

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

Financial Statements

December 31, 2015



BAKER TILLY

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Redevelopment Authority of Allegheny County

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Independent Auditors' Report

Chairman and Members of the Board
Redevelopment Authority of Allegheny County
(A Component Unit of Allegheny County, Pennsylvania)

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Redevelopment Authority of Allegheny County (the "Authority"), as of and for the year ended December 31, 2015, 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

The Authority's 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.

Auditors' 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. 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 the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Authority, as of December 31, 2015, 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 through 13 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.

Baker Tilly Viechow Krause, LLP

Pittsburgh, Pennsylvania
March 28, 2016

Redevelopment Authority of Allegheny County

Management's Discussion and Analysis (Unaudited)

December 31, 2015

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, 2015. 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. 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 only two are relevant 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.

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The following table 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.

	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 fund 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

Redevelopment Authority of Allegheny County

Management's Discussion and Analysis (Unaudited)

December 31, 2015

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 represents the difference between a governmental entity's total assets, deferred outflows of resources and its total liabilities and deferred inflows of resources. The statement of net position must identify the components of net position, namely (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted 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 revenues (revenue generated specific programs through charges for services, grants and contributions) from general revenues (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 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.

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Management's Discussion and Analysis (Unaudited)

December 31, 2015

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. The principal and interest receipts are considered revenue when they are received. The principal and interest payments are 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.

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 balances 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.

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 remaining at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting.

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Management's Discussion and Analysis (Unaudited)

December 31, 2015

The relationship between governmental activities (reported in the statement of net position 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 \$85,738,364 at December 31, 2015. Of this amount, \$3,926,599 was capital assets.

GASB 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.

	2015 Governmental Activities	2014 Governmental Activities	2015 Business- Type Activities	2014 Business- Type Activities	2015 Total	2014 Total
Capital assets	\$ -	\$ -	\$ 3,926,599	\$ 4,262,059	\$ 3,926,599	\$ 4,262,059
Other assets	50,369,854	45,653,069	31,441,911	32,570,611	81,811,765	78,223,680
Total assets	<u>\$ 50,369,854</u>	<u>\$ 45,653,069</u>	<u>\$ 35,368,510</u>	<u>\$ 36,832,670</u>	<u>\$ 85,738,364</u>	<u>\$ 82,485,739</u>
Current liabilities	\$ 14,989,360	\$ 10,152,109	\$ (4,355,394)	\$ (1,053,857)	\$ 10,633,966	\$ 9,098,252
Long-term liabilities	-	-	13,804,152	16,123,412	13,804,152	16,123,412
Total liabilities	14,989,360	10,152,109	9,448,758	15,069,555	24,438,118	25,221,664
Deferred inflows of resources	-	-	-	-	-	-
Combined liabilities and deferred inflows of resources	<u>\$ 14,989,360</u>	<u>\$ 10,152,109</u>	<u>\$ 9,448,758</u>	<u>\$ 15,069,555</u>	<u>\$ 24,438,118</u>	<u>\$ 25,221,664</u>
Net position, net investment in capital assets	\$ -	\$ -	\$ 967,273	\$ 1,082,403	\$ 967,273	\$ 1,082,403
Restricted net position	23,214,221	21,410,125	29,005,954	24,757,710	52,220,175	46,167,835
Unrestricted net position (deficit)	12,166,273	14,090,835	(4,053,475)	(4,076,998)	8,112,798	10,013,837
Total net position	<u>\$ 35,380,494</u>	<u>\$ 35,500,960</u>	<u>\$ 25,919,752</u>	<u>\$ 21,763,115</u>	<u>\$ 61,300,246</u>	<u>\$ 57,264,075</u>

Redevelopment Authority of Allegheny County

Management's Discussion and Analysis (Unaudited)

December 31, 2015

Change in Net Position

The following statement of activities represents the change in net position for the years ended December 31, 2015 and 2014. It shows revenues by source and expenses by function for governmental activities, business-type activities and the government as a whole.

	2015 Governmental Activities	2014 Governmental Activities	2015 Business- Type Activities	2014 Business- Type Activities	2015 Total	2014 Total
Program Revenues:						
Charges for services	\$ 536,509	\$ 526,257	\$ 1,509,418	\$ 2,965,260	\$ 2,045,927	\$ 3,491,517
Grants and contributions	36,306,499	38,743,475	-	-	36,306,499	38,743,475
General Revenues:						
RAD tax revenues	-	-	4,908,253	4,776,836	4,908,253	4,776,836
Investment earnings	46,145	69,165	-	-	46,145	69,165
Gain on the sale of assets	-	-	-	-	-	-
Miscellaneous revenue	600,610	376,831	-	-	600,610	376,831
Total revenues	<u>\$ 37,489,763</u>	<u>\$ 39,715,728</u>	<u>\$ 6,417,671</u>	<u>\$ 7,742,096</u>	<u>\$ 43,907,434</u>	<u>\$ 47,457,824</u>
Expenses:						
General government, administrative	\$ 1,163,688	\$ 801,651	\$ -	\$ -	\$ 1,163,688	\$ 801,651
Community development	36,446,541	42,682,197	-	-	36,446,541	42,682,197
Lending program	-	-	386,518	266,192	386,518	266,192
Rental activity	-	-	879,706	933,146	879,706	933,146
Interest on long-term debt	-	-	994,810	1,406,279	994,810	1,406,279
Total expenses	<u>\$ 37,610,229</u>	<u>\$ 43,483,848</u>	<u>\$ 2,261,034</u>	<u>\$ 2,605,617</u>	<u>\$ 39,871,263</u>	<u>\$ 46,089,465</u>
Changes in net position	<u>\$ (120,466)</u>	<u>\$ (3,768,120)</u>	<u>\$ 4,156,637</u>	<u>\$ 5,136,479</u>	<u>\$ 4,036,171</u>	<u>\$ 1,368,359</u>
Net position, January 1	<u>\$ 35,500,960</u>	<u>\$ 39,269,080</u>	<u>\$ 21,763,115</u>	<u>\$ 16,626,636</u>	<u>\$ 57,264,075</u>	<u>\$ 55,895,716</u>
Net position, December 31	<u>\$ 35,380,494</u>	<u>\$ 35,500,960</u>	<u>\$ 25,919,752</u>	<u>\$ 21,763,115</u>	<u>\$ 61,300,246</u>	<u>\$ 57,264,075</u>

Redevelopment Authority of Allegheny County

Management's Discussion and Analysis (Unaudited)

December 31, 2015

Net Program Expenses

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

	<u>2015 Total Cost of Services</u>	<u>2014 Total Cost of Services</u>	<u>2015 Net Cost of Services</u>	<u>2014 Net Cost of Services</u>
Program:				
General government	\$ 1,163,688	\$ 801,651	\$ (1,163,688)	\$ (801,651)
Community development	36,446,541	42,682,197	396,467	(3,412,465)
Lending program	1,126,180	1,399,812	(660,009)	649,010
Rental activity	<u>1,134,854</u>	<u>1,205,805</u>	<u>(91,607)</u>	<u>(289,367)</u>
Total	<u>\$ 39,871,263</u>	<u>\$ 46,089,465</u>	<u>\$ (1,518,837)</u>	<u>\$ (3,854,473)</u>

The Authority did not rely on taxes and other general revenues to fund any portion of its governmental or business-type activities in 2015 or 2014.

Capital Assets

The Authority's investment in capital assets at December 31, 2015, net of accumulated depreciation was \$3,926,599. Capital assets consist primarily of land, buildings and equipment. The following is a summary of capital assets at December 31, 2015 and 2014:

	<u>2015 Governmental Activities</u>	<u>2014 Governmental Activities</u>	<u>2015 Business-type Activities</u>	<u>2014 Business-type Activities</u>	<u>2015 Total</u>	<u>2014 Total</u>
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	<u>-</u>	<u>-</u>	<u>(3,090,924)</u>	<u>(2,755,464)</u>	<u>(3,090,924)</u>	<u>(2,755,464)</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,926,599</u>	<u>\$ 4,262,059</u>	<u>\$ 3,926,599</u>	<u>\$ 4,262,059</u>

Detailed information about the Authority's capital assets can be found in Note 5 to the financial statements.

Redevelopment Authority of Allegheny County

Management's Discussion and Analysis (Unaudited)

December 31, 2015

Debt Administration

At December 31, 2015, the Authority had \$16,122,326 of debt outstanding. Debt decreased 22% from the previous year.

	<u>Amounts Payable as of January 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amounts Payable as of December 31, 2015</u>	<u>Due Within One Year</u>
Business-Type Activities					
General obligation bonds	\$ 12,250,000	\$ -	\$ (3,995,000)	\$ 8,255,000	\$ 1,835,000
Mortgage payable	3,179,656	-	(220,330)	2,959,326	238,174
Section 108 loan	5,144,000	-	(236,000)	4,908,000	245,000
Business-type activities long- term liabilities	<u>\$ 20,573,656</u>	<u>\$ -</u>	<u>\$ (4,451,330)</u>	<u>\$ 16,122,326</u>	<u>\$ 2,318,174</u>

Detailed information on long-term debt can be found at Note 7 to the financial statements.

Governmental Funds

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.

Redevelopment Authority of Allegheny County

Management's Discussion and Analysis (Unaudited)

December 31, 2015

Governmental Fund Revenues

Governmental fund revenues by source for the years ended December 31, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Revenues:		
Intergovernmental revenues	\$ 36,306,499	\$ 38,743,475
Loan repayments	370,313	66,531
Fee income	343,649	284,918
Tax increment financing fee	192,860	241,339
Interest and other revenues	<u>646,755</u>	<u>445,996</u>
Total revenues	<u>\$ 37,860,076</u>	<u>\$ 39,782,259</u>

There are several factors relating to the decrease in revenues from 2014 to 2015. The most significant being intergovernmental revenue decreased approximately \$1.9 million due to a combination of an increase in funding from the Redevelopment Assistance Capital Program ("RACP") and decreases in funding from the Community Development Block Grant ("CDBG"), the Gaming Economic Development and Tourism Fund Grant ("GEDF"), and the Tiger Grant.

Governmental Fund Expenditures

Governmental fund expenditures by function for the years ended December 31, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Expenditures:		
General government, administrative	\$ 692,276	\$ 595,545
Community development	36,584,446	43,069,292
Other	<u>471,412</u>	<u>206,106</u>
Total	<u>\$ 37,748,134</u>	<u>\$ 43,870,943</u>

The decrease in expenditures totaling approximately \$6.1 million in the current year when compared to the prior year is due primarily to a decrease in Federal Funds for the Tiger Grant expenses of \$2.4 million, GEDF grant expenses of \$0.6 million, CDBG grant expenses of \$1.3 million, Community Infrastructure Tourism Fund grant expenses of \$1.5 million and \$0.6 million Department of Community and Economic Development grant expenses.

Redevelopment Authority of Allegheny County

Management's Discussion and Analysis (Unaudited)

December 31, 2015

Proprietary Fund Revenues

Proprietary fund revenues for the years ended December 31, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Revenues:		
Loan fees	\$ 20,041	\$ 18,413
Loan interest	235,756	491,270
Gain on sale of other noncurrent assets	185,628	-
Rental income	850,808	830,177
Other revenue	217,185	1,625,400
RAD tax revenues	<u>4,908,253</u>	<u>4,776,836</u>
 Total	 <u>\$ 6,417,671</u>	 <u>\$ 7,742,096</u>

The net decrease in revenues from 2014 to 2015 was approximately \$1.3 million. This was primarily related to the combination of a reduction in the allowance for loan losses in 2014 due to cash receipts in 2014, and an increase in RAD tax revenues.

Proprietary Fund Expenses

Proprietary fund expenses for the years ended December 31, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Expenses:		
Building operations	\$ 544,246	\$ 561,622
Depreciation and amortization expense	335,460	371,524
Miscellaneous expense	136,150	266,192
Bad debt expense	250,368	-
Interest expense	<u>994,810</u>	<u>1,406,279</u>
 Total	 <u>\$ 2,261,034</u>	 <u>\$ 2,605,617</u>

Total expenses decreased from 2014 to 2015 mainly due to the decrease in interest expense as a result of lower debt balances.

Redevelopment Authority of Allegheny County

Management's Discussion and Analysis (Unaudited)

December 31, 2015

Governmental Fund Balances and Proprietary Fund Net Assets

Ending balances for governmental funds and net assets for proprietary funds at December 31, 2015 and 2014 were as follows:

<u>Fund</u>	<u>2015 Governmental Funds</u>	<u>2014 Governmental Funds</u>	<u>2015 Proprietary Funds</u>	<u>2014 Proprietary Funds</u>
General Fund	\$ 5,514,086	\$ 6,660,912	\$ -	\$ -
Home Improvement Loan Fund	3,749,436	3,734,272	-	-
Community Infrastructure Tourism Board	14,739,159	13,379,004	-	-
Non-Major Governmental Funds	146,175	262,726	-	-
Economic Development Fund	-	-	29,005,954	24,757,710
200 Industry Drive Fund	-	-	(3,086,202)	(2,994,595)
Section 108 Loan Fund	-	-	-	-
Total	<u>\$ 24,148,856</u>	<u>\$ 24,036,914</u>	<u>\$ 25,919,752</u>	<u>\$ 21,763,115</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

Management expects that current year activity will remain consistent in the future. Current economic conditions have affected the Economic Development Fund as the collectability of four outstanding loans is uncertain due to entities not being able to repay their obligations on its outstanding loans. However, these loans are insignificant when compared to the balance of total accounts receivable. 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
Allegheny County Economic Development
Chatham One, Suite 900
112 Washington Place
Pittsburgh, PA 15219

Phone: 412.350.1000

Redevelopment Authority of Allegheny County

Statement of Net Position

December 31, 2015

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
Assets			
Cash and cash equivalents	\$ 17,105,013	\$ 931,645	\$ 18,036,658
Intergovernmental receivables	16,182,965	-	16,182,965
Current portion of loans receivable	-	1,151,643	1,151,643
Miscellaneous receivables	94,978	-	94,978
Land inventory	7,234,200	-	7,234,200
Other assets	-	163,028	163,028
Restricted funds:			
Cash and cash equivalents	3,306,424	9,305,346	12,611,770
Investments	2,011,796	2,885,310	4,897,106
Capital assets, net:			
Non-depreciable	-	1,528,300	1,528,300
Depreciable	-	2,398,299	2,398,299
Loans receivable, net	4,434,478	15,577,972	20,012,450
Other noncurrent assets	-	1,426,967	1,426,967
Total assets	\$ 50,369,854	\$ 35,368,510	\$ 85,738,364
Liabilities and Deferred Inflows of Resources			
Current liabilities:			
Intergovernmental payables	\$ 888,214	\$ -	\$ 888,214
Accounts payable and accrued liabilities	3,618,579	25,877	3,644,456
Other liabilities	9	-	9
Unearned revenues	3,375,449	110,624	3,486,073
Interest payable	-	217,382	217,382
Due to other funds	63,749	15,909	79,658
Internal balances	7,043,360	(7,043,360)	-
Current portion of long-term debt	-	2,318,174	2,318,174
Noncurrent liabilities:			
Long-term debt	-	13,804,152	13,804,152
Total liabilities	14,989,360	9,448,758	24,438,118
Deferred amounts from grants	-	-	-
Combined liabilities and deferred inflows of resources	\$ 14,989,360	\$ 9,448,758	\$ 24,438,118
Net Position			
Net investment in capital assets	\$ -	\$ 967,273	\$ 967,273
Restricted net position program purposes	23,214,221	29,005,954	52,220,175
Unrestricted net position (deficit)	12,166,273	(4,053,475)	8,112,798
Total net position	\$ 35,380,494	\$ 25,919,752	\$ 61,300,246

See notes to the financial statements

Redevelopment Authority of Allegheny County

Statement of Activities

Year Ended December 31, 2015

	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charge for Services	Operating Grants and Contributions	Primary Government		
				Government Activities	Business- Type Activities	Total
Functions/Programs						
Primary government:						
Governmental activities:						
General government	\$ 1,163,688	\$ -	\$ -	\$ (1,163,688)	\$ -	\$ (1,163,688)
Community development	36,446,541	536,509	36,306,499	396,467	-	396,467
Total governmental activities	37,610,229	536,509	36,306,499	(767,221)	-	(767,221)
Business-type activities:						
Lending program	1,126,180	466,171	-	-	(660,009)	(660,009)
Rental activity	1,134,854	1,043,247	-	-	(91,607)	(91,607)
Total business-type activities	2,261,034	1,509,418	-	-	(751,616)	(751,616)
Total primary government	\$ 39,871,263	\$ 2,045,927	\$ 36,306,499	(767,221)	(751,616)	(1,518,837)
General revenues:						
RAD tax revenues				-	4,908,253	4,908,253
Investment earnings				46,145	-	46,145
Miscellaneous				600,610	-	600,610
Total general revenues				646,755	4,908,253	5,555,008
Change in net position				(120,466)	4,156,637	4,036,171
Net Position, Beginning of Year				35,500,960	21,763,115	57,264,075
Net Position, Ending				\$ 35,380,494	\$ 25,919,752	\$ 61,300,246

See notes to the financial statements

Redevelopment Authority of Allegheny County

 Balance Sheet
 Governmental Funds
 December 31, 2015

	<u>General Fund</u>	<u>The Allegheny County Home Improvement Loan Program</u>	<u>Community Infrastructure and Tourism Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 8,651,265	\$ -	\$ 8,453,748	\$ -	\$ 17,105,013
Restricted funds:					
Cash and cash equivalents	107,466	1,842,477	-	1,356,481	3,306,424
Investments	-	2,011,796	-	-	2,011,796
Receivables:					
Intergovernmental	9,582,965	-	6,600,000	-	16,182,965
Other	94,080	898	-	-	94,978
Loans	854,052	3,143,386	436,530	510	4,434,478
	<u>19,289,828</u>	<u>6,998,557</u>	<u>15,490,278</u>	<u>1,356,991</u>	<u>43,135,654</u>
Total assets	<u>\$ 19,289,828</u>	<u>\$ 6,998,557</u>	<u>\$ 15,490,278</u>	<u>\$ 1,356,991</u>	<u>\$ 43,135,654</u>
Liabilities and Deferred Inflows of Resources					
Liabilities:					
Intergovernmental payables	\$ -	\$ -	\$ -	\$ 888,214	\$ 888,214
Accounts payable and accrued expenses	2,639,487	41,977	751,119	185,996	3,618,579
Unearned revenues	4,092,895	3,143,386	-	136,606	7,372,887
Due to other funds	7,043,360	63,749	-	-	7,107,109
Other liabilities	-	9	-	-	9
	<u>13,775,742</u>	<u>3,249,121</u>	<u>751,119</u>	<u>1,210,816</u>	<u>18,986,798</u>
Total liabilities	<u>13,775,742</u>	<u>3,249,121</u>	<u>751,119</u>	<u>1,210,816</u>	<u>18,986,798</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Combined liabilities and deferred inflows of resources	<u>13,775,742</u>	<u>3,249,121</u>	<u>751,119</u>	<u>1,210,816</u>	<u>18,986,798</u>
Fund Balances					
Restricted	4,579,451	3,749,436	14,739,159	146,175	23,214,221
Assigned	501,113	-	-	-	501,113
Unassigned	433,522	-	-	-	433,522
	<u>5,514,086</u>	<u>3,749,436</u>	<u>14,739,159</u>	<u>146,175</u>	<u>24,148,856</u>
Total fund balances	<u>5,514,086</u>	<u>3,749,436</u>	<u>14,739,159</u>	<u>146,175</u>	<u>24,148,856</u>
Total liabilities and fund balances	<u>\$ 19,289,828</u>	<u>\$ 6,998,557</u>	<u>\$ 15,490,278</u>	<u>\$ 1,356,991</u>	<u>\$ 43,135,654</u>

Redevelopment Authority of Allegheny County

Reconciliation of the Balance Sheet of the Governmental Funds to the
Statement of Net Position
December 31, 2015

Amounts reported for governmental activities in the
statement of net position are different because:

Total funds balances of governmental funds \$ 24,148,856

Land inventory is not recorded as an asset in the fund statements 7,234,200

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.

3,997,438

Total net position of governmental activities

\$ 35,380,494

Redevelopment Authority of Allegheny County

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended December 31, 2015

	<u>General Fund</u>	<u>The Allegheny County Home Improvement Loan Program</u>	<u>Community Infrastructure and Tourism Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Intergovernmental revenue	\$ 29,706,499	\$ -	\$ 6,600,000	\$ -	\$ 36,306,499
Loan repayments	45,948	324,365	-	-	370,313
Fee income	339,758	3,891	-	-	343,649
Tax increment financing fee	192,860	-	-	-	192,860
Interest and other revenue	592,028	27,285	27,137	305	646,755
	<u>30,877,093</u>	<u>355,541</u>	<u>6,627,137</u>	<u>305</u>	<u>37,860,076</u>
Total revenues					
Expenditures					
Community development:					
Administration	481,992	148,919	61,365	-	692,276
Project costs	31,187,956	190,873	5,205,617	-	36,584,446
Other	353,971	585	-	116,856	471,412
	<u>32,023,919</u>	<u>340,377</u>	<u>5,266,982</u>	<u>116,856</u>	<u>37,748,134</u>
Total expenditures					
Net change in fund balance	(1,146,826)	15,164	1,360,155	(116,551)	111,942
Fund Balance, Beginning of Year	<u>6,660,912</u>	<u>3,734,272</u>	<u>13,379,004</u>	<u>262,726</u>	<u>24,036,914</u>
Fund Balance, End of Year	<u>\$ 5,514,086</u>	<u>\$ 3,749,436</u>	<u>\$ 14,739,159</u>	<u>\$ 146,175</u>	<u>\$ 24,148,856</u>

See notes to the financial statements

Redevelopment Authority of Allegheny County

Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended December 31, 2015

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

Net change in fund balances, total governmental funds	\$	111,942
Principal paid on loans that was recorded as income on the fund statements		(370,313)
New loans that had been expended in the fund statements		<u>137,905</u>
Changes in net position of governmental activities	\$	<u><u>(120,466)</u></u>

Redevelopment Authority of Allegheny County

Statement of Net Position

Proprietary Funds

December 31, 2015

	Economic Development Fund	200 Industry Drive Fund	Section 108 Loan Fund	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 24,457	\$ 907,188	\$ -	\$ 931,645
Current portion of loans receivable	906,643	-	245,000	1,151,643
Due from other funds	7,043,360	-	-	7,043,360
Prepaid expenses and other current assets	83,013	80,015	-	163,028
Total current assets	<u>8,057,473</u>	<u>987,203</u>	<u>245,000</u>	<u>9,289,676</u>
Trusted funds:				
Cash and cash equivalents	9,305,346	-	-	9,305,346
Investments	2,885,310	-	-	2,885,310
Capital assets:				
Nondepreciable	-	1,528,300	-	1,528,300
Depreciable, net of accumulated depreciation	-	2,398,299	-	2,398,299
Other noncurrent assets	1,426,967	-	-	1,426,967
Long-term interfund advance	5,006,946	-	-	5,006,946
Long-term notes receivable, net	10,914,972	-	4,663,000	15,577,972
Total noncurrent assets	<u>29,539,541</u>	<u>3,926,599</u>	<u>4,663,000</u>	<u>38,129,140</u>
Total assets	<u>\$ 37,597,014</u>	<u>\$ 4,913,802</u>	<u>\$ 4,908,000</u>	<u>\$ 47,418,816</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 8,054	\$ 17,823	\$ -	\$ 25,877
Unearned revenue	110,624	-	-	110,624
Interest payable	217,382	-	-	217,382
Due to other funds	-	15,909	-	15,909
Current portion of long-term debt	1,835,000	238,174	245,000	2,318,174
Total current liabilities	<u>2,171,060</u>	<u>271,906</u>	<u>245,000</u>	<u>2,687,966</u>
Noncurrent liabilities:				
Long-term interfund advance	-	5,006,946	-	5,006,946
Long-term debt	6,420,000	2,721,152	4,663,000	13,804,152
Total noncurrent liabilities	<u>6,420,000</u>	<u>7,728,098</u>	<u>4,663,000</u>	<u>18,811,098</u>
Total liabilities	<u>8,591,060</u>	<u>8,000,004</u>	<u>4,908,000</u>	<u>21,499,064</u>
Net Position (Deficit)				
Net investment in capital assets	-	967,273	-	967,273
Restricted	29,005,954	-	-	29,005,954
Unrestricted	-	(4,053,475)	-	(4,053,475)
Total net position (deficit)	<u>29,005,954</u>	<u>(3,086,202)</u>	<u>-</u>	<u>25,919,752</u>
Total liabilities and net position	<u>\$ 37,597,014</u>	<u>\$ 4,913,802</u>	<u>\$ 4,908,000</u>	<u>\$ 47,418,816</u>

See notes to the financial statements

Redevelopment Authority of Allegheny County

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

Year Ended December 31, 2015

	Economic Development Fund	200 Industry Drive Fund	Section 108 Loan Fund	Total
Operating Revenues				
Loan fees	\$ 20,041	\$ -	\$ -	\$ 20,041
Loan interest	235,756	-	-	235,756
Rental income	-	850,808	-	850,808
Other revenue	24,746	192,439	-	217,185
	<u>280,543</u>	<u>1,043,247</u>	<u>-</u>	<u>1,323,790</u>
Total operating revenues				
	280,543	1,043,247	-	1,323,790
Operating Expenses				
Building operations	-	544,246	-	544,246
Depreciation and amortization expense	-	335,460	-	335,460
Miscellaneous expense	136,150	-	-	136,150
	<u>136,150</u>	<u>879,706</u>	<u>-</u>	<u>1,015,856</u>
Total operating expenses				
	136,150	879,706	-	1,015,856
Operating Income	144,393	163,541	-	307,934
Nonoperating Revenues (Expenses)				
RAD tax revenues	4,908,253	-	-	4,908,253
Gain on sale of other noncurrent assets	185,628	-	-	185,628
Bad debt expense	(250,368)	-	-	(250,368)
Interest expense	(739,662)	(255,148)	-	(994,810)
	<u>4,103,851</u>	<u>(255,148)</u>	<u>-</u>	<u>3,848,703</u>
Total nonoperating revenues (expenses)				
	4,103,851	(255,148)	-	3,848,703
Changes in Fund Net Position	4,248,244	(91,607)	-	4,156,637
Fund Net Position (Deficit), Beginning of Year	24,757,710	(2,994,595)	-	21,763,115
Fund Net Position (Deficit), End of Year	<u>\$ 29,005,954</u>	<u>\$ (3,086,202)</u>	<u>\$ -</u>	<u>\$ 25,919,752</u>

See notes to the financial statements

Redevelopment Authority of Allegheny County

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2015

	Economic Development Fund	200 Industry Drive Fund	Section 108 Loan Fund	Total
Cash Flows from Operating Activities				
Cash received from customers	\$ 137,607	\$ 1,043,247	\$ -	\$ 1,180,854
Cash paid for goods and services	(291,363)	(598,782)	-	(890,145)
Net cash provided by (used in) operating activities	(153,756)	444,465	-	290,709
Cash Flows from Investing Activities				
Interest income	-	-	-	-
Loan disbursed	(961,233)	-	-	(961,233)
Principal payments on loans, net	1,083,969	-	-	1,083,969
Net cash provided by investing activities	122,736	-	-	122,736
Cash Flows from Capital and Related Financing Activities				
Receipts from governmental agencies	4,908,253	-	-	4,908,253
Receipts from other funds	-	9,980	-	9,980
Proceeds from sale of capital asset	200,000	-	-	200,000
Interest paid	(900,570)	(255,148)	-	(1,155,718)
Repayment of bonds/mortgage	(3,995,000)	(220,330)	-	(4,215,330)
Net cash provided by (used in) capital and related financing activities	212,683	(465,498)	-	(252,815)
Net increase (decrease) in cash and cash equivalents	181,663	(21,033)	-	160,630
Cash and Cash Equivalents, Beginning	12,033,450	928,221	-	12,961,671
Cash and Cash Equivalents, Ending	\$ 12,215,113	\$ 907,188	\$ -	\$ 13,122,301
Reconciliation of Operating Income to Net Cash (Used In) Provided by Operating Activities				
Operating income	\$ 144,393	\$ 163,541	\$ -	\$ 307,934
Adjustments to reconcile operating income to net cash (used in) provided by operating activities:				
Depreciation and amortization	-	335,460	-	335,460
Decrease (increase) in assets:				
Accounts receivable, net of allowances	-	-	-	-
Prepaid expenses	(83,013)	(4,837)	-	(87,850)
Increase (decrease) in liabilities:				
Accounts payable	(72,200)	(49,699)	-	(121,899)
Unearned revenue	(142,936)	-	-	(142,936)
Net cash provided by (used in) operating activities	\$ (153,756)	\$ 444,465	\$ -	\$ 290,709

Redevelopment Authority of Allegheny County

Notes to Financial Statements

December 31, 2015

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") as applicable to governmental units, as prescribed by the Governmental Accounting Standards Board ("GASB").

Reporting Entity

The Authority is considered a component unit of the County of Allegheny (the "County") under the criteria established in GASB Statement No. 14, *Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, an amendment of GASB Statements No. 14 and 34. The County appoints a Board of Directors (the "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.

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 of the governmental activities and business-type activities of the primary government. *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) the charges to customers or applicants who purchase or 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 properly not 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 Financial Statements

December 31, 2015

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 another financing source rather than as a fund liability. 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 as a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows and outflows, 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 measurements 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.

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. Nonoperating revenues and expenses, such as subsidies, investment earnings, and interest expense, result from nonexchange transactions or ancillary activities.

Redevelopment Authority of Allegheny County

Notes to Financial Statements

December 31, 2015

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 another 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 and the Community Infrastructure and Tourism Fund.

The Allegheny County Home Improvement Loan Program (“AHILP”) 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 and Tourism Fund (“CITF 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.

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.

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.

Redevelopment Authority of Allegheny County

Notes to Financial Statements

December 31, 2015

Non-Major Program Funds

The Hurricane Ivan Fund (special revenue fund) is not currently a major fund but was considered major in prior years. It 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 loan for repairs.

Assets, Liabilities, Deferred Inflows/Outflows, and Net Position or Fund Balance

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.

Investments

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

Interfund Transactions

Intergovernmental revenue is recognized when the related expenditure is incurred. Unearned 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, 2015, 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" account. 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."

Loans Receivable

Loans receivable in the governmental funds are recognized when the loan is established. On the fund statements, the loan balances are fully offset by unearned 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.

Redevelopment Authority of Allegheny County

Notes to Financial Statements

December 31, 2015

It is the Authority's policy to provide for future losses on loans based on an evaluation that, in the Authority's judgment, requires 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 rate.

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.

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 position until released to a developer for development program activities.

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. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the life of the asset is 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.

Long-Term Obligations

In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position and bond discounts and premiums 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.

Unearned Revenues

Unearned revenues are reported in the government-wide, governmental fund and enterprise fund financial statements. Those amounts 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, or anticipated to be received, within 365 days of the year end to be available.

Redevelopment Authority of Allegheny County

Notes to Financial Statements

December 31, 2015

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 December 31, 2015.
- *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 \$4,579,451 of restricted fund balance that is to be used as matching funds for other projects. The AHILP had \$3,749,436 of restricted fund balance to be used for Home Improvement Loans. The CITF had \$14,739,159 of restricted fund balance that is to be used for economic development and infrastructure projects. Of this amount, \$14,739,159 has already been allocated to specific projects. The restricted classification also includes a residual fund balance of \$146,175 in the Non-Major Governmental Funds.
- *Committed:* This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board. These amounts cannot be used for any other purpose unless the Board 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, 2015.
- *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 or through the Board delegating this responsibility to the Authority's management. This classification includes \$501,113 in the General Fund that is assigned for specific projects.
- *Unassigned:* This classification includes the residual fund balance for the General Fund.

Redevelopment Authority of Allegheny County

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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 positions are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- *Net investment in capital assets:* 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.
- *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.

CITF and 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.

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.

Reclassifications

Certain reclassifications were made to the 2014 fund balances to conform with the presentation of Non-Major Governmental Funds in the 2015 financial statements.

Redevelopment Authority of Allegheny County

Notes to Financial Statements

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2. Deposits and Investments

The following is a description of the Authority's deposit and investment risks:

Deposits

Custodial Credit Risk: The risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The amount of Federal Deposit Insurance Corporation insurance is \$250,000. Deposits in excess of this amount at a financial institution are at risk. The Authority does not have a formal policy for custodial credit risk. As of December 31, 2015, \$30,426,569 of the Authority's bank balance of \$31,426,569 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature. Act 72 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, 2015, the carrying amounts of the Authority's deposits were \$30,648,428.

Investments

In addition to the deposits noted above, the Authority holds short-term investments of mutual funds totaling \$4,897,106.

Interest Rate Risk: The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. 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, 2015, the Authority had investments of \$4,897,106 in various mutual funds: US Bank, First American Fund, Standard & Poor's rating-AAAm, Moody's rating and BNY Mellon, Dreyfus Treasury, Standard & Poor's rating-Aaa-mf.

3. Due from Other Governments

The amounts reported in the Authority's various governmental and proprietary funds at December 31, 2015, as due from other governments is summarized below:

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
Redevelopment Assistance Capital Program	\$ -	\$ 7,225,191	\$ -	\$ 7,225,191
Community Development Block Grant	2,357,774	-	-	2,357,774
Community Infrastructure Tourism Fund Grant	-	6,600,000	-	6,600,000
Total	<u>\$ 2,357,774</u>	<u>\$ 13,825,191</u>	<u>\$ -</u>	<u>\$ 16,182,965</u>

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4. Loans Receivable

AHILP is a comprehensive program of the County for the financings of rehabilitation of residential properties occupied by persons of low to middle income within designated areas throughout the County. Under AHILP, 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 AHILP loans receivable, as of December 31, 2015, is \$3,248,730 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, 2015 are \$13,282,224, net of an allowance for loan losses of \$1,460,609.

The Section 108 loan fund has six loans outstanding to a single borrower. These loans earn variable rate interest based on the 3 month LIBOR plus 50 basis points. As of December 31, 2015, 3 month LIBOR was 0.61%. The Section 108 loans receivable outstanding at December 31, 2015 are \$4,908,000.

The General Fund loan is a loan to carry out cleanup activities at Brownfield 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, 2015, is \$854,052.

The Authority also has \$437,040 of loans receivable in other loan programs.

5. Capital Assets

The business-type activities funds' capital assets are valued at cost, less accumulated depreciation, which is determined using the straight-line method over 30 years for the building and 10 years for tenant improvements.

A summary of capital asset activity for the year ended December 31, 2015, is as follows:

	<u>Balance at January 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2015</u>
Non depreciable:				
Land	\$ 1,528,300	\$ -	\$ -	\$ 1,528,300
Depreciable:				
Building and tenant improvements	5,489,223	-	-	5,489,223
Less: accumulated depreciation	<u>(2,755,464)</u>	<u>(335,460)</u>	<u>-</u>	<u>(3,090,924)</u>
Total	<u>\$ 4,262,059</u>	<u>\$ (335,460)</u>	<u>\$ -</u>	<u>\$ 3,926,599</u>

Depreciation expense was \$335,460 for the year ended December 31, 2015.

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6. 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.

7. 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 ("1995 Bonds") and Series 1999 for \$25 million ("1999 Bonds"). The Bond 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 refunding of the 1995 Bond Series.

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 the portion of RAD tax paid to the Authority or BNY Mellon ("the trustee"). According the bond indenture, the bonds or a portion of the tax assigned to the Authority or the Trustee shall not be deemed to be a debt or the full faith pledge of the Commonwealth of Pennsylvania or County. 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 Corporation. As of December 31, 2015, Standard & Poor's credit rating of Assured Guaranty Municipal Corporation was AA, with a credit watch of stable. The 1999 Bonds carry interest at 3.95% and have a final maturity date in September 2019. The 2005 Bonds carry interest at 2.5% and had a final maturity date in September 2015.

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 of \$5,000,000. As of December 31, 2015, the interest rate is 8.31% and the outstanding principal balance is \$2,959,326.

Redevelopment Authority of Allegheny County

Notes to Financial Statements
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Changes in long-term debt for the year ended December 31, 2015 are follows:

	Outstanding Balance as of January 1, 2015	Additions	Deletions	Outstanding Balance as of December 31, 2015	Due Within One Year
Business-type activities:					
General obligation bonds	\$ 12,250,000	\$ -	\$ (3,995,000)	\$ 8,255,000	\$ 1,835,000
Mortgage payable	3,179,656	-	(220,330)	2,959,326	238,174
Section 108 loans (see note 14)	5,144,000	-	(236,000)	4,908,000	245,000
Business-type activities:					
Long-term liabilities	<u>\$ 20,573,656</u>	<u>\$ -</u>	<u>\$ (4,451,330)</u>	16,122,326	<u>\$ 2,318,174</u>
Due within one year				<u>2,318,174</u>	
Long-term debt at year end				<u>\$ 13,804,152</u>	

Interest on 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
2016	\$ 2,318,174	\$ 988,420	\$ 3,306,594
2017	2,493,738	817,838	3,311,576
2018	2,681,077	633,820	3,314,897
2019	2,886,345	435,420	3,321,765
2020	645,734	221,269	867,003
2021-2025	5,097,258	547,183	5,644,441
Total	<u>\$ 16,122,326</u>	<u>\$ 3,643,950</u>	<u>\$ 19,766,276</u>

8. Commitments

As of December 31, 2015 the Authority's proprietary funds had outstanding commitments of approximately \$4 million related to loans that have not yet been fully drawn upon. This amount includes commitments to related parties as further discussed in Note 9.

Redevelopment Authority of Allegheny County

Notes to Financial Statements

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9. Related Parties

The County provides administrative services to the Authority. Administrative costs for 2015 were approximately \$650,240. The County also provides administrative services to the Authority's CITF.

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 2015, the Authority paid \$22,003 in management, engineering, and maintenance fees to C.B. Richard Ellis.

The Authority has also entered into a loan agreement to provide funding through Community Development Block Grant funds and an EDF Loan to the Allegheny County Airport Authority ("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, 2015, the loan has an outstanding balance of \$1,010,120. The Executive Director of the Authority was a Board Member of the Airport Authority until January 2015.

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%. As of December 31, 2015, the loan has an outstanding balance of \$625,020.

As discussed in Note 14, 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.

10. Tax Increment Financing

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, 2015, was approximately \$60.2 million as follows:

Mall at Robinson	\$ 6,933,850
The Water Front	4,950,000
Brentwood	210,000
Mt. Nebo	3,905,000
Clinton Industrial Park	3,786,718
Clinton Industrial Park Phase II	254,747
Pittsburgh Mills	33,155,000
Potato Garden Run	2,306,154
Northfield	4,708,375
	<hr/>
Total	\$ 60,209,844

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, 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.

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11. Interfund Receivables, Payables, and Transfers

Interfund receivables, payables and transfers as of December 31, 2015, consisted of:

Fund	Interfund Receivable	Interfund Payable
Major funds, General	\$ -	\$ 7,043,360
Enterprise funds:		
Economic Development Fund	12,066,215	-
200 Industry Drive		5,022,855
Total	\$ 12,066,215	\$ 12,066,215

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 majority 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 Authority has met the matching requirements and the grant funds should be released to repay EDF. 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.

In addition, included on the balance sheet, governmental funds, for AHILP is an amount due to other funds of \$63,749, which is included as other receivables on the General Fund.

12. Liens Receivables

During December 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. As of December 31, 2015, the remaining liens are fully reserved, as management determined the receivables to be uncollectable.

13. Contingencies

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.

Redevelopment Authority of Allegheny County

Notes to Financial Statements

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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 Redevelopment Industrial Development Corporation (“RIDC”) for specific economic development projects. As of December 31, 2015, the full \$6,000,000 of loans had been made from these proceeds, and \$4,908,000 of loans remains 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 December 31, 2015, the 3 month LIBOR was 0.61%. The Authority is permitted to retain 30 basis points as income along with a \$60,000 origination 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 in Note 7.

Along with the Section 108 Loan, the Authority also received a \$2 million Brownfield 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. Grant funds of \$538,249 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.

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 2015, grants represented \$36,306,499 or 96% 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.

16. Pending Changes in Accounting Principles

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements and to provide guidance for applying fair value to certain investments and disclosures related to all fair value measurements. To the extent applicable, the Authority is required to adopt Statement No. 72 for its calendar 2016 financial statements.

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In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles ("GAAP"). This Statement supercedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and reduces the GAAP hierarchy to two categories of authoritative literature and addresses the use of authoritative and nonauthoritative literature in the event that the accounting transaction or event is not specified within a source of authoritative GAAP. The Authority is required to adopt Statement No. 76 for its calendar year 2016 financial statements.

Authority management is in the process of analyzing these pending changes in accounting principles and the impact they will have on the financial reporting process.

17. Deficit Net Position

The 200 Industry Drive Fund has an unrestricted net deficit of approximately \$4 million. The deficit has been funded primarily through the long-term interfund loan that is owed to the Economic Development Fund.