

**REDEVELOPMENT AUTHORITY
OF ALLEGHENY COUNTY**

PITTSBURGH, PENNSYLVANIA

**FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010**

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
YEAR ENDED DECEMBER 31, 2010

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Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT

Chairman and Members of the Board
Redevelopment Authority of Allegheny County
Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY as of and for the year ended December 31, 2010, which collectively comprise the REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles and used any 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, and each major fund for the REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY as of December 31, 2010, and the respective changes in the financial position and cash flows, where applicable, thereof for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, in 2010 the REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY adopted the provisions of Governmental Accounting Standards Board's Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets*", Statement No. 53 "*Accounting and Financial Reporting for Derivative Instruments*", Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", and Statement No. 58, "*Accounting and Financial Reporting for Chapter 9 Bankruptcies*." The adoption of Statement No. 54 resulted in additional disclosures related to fund balances and a restatement of beginning fund balances as a result of the new fund type definitions.

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Zelenkofske Axelrod LLC

Chairman and Members of the Board
Redevelopment Authority of Allegheny County
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2011 on our consideration of the REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY'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 14 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.

Zelenkofske Axelrod LLC

ZELENKOFOSKE AXELROD LLC

March 18, 2011
Pittsburgh, Pennsylvania

Management's Discussion and Analysis December 31, 2010

The REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY, hereafter referred to as the "AUTHORITY", is pleased to present its financial statements developed in compliance with Statement of Governmental Accounting Standard No. 34, entitled "Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments (hereafter "GASB 34"), and related standards. GASB 34 enhances information provided to the users of its financial statements. This section of the financial reporting package presents our discussion and analysis of the AUTHORITY's financial performance during the year that ended on December 31, 2010. Please read this Management Discussion and Analysis in conjunction with the AUTHORITY's financial statements that follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of the following two parts:

- Management's discussion and analysis (this section)
- Basic financial statements (including notes)

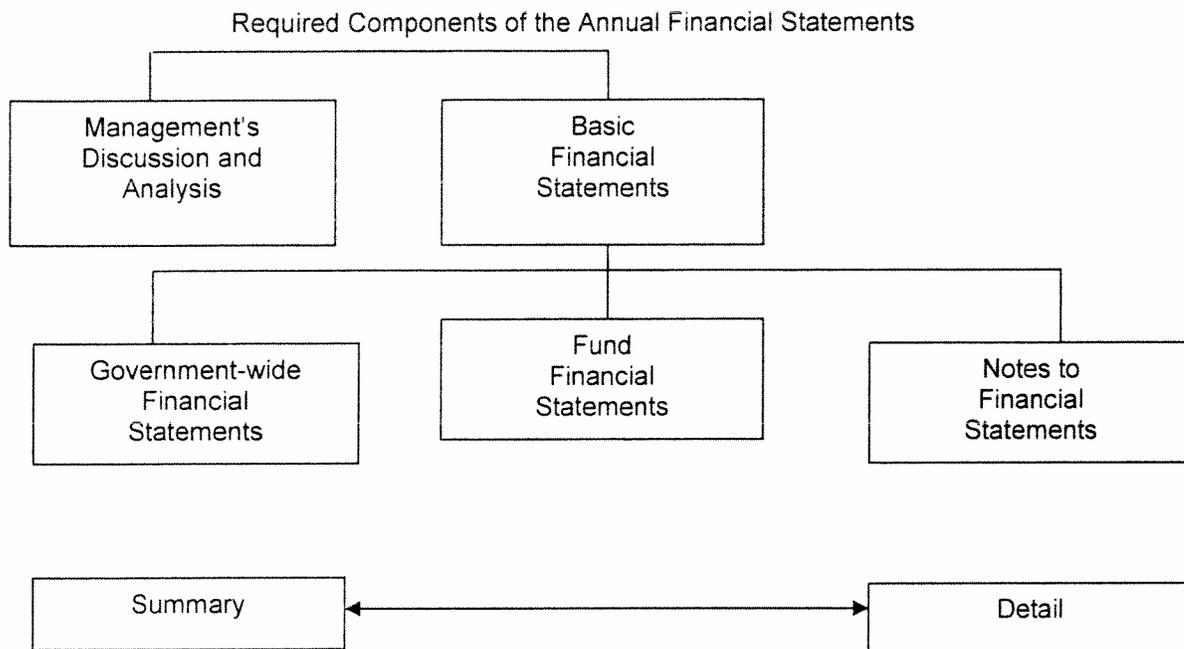
Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the AUTHORITY's government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements.

The basic financial statements present two different views of the AUTHORITY.

- *Government-wide financial statements*, the first two statements, provide information about the AUTHORITY's overall financial status.
- *Fund financial statements*, the remaining statements, focus on individual parts of the AUTHORITY's government. They provide more detail on operations than the government-wide statements. There are three types of fund financial statements, though two are presented for the AUTHORITY:
 - *Governmental funds statements* show how general government services are financed in the short term, as well as what remains for future spending.
 - *Proprietary fund statements* offer short-term and long-term financial information about the activities the AUTHORITY operates like a business.

Management's Discussion and Analysis
December 31, 2010

Table A-1: Organization of the Authority's annual financial report



Management's Discussion and Analysis
December 31, 2010

Table A-2 summarizes the major features of the Authority's financial statements, including the area of the Authority's activities they cover and the types of information they contain.

Table A-2: Major features of the government-wide and fund financial statements

	Government-wide Statements	Fund Financial Statements	
		Governmental	Proprietary
Scope	Entire entity	The day-to-day operating activities of the Authority	The activities of the Authority, such as the Economic Development Fund
Required Financial Statements	-Statement of net assets -Statement of activities	-Balance Sheet -Statement of revenues, expenditures and changes in fund balances	-Statement of net assets -Statement of revenues, expenses and changes in net assets -Statement of cash flows
Accounting basis and measurement focus	Accrual	Modified Accrual	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, short-term and long-term
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenue for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid

Management's Discussion and Analysis
December 31, 2010

The remainder of the overview explains the structure and contents of the government-wide and fund financial statements.

Government-wide financial statements

Government-wide financial statements report information about the AUTHORITY as a whole using accounting methods similar to those used by private-sector companies.

- The statement of net assets includes all the AUTHORITY's assets and liabilities with the difference between the two reported as net assets. This statement serves a purpose similar to that of the balance sheet of a private-sector business.
- The statement of activities focuses on how the AUTHORITY's net assets changed during the year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on general revenues for funding.

All changes to net assets are reported using the economic resources measurement focus and the accrual basis of accounting, which requires that revenues be reported when they are earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow.

Net assets are one way to measure the AUTHORITY's financial position. Over time, increases or decreases in the AUTHORITY's net assets are one indicator of whether the AUTHORITY's financial position is improving or deteriorating. However, other non-financial factors such as changes in the AUTHORITY's general economic conditions must be considered to assess the overall position of the AUTHORITY.

The primary government included in the government-wide financial statements. The AUTHORITY does not have any discretely presented component units that it reports in the financial statements.

There are two categories of activities for the primary government:

- *Governmental activities* include the AUTHORITY's basic services such as community development.
- *Business-type activities* such as the 200 Industry Drive Fund charge a fee to customers to help cover the costs of services.

Net assets of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets in the fund level statements are reported as expenditures when financial resources (money) are expended to purchase or build assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated as it does not provide or reduce current financial resources. Finally, capital assets and long-term debt do not affect fund balances.

Management's Discussion and Analysis December 31, 2010

Government wide statements are reported on the accrual basis of accounting that involves the following steps to format the statement of net assets:

- Capitalize current outlays for capital assets
- Report long-term debt as a liability
- Depreciate capital assets and allocate the depreciation to the proper program/activities
- Allocate net asset balances as follows:
 - Net assets invested in capital assets, net of related debt
 - Restricted net assets are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation
 - Unrestricted net assets are net assets that do not meet any of the above restrictions

Fund Financial Statements

Fund financial statements provide more detailed information on the AUTHORITY's most significant funds, not the AUTHORITY as a whole. Funds are accounting devices, i.e., a group of related accounts, the AUTHORITY uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. Other funds are established to control and manage resources designated for specific purposes. Fund financial statements are reported using the modified accrual basis of accounting.

The AUTHORITY has two kinds of funds:

- *Governmental funds* include most of the AUTHORITY's basic services and focus on: (1) the flow in and out of cash and other financial assets that can readily be converted into cash, and: (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting.

The relationship between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

- *Proprietary Funds* report business-type programs and activities that charge fees designed to recover the cost of providing services. The proprietary funds report using the accrual basis of accounting.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Assets

The AUTHORITY's total assets were \$85,604,544 at December 31, 2010. Of this amount, \$5,823,551 was capital assets.

GASB No. 34 required that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statements, but allowed infrastructure to be added over several years. The AUTHORITY adopted the provisions of GASB 34 related to infrastructure on the retroactive basis.

Management's Discussion and Analysis
December 31, 2010

Condensed Statement of Net Assets – 2010/2010

	2010 Governmental Activities	2009 Governmental Activities	2010 Business- type Activities	2009 Business- type Activities	2010 Total	2009 Total
Capital Assets	\$ -	\$ -	\$ 5,823,551	\$ 6,230,147	\$ 5,823,551	\$ 6,230,147
Other Assets	39,043,062	43,076,690	40,737,931	48,729,758	79,780,993	91,806,448
Total Assets	<u>\$ 39,043,062</u>	<u>\$ 43,076,690</u>	<u>\$ 46,561,482</u>	<u>\$ 54,959,905</u>	<u>85,604,544</u>	<u>\$98,036,595</u>
Current Liabilities	\$ 11,424,207	\$ 15,979,535	\$ 3,424,380	\$ 4,816,800	\$ 14,848,587	\$ 20,796,335
Long-term Liabilities	-	-	31,780,460	35,158,714	31,780,460	35,158,714
Total Liabilities	<u>\$ 11,424,207</u>	<u>\$ 15,979,535</u>	<u>\$ 35,204,840</u>	<u>\$ 39,975,514</u>	<u>\$ 46,629,047</u>	<u>\$ 55,955,049</u>
Net Assets: Invested in Capital Assets, net of related debt	\$ -	\$ -	\$ 1,924,313	\$ 2,329,887	\$ 1,924,313	\$ 2,329,887
Restricted Net Assets	15,942,774	13,702,677	13,921,899	17,437,376	29,864,673	31,140,053
Unrestricted Net Assets	<u>11,676,081</u>	<u>13,394,478</u>	<u>(4,489,570)</u>	<u>(4,782,872)</u>	<u>7,186,511</u>	<u>8,611,606</u>
Total Net Assets	<u>\$ 27,618,855</u>	<u>\$27,097,155</u>	<u>\$ 11,356,642</u>	<u>\$ 14,984,391</u>	<u>\$ 38,975,497</u>	<u>\$ 42,081,546</u>

Management's Discussion and Analysis
December 31, 2010

Change in Net Assets

The following statement of activities represents the change in net assets for the year ended December 31, 2010. It shows revenues by source and expenses by function for governmental activities, business-type activities and the government as a whole.

	Condensed Statement of Activities					
	2010 Governmental Activities	2009 Governmental Activities	2010 Business-type Activities	2009 Business-type Activities	2010 Total	2009 Total
Program Revenues:						
Charges for Services	\$ 1,955,755	\$ 118,959	\$ 1,844,920	\$ 1,553,827	\$ 3,800,675	\$ 1,672,786
Grants and Contributions	31,193,676	23,159,279	-	-	31,193,676	23,159,279
General Revenues:						
RAD Tax Revenues	-	-	4,854,831	4,855,575	4,854,831	4,855,575
Investment Earnings	94,500	56,150	41,273	90,156	135,773	146,306
Transfer from component unit	-	4,566,979	-	-	-	4,566,979
Miscellaneous Revenue	542,008	515,728	-	-	542,008	515,728
Total Revenues	<u>\$ 33,785,939</u>	<u>\$ 28,417,095</u>	<u>\$ 6,741,024</u>	<u>\$ 6,499,558</u>	<u>\$ 40,526,963</u>	<u>\$ 34,916,653</u>
Expenses:						
General Government - Administrative	\$ 1,093,646	\$ 590,750	\$ -	\$ -	\$ 1,093,646	\$ 590,750
Community Development	32,170,593	19,021,219	-	-	32,170,593	19,021,219
Lending program	-	-	434,208	1,177,993	434,208	1,177,993
Rental activity	-	-	926,375	821,586	926,375	821,586
Interest on long-term debt	-	-	2,292,349	2,462,183	2,292,349	2,462,183
Transfers to primary government	-	-	6,715,841	-	6,715,841	-
Total Expenses	<u>33,264,239</u>	<u>19,611,969</u>	<u>10,368,773</u>	<u>4,461,762</u>	<u>43,633,012</u>	<u>24,073,731</u>
Change in Net Assets	<u>521,700</u>	<u>8,805,126</u>	<u>(3,627,749)</u>	<u>2,037,796</u>	<u>(3,106,049)</u>	<u>10,842,922</u>
Net Assets - January 1	<u>27,097,155</u>	<u>18,292,029</u>	<u>14,984,391</u>	<u>12,946,595</u>	<u>42,081,546</u>	<u>31,238,624</u>
Net Assets - December 31	<u>\$ 27,618,855</u>	<u>\$ 27,097,155</u>	<u>\$ 11,356,642</u>	<u>\$ 14,984,391</u>	<u>\$ 38,975,497</u>	<u>\$ 42,081,546</u>

Management's Discussion and Analysis
December 31, 2010

Net Program Expenses

Net program expenses indicate the amount of support required from taxes and other general revenues for a program of the government.

Net Cost of Governmental and Business-type Activities

	<u>2010 Total Cost of Services</u>	<u>2009 Total Cost of Services</u>	<u>2010 Net Cost of Services</u>	<u>2009 Net Cost of Services</u>
Program:				
General Government	\$ 1,093,646	\$ 590,750	\$ (1,093,646)	\$ (432,100)
Community Development	32,170,593	19,021,219	978,838	4,098,369
Lending Program	2,396,727	3,298,752	(1,695,735)	(2,620,691)
Rental Activity	1,256,205	1,163,010	(112,277)	(287,244)
Total	<u>\$36,917,171</u>	<u>\$24,073,731</u>	<u>\$ (1,922,820)</u>	<u>\$ 758,334</u>

The AUTHORITY relied on taxes and other general revenues to fund 5% of its governmental and business-type activities in 2010.

Management's Discussion and Analysis
December 31, 2010

Capital Assets

The AUTHORITY's investment in capital assets at December 31, 2010, net of accumulated depreciation, was \$1,924,313. Capital assets consist primarily of land, buildings and equipment. The following is a summary of capital assets at December 31, 2010:

Capital Assets

	2010 Governmental Activities	2009 Governmental Activities	2010 Business Type Activities	2009 Business Type Activities	2010 Total	2009 Total
Land	\$ -	\$ -	\$ 1,528,300	\$ 1,528,300	\$ 1,528,300	\$ 1,528,300
Building and Improvements	-	-	5,489,223	5,489,223	5,489,223	5,489,223
Accumulated Depreciation	-	-	(1,193,972)	(787,376)	(1,193,972)	(787,376)
Total Net Capital Assets	\$ -	\$ -	\$5,823,551	\$6,230,147	\$5,823,551	\$6,230,147

Detailed information about the AUTHORITY's capital assets can be found in Note 4, Notes to the Financial Statements.

Management's Discussion and Analysis
December 31, 2010

Debt Administration

At December 31, 2010, the AUTHORITY had \$35,954,238 of debt outstanding. Debt decreased 8% from the previous year. The following is a summary of debt obligations for the 2009 year:

	Amounts Payable as of <u>January 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Amounts Payable as of <u>December 31, 2010</u>	Due Within <u>One Year</u>
Business-Type Activities					
G.O. Bonds	\$ 29,035,000	\$ -	\$ (2,980,000)	\$ 26,055,000	\$ 3,155,000
Mortgage Payable	4,044,887	-	(145,649)	3,899,238	157,114
Section 108 Loan	<u>6,000,000</u>	<u>-</u>	<u>-</u>	<u>6,000,000</u>	<u>201,000</u>
Business-Type Activities					
long-term liabilities	<u>\$ 39,079,887</u>	<u>\$ -</u>	<u>\$ (3,125,649)</u>	<u>\$ 35,954,238</u>	<u>\$ 3,513,114</u>

GOVERNMENTAL FUNDS

The AUTHORITY uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of governmental funds is to provide information on inflows, outflows, and balances of spendable resources. Such information is useful in assessing the AUTHORITY's financing requirements. In particular, unreserved/undesignated fund balance may serve as a useful measure of the AUTHORITY's net resources available for spending at the end of the year.

The AUTHORITY's governmental funds include the general fund and various special revenue funds. The general fund is the chief operating fund for the AUTHORITY. Special revenue funds are restricted to specific legislated use. The major funds are shown on the statement of revenues, expenditures and changes in fund balances in the financial statements.

Management's Discussion and Analysis
December 31, 2010

GOVERNMENTAL FUND REVENUES

Governmental fund revenues by source at December 31, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Revenues:		
Intergovernmental Revenues	\$ 34,708,539	\$ 16,320,950
Nongovernmental Grant Revenues	3,085,137	238,329
Loan Repayments	666,182	441,643
Fee Income	842,716	107,845
Tax Increment Financing Fee	1,113,039	50,805
Interest and Other Revenues	<u>636,508</u>	<u>584,784</u>
Total revenues	<u>\$41,052,121</u>	<u>\$17,744,356</u>

There are several factors relating to increases in revenues from 2009 to 2010. Intergovernmental revenue increased \$18,387,589 due to an increase in RACP grant activity during 2010 and to \$6,600,000 of deferred grant revenue from 2009 that was recognized in 2010. Nongovernmental grant revenue increased by approximately \$3,000,000 due to matching revenue that was received from a local institution for an RACP project that the RACP funding had yet to be received for.

GOVERNMENTAL FUND EXPENDITURES

Governmental fund expenditures by function at December 31, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Expenditures:		
General government - Administrative	\$ 842,720	\$ 590,750
Community Development	32,669,961	17,428,386
Other	<u>250,926</u>	<u>331,072</u>
Total expenditures	<u>\$33,763,607</u>	<u>\$18,350,208</u>

Total expenditures increased by \$15,413,399 due to an increase in RACP projects within Allegheny County during 2010.

**Management's Discussion and Analysis
December 31, 2010**

GOVERNMENTAL FUND BALANCES AND PROPRIETARY FUND NET ASSETS

Ending balances for governmental funds and net assets for proprietary funds at December 31, 2010 and 2009 were as follows:

<u>Fund</u>	<u>2010 Governmental Funds</u>	<u>2009 Governmental Funds</u>	<u>2010 Proprietary Funds</u>	<u>2009 Proprietary Funds</u>
General Fund	\$ 9,138,755	\$ 3,128,283	\$ -	\$ -
Home Improvement Loan Fund	3,541,177	3,187,774	-	-
Community Infrastructure				
Tourism Board	5,803,244	4,566,979	-	-
Nonmajor Governmental Funds	(197,902)	113,724	-	-
Economic Development Fund	-	-	13,921,899	17,437,376
200 Industry Drive Fund	-	-	(2,565,257)	(2,452,985)
Section 108 Loan Fund	-	-	-	-
Total	\$ 18,285,274	\$ 10,996,760	\$ 11,356,642	\$ 14,984,391

The reasons for the changes in governmental fund balances are explained above in the governmental funds revenues and expenditures sections. Also, because of the early implementation of GASB Statement No. 54, beginning balances of the General Fund and the Nonmajor Governmental Funds were restated to include nonmajor funds that were not legally required to remain separate within the General Fund.

ECONOMIC CONDITIONS AND NEXT YEAR'S BUDGET

Current year grant activity was much higher than usual, and management expects activity to return to its previous levels in the near future. Current economic conditions have also effect the Economic Development Fund as several outstanding loans have been written down or off due to entities not being able to repay their obligations on the loans.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the AUTHORITY's finances and to demonstrate the AUTHORITY's accountability. Questions concerning this financial information or requests for additional information should be directed to:

Fiscal Manager
425 Sixth Avenue
Suite 800
Pittsburgh, PA 15219

Phone: 412-350-1000

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

Assets	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 10,657,215	\$ 3,918,262	\$ 14,575,477
Intergovernmental receivables	10,305,831	-	10,305,831
Current portion of loans receivable	-	1,457,797	1,457,797
Miscellaneous receivables	176,834	-	176,834
Land inventory	5,834,200	-	5,834,200
Other assets	10,000	606,258	616,258
Restricted funds:			
Cash and cash equivalents	6,353,164	1,826,311	8,179,475
Investments	2,041,655	9,758,294	11,799,949
Capital assets: (Net)			
Non-depreciable	-	1,528,300	1,528,300
Depreciable	-	4,295,251	4,295,251
Loans receivable, net	3,664,163	21,340,762	25,004,925
Bond issue costs, net of amortizations	-	388,910	388,910
Other noncurrent assets	-	1,441,337	1,441,337
Total Assets	\$ 39,043,062	\$ 46,561,482	\$ 85,604,544
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 3,488,067	\$ 744,174	\$ 4,232,241
Other liabilities	54,624	-	54,624
Unearned revenues	99,126	367,823	466,949
Interest payable	-	581,659	581,659
Internal balances	7,782,390	(7,782,390)	-
Due to primary government	-	6,000,000	6,000,000
Current portion of long-term debt	-	3,513,114	3,513,114
Noncurrent liabilities			
Long-term debt	-	31,780,460	31,780,460
Total Liabilities	11,424,207	35,204,840	46,629,047
Net Assets			
Investment in Capital Assets, Net of Related Debt	-	1,924,313	1,924,313
Restricted Net Assets			
Program Purposes	15,942,774	13,921,899	29,864,673
Unrestricted (Deficit)	11,676,081	(4,489,570)	7,186,511
Total Net Assets	\$ 27,618,855	\$ 11,356,642	\$ 38,975,497

The accompanying notes are an integral part of the financial statements.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
General Government	\$ 1,093,646	\$ -	\$ -	(1,093,646)	\$ -	(1,093,646)
Community development	32,170,593	1,955,755	31,193,676	978,838	-	978,838
Total Governmental Activities	33,264,239	1,955,755	31,193,676	(114,808)	-	(114,808)
Business-Type Activities:						
Lending program	2,396,727	700,992	-	-	(1,695,735)	(1,695,735)
Rental activity	1,256,205	1,143,928	-	-	(112,277)	(112,277)
Total Business-Type Activities	3,652,932	1,844,920	-	-	(1,808,012)	(1,808,012)
Total Primary Government	\$ 36,917,171	\$ 3,800,675	\$ 31,193,676	\$ (114,808)	\$ (1,808,012)	\$ (1,922,820)
General Revenues:						
RAD tax revenues					4,854,831	4,854,831
Investment earnings				94,500	41,273	135,773
Transfer to primary government				-	(6,715,841)	(6,715,841)
Miscellaneous				542,008	-	542,008
Total General Revenues				636,508	(1,819,737)	(1,183,229)
Change in Net Assets				521,700	(3,627,749)	(3,106,049)
Net Assets - Beginning				27,097,155	14,984,391	42,081,546
Net Assets - Ending				\$ 27,618,855	\$ 11,356,642	\$ 38,975,497

The accompanying notes are an integral part of the financial statements.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General Fund	The Allegheny County Home Improvement Loan Program	Community Infrastructure and Tourism Board	Hurricane Ivan	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 4,098,041	\$ -	\$ 6,559,174	\$ -	\$ 10,657,215
Restricted funds:					
Cash and cash equivalents	3,562,349	1,755,072	-	1,035,743	6,353,164
Investments	-	2,041,655	-	-	2,041,655
Receivables:					
Intergovernmental	10,305,831	-	-	-	10,305,831
Other	176,834	-	-	-	176,834
Loans	-	3,367,631	-	296,532	3,664,163
Due from other funds	612,659	-	-	-	612,659
Other assets	10,000	-	-	-	10,000
Total assets	\$ 18,765,714	\$ 7,164,358	\$ 6,559,174	\$ 1,332,275	\$ 33,821,521
Liabilities					
Accounts Payable	\$ 1,120,027	\$ 81,933	\$ 755,930	\$ 1,530,177	\$ 3,488,067
Due to other funds	8,331,300	63,749	-	-	8,395,049
Deferred revenues	125,532	3,472,975	-	-	3,598,507
Other liabilities	50,190	4,524	-	-	54,624
Total liabilities	9,626,999	3,623,181	755,930	1,530,177	15,536,247
Fund Balances					
Assigned	3,098,972	3,541,177	5,803,244	-	12,443,393
Unassigned	6,039,783	-	-	(197,902)	5,841,881
Total fund balances (deficits)	9,138,755	3,541,177	5,803,244	(197,902)	18,285,274
Total liabilities and fund balances	\$ 18,765,714	\$ 7,164,358	\$ 6,559,174	\$ 1,332,275	\$ 33,821,521

The accompanying notes are an integral part of the financial statements.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 DECEMBER 31, 2010

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balances of governmental funds	\$	18,285,274
Land inventory is not recorded as an asset in the fund statements.		5,834,200
Difference in the accounting treatment related to loans. The issuance of loans is a current expenditure to the governmental funds, while it has no effect on the net on the accrual basis. In addition, the repayment of loans is recognized as income when received, since loans are expensed when issued. On the Statement of Activities, only interest is reported as current revenue.		3,499,381
Total net assets of governmental activities	\$	27,618,855

The accompanying notes are an integral part of the financial statements.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	General Fund	The Allegheny County Home Improvement Loan Program	Community Infrastructure and Tourism Board	Hurricane Ivan	Total Governmental Funds
Revenues					
Intergovernmental revenue	\$ 28,108,539	\$ -	\$ 6,600,000	\$ -	\$ 34,708,539
Nongovernmental grant revenues	3,085,137	-	-	-	3,085,137
Loan repayments	-	501,578	-	164,604	666,182
Fee income	842,466	-	250	-	842,716
Tax increment financing fee	1,113,039	-	-	-	1,113,039
Interest and other revenue	146,551	480,155	7,003	2,799	636,508
Total Revenues	33,295,732	981,733	6,607,253	167,403	41,052,121
Expenditures					
Community Development:					
Administration	704,259	-	138,461	-	842,720
Project Costs	28,620,158	575,967	5,108,692	365,144	32,669,961
Other	74,567	52,363	123,835	161	250,926
Total Expenditures	27,398,984	628,330	5,370,988	365,305	33,763,607
Net change in fund balance	5,896,748	353,403	1,236,265	(197,902)	7,288,514
Fund balance (deficit), beginning of year as restated (Note 15)	3,242,007	3,187,774	4,566,979	-	10,996,760
Fund balance (deficit), end of year	\$ 9,138,755	\$ 3,541,177	\$ 5,803,244	\$ (197,902)	\$ 18,285,274

The accompanying notes are an integral part of the financial statements.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in fund balances - total governmental funds	\$	7,288,514
Principal paid on loans that was recorded as income on the fund statements		(666,182)
New Loans that had been expended in the fund statements		499,368
Intergovernmental revenue that was previously deferred at the fund level and recognized as income in the Statement of Activities.		<u>(6,600,000)</u>
Changes in net assets of governmental activities	\$	<u>521,700</u>

The accompanying notes are an integral part of the financial statements.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2010

Assets	Economic Development Fund	200 Industry Drive Fund	Section 108 Loan Fund	Total
Current Assets:				
Cash and cash equivalents	\$ 3,368,446	\$ 549,816	\$ -	\$ 3,918,262
Current portion of loans receivable	1,256,797	-	201,000	1,457,797
Due from other funds	8,326,568	-	-	8,326,568
Prepaid expenses and other current assets	-	5,016	601,242	606,258
Total current assets	12,951,811	554,832	802,242	14,308,885
Trusted Funds:				
Cash and cash equivalents	1,174,973	-	651,338	1,826,311
Investments	9,758,294	-	-	9,758,294
Capital Assets:				
Nondepreciable	-	1,528,300	-	1,528,300
Depreciable, net of accumulated depreciation	-	4,295,251	-	4,295,251
Other noncurrent assets	1,441,337	-	-	1,441,337
Long-term interfund advance	4,974,632	-	-	4,974,632
Long-term notes receivable, net	15,541,762	-	5,799,000	21,340,762
Bond issue cost, net of amortization	388,910	-	-	388,910
Total noncurrent assets	33,279,908	5,823,551	6,450,338	45,553,797
Total assets	46,231,719	6,378,383	7,252,580	59,862,682
Liabilities				
Current liabilities:				
Accounts payable	\$ 3,395	\$ 26,448	\$ 714,331	\$ 744,174
Unearned revenue	330,430	37,393	-	367,823
Accrued interest payable	581,659	-	-	581,659
Due to other funds	-	5,929	538,249	544,178
Due to primary government	6,000,000	-	-	6,000,000
Current portion of long-term debt	3,155,000	157,114	201,000	3,513,114
Total current liabilities	10,070,484	226,884	1,453,580	11,750,948
Noncurrent liabilities:				
Long-term interfund advance	-	4,974,632	-	4,974,632
Long-term debt	22,239,336	3,742,124	5,799,000	31,780,460
Total noncurrent liabilities	22,239,336	8,716,756	5,799,000	36,755,092
Total liabilities	32,309,820	8,943,640	7,252,580	48,506,040
Net Assets				
Invested in Capital Assets, net of				
Related Debt	-	1,924,313	-	1,924,313
Restricted	13,921,899	-	-	13,921,899
Unrestricted	-	(4,489,570)	-	(4,489,570)
Total net assets (deficit)	13,921,899	(2,565,257)	-	11,356,642
Total liabilities and net assets	\$ 46,231,719	\$ 6,378,383	\$ 7,252,580	\$ 59,862,682

The accompanying notes are an integral part of the financial statements.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Economic Development Fund	200 Industry Drive Fund	Section 108 Loan Fund	Total
Operating Revenues				
Loan fees	\$ 26,184	\$ -	\$ -	\$ 26,184
Loan interest	573,637	-	101,171	674,808
Investment income	38,872	5	2,396	41,273
Rental income	-	1,065,347	-	1,065,347
Other Revenue	-	78,581	-	78,581
Total Operating Revenues	<u>638,693</u>	<u>1,143,933</u>	<u>103,567</u>	<u>1,886,193</u>
Operating Expenses				
Amortization of bond issue costs	30,321	-	-	30,321
Amortization of deferred refunding loss	159,079	-	-	159,079
Building operations	-	519,779	-	519,779
Provision for bad debts	136,902	-	-	136,902
Depreciation and amortization expense	-	406,596	-	406,596
Miscellaneous expense	105,510	-	2,396	107,906
Total Operating Expenses	<u>431,812</u>	<u>926,375</u>	<u>2,396</u>	<u>1,360,583</u>
Operating Income	206,881	217,558	101,171	525,610
Nonoperating Revenues (Expenses)				
RAD tax revenues	4,854,831	-	-	4,854,831
Interest expense	(1,861,348)	(329,830)	(101,171)	(2,292,349)
Transfer to primary government	(6,715,841)	-	-	(6,715,841)
Total Nonoperating Revenues (Expenses)	<u>(3,722,358)</u>	<u>(329,830)</u>	<u>(101,171)</u>	<u>(4,153,359)</u>
Changes in Net Assets	(3,515,477)	(112,272)	-	(3,627,749)
Net Assets - Beginning of Year	<u>17,437,376</u>	<u>(2,452,985)</u>	<u>-</u>	<u>14,984,391</u>
Net Deficit - End of Year	<u>\$ 13,921,899</u>	<u>\$ (2,565,257)</u>	<u>\$ -</u>	<u>\$ 11,356,642</u>

The accompanying notes are an integral part of the financial statements.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2010

	Economic Development Fund	200 Industry Drive Fund	Section 108 Loan Fund	Total
Cash flows from operating activities				
Cash received from customers	\$ 599,821	\$ 1,260,774	\$ -	\$ 1,860,595
Cash paid for goods and services	(106,324)	(526,119)	-	(632,443)
Net cash provided by operating activities	<u>493,497</u>	<u>734,655</u>	<u>-</u>	<u>1,228,152</u>
Cash flows from investing activities				
Interest income	38,872	5	2,396	41,273
Loan disbursed	(3,510,031)	-	(1,343,377)	(4,853,408)
Principal repayments on loans	2,856,349	-	-	2,856,349
Net cash provided by (used in) investing activities	<u>(614,810)</u>	<u>5</u>	<u>(1,340,981)</u>	<u>(1,955,786)</u>
Cash flows from noncapital and related financing activities				
Receipts from governmental agencies	4,820,517	-	-	4,820,517
Long-term advance disbursement/(receipt)	(130,993)	130,993	-	-
Transfer to primary government	(715,841)	-	-	(715,841)
Interest paid	(1,919,534)	(329,830)	-	(2,249,364)
Repayment of bonds/mortgage	(2,980,000)	(145,649)	-	(3,125,649)
Net cash used in financing activities	<u>(925,851)</u>	<u>(344,486)</u>	<u>-</u>	<u>(1,270,337)</u>
Net increase (decrease) in cash and cash equivalents	(1,047,164)	390,174	(1,340,981)	(1,997,971)
Beginning cash and cash equivalents	<u>15,348,877</u>	<u>159,642</u>	<u>1,992,319</u>	<u>17,500,838</u>
Ending cash and cash equivalents	<u>\$ 14,301,713</u>	<u>\$ 549,816</u>	<u>\$ 651,338</u>	<u>\$ 15,502,867</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 206,881	\$ 217,558	\$ 101,171	\$ 525,610
Adjustments to reconcile operating loss to net cash provided by operating activities				
Depreciation and amortization	-	406,596	-	406,596
Investment income	(38,872)	(5)	-	(38,877)
Amortization of bond issue costs	30,321	-	-	30,321
Amortization of deferred refunding loss	159,079	-	-	159,079
Provision for bad debts	136,902	-	-	136,902
Decrease (increase) in assets				
Accounts receivable, net of allowances	-	79,453	(101,171)	(21,718)
Prepaid expenses	-	(5,016)	-	(5,016)
Increase (decrease) in liabilities				
Accounts payable	(814)	(1,324)	-	(2,138)
Deferred revenue	-	37,393	-	37,393
Net cash provided by operating activities	<u>\$ 493,497</u>	<u>\$ 734,655</u>	<u>\$ -</u>	<u>\$ 1,228,152</u>

The accompanying notes are an integral part of the financial statements

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

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

A summary of the Redevelopment Authority's significant accounting policies consistently applied in the preparation of the accompanying financial statements is as follows:

The Redevelopment Authority of Allegheny County (the "Authority") was incorporated in the Commonwealth of Pennsylvania in 1950 as a redevelopment authority under the provisions of Urban Redevelopment Law, Act No. 385. The Authority operates as a non-profit corporation and, accordingly, is not subject to income taxes. The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units, as prescribed by the Governmental Accounting Standards Board ("GASB"). In the government-wide and the fund level financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A) Reporting Entity

The Authority is considered a component unit of the County of Allegheny (County) under the criteria established in Governmental Accounting Standards Board (GASB) Statement No. 14, "*Financial Reporting Entity*," as amended by GASB Statement No. 39, "*Determining Whether Certain Organizations Are Component Units*." The County appoints Board of Directors (Board) of the Authority and a financial benefit/ burden relationship exists between the County and the Authority. The accompanying financial statements present only the financial position and results of operations of the Authority.

B) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all the governmental activities and business-type activities of the primary government. For the most part, the effect of inter-fund activity has been removed from the statements. *Governmental activities*, which normally are supported by Intergovernmental grants, are separate from *business-type activities*, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among the program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

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

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the government considers revenues to be available if they are collected within 365 days of the end of the current fiscal period.

Major revenues that are susceptible to accrual in governmental funds are grants from other governments and interest on investments. Expenditures are recognized in governmental funds under the modified accrual basis of accounting when the related fund liability is incurred.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The accounts of the Authority are organized on the basis of governmental funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Authority's enterprise funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. In applying the provisions of 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 in or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

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

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Proprietary fund operating revenues, and expenses, such as charges for services, and costs associated with operating the business type activities; result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues and expenses, such as subsidies, investment earnings, and interest expense, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expense. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

General Fund- The *General Fund* is the general operating fund of the Authority, and is considered a major fund for accounting purposes. It is used to account for grants and projects for which separate accounting records are not deemed practicable and to account for operations not included in other funds or projects. These projects are financed through state, county, and local grants, although the ultimate source of funds may be pass-through grants of federal funds.

Major Program Funds- The Authority currently reports the following major governmental programs: The *Allegheny County Home Improvement Loan Program*, the *Community Infrastructure Tourism Board Fund*, and the *Hurricane Ivan Fund*.

The *Allegheny County Home Improvement Loan Program* (HILP) accounts for the activities of the issuance of loans to finance the rehabilitation of residential housing for persons and families of low to middle income throughout the County.

The *Community Infrastructure Tourism Board Funds* (CITB Fund) dispenses grants and manages loans for economic and infrastructure development projects to municipalities within the County. Such development projects are to be funded through the Pennsylvania Department of Community and Economic Development (DCED) over a span of 12 years, as apportioned to the County under Act 53 of 2007. Act 53 of 2007 provides funding for economic development from State taxes on gaming transactions.

The *Hurricane Ivan Fund* was established to assist residents of Allegheny County with repairs of property and businesses after massive flooding due to Hurricane Ivan by providing businesses with loans for repairs.

Program funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Authority operates projects that are financed by grants from state, county, or local governmental units or a combination thereof. Operations must be conducted in accordance with the terms and conditions of a specific grant and a contract between the grantor(s) and the Authority.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed. The Authority currently reports the following major proprietary funds:

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

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

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

The *Economic Development Fund* (EDF) is a revolving loan fund of the Authority. The purpose of the EDF is to positively impact the regional economy by promoting economic development and providing employment opportunities in the County.

The *200 Industry Drive Fund* accounts for all operations of a building owned by the Authority, which is currently being leased to several tenants.

The *Section 108 Loan Fund* accounts for loans made to a single borrower for specific economic development projects.

D) Assets, Liabilities, and Net Assets or Fund Balance

1. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits as well as short-term certificates of deposits with a maturity date within three months of the date acquired by the Authority. For purposes of the statement of cash flows, the Authority considers all highly liquid investments, including investment agreements, to be cash equivalents.

2. Investments

The Authority invests in various money markets and various government securities.

3. Interfund Transactions

Intergovernmental revenue is recognized when the related expenditure is incurred. Deferred revenues arise when the Authority receives resources prior to incurring qualifying expenditures. Any amounts not collected, for which related expenditures have been incurred prior to December 31, 2010, are reflected as intergovernmental receivables.

Interfund accounts receivable are considered to be available expendable resources and are reported as assets in the "due from other funds" account. Interfund accounts payable are considered to be committed expendable resources, and are reported as liabilities in the "due to other funds" accounts. Interfund accounts between governmental funds are eliminated on the government-wide financial statements.

Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

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

4. Loans Receivable

Loans Receivable in the governmental funds are recognized when the loan is established. On the fund statements, the loan balance are fully offset by deferred revenue, as loans receivable are not considered to be available as current resources. Program expense is recognized upon establishment. Loans receivable on the entity-wide statements are recorded at their principal balance due less an allowance for uncollectible accounts.

The Authority has residential rehabilitation loans, which are presented at a net zero value, as they are only repayable out of available sale proceeds. These loans are fully reserved at the time of issue. The reserve is reversed and income is recognized when the loans are repaid, or when the amount of repayment is determinable and reasonably assured.

It is Authority's policy to provide for future losses on loans based on an evaluation that, in the Authority's judgment, require consideration in estimating loan losses of the various programs.

In the proprietary funds loans receivable are recorded at their principal balance due, less an allowance for uncollectable loans. Interest income on loans is recognized at the loans' stated interest rates.

5. Loan Fees

Loan fees for the proprietary fund consist of a \$750 application fee, a 1% loan origination fee, and an annual administrative fee of 0.1% of the loan.

6. Bond Issue Costs

Bond issue costs are amortized on a straight-line basis over the term of the outstanding bonds.

7. Capital Assets

Real estate acquired in conjunction with the Authority's various programs is recognized as an expenditure when purchased and is not capitalized in the fund statements because (1) the property is not used in Authority operations and (2) the ultimate amount to be realized by the Authority upon disposition of the property does not generally accrue to the benefit of the Authority. Land inventory is recorded as an asset at the lower of cost or market value on the government-wide statement of net assets until released to a developer for development program activities.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

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

D) Assets, Liabilities, and Net Assets or Fund Balance (Continued)

7. Capital Assets (Continued)

Capital Assets, which include land, buildings, and building improvements, are reported in the applicable business-type activities. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated historical cost if purchased or constructed. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend assets' lives are not capitalized.

Building and building improvements are depreciated using the straight line method. Buildings are assigned a useful life of 30 years and tenant improvements are amortized over the life of the lease.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt is reported as liabilities in the Statement of Net Assets and bond discounts, premiums, and issuance costs are deferred and amortized over the life of the bonds using the straight line method.

In the fund financial statements, the face amount of debt issued is reported as other financing sources.

9. Unearned/Deferred Revenues

Unearned revenues are reported in the government-wide and enterprise fund financial statements. Deferred revenues are reported in the governmental fund financial statements. Unearned and deferred revenues represent unearned revenues or revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as unearned revenues. The Authority deems revenues received within 365 days of year end to be available.

10. Net Assets/Fund Balances

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable:* This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

- *Restricted:* This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2010

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

D) Assets, Liabilities, and Net Assets or Fund Balance (Continued)

10. Net Assets/Fund Balances (Continued)

• *Committed*: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Authority did not have any committed resources as of December 31, 2010.

• *Assigned*: This classification includes amounts that are constrained by the Authority's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to the Authority's management. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

• *Unassigned*: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Authority would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- *Invested In Capital Assets, Net of Related Debt* – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* – This category represents net assets of the Authority, not restricted for any project or other purpose.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

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

D) Assets, Liabilities, and Net Assets or Fund Balance (Continued)

11. CITB Fund Grant Accounting

Grants are approved on a reimbursement basis. The recipients cannot qualify for the grants without first incurring allowable costs. Until allowable costs are incurred, the fund does not accrue a liability and, in turn the recipient does not accrue a receivable.

12. Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts may differ from those estimates.

12. Restatement

Beginning Fund Balances were restated due to the implementation of GASB Statement No. 54. Fund Balances were restated to reflect the fact that all funds not legally required to be separate funds are now reported within the General Fund. See footnote 15 for details of the restatement.

13. Adoption of Governmental Accounting Standards Board Statements

The Authority adopted the provisions of GASB Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets.*" The adoption of this statement had no effect on the financial reporting information of the Authority.

The Authority adopted the provisions of GASB Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments.*" The adoption of this statement had no effect on the financial reporting information of the Authority.

The Authority adopted the provisions of GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions.*" The adoption of the statement resulted in a restatement of fund balances due to the definition of a special revenue fund becoming more clearly defined.

The Authority adopted the provisions of GASB Statement No. 58, "*Accounting and Financial Reporting for Chapter 9 Bankruptcies.*" The adoption of this statement had no effect on the financial reporting information of the Authority.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

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

D) Assets, Liabilities, and Net Assets or Fund Balance (Continued)

14. Pending Changes in Accounting Principles

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

In June 2010 the GASB issued Statement No. 59, "*Financial Instruments Omnibus.*" The Authority is required to adopt Statement No. 59 for its calendar year 2011 financial statements.

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

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

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

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

NOTE 2: DEPOSITS AND INVESTMENTS

GASB Statement No. 40 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 that in the event of a bank failure, the Authority's deposits may not be returned to it. The amount of FIDC insurance is \$250,000. The Authority does not have a formal policy for custodial credit risk. As of December 31, 2010, \$22,510,655 of the Authority's bank balance of \$23,510,655 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, 2010, the carrying amounts of the Authority's deposits were \$22,754,952.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

In addition to the deposits noted above, the Authority holds short-term investments of mutual funds totaling \$11,799,949.

Interest Rate Risk- the Authority does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All of the Authority's investments have a maturity of less than one year.

Credit Risk- The Authority does not have a formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2010, the Authority had investments of \$11,799,949 in various mutual funds that were rated AAA by Standard & Poor's.

NOTE 3: LOANS RECEIVABLE

The Allegheny County Home Improvement Loan Program (HILP) is a comprehensive program of the County for the financing of rehabilitation of residential properties occupied by persons of low to middle income within designated areas throughout the County. Under HILP, loans and grants are provided under several different plans based on income eligibility and geographic restrictions. The loans bear interest at rates between 0% to 5%, with terms from one to twenty years. The carrying value of HILP loans receivable, as of December 31, 2010, is \$3,472,975 and is reported net of an allowance for loan losses of \$105,344.

EDF Loans receivable consist of thirty-three loans with rates ranging from 0% to 7% and with terms ranging from 10 years to 25 years. The loan amounts range from approximately \$100,000 to approximately \$2,500,000. Total EDF loans receivable outstanding at December 31, 2010 are \$19,773,102 and are reported on the statement of net assets- proprietary funds, net of an allowance for loan losses of \$2,974,543.

The Section 108 Loan fund has six loans outstanding to a single borrower. These loans earn variable rate interest of 3 month LIBOR plus 50 basis points. Interest only payments are currently being made on these loans as principal repayment does not begin until fiscal year 2011. As of December 31, 2010, 3 month LIBOR was .30031%.

The Authority also has \$296,532 of loans receivable in other loan programs.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2010

NOTE 4: CAPITAL ASSETS

The business-type activities funds' capital assets are valued at cost, less accumulated depreciation and determined using the straight-line method.

A summary of capital asset activity for the year ended December 31, 2010 is as follows:

	Balance at December 31, 2009	Additions	Disposals	Balance at December 31, 2010
Nondepreciable:				
Land	\$ 1,528,300	\$ -	\$ -	\$ 1,528,300
Depreciable:				
Buildings and tenant improvements	5,489,223	-	-	5,489,223
Less: accumulated depreciation	(787,376)	(406,596)	-	(1,193,972)
	<u>\$ 6,230,147</u>	<u>\$ (406,596)</u>	<u>\$ -</u>	<u>\$ 5,823,551</u>

Depreciation expense was \$406,596 for the year ended December 31, 2010.

NOTE 5: GRANTS

The Authority receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of such funds generally requires compliance with contract requirements and is subject to audit. 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. Authority management expects such amounts, if any, to be immaterial.

NOTE 6: LONG-TERM OBLIGATIONS

In prior years, long-term debt was comprised of bonds payable that were issued by the Authority as Special Tax Development Bonds, Taxable Series of 1995 for \$25 million and Series 1999 for \$25 million (Bonds). The Bonds proceeds were used to fund the EDF to allow for development loans to be made to local businesses in the County.

On September 1, 2005, the Authority issued \$18,655,000 of Special Tax Development Refunding Bonds ("2005 Bonds"). The proceeds of the 2005 Bonds were used to provide funds for the current refunding of the 1995 Bond Series. In connection with the debt refunding, the Authority recorded a deferred refunding adjustment of \$1,504,435, which is being amortized as an adjustment to interest expense over the life of the bonds using the straight-line method.

The 2005 Bonds were issued at a premium of \$263,213, which is being amortized as an adjustment to interest expense over the life of the bonds using the straight-line method.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2010

NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)

The 1999 Bonds maturing on or after September 1, 2010 are subject to redemption prior to maturity at the option of the Authority on or after September 1, 2009 in whole or in part at any time and in such order of maturity as shall be selected by the Authority at the redemption prices set forth below, expressed as a percentage of par, plus accrued interest to the date fixed for redemption.

<u>Date of Redemption</u>	<u>Redemption Price</u>
September 1, 2009- August 31, 2010	102%
September 1, 2010- August 31, 2011	101%
September 1, 2011 and thereafter	100%

The 2005 Bonds are not subject to optional redemption.

The County has allocated a portion of the Regional Asset District (RAD) Tax imposed by the County and irrevocably assigned that portion to the Authority. The Bonds are limited obligations of the Authority payable solely from that portion of RAD tax paid to the Authority or the trustee and certain funds held under the indenture and the earnings thereon. The Bonds shall not be deemed to be a debt of the Commonwealth of Pennsylvania or the County or a pledge of the full faith and credit of the Commonwealth of Pennsylvania or the portion of the RAD Tax assigned to the Authority or the Trustee pursuant to the County's agreement and certain funds under the indenture and the earnings thereon. The Authority has no taxing power.

The Series 1999 and 2005 Bonds are insured by a municipal bond insurance policy issued by Assured Guaranty Municipal Corp. (formerly Financial Security Assurance, Inc. (FSA)). As of December 31, 2010, Standard & Poor's credit rating of assured Guaranty Municipal Corp. was AAA, with a credit watch of negative.

During 2007, the Authority assumed a mortgage in relation to the purchase of a building. The original twenty-five year mortgage was executed in 1999 in the amount \$5,000,000. As of December 31, 2010, the interest rate is 8.31% and the outstanding principal balance is \$3,899,238.

Changes in long-term debt for the year ended December 31, 2010 are shown on the next page.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)

	Outstanding Balance as of			Amounts Payable as of	Due Within One Year
	January 1, 2010	Additions	Deletions		
Business-Type Activities					
G.O. Bonds	\$ 29,035,000	\$ -	\$ (2,980,000)	26,055,000	\$ 3,155,000
Mortgage Payable	4,044,887	-	(145,649)	3,899,238	157,114
Section 108 Loan	6,000,000	-	-	6,000,000	201,000
Business-Type Activities long-term liabilities					
	<u>\$ 39,079,887</u>	<u>\$ -</u>	<u>\$ (3,125,649)</u>	<u>35,954,238</u>	<u>\$ 3,513,114</u>
				134,732	
				(795,396)	
				<u>(3,513,114)</u>	
				<u>31,780,460</u>	

Interest on the bonds is paid semi-annually in March and September of each year.

Future principal and interest for the bonds, loans and mortgages are as follows:

Maturity	Principal Amount	Interest Amount	Total
2011	\$ 3,513,114	\$ 2,179,786	\$ 5,692,900
2012	3,725,679	1,973,532	5,699,211
2013	3,948,416	1,753,532	5,701,948
2014	4,188,424	1,514,025	5,702,449
2015	4,449,815	1,258,996	5,708,811
2016-2020	10,995,269	2,764,638	13,759,907
2021-2025	5,133,521	544,571	5,678,092
Total	<u>\$ 35,954,238</u>	<u>\$ 11,989,080</u>	<u>\$ 47,943,318</u>

NOTE 7: COMMITMENTS

As of December 31, 2010, the Authority proprietary funds had outstanding commitments of \$6,885,057 related to loans that have not yet been fully drawn upon. This amount includes commitments to related parties as further discussed in Note 8.

NOTE 8: RELATED PARTIES

The County provides administrative services to the Authority. Administrative costs for 2010 were approximately \$537,500. The County also provides administrative services to the Authority's CITB.

NOTE 8: RELATED PARTIES (CONTINUED)

The Authority entered into an agreement with C.B. Richard Ellis (who employs an Authority Board member) to provide management services for a property owned by the Authority. During fiscal year 2010, the Authority paid approximately \$27,097 in management, engineering, and maintenance fees to C.B. Richard Ellis. This agreement was entered into prior to the Board member being employed by C.B. Richard Ellis.

The Authority has also entered into an agreement to provide funding through CDBG funds and an EDF Loan to the Allegheny County Airport Authority for costs related to the design, engineering, and construction of the Industry Drive Extension. Total CDBG funds committed are not to exceed \$2.25 million. As of December 31, 2010, the loan has an outstanding balance of \$1,314,172. Additionally, the Authority received grant funds that were used to provide infrastructure improvements related to the Industry Drive Extension on behalf of the Allegheny County Airport Authority in the amount of \$1,264,569.

In fiscal year 2008, the Authority approved the issuance of an additional EDF loan to the Allegheny County Airport Authority. The total funds committed are not to exceed \$1,000,000 and the loan bears an annual interest rate of 4% for a period of 12 months. As of December 31, 2010, the loan has not been disbursed.

The Authority has also entered into an agreement to provide funding through an EDF loan to the Sports and Exhibition Authority for costs related to the design, engineering, and construction of a multi-purpose arena. Total funds committed are not to exceed \$2.75 million. As of December 31, 2010, the loan has not been disbursed, and expired as of that date.

As discussed in Footnote 15- Section 108 Loan Fund, the Authority has entered into an agreement with RIDC (who employs an Authority Board member) to provide certain loan and grant funds. This agreement was entered into prior to the Board member being employed by RIDC.

NOTE 9: CARGO FACILITIES

The Air cargo project consists of three air cargo warehouses, a water pumphouse, and water tower (buildings) and related improvements and appurtenances, including the related ramps, driveways, parking areas, culverts, utility lines, and the land on which they are situated, (collectively, the land), all located at the Pittsburgh international Airport (Airport) in the County.

During 1999, the Authority was involved in the purchase of the buildings and lease of the land described above from the County. The Authority, in Turn, leased the buildings and subleased the land to AFCO Cargo PIT LLC (Company) pursuant to a lease and sublease.

In order to finance the acquisition of the project, Allegheny County Industrial Development Authority issued cargo Facilities Lease Revenue Bonds of \$9,475,000 (Bonds). The Bonds are a limited obligation of the Authority payable solely from the lease revenues from the Company. The Authority is not obligated to pay the principal of, premium, interest, or 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.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 10: TAX INCREMENT FINANCING

During 2000, 2001, 2003, 2004, 2005, 2007, and 2008, the Authority issued Tax Increment Bonds (TIF Bonds) to provide funds to finance public infrastructure improvements within the County. The outstanding balance of these TIF Bonds at December 31, 2010 was approximately \$110 million.

The TIF Bonds are a limited obligation of the Authority payable solely from the tax increment revenues from the taxing bodies within the TIF District. The Authority is not obligated to pay the principal of, premium, interest, or other costs associated with the TIF Bonds. Accordingly, the Authority is substantively a conduit facilitator and the TIF Bonds are not included in the Authority's financial statements.

NOTE 11: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables, payables, and transfers as of December 31, 2009 consisted of:

Fund	Interfund Receivable	Interfund Payable
Major Funds:		
General	\$ 612,659	\$ 8,331,300
IMPAC	-	63,749
Other governmental	-	-
Enterprise Funds:		
Economic Development Fund	13,301,200	-
200 Industry Drive	-	4,980,561
Section 108 Loan Fund	-	538,249
Total	<u>\$ 13,913,859</u>	<u>\$ 13,913,859</u>

The above table shows transactions between funds when repayment is expected within the next fiscal year or upon receipt of earned grant funds, with the exception of the interfund payable from 200 Industry Drive Fund, which is considered to be a long-term advance from the EDF. These transactions are accounted for through various due from and due to accounts. The balance due to the EDF from the General Fund represents amounts expected to be repaid when the General Fund receives state grant funds. The balance due to the EDF from the 200 Industry Drive Fund represents amounts expected to be repaid either when 200 Industry Drive Fund operates at profit or from the sale of real property.

NOTE 12: LIENS RECEIVABLES

During December of 2008, the Authority purchased County real estate liens from an outside party for approximately \$1.7 million. Total face value of the liens outstanding is in excess of \$56 Million. The Authority paid approximately 3 cents per dollar for the liens. These liens were originally sold to the outside party by the County in the 1990s and primarily were issued during the period of 1960 – 1990. During 2009, the Authority collected approximately \$17,000 related to this receivable. As of year-end, the remaining liens are fully reserved, as management determined the receivable to be uncollectable.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 13: CONTIGENCIES

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; breach of contract; and natural disasters, for which the Authority carries commercial insurance. There have been no claims resulting from these risks in the current year.

NOTE 14: SECTION 108 LOAN FUND

The Authority and the County entered into an agreement in fiscal year 2005 with the U.S. Department of Housing and Urban Development (HUD) to receive a Section 108 loan for \$6 million. These funds were to be made available for loans to RIDC for specific economic development projects. As of December 31, 2010 the full \$6,000,000 of loans had been made from these proceeds.

The Authority currently makes quarterly interest payments to HUD as the loan earns interest at three month LIBOR plus 20 basis points. As of year end, 3 month LIBOR was .30031%. Interest payments made by the Authority during 2010 were approximately \$100,000. The Authority will be required to start making annual principal payments to HUD beginning August 1, 2011. The required principal payments schedule was established by HUD and includes a final balloon payment of \$2,314,000 due on August 1, 2025.

RIDC is currently required to make interest payments on the outstanding loan balance at a rate of 3 month LIBOR plus 50 basis points. The Authority is permitted to retain the 30 basis points as income along with a \$60,000 origination fee paid by the borrower. RIDC will begin making principal payments in 2011 to correspond with the Authority's obligation to HUD.

The debt service on the Section 108 Loan is included in the debt service schedule at footnote 6.

Along with the Section 108 loan, the Authority also received a \$2 million Brownsfield Economic Development Improvement (BEDI) Grant from HUD. The proceeds of the grant are to be drawn down by the Authority and granted to RIDC as with the Section 108 loan funds. \$500,000 of the grant funds must be retained by the Authority in a debt service reserve account. Grant funds are to be disbursed in a ratio not less than \$1 of grant funds for every \$3 of loan funds disbursed. As of December 31, 2010 the Authority had not received any of these grant funds from HUD, nor had the Authority made any grant disbursements. The Authority was granted an extension to draw these grant funds, and made the first draw down during March of 2011.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2010

NOTE 15: RESTATEMENT OF FUND BALANCES

Fund balances were restated at the beginning of the year for the following reason:

Fund Level Restatement	General Fund	Total Nonmajor Governmental Funds
Beginning Fund Balance, as previously stated, January 1, 2010	\$ 3,128,283	\$ 113,724
Add/(subtract) the fund balances of the funds no longer considered special revenue funds and reported in the General Fund after the adoption of GASB Statement No. 54.	113,724	(113,724)
Beginning Fund Balance, as Restated, January 1, 2010	\$ 3,242,007	\$ -

NOTE 16: ECONOMIC DEPENDENCY

The Authority relies on grants from governmental agencies to fund a significant portion of the operations of the Authority's General Fund. During 2010 grants represented \$37,793,676, or 91.1% of total revenues in the General Fund. If these grants were to cease the Authority would not be able to sustain its current level of operations.