

**ALLEGHENY COUNTY
AUTHORITY FOR IMPROVEMENTS
IN MUNICIPALITIES**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

**ALLEGHENY COUNTY
AUTHORITY FOR IMPROVEMENTS IN MUNICIPALITIES**

YEAR ENDED DECEMBER 31, 2017

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 – 2
Management's Discussion and Analysis	3 – 5
Basic Financial Statements:	
Statement of Net Position	6
Statement of Revenues, Expenses, and Changes in Net Position	7
Statement of Cash Flows	8
Notes to the Financial Statements.....	9 – 13
Other Supplementary Information:	
Schedule of Loans Receivable – General Fund	15



CASE | SABATINI

PROFESSIONAL ACCOUNTING,
CONSULTING & BUSINESS
ADVISORY SERVICES

June 4, 2018

Board of Directors
Allegheny County Authority for Improvements in Municipalities
Pittsburgh, Pennsylvania

Independent Auditor's Report

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 of the Allegheny County Authority for Improvements in Municipalities (the "Authority") as of and for the year ended December 31, 2017, 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 of the Authority as of December 31, 2017, the respective changes in their financial position and in their cash flows 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 3-5 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 of the Authority's basic financial statements. The accompanying Schedule of Loans Receivable of the General Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Schedule of Loans Receivable of the General Fund has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants
Pittsburgh, Pennsylvania

CASE | SARATINI ▶ 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

PITTSBURGH ▶ WEXFORD ▶ PALM BEACH

Members of the American and Pennsylvania Institute of Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Authority for Improvements in Municipalities of Allegheny County (the "Authority") Management's Discussion and Analysis is designated to provide an overview of the Authority's financial activities for the year ended December 31, 2017 and should be read in conjunction with Authority's financial statements, which begin on page 6.

Financial Highlights

- The Authority's net position decreased by \$120,892 during the current year.
- The Authority has approximately \$1.4 million in unrestricted net position available to fund development throughout the County by issuing loans to eligible governments and organizations.
- During the current year, the Authority lent approximately \$209,000 to local governments and organizations for various development projects in the County.

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

The *Statement of Revenues, Expenses, and Changes in Net Position*, on page 7, reports all of the Authority's earnings and expenses by business-type activity using the accrual basis of accounting.

The *Statement of Cash Flows*, on page 8, 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 three 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 General Fund, the Urban Development Action Grant Fund, and the Community Development Block Grant Fund, which are considered to be major funds

Notes to the Financial Statements. The notes, which begin on page 9, provide additional information that is essential to a full understanding of data provided in the fund financial statements.

Other Information

The Authority presents a schedule of loans receivable detailing the Authority's lending activity during the current year as other supplemental information. The schedule can be found on page 15.

Analysis of Net Position

Net position is a useful indicator of a government's financial position. For the Authority, total assets were greater than liabilities by \$1,799,584 for the year ended December 31, 2017 and \$1,920,476 for the year ended December 31, 2016.

Condensed Statement of Net Position

The following is a summary of the Authority's Statement of Net Position as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>	<u>Change</u>
<u>Assets:</u>			
Cash	\$ 595,285	\$ 727,725	\$ (132,440)
Fees Receivable	15,619	-	15,619
Loans Receivable	956,035	946,746	9,289
Due from Other Funds	125,522	124,682	840
Restricted Cash	<u>232,645</u>	<u>248,504</u>	<u>(15,859)</u>
Total Assets	<u>1,925,106</u>	<u>2,047,657</u>	<u>(122,551)</u>
<u>Liabilities:</u>			
Due to Other Funds	125,522	124,682	840
Loan Payable	<u>-</u>	<u>2,499</u>	<u>(2,499)</u>
Total Liabilities	<u>125,522</u>	<u>127,181</u>	<u>(1,659)</u>
<u>Net Position</u>			
Restricted	358,167	373,186	(15,019)
Unrestricted	<u>1,441,417</u>	<u>1,547,290</u>	<u>(105,873)</u>
Total Net Position	<u>\$ 1,799,584</u>	<u>\$ 1,920,476</u>	<u>\$ (120,892)</u>

Approximately 80% of the Authority's net position is unrestricted and available for general use by the Authority.

Changes in Net Position

The Authority's net position decreased by \$120,892 for the year ended December 31, 2017 and \$120,990 for the year ended December 31, 2016. During the current year, 36.7% of the Authority's operating revenue came from loan interest, 44.7% from fees and charges, and 18.6% from program income. During the prior year, 39.8% of the Authority's operating revenue came from loan interest and 60.2% from program income.

The following summarizes the Authority's Statement of Revenues, Expenses, and Changes in Net Position for the years ended December 31, 2017 and 2016.

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

	<u>2017</u>	<u>2016</u>	<u>Change</u>
<u>Operating Revenues:</u>			
Loan Interest	\$ 11,139	\$ 8,830	\$ 2,309
Fees and charges	13,595	-	13,595
Program Income	<u>5,651</u>	<u>5,863</u>	<u>(212)</u>
 Total Operating Revenues	 <u>30,385</u>	 <u>14,693</u>	 <u>15,692</u>
<u>Operating Expenses:</u>			
Professional Services	20,200	15,500	4,700
Other	10,506	7,209	3,297
Payment to Allegheny County - Admin	<u>125,000</u>	<u>125,000</u>	<u>-</u>
 Total Operating Expenses	 <u>155,706</u>	 <u>147,709</u>	 <u>7,997</u>
 Operating Income (Loss)	 <u>(125,321)</u>	 <u>(133,016)</u>	 <u>7,695</u>
<u>Non-Operating Revenues</u>			
Interest Revenue	<u>4,429</u>	<u>1,903</u>	<u>2,526</u>
Total Non-Operating Revenues	<u>4,429</u>	<u>1,903</u>	<u>2,526</u>
 Net Income (Loss)	 <u>(120,892)</u>	 <u>(131,113)</u>	 <u>10,221</u>
<u>Net Position</u>			
Beginning of year	<u>1,920,476</u>	<u>2,051,589</u>	<u>(131,113)</u>
End of year	<u>\$ 1,799,584</u>	<u>\$ 1,920,476</u>	<u>\$ (120,892)</u>

Financial Analysis of Individual Funds

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

The Administrative Fund reported a net position of \$1,468,153, a decrease of \$121,209 from the prior year, primarily due to the amount paid to Allegheny County for administrative services.

The Urban Development Action Grant Fund reported a net position of \$190,290, a decrease of \$16,142 from the prior year, due to disbursements to a local government for playground improvements and transfers to the Administrative Fund to help fund the payment to Allegheny County.

The Community Development Block Grant Fund reported a net position of \$125,522, an increase of \$840 from the prior year due to a transfer of interest earned on bank deposits with the Administrative Fund.

Requests for Information

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

AUTHORITY FOR IMPROVEMENT IN MUNICIPALITIES
STATEMENT OF NET POSITION
DECEMBER 31, 2017

Assets	Business-Type Activities - Enterprise Funds				Total
	General Fund	Urban		Community Development Block Grant Fund	
		Development Action Grant Fund	Grant Fund		
Current Assets:					
Cash and cash equivalents	\$ 595,285	\$ -	\$ -	\$ -	\$ 595,285
Fees receivable	15,619	-	-	-	15,619
Current portion of loans receivable	225,403	-	-	-	225,403
Due from the other funds	-	-	125,522	-	125,522
Total Current Assets	836,307	-	-	125,522	961,829
Noncurrent Assets:					
Loan receivable	730,632	-	-	-	730,632
Restricted cash	42,355	190,290	-	-	232,645
Total Noncurrent Assets	772,987	190,290	-	-	963,277
Total Assets	\$ 1,609,294	\$ 190,290	\$ 125,522	\$ -	\$ 1,925,106
Liabilities and Net Position					
Current Liabilities:					
Due to CDBG Fund	\$ 125,522	\$ -	\$ -	\$ -	\$ 125,522
Loan payable	-	-	-	-	-
Total Current Liabilities	125,522	-	-	-	125,522
Total Liabilities	125,522	-	-	-	125,522
Net Position:					
Restricted for projects	42,355	190,290	-	125,522	358,167
Unrestricted	1,441,417	-	-	-	1,441,417
Total Net Position	1,483,772	190,290	125,522	-	1,799,584
Total Liabilities and Net Position	\$ 1,609,294	\$ 190,290	\$ 125,522	\$ -	\$ 1,925,106

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

**AUTHORITY FOR IMPROVEMENT IN MUNICIPALITIES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Business-Type Activities - Enterprise Funds				Total
	General Fund	Urban		Community	
		Development Grant Fund	Action Grant Fund	Development Block Grant Fund	
Operating Revenues:					
Interest from loans	\$ 11,139	\$ -	\$ -	\$ -	\$ 11,139
Fees and charges	13,595	-	-	-	13,595
Program income	5,651	-	-	-	5,651
Total Operating Revenues	<u>30,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,385</u>
Operating Expenses:					
Administration fee	125,000	-	-	-	125,000
Professional services	20,200	-	-	-	20,200
Other	3,069	7,437	-	-	10,506
Total Operating Expenses	<u>148,269</u>	<u>7,437</u>	<u>-</u>	<u>-</u>	<u>155,706</u>
Operating Income (Loss)	<u>(117,884)</u>	<u>(7,437)</u>	<u>-</u>	<u>-</u>	<u>(125,321)</u>
Non-Operating Revenues (Expenses):					
Interest	3,134	1,295	-	-	4,429
Transfers in	10,000	-	840	-	10,840
Transfers out	(840)	(10,000)	-	-	(10,840)
Total Non-Operating Revenues (Expenses)	<u>12,294</u>	<u>(8,705)</u>	<u>840</u>	<u>840</u>	<u>4,429</u>
Change in Net Position	<u>(105,590)</u>	<u>(16,142)</u>	<u>840</u>	<u>840</u>	<u>(120,892)</u>
Net Position:					
Beginning of year	1,589,362	206,432	124,682	-	1,920,476
End of year	<u>\$ 1,483,772</u>	<u>\$ 190,290</u>	<u>\$ 125,522</u>	<u>\$ -</u>	<u>\$ 1,799,584</u>

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

AUTHORITY FOR IMPROVEMENT IN MUNICIPALITIES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-Type Activities - Enterprise Funds				Total
	General Fund	Urban Development Action Grant Fund	Community Development Block Grant Fund		
Cash Flows from Operating Activities:					
Receipts from customers	\$ 3,627	-	-	-	\$ 3,627
Loan principal payments	199,905	-	-	-	199,905
Loan interest payments	11,139	-	-	-	11,139
Loans disbursed	(209,194)	-	-	-	(209,194)
Payments to Allegheny County - Administrative	(125,000)	-	-	-	(125,000)
Payments for goods and services	(23,269)	(7,437)	-	-	(30,706)
Net cash provided by (used in) operating activities	<u>(142,792)</u>	<u>(7,437)</u>	<u>-</u>	<u>-</u>	<u>(150,229)</u>
Cash Flows from Noncapital Financing Activities:					
Transfers in	10,000	-	-	-	10,000
Transfers out	-	(10,000)	-	-	(10,000)
Net cash provided by (used in) investing activities	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities:					
Loan principal repayments - Allegheny County	(2,499)	-	-	-	(2,499)
Interest received	3,134	1,295	-	-	4,429
Net cash provided by (used in) investing activities	<u>635</u>	<u>1,295</u>	<u>-</u>	<u>-</u>	<u>1,930</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(132,157)</u>	<u>(16,142)</u>	<u>-</u>	<u>-</u>	<u>(148,299)</u>
Cash and Cash Equivalents:					
Beginning of year	769,797	206,432	-	-	976,229
End of year	<u>\$ 637,640</u>	<u>\$ 190,290</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 827,930</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating income (loss)	\$ (117,884)	\$ (7,437)	\$ -	\$ -	(125,321)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Change in assets and liabilities:					
Fees receivable	(15,619)	-	-	-	(15,619)
Loans receivable	(9,289)	-	-	-	(9,289)
Total Adjustments	<u>(24,908)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,908)</u>
Net cash flows provided by (used in) operating activities	<u>\$ (142,792)</u>	<u>\$ (7,437)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(150,229)</u>

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

**ALLEGHENY COUNTY AUTHORITY FOR IMPROVEMENTS
IN MUNICIPALITIES**

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017**

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

The Authority for Improvements in Municipalities (the "Authority") was established by Allegheny County (the "County"), Pennsylvania, in 1968 pursuant to the Municipality Authorities Act of Pennsylvania. The Authority's activities include providing assistance in the form of grants and loans to cities, boroughs, townships, and authorities situated in the County, and lease financing for capital equipment purchases by non-profit hospitals and municipalities through Pennsylvania. The Authority's board of Directors (the "Board") is appointed by the County. The County has not included the Authority in its reporting entity because the County's accountability for the Authority does not extend beyond making these appointments.

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 and apply the provisions of Governmental Accounting Standards Board ("GASB") Statements. The Authority accounts for its programs on the accrual basis of accounting. Accordingly, revenues are recorded when earned and expenses are recorded when incurred. Inter-fund transactions are generally recognized when they are incurred.

Fund operating revenues, such as program income, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities.

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. 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 is both restricted and unrestricted net position available, it is the Authority's policy to apply those expenses first to restricted net position, to the extent such is available, and then to unrestricted net position.

The Authority reports the following major proprietary funds:

General Fund

The General Fund is the principal operating fund of the Authority, which accounts for all financial transactions, except those required to be accounted for in other funds. The General Fund includes loan and grant activities undertaken at the discretion of the Authority's Board entailing resources, which are otherwise unrestricted.

ALLEGHENY COUNTY AUTHORITY FOR IMPROVEMENTS
IN MUNICIPALITIES

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

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

Urban Development Action Grant Fund

The Urban Development Action Grant Fund (UDAG) accounts for the proceeds of UDAG monies applied for and received by the County on behalf of itself and four other municipalities within the County. The UDAG funds were provided to the municipalities so as to retain and enhance employment within their boundaries. The Authority acts as custodian and administrator of the UDAG funds.

Community Development Block Grant Fund

The restricted Community Development Block Grant (CDBG) Fund accounts for the proceeds of CDBG monies made available to the Authority for two projects located at Regional Industrial Development Corporation Park.

2. Cash and Cash Equivalents

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

3. Restricted Cash

Restricted cash represents resources set aside for liquidation of specific obligations. See Note 4 for details of restricted cash.

4. 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.”

**ALLEGHENY COUNTY AUTHORITY FOR IMPROVEMENTS
IN MUNICIPALITIES**

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017**

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

5. Loans Receivable

Loans receivable in the General Fund consist of loans that are primarily for infrastructure projects and financing of capital needs of the municipal entities within Allegheny County. Loans are recorded on the Statement of Net Position at face value. The loans have rates ranging from 0% to 5% and with terms of approximately five years. The loan amounts range from approximately \$5,000 to \$225,000.

The portion of loans expected to be collected by the Authority within one year are shown as current assets of the Authority in the Statement of Net Position.

6. Allowance for Uncollectible Accounts

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

Authority management believes all outstanding loans are collectible at December 31, 2017, and therefore, no allowance is needed at December 31, 2017.

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. The fee for these services for the year ended December 31, 2017 was \$125,000, which was paid by the General Fund.

NOTE C – DEPOSITS AND INVESTMENTS

The Authority is authorized to make investments of the following types pursuant to the Municipality Authorities Act of 1945: (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 that company meet the criteria in (1) through (4) above.

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 AUTHORITY FOR IMPROVEMENTS
IN MUNICIPALITIES**

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE C – DEPOSITS AND INVESTMENTS – (Continued)

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a formal deposit policy for custodial credit risk. As of December 31, 2017, \$-0- 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 form. The authority has approximately \$655,000 deposited with PLGIT as of December 31, 2017.

NOTE D – RESTRICTED NET POSITION

Assets whose use is limited to a specific purpose have been classified as restricted in the statement of net position.

- The *General Fund* reported a restricted cash balance of \$42,355 at year-end that consists of the amount of unexpended funds received from Allegheny County for the Special Economic Development Program.
- The entire cash balance in the *Urban Development Action Grant Fund* is considered to be restricted at year end because all monies contained within UDAG are reserved for municipalities wishing to enhance employment within their boundaries.
- The *CDBG Fund* has restricted assets consisting of an amount due to the CDBG Fund from General Fund. The funds are restricted because they are to be used on specific projects.

NOTE E – CONDUIT DEBT

The Authority issued limited obligation tax-exempt notes to provide below-market interest rate financing for qualifying organizations. The tax-exempt notes are repayable solely from each qualifying organization's respective resources. Neither the general credit of the Authority nor the general credit and taxing power of the County has been pledged for the payment of debt service. The Authority has no obligation for repayment of this debt from other resources.

The outstanding amount issued as of December 31, 2017, was approximately \$16.7 million.

NOTE F – PROGRAM DISBURSEMENTS

In 2007, Allegheny County contributed \$1 million to the Authority for use in the Economic Development Program. The Economic Development Program awards funding for public infrastructure projects that impact large scale economic development projects. Eligible entities must demonstrate a need for funding, a significant community impact, and the grant funds cannot be greater than the matching investment. In 2017, there were no disbursements under the program. The remaining balance of the \$1 million contribution is \$42,355, including interest earned, and is shown as restricted cash in the General Fund.

**ALLEGHENY COUNTY AUTHORITY FOR IMPROVEMENTS
IN MUNICIPALITIES**

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE G – LOANS PAYABLE

During 2010, the Authority entered into a loan agreement with the Redevelopment Authority of Allegheny County amounting to \$250,000. The proceeds of this loan were to be used by the Authority to provide additional funding for its revolving loan fund. The loan was repaid as payments on the underlying loans were collected. The loan was paid off during the current year.

OTHER SUPPLEMENTARY INFORMATION

ALLEGHENY COUNTY AUTHORITY FOR IMPROVEMENTS IN MUNICIPALITIES
SCHEDULE OF LOANS RECEIVABLE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	December 31, 2016	2017 Loans	Principal Repayments	December 31, 2017
Aleppo Township Authority	\$ 100,000	-	\$ 20,000	\$ 80,000
Aleppo Township Authority	79,999	-	20,000	59,999
Borough of Avalon	200,000	-	40,000	160,000
Baldwin Borough	-	152,635	-	152,635
Bellevue Borough	-	38,724	-	38,724
Ben Avon Heights Borough	74,213	-	18,553	55,660
Ben Avon Heights Borough	160,519	17,835	-	178,354
Borough of Braddock Hills	63,469	-	15,868	47,601
Char West Council of Governments	40,000	-	-	40,000
Dormont Borough	2,499	-	2,499	-
East Deer Township	19,945	-	19,945	-
McKeesport Ambulance	20,385	-	5,097	15,288
McKeesport Ambulance	109,717	-	21,943	87,774
Borough of Pitcairn	60,000	-	20,000	40,000
Wilmerding Borough	16,000	-	16,000	-
Totals	<u>\$ 946,746</u>	<u>\$ 209,194</u>	<u>\$ 199,905</u>	<u>\$ 956,035</u>

**ALLEGHENY COUNTY
AUTHORITY FOR IMPROVEMENTS
IN MUNICIPALITIES**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

**ALLEGHENY COUNTY
AUTHORITY FOR IMPROVEMENTS IN MUNICIPALITIES
YEAR ENDED DECEMBER 31, 2017**

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 – 2
Management's Discussion and Analysis	3 – 5
Basic Financial Statements:	
Statement of Net Position	6
Statement of Revenues, Expenses, and Changes in Net Position	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 – 13
Other Supplementary Information:	
Schedule of Loans Receivable – General Fund	15



CASE | SABATINI

PROFESSIONAL ACCOUNTING,
CONSULTING & BUSINESS
ADVISORY SERVICES

June 4, 2018

Board of Directors
Allegheny County Authority for Improvements in Municipalities
Pittsburgh, Pennsylvania

Independent Auditor's Report

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 of the Allegheny County Authority for Improvements in Municipalities (the "Authority") as of and for the year ended December 31, 2017, 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 of the Authority as of December 31, 2017, the respective changes in their financial position and in their cash flows 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 3-5 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 of the Authority's basic financial statements. The accompanying Schedule of Loans Receivable of the General Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Schedule of Loans Receivable of the General Fund has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants
Pittsburgh, Pennsylvania

CASE | SABATINI ▶ 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

PITTSBURGH ▶ WEXFORD ▶ PALM BEACH

Members of the American and Pennsylvania Institute of Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Authority for Improvements in Municipalities of Allegheny County (the "Authority") Management's Discussion and Analysis is designated to provide an overview of the Authority's financial activities for the year ended December 31, 2017 and should be read in conjunction with Authority's financial statements, which begin on page 6.

Financial Highlights

- The Authority's net position decreased by \$120,892 during the current year.
- The Authority has approximately \$1.4 million in unrestricted net position available to fund development throughout the County by issuing loans to eligible governments and organizations.
- During the current year, the Authority lent approximately \$209,000 to local governments and organizations for various development projects in the County.

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

The *Statement of Revenues, Expenses, and Changes in Net Position*, on page 7, reports all of the Authority's earnings and expenses by business-type activity using the accrual basis of accounting.

The *Statement of Cash Flows*, on page 8, 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 three 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 General Fund, the Urban Development Action Grant Fund, and the Community Development Block Grant Fund, which are considered to be major funds

Notes to the Financial Statements. The notes, which begin on page 9, provide additional information that is essential to a full understanding of data provided in the fund financial statements.

Other Information

The Authority presents a schedule of loans receivable detailing the Authority's lending activity during the current year as other supplemental information. The schedule can be found on page 15.

Analysis of Net Position

Net position is a useful indicator of a government's financial position. For the Authority, total assets were greater than liabilities by \$1,799,584 for the year ended December 31, 2017 and \$1,920,476 for the year ended December 31, 2016.

Condensed Statement of Net Position

The following is a summary of the Authority's Statement of Net Position as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>	<u>Change</u>
<u>Assets:</u>			
Cash	\$ 595,285	\$ 727,725	\$ (132,440)
Fees Receivable	15,619	-	15,619
Loans Receivable	956,035	946,746	9,289
Due from Other Funds	125,522	124,682	840
Restricted Cash	<u>232,645</u>	<u>248,504</u>	<u>(15,859)</u>
Total Assets	<u>1,925,106</u>	<u>2,047,657</u>	<u>(122,551)</u>
<u>Liabilities:</u>			
Due to Other Funds	125,522	124,682	840
Loan Payable	<u>-</u>	<u>2,499</u>	<u>(2,499)</u>
Total Liabilities	<u>125,522</u>	<u>127,181</u>	<u>(1,659)</u>
<u>Net Position</u>			
Restricted	358,167	373,186	(15,019)
Unrestricted	<u>1,441,417</u>	<u>1,547,290</u>	<u>(105,873)</u>
Total Net Position	<u>\$ 1,799,584</u>	<u>\$ 1,920,476</u>	<u>\$ (120,892)</u>

Approximately 80% of the Authority's net position is unrestricted and available for general use by the Authority.

Changes in Net Position

The Authority's net position decreased by \$120,892 for the year ended December 31, 2017 and \$120,990 for the year ended December 31, 2016. During the current year, 36.7% of the Authority's operating revenue came from loan interest, 44.7% from fees and charges, and 18.6% from program income. During the prior year, 39.8% of the Authority's operating revenue came from loan interest and 60.2% from program income.

The following summarizes the Authority's Statement of Revenues, Expenses, and Changes in Net Position for the years ended December 31, 2017 and 2016.

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

	<u>2017</u>	<u>2016</u>	<u>Change</u>
<u>Operating Revenues:</u>			
Loan Interest	\$ 11,139	\$ 8,830	\$ 2,309
Fees and charges	13,595	-	13,595
Program Income	<u>5,651</u>	<u>5,863</u>	<u>(212)</u>
Total Operating Revenues	<u>30,385</u>	<u>14,693</u>	<u>15,692</u>
<u>Operating Expenses:</u>			
Professional Services	20,200	15,500	4,700
Other	10,506	7,209	3,297
Payment to Allegheny County - Admin	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Total Operating Expenses	<u>155,706</u>	<u>147,709</u>	<u>7,997</u>
Operating Income (Loss)	<u>(125,321)</u>	<u>(133,016)</u>	<u>7,695</u>
<u>Non-Operating Revenues</u>			
Interest Revenue	<u>4,429</u>	<u>1,903</u>	<u>2,526</u>
Total Non-Operating Revenues	<u>4,429</u>	<u>1,903</u>	<u>2,526</u>
Net Income (Loss)	<u>(120,892)</u>	<u>(131,113)</u>	<u>10,221</u>
<u>Net Position</u>			
Beginning of year	<u>1,920,476</u>	<u>2,051,589</u>	<u>(131,113)</u>
End of year	<u>\$ 1,799,584</u>	<u>\$ 1,920,476</u>	<u>\$ (120,892)</u>

Financial Analysis of Individual Funds

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

The Administrative Fund reported a net position of \$1,468,153, a decrease of \$121,209 from the prior year, primarily due to the amount paid to Allegheny County for administrative services.

The Urban Development Action Grant Fund reported a net position of \$190,290, a decrease of \$16,142 from the prior year, due to disbursements to a local government for playground improvements and transfers to the Administrative Fund to help fund the payment to Allegheny County.

The Community Development Block Grant Fund reported a net position of \$125,522, an increase of \$840 from the prior year due to a transfer of interest earned on bank deposits with the Administrative Fund.

Requests for Information

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

AUTHORITY FOR IMPROVEMENT IN MUNICIPALITIES
STATEMENT OF NET POSITION
DECEMBER 31, 2017

Assets	Business-Type Activities - Enterprise Funds				Total
	General Fund	Urban Development Action Grant Fund	Community Development Block Grant Fund		
Current Assets:					
Cash and cash equivalents	\$ 595,285	\$ -	\$ -	\$ -	\$ 595,285
Fees receivable	15,619	-	-	-	15,619
Current portion of loans receivable	225,403	-	-	-	225,403
Due from the other funds	-	-	125,522	-	125,522
Total Current Assets	836,307	-	125,522	-	961,829
Noncurrent Assets:					
Loan receivable	730,632	-	-	-	730,632
Restricted cash	42,355	190,290	-	-	232,645
Total Noncurrent Assets	772,987	190,290	-	-	963,277
Total Assets	\$ 1,609,294	\$ 190,290	\$ 125,522	\$ -	\$ 1,925,106
Liabilities and Net Position					
Current Liabilities:					
Due to CDBG Fund	\$ 125,522	\$ -	\$ -	\$ -	\$ 125,522
Loan payable	-	-	-	-	-
Total Current Liabilities	125,522	-	-	-	125,522
Total Liabilities	125,522	-	-	-	125,522
Net Position:					
Restricted for projects	42,355	190,290	125,522	-	358,167
Unrestricted	1,441,417	-	-	-	1,441,417
Total Net Position	1,483,772	190,290	125,522	-	1,799,584
Total Liabilities and Net Position	\$ 1,609,294	\$ 190,290	\$ 125,522	\$ -	\$ 1,925,106

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

**AUTHORITY FOR IMPROVEMENT IN MUNICIPALITIES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Business-Type Activities - Enterprise Funds				Total
	General Fund	Urban		Community	
		Development Action Grant Fund	Development Block Grant Fund	Development Block Grant Fund	
Operating Revenues:					
Interest from loans	\$ 11,139	\$ -	\$ -	\$ -	\$ 11,139
Fees and charges	13,595	-	-	-	13,595
Program income	5,651	-	-	-	5,651
Total Operating Revenues	<u>30,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,385</u>
Operating Expenses:					
Administration fee	125,000	-	-	-	125,000
Professional services	20,200	-	-	-	20,200
Other	3,069	7,437	-	-	10,506
Total Operating Expenses	<u>148,269</u>	<u>7,437</u>	<u>-</u>	<u>-</u>	<u>155,706</u>
Operating Income (Loss)	<u>(117,884)</u>	<u>(7,437)</u>	<u>-</u>	<u>-</u>	<u>(125,321)</u>
Non-Operating Revenues (Expenses):					
Interest	3,134	1,295	-	-	4,429
Transfers in	10,000	-	840	-	10,840
Transfers out	(840)	(10,000)	-	-	(10,840)
Total Non-Operating Revenues (Expenses)	<u>12,294</u>	<u>(8,705)</u>	<u>840</u>	<u>840</u>	<u>4,429</u>
Change in Net Position	<u>(105,590)</u>	<u>(16,142)</u>	<u>840</u>	<u>840</u>	<u>(120,892)</u>
Net Position:					
Beginning of year	1,589,362	206,432	124,682	-	1,920,476
End of year	<u>\$ 1,483,772</u>	<u>\$ 190,290</u>	<u>\$ 125,522</u>	<u>\$ -</u>	<u>\$ 1,799,584</u>

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

AUTHORITY FOR IMPROVEMENT IN MUNICIPALITIES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-Type Activities - Enterprise Funds				Total
	General Fund	Urban Development Action Grant Fund	Community Development Block Grant Fund	-	
Cash Flows from Operating Activities:					
Receipts from customers	3,627	-	-	-	3,627
Loan principal payments	199,905	-	-	-	199,905
Loan interest payments	11,139	-	-	-	11,139
Loans disbursed	(209,194)	-	-	-	(209,194)
Payments to Allegheny County - Administrative	(125,000)	-	-	-	(125,000)
Payments for goods and services	(23,269)	(7,437)	-	-	(30,706)
Net cash provided by (used in) operating activities	(142,792)	(7,437)	-	-	(150,229)
Cash Flows from Noncapital Financing Activities:					
Transfers in	10,000	-	-	-	10,000
Transfers out	-	(10,000)	-	-	(10,000)
Net cash provided by (used in) investing activities	10,000	(10,000)	-	-	-
Cash Flows from Investing Activities:					
Loan principal repayments - Allegheny County	(2,499)	-	-	-	(2,499)
Interest received	3,134	1,295	-	-	4,429
Net cash provided by (used in) investing activities	635	1,295	-	-	1,930
Net Increase (Decrease) in Cash and Cash Equivalents	(132,157)	(16,142)	-	-	(148,299)
Cash and Cash Equivalents:					
Beginning of year	769,797	206,432	-	-	976,229
End of year	637,640	190,290	-	-	827,930
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating income (loss)	\$ (117,884)	\$ (7,437)	\$ -	\$ -	\$ (125,321)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Change in assets and liabilities:					
Fees receivable	(15,619)	-	-	-	(15,619)
Loans receivable	(9,289)	-	-	-	(9,289)
Total Adjustments	(24,908)	-	-	-	(24,908)
Net cash flows provided by (used in) operating activities	\$ (142,792)	\$ (7,437)	\$ -	\$ -	\$ (150,229)

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

**ALLEGHENY COUNTY AUTHORITY FOR IMPROVEMENTS
IN MUNICIPALITIES**

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017**

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

The Authority for Improvements in Municipalities (the "Authority") was established by Allegheny County (the "County"), Pennsylvania, in 1968 pursuant to the Municipality Authorities Act of Pennsylvania. The Authority's activities include providing assistance in the form of grants and loans to cities, boroughs, townships, and authorities situated in the County, and lease financing for capital equipment purchases by non-profit hospitals and municipalities through Pennsylvania. The Authority's board of Directors (the "Board") is appointed by the County. The County has not included the Authority in its reporting entity because the County's accountability for the Authority does not extend beyond making these appointments.

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 and apply the provisions of Governmental Accounting Standards Board ("GASB") Statements. The Authority accounts for its programs on the accrual basis of accounting. Accordingly, revenues are recorded when earned and expenses are recorded when incurred. Inter-fund transactions are generally recognized when they are incurred.

Fund operating revenues, such as program income, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities.

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. 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 is both restricted and unrestricted net position available, it is the Authority's policy to apply those expenses first to restricted net position, to the extent such is available, and then to unrestricted net position.

The Authority reports the following major proprietary funds:

General Fund

The General Fund is the principal operating fund of the Authority, which accounts for all financial transactions, except those required to be accounted for in other funds. The General Fund includes loan and grant activities undertaken at the discretion of the Authority's Board entailing resources, which are otherwise unrestricted.

**ALLEGHENY COUNTY AUTHORITY FOR IMPROVEMENTS
IN MUNICIPALITIES**

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017**

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

Urban Development Action Grant Fund

The Urban Development Action Grant Fund (UDAG) accounts for the proceeds of UDAG monies applied for and received by the County on behalf of itself and four other municipalities within the County. The UDAG funds were provided to the municipalities so as to retain and enhance employment within their boundaries. The Authority acts as custodian and administrator of the UDAG funds.

Community Development Block Grant Fund

The restricted Community Development Block Grant (CDBG) Fund accounts for the proceeds of CDBG monies made available to the Authority for two projects located at Regional Industrial Development Corporation Park.

2. **Cash and Cash Equivalents**

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

3. **Restricted Cash**

Restricted cash represents resources set aside for liquidation of specific obligations. See Note 4 for details of restricted cash.

4. **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.”

**ALLEGHENY COUNTY AUTHORITY FOR IMPROVEMENTS
IN MUNICIPALITIES**

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

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

5. **Loans Receivable**

Loans receivable in the General Fund consist of loans that are primarily for infrastructure projects and financing of capital needs of the municipal entities within Allegheny County. Loans are recorded on the Statement of Net Position at face value. The loans have rates ranging from 0% to 5% and with terms of approximately five years. The loan amounts range from approximately \$5,000 to \$225,000.

The portion of loans expected to be collected by the Authority within one year are shown as current assets of the Authority in the Statement of Net Position.

6. **Allowance for Uncollectible Accounts**

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

Authority management believes all outstanding loans are collectible at December 31, 2017, and therefore, no allowance is needed at December 31, 2017.

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. The fee for these services for the year ended December 31, 2017 was \$125,000, which was paid by the General Fund.

NOTE C – DEPOSITS AND INVESTMENTS

The Authority is authorized to make investments of the following types pursuant to the Municipality Authorities Act of 1945: (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 that company meet the criteria in (1) through (4) above.

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 AUTHORITY FOR IMPROVEMENTS
IN MUNICIPALITIES**

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017**

NOTE C – DEPOSITS AND INVESTMENTS – (Continued)

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a formal deposit policy for custodial credit risk. As of December 31, 2017, \$-0- 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 form. The authority has approximately \$655,000 deposited with PLGIT as of December 31, 2017.

NOTE D – RESTRICTED NET POSITION

Assets whose use is limited to a specific purpose have been classified as restricted in the statement of net position.

- The *General Fund* reported a restricted cash balance of \$42,355 at year-end that consists of the amount of unexpended funds received from Allegheny County for the Special Economic Development Program.
- The entire cash balance in the *Urban Development Action Grant Fund* is considered to be restricted at year end because all monies contained within UDAG are reserved for municipalities wishing to enhance employment within their boundaries.
- The *CDBG Fund* has restricted assets consisting of an amount due to the CDBG Fund from General Fund. The funds are restricted because they are to be used on specific projects.

NOTE E – CONDUIT DEBT

The Authority issued limited obligation tax-exempt notes to provide below-market interest rate financing for qualifying organizations. The tax-exempt notes are repayable solely from each qualifying organization's respective resources. Neither the general credit of the Authority nor the general credit and taxing power of the County has been pledged for the payment of debt service. The Authority has no obligation for repayment of this debt from other resources.

The outstanding amount issued as of December 31, 2017, was approximately \$16.7 million.

NOTE F – PROGRAM DISBURSEMENTS

In 2007, Allegheny County contributed \$1 million to the Authority for use in the Economic Development Program. The Economic Development Program awards funding for public infrastructure projects that impact large scale economic development projects. Eligible entities must demonstrate a need for funding, a significant community impact, and the grant funds cannot be greater than the matching investment. In 2017, there were no disbursements under the program. The remaining balance of the \$1 million contribution is \$42,355, including interest earned, and is shown as restricted cash in the General Fund.

**ALLEGHENY COUNTY AUTHORITY FOR IMPROVEMENTS
IN MUNICIPALITIES**

**NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017**

NOTE G – LOANS PAYABLE

During 2010, the Authority entered into a loan agreement with the Redevelopment Authority of Allegheny County amounting to \$250,000. The proceeds of this loan were to be used by the Authority to provide additional funding for its revolving loan fund. The loan was repaid as payments on the underlying loans were collected. The loan was paid off during the current year.

OTHER SUPPLEMENTARY INFORMATION

ALLEGHENY COUNTY AUTHORITY FOR IMPROVEMENTS IN MUNICIPALITIES
SCHEDULE OF LOANS RECEIVABLE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	December 31, 2016	2017 Loans	Principal Repayments	December 31, 2017
Aleppo Township Authority	\$ 100,000	-	\$ 20,000	\$ 80,000
Aleppo Township Authority	79,999	-	20,000	59,999
Borough of Avalon	200,000	-	40,000	160,000
Baldwin Borough	-	152,635	-	152,635
Bellevue Borough	-	38,724	-	38,724
Ben Avon Heights Borough	74,213	-	18,553	55,660
Ben Avon Heights Borough	160,519	17,835	-	178,354
Borough of Braddock Hills	63,469	-	15,868	47,601
Char West Council of Governments	40,000	-	-	40,000
Dormont Borough	2,499	-	2,499	-
East Deer Township	19,945	-	19,945	-
McKeesport Ambulance	20,385	-	5,097	15,288
McKeesport Ambulance	109,717	-	21,943	87,774
Borough of Pitcairn	60,000	-	20,000	40,000
Wilmerding Borough	16,000	-	16,000	-
Totals	<u>\$ 946,746</u>	<u>\$ 209,194</u>	<u>\$ 199,905</u>	<u>\$ 956,035</u>