

**Allegheny County
Industrial Development Authority
(A Component Unit of Allegheny County, Pennsylvania)**

Financial Statements
and Required Supplementary Information
and Supplementary Information

Year Ended December 31, 2019
with Independent Auditor's Report

MaherDuessel

Pursuing the profession while promoting the public good©
www.md-cpas.com

**ALLEGHENY COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY**

YEAR ENDED DECEMBER 31, 2019

TABLE OF CONTENTS

Independent Auditor's Report

Management's Discussion and Analysis i-v

Financial Statements:

Statement of Net Position	1
Statement of Revenues, Expenses, and Changes in Net Position	2
Statement of Cash Flows	3
Notes to Financial Statements	4

Supplementary Information:

Other Enterprise Funds:	
Combining Statement of Net Position	11
Combining Statement of Revenues, Expenses, and Changes in Net Position	12
Combining Statement of Cash Flows	13

Independent Auditor's Report

**Board of Directors
Allegheny County Industrial
Development Authority**

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Allegheny County Industrial Development Authority (IDA), a component unit of Allegheny County, Pennsylvania as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Authority as of December 31, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Authority's basic financial statements. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to

the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Adjustments to Prior Period Financial Statements

The financial statements of the Authority as of December 31, 2018 were audited by other auditors whose report, dated March 20, 2019, expressed an unmodified opinion on those statements. As discussed in Note 2, the Authority has restated its December 31, 2018 financial statements during the current year to properly reflect a grant to the Redevelopment Authority of Allegheny County (RAAC) that was incorrectly recorded as an intergovernmental receivable, in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the December 31, 2018 financial statements before the restatement.

In our opinion, the adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2018 financial statements of the IDA other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2018 financial statements as a whole.

Maheer Duessel

Pittsburgh, Pennsylvania
March 20, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Allegheny County Industrial Development Authority's (Authority) Management's Discussion and Analysis is designated to provide an overview of the Authority's financial activities for the year ended December 31, 2019 and should be read in conjunction with the Authority's financial statements, which begin on page 1.

Financial Highlights

- The Authority's net position increased by approximately \$92,000 during the current year.
- Net position as of December 31, 2018 was restated with a decrease of \$823,112 related to a grant to the Redevelopment Authority of Allegheny county (RAAC) that was incorrectly recorded as an intergovernmental receivable.
- The Authority has approximately \$3.7 million in restricted net position available to fund development throughout the County of Allegheny by issuing loans to eligible individuals and organizations.
- The Authority continues to provide access to capital markets through its conduit debt program.

Overview of the Financial Statements

This Management's Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of two components: 1) fund financial statements and 2) notes to financial statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Authority's funds are proprietary funds.

The Statement of Net Position, found on page 1, provides information about the Authority's financial position of the various enterprise funds using the accrual basis of accounting. It includes all of the Authority's assets and liabilities and indicates which assets, if any, are restricted as to use. Under the accrual basis of accounting, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

The Statement of Revenues, Expenses, and Changes in Net Position, on page 2, reports all of the Authority's earnings and expenses by business-type activity using the accrual basis of accounting.

The Statement of Cash Flows, on page 3, indicates how much cash was provided and used by operating activities as well as other cash sources and uses such as investing and financing activities.

Proprietary Funds

The Authority maintains one type of proprietary fund. Enterprise funds are used to report activities that are intended to recover all or a significant portion of their costs through user fees and charges.

The Authority maintains nine individual enterprise funds. Information is presented separately in the proprietary funds' statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows for the Administrative Fund, Small Business Distressed Communities, Mon Valley Revolving Loan Program, Allegheny County UP ARC Program, and Allegheny County EDA Program, which are considered to be major funds. Data from the other four enterprise funds are combined into a single aggregated presentation. Individual fund data for each of these non-major proprietary funds is provided in the form of combining statements elsewhere in this report.

Notes to Financial Statements

The notes, which begin on page 4, provide additional information that is essential to a full understanding of data provided in the fund financial statements.

Other Information

The combining statements referred to earlier in connection with non-major proprietary funds are presented immediately following the Notes to Financial Statements. Combining and individual fund statements can be found on pages 11-13.

Analysis of Net Position

Net position is a useful indicator of a government's financial position. For the Authority, total assets were greater than liabilities by \$4,103,895 for the year ended December 31, 2019 and \$4,005,641 for the year ended December 31, 2018 (as restated).

Condensed Statements of Net Position

The following is a summary of the Authority's Statements of Net Position as of December 31, 2019 and 2018:

	2019	2018	Change
Assets			
Cash	\$ 2,930,025	\$ 3,094,710	\$ (164,685)
Loans receivable	1,213,390	952,145	261,245
Other	25,042	48,493	(23,451)
Total Assets	4,168,457	4,095,348	73,109
Liabilities			
Accounts payable/accrued expenses	70,897	71,091	(194)
Unearned revenue	-	18,616	(18,616)
Total Liabilities	70,897	89,707	(18,810)
Net Position			
Restricted	3,720,136	3,685,014	35,122
Unrestricted	377,424	320,627	56,797
Total Net Position	\$ 4,097,560	\$ 4,005,641	\$ 91,919

Approximately 91% of the Authority's net position is restricted by outside parties for specific purposes, primarily lending.

Changes in Net Position

The Authority's net position increased by \$91,919 for the year ended December 31, 2019 and increased by \$44,702 for the year ended December 31, 2018. During the current year, 89.4% of the Authority's operating revenue came from administrative fees, 9.7% from loan interest, and 1.0% from other sources. During the prior year, 79.4% of the Authority's operating revenue came from administrative fees, 13.0% from loan interest, and 7.6% from other sources.

The following summarizes the Authority's Statements of Revenues, Expenses, and Changes in Net Position for the years ended December 31, 2019 and 2018.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2019	2018	Change
Operating Revenues:			
Administrative fees	\$ 191,027	\$ 144,252	\$ 46,775
Loan interest	20,651	23,542	(2,891)
Other operating revenues	2,053	13,940	(11,887)
Total operating revenues	<u>213,731</u>	<u>181,734</u>	<u>31,997</u>
Operating Expenses:			
Program expense	44,582	61,955	(17,373)
Professional fees	32,841	31,347	1,494
Other operating costs	4,639	13,508	(8,869)
Payment to Allegheny County	100,000	100,000	-
Total operating expenses	<u>182,062</u>	<u>206,810</u>	<u>(24,748)</u>
Operating Income (Loss)	<u>31,669</u>	<u>(25,076)</u>	<u>56,745</u>
Non-operating Revenues:			
Grant revenue and other	41,916	54,663	(12,747)
Interest revenue	18,334	15,115	3,219
Total non-operating revenues	<u>60,250</u>	<u>69,778</u>	<u>(9,528)</u>
Net Income (Loss)	91,919	44,702	47,217
Net Position:			
Beginning of year, as restated	4,005,641	3,960,939	44,702
End of year	<u>\$ 4,097,560</u>	<u>\$ 4,005,641</u>	<u>\$ 91,919</u>

Financial Analysis of Individual Funds

The following discussion focuses on the Authority's major funds.

The Administrative Fund reported a fund balance of \$377,424, an increase of \$56,797 from the prior year. Administrative fees increased from \$144,252 to \$190,622 as conduit debt was issued in the current year.

The Small Business Distressed Communities Fund reported a fund balance of \$706,507, an increase of \$11,990 from the prior year, primarily due to interest earned on interest earned on outstanding loans.

The Mon Valley Revolving Loan Program reported a fund balance of \$797,192, an increase of \$815 from the prior year, primarily due to interest earned on the fund's cash deposits.

The Allegheny County UPARC Program reported a fund balance of \$701,183, an increase of \$11,859 from the prior year, primarily due to interest earned on the fund's cash deposits.

The Allegheny County EDA Program reported a fund balance of \$948,430, an increase of \$10,493 from the prior year, primarily due to interest earned on interest earned on outstanding loans.

Requests for Information

The financial report is designed to provide an overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Fiscal Manager of Operations; One Chatham Center, Suite 900; 112 Washington Place; Pittsburgh, PA 15219.

**ALLEGHENY COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY**

STATEMENT OF NET POSITION

DECEMBER 31, 2019

	Business-Type Activities - Enterprise Funds						Total
	Administrative Fund	Small Business Distressed Communities	Mon Valley Revolving Loan Program	Allegheny County UPARC Program	Allegheny County EDA Program	Other Enterprise Funds	
Assets							
Current assets:							
Cash and cash equivalents	\$ 426,337	\$ 202,439	\$ 797,192	\$ 701,183	\$ 438,404	\$ 364,470	\$ 2,930,025
Current portion of loans receivable	-	268,000	-	-	109,548	18,000	395,548
Fees receivable	10,616	-	-	-	3,058	-	13,674
Total current assets	436,953	470,439	797,192	701,183	551,010	382,470	3,339,247
Noncurrent assets:							
Loans receivable, net of allowance for loan losses	-	236,068	-	-	397,420	184,354	817,842
Restricted cash and cash equivalents	11,368	-	-	-	-	-	11,368
Total noncurrent assets	11,368	236,068	-	-	397,420	184,354	829,210
Total Assets	\$ 448,321	\$ 706,507	\$ 797,192	\$ 701,183	\$ 948,430	\$ 566,824	\$ 4,168,457
Liabilities and Net Position							
Liabilities:							
Accounts payable and accrued expenses	\$ 70,897	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,897
Total Liabilities	70,897	-	-	-	-	-	70,897
Net Position:							
Restricted	-	706,507	797,192	701,183	948,430	566,824	3,720,136
Unrestricted	377,424	-	-	-	-	-	377,424
Total Net Position	377,424	706,507	797,192	701,183	948,430	566,824	4,097,560
Total Liabilities and Net Position	\$ 448,321	\$ 706,507	\$ 797,192	\$ 701,183	\$ 948,430	\$ 566,824	\$ 4,168,457

See accompanying notes to financial statements.

**ALLEGHENY COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2019

	Business-Type Activities - Enterprise Funds						Total
	Administrative Fund	Small Business Distressed Communities	Mon Valley Revolving Loan Program	Allegheny County UPARC Program	Allegheny County EDA Program	Other Enterprise Funds	
Operating Revenues:							
Administrative fees:							
Closing	\$ 49,561	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,561
Annual	128,061	-	-	-	-	-	128,061
Legal	10,000	-	-	-	-	-	10,000
Other	3,000	405	-	-	-	-	3,405
Loan interest	-	11,672	-	-	8,979	-	20,651
Other operating revenues	500	3	-	-	1,550	-	2,053
Total operating revenues	<u>191,122</u>	<u>12,080</u>	<u>-</u>	<u>-</u>	<u>10,529</u>	<u>-</u>	<u>213,731</u>
Operating Expenses:							
Program expense	44,582	-	-	-	-	-	44,582
Professional fees	32,841	-	-	-	-	-	32,841
Other operating costs	4,255	90	72	-	36	186	4,639
Payments to Allegheny County	100,000	-	-	-	-	-	100,000
Total operating expenses	<u>181,678</u>	<u>90</u>	<u>72</u>	<u>-</u>	<u>36</u>	<u>186</u>	<u>182,062</u>
Operating Income (Loss)	<u>9,444</u>	<u>11,990</u>	<u>(72)</u>	<u>-</u>	<u>10,493</u>	<u>(186)</u>	<u>31,669</u>
Non-Operating Revenues (Expenses):							
Investment interest revenue	5,437	-	887	11,859	-	151	18,334
Grant revenue	41,916	-	-	-	-	-	41,916
Total non-operating revenues (expenses)	<u>47,353</u>	<u>-</u>	<u>887</u>	<u>11,859</u>	<u>-</u>	<u>151</u>	<u>60,250</u>
Net Income (Loss)	56,797	11,990	815	11,859	10,493	(35)	91,919
Net Position:							
Beginning of year, as restated	<u>320,627</u>	<u>694,517</u>	<u>796,377</u>	<u>689,324</u>	<u>937,937</u>	<u>566,859</u>	<u>4,005,641</u>
End of year	<u>\$ 377,424</u>	<u>\$ 706,507</u>	<u>\$ 797,192</u>	<u>\$ 701,183</u>	<u>\$ 948,430</u>	<u>\$ 566,824</u>	<u>\$ 4,097,560</u>

See accompanying notes to financial statements.

**ALLEGHENY COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY**

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

	Business-Type Activities - Enterprise Funds						Total
	Administrative Fund	Small Business Distressed Communities	Mon Valley Revolving Loan Program	Allegheny County UPARC Program	Allegheny County EDA Program	Other Enterprise Funds	
Cash Flows From Operating Activities:							
Receipts from customers	\$ 193,097	\$ 408	\$ -	\$ -	\$ 1,550	\$ -	\$ 195,055
Payments for goods and services	(137,096)	-	-	-	-	-	(137,096)
Payroll and related taxes	(44,776)	-	-	-	-	-	(44,776)
Loan disbursed	-	-	-	-	(400,000)	-	(400,000)
Loan principal payments received	-	61,727	-	-	58,988	18,040	138,755
Loan interest received	-	11,672	-	-	8,979	-	20,651
Other operating costs	-	(90)	(72)	-	(36)	(186)	(384)
Net cash provided by (used in) operating activities	<u>11,225</u>	<u>73,717</u>	<u>(72)</u>	<u>-</u>	<u>(330,519)</u>	<u>17,854</u>	<u>(227,795)</u>
Cash Flows From Noncapital and Related Financing Activities:							
Receipts from grantors	<u>23,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,300</u>
Cash Flows From Investing Activities:							
Interest on investments	<u>5,437</u>	<u>-</u>	<u>887</u>	<u>11,859</u>	<u>-</u>	<u>151</u>	<u>18,334</u>
Net Increase (Decrease) in Cash and Cash Equivalents	39,962	73,717	815	11,859	(330,519)	18,005	(186,161)
Cash and Cash Equivalents:							
Beginning of year	<u>397,743</u>	<u>128,722</u>	<u>796,377</u>	<u>689,324</u>	<u>768,923</u>	<u>346,465</u>	<u>3,127,554</u>
End of year	<u>\$ 437,705</u>	<u>\$ 202,439</u>	<u>\$ 797,192</u>	<u>\$ 701,183</u>	<u>\$ 438,404</u>	<u>\$ 364,470</u>	<u>\$ 2,941,393</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:							
Operating income (loss)	\$ 9,444	\$ 11,990	\$ (72)	\$ -	\$ 10,493	\$ (186)	\$ 31,669
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Change in:							
Fees receivable	1,975	-	-	-	-	-	1,975
Accounts payable	(194)	-	-	-	-	-	(194)
Loans receivable	-	61,727	-	-	(341,012)	18,040	(261,245)
Net cash provided by (used in) operating activities	<u>\$ 11,225</u>	<u>\$ 73,717</u>	<u>\$ (72)</u>	<u>\$ -</u>	<u>\$ (330,519)</u>	<u>\$ 17,854</u>	<u>\$ (227,795)</u>

See accompanying notes to financial statements.

ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

1. Organization and Purpose

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

The Authority issues revenue bonds and notes for eligible projects in the County. Each issue is payable from receipts derived by the Authority from the entity on whose behalf the debt was issued; and each issue is secured separately and distinctly. All debt instruments are supported by the credit of the respective institution involved in each individual project. The interest rate, terms of the repayment, and dollar amount of die bonds are matters of direct negotiation between the institution and the bond underwriters.

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

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

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

ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

2. Summary of Significant Accounting Policies

Basis of Accounting

The Authority has various programs that are reported as separate Enterprise Funds. The Authority accounts for its programs on the accrual basis of accounting in accordance with the provisions of the Government Accounting Standards Board (GASB) Statements. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

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

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

The Authority reports the following major proprietary funds:

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

ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

- The Allegheny County UPARC Program (UPARC) is a revolving loan program to assist small businesses with the purchase of equipment and machinery in the promotion of industrial and economic development in the County.
- The Allegheny County EDA Program (EDA) is a revolving loan program which uses Economic Development Administration funds for the promotion of industrial and economic development in the County.

Administrative Fees

The Administrative Fund charges those entities on whose behalf the debt is issued a closing fee at the inception of each issue, and annual fees due on each anniversary of the issue for as long as the issue is outstanding. Borrowers must pay the first annual fee at closing, and then on each anniversary of the issue for as long as the issue is outstanding. Administrative fees are nonrefundable and are recognized as revenue at the time they are due.

Cash and Cash Equivalents

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

Restricted Cash

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

Allowance for Uncollectible Accounts

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

ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Classification of Net Position

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

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

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

Unrestricted - This component of net position consists of assets that do not meet the definition of "restricted" or "net investments in capital assets."

Restatement

Net position as of December 31, 2018 was restated with a decrease of \$823,112 related to a 2004 grant to the Redevelopment Authority of Allegheny County (RAAC) that was incorrectly recorded as an intergovernmental receivable. The grant was awarded to RAAC to assist small businesses adversely affected by Hurricane Ivan in 2004 and the communities surrounding Pittsburgh.

Pending Pronouncements

GASB has issued statements that will become effective in future years including Statement Nos. 87 (Leases), 89 (Accounting for Interest Cost Incurred before the End of a Construction Period), 91 (Conduit Debt Obligations), and 92 (Omnibus 2020). Management has not yet determined the impact of these statements on the financial statements.

ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

3. Administrative Services

The Authority contracts with the Allegheny County Department of Economic Development (ACED) for various administrative support services, including space and personnel. The Authority was required to pay \$100,000 for the year ended December 31, 2019.

4. Deposits and Investments

GASB Statement No, 40, *“Deposits and Investment Risk Disclosures,”* requires disclosures related to the following deposit and investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. The following is a description of the Authority’s deposit and investment risks:

The Authority is authorized to make investments of the following types: (1) United States Treasury bills, (2) short-term obligations of the United States government or its agencies or instrumentalities, (3) deposits in savings accounts or time deposits or share accounts of institutions which are insured, (4) obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political subdivision thereof, and (5) shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the investments of the company meet the criteria in (1) through (4) above.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority does not have a formal deposit policy for custodial credit risk. As of December 31, 2019, \$1,892,210 of the Authority’s bank balance of \$2,142,210 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. These deposits have carrying amounts of \$2,142,098 as of December 31, 2019 and are classified as cash and cash equivalents on the statement of net position.

ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

The Authority also has deposits managed by the Pennsylvania Local Government Investment Trust (PLGIT). These funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical form. The Authority's investment in PLGIT (an external investment pool) is the same as the value of the pool shares and is reported at amortized cost which approximates fair value. All investments in an external investment pool that is not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania. The Authority can withdraw funds from the external investment pool without limitations or fees. As of December 31, 2019, the bank and book balances of the investments in PLGIT are \$799,295 and are classified as cash and cash equivalents on the statement of net position. As of December 31, 2019, the Authority's investments in PLGIT are rated AAAM by Standard & Poor's.

5. Conduit Debt

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

The principal amount outstanding for the debt issued, as of December 31, 2019, is approximately \$423 million.

6. Receivables

The Authority receives an annual administrative fee for each bond series that is outstanding. The fees are recorded in the Administrative Fund. As of December 31, 2019, the fees receivable in the Administrative Fund are \$10,616.

ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

7. Loan Receivable

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

The following is a summary of commercial loans outstanding, not including deferred loans that are recorded at a net zero value, at December 31, 2019:

Program	Number of Loans	Receivable Balance	Allowance for Loan Losses	Net Receivable Balance
Small Business Distressed Communities	5	\$ 504,068	\$ -	\$ 504,068
Development Action Assistance Program	2	402,354	200,000	202,354
Allegheny County EDA	4	506,968	-	506,968
Total	11	\$ 1,413,390	\$ 200,000	\$ 1,213,390

The above loans bear interest at rates ranging from 1.50% to 9% per annum. These loans range in amounts from \$1,000 to \$500,000 and mature through 2029.

8. Economic Dependence

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

SUPPLEMENTARY INFORMATION

**ALLEGHENY COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY**

COMBINING STATEMENT OF NET POSITION - OTHER ENTERPRISE FUNDS

DECEMBER 31, 2019

Assets	Development Action Assistance Program	Port of Pittsburgh Loan Program	MEC	Sanders SELF Loan Program	Total
Current assets:					
Cash and cash equivalents	\$ 113,591	\$ 136,280	\$ 56,057	\$ 58,542	\$ 364,470
Current portion of loans receivable	18,000	-	-	-	18,000
Total current assets	131,591	136,280	56,057	58,542	382,470
Noncurrent assets:					
Loans receivable, net of allowance for loan losses	184,354	-	-	-	184,354
Total Assets	\$ 315,945	\$ 136,280	\$ 56,057	\$ 58,542	\$ 566,824
Liabilities and Net Position					
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Net Position:					
Restricted	315,945	136,280	56,057	58,542	566,824
Total Net Position	315,945	136,280	56,057	58,542	566,824
Total Liabilities and Net Position	\$ 315,945	\$ 136,280	\$ 56,057	\$ 58,542	\$ 566,824

**ALLEGHENY COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY**

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
OTHER ENTERPRISE FUNDS

YEAR ENDED DECEMBER 31, 2019

	Development Action Assistance Program	Port of Pittsburgh Loan Program	MEC	Sanders SELF Loan Program	Total
Operating Revenues:					
Other operating revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Total operating revenues	-	-	-	-	-
Operating Expenses:					
Other operating costs	55	72	24	35	186
Total operating expenses	55	72	24	35	186
Operating Income (Loss)	(55)	(72)	(24)	(35)	(186)
Non-Operating Revenues (Expenses):					
Investment interest revenue	-	151	-	-	151
Total non-operating revenues (expenses)	-	151	-	-	151
Net Income (Loss)	(55)	79	(24)	(35)	(35)
Net Position:					
Beginning of year	316,000	136,201	56,081	58,577	566,859
End of year	\$ 315,945	\$ 136,280	\$ 56,057	\$ 58,542	\$ 566,824

**ALLEGHENY COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY**

COMBINING STATEMENT OF CASH FLOWS - OTHER ENTERPRISE FUNDS

YEAR ENDED DECEMBER 31, 2019

	Development Action Assistance Program	Port of Pittsburgh Loan Program	MEC	Sanders SELF Loan Program	Total
Cash Flows From Operating Activities:					
Loan principal repayments	\$ 18,040	\$ -	\$ -	\$ -	\$ 18,040
Other operating costs	(55)	(72)	(24)	(35)	(186)
Net cash provided by (used in) operating activities	<u>17,985</u>	<u>(72)</u>	<u>(24)</u>	<u>(35)</u>	<u>17,854</u>
Cash Flows From Investing Activities:					
Interest on investments	-	151	-	-	151
Net cash provided by (used in) investing activities	<u>-</u>	<u>151</u>	<u>-</u>	<u>-</u>	<u>151</u>
Net Increase (Decrease) in Cash and Cash Equivalents	17,985	79	(24)	(35)	18,005
Cash and Cash Equivalents:					
Beginning of year	95,606	136,201	56,081	58,577	346,465
End of year	<u>\$ 113,591</u>	<u>\$ 136,280</u>	<u>\$ 56,057</u>	<u>\$ 58,542</u>	<u>\$ 364,470</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:					
Operating income (loss)	\$ (55)	\$ (72)	\$ (24)	\$ (35)	\$ (186)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Loans receivable	18,040	-	-	-	18,040
Net cash provided by (used in) operating activities	<u>\$ 17,985</u>	<u>\$ (72)</u>	<u>\$ (24)</u>	<u>\$ (35)</u>	<u>\$ 17,854</u>