

**ALLEGHENY COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF
ALLEGHENY COUNTY, PENNSYLVANIA)**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

ALLEGHENY COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY

YEAR ENDED DECEMBER 31, 2016

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PROFESSIONAL ACCOUNTING,
CONSULTING & BUSINESS
ADVISORY SERVICES

March 29, 2017

Board of Directors
Allegheny County Industrial Development Authority
(A Component Unit of Allegheny County, Pennsylvania)
Pittsburgh, Pennsylvania

Independent Auditor's Report

Report on the Financial Statements

P.O. BOX 10885
WHITEHALL TOWERS
470 STREETS RUN ROAD
PITTSBURGH, PA 15236-2023

TELEPHONE: (412) 881-4411
FAX: (412) 881-4421
WEB: WWW.CASESABATINI.COM

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Allegheny County Industrial Development Authority (the "Authority") as of and for the year ended December 31, 2016, 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Authority as of December 31, 2016, the respective changes in their 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.

Prior Year Financial Statements

The financial statements as of and for the year ended December 31, 2015 were audited by other auditors. In their report dated March 15, 2016, these auditors expressed an unmodified opinion on the financial statements as of December 31, 2015 and the results of their operations and their cash flows for the year then ended. Our opinion is not modified with respect to this matter.

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 4-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Allegheny County Industrial Development Authority's basic financial statements. The accompanying supplemental information on pages 15 through 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2017 on our consideration of the Allegheny County Industrial Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Allegheny County Industrial Development Authority's internal control over financial reporting and compliance.



Certified Public Accountants
Pittsburgh, Pennsylvania

CASE | SABATINI ▶ P.O. Box 10885 ▶ WHITEHALL TOWERS ▶ 470 STEELES RUN ROAD ▶ PITTSBURGH, PA 15236-2023
TELEPHONE: (412) 881-4411 ▶ FAX: (412) 881-4421 ▶ WEB: WWW.CASESABATINI.COM

PITTSBURGH ▶ WEXFORD ▶ PALM BEACH

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Allegheny County Industrial Development Authority's (the "IDA") Management's Discussion and Analysis is designated to provide an overview of IDA's financial activities for the year ended December 31, 2016 and should be read in conjunction with IDA's financial statements, which begin on page 7.

Financial Highlights

- The Authority's net position increased by approximately \$100,000 during the current year.
- The Authority has approximately \$5.3 million in restricted net position available to fund development throughout the County by issuing loans to eligible individuals and organizations.
- The Authority continues to provide access to capital markets through its conduit debt program. During the current year, the Authority facilitated the issuance of approximately \$12 million in conduit debt.

Overview of the Financial Statements

This 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 the basic 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 7, provides information about the IDA's financial position of the various enterprise funds using the accrual basis of accounting. It includes all of the IDA's assets and liabilities and indicates which assets, if any, are restricted as to use. Under the accrual basis of accounting, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

The *Statement of Revenues, Expenses, and Changes in Net Position*, on page 8, reports all of the IDA's earnings and expenses by business-type activity using the accrual basis of accounting.

The *Statement of Cash Flows*, on page 9, indicates how much cash was provided and used by operating activities as well as other cash sources and uses such as 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, and Development Action Assistance Program, which are considered to be major funds. Data from the other six 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 the Financial Statements. The notes, which begin on page 10, provide additional information that is essential to a full understanding of data provided in the fund financial statements.

Other Information

Several of the Authority's loan programs were funded with grants passed through from the federal government. The Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards along with its accompanying reports and schedules is presented on pages 18-27.

The combining statements referred to earlier in connection with non-major proprietary funds are presented immediately following the schedules and reports on federal expenditures. Combining and individual fund statements can be found on pages 15- 17.

Analysis of Net Position

Net positions is a useful indicator of a government's financial position. For the Authority, total assets were greater than liabilities by \$5,617,136 for the year ended December 31, 2016 and \$5,515,367 for the year ended December 31, 2015.

Condensed Statement of Net Position

The following is a summary of the Authority's Statement of Net Position as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>	<u>Change</u>
<u>Assets:</u>			
Cash	\$ 3,323,880	\$ 3,026,098	\$ 297,782
Loans Receivable	1,493,594	1,728,525	(234,931)
Intergovernmental Receivable	823,112	823,112	-
Other	<u>49,425</u>	<u>9,012</u>	<u>40,413</u>
Total Assets	<u>5,690,011</u>	<u>5,586,747</u>	<u>103,264</u>
<u>Liabilities:</u>			
Accounts Payable/Accrued Expenses	<u>72,875</u>	<u>71,380</u>	<u>1,495</u>
Total Liabilities	<u>72,872</u>	<u>71,380</u>	<u>1,495</u>
<u>Net Position</u>			
Restricted	5,348,683	5,302,972	45,711
Unrestricted	<u>268,453</u>	<u>212,395</u>	<u>56,058</u>
Total Net Position	<u>\$ 5,617,136</u>	<u>\$ 5,515,367</u>	<u>\$ 101,769</u>

Over 95% 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 \$101,769 for the year ended December 31, 2016 and \$23,060 for the year ended December 31, 2015. During the current year, 75.9% of the Authority's operating revenue came from administrative fees, 22.2% from loan interest, and 1.9% from other sources.

The following summarizes the Authority's Statement of Revenues, Expenses, and Changes in Net Position for the years ended December 31, 2016 and 2015

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

	<u>2016</u>	<u>2015</u>	<u>Change</u>
<u>Operating Revenues:</u>			
Administrative Fees	\$ 187,168	\$ 192,363	\$ (5,195)
Loan Interest	54,972	62,919	(7,947)
Other Operating Revenues	<u>4,479</u>	<u>23,482</u>	<u>(19,003)</u>
Total Operating Revenues	<u>246,619</u>	<u>278,764</u>	<u>(32,145)</u>
<u>Operating Expenses:</u>			
Program Expense	68,041	7,818	60,223
Professional Fees	34,425	37,047	(2,622)
Other Operating Costs	14,076	12,626	1,450
Payment to Allegheny County	<u>100,000</u>	<u>200,000</u>	<u>(100,000)</u>
Total Operating Expenses	<u>216,542</u>	<u>257,491</u>	<u>(40,949)</u>
Operating Income (Loss)	<u>30,077</u>	<u>21,273</u>	<u>8,804</u>
<u>Non-Operating Revenues</u>			
Grant Revenue and Other	68,308	-	68,308
Interest Revenue	<u>3,384</u>	<u>1,787</u>	<u>1,597</u>
Total Non-Operating Revenues	<u>71,692</u>	<u>1,787</u>	<u>69,905</u>
Net Income (Loss)	<u>101,769</u>	<u>23,060</u>	<u>78,709</u>
<u>Net Position</u>			
Beginning of year	<u>5,515,367</u>	<u>5,492,307</u>	<u>23,060</u>
End of year	\$ <u>5,617,136</u>	\$ <u>5,515,367</u>	\$ <u>101,769</u>

Financial Analysis of Individual Funds

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

The Administrative Fund reported a fund balance of \$268,453, an increase of \$54,886 from the prior year, primarily due to a reduction in the amount paid to Allegheny County for administrative services.

The Small Business Distressed Communities Fund reported a fund balance of \$1,765,171, an increase of \$10,708 from the prior year, primarily due to interest earned on outstanding loans.

The Development Action Assistance Program Fund reported a fund balance of \$946,456, an increase of \$14,392 from the prior year, primarily due to interest earned on outstanding loans.

Requests for Information

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

ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2016

Assets	Business-Type Activities - Enterprise Funds				Total
	Administrative Fund	Small Business Distressed Communities	Development Action Assistance Program	Other Enterprise Funds	
Current Assets:					
Cash and cash equivalents	\$ 319,961	\$ 601,291	\$ 245,157	\$ 2,157,471	\$ 3,323,880
Current portion of loans receivable	-	36,655	47,937	191,416	276,008
Fees receivable	5,437	-	-	3,058	8,495
Other receivables	6,401	-	-	25,000	31,401
Total Current Assets	331,799	637,946	293,094	2,376,945	3,639,784
Noncurrent Assets:					
Loans receivable, net of allowance for loan losses	-	304,113	653,362	260,111	1,217,586
Intergovernmental receivable, net of allowance for loan losses	-	823,112	-	-	823,112
Restricted: cash and cash equivalents	9,529	-	-	-	9,529
Total Noncurrent Assets	9,529	1,127,225	653,362	260,111	2,050,227
Total Assets	\$ 341,328	\$ 1,765,171	\$ 946,456	\$ 2,637,056	\$ 5,690,011
Liabilities and Net Position					
Current Liabilities:					
Accounts payable and accrued expenses	\$ 72,875	\$ -	\$ -	\$ -	\$ 72,875
Total Current Liabilities	72,875	-	-	-	72,875
Total Liabilities	72,875	-	-	-	72,875
Net Position:					
Restricted	-	1,765,171	946,456	2,637,056	5,348,683
Unrestricted	268,453	-	-	-	268,453
Total Net Position	268,453	1,765,171	946,456	2,637,056	5,617,136

See accompanying notes to the financial statements.

ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-Type Activities - Enterprise Funds				Total
	Administrative Fund	Small Business Distressed Communities	Development Action Assistance Program	Other Enterprise Funds	
Operating Revenues:					
Administrative fees:					
Closing	\$ 11,788	\$ -	\$ -	\$ -	\$ 11,788
Annual	166,627	1,375	-	-	168,002
Other	7,378	-	-	-	7,378
Loan interest	-	9,774	27,501	17,697	54,972
Other operating revenues	2,947	24	-	1,508	4,479
Total Operating Revenues	<u>188,740</u>	<u>11,173</u>	<u>27,501</u>	<u>19,205</u>	<u>246,619</u>
Operating Expenses:					
Program expense	68,041	-	-	-	68,041
Professional fees	34,425	-	-	-	34,425
Other operating costs	13,264	490	77	245	14,076
Payments to Allegheny County	100,000	-	-	-	100,000
Total Operating Expenses	<u>215,730</u>	<u>490</u>	<u>77</u>	<u>245</u>	<u>216,542</u>
Operating Income (Loss)	<u>(26,990)</u>	<u>10,683</u>	<u>27,424</u>	<u>18,960</u>	<u>30,077</u>
Non-Operating Revenues:					
Investment interest revenue	536	25	-	2,823	3,384
Grant revenue	81,340	-	-	-	81,340
Refund of prior year's revenue	-	-	(13,032)	-	(13,032)
Total Non-Operating Revenues	<u>81,876</u>	<u>25</u>	<u>(13,032)</u>	<u>2,823</u>	<u>71,692</u>
Net Income (Loss)	54,886	10,708	14,392	21,783	101,769
Net Position:					
Beginning of year	213,567	1,754,463	932,064	2,615,273	5,515,367
End of year	<u>\$ 268,453</u>	<u>\$ 1,765,171</u>	<u>\$ 946,456</u>	<u>\$ 2,637,056</u>	<u>\$ 5,617,136</u>

See accompanying notes to the financial statements.

ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-Type Activities - Enterprise Funds				Total
	Administrative Fund	Small Business Distressed Communities	Development Action Assistance Program	Other Enterprise Funds	
Cash Flows from Operating Activities:					
Receipts from customers	\$ 188,115	\$ 1,399	\$ (13,032)	\$ 1,478	\$ 177,960
Receipts from grantors	-	-	-	-	-
Payments for goods and services	(154,692)	(490)	(77)	-	(155,259)
Payroll and related taxes	(59,543)	-	-	-	(59,543)
Loans disbursed	-	-	-	-	-
Loan principal payments received	-	52,224	45,840	136,867	234,931
Loan interest received	-	9,774	27,501	17,697	54,972
Other operating costs	-	-	-	(245)	(245)
Net cash flows provided by (used in) operating activities	<u>(26,120)</u>	<u>62,907</u>	<u>60,232</u>	<u>155,797</u>	<u>252,816</u>
Cash Flows from NonCapital and Related Financing Activities:					
Receipts from grantors	74,939	-	-	-	74,939
Disbursements -other	-	-	-	(25,000)	(25,000)
Net cash flows provided by (used in) financing activities	<u>74,939</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>49,939</u>
Cash Flows from Investing Activities:					
Interest on investments	536	25	-	2,823	3,384
Net cash flows provided by (used in) investing activities	<u>536</u>	<u>25</u>	<u>-</u>	<u>2,823</u>	<u>3,384</u>
Net Increase (Decrease) in Cash and Cash Equivalents	49,355	62,932	60,232	133,620	306,139
Cash and Cash Equivalents:					
Beginning of year	280,135	538,359	184,925	2,023,851	3,027,270
End of year	<u>\$ 329,490</u>	<u>\$ 601,291</u>	<u>\$ 245,157</u>	<u>\$ 2,157,471</u>	<u>\$ 3,333,409</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating income (loss)	\$ (26,990)	\$ 10,683	\$ 27,424	\$ 18,960	\$ 30,077
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Refund of prior year's revenue	-	-	(13,032)	-	(13,032)
Change in assets and liabilities:					
Fees receivable	(625)	-	-	(30)	(655)
Accounts payable	1,495	-	-	-	1,495
Loans receivable	-	52,224	45,840	136,867	234,931
Net cash flows provided by (used in) operating activities	<u>\$ (26,120)</u>	<u>\$ 62,907</u>	<u>\$ 60,232</u>	<u>\$ 155,797</u>	<u>\$ 252,816</u>

ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE A – NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Allegheny County Industrial Development Authority (the "Authority") was incorporated in 1969, pursuant to a resolution of the Board of Commissioners of the County of Allegheny (the "County") under the Economic Development Financing Law. The Authority's purpose is to aid in alleviating unemployment and to maintain levels of existing employment through 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 the bonds are matters of direct negotiation between the institution and the bond underwriters.

In 1996, the Authority entered into an agreement with the County, whereby the County transferred the administration of certain programs to the Authority. The Small Business Distressed Communities, Development Action Assistance Program, and Allegheny County Economic Development 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 (the "Board"). Members of the Board are appointed by the County Executive. The Authority is included as a component unit of the County.

A summary of the Authority's significant accounting policies are as follows:

1. **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 not 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 net assets available, it is the Authority's policy to apply those expenses first to restricted net assets, to the extent that such are available; and then to unrestricted net assets.

ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE A – NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The Authority reports the following major proprietary funds:

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

2. Administrative Fees

The Administrative Fund charges those entities on whose behalf the debt is issued a closing fee at the inception of each issue, and annual fees due on each anniversary of the issue for as long as the issue is outstanding. Beginning in 2003, new loans issued must pay the first annual fee at closing, and then on each anniversary of the issue for as long as the issue is outstanding. Administrative fees are non-refundable and are recognized as revenue at the time they are due because management believes this approach best matches revenues with related expenses.

3. 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.

4. Restricted Cash

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

5. Allowance for Uncollectible Accounts

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

ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE A – NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

6. Classification of Net Position

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

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

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

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

7. Intergovernmental Receivable

The intergovernmental receivable of \$823,112 is due from the Redevelopment Authority of Allegheny county (RAAC). It is the amount the Authority expects to receive as repayment from a revolving loan agreement with the RAAC to assist small businesses adversely affected by Hurricane Ivan in 2004 and the communities surrounding Pittsburgh.

NOTE B – ADMINISTRATIVE SERVICES

The Authority contracts with the Allegheny County Department of Economic Development (“ACED”) for various administrative support services, including space and personnel. As compensation for these services, the Authority agrees to transfer the amount of “surplus revenue” remaining with the Authority at the end of each year. “Surplus revenue” is essentially the amount of Administrative Fund unrestricted cash and cash equivalents exceeding \$50,000 at the end of the fiscal year. The Authority was required to pay \$100,000 and \$200,000 for the years ended December 31, 2016 and 2015, respectively.

NOTE C – 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:

ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE C – DEPOSITS AND INVESTMENTS – (Continued)

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, 2016, approximately \$2.3 million of the Authority's bank balance was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

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 or book entry form. The Authority has approximately \$0.6 million deposited with PLGIT as of December 31, 2016.

NOTE D – 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, 2016, is approximately \$523 million.

ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016**

NOTE E – 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, 2016, the fees receivable in the Administrative Fund are \$5,437.

NOTE F – LOANS RECEIVABLE

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

The following is a summary of commercial loans outstanding, not including deferred loans that are recorded at a net zero value, at December 31, 2016:

<u>Program</u>	<u>Number of Loans</u>	<u>Receivable Balance</u>	<u>Allowance for Loan Losses</u>	<u>Net Receivable Balance</u>
Small Business Distressed Communities	4	\$ 340,768	\$ -	\$ 340,768
Development Action Assistance Program	4	901,299	(200,000)	701,299
Allegheny County EDA	4	374,762	-	374,762
UPARC	<u>1</u>	<u>76,765</u>	<u>-</u>	<u>76,765</u>
Total	<u>13</u>	<u>\$1,693,594</u>	<u>\$ (200,000)</u>	<u>\$1,493,594</u>

The above loans bear interest at rates ranging from 2.375% to 9% per annum. These loans range in amounts from \$1,000 to \$500,000 and mature through 2021.

NOTE G – ECONOMIC DEPENDENCE

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

ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
OTHER ENTERPRISE FUNDS - COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2016

Assets	Commonwealth of Pennsylvania Programs		Allegheny County UPARC Program	Allegheny County EDA Program	MEC	Sanders SELF Loan Program	Total
	Port of Pittsburgh Loan Program	Mon Valley Revolving Loan Program					
Current Assets:							
Cash and cash equivalents	\$ 136,102	\$ 794,914	\$ 600,255	\$ 511,430	\$ 56,121	\$ 58,649	\$ 2,157,471
Current portion of loans receivable	-	-	76,765	114,651	-	-	191,416
Fees receivable, net of allowance	-	-	-	3,058	-	-	3,058
Other receivables	-	-	-	25,000	-	-	25,000
Total Current Assets	<u>136,102</u>	<u>794,914</u>	<u>677,020</u>	<u>654,139</u>	<u>56,121</u>	<u>58,649</u>	<u>2,376,945</u>
Noncurrent Assets:							
Loans receivable, net of allowance for loan losses	-	-	-	260,111	-	-	260,111
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>260,111</u>	<u>-</u>	<u>-</u>	<u>260,111</u>
Total Assets	<u>\$ 136,102</u>	<u>\$ 794,914</u>	<u>\$ 677,020</u>	<u>\$ 914,250</u>	<u>\$ 56,121</u>	<u>\$ 58,649</u>	<u>\$ 2,637,056</u>
Liabilities and Net Position							
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Position:							
Restricted	136,102	794,914	677,020	914,250	56,121	58,649	2,637,056
Unrestricted	-	-	-	-	-	-	-
Total Net Position	<u>136,102</u>	<u>794,914</u>	<u>677,020</u>	<u>914,250</u>	<u>56,121</u>	<u>58,649</u>	<u>2,637,056</u>
Total Liabilities and Net Position	<u>\$ 136,102</u>	<u>\$ 794,914</u>	<u>\$ 677,020</u>	<u>\$ 914,250</u>	<u>\$ 56,121</u>	<u>\$ 58,649</u>	<u>\$ 2,637,056</u>

**ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
OTHER ENTERPRISE FUNDS - COMBINING STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Commonwealth of Pennsylvania Programs		Allegheny County UPARC Program	Allegheny County EDA Program	MEC	Sanders SELF Loan Program	Total
	Port of Pittsburgh Loan Program	Mon Valley Revolving Loan Program					
Operating Revenues:							
Loan interest	\$ -	\$ -	\$ 3,635	\$ 14,062	\$ -	\$ -	\$ 17,697
Other operating revenues	-	-	-	1,508	-	-	1,508
Total Operating Revenues	<u>-</u>	<u>-</u>	<u>3,635</u>	<u>15,570</u>	<u>-</u>	<u>-</u>	<u>19,205</u>
Operating Expenses:							
Other operating costs	60	60	-	95	-	30	245
Total Operating Expenses	<u>60</u>	<u>60</u>	<u>-</u>	<u>95</u>	<u>-</u>	<u>30</u>	<u>245</u>
Operating Income/(Loss)	<u>(60)</u>	<u>(60)</u>	<u>3,635</u>	<u>15,475</u>	<u>-</u>	<u>(30)</u>	<u>18,960</u>
Non-Operating Revenues:							
Investment interest revenue	92	661	1,390	680	-	-	2,823
Total Non-Operating Revenues	<u>92</u>	<u>661</u>	<u>1,390</u>	<u>680</u>	<u>-</u>	<u>-</u>	<u>2,823</u>
Net Income (Loss)	<u>32</u>	<u>601</u>	<u>5,025</u>	<u>16,155</u>	<u>-</u>	<u>(30)</u>	<u>21,783</u>
Net Position:							
Beginning of year	136,070	794,313	671,995	898,095	56,121	58,679	2,615,273
End of year	<u>\$ 136,102</u>	<u>\$ 794,914</u>	<u>\$ 677,020</u>	<u>\$ 914,250</u>	<u>\$ 56,121</u>	<u>\$ 58,649</u>	<u>\$ 2,637,056</u>

**ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
OTHER ENTERPRISE FUNDS - COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Commonwealth of Pennsylvania Programs		Allegheny County UPARC Program	Allegheny County EDA Program	MEC	Sanders SELF Loan Program	Total
	Port of Pittsburgh Loan Program	Mon Valley Revolving Loan Program					
Cash Flows from Operating Activities:							
Receipts from customers	\$ -	\$ -	\$ -	\$ 1,478	\$ -	\$ -	\$ 1,478
Loans disbursed	-	-	-	-	-	-	-
Loan principal repayments	-	-	25,889	110,978	-	-	136,867
Loan interest payments	-	-	3,635	14,062	-	-	17,697
Other operating costs	(60)	(60)	-	(95)	-	(30)	(245)
Net cash flows provided by (used in) operating activities	(60)	(60)	29,524	126,423	-	(30)	155,797
Cash Flows from NonCapital and Related Financing Activities:							
Disbursements -other	-	-	-	(25,000)	-	-	(25,000)
Net cash flows provided by (used in) financing activities	-	-	-	(25,000)	-	-	(25,000)
Cash Flows from Investing Activities:							
Interest on investments	92	661	1,390	680	-	-	2,823
Net cash flows provided by (used in) investing activities	92	661	1,390	680	-	-	2,823
Net Increase (Decrease) in Cash and Cash Equivalents	32	601	30,914	102,103	-	(30)	133,620
Cash and Cash Equivalents:							
Beginning of year	136,070	794,313	569,341	409,327	56,121	58,679	2,023,851
End of year	<u>\$ 136,102</u>	<u>\$ 794,914</u>	<u>\$ 600,255</u>	<u>\$ 511,430</u>	<u>\$ 56,121</u>	<u>\$ 58,649</u>	<u>\$ 2,157,471</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:							
Operating income (loss)	\$ (60)	\$ (60)	\$ 3,635	\$ 15,475	\$ -	\$ (30)	\$ 18,960
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Change in assets and liabilities:							
Loans receivable	-	-	25,889	110,978	-	-	136,867
Fees receivables	-	-	-	(30)	-	-	(30)
Accounts payable	-	-	-	-	-	-	-
Net cash flows provided by (used in) operating activities	<u>\$ (60)</u>	<u>\$ (60)</u>	<u>\$ 29,524</u>	<u>\$ 126,423</u>	<u>\$ -</u>	<u>\$ (30)</u>	<u>\$ 155,797</u>



CASE | SABATINI

March 29, 2017

PROFESSIONAL ACCOUNTING,
CONSULTING & BUSINESS
ADVISORY SERVICES

Board of Directors
Allegheny County Industrial Development Authority
Pittsburgh, Pennsylvania

Report of Independent Certified Public Accountants on Internal
Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

P.O. BOX 10885
WHITEHALL TOWERS
470 STREETS RUN ROAD
PITTSBURGH, PA 15236-2023

TELEPHONE: (412) 881-4411
FAX: (412) 881-4421
WEB: WWW.CASESABATINI.COM

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund and the aggregate remaining fund information of Allegheny County Industrial Development Authority, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Allegheny County Industrial Development Authority's basic financial statements, as listed in the table of contents, and have issued our report thereon dated March 29, 2017.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Allegheny County Industrial Development Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Certified Public Accountants
Pittsburgh, Pennsylvania

CASE | SABATINI ▶ P.O. BOX 30885 ▶ WHITEHALL TOWERS ▶ 470 STREETS RUN ROAD ▶ PITTSBURGH, PA 15236-2023
TELEPHONE: (412) 851-4421 ▶ FAX: (412) 851-4421 ▶ WEB: WWW.CASESABATINI.COM

PITTSBURGH ▶ WEXFORD ▶ PALM BEACH

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March 29, 2017

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PROFESSIONAL ACCOUNTING,
CONSULTING & BUSINESS
ADVISORY SERVICES

Board of Directors
Allegheny County Industrial Development Authority
Pittsburgh, Pennsylvania

Report of Independent Certified Public Accountants
on Compliance for Each Major Federal Program and report on
Internal Control Over Compliance Required by the Uniform Guidance

Report on Compliance for Each Major Federal Program

We have audited Allegheny County Industrial Development Authority's (the "Authority") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2016. Allegheny County Industrial Development Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

P.O. BOX 10885
WHITEHALL TOWERS
470 STREETS RUN ROAD
PITTSBURGH, PA 15236-2023

TELEPHONE: (412) 881-4411
FAX: (412) 881-4421
WEB: WWW.CASESABATINI.COM

Management's Responsibility

Management is responsible for compliance with federal statues, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Allegheny County Industrial Development Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Allegheny County Industrial Development Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Allegheny County Industrial Development Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Allegheny County Industrial Development Authority complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

Report on Internal Control Over Compliance

The management of Allegheny county Industrial Development Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Allegheny County Industrial Development Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Allegheny County Industrial Development Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Certified Public Accountants
Pittsburgh, Pennsylvania

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016**

<u>Federal Grantor/Pass Through Grantor/Project Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u> Community Development Block Grant/Entitlement Grants: Community Planning and Development	14.218	\$ 1,242,067
<u>U.S. Development of Commerce</u> Economic Development – Technical Assistance	11.303	<u>451,527</u>
Total Expenditures of Federal Awards		<u>\$ 1,693,594</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation.

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Allegheny County Industrial Development Authority (the "Authority") under the programs of the federal government for the year ended December 31, 2016. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. For example, the Uniform Guidance requires the Authority to classify the outstanding loan balances as federal expenditures whereas accounting principles generally accepted in the United States of America classify these as assets:

3. Indirect Cost Rate

The Authority has elected not to use the 10-percent de-minimis indirect cost rate allowed under the Uniform Guidance.

4. Loan Programs

The original funding of various revolving loan programs was through either Community Development Block Grant or Economic Development Technical Assistancess monies. The amount of total expenditures of federal awards is calculated using the outstanding balances at year-end of the deferred and non-deferred loan balances in these programs.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016**

Section I -- Summary of Auditor's Results:

- i. The auditor's report on the financial statements was an unmodified opinion.
- ii. There were no material weaknesses or significant deficiencies not considered to be material weaknesses in internal control that were disclosed by the audit of the financial statements.
- iii. The audit did not disclose any noncompliance which was material to the financial statements.
- iv. The audit did not identify any deficiencies in internal control over compliance for its major federal programs that were considered to be material weaknesses or significant deficiencies.
- v. The auditor's report on compliance for its major federal program was an unmodified opinion.
- vi. The audit did not disclose any audit findings which the auditor is required to report.
- vii. The major federal program are:
 - a. Community Development Block Grant/Entitlement Grant; CFDA # 14.218
- viii. The dollar threshold used to distinguish between type A and type B programs was \$750,000.
- ix. Allegheny County Industrial Development Authority was determined to be a low-risk auditee.

**ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016**

Section II - Findings related to financial statements, which are required to be reported in accordance with GAGAS

No matters were reported.

Section III - Findings and questioned costs for federal awards

No matters were reported.

**ALLEGHENY COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2016**

Section IV – Findings and questioned costs for federal awards

None reported.