	<u>2010</u>	<u>Change</u>
<u>Operating Revenues:</u>			
Administrative Fees	\$ 306,156	\$ 269,596	\$ 36,560
Other Operating Revenues	<u>10</u>	<u>20,411</u>	<u>(20,401)</u>
Total Operating Revenues	<u>306,166</u>	<u>290,007</u>	<u>16,159</u>
<u>Operating Expenses:</u>			
Program Expense	297,836	177,741	120,095
Professional Fees	37,441	39,304	(1,863)
Other Operating Costs	18,671	77,495	(58,824)
Payment to Allegheny County	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Total Operating Expenses	<u>653,948</u>	<u>294,540</u>	<u>359,408</u>
Operating Gain (Loss)	<u>(347,782)</u>	<u>(4,533)</u>	<u>(343,249)</u>
<u>Non-Operating Revenues</u>			
Grant Revenue	136,104	142,872	(6,768)
Interest Revenue	<u>253</u>	<u>1,252</u>	<u>(999)</u>
Total Non-Operating Revenues	<u>136,357</u>	<u>144,124</u>	<u>(7,767)</u>
Net Income (Loss)	<u>(211,425)</u>	<u>139,591</u>	<u>(351,016)</u>
<u>Net Assets</u>			
Beginning of year	<u>887,424</u>	<u>747,833</u>	<u>139,591</u>
End of year	<u>\$ 675,999</u>	<u>\$ 887,424</u>	<u>\$ (211,425)</u>

**ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2011**

Operating Revenues:

Administrative Fees include fees charged at the inception of bond issuances and annually throughout the life of the loan. This amount increased by \$36,560 mainly due to an increase in annual fees collected throughout the lives of outstanding loans.

Operating Expenses:

Operating expenses increased by \$343,249. This increase was in part caused by the administrative fee owed to Allegheny County Department of Economic Development to defray the cost of administering the Authority's activities.

Non-operating revenues:

Non-operating revenues decreased by \$7,767 mainly due to the decrease in certain grant funding received by the IDA.

Requests for Information

- The financial report is designed to provide an overview of IDA'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; 425 Sixth Avenue Suite #800; Pittsburgh, PA 15219.

**ALLEGHENY COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

Assets	Business-Type Activities - Enterprise Funds				Total
	Administrative Fund	Small Business Distressed Communities	Development Action Assistance Program	Other Enterprise Funds	
Current Assets:					
Cash and cash equivalents	\$ 538,016	\$ 2,120,791	\$ 2,535,785	\$ 2,174,942	\$ 7,369,534
Current portion of loans receivable	-	52,350	199,265	121,850	373,465
Fees receivable	57,069	-	-	3,028	60,097
Total Current Assets	595,085	2,173,141	2,735,050	2,299,820	7,803,096
Noncurrent Assets					
Loans Receivable, net of allowance for loan losses	-	261,478	1,410,897	241,232	1,913,607
Intergovernmental receivable	-	1,392,677	-	-	1,392,677
Restricted cash and cash equivalents	118,861	-	-	-	118,861
Total Assets	\$ 713,946	\$ 3,827,296	\$ 4,145,947	\$ 2,541,052	\$ 11,228,241
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable and accrued expenses	\$ 37,947	\$ -	\$ -	\$ -	\$ 37,947
Total Liabilities	37,947	-	-	-	37,947
Net Assets:					
Restricted	118,861	3,827,296	4,145,947	2,541,052	10,633,156
Unrestricted	557,138	-	-	-	557,138
Total Net Assets	675,999	3,827,296	4,145,947	2,541,052	11,190,293
Total Liabilities and Net Assets	\$ 713,946	\$ 3,827,296	\$ 4,145,947	\$ 2,541,052	\$ 11,228,241

See accompanying notes to financial statements.

**ALLEGHENY COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2011**

	Business-Type Activities - Enterprise Funds				Total
	Administrative Fund	Small Business Distressed Communities	Development Action Assistance Program	Other Enterprise Funds	
Operating Revenues:					
Administrative fees:					
Closing	\$ 71,420	-	-	-	\$ 71,420
Annual	213,236	-	-	-	213,236
Other	21,500	-	-	-	21,500
Loan interest	-	10,623	56,542	17,487	84,652
Total operating revenues	10	875	250	-	1,135
Operating Expenses:	306,166	11,498	56,792	17,487	391,943
Program Expense	297,836	-	-	-	297,836
Professional fees	37,441	599	1,056	-	39,096
Other operating costs	18,671	30	18	(20,598)	(1,879)
Bad Debt Expense	-	86,603	51,205	2,663	140,471
Payments to Allegheny County	300,000	-	-	-	300,000
Total operating expenses	653,948	87,232	52,279	(17,935)	775,524
Operating Income (Loss)	(347,782)	(75,734)	4,513	35,422	(383,581)
Non-Operating Revenues (Expenses):					
Grant Revenue	136,104	-	-	-	136,104
Investment interest revenue	253	1,228	785	1,110	3,376
Total non-operating revenues	136,357	1,228	785	1,110	139,480
Net Income (loss)	(211,425)	(74,506)	5,298	36,532	(244,101)
Net Assets:					
Beginning of year	887,424	3,901,801	4,140,649	2,504,520	11,434,394
End of year	675,999	3,827,296	4,145,947	2,541,052	11,190,293

See accompanying notes to financial statements.

**ALLEGHENY COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011**

	Business-Type Activities - Enterprise Funds				Total
	Administrative Fund	Small Business Distressed Communities	Development Action Assistance Program	Other Enterprise Funds	
Cash Flows From Operating Activities:					
Receipts from customers	\$ 323,735	\$ 875	\$ 250	\$ -	\$ 324,860
Payments for goods and services	(653,228)	(999)	(1,074)	(327)	(655,128)
Loans disbursed	-	(90,000)	-	-	(90,000)
From principal payments received	-	133,724	193,461	118,068	445,253
From interest received	-	10,623	56,542	17,487	84,652
Net cash flows provided by (used in) operating activities	(329,493)	81,623	249,179	135,728	139,637
Cash Flows From Financing Activities:					
Grants received	-	-	-	-	-
Net cash flows provided by (used in) financing activities	136,104	-	-	-	136,104
Cash Flows From Investing Activities:					
Interest on investments	253	1,238	785	1,110	3,376
Net Increase (Decrease) in Cash and Cash Equivalents	(193,136)	85,851	249,964	136,438	279,117
Cash and Cash Equivalents:					
Beginning of year	850,613	2,034,940	2,285,821	2,038,504	7,209,278
End of year	656,877	2,120,791	2,535,785	2,174,942	7,488,395
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating income (loss)	\$ (347,782)	\$ (75,734)	\$ 4,513	\$ 35,422	\$ (383,581)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Non-cash activity—bad debt expense	-	86,603	51,205	2,663	140,471
Change in assets and liabilities	18,289	-	-	-	18,289
Accounts receivable	-	-	-	-	-
Accounts payable	-	-	-	-	-
Loans Receivable	-	73,754	193,461	118,068	(20,825)
Net cash flows provided by (used in) operating activities	\$ (329,493)	\$ 81,623	\$ 249,179	\$ 135,728	\$ 139,637

See accompanying notes to financial statements

ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

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

The Allegheny County Industrial Development Authority (the "Authority") was incorporated in 1969, pursuant to a resolution of the Board of Commissioners of the County of Allegheny (the "County") under the Economic Development Financing Law. The Authority's purpose is to aid in alleviating unemployment and to maintain levels of existing employment through promoting the construction of industrial, manufacturing, research, and development facilities. The Authority has a legal life through 2045.

The Authority issues revenue bonds and notes for eligible projects in the County. Each issue is payable from receipts derived by the Authority from the entity on whose behalf the debt was issued; and each issue is secured separately and distinctly. 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.

In 1996, the Authority entered into an agreement with the County, whereby the County transferred the administration of certain programs to the Authority. The Small Business Distressed Communities, Development Action Assistance Program, and Allegheny County Economic Development Association programs are all revolving loan programs that the Authority also administers, whereby, the Authority is fully exposed to the risk that the borrower will not repay the full balance of the loans outstanding.

In addition, the Authority administers the proceeds of the University of Pittsburgh Applied Research Center ("UPARC") grant repayments on behalf of the County. During 2002, the MEC Loans Program was transferred to the Authority and the Sanders SELF Loan Program was funded. The activities related to these programs are accounted for by the Authority as proprietary funds, and are described in more detail in the following section.

The governing body of the Authority consists of a Board of Directors (the "Board"), members of the Board are appointed by the County Executive. The Authority is included as a component unit of the County.

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.

In applying the provisions of the Government 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 Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

A. Basis of Accounting - (continued)

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 and investments. 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.

When an expense is incurred, for purposes in which there are both restricted and unrestricted net assets available, it is the Authority's policy to apply those expenses first to restricted net assets, to the extent that such are available; and then to unrestricted net assets.

The Authority reports the following major proprietary funds:

- The *Administrative Fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except for those required to be accounted for in another fund.
- The *Small Business Distressed Communities (SBDC) Fund* is a revolving loan program which uses Community Development Funds for the promotion of industrial and economic development in the County.
- The *Development Action Assistance Program (DAAP)* is a revolving loan program to assist small businesses with the purchase of equipment and machinery in the promotion of industrial and economic development in the County.

B. Administrative 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. Beginning in 2003, new loans issued must pay the first annual fee at closing, and then on each anniversary of the issue for as long as the issue is outstanding. Administrative fees are non-refundable and are recognized as revenue at the time they are due because management believes this approach best matches revenues with related expenses.

C. Cash and Cash Equivalents

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

D. Restricted Cash

Restricted cash represents cash and cash equivalents set aside for Local Economic Development Assistance programs (LEDA).

ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

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

E. Allowance for Uncollectable Accounts

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

F. 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 creditors, grantors, contributors, or regulation.

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."

G. Intergovernmental Receivable

The intergovernmental receivable of \$1,392,677 is due from the Redevelopment Authority of Allegheny County (RAAC). It is the amount the Authority expects to receive as repayment from a revolving loan agreement with the RAAC to assist small businesses adversely affected by Hurricane Ivan in 2004 and the communities surrounding Pittsburgh.

H. Pending Changes in Accounting Principles

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 this new pronouncement.

ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 2: ADMINISTRATIVE SERVICES

The Authority contracts with the Allegheny County Department of Economic Development (“ACED”) for various administrative support services, including space and personnel. As compensation for these services, the Authority agrees to transfer the amount of “surplus revenue” remaining with the Authority at the end of each year. “Surplus revenue” is essentially the amount of Administrative Fund unrestricted cash and cash equivalents exceeding \$50,000 at the end of the fiscal year. The Authority was required to pay \$300,000 for administrative services for 2011. The Authority was not required to pay any fee for administrative services in 2010.

NOTE 3: DEPOSITS AND INVESTMENTS

GASB Statement No. 40, “*Deposits 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, 2011, approximately \$6,360,128 of the Authority’s bank balance was exposed to custodial credit risk, which is 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. As of December 31, 2011, the carrying amounts of the Authorities deposits were approximately \$6,385,906.

Investments

The Authority is authorized to make investments of the following types: (1) United States Treasury bills, (2) short-term obligations of the United States government of 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 the company meet the criteria in (1) through (4) above.

As of December 31, 2011, the Authority’s investments were held in the Pennsylvania Local Government Investment Trust (PLGIT). All investments in the external investment pool, which are not SEC-registered, are subject to oversight by the Commonwealth of Pennsylvania. The Authority has approximately \$7,500,000 of cash and cash equivalents, of which approximately \$1,127,000 was held in PLGIT at December 31, 2011.

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.

**ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011**

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

Investments – (continued)

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, 2011, the Authority's investments in PLGIT were rated AAA by Standard's & Poor's.

The PLGIT investments are recorded on the statement of net assets as cash and cash equivalents, or restricted cash and cash equivalents as these are investments with original maturities less than three months.

NOTE 4: CONDUIT DEBT

The Authority issues tax-exempt and taxable limited-obligation debt through various lending and financial institutions to provide below-market interest rate financing to private-sector entities for eligible projects. The debt is secured by the property financed, and is payable solely from the payments received on the underlying loans. Neither the Authority, the Commonwealth of Pennsylvania, nor any political subdivision thereof, is obligated in any manner for the repayment of the debt. Accordingly, the debt is not reported as a liability in the accompanying financial statements.

The principal amount outstanding for the debt issued as of December 31, 2011 is approximately \$707 million.

NOTE 5: RECEIVABLES

The Authority receives an annual administrative fee for each bond series that is outstanding. The fees are recorded in the Administrative Fund. As of December 31, 2011, the fees receivable in the Administrative Fund are \$57,069.

NOTE 6: LOANS RECEIVABLE

As previously discussed, the Authority administers certain programs on behalf of other entities. Under this arrangement, the Authority collects certain loans from third parties. These loans receivable are recorded in the various proprietary funds.

The following is a summary of commercial loans outstanding, not including deferred loans that are recorded at a net zero value, at December 31, 2011:

Program	Number of Loans	Receivable Balance	Allowance for Loan Losses	Net Receivable Balance
Small Business Distressed Communities	12	\$ 368,666	\$ (54,838)	\$ 313,828
Development Action Assistance Program	13	1,810,162	(200,000)	1,610,162
Allegheny County EDA	3	363,081	-	363,081
Total	28	\$ 2,541,909	\$ (254,838)	\$ 2,287,071

The above loans bear interest at rates ranging from 2.375% to 9% per annum. These loans range in amounts from \$1,000 to \$500,000 and mature through 2021.

ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 7: CARGO FACILITIES

The Authority is involved in an Air Cargo project that consists of three air cargo warehouses, a water pump house, and a water tower (buildings) and related improvements, including ramps, driveways, parking areas, culverts, utility lines and the land on which the buildings and improvements are situated. The buildings, improvements, and land are all located at the Pittsburgh International Airport.

During 1999 the Redevelopment Authority of Allegheny County ("RAAC"), a component unit of Allegheny County, was involved in the purchase of the buildings and the lease of the land described above from Allegheny County. RAAC, in turn, leased the buildings and subleased the land to ARCO Cargo PIT LLC.

In order to finance the acquisition of the land and buildings, the Authority issued Cargo Facility Lease Revenue Bonds of \$9,745,000 (the "bonds"). The bonds are a limited obligation of the Authority, payable solely from the lease revenues described above. The Authority is not obligated to pay the principal, premium, interest, or any other costs associated with the Bonds. Accordingly, the Authority is substantively a conduit facilitator and neither the buildings, land, nor the bonds are included in the Authority's financial statements.

NOTE 8: ECONOMIC DEPENDENCE

The Authority receives significant financial assistance from governmental agencies in the form of contracts, grants, and other entitlements. The disbursement of funds received under such programs generally requires compliance with terms and conditions specified in the contract/grant agreements and are subject to audit by grantor agencies. Any disallowed costs resulting from such audits could become a liability of the Authority. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. Management expects such amount, if any, to be immaterial.

**ALLEGHENY COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
OTHER ENTERPRISE FUNDS - COMBINING BALANCE SHEET
DECEMBER 31, 2011**

Assets	Commonwealth of Pennsylvania Programs						Total
	Port of Pittsburgh Loan Program	Mon Valley Revolving Loan Program	Allegheny County UPARC Program	Allegheny County EDA Program	MEC	Sanders SELF Loan Program	
Current Assets:							
Cash and cash equivalents	\$ 136,043	\$ 791,572	\$ 649,052	\$ 483,195	\$ 56,141	\$ 58,939	\$ 2,174,942
Current portion of loans receivable	-	-	-	121,850	-	-	121,850
Fees receivable, net of allowance	-	-	-	3,028	-	-	3,028
Total Current Assets	<u>136,043</u>	<u>791,572</u>	<u>649,052</u>	<u>608,073</u>	<u>56,141</u>	<u>58,939</u>	<u>2,299,820</u>
Noncurrent Assets:							
Loans receivable, net of allowance for loan losses	-	-	-	241,231	-	-	241,231
Total Assets	<u>\$ 136,043</u>	<u>\$ 791,572</u>	<u>\$ 649,052</u>	<u>\$ 849,304</u>	<u>\$ 56,141</u>	<u>\$ 58,939</u>	<u>\$ 2,541,051</u>
Liabilities and Net Assets							
Current liabilities:							
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Assets Restricted	<u>136,043</u>	<u>791,572</u>	<u>649,052</u>	<u>849,304</u>	<u>56,141</u>	<u>58,939</u>	<u>2,541,051</u>
Total Liabilities and Net Assets	<u>\$ 136,043</u>	<u>\$ 791,572</u>	<u>\$ 649,052</u>	<u>\$ 849,304</u>	<u>\$ 56,141</u>	<u>\$ 58,939</u>	<u>\$ 2,541,051</u>

**ALLEGHENY COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
OTHER ENTERPRISE FUNDS - COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2011**

	Commonwealth of Pennsylvania Programs					Total
	Port of Pittsburgh Loan Program	Mon Valley Revolving Loan Program	Allegheny County UPARC Program	Allegheny County EDA Program	Sanders SELF Loan Program	
Operating Revenues:						
Loan interest	\$ -	\$ -	\$ -	\$ 17,487	\$ -	\$ 17,487
Total operating revenues	-	-	-	17,487	-	17,487
Operating Expenses:						
Other operating costs	18	18	-	182	9	(20,598)
Bad Debt Expense	-	-	-	-	-	2,663
Operating Income	(18)	(18)	-	17,305	(9)	35,422
Non-Operating Revenues:						
Investment interest revenue	83	449	233	345	-	1,110
Net Income (loss)	65	431	233	17,650	(9)	36,532
Net Assets:						
Beginning of year	135,978	791,141	648,819	831,654	58,948	2,504,520
End of year	\$ 136,043	\$ 791,572	\$ 649,052	\$ 849,304	\$ 58,939	\$ 2,541,052

**ALLEGHENY COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
OTHER ENTERPRISE FUNDS - COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011**

	Commonwealth of Pennsylvania Programs						Total
	Port of Pittsburgh Loan Program	Mon Valley Revolving Loan Program	Allegheny County UPARC Program	Allegheny County EDA Program	MFC	Sanders SELF Loan Program	
Cash Flows From Operating Activities:							
Operating revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payments for goods and services	-	-	-	-	-	-	-
Loan principal repayments	-	-	-	118,069	-	-	118,069
Loan interest payments	-	-	-	17,487	-	-	17,487
Other operating costs	(18)	(18)	-	(182)	-	(9)	(227)
Net cash flows provided by (used in) operating activities	(18)	(18)	-	135,374	-	(9)	135,329
Cash Flows From Investing Activities:							
Interest on investments	83	449	233	345	-	-	1,110
Net Increase (Decrease) in Cash and Cash Equivalents	65	431	233	135,719	-	(9)	136,439
Cash and Cash Equivalents:							
Beginning of year	135,978	791,141	648,819	347,477	56,141	58,949	2,038,505
End of year	\$ 136,043	\$ 791,572	\$ 649,052	\$ 483,195	\$ 56,141	\$ 58,940	\$ 2,174,942
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:							
Operating income (loss)	\$ (18)	\$ (18)	\$ -	\$ 17,305	\$ 18,162	\$ (9)	\$ 35,422
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Change in assets and liabilities:							
Loans receivable	-	-	-	118,069	-	-	118,069
Bad Debt Expense	-	-	-	-	2,663	-	2,663
Accounts Payable	-	-	-	-	(20,825)	-	(20,825)
Total adjustments	-	-	-	118,069	(18,162)	-	99,907
Net cash flows provided by (used in) operating activities	\$ (18)	\$ (18)	\$ -	\$ 135,374	\$ (18,162)	\$ (9)	\$ 135,329

March 27, 2012

Board of Directors
Allegheny County Industrial Development Authority

Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Allegheny County Industrial Development Authority (Authority), as of and for the year ended December 31, 2011, and have issued our report thereon dated March 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors of the Allegheny County Industrial Development Authority, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

The Binkley Kanavy Group, LLC

Certified Public Accountants

March 27, 2012

Board of Directors
Allegheny County Industrial Development Authority

Report of Independent Certified Public Accountants on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of the Allegheny County Industrial Development Authority (Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended December 31, 2011. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detect and corrected, in a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors and management of the Allegheny County Industrial Development Authority, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

The Buckley Kanawhag Corp., LLC

Certified Public Accountants

Schedule of Expenditures of Federal Awards

**ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2011**

<u>Federal Grantor/Pass Through Grantor/Project Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Community Development Block Grant/Entitlement Grants: Community Planning and Development	14.218*	\$ 2,178,828
<u>U.S. Department of Commerce</u>		
Economic Development - Technical Assistance	11.303*	<u>363,081</u>
Total Expenditures of Federal Awards		<u>\$ 2,541,909</u>

* Denotes tested as a major program

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. The accompanying schedule of expenditures of federal awards for the Allegheny County Industrial Development Authority is presented on the accrual basis of accounting.

2. The original funding of various revolving loan programs was through either Community Development Block Grant or Economic Development- Technical Assistance monies. The amount of total expenditures of federal awards is calculated using the outstanding balances at year-end of the deferred and non-deferred loan balances in these programs.

Schedule of Findings and Questioned Costs

**ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2011**

Section I - Summary of Auditor's Results:

- i. The auditor's report on the financial statements was an unqualified opinion.
- ii. There were no material weaknesses or significant deficiencies not considered to be material weaknesses in internal control that were disclosed by the audit of the financial statements.
- iii. The audit did not disclose any noncompliance which was material to the financial statements.
- iv. The audit did not identify any deficiencies in internal control over compliance for its major federal programs that were considered to be material weaknesses or significant deficiencies.
- v. The auditor's report on compliance for its major federal program was an unqualified opinion.
- vi. The audit did not disclose any audit findings which the auditor is required to report.
- vii. The major federal programs were:
 - a. Community Development Block Grant/Entitlement Grants; CFDA # 14.218
 - b. Economic Development – Technical Assistance; CFDA # 11.303
- viii. The dollar threshold used to distinguish between type A and type B programs was \$300,000.
- ix. Allegheny County Industrial Development Authority was determined to be a low-risk auditee.

ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2011

Section II – Findings related to financial statements, which are required to be reported in accordance with GAGAS

No matters were reported.

Section III – Findings and questioned costs for federal awards.

No matters were reported.

**ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Section IV: Findings and questioned costs for federal awards.

None reported