

**ALLEGHENY COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2012**

**ALLEGHENY COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY**

**YEARS ENDED DECEMBER 31, 2012**

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March 26, 2013

Board of Directors  
Allegheny County Industrial Development Authority  
Pittsburgh, Pennsylvania

Independent Auditor's Report

**Report on the Financial Statements**

We have audited the accompanying financial statements 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, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Allegheny County Industrial Development Authority as of December 31, 2012, and the respective changes in financial position and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Allegheny County Industrial Development Authority's basic financial statements. The accompanying supplemental information on pages 16 through 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March xx, 2013 on our consideration of the Allegheny County Industrial Development 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* in considering the Allegheny County Industrial Development Authority's internal control over financial reporting and compliance.

*The Binkley Kanavy Group, LLC*

Certified Public Accountants

**ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012**

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, 2012, 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 Position; the Statement of Revenues, Expenses and Changes in Net Position; 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 Position, 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 Position, 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, provide 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 Other Enterprise Funds - Combining Statement of Net Position found on page 16, an Other Enterprise Funds - Combining Statement of Revenues, Expenses, and Changes in Net Position found on page 17, and the Other Enterprise Funds - Combining Statement of Cash Flows found on page 18.

**Government-Wide Financial Analysis**

The following schedules reflect the condensed Statements of Net Position 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 the prior year:

<b><u>Net Position - Administrative Fund</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>Change</u></b>
Total Assets	\$ 642,129	\$ 713,946	\$ (71,817)
Total Liabilities	<u>46,447</u>	<u>37,947</u>	<u>8,500</u>
Total Net Position	<u>\$ 595,682</u>	<u>\$ 675,999</u>	<u>\$ (80,317)</u>

Total net position decreased by \$80,317 consisting of a \$71,817 decrease in total assets and an \$8,500 increase in total liabilities. The decrease in assets is primarily due to the decrease in restricted cash held by the fund.

**ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
DECEMBER 31, 2012**

<u>Net Position - SBDC Fund</u>	<u>2012</u>	<u>2011</u>	<u>Change</u>
Total Assets	\$ 3,764,686	\$ 3,827,296	\$ (62,610)
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ 3,764,686</u>	<u>\$ 3,827,296</u>	<u>\$ (62,610)</u>

Total net position decreased by \$62,610. 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 Position - DAAP Fund</u>	<u>2012</u>	<u>2011</u>	<u>Change</u>
Total Assets	\$ 4,014,424	\$ 4,145,947	\$ (131,523)
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ 4,014,424</u>	<u>\$ 4,145,947</u>	<u>\$ (131,523)</u>

Total net position decreased by \$131,523. The decrease in total assets was due primarily to the write off of uncollected loans.

<u>Net Position - Other Enterprise Funds</u>	<u>2012</u>	<u>2011</u>	<u>Change</u>
Total Assets	\$ 2,556,049	\$ 2,541,051	\$ 14,998
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ 2,556,049</u>	<u>\$ 2,541,051</u>	<u>\$ 14,998</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 position is due primarily to the interest income generated by the EDA Program.

**ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
DECEMBER 31, 2012**

**Changes in Net Position**

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

	<u>2012</u>	<u>2011</u>	<u>Change</u>
<b><u>Operating Revenues:</u></b>			
Administrative Fees	\$ 350,961	\$ 306,156	\$ 44,805
Other Operating Revenues	<u>593</u>	<u>10</u>	<u>583</u>
Total Operating Revenues	<u>351,554</u>	<u>306,166</u>	<u>45,388</u>
<b><u>Operating Expenses:</u></b>			
Program Expense	115,866	297,836	(181,970)
Professional Fees	36,486	37,441	(955)
Other Operating Costs	12,545	18,671	(6,126)
Payment to Allegheny County	<u>267,166</u>	<u>300,000</u>	<u>(32,834)</u>
Total Operating Expenses	<u>432,063</u>	<u>653,948</u>	<u>(221,885)</u>
Operating Gain (Loss)	<u>(80,509)</u>	<u>(347,782)</u>	<u>267,273</u>
<b><u>Non-Operating Revenues</u></b>			
Grant Revenue	-	136,104	(136,104)
Interest Revenue	<u>192</u>	<u>253</u>	<u>(61)</u>
Total Non-Operating Revenues	<u>192</u>	<u>136,357</u>	<u>(136,165)</u>
Net (Loss)	<u>(80,317)</u>	<u>(211,425)</u>	<u>131,108</u>
<b><u>Net Position</u></b>			
Beginning of year	<u>675,999</u>	<u>887,424</u>	<u>(211,425)</u>
End of year	<u>\$ 595,682</u>	<u>\$ 675,999</u>	<u>\$ (80,317)</u>

**ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
DECEMBER 31, 2012**

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 \$44,805 mainly due to an increase in annual fees collected throughout the lives of outstanding loans.

Operating Expenses:

Operating expenses decreased by \$221,885. This decrease was in part caused by the decrease in the administrative fee owed to Allegheny County Department of Economic Development to defray the cost of administering the Authority's activities and a decrease in program expenses.

Non-Operating Revenues:

Non-operating revenues decreased by \$136,165 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 POSITION  
DECEMBER 31, 2012**

	Business-Type Activities - Enterprise Funds				Total
	Administrative Fund	Small Business Distressed Communities	Development Action Assistance Program	Other Enterprise Funds	
<b>Assets</b>					
Current Assets:					
Cash and cash equivalents	\$ 559,037	\$ 2,208,481	\$ 2,923,938	\$ 2,306,440	\$ 7,997,896
Current portion of loans receivable	-	34,151	92,782	56,072	183,005
Fees receivable	56,713	-	-	3,028	59,741
Total Current Assets	<u>615,750</u>	<u>2,242,632</u>	<u>3,016,720</u>	<u>2,365,540</u>	<u>8,240,642</u>
Noncurrent Assets:					
Loans Receivable, net of allowance for loan losses	-	198,942	997,704	190,509	1,387,155
Intergovernmental receivable, net of allowance for loan losses	-	1,323,112	-	-	1,323,112
Restricted: cash and cash equivalents	26,379	-	-	-	26,379
Total Noncurrent Assets	<u>26,379</u>	<u>1,522,054</u>	<u>997,704</u>	<u>190,509</u>	<u>2,736,646</u>
<b>Total Assets</b>	<u>\$ 642,129</u>	<u>\$ 3,764,686</u>	<u>\$ 4,014,424</u>	<u>\$ 2,556,049</u>	<u>\$ 10,977,288</u>
<b>Liabilities and Net Position</b>					
Current Liabilities:					
Accounts payable and accrued expenses	46,447	-	-	-	46,447
Total Current Liabilities	<u>46,447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,447</u>
Net Position:					
Restricted	26,379	3,764,686	4,014,424	2,556,049	10,361,538
Unrestricted	569,303	-	-	-	569,303
Total Net Position	<u>595,682</u>	<u>3,764,686</u>	<u>4,014,424</u>	<u>2,556,049</u>	<u>10,930,841</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 642,129</u>	<u>\$ 3,764,686</u>	<u>\$ 4,014,424</u>	<u>\$ 2,556,049</u>	<u>\$ 10,977,288</u>

See accompanying notes to financial statements.

**ALLEGHENY COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED DECEMBER 31, 2012**

	Business-Type Activities - Enterprise Funds				Total
	Administrative Fund	Small Business Distressed Communities	Development Action Assistance Program	Other Enterprise Funds	
<b>Operating Revenues:</b>					
Administrative fees:					
Closing	77,953	-	-	-	77,953
Annual	236,008	-	-	-	236,008
Other	37,000	-	-	-	37,000
Loan interest	-	5,802	45,476	14,622	65,900
Other operating revenues	593	825	-	-	1,418
Total operating revenues	351,554	6,627	45,476	14,622	418,279
<b>Operating Expenses:</b>					
Program Expense	115,866	-	-	-	115,866
Professional fees	36,486	235	1,590	-	38,311
Other operating costs	12,545	76	73	229	12,923
Bad Debt Expense	-	69,565	175,375	-	244,940
Payments to Allegheny County	267,166	-	-	-	267,166
Total operating expenses	432,063	69,876	177,038	229	679,206
<b>Operating Income (Loss)</b>	(80,509)	(63,249)	(131,562)	14,393	(260,927)
<b>Non-Operating Revenues (Expenses):</b>					
Grant Revenue	-	-	-	-	-
Investment interest revenue	192	639	39	605	1,475
Total non-operating revenues	192	639	39	605	1,475
<b>Net Income (loss)</b>	(80,317)	(62,610)	(131,523)	14,998	(259,452)
<b>Net Position:</b>					
Beginning of year	675,999	3,827,296	4,145,947	2,541,051	11,190,293
End of year	595,682	3,764,686	4,014,424	2,556,049	10,930,841

See accompanying notes to financial statements.

**ALLEGHENY COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2012**

	Business-Type Activities - Enterprise Funds				Total
	Administrative Fund	Small Business Distressed Communities	Development Action Assistance Program	Other Enterprise Funds	
<b>Cash Flows From Operating Activities:</b>					
Receipts from customers	\$ 351,910	\$ 825	\$ -	\$ -	\$ 352,735
Payments for goods and services	(423,563)	(311)	(1,663)	(229)	(425,766)
Loans disbursed	-	-	-	(180,000)	(180,000)
Loan principal payments received	-	80,735	344,301	296,500	721,536
Loan interest received	-	5,802	45,476	14,622	65,900
Net cash flows provided by (used in) operating activities	(71,653)	87,051	388,114	130,893	534,405
<b>Cash Flows From Financing Activities:</b>					
Grants received	-	-	-	-	-
Net cash flows provided by (used in) financing activities	-	-	-	-	-
<b>Cash Flows From Investing Activities:</b>					
Interest on investments	192	639	39	605	1,475
Net cash flows provided by (used in) investing activities	192	639	39	605	1,475
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(71,461)	87,690	388,153	131,498	535,880
<b>Cash and Cash Equivalents:</b>					
Beginning of year	656,877	2,120,791	2,535,785	2,174,942	7,488,395
End of year	\$ 585,416	\$ 2,208,481	\$ 2,923,938	\$ 2,306,440	\$ 8,024,275
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>					
Operating income (loss)	\$ (80,509)	\$ (63,249)	\$ (131,562)	\$ 14,393	\$ (260,927)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Non cash activity- bad debt expense	-	69,565	175,375	-	244,940
Change in assets and liabilities:					
Accounts receivable	356	-	-	-	356
Accounts payable	8,500	-	-	-	8,500
Loans Receivable	-	80,735	344,301	116,500	541,536
Net cash flows provided by (used in) operating activities	\$ (71,653)	\$ 87,051	\$ 388,114	\$ 130,893	\$ 534,405

See accompanying notes to financial statements.

**ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**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 in accordance with the provisions of the Government Accounting Standards Board ("GASB") Statements. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

**ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2012**

**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, 2012**

**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 Position

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

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

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

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

G. Intergovernmental Receivable

The intergovernmental receivable of \$1,323,112, net of an allowance for uncollectable loans, of \$69,565, 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.

**ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2012**

**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 \$267,166 for administrative services for 2012.

**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, 2012, approximately \$7.1 million 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, 2012, the carrying amounts of the Authorities deposits were approximately \$7.1 million.

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, 2012, 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 \$8 million of cash and cash equivalents, of which approximately \$900,000 was held in PLGIT at December 31, 2012.

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, 2012**

**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, 2012, the Authority's investments in PLGIT were rated AAA by Standard's & Poor's.

The PLGIT investments are recorded on the statement of net position 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, 2012 is approximately \$650 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, 2012, the fees receivable in the Administrative Fund are \$56,713.

**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.

**ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2012**

**NOTE 6: LOANS RECEIVABLE (CONTINUED)**

The following is a summary of commercial loans outstanding, not including deferred loans that are recorded at a net zero value, at December 31, 2012:

Program	Number of Loans	Receivable Balance	Allowance for Loan Losses	Net Receivable Balance
Small Business Distressed Communities	7	\$ 272,309	\$ (39,216)	\$ 233,093
Development Action Assistance Program	6	1,290,486	(200,000)	1,090,486
Allegheny County EDA	1	72,181	-	72,181
UPARC	1	174,400	-	174,400
<b>Total</b>	<b>15</b>	<b>\$ 1,809,376</b>	<b>\$ (239,216)</b>	<b>\$ 1,570,160</b>

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.

**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, 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 STATEMENT OF NET POSITION  
DECEMBER 31, 2012**

Assets	Commonwealth of Pennsylvania Programs					MEC	Sanders SELF Loan Program	Total
	Port of Pittsburgh Loan Program	Mon Valley Revolving Loan Program	Allegheny County UPARC Program	Allegheny County EDA Program				
Current Assets:								
Cash and cash equivalents	\$ 136,032	\$ 791,850	\$ 480,185	\$ 783,329	\$ 56,141	\$ 58,903	\$ 2,306,440	
Current portion of loans receivable	-	-	22,325	33,747	-	-	56,072	
Fees receivable, net of allowance	-	-	-	3,028	-	-	3,028	
Total Current Assets	<u>136,032</u>	<u>791,850</u>	<u>502,510</u>	<u>820,104</u>	<u>56,141</u>	<u>58,903</u>	<u>2,365,540</u>	
Noncurrent Assets:								
Loans receivable, net of allowance for loan losses	-	-	152,075	38,434	-	-	190,509	
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>152,075</u>	<u>38,434</u>	<u>-</u>	<u>-</u>	<u>190,509</u>	
Total Assets	<u>\$ 136,032</u>	<u>\$ 791,850</u>	<u>\$ 654,585</u>	<u>\$ 858,538</u>	<u>\$ 56,141</u>	<u>\$ 58,903</u>	<u>\$ 2,556,049</u>	
Liabilities and Net Position								
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Net Position:								
Restricted	136,032	791,850	654,585	858,538	56,141	58,903	2,556,049	
Total Liabilities and Net Position	<u>\$ 136,032</u>	<u>\$ 791,850</u>	<u>\$ 654,585</u>	<u>\$ 858,538</u>	<u>\$ 56,141</u>	<u>\$ 58,903</u>	<u>\$ 2,556,049</u>	

**ALLEGHENY COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
OTHER ENTERPRISE FUNDS - COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED DECEMBER 31, 2012**

	Commonwealth of Pennsylvania Programs					Total
	Port of Pittsburgh Loan Program	Allegheny County UPARC Program	Allegheny County EDA Program	MEC	Sanders SELF Loan Program	Total
<b>Operating Revenues:</b>						
Loan interest	\$ -	\$ 5,381	\$ 9,241	\$ -	\$ -	\$ 14,622
Total operating revenues	-	5,381	9,241	-	-	14,622
<b>Operating Expenses:</b>						
Other operating costs	73	-	48	-	36	229
Total operating expenses	73	-	48	-	36	229
<b>Operating Income/(Loss)</b>	<b>(73)</b>	<b>5,381</b>	<b>9,193</b>	<b>-</b>	<b>(36)</b>	<b>14,393</b>
<b>Non-Operating Revenues:</b>						
Investment interest revenue	62	152	41	-	-	605
Total Non-Operating Revenues	62	152	41	-	-	605
<b>Net Income (loss)</b>	<b>(11)</b>	<b>5,533</b>	<b>9,234</b>	<b>-</b>	<b>(36)</b>	<b>14,998</b>
<b>Net Position:</b>						
Beginning of year	136,043	649,052	849,304	56,141	58,939	2,541,051
End of year	\$ 136,032	\$ 654,585	\$ 858,538	\$ 56,141	\$ 58,903	\$ 2,556,049

**ALLEGHENY COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
OTHER ENTERPRISE FUNDS - COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2012**

	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	
<b>Cash Flows From Operating Activities:</b>							
Operating revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payments for goods and services	-	-	-	-	-	-	-
Loans disbursed	-	-	(180,000)	-	-	-	(180,000)
Loan principal repayments	-	-	5,600	290,900	-	-	296,500
Loan interest payments	-	-	5,381	9,241	-	-	14,622
Other operating costs	(73)	(72)	-	(48)	-	(36)	(229)
Net cash flows provided by (used in) operating activities	(73)	(72)	(169,019)	300,093	-	(36)	130,893
<b>Cash Flows From Investing Activities:</b>							
Interest on investments	62	350	152	41	-	-	605
Net cash flows provided by (used in) investing activities	62	350	152	41	-	-	605
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(11)	278	(168,867)	300,134	-	(36)	131,498
<b>Cash and Cash Equivalents:</b>							
Beginning of year	136,043	791,572	649,052	483,195	56,141	58,939	2,174,942
End of year	\$ 136,032	\$ 791,850	\$ 480,185	\$ 783,329	\$ 56,141	\$ 58,903	\$ 2,306,440
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>							
Operating income (loss)	\$ (73)	\$ (72)	\$ 5,381	\$ 9,193	\$ -	\$ (36)	\$ 14,393
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Change in assets and liabilities:							
Loans receivable	-	-	(174,400)	290,900	-	-	116,500
Bad Debt Expense	-	-	-	-	-	-	-
Accounts Payable	-	-	-	-	-	-	-
Total adjustments	-	-	(174,400)	290,900	-	-	116,500
Net cash flows provided by (used in) operating activities	\$ (73)	\$ (72)	\$ (169,019)	\$ 300,093	\$ -	\$ (36)	\$ 130,893

March 26, 2013

Board of Directors  
Allegheny County Industrial Development Authority  
Pittsburgh, Pennsylvania

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, in accordance with the 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, the financial statements of each major fund and the aggregate remaining fund information of Allegheny County Industrial Development Authority, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Allegheny County Industrial Development Authority's basic financial statements, as listed in the table of contents, and have issued our report thereon dated March 26, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Allegheny County Industrial Development Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Allegheny County Industrial Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Allegheny County Industrial Development Authority's internal control.

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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Allegheny County Industrial Development 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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*The Binkley Kanavy Group, LLC*

Certified Public Accountants

March 26, 2013

Board of Directors  
Allegheny County Industrial Development Authority  
Pittsburgh, Pennsylvania

Report of Independent Certified Public Accountants  
on Compliance For Each Major Federal Program and Report on  
Internal Control Over Compliance Required by OMB Circular A-133

**Report on Compliance for Each Major Federal Program**

We have audited Allegheny County Industrial Development Authority's (the "Authority") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2012. Allegheny County Industrial Development Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Allegheny County Industrial Development Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Allegheny County Industrial Development 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Allegheny County Industrial Development Authority's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Allegheny County Industrial Development Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

## Report on Internal Control Over Compliance

The management of Allegheny County Industrial Development Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Allegheny County Industrial Development Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Allegheny County Industrial Development 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 and correct, 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 detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*The Binkley Kanaway Group, 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, 2012**

<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*	\$ 1,562,795
<u>U.S. Department of Commerce</u> Economic Development - Technical Assistance	11.303	<u>246,581</u>
Total Expenditures of Federal Awards		<u>\$ 1,809,376</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, 2012**

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 program was:
  - a. Community Development Block Grant/Entitlement Grants; CFDA # 14.218
- 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, 2012**

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, 2012**

Section IV: Findings and questioned costs for federal awards.

None reported