

**REDEVELOPMENT AUTHORITY
OF ALLEGHENY COUNTY**

PITTSBURGH, PENNSYLVANIA

**FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
YEAR ENDED DECEMBER 31, 2012

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Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

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

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

<u>Harrisburg</u>	<u>Lehigh Valley</u>	<u>Philadelphia</u>	<u>Pittsburgh</u>
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Zelenkofske Axelrod LLC

Chairman and Members of the Board
Redevelopment Authority of Allegheny County
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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 of the REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY, as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-15 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2013 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 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 REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY's internal control over financial reporting and compliance.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

March 23, 2013
Pittsburgh, Pennsylvania

Management's Discussion and Analysis
December 31, 2012

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, 2012. 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)

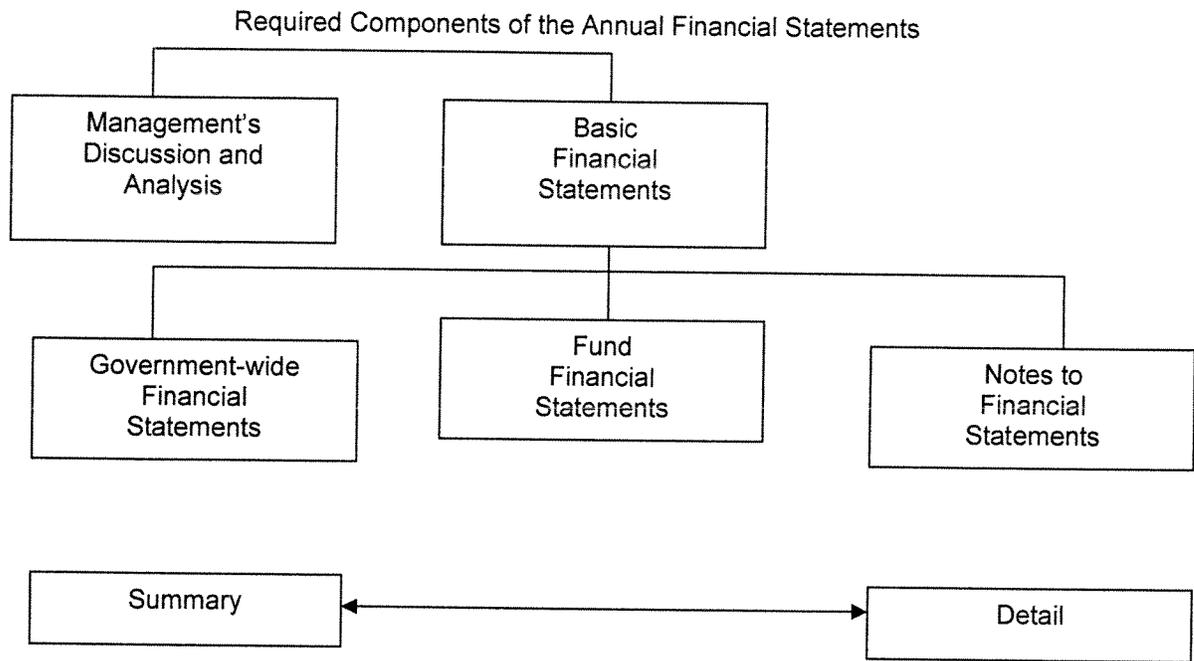
Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the AUTHORITY's government. The basic financial statements include notes that provide additional information essential to a full understanding of 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, 2012

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



Management's Discussion and Analysis
December 31, 2012

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 position -Statement of activities	-Balance Sheet -Statement of revenues, expenditures and changes in fund balances	-Statement of net position -Statement of revenues, expenses and changes in net position -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, 2012

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 position includes all the AUTHORITY's assets and liabilities with the difference between the two reported as net position. 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 position 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 position 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 position is one way to measure the AUTHORITY's financial position. Over time, increases or decreases in the AUTHORITY's net position 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 position 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, 2012

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

- 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 position balances as follows:
 - Net position invested in capital assets, net of related debt
 - Restricted net position 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 position is the net amount of the 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 Position

The AUTHORITY's total assets were \$87,822,416 at December 31, 2012. Of this amount, \$5,023,139 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, 2012

Condensed Statement of Net Position – 2011/2012

	2012 Governmental Activities	2011 Governmental Activities	2012 Business- type Activities	2011 Business- type Activities	2012 Total	2011 Total
Capital Assets	\$ -	\$ -	\$ 5,023,139	\$ 5,416,955	\$ 5,023,139	\$ 5,416,955
Other Assets	<u>53,067,473</u>	<u>41,400,825</u>	<u>29,731,804</u>	<u>31,225,760</u>	<u>82,799,277</u>	<u>72,626,585</u>
Total Assets	<u>\$ 53,067,473</u>	<u>\$ 41,400,825</u>	<u>\$ 34,754,943</u>	<u>\$ 36,642,715</u>	<u>\$ 87,822,416</u>	<u>\$ 78,043,540</u>
Current Liabilities	\$ 12,827,514	\$ 11,957,348	\$ (3,718,525)	\$ (3,746,281)	\$ 9,108,989	\$ 8,211,067
Long-term Liabilities	<u>-</u>	<u>-</u>	<u>24,366,486</u>	<u>28,182,990</u>	<u>24,366,486</u>	<u>28,182,990</u>
Total Liabilities	<u>\$ 12,827,514</u>	<u>\$ 11,957,348</u>	<u>\$ 20,647,961</u>	<u>\$ 24,436,709</u>	<u>\$ 33,475,475</u>	<u>\$ 36,394,057</u>
Net Position:						
Invested in Capital Assets, net of related debt	\$ -	\$ -	\$ 1,453,964	\$ 1,675,919	\$ 1,453,964	\$ 1,675,919
Restricted Net Position	21,574,757	14,154,765	16,523,704	14,332,017	38,098,461	28,486,782
Unrestricted Net Position (Deficit)	<u>18,665,202</u>	<u>15,288,712</u>	<u>(3,870,686)</u>	<u>(3,801,930)</u>	<u>14,794,516</u>	<u>11,486,782</u>
Total Net Position	<u>\$ 40,239,959</u>	<u>\$ 29,443,477</u>	<u>\$ 14,106,982</u>	<u>\$ 12,206,006</u>	<u>\$ 54,346,941</u>	<u>\$ 41,649,483</u>

Management's Discussion and Analysis
December 31, 2012

Change in Net Position

The following statement of activities represents the change in net position for the year ended December 31, 2012. 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

	2012 Governmental Activities	2011 Governmental Activities	2012 Business-type Activities	2011 Business-type Activities	2012 Total	2011 Total
Program Revenues:						
Charges for Services	\$ 636,537	\$ 379,518	\$ 1,327,481	\$ 2,246,726	\$ 1,964,018	\$ 2,626,244
Grants and Contributions	42,764,409	35,619,471	-	-	42,764,409	35,619,471
General Revenues:						
RAD Tax Revenues	-	-	4,840,858	4,848,586	4,840,858	4,848,586
Investment Earnings	40,655	60,319	2	17,550	40,657	77,869
Transfer from Component Unit	-	-	-	-	-	-
Miscellaneous Revenue	186,987	125,374	-	-	186,987	125,374
Total Revenues	<u>\$ 43,628,588</u>	<u>\$ 36,184,682</u>	<u>\$ 6,168,341</u>	<u>\$ 7,112,862</u>	<u>\$ 49,796,929</u>	<u>\$ 43,297,544</u>
Expenses:						
General Government - Administrative	\$ 798,377	\$ 1,347,459	-	-	\$ 798,377	\$ 1,347,459
Community Development Lending Program	32,033,729	33,012,601	-	-	32,033,729	33,012,601
Rental Activity	-	-	766,310	361,262	766,310	361,262
Interest on Long-Term Debt	-	-	871,018	953,052	871,018	953,052
Transfers to Primary Government	-	-	1,780,037	1,949,184	1,780,037	1,949,184
	-	-	850,000	3,000,000	850,000	3,000,000
Total Expenses	<u>32,832,106</u>	<u>34,360,060</u>	<u>4,267,365</u>	<u>6,263,498</u>	<u>37,099,471</u>	<u>40,623,558</u>
Change in Net Position	<u>10,796,482</u>	<u>1,824,622</u>	<u>1,900,976</u>	<u>849,364</u>	<u>12,697,458</u>	<u>2,673,986</u>
Net Position - January 1	<u>29,443,477</u>	<u>27,618,855</u>	<u>12,206,006</u>	<u>11,356,642</u>	<u>41,649,483</u>	<u>38,975,497</u>
Net Position - December 31	<u>\$ 40,239,959</u>	<u>\$ 29,443,477</u>	<u>\$ 14,106,982</u>	<u>\$ 12,206,006</u>	<u>\$ 54,346,941</u>	<u>\$ 41,649,483</u>

Management's Discussion and Analysis
December 31, 2012

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

	2012 Total Cost of Services	2011 Total Cost of Services	2012 Net Cost of Services	2011 Net Cost of Services
Program:				
General Government	\$ 798,377	\$ 1,347,459	\$ (798,377)	\$ (1,347,459)
Community Development	32,033,729	33,012,601	11,367,217	2,986,388
Lending Program	2,242,730	2,002,070	(1,799,171)	(1,456,014)
Rental Activity	1,174,635	1,261,428	(290,713)	439,242
Total	\$ 36,249,471	\$ 37,623,558	\$ 8,478,956	\$ 622,157

The AUTHORITY did not rely on taxes and other general revenues to fund any portion of its governmental or business-type activities in 2012.

Management's Discussion and Analysis
December 31, 2012

Capital Assets

The AUTHORITY's investment in capital assets at December 31, 2012, net of accumulated depreciation, was \$5,023,139. Capital assets consist primarily of land, buildings and equipment. The following is a summary of capital assets at December 31, 2012:

Capital Assets						
	2012	2011	2012	2011	2012	2011
	Governmental	Governmental	Business-type	Business-type	2012	2011
	Activities	Activities	Activities	Activities	Total	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	-	-	(1,994,384)	(1,600,568)	(1,994,384)	(1,600,568)
Total Net Capital Assets	\$ -	\$ -	\$ 5,023,139	\$ 5,416,955	\$ 5,023,139	\$ 5,416,955

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, 2012

Debt Administration

At December 31, 2012, the AUTHORITY had \$28,713,175 of debt outstanding. Debt decreased 11% from the previous year. The following is a summary of debt obligations for the 2012 year:

	Amounts Payable as of January 1, 2012	Additions	Deletions	Amounts Payable as of December 31, 2012	Due Within One Year
Business-Type Activities					
G.O. Bonds	\$ 22,900,000	\$ -	\$ (3,345,000)	\$ 19,555,000	\$ 3,545,000
Mortgage Payable	3,741,036	-	(171,861)	3,569,175	185,416
Section 108 Loan	5,799,000	-	(210,000)	5,589,000	218,000
Business-Type Activities					
Long-Term Liabilities	<u>\$ 32,440,036</u>	<u>\$ -</u>	<u>\$ (3,726,861)</u>	<u>\$ 28,713,175</u>	<u>\$ 3,948,416</u>

Detailed information on long-term debt can be found at Note 6 to the financial statements.

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, 2012**

GOVERNMENTAL FUND REVENUES

Governmental fund revenues by source at December 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Revenues:		
Intergovernmental Revenues	\$ 42,601,739	\$ 33,851,505
Nongovernmental Grant Revenues	162,670	1,767,966
Loan Repayments	567,065	562,896
Fee Income	351,636	173,837
Tax Increment Financing Fee	284,901	205,681
Interest and Other Revenues	<u>227,642</u>	<u>185,693</u>
Total Revenues	<u>\$ 44,195,653</u>	<u>\$ 36,747,578</u>

There are several factors relating to the increase in revenues from 2011 to 2012. Intergovernmental revenue increased approximately \$8.75 million due to an increase in funding from the C.E Kelly Relocation Grant as well as the Community Infrastructure and Tourism Board Grant. Nongovernmental grant revenue decreased by approximately \$1.6 million due to one time matching revenue that was received from a local institution for two projects in 2011. Tax Increment Financing Fees and other non grant revenues remained fairly constant.

GOVERNMENTAL FUND EXPENDITURES

Governmental fund expenditures by function at December 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Expenditures:		
General Government- Administrative	\$ 673,830	\$ 1,025,490
Community Development	33,550,358	33,297,046
Other	<u>124,547</u>	<u>321,969</u>
Total Expenditures	<u>\$ 34,348,735</u>	<u>\$ 34,644,505</u>

Total expenditures decreased by \$295,770 due to a decrease in project costs in the General Fund. The decrease was due mainly to timing issues between the expenditure disbursements and the receipt of funding.

Management's Discussion and Analysis
December 31, 2012

PROPRIETARY FUND REVENUES

Proprietary fund revenues at December 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Revenues:		
Loan fees	\$ 57,516	\$ 126,940
Loan interest	386,043	419,116
Investment income	2	17,550
Rental income	812,900	1,636,090
Other revenue	71,022	64,580
RAD Tax revenues	<u>4,840,858</u>	<u>4,848,586</u>
Total Revenues	<u>\$ 6,168,341</u>	<u>\$ 7,112,862</u>

The decrease in revenues from 2011 to 2012 was approximately \$944,000 and stems almost entirely from proceeds that were received from a tenant for a lease cancellation in 2011 of \$410,828 and the loss of approximately \$400,000 in annual revenue associated with the lease. All other revenues remained relatively constant from 2011 to 2012.

PROPRIETARY FUND EXPENSES

	<u>2012</u>	<u>2011</u>
Expenses:		
Amortization of bond issue costs	\$ 53,521	\$ 53,521
Amortization of deferred refunding loss	159,079	159,079
Building operations	477,202	537,556
Bad debt expense	211,788	-
Depreciation and amortization expense	393,816	406,596
Miscellaneous expense	341,922	157,562
Interest expense	1,780,037	1,949,184
Transfer to primary government	<u>850,000</u>	<u>3,000,000</u>
Total Expenditures	<u>\$ 4,267,365</u>	<u>\$ 6,263,498</u>

Expenses decreased from 2011 to 2012 due mainly to the decrease in the contribution that the Economic Development Fund made to Allegheny County. Approximately \$2 million less was contributed in 2012 than 2011. Interest expense also decreased for each fund as a result of less principal outstanding on debt to accrue interest.

Management's Discussion and Analysis
December 31, 2012

GOVERNMENTAL FUND BALANCES AND PROPRIETARY FUND NET ASSETS

Ending balances for governmental funds and net assets for proprietary funds at December 31, 2012 and 2011 were as follows:

Fund	2012 Governmental Funds	2011 Governmental Funds	2012 Proprietary Funds	2011 Proprietary Funds
General Fund	\$ 11,962,706	\$ 9,459,357	\$ -	\$ -
Home Improvement Loan Fund	3,529,024	3,586,928	-	-
Community Infrastructure				
Tourism Board	14,945,743	7,567,847	-	-
Hurricane Ivan Fund	(202,208)	(225,785)	-	-
Economic Development Fund	-	-	16,523,704	14,332,017
200 Industry Drive Fund	-	-	(2,416,722)	(2,126,011)
Section 108 Loan Fund	-	-	-	-
Total	<u>\$ 30,235,265</u>	<u>\$ 20,388,347</u>	<u>\$ 14,106,982</u>	<u>\$ 12,206,006</u>

The reasons for the changes in governmental fund balances and proprietary fund net position are explained above in the governmental funds revenues and expenditures and the proprietary fund revenues and expenses sections.

ECONOMIC CONDITIONS AND NEXT YEAR'S BUDGET

Current year's CITF 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 affected the Economic Development Fund as the collectability of 3 outstanding loans is uncertain due to entities not being able to repay their obligations on the loans. However the remaining loans are current and we don't anticipate any additional write offs of EDF 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 POSITION
DECEMBER 31, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 24,790,442	\$ 1,026,107	\$ 25,816,549
Intergovernmental receivables	9,589,376	-	9,589,376
Current portion of loans receivable	-	1,082,376	1,082,376
Miscellaneous receivables	72,500	-	72,500
Land inventory	5,834,200	-	5,834,200
Other assets	10,000	138,858	148,858
Restricted funds:			
Cash and cash equivalents	5,864,294	642,102	6,506,396
Investments	2,026,430	5,677,203	7,703,633
Capital assets: (Net)			
Non-depreciable	-	1,528,300	1,528,300
Depreciable	-	3,494,839	3,494,839
Loans receivable, net	4,880,231	19,441,957	24,322,188
Bond issue costs, net of amortizations	-	281,864	281,864
Other noncurrent assets	-	1,441,337	1,441,337
Total Assets	<u>\$ 53,067,473</u>	<u>\$ 34,754,943</u>	<u>\$ 87,822,416</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 3,661,392	\$ 185,133	\$ 3,846,525
Other liabilities	54,317	-	54,317
Unearned revenues	371,776	253,560	625,336
Interest payable	-	451,487	451,487
Internal balances	8,557,121	(8,557,121)	-
Due to primary government	182,908	-	182,908
Current portion of long-term debt	-	3,948,416	3,948,416
Noncurrent liabilities			
Long-term debt	-	24,366,486	24,366,486
Total Liabilities	<u>12,827,514</u>	<u>20,647,961</u>	<u>33,475,475</u>
<u>Net Position</u>			
Investment in Capital Assets, Net of Related Debt	-	1,453,964	1,453,964
Restricted Net Position			
Program Purposes	21,574,757	16,523,704	38,098,461
Unrestricted (Deficit)	18,665,202	(3,870,686)	14,794,516
Total Net Position	<u>\$ 40,239,959</u>	<u>\$ 14,106,982</u>	<u>\$ 54,346,941</u>

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, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
General Government	\$ 798,377	\$ -	\$ -	(798,377)	\$ -	(798,377)
Community development	32,033,729	636,537	42,764,409	11,367,217	-	11,367,217
Total Governmental Activities	32,832,106	636,537	42,764,409	10,568,840	-	10,568,840
Business-Type Activities:						
Lending program	2,242,730	443,559	-	-	(1,799,171)	(1,799,171)
Rental activity	1,174,635	883,922	-	-	(290,713)	(290,713)
Total Business-Type Activities	3,417,365	1,327,481	-	-	(2,089,884)	(2,089,884)
Total Primary Government	\$ 36,249,471	\$ 1,964,018	\$ 42,764,409	\$ 10,568,840	\$ (2,089,884)	\$ 8,478,956
General Revenues:						
RAD tax revenues				-	4,840,858	4,840,858
Investment earnings				40,655	2	40,657
Transfer to primary government				-	(850,000)	(850,000)
Miscellaneous				186,987	-	186,987
Total General Revenues				227,642	3,990,860	4,218,502
Change in Net Position				10,796,482	1,900,976	12,697,458
Net Position - Beginning				29,443,477	12,206,006	41,649,483
Net Position - Ending				\$ 40,239,959	\$ 14,106,982	\$ 54,346,941

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

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General Fund	The Allegheny County Home Improvement Loan Program	Community Infrastructure and Tourism Board	Hurricane Ivan	Total Governmental Funds
<u>Assets</u>					
Cash and cash equivalents	\$ 9,678,096	\$ -	\$ 15,112,346	\$ -	\$ 24,790,442
Restricted funds:					
Cash and cash equivalents	3,099,990	1,692,671	-	1,071,633	5,864,294
Investments	-	2,026,430	-	-	2,026,430
Receivables:					
Intergovernmental	9,589,376	-	-	-	9,589,376
Other	72,500	-	-	-	72,500
Loans	967,502	3,343,893	450,000	118,836	4,880,231
Due from other funds	69,678	-	-	-	69,678
Other assets	10,000	-	-	-	10,000
Total assets	\$ 23,487,142	\$ 7,062,994	\$ 15,562,346	\$ 1,190,469	\$ 47,302,951
<u>Liabilities</u>					
Accounts Payable	\$ 1,756,752	\$ 16,768	\$ 495,195	\$ 1,392,677	\$ 3,661,392
Due to other funds	8,563,050	63,749	-	-	8,626,799
Due to primary government	61,500	-	121,408	-	182,908
Deferred revenues	1,093,034	3,449,236	-	-	4,542,270
Other liabilities	50,100	4,217	-	-	54,317
Total liabilities	11,524,436	3,533,970	616,603	1,392,677	17,067,686
<u>Fund Balances</u>					
Restricted	3,099,990	3,529,024	14,945,743	-	21,574,757
Assigned	8,414,916	-	-	-	8,414,916
Unassigned	447,800	-	-	(202,208)	245,592
Total fund balances (deficits)	11,962,706	3,529,024	14,945,743	(202,208)	30,235,265
Total liabilities and fund balances	\$ 23,487,142	\$ 7,062,994	\$ 15,562,346	\$ 1,190,469	\$ 47,302,951

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 POSITION
 DECEMBER 31, 2012

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

Total fund balances of governmental funds	\$ 30,235,265
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 position 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.	<u>4,170,494</u>
Total net position of governmental activities	<u>\$ 40,239,959</u>

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, 2012

	General Fund	The Allegheny County Home Improvement Loan Program	Community Infrastructure and Tourism Board	Hurricane Ivan	Total Governmental Funds
Revenues					
Intergovernmental revenue	\$ 29,401,739	\$ -	\$ 13,200,000	\$ -	\$ 42,601,739
Nongovernmental grant revenues	162,670	-	-	-	162,670
Loan repayments	170,000	397,065	-	-	567,065
Fee income	345,686	-	5,950	-	351,636
Tax increment financing fee	284,901	-	-	-	284,901
Interest and other revenue	123,393	36,996	9,724	57,529	227,642
Total Revenues	30,488,389	434,061	13,215,674	57,529	44,195,653
Expenditures					
Community Development:					
Administration	573,641	-	100,189	-	673,830
Project Costs	27,348,105	464,864	5,737,589	-	33,550,358
Other	63,294	27,301	-	33,952	124,547
Total Expenditures	27,985,040	491,965	5,837,778	33,952	34,348,735
Net change in fund balance	2,503,349	(57,904)	7,377,896	23,577	9,846,918
Fund balance (deficit),					
Beginning of year	9,459,357	3,586,928	7,567,847	(225,785)	20,388,347
End of year	\$ 11,962,706	\$ 3,529,024	\$ 14,945,743	\$ (202,208)	\$ 30,235,265

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, 2012

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

Net Change in fund balances - total governmental funds	\$ 9,846,918
Principal paid on loans that was recorded as income on the fund statements	(567,065)
New Loans that had been expended in the fund statements	<u>1,516,629</u>
Changes in net position of governmental activities	<u>\$ 10,796,482</u>

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

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012

Assets	Economic Development Fund	200 Industry Drive Fund	Section 108 Loan Fund	Total
Current Assets:				
Cash and cash equivalents	\$ 18,245	\$ 1,007,862	\$ -	\$ 1,026,107
Current portion of loans receivable	1,082,376	-	-	1,082,376
Due from other funds	8,563,050	-	-	8,563,050
Prepaid expenses and other current assets	-	138,858	-	138,858
Total current assets	9,663,671	1,146,720	-	10,810,391
Trusted Funds:				
Cash and cash equivalents	560,013	-	82,089	642,102
Investments	5,677,203	-	-	5,677,203
Capital Assets:				
Nondepreciable	-	1,528,300	-	1,528,300
Depreciable, net of accumulated depreciation	-	3,494,839	-	3,494,839
Other noncurrent assets	1,441,337	-	-	1,441,337
Long-term interfund advance	4,988,697	-	-	4,988,697
Long-term notes receivable, net	13,852,957	-	5,589,000	19,441,957
Bond issue cost, net of amortization	281,864	-	-	281,864
Total noncurrent assets	26,802,071	5,023,139	5,671,089	37,496,299
Total assets	36,465,742	6,169,859	5,671,089	48,306,690
Liabilities				
Current liabilities:				
Accounts payable	\$ 80,264	\$ 22,780	\$ 82,089	\$ 185,133
Unearned revenue	253,560	-	-	253,560
Accrued interest payable	451,487	-	-	451,487
Due to other funds	-	5,929	-	5,929
Current portion of long-term debt	3,545,000	185,416	218,000	3,948,416
Total current liabilities	4,330,311	214,125	300,089	4,844,525
Noncurrent liabilities:				
Long-term interfund advance	-	4,988,697	-	4,988,697
Long-term debt	15,611,727	3,383,759	5,371,000	24,366,486
Total noncurrent liabilities	15,611,727	8,372,456	5,371,000	29,355,183
Total liabilities	19,942,038	8,586,581	5,671,089	34,199,708
Net Position				
Invested in Capital Assets, net of				
Related Debt	-	1,453,964	-	1,453,964
Restricted	16,523,704	-	-	16,523,704
Unrestricted	-	(3,870,686)	-	(3,870,686)
Total net position (deficit)	16,523,704	(2,416,722)	-	14,106,982
Total liabilities and net position	\$ 36,465,742	\$ 6,169,859	\$ 5,671,089	\$ 48,306,690

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 POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Economic Development Fund	200 Industry Drive Fund	Section 108 Loan Fund	Total
Operating Revenues				
Loan fees	\$ 57,516	\$ -	\$ -	\$ 57,516
Loan interest	386,043	-	-	386,043
Investment income	-	2	-	2
Rental income	-	812,900	-	812,900
Other Revenue	-	71,022	-	71,022
Total Operating Revenues	<u>443,559</u>	<u>883,924</u>	<u>-</u>	<u>1,327,483</u>
Operating Expenses				
Amortization of bond issue costs	53,521	-	-	53,521
Amortization of deferred refunding loss	159,079	-	-	159,079
Provision for bad debts	211,788	-	-	211,788
Building operations	-	477,202	-	477,202
Depreciation and amortization expense	-	393,816	-	393,816
Miscellaneous expense	341,922	-	-	341,922
Total Operating Expenses	<u>766,310</u>	<u>871,018</u>	<u>-</u>	<u>1,637,328</u>
Operating Income (Loss)	(322,751)	12,906	-	(309,845)
Nonoperating Revenues (Expenses)				
RAD tax revenues	4,840,858	-	-	4,840,858
Interest expense	(1,476,420)	(303,617)	-	(1,780,037)
Transfer to primary government	(850,000)	-	-	(850,000)
Total Nonoperating Revenues (Expenses)	<u>2,514,438</u>	<u>(303,617)</u>	<u>-</u>	<u>2,210,821</u>
Changes in Net Position	2,191,687	(290,711)	-	1,900,976
Net Position (Deficit) - Beginning of Year	<u>14,332,017</u>	<u>(2,126,011)</u>	<u>-</u>	<u>12,206,006</u>
Net Position (Deficit) - End of Year	<u>\$ 16,523,704</u>	<u>\$ (2,416,722)</u>	<u>\$ -</u>	<u>\$ 14,106,982</u>

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

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Economic Development Fund	200 Industry Drive Fund	Section 108 Loan Fund	Total
Cash flows from operating activities				
Cash received from customers	\$ 443,559	\$ 814,163	\$ -	\$ 1,257,722
Cash paid for goods and services	(271,553)	(472,399)	(169,845)	(913,797)
Net cash provided by operating activities	<u>172,006</u>	<u>341,764</u>	<u>(169,845)</u>	<u>343,925</u>
Cash flows from investing activities				
Interest income		2	-	2
Loan disbursed	(796,982)	-	-	(796,982)
Principal repayments on loans	2,772,911	-	-	2,772,911
Net cash provided by (used in) investing activities	<u>1,975,929</u>	<u>2</u>	<u>-</u>	<u>1,975,931</u>
Cash flows from noncapital and related financing activities				
Receipts from governmental agencies	4,800,983	-	-	4,800,983
Long-term advance disbursement/(receipt)	(7,290)	7,290	-	-
Transfer to primary government	(850,000)	-	-	(850,000)
Interest paid	(1,569,912)	(303,617)	-	(1,873,529)
Repayment of bonds/mortgage	(3,345,000)	(171,861)	-	(3,516,861)
Net cash used in financing activities	<u>(971,219)</u>	<u>(468,188)</u>	<u>-</u>	<u>(1,439,407)</u>
Net increase (decrease) in cash and cash equivalents	1,176,716	(126,422)	(169,845)	880,449
Beginning cash and cash equivalents	5,078,745	1,134,284	251,934	6,464,963
Ending cash and cash equivalents	<u>\$ 6,255,461</u>	<u>\$ 1,007,862</u>	<u>\$ 82,089</u>	<u>\$ 7,345,412</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ (322,751)	\$ 12,906	\$ -	\$ (309,845)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization	-	393,816	-	393,816
Bad Debt Expense	211,788	-	-	211,788
Investment income	-	(2)	-	(2)
Amortization of bond issue costs	53,521	-	-	53,521
Amortization of deferred refunding loss	159,079	-	-	159,079
Decrease (increase) in assets				
Accounts receivable, net of allowances	-	(67,775)	-	(67,775)
Prepaid expenses	-	(429)	-	(429)
Increase (decrease) in liabilities				
Accounts payable	70,369	5,232	(169,845)	(94,244)
Deferred revenue	-	(1,984)	-	(1,984)
Net cash provided by (used in) operating activities	<u>\$ 172,006</u>	<u>\$ 341,764</u>	<u>\$ (169,845)</u>	<u>\$ 343,925</u>

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

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 position 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, 2012

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 position.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

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 and 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.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

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

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

The Authority currently reports the following major proprietary funds:

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 Position 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, 2012, 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, 2012

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, 2012

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 Position/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. The Authority had no fund balances under this classification at year end.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

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

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

10. Net Position/Fund Balances (Continued)

• *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. At year end, the General Fund had \$3,099,990 of restricted fund balance that is to be used as matching funds for redevelopment of the former UPMC Braddock hospital site. The Home Improvement Loan Fund had \$3,529,024 of restricted fund balance to be used for Home Improvement Loans. The Community Infrastructure and Tourism Board Fund had \$14,945,743 of restricted fund balance that is to be used for economic development and infrastructure projects. Of this amount, \$11,995,403 has already been allocated to specific projects.

• *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, 2012.

• *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 includes \$8,414,916 in the General Fund that is assigned for specific projects.

• *Unassigned*: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of \$(202,208) in the Hurricane Ivan Fund.

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 position presentation. Net position 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 position. 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.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

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

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

10. Net Position/Fund Balances (Continued)

- *Restricted Net Position* – 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 Position* – This category represents net assets of the Authority, not restricted for any project or other purpose.

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.

13. Adoption of Governmental Accounting Standards Board Statements

In December 2009 the GASB issued Statement No. 57, "*OPEB Measurements by Agent Employers and Agent Multiple-Employers Plans.*" The adoption of this statement had no effect on the financial reporting information of the Authority.

In December 2011, the GASB issued Statement No. 60, "*Accounting and Financial Reporting for Service Concession Arrangements.*" The adoption of this statement had no effect on the financial reporting information of the Authority.

In December 2011 the GASB issued Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*" The adoption of this statement had no effect on the financial reporting information of the Authority.

In June 2012, the GASB issued Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*" The adoption of this statement resulted in new terminology for the Government Wide Statement of Net Position."

In June 2012 the GASB issued Statement No. 64, "*Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53.*" 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, 2012

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 2011 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 March 2012, The GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Authority is required to adopt statement No. 65 for its calendar year 2013 financial statements.

In March 2012, The GASB issued Statement No. 66, *Technical Corrections-2012 An Amendment of GASB Statements No. 10 and No. 62*. The Authority is required to adopt statement No. 66 for its calendar year 2013 financial statements.

In June 2012, The GASB issued Statement No. 67, *Financial Reporting for Pension Plans-an Amendment of GASB Statement No 25*. The Authority is required to adopt statement No. 67 for its calendar year 2013 financial statements.

In June 2012, The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pension- an Amendment of GASB Statement No. 27*. The Authority is required to adopt statement No. 68 for its calendar year 2014 financial statements.

In January 2013, The GASB issued Statement No. 69 *Government Combinations and Disposals of Government Operations*. The Authority is required to adopt statement No. 69 for its calendar year 2014 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, 2012, \$31,706,084 of the Authority's bank balance of \$32,706,084 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 Authority's deposits were \$32,322,945.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

In addition to the deposits noted above, the Authority holds short-term investments of mutual funds totaling \$7,703,633.

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, 2012, the Authority had investments of \$7,703,633 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 from 0% to 5%, with terms from one to twenty years. The carrying value of HILP loans receivable, as of December 31, 2012, is \$3,449,237 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 5.5% and with terms ranging from 10 years to 20 years. The loan amounts range from approximately \$100,000 to approximately \$2,500,000. Total EDF loans receivable outstanding at December 31, 2012 are \$17,954,704 and are reported on the statement of net assets- proprietary funds, net of an allowance for loan losses of \$3,019,371.

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 2012. As of December 31, 2012, 3 month LIBOR was .31050%. The Section 108 loans receivable outstanding at December 31, 2012 are \$5,589,000.

The General Fund Loan is a loan to carry out cleanup activities at Brownfields sites in Allegheny County. The loan was given to a single borrower in 2010. The original amount of the loan was \$1,000,000 bearing an interest rate of 2.109% with principal payments beginning on June 1, 2012. The carrying value of the loan, as December 31, 2012, is \$967,502.

The Authority also has \$568,836 of loans receivable in other loan programs.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

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, 2012 is as follows:

	Balance at January 1, 2012	Additions	Deletions	Balance at December 31, 2012
Non Depreciable Land	\$ 1,528,300	\$ -	\$ -	\$ 1,528,300
Depreciable: Buildings and Tenant Improvements	<u>5,489,223</u>	<u>-</u>	<u>-</u>	<u>5,489,223</u>
Less: Accumulated Depreciation	<u>(1,600,568)</u>	<u>(393,816)</u>	<u>-</u>	<u>(1,994,384)</u>
	<u>\$ 5,416,955</u>	<u>\$ (393,816)</u>	<u>\$ -</u>	<u>\$ 5,023,139</u>

Depreciation expense was \$393,816 for the year ended December 31, 2012.

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.

The 1999 Bonds maturing on or after September 1, 2011 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.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)

<u>Date of Redemption</u>	<u>Redemption Price</u>
September 1, 2009- August 31, 2011	102%
September 1, 2011- August 31, 2012	101%
September 1, 2012 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, 2012, 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, 2012, the interest rate is 8.31% and the outstanding principal balance is \$3,569,175.

Changes in long-term debt for the year ended December 31, 2012 are shown on the next page.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)

	Outstanding Balance as of January 1, 2012	Additions	Deletions	Outstanding Balance as of December 31, 2012	Due Within One Year
Business-Type Activities					
G.O. Bonds	\$ 22,900,000	\$ -	\$ (3,345,000)	\$ 19,555,000	\$ 3,545,000
Mortgage Payable	3,741,036	-	(171,861)	3,569,175	185,416
Section 108 Loans	5,799,000	-	(210,000)	5,589,000	218,000
Business-Type Activities Long-Term Liabilities	<u>\$ 32,440,036</u>	<u>\$ -</u>	<u>\$ (3,726,861)</u>	<u>\$ 28,713,175</u>	<u>\$ 3,948,416</u>
				\$ 78,964	
				(477,237)	
				(3,948,416)	
				<u>\$ 24,366,486</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
2013	\$ 3,948,416	\$ 1,755,787	\$ 5,704,203
2014	4,188,424	1,516,191	5,704,615
2015	4,449,815	1,261,069	5,710,884
2016	2,317,707	662,815	2,980,522
2017	2,493,231	818,344	3,311,575
2018-2022	7,542,666	1,629,947	9,172,613
2023-2025	3,772,916	212,596	3,985,512
Total	<u>\$ 28,713,175</u>	<u>\$ 7,856,749</u>	<u>\$ 36,569,924</u>

NOTE 7: COMMITMENTS

As of December 31, 2012, the Authority's proprietary funds had outstanding commitments of \$2,925,164 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 2012 were approximately \$300,000. The County also provides administrative services to the Authority's CITB.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

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 2012, the Authority paid \$22,330 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, 2012, the loan has an outstanding balance of \$1,201,033.

In fiscal year 2008, the Authority approved the issuance of an additional EDF loan to the Allegheny County Airport Authority. The loan bears an annual interest rate of 4% for a period of 12 months. As of December 31, 2012 the loan has an outstanding balance of \$898,408.

As discussed in Footnote 14- 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.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

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, 2012 was approximately \$86 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, 2012 consisted of:

Fund	Interfund Receivable	Interfund Payable
Major Funds:		
General	\$ 69,678	\$ 8,563,050
IMPAC	-	63,749
Enterprise Funds:		
Economic Development Fund	13,551,747	-
200 Industry Drive	-	4,994,626
Total	<u>\$ 13,621,425</u>	<u>\$ 13,621,425</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, 2012

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, 2012 the full \$6,000,000 of loans had been made from these proceeds, and \$5,589,000 of loans remain outstanding at year end.

RIDC is currently required to make interest payments on the outstanding loan balance at a rate of 3 month LIBOR plus 50 basis points. . As of year end, 3 month LIBOR was .31050%. The Authority is permitted to retain 30 basis points as income along with a \$60,000 originations fee paid by the borrower. RIDC began making principal payments in 2012 to correspond with the Authority's obligation to HUD. The required principal payments schedule was established by HUD and includes a final balloon payment of \$2,314,000 due on August 1, 2025.

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 were drawn down by the Authority and granted to RIDC as with the Section 108 loan funds. \$538,249 of the grant funds were retained by the Authority to reimburse the General Fund for debt service payments made before RIDC began making the payments. Grant funds are to be disbursed in a ratio not less than \$1 of grant funds for every \$3 of loan funds disbursed.

NOTE 15: ECONOMIC DEPENDENCY

The Authority relies on grants from governmental agencies to fund a significant portion of the operations of the Authority's Governmental Funds. During 2012 grants represented \$42,764,409 or 96.8% of total revenues in the Governmental Funds. If these grants were to cease the Authority would not be able to sustain its current level of operations.

NOTE 16: DEFICIT NET POSITION

The 200 Industry Drive Fund has an unrestricted net deficit of \$3,870,686. The deficit is due primarily to the long-term interfund loan that is owed to the Economic Development Fund.