

**REDEVELOPMENT AUTHORITY
OF ALLEGHENY COUNTY**

PITTSBURGH, PENNSYLVANIA

**FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
YEAR ENDED DECEMBER 31, 2017

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Zelenkofske Axelrod LLC

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Chairman and Members of the Board
Redevelopment Authority of Allegheny County
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY, as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of GASB Statements

As described in Note 1 to the financial statements, in 2017 the REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY adopted the provisions of Governmental Accounting Standards Board Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", Statement No. 80, "*Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*", Statement No. 81, "*Irrevocable Split-Interest Agreements*", and Statement No. 82, "*Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*". Our opinion is not modified with respect to these matters.

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 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY's basic financial statements. The combining non-major special revenue fund financial statements on pages 42 through 43 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major special revenue fund financial statements are the responsibility of management and were derived from and relates 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 non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Zelenkofske Axlerod LLC

ZELENKOFOSKE AXELROD LLC

Pittsburgh, Pennsylvania
March 28, 2018

**Management's Discussion and Analysis
December 31, 2017**

The REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY, hereafter referred to as the "AUTHORITY", is pleased to present its financial statements developed in compliance with Statement of Governmental Accounting Standard No. 34, entitled "Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments (hereafter "GASB 34"), and related standards. GASB 34 enhances information provided to the users of its financial statements. This section of the financial reporting package presents our discussion and analysis of the AUTHORITY's financial performance during the year that ended on December 31, 2017. We recommend that it be read in conjunction with the AUTHORITY's financial statements that follow this section in order to obtain a thorough understanding of the AUTHORITY's financial condition at December 31, 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of the following two parts:

- Management's discussion and analysis (this section)
- Basic financial statements (including notes)
- Other supplementary information

Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the AUTHORITY's government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements. In addition to the required elements, an other supplementary information section is included with combining statements that provide particulars about non-major funds

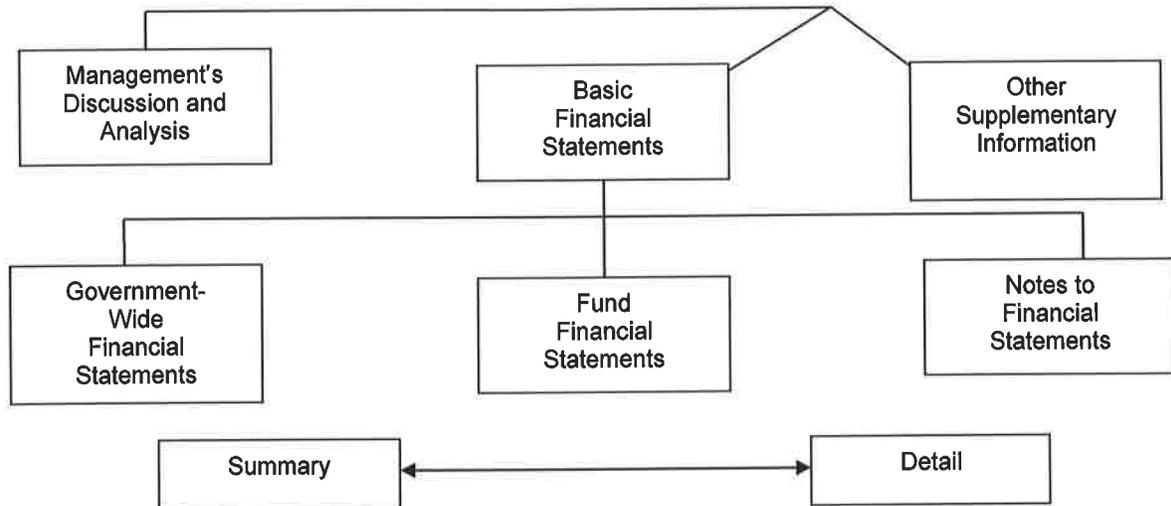
The basic financial statements present two different views of the AUTHORITY.

- *Government-wide financial statements*, the first two statements, provide information about the AUTHORITY's overall financial status.
- *Fund financial statements*, the remaining statements, focus on individual parts of the AUTHORITY's government. They provide more detail on operations than the government-wide statements. There are three types of fund financial statements, though two are presented for the AUTHORITY:
 - *Governmental funds statements* show how general government services are financed in the short term, as well as what remains for future spending.
 - *Proprietary fund statements* offer short-term and long-term financial information about the activities the AUTHORITY operates like a business.

Management's Discussion and Analysis
December 31, 2017

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

Required Components of the Annual Financial Statements



Management's Discussion and Analysis
December 31, 2017

Table A-2 summarizes the major features of the Authority's financial statements, including the area of the Authority's activities they cover and the types of information they contain.

Table A-2: Major features of the government-wide and fund financial statements

	Government-wide Statements	Fund Financial Statements	
		Governmental	Proprietary
Scope	Entire Entity	The day-to-day operating activities of the County, such as public safety and public works	The activities of the Authority, such as the Economic Development Fund
Required Financial Statements	-Statement of net position -Statement of activities	-Balance Sheet -Statement of revenues, expenditures and changes in fund balance	-Statement of net position -Statement of revenues, expenses, and changes in fund net position -Statement of cash flows
Accounting basis and measurement focus	Accrual	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital short-term and long-term
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid

Management's Discussion and Analysis
December 31, 2017

The remainder of the overview explains the structure and contents of the government-wide and fund financial statements.

Government-wide financial statements

Government-wide financial statements report information about the AUTHORITY as a whole using accounting methods similar to those used by private-sector companies.

- The statement of net position includes all the AUTHORITY's assets and liabilities with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business.
- The statement of activities focuses on how the AUTHORITY's net position changed during the year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on general revenues for funding.

All changes to net position are reported using the economic resources measurement focus and the accrual basis of accounting, which requires that revenues be reported when they are earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow.

Net position is one way to measure the AUTHORITY's financial position. Over time, increases or decreases in the AUTHORITY's net position are one indicator of whether the AUTHORITY's financial position is improving or deteriorating. However, other non-financial factors such as changes in the AUTHORITY's general economic conditions must be considered to assess the overall position of the AUTHORITY.

The primary government is included in the government-wide financial statements. The AUTHORITY does not have any discretely presented component units that it reports in the financial statements.

There are two categories of activities for the primary government:

- *Governmental activities* include the AUTHORITY's basic services such as community development.
- *Business-type activities*, such as the 200 Industry Drive Fund, charge a fee to customers to help cover the costs of services.

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets in the fund level statements are reported as expenditures when financial resources (money) are expended to purchase or build assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Depreciation is not calculated as it does not provide or reduce current financial resources. Finally, capital assets and long-term debt do not affect fund balances.

**Management's Discussion and Analysis
December 31, 2017**

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

- Capitalize current outlays for capital assets
- Report long-term debt as a liability
- Depreciate capital assets and allocate the depreciation to the proper program/activities
- Allocate net position balances as follows:
 - Net position invested in capital assets, net of related debt
 - Restricted net position is net position with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation
 - Unrestricted net position is the net amount of the assets that do not meet any of the above restrictions

Fund Financial Statements

Fund financial statements provide more detailed information on the AUTHORITY's most significant funds, not the AUTHORITY as a whole. Funds are accounting devices, i.e., a group of related accounts, the AUTHORITY uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. Other funds are established to control and manage resources designated for specific purposes. Fund financial statements are reported using the modified accrual basis of accounting.

The AUTHORITY has two kinds of funds:

- *Governmental funds* include most of the AUTHORITY's basic services and focus on: (1) the flow in and out of cash and other financial assets that can readily be converted into cash, and: (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting.

The relationship between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

- *Proprietary Funds* report business-type programs and activities that charge fees designed to recover the cost of providing services. The proprietary funds report using the accrual basis of accounting.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Position

The AUTHORITY's total assets were \$84,607,485 at December 31, 2017. Of this amount, \$4,739,637 was capital assets.

GASB No. 34 required that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statements, but allowed infrastructure to be added over several years. The AUTHORITY adopted the provisions of GASB 34 related to infrastructure on the retroactive basis.

Management's Discussion and Analysis
December 31, 2017

Condensed Statement of Net Position

	2017 Governmental Activities	2016 Governmental Activities	2017 Business- Type Activities	2016 Business- Type Activities	2017 Total	2016 Total
Capital assets	\$ 1,400,000	\$ 1,400,000	\$ 3,339,637	\$ 3,591,139	\$ 4,739,637	\$ 4,991,139
Other assets	51,317,107	51,075,840	28,550,741	29,388,508	79,867,848	80,464,348
Total assets	<u>\$ 52,717,107</u>	<u>\$ 52,475,840</u>	<u>\$ 31,890,378</u>	<u>\$ 32,979,647</u>	<u>\$ 84,607,485</u>	<u>\$ 85,455,487</u>
Current liabilities	\$ 15,997,866	\$ 14,234,355	\$ (5,415,055)	\$ (4,597,981)	\$ 10,582,811	\$ 9,636,374
Long-term liabilities	-	-	8,626,331	11,308,800	8,626,331	11,308,800
Total liabilities	<u>15,997,866</u>	<u>14,234,355</u>	<u>3,211,276</u>	<u>6,710,819</u>	<u>19,209,142</u>	<u>20,945,174</u>
Net position, net investment in capital assets	\$ 1,400,000	\$ 1,400,000	\$ 879,684	\$ 871,167	\$ 2,279,684	\$ 2,271,167
Restricted net position	26,591,825	27,245,188	31,791,568	29,382,924	58,383,393	56,628,112
Unrestricted net position (deficit)	<u>8,727,416</u>	<u>9,596,297</u>	<u>(3,992,150)</u>	<u>(3,985,263)</u>	<u>4,735,266</u>	<u>5,611,034</u>
Total net position	<u>\$ 36,719,241</u>	<u>\$ 38,241,485</u>	<u>\$ 28,679,102</u>	<u>\$ 26,268,828</u>	<u>\$ 65,398,343</u>	<u>\$ 64,510,313</u>

Management's Discussion and Analysis
December 31, 2017

Change in Net Position

The following statement of activities represents the change in net position for the years ended December 31, 2017 and 2016. It shows revenues by source and expenses by function for governmental activities, business-type activities and the government as a whole.

Condensed Statement of Activities

	2017 Governmental Activities	2016 Governmental Activities	2017 Business- Type Activities	2016 Business- Type Activities	2017 Total	2016 Total
Program Revenues:						
Charges for services	\$ 283,862	\$ 529,611	\$ 1,416,422	\$ 1,248,397	\$ 1,700,284	\$ 1,778,008
Grants and contributions	38,487,262	39,026,745	-	-	38,487,262	39,026,745
General Revenues:						
RAD tax revenues	-	-	2,497,362	2,404,501	2,497,362	2,404,501
Investment earnings	79,854	40,655	-	-	79,854	40,655
Miscellaneous revenue	275,599	489,539	-	-	275,599	489,539
Total revenues	39,126,577	40,086,550	3,913,784	3,652,898	43,040,361	43,739,448
Expenses:						
General government administration	1,106,629	1,035,887	-	-	1,106,629	1,035,887
Community development	39,542,192	36,189,672	-	-	39,542,192	36,189,672
Lending program	-	-	66,743	1,646,619	66,743	1,646,619
Rental activity	-	-	766,268	812,543	766,268	812,543
Interest on long-term debt	-	-	670,499	844,660	670,499	844,660
Total expenses	40,648,821	37,225,559	1,503,510	3,303,822	42,152,331	40,529,381
Changes in net position	(1,522,244)	2,860,991	2,410,274	349,076	888,030	3,210,067
Net position, January 1	\$ 38,241,485	\$ 35,380,494	\$ 26,268,828	\$ 25,919,752	\$ 64,510,313	\$ 61,300,246
Net position, December 31	\$ 36,719,241	\$ 38,241,485	\$ 28,679,102	\$ 26,268,828	\$ 65,398,343	\$ 64,510,313

Management's Discussion and Analysis
December 31, 2017

Net Program Expenses

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

Net Cost of Governmental and Business-type Activities

	<u>2017 Total Cost of Services</u>	<u>2016 Total Cost of Services</u>	<u>2017 Net Cost of Services</u>	<u>2016 Net Cost of Services</u>
Program:				
General government	\$ 1,106,629	\$ 1,035,887	\$ (1,106,629)	\$ (1,035,887)
Community development	39,542,192	36,189,672	(771,068)	3,366,684
Lending program	521,783	2,255,154	(88,718)	(2,027,531)
Rental activity	981,727	1,048,668	1,630	(27,894)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 42,152,331</u>	<u>\$ 40,529,381</u>	<u>\$ (1,964,785)</u>	<u>\$ 275,372</u>

The AUTHORITY did not rely on taxes and other general revenues to fund any portion of its governmental or business-type activities in 2017 or 2016.

Capital Assets

The AUTHORITY's investment in capital assets at December 31, 2017, net of accumulated depreciation, was \$4,739,637. Capital assets consist primarily of land, buildings, and improvements. The following is a summary of capital assets at December 31, 2017 and 2016:

Capital Assets

	<u>2017 Governmental Activities</u>	<u>2016 Governmental Activities</u>	<u>2017 Business- Type Activities</u>	<u>2016 Business- Type Activities</u>	<u>2017 Total</u>	<u>2016 Total</u>
Land	\$ 1,400,000	\$ 1,400,000	\$ 1,528,300	\$ 1,528,300	\$ 2,928,300	\$ 2,928,300
Buildings and Improvements	-	-	5,489,220	5,489,223	5,489,220	5,489,223
Accumulated Depreciation	<u>-</u>	<u>-</u>	<u>(3,677,883)</u>	<u>(3,426,384)</u>	<u>(3,677,883)</u>	<u>(3,426,384)</u>
Total Net Capital Assets	<u>\$ 1,400,000</u>	<u>\$ 1,400,000</u>	<u>\$ 3,339,637</u>	<u>\$ 3,591,139</u>	<u>\$ 4,739,637</u>	<u>\$ 4,991,139</u>

Detailed information about the AUTHORITY's capital assets can be found in Note 4 to the Financial Statements.

Management's Discussion and Analysis
December 31, 2017

Debt Administration

At December 31, 2017, the AUTHORITY had \$11,307,953 of debt outstanding. Debt decreased 18% from the previous year. The following is a summary of debt obligations for the 2017 year:

	<u>Outstanding Balance as of January 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding Balance as of December 31, 2017</u>	<u>Due Within 1 Year</u>
Business-Type Activities:					
General Obligation Bonds	\$ 6,420,000	\$ -	\$ (1,980,000)	\$ 4,440,000	\$ 2,135,000
Mortgage Payable	2,719,972	-	(260,019)	2,459,953	281,622
Section 108 Loans	4,663,000	-	(255,000)	4,408,000	265,000
Business-Type Activities					
Total Debt	<u>\$ 13,802,972</u>	<u>\$ -</u>	<u>\$ (2,495,019)</u>	<u>\$ 11,307,953</u>	<u>\$ 2,681,622</u>

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

GOVERNMENTAL FUNDS

The AUTHORITY uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of governmental funds is to provide information on inflows, outflows, and balances of spendable resources. Such information is useful in assessing the AUTHORITY's financing requirements. In particular, unreserved/undesignated fund balance may serve as a useful measure of the AUTHORITY's net resources available for spending at the end of the year.

The AUTHORITY's governmental funds include the general fund and various special revenue funds. The general fund is the chief operating fund for the AUTHORITY. Special revenue funds are restricted to specific legislated use. The major funds are shown on the statement of revenues, expenditures and changes in fund balances in the financial statements.

**Management's Discussion and Analysis
December 31, 2017**

GOVERNMENTAL FUND REVENUES

Governmental fund revenues by source for the years ended December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Revenues:		
Intergovernmental revenues	\$ 38,487,262	\$ 39,026,745
Loan repayments	645,832	421,268
Fee income	148,862	305,003
Tax increment financing fee	135,000	224,608
Interest and other revenues	<u>355,453</u>	<u>530,194</u>
Total revenues	<u>\$ 39,772,409</u>	<u>\$ 40,507,818</u>

There are several factors relating to the decrease of \$735,409 in revenues from 2016 to 2017. The most significant factors contributing to the intergovernmental revenue decrease are a decrease in land received and a decrease in funding from the Tiger Grant Program along with increases in funding from the Community Development Block Grant ("CDBG"), Redevelopment Assistance Capital Program ("RACP"), and Gaming Economic Development Fund ("GEDF").

GOVERNMENTAL FUND EXPENDITURES

Governmental fund expenditures by function for the years ended December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Expenditures:		
General government, administrative	\$ 880,724	\$ 890,832
Community development	39,150,383	36,471,358
Capital outlay	-	2,963,580
Other	<u>225,905</u>	<u>145,055</u>
Total revenues	<u>\$ 40,257,012</u>	<u>\$ 40,470,825</u>

Total expenditures decreased by \$213,813. The decrease was mostly due to the acquisition of land in 2016. There was also an increase in Community Development expenditures, due to the combination of an increase in CDBG, GEDF, and RACP expenditures and a decrease in the Tiger Grant expenditures.

Management's Discussion and Analysis
December 31, 2017

PROPRIETARY FUND REVENUES

Proprietary fund revenues at December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Revenues:		
Loan fees	\$ 53,187	\$ 16,909
Loan interest	375,855	210,714
Rental income	840,271	860,380
Other revenue	147,109	160,394
RAD tax revenues	<u>2,497,362</u>	<u>2,404,501</u>
Total	<u>\$ 3,913,784</u>	<u>\$ 3,652,898</u>

The increase in revenues from 2016 to 2017 was \$260,886. This was primarily due to an increase in loan fees, loan interest, and RAD tax revenue. All other revenues remained relatively consistent from 2016 to 2017.

PROPRIETARY FUND EXPENSES

	<u>2017</u>	<u>2016</u>
Expenses:		
Building operations	\$ 514,766	\$ 477,083
Depreciation and amortization expense	251,502	335,460
Miscellaneous expense	54,397	62,420
Bad debt expense	12,346	1,584,199
Interest expense	<u>670,499</u>	<u>844,660</u>
Total	<u>\$ 1,503,510</u>	<u>\$ 3,303,822</u>

Expenses decreased by \$1,800,312 from 2016 to 2017 mainly due to decreases in bad debt expense, interest expense, and depreciation and amortization expense, while building operations expenses increased slightly.

**Management's Discussion and Analysis
December 31, 2017**

GOVERNMENTAL FUND BALANCES AND PROPRIETARY FUND NET POSITION

Ending fund balances for governmental funds and net position for proprietary funds at December 31, 2017 and 2016 were as follows:

<u>Fund</u>	<u>2017 Governmental Funds</u>	<u>2016 Governmental Funds</u>	<u>2017 Proprietary Funds</u>	<u>2016 Proprietary Funds</u>
General Fund	\$ 4,441,772	\$ 5,291,986	\$ -	\$ -
Home Improvement Loan Fund	3,992,774	3,950,053	-	-
Community Infrastructure Tourism Fund	15,218,560	14,796,736	-	-
Non-Major Governmental Funds	48,140	147,074	-	-
Economic Development Fund	-	-	31,791,568	29,382,924
200 Industry Drive Fund	-	-	(3,112,466)	(3,114,096)
Section 108 Loan Fund	-	-	-	-
Total	\$ 23,701,246	\$ 24,185,849	\$ 28,679,102	\$ 26,268,828

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

ECONOMIC CONDITIONS AND NEXT YEAR'S BUDGET

Management expects that current year activity will remain consistent in the future. Current economic conditions have affected the Economic Development Fund as the collectability of four outstanding loans is uncertain due to entities not being able to repay their obligations on their loans. However, these loans are insignificant when compared to the balance of total accounts receivable. The remaining loans are current and we don't anticipate any additional write offs of EDF loans.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the AUTHORITY's finances and to demonstrate the AUTHORITY's accountability. Questions concerning this financial information or requests for additional information should be directed to:

Fiscal Manager
Allegheny County Economic Development
Chatham One, Suite 900
112 Washington Place
Pittsburgh, PA 15219

Phone: 412-350-1000

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 22,385,447	\$ 989,668	\$ 23,375,115
Intergovernmental receivables	12,194,068	-	12,194,068
Current portion of loans receivable	-	1,068,962	1,068,962
Miscellaneous receivables	133,930	-	133,930
Land inventory	8,070,180	-	8,070,180
Other assets	-	80,051	80,051
Restricted funds:			
Cash and cash equivalents	2,720,585	13,413,474	16,134,059
Investments	1,905,315	-	1,905,315
Capital assets: (Net)			
Non-depreciable	1,400,000	1,528,300	2,928,300
Depreciable	-	1,811,337	1,811,337
Loans receivable, net	<u>3,907,582</u>	<u>12,998,585</u>	<u>16,906,167</u>
 Total Assets	 <u>\$ 52,717,107</u>	 <u>\$ 31,890,378</u>	 <u>\$ 84,607,485</u>
<u>Liabilities</u>			
Current liabilities:			
Intergovernmental payables	\$ 306,615	\$ -	\$ 306,615
Accounts payable and accrued liabilities	4,944,888	98,102	5,042,990
Unearned revenues	2,345,558	60,793	2,406,351
Interest payable	-	116,920	116,920
Internal balances	8,372,492	(8,372,492)	-
Due to Allegheny County	28,313	-	28,313
Current portion of long-term debt	-	2,681,622	2,681,622
Noncurrent liabilities			
Long-term debt	<u>-</u>	<u>8,626,331</u>	<u>8,626,331</u>
 Total Liabilities	 <u>15,997,866</u>	 <u>3,211,276</u>	 <u>19,209,142</u>
<u>Net Position</u>			
Investment in capital assets, net of related debt	1,400,000	879,684	2,279,684
Restricted net position			
Program purposes	26,591,825	31,791,568	58,383,393
Unrestricted (Deficit)	<u>8,727,416</u>	<u>(3,992,150)</u>	<u>4,735,266</u>
 Total Net Position	 <u>\$ 36,719,241</u>	 <u>\$ 28,679,102</u>	 <u>\$ 65,398,343</u>

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

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Primary Government:						
Governmental Activities:						
General government	\$ 1,106,629	\$ -	-	\$ (1,106,629)	\$ -	\$ (1,106,629)
Community development	39,542,192	283,862	38,487,262	(771,068)	-	(771,068)
Total Governmental Activities	40,648,821	283,862	38,487,262	(1,877,697)	-	(1,877,697)
Business-Type Activities:						
Lending program	521,783	433,065	-	-	(88,718)	(88,718)
Rental activity	981,727	983,357	-	-	1,630	1,630
Total Business-Type Activities	1,503,510	1,416,422	-	-	(87,088)	(87,088)
Total Primary Government	\$ 42,152,331	\$ 1,700,284	\$ 38,487,262	(1,877,697)	(87,088)	(1,964,785)
General Revenues:						
RAD tax revenues				-	2,497,362	2,497,362
Investment earnings				79,854	-	79,854
Miscellaneous				275,599	-	275,599
Total General Revenues				355,453	2,497,362	2,852,815
Change in Net Position				(1,522,244)	2,410,274	888,030
Net Position - Beginning				38,241,485	26,268,828	64,510,313
Net Position - Ending				\$ 36,719,241	\$ 28,679,102	\$ 65,398,343

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

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General Fund	The Allegheny County Home Improvement Loan Program	Community Infrastructure and Tourism Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash and cash equivalents	\$ 5,806,479	\$ -	\$ 16,578,968	\$ -	\$ 22,385,447
Restricted funds:					
Cash and cash equivalents	106,993	2,079,885	-	533,707	2,720,585
Investments	-	1,905,315	-	-	1,905,315
Receivables:					
Intergovernmental	12,194,068	-	-	-	12,194,068
Other	101,580	32,350	-	-	133,930
Loans	564,979	2,982,836	359,767	-	3,907,582
Due from other funds	15,909	-	-	-	15,909
Total assets	\$ 18,790,008	\$ 7,000,386	\$ 16,938,735	\$ 533,707	\$ 43,262,836
<u>Liabilities</u>					
Intergovernmental payables	\$ -	\$ -	\$ -	\$ 306,615	\$ 306,615
Accounts payable and accrued expenses	3,106,151	24,776	1,710,238	103,723	4,944,888
Unearned revenues	2,825,371	2,982,836	9,937	75,229	5,893,373
Due to other funds	8,388,401	-	-	-	8,388,401
Due to Allegheny County	28,313	-	-	-	28,313
Total liabilities	14,348,236	3,007,612	1,720,175	485,567	19,561,590
<u>Fund Balances</u>					
Restricted	3,784,536	3,992,774	15,218,560	48,140	23,044,010
Unassigned	657,236	-	-	-	657,236
Total fund balances	4,441,772	3,992,774	15,218,560	48,140	23,701,246
Total liabilities and fund balances	\$ 18,790,008	\$ 7,000,386	\$ 16,938,735	\$ 533,707	\$ 43,262,836

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

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2017

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

Total fund balances of governmental funds	\$	23,701,246
Land inventory is not recorded as an asset in the fund statements.		8,070,180
Capital assets are not recorded as assets in the fund statements.		1,400,000
Difference in the accounting treatment related to loans. The issuance of loans is a current expenditure to the governmental funds, while it has no effect on the net position on the accrual basis. In addition, the repayment of loans is recognized as income when received, since loans are expensed when issued. On the statement of activities, only interest is reported as current revenue.		3,547,815
Total net position of governmental activities	\$	36,719,241

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

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017

	General Fund	The Allegheny County Home Improvement Loan Program	Community Infrastructure and Tourism Fund	Non-Major Special Revenue Funds	Total Governmental Funds
Revenues					
Intergovernmental revenue	\$ 31,887,262	\$ -	\$ 6,600,000	\$ -	\$ 38,487,262
Loan repayments	228,507	417,325	-	-	645,832
Fee income	139,000	9,862	-	-	148,862
Tax increment financing fee	135,000	-	-	-	135,000
Interest and other revenue	270,604	68,449	15,783	617	355,453
Total Revenues	32,660,373	495,636	6,615,783	617	39,772,409
Expenditures					
Community Development:					
Administration	694,798	125,926	60,000	-	880,724
Project Costs	32,689,435	326,989	6,133,959	-	39,150,383
Other	126,354	-	-	99,551	225,905
Total Expenditures	33,510,587	452,915	6,193,959	99,551	40,257,012
Excess (deficiency) of revenues over expenditures	(850,214)	42,721	421,824	(98,934)	(484,603)
Fund balances					
Beginning of year	5,291,986	3,950,053	14,796,736	147,074	24,185,849
End of year	\$ 4,441,772	\$ 3,992,774	\$ 15,218,560	\$ 48,140	\$ 23,701,246

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

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

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

Net change in fund balances - total governmental funds	\$	(484,603)
Principal paid on loans that was recorded as income on the fund statements		(645,832)
Loss on disposal of land inventory		(727,600)
New loans that had been expended in the fund statements		<u>335,791</u>
Changes in net position of governmental activities	\$	<u>(1,522,244)</u>

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

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2017

	Economic Development Fund	200 Industry Drive Fund	Section 108 Loan Fund	Total
<u>Assets</u>				
Current Assets:				
Cash and cash equivalents	\$ 1,076	\$ 988,592	\$ -	\$ 989,668
Current portion of loans receivable	803,962	-	265,000	1,068,962
Due from other funds	8,388,401	-	-	8,388,401
Prepaid expenses and other current assets	-	80,051	-	80,051
Total current assets	<u>9,193,439</u>	<u>1,068,643</u>	<u>265,000</u>	<u>10,527,082</u>
Trusted Funds:				
Cash and cash equivalents	13,413,474	-	-	13,413,474
Capital Assets:				
Nondepreciable	-	1,528,300	-	1,528,300
Depreciable, net of accumulated depreciation	-	1,811,337	-	1,811,337
Long-term interfund advance	5,027,085	-	-	5,027,085
Long-term notes receivable, net	8,855,585	-	4,143,000	12,998,585
Total noncurrent assets	<u>27,296,145</u>	<u>3,339,637</u>	<u>4,143,000</u>	<u>34,778,782</u>
Total assets	<u>\$ 36,489,584</u>	<u>\$ 4,408,280</u>	<u>\$ 4,408,000</u>	<u>\$ 45,305,864</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	\$ 80,303	\$ 17,799	\$ -	\$ 98,102
Unearned revenue	60,793	-	-	60,793
Interest payable	116,920	-	-	116,920
Due to other funds	-	15,909	-	15,909
Current portion of long-term debt	2,135,000	281,622	265,000	2,681,622
Total current liabilities	<u>2,393,016</u>	<u>315,330</u>	<u>265,000</u>	<u>2,973,346</u>
Noncurrent liabilities:				
Long-term interfund advance	-	5,027,085	-	5,027,085
Long-term debt	2,305,000	2,178,331	4,143,000	8,626,331
Total noncurrent liabilities	<u>2,305,000</u>	<u>7,205,416</u>	<u>4,143,000</u>	<u>13,653,416</u>
Total liabilities	<u>4,698,016</u>	<u>7,520,746</u>	<u>4,408,000</u>	<u>16,626,762</u>
<u>Net Position</u>				
Invested in capital assets, net of related debt	-	879,684	-	879,684
Restricted	31,791,568	-	-	31,791,568
Unrestricted	-	(3,992,150)	-	(3,992,150)
Total net position (deficit)	<u>31,791,568</u>	<u>(3,112,466)</u>	<u>-</u>	<u>28,679,102</u>
Total liabilities and net position	<u>\$ 36,489,584</u>	<u>\$ 4,408,280</u>	<u>\$ 4,408,000</u>	<u>\$ 45,305,864</u>

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

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	Economic Development Fund	200 Industry Drive Fund	Section 108 Loan Fund	Total
Operating revenues				
Loan fees	\$ 53,187	\$ -	\$ -	\$ 53,187
Loan interest	375,855	-	-	375,855
Rental income	-	840,271	-	840,271
Other revenue	4,023	143,086	-	147,109
Total operating revenues	<u>433,065</u>	<u>983,357</u>	<u>-</u>	<u>1,416,422</u>
Operating expenses				
Building operations	-	514,766	-	514,766
Depreciation and amortization expense	-	251,502	-	251,502
Miscellaneous expense	54,397	-	-	54,397
Total operating expenses	<u>54,397</u>	<u>766,268</u>	<u>-</u>	<u>820,665</u>
Operating income (loss)	378,668	217,089	-	595,757
Nonoperating revenues (expenses)				
RAD tax revenues	2,497,362	-	-	2,497,362
Bad debt expense	(12,346)	-	-	(12,346)
Interest expense	(455,040)	(215,459)	-	(670,499)
Total nonoperating revenues (expenses)	<u>2,029,976</u>	<u>(215,459)</u>	<u>-</u>	<u>1,814,517</u>
Changes in net position	2,408,644	1,630	-	2,410,274
Net position (deficit) - beginning of year	<u>29,382,924</u>	<u>(3,114,096)</u>	<u>-</u>	<u>26,268,828</u>
Net position (deficit) - end of year	<u>\$ 31,791,568</u>	<u>\$ (3,112,466)</u>	<u>\$ -</u>	<u>\$ 28,679,102</u>

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

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	Economic Development Fund	200 Industry Drive Fund	Section 108 Loan Fund	Total
Cash flows from operating activities				
Cash received from customers	\$ 271,448	\$ 983,357	\$ -	\$ 1,254,805
Cash paid for goods and services	<u>(54,397)</u>	<u>(514,249)</u>	<u>-</u>	<u>(568,646)</u>
Net cash provided by operating activities	<u>217,051</u>	<u>469,108</u>	<u>-</u>	<u>686,159</u>
Cash flows from investing activities				
Loans disbursed	(2,022,895)	-	-	(2,022,895)
Principal payments on loans, net	<u>2,849,946</u>	<u>-</u>	<u>-</u>	<u>2,849,946</u>
Net cash provided by investing activities	<u>827,051</u>	<u>-</u>	<u>-</u>	<u>827,051</u>
Cash flows from capital and related financing activities				
Receipts from governmental agencies	2,422,970	-	-	2,422,970
Receipts from other funds	-	10,023	-	10,023
Interest paid	(507,180)	(215,459)	-	(722,639)
Repayment of bonds/mortgage	<u>(1,980,000)</u>	<u>(260,019)</u>	<u>-</u>	<u>(2,240,019)</u>
Net cash used in financing activities	<u>(64,210)</u>	<u>(465,455)</u>	<u>-</u>	<u>(529,665)</u>
Net increase in cash and cash equivalents	979,892	3,653	-	983,545
Beginning cash and cash equivalents	<u>12,434,658</u>	<u>984,939</u>	<u>-</u>	<u>13,419,597</u>
Ending cash and cash equivalents	<u>\$ 13,414,550</u>	<u>\$ 988,592</u>	<u>\$ -</u>	<u>\$ 14,403,142</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 378,668	\$ 217,089	\$ -	\$ 595,757
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	-	251,502	-	251,502
Decrease (increase) in assets:				
Long-term notes receivable, net	(161,617)	-	-	(161,617)
Prepaid expenses	-	77	-	77
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	<u>-</u>	<u>440</u>	<u>-</u>	<u>440</u>
Net cash provided by operating activities	<u>\$ 217,051</u>	<u>\$ 469,108</u>	<u>\$ -</u>	<u>\$ 686,159</u>

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

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Redevelopment Authority's significant accounting policies consistently applied in the preparation of the accompanying financial statements is as follows:

The Redevelopment Authority of Allegheny County (the "Authority") was incorporated in the Commonwealth of Pennsylvania in 1950 as a redevelopment authority under the provisions of Urban Redevelopment Law, Act No. 385. The Authority operates as a non-profit corporation and, accordingly, is not subject to income taxes. The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units, as prescribed by the Governmental Accounting Standards Board ("GASB")

A) Reporting Entity

The Authority is considered a component unit of the County of Allegheny (the "County") under the criteria established in Governmental Accounting Standards Board (the "GASB") Statement No. 14, "*Financial Reporting Entity*," as amended by GASB Statement No. 39, "*Determining Whether Certain Organizations Are Component Units*" and by GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus*", an amendment of GASB Statements No. 14 and 34. The County appoints a Board of Directors (the "Board") of the Authority and a financial benefit/burden relationship exists between the County and the Authority. The accompanying financial statements present only the financial position and results of operations of the Authority.

B) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the governmental activities and business-type activities of the primary government. For the most part, the effect of inter-fund activity has been removed from the statements. *Governmental activities*, which normally are supported by intergovernmental grants, are separate from *business-type activities*, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among the program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

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

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the government considers revenues to be available if they are collected within 365 days of the end of the current fiscal period.

Major revenues that are susceptible to accrual in governmental funds are grants from other governments and interest on investments. Expenditures are recognized in governmental funds under the modified accrual basis of accounting when the related fund liability is incurred.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The accounts of the Authority are organized on the basis of governmental funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Authority's enterprise funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

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

Proprietary fund operating revenues, and expenses, such as charges for services, and costs associated with operating the business type activities; result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues and expenses, such as subsidies, investment earnings, and interest expense, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expense. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

General Fund- The *General Fund* is the general operating fund of the Authority, and is considered a major fund for accounting purposes. It is used to account for grants and projects for which separate accounting records are not deemed practicable and to account for operations not included in other funds or projects. These projects are financed through state, county, and local grants, although the ultimate source of funds may be pass-through grants of federal funds.

Major Program Funds- The Authority currently reports the following major governmental programs: The *Allegheny County Home Improvement Loan Program* and the *Community Infrastructure and Tourism Board Fund*.

The *Allegheny County Home Improvement Loan Program* ("AHILP") accounts for the activities of the issuance of loans to finance the rehabilitation of residential housing for persons and families of low to middle income throughout the County.

The *Community Infrastructure Tourism Fund* ("CITF Fund") dispenses grants and manages loans for economic and infrastructure development projects to municipalities within the County. Such development projects are to be funded through the Pennsylvania Department of Community and Economic Development ("DCED") over a span of 12 years, as apportioned to the County under Act 53 of 2007. Act 53 of 2007 provides funding for economic development from State taxes on gaming transactions.

Program funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Authority operates projects that are financed by grants from state, county, or local governmental units or a combination thereof. Operations must be conducted in accordance with the terms and conditions of a specific grant and a contract between the grantor(s) and the Authority.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

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

The Authority currently reports the following major proprietary funds:

The *Economic Development Fund* ("EDF") is a revolving loan fund of the Authority. The purpose of the EDF is to positively impact the regional economy by promoting economic development and providing employment opportunities in the County.

The *200 Industry Drive Fund* accounts for all operations of a building owned by the Authority, which is currently being leased to several tenants.

The *Section 108 Loan Fund* accounts for loans made to a single borrower for specific economic development projects.

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

1. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits as well as short-term certificates of deposits with a maturity date within three months of the date acquired by the Authority. For purposes of the statement of cash flows, the Authority considers all highly liquid investments, including investment agreements, to be cash equivalents.

2. Investments

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

3. Interfund Transactions

Intergovernmental revenue is recognized when the related expenditure is incurred. Unearned revenues arise when the Authority receives resources prior to incurring qualifying expenditures. Any amounts not collected, for which related expenditures have been incurred prior to December 31, 2017, are reflected as intergovernmental receivables.

Interfund accounts receivable are considered to be available expendable resources and are reported as assets in the "due from other funds" account. Interfund accounts payable are considered to be committed expendable resources, and are reported as liabilities in the "due to other funds" accounts. Interfund accounts between governmental funds are eliminated on the government-wide financial statements.

Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

D) Assets, Liabilities, Deferred Inflows/Outflows, and Net Position or Fund Balance (Continued)

4. Loans Receivable

Loans receivable in the governmental funds are recognized when the loan is established. On the fund statements, the loan balances are fully offset by unearned revenue, as loans receivable are not considered to be available as current resources. Program expense is recognized upon establishment. Loans receivable on the entity-wide statements are recorded at their principal balance due less an allowance for uncollectible accounts.

The Authority has residential rehabilitation loans, which are presented at a net zero value, as they are only repayable out of available sale proceeds. These loans are fully reserved at the time of issue. The reserve is reversed and income is recognized when the loans are repaid, or when the amount of repayment is determinable and reasonably assured.

It is the Authority's policy to provide for future losses on loans based on an evaluation that, in the Authority's judgment, require consideration in estimating loan losses of the various programs.

In the proprietary funds, loans receivable are recorded at their principal balance due, less an allowance for uncollectable loans. Interest income on loans is recognized at the loans' stated interest rates.

5. Loan Fees

Loan fees for the proprietary funds consist of a \$750 application fee, a 1% loan origination fee, and an annual administrative fee of 0.1% of the loan.

6. Capital Assets

Real estate acquired in conjunction with the Authority's various programs is recognized as an expenditure when purchased and is not capitalized in the fund statements because (1) the property is not used in Authority operations and (2) the ultimate amount to be realized by the Authority upon disposition of the property does not generally accrue to the benefit of the Authority. Land inventory is recorded as an asset at the lower of cost or market value on the government-wide statement of net position until released to a developer for development program activities.

Capital assets, which include land, buildings, and building improvements, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life exceeding one year. Such assets are recorded at historical costs. Donated capital assets are recorded at the estimated fair market value at the time of donation. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend assets' lives are not capitalized.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

D) Assets, Liabilities, Deferred Inflows/Outflows, and Net Position or Fund Balance
(Continued)

Building and building improvements are depreciated using the straight line method. Buildings are assigned a useful life of 30 years and tenant improvements are amortized over the life of the lease.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position and bond discounts and premiums are deferred and amortized over the life of the bonds using the straight line method.

In the fund financial statements, the face amount of debt issued is reported as other financing sources.

8. Unearned Revenues

Unearned revenues are reported in the government-wide, governmental fund, and enterprise fund financial statements. Those amounts represent revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as unearned revenues. The Authority deems revenues received within 365 days of year end to be available.

9. Net Position/Fund Balances

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable:* This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Authority had no fund balances under this classification at year end.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

D) Assets, Liabilities, Deferred Inflows/Outflows, and Net Position or Fund Balance
(Continued)

9. Net Position/Fund Balances (Continued)

• *Restricted*: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. At year end, the General Fund had \$3,784,536 of restricted fund balance that is to be used as matching funds for other projects. The AHILP had \$3,992,774 of restricted fund balance to be used for Home Improvement Loans. The CITF had \$15,218,560 of restricted fund balance that is to be used for economic development and infrastructure projects, all of which has already been allocated to specific projects. The restricted classification also includes a residual fund balance of \$48,140 in the Non-Major Governmental Funds.

• *Committed*: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Authority did not have any committed resources as of December 31, 2017.

• *Assigned*: This classification includes amounts that are constrained by the Authority's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the Authority's management. The Authority did not have any assigned resources as of December 31, 2017.

• *Unassigned*: This classification includes the residual fund balance for the General Fund.

The Authority would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The government-wide financial statements utilize a net position presentation. Net positions are categorized as invested capital assets (net of related debt), restricted and unrestricted.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

D) Assets, Liabilities, Deferred Inflows/Outflows, and Net Position or Fund Balance
(Continued)

9. Net Position/Fund Balances (Continued)

- *Net investment in capital assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted net position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net position* – This category represents net position of the Authority, not restricted for any project or other purpose.

10. CITF Fund Grant Accounting

Grants are approved on a reimbursement basis. The recipients cannot qualify for the grants without first incurring allowable costs. Until allowable costs are incurred, the fund does not accrue a liability and, in turn the recipient does not accrue a receivable.

11. Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts may differ from those estimates.

12. Adoption of Governmental Accounting Standards Board Statements

In June 2015, the GASB issued Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*". The adoption of this statement had no effect on previously reported amounts.

In June 2015, the GASB issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". The adoption of this statement had no effect on previously reported amounts.

In January 2016, the GASB issued Statement No. 80 "*Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*". The adoption of this statement had no effect on previously reported amounts.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

D) Assets, Liabilities, Deferred Inflows/Outflows, and Net Assets or Fund Balance
(Continued)

12. Adoption of Governmental Accounting Standards Board Statements
(Continued)

In March 2016, the GASB issued Statement No. 81 "*Irrevocable Split-Interest Agreements*". The adoption of this statement had no effect on previously reported amounts.

In March of 2016, the GASB issued Statement No. 82 "*Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*". The adoption of this statement had no effect on previously reported amounts.

13. Pending Changes in Accounting Principles

In November of 2016, the GASB issued Statement No. 83 "*Certain Asset Retirement Obligations*". The Authority is required to adopt Statement No. 83 for its calendar year 2019 financial statements.

In January 2017, the GASB issued Statement No. 84 "*Fiduciary Activities*". The Authority is required to adopt Statement No. 84 for its calendar year 2019 financial statements.

In March 2017, the GASB issued Statement No. 85, "*Omnibus 2017*". The Authority is required to adopt Statement No. 85 for its calendar year 2018 financial statements.

In May 2017, the GASB issued Statement No. 86, "*Certain Debt Extinguishment Issues*". The Authority is required to adopt Statement No. 86 for its calendar year 2018 financial statements.

In June 2017, the GASB issued Statement No. 87, "*Leases*". The Authority is required to adopt Statement No. 87 for its calendar year 2020 financial statements.

The Authority has not completed the various analysis required to estimate the financial statement impact of these new pronouncements.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk- Custodial credit risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The amount of FDIC insurance is \$250,000. The Authority does not have a formal policy for custodial credit risk. As of December 31, 2017, \$45,989,028 of the Authority's bank balance of \$47,239,028 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. As of December 31, 2017, the carrying amounts of the Authority's deposits were \$39,509,174.

Investments

In addition to the deposits noted above, the Authority holds short-term investments of mutual funds totaling \$1,905,315.

Interest Rate Risk- the Authority does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All of the Authority's investments have a maturity of less than one year.

Credit Risk- The Authority does not have a formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of December 31, 2017:

- Mutual funds of \$1,905,315 are valued using quoted market prices (Level 1 inputs).

NOTE 3: LOANS RECEIVABLE

The AHILP is a comprehensive program of the County for the financing of rehabilitation of residential properties occupied by persons of low to middle income within designated areas throughout the County. Under AHILP, loans and grants are provided under several different plans based on income eligibility and geographic restrictions. The loans bear interest at rates from 0% to 5%, with terms from one to twenty years. The carrying value of AHILP loans receivable, as of December 31, 2017, is \$3,088,180 and is reported net of an allowance for loan losses of \$105,344.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 3: LOANS RECEIVABLE (CONTINUED)

EDF Loans receivable consist of twenty-four loans with rates ranging from 0% to 5.5% and with terms ranging from 10 years to 20 years. The loan amounts range from approximately \$100,000 to approximately \$2,500,000. Total EDF loans receivable outstanding at December 31, 2017 are \$11,120,156 and are reported on the statement of net position - proprietary funds, net of an allowance for loan losses of \$1,460,609.

The Section 108 Loan fund has six loans outstanding to a single borrower. These loans earn variable rate interest of 3 month LIBOR plus 50 basis points. As of December 31, 2017, 3 month LIBOR was 1.7%. The Section 108 loans receivable outstanding at December 31, 2017 are \$4,408,000.

The General Fund Loan is a loan to carry out cleanup activities at Brownfields sites in Allegheny County. The loan was given to a single borrower in 2010. The original amount of the loan was \$1,000,000 bearing an interest rate of 2.109% with principal payments beginning on June 1, 2012. The carrying value of the loan, as December 31, 2017, is \$564,979.

The Authority also has \$359,767 of loans receivable in other loan programs.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

Governmental activities:

	<u>Balance at 1/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/2017</u>
Non depreciable:				
Land	\$ 1,400,000	\$ -	\$ -	\$ 1,400,000
Total	<u>\$ 1,400,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,400,000</u>

Business-type activities:

	<u>Balance at 1/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/2017</u>
Non depreciable:				
Land	\$ 1,528,300	\$ -	\$ -	\$ 1,528,300
Depreciable:				
Building and tenant improvements	5,489,223	-	-	5,489,223
Less: accumulated depreciation	<u>(3,426,384)</u>	<u>(251,502)</u>	<u>-</u>	<u>(3,677,886)</u>
Total	<u>\$ 3,591,139</u>	<u>\$ (251,502)</u>	<u>\$ -</u>	<u>\$ 3,339,637</u>

Depreciation expense was \$251,502 for the year ended December 31, 2017.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 5: GRANTS

The Authority receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of such funds generally requires compliance with contract requirements and is subject to audit. Any disallowed costs resulting from such audits could become a liability of the Authority. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. Authority management expects such amounts, if any, to be immaterial.

NOTE 6: LONG-TERM OBLIGATIONS

In prior years, long-term debt was comprised of bonds payable that were issued by the Authority as Special Tax Development Bonds, Taxable Series of 1999 for \$25 million ("1999 Bonds"). The bond proceeds were used to fund the EDF to allow for development loans to be made to local businesses in the County.

The County has allocated a portion of the Regional Asset District (RAD) Tax imposed by the County and irrevocably assigned that portion to the Authority. The 1999 Bonds are a limited obligation of the Authority payable solely from that portion of RAD tax paid to the Authority or the trustee and certain funds held under the indenture and the earnings thereon. The bond shall not be deemed to be a debt of the Commonwealth of Pennsylvania or the County or a pledge of the full faith and credit of the Commonwealth of Pennsylvania or the portion of the RAD Tax assigned to the Authority or the Trustee pursuant to the County's agreement and certain funds under the indenture and the earnings thereon. The Authority has no taxing power.

The 1999 Bonds are insured by a municipal bond insurance policy issued by Assured Guaranty Municipal Corporation. As of December 31, 2016 (the most recent available rating), Standard & Poor's credit rating of Assured Guaranty Municipal Corporation was AA, with a credit watch of stable.

The 1999 bonds carry interest at 3.95% and have a final maturity date in September 2019.

During 2007, the Authority assumed a mortgage in relation to the purchase of a building. The original twenty-five year mortgage was executed in 1999 in the amount \$5,000,000. As of December 31, 2017, the interest rate is 8.31% and the outstanding principal balance is \$2,459,953.

	Outstanding Balance as of January 1, 2017	Additions	Deletions	Outstanding Balance as of December 31, 2017	Due Within 1 Year
Business-Type Activities:					
General Obligation Bonds	\$ 6,420,000	\$ -	\$ (1,980,000)	\$ 4,440,000	\$ 2,135,000
Mortgage Payable	2,719,972	-	(260,019)	2,459,953	281,622
Section 108 Loans	<u>4,663,000</u>	-	<u>(255,000)</u>	<u>4,408,000</u>	<u>265,000</u>
Total Debt	<u>\$ 13,802,972</u>	<u>\$ -</u>	<u>\$ (2,495,019)</u>	<u>\$ 11,307,953</u>	<u>\$ 2,681,622</u>

Interest on the bonds is paid semi-annually in March and September of each year.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)

Future principal and interest for the bond, loans and mortgages are as follows:

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2018	\$ 2,681,622	\$ 639,902	\$ 3,321,524
2019	2,886,937	441,046	3,327,983
2020	619,351	226,419	845,770
2021	659,046	191,365	850,411
2022	702,219	153,587	855,806
2023-2025	<u>3,758,778</u>	<u>220,427</u>	<u>3,979,205</u>
Total	<u>\$ 11,307,953</u>	<u>\$ 1,872,746</u>	<u>\$ 13,180,699</u>

NOTE 7: COMMITMENTS

As of December 31, 2017, the Authority's proprietary funds had outstanding commitments of \$5,314,132 related to loans that have not yet been fully drawn upon. This amount includes commitments to related parties as further discussed in Note 8.

NOTE 8: RELATED PARTIES

The County provides administrative services to the Authority. Administrative costs for 2017 were approximately \$699,922. The County also provides administrative services to the Authority's CITF.

The Authority has entered into an agreement to provide funding through RACP funds to the Allegheny County Airport Authority ("ACAA") for costs related to the Clinton Industrial Park Project. The Authority paid \$9,500,000 in RACP funds to the ACAA. The Executive Director of the Authority is a Board member of the ACAA.

As discussed in Footnote 13 - Section 108 Loan Fund, the Authority has entered into an agreement with the Regional Industrial Development Corporation of Southwestern Pennsylvania ("RIDC") (who employs an Authority Board member) to provide certain loan and grant funds. This agreement was entered into prior to the Board member being employed by RIDC.

The Authority approved the issuance of an EDF loan to RIDC to provide funding for the creation of a business park. The loan bears an annual interest rate of 4%. As of December 31, 2017 the loan has an outstanding balance of \$3,510,031.

The Authority entered into agreements with RIDC to provide funding through RACP grant funds for various redevelopment projects in the County. During fiscal year 2017, the Authority paid \$182,341 in RACP funding to the RIDC.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 9: TAX INCREMENT FINANCING

The Authority issued Tax Increment Bonds ("TIF Bonds") to provide funds to finance public infrastructure improvements within the County. The outstanding balance of these TIF Bonds at December 31, 2017 was approximately \$50 million as follows:

Mall at Robinson	\$ 5,625,751
The Waterfront	1,600,000
Brentwood	130,000
Mt. Nebo	2,985,000
Clinton Industrial Park	3,131,718
Clinton Industrial Park Phase 2	4,150,907
Pittsburgh Mills	26,745,000
Potato Garden Run	958,845
Northfield	<u>4,253,789</u>
Total	<u>\$ 49,581,010</u>

The TIF Bonds are a limited obligation of the Authority payable solely from the tax increment revenues from the taxing bodies within the TIF District. The Authority is not obligated to pay the principal of, premium, interest, or other costs associated with the TIF Bonds. Accordingly, the Authority is substantively a conduit facilitator and the TIF Bonds are not included in the Authority's financial statements.

NOTE 10: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payables as of December 31, 2017 consisted of:

Fund	Interfund Receivable	Interfund Payable
Major Funds:		
General	\$ 15,909	\$ 8,388,401
Enterprise Funds:		
Economic Development Fund	13,415,486	-
200 Industry Drive	<u>-</u>	<u>5,042,994</u>
Total	<u>\$ 13,431,395</u>	<u>\$ 13,431,395</u>

The above table shows transactions between funds when repayment is expected within the next fiscal year or upon receipt of earned grant funds, with the exception of the interfund payable from 200 Industry Drive Fund, which is considered to be a long-term advance from the EDF. These transactions are accounted for through various due from and due to accounts. The balance due to the EDF from the General Fund represents amounts expected to be repaid when the General Fund receives state grant funds. The Authority has met the matching requirements and the grant funds should be released to repay EDF. The balance due to the EDF from the 200 Industry Drive Fund represents amounts expected to be repaid either when 200 Industry Drive Fund operates at profit or from the sale of real property.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 11: LIENS RECEIVABLES

During December of 2008, the Authority purchased County real estate liens from an outside party for approximately \$1.7 million. Total face value of the liens outstanding is in excess of \$56 Million. The Authority paid approximately 3 cents per dollar for the liens. These liens were originally sold to the outside party by the County in the 1990s and primarily were issued during the period of 1960 – 1990. As of year-end, the remaining liens are fully reserved, as management determined the receivable to be uncollectable.

NOTE 12: CONTIGENCIES

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; breach of contract; and natural disasters, for which the Authority carries commercial insurance. There have been no claims resulting from these risks in the current year.

NOTE 13: SECTION 108 LOAN FUND

The Authority and the County entered into an agreement in fiscal year 2005 with the U.S. Department of Housing and Urban Development (HUD) to receive a Section 108 loan for \$6 million. These funds were to be made available for loans to RIDC for specific economic development projects. As of December 31, 2017 the full \$6,000,000 of loans had been made from these proceeds, and \$4,408,000 of loans remains outstanding at year end.

RIDC is currently required to make interest payments on the outstanding loan balance at a rate of 3 month LIBOR plus 50 basis points. As of December 31, 2017, 3 month LIBOR was 1.7%. The Authority is permitted to retain 30 basis points as income along with a \$60,000 originations fee paid by the borrower. RIDC began making principal payments in 2012 to correspond with the Authority's obligation to HUD. The required principal payments schedule was established by HUD and includes a final balloon payment of \$2,314,000 due on August 1, 2025. The debt service on the Section 108 Loan is included in the debt service schedule at footnote 6.

Along with the Section 108 loan, the Authority also received a \$2 million Brownsfield Economic Development Improvement (BEDI) Grant from HUD. The proceeds of the grant were drawn down by the Authority and granted to RIDC as with the Section 108 loan funds. \$538,249 of the grant funds were retained by the Authority to reimburse the General Fund for debt service payments made before RIDC began making the payments. Grant funds are to be disbursed in a ratio not less than \$1 of grant funds for every \$3 of loan funds disbursed.

NOTE 14: ECONOMIC DEPENDENCY

The Authority relies on grants from governmental agencies to fund a significant portion of the operations of the Authority's Governmental Funds. During 2017 grants represented \$38,487,262 or 96.8% of total revenues in the Governmental Funds. If these grants were to cease the Authority would not be able to sustain its current level of operations.

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 15: DEFICIT NET POSITION

The 200 Industry Drive Fund has a net deficit of \$(3,112,466). The deficit is due primarily to the long-term interfund loan that is owed to the Economic Development Fund.

OTHER
SUPPLEMENTARY
INFORMATION

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
 COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2017

Assets	Project Planning	International Business	Steel Valley Redevelopment Planning	Vacant Property Program	Hurricane Ivan	Homestead Escrow	Total	
Cash and cash equivalents: Restricted Funds	\$ 65,336	\$ 12,094	\$ 58,728	\$ 87,550	\$ 306,615	\$ 3,384	\$ 533,707	
Total assets	<u>\$ 65,336</u>	<u>\$ 12,094</u>	<u>\$ 58,728</u>	<u>\$ 87,550</u>	<u>\$ 306,615</u>	<u>\$ 3,384</u>	<u>\$ 533,707</u>	
<hr/>								
Liabilities								
Intergovernmental payables	\$ -	\$ -	\$ -	\$ -	\$ 306,615	\$ -	\$ 306,615	
Accounts payable and accrued expenses	63,237	4,284	29,386	6,816	-	-	103,723	
Unearned revenues	-	7,810	27,500	39,919	-	-	75,229	
Total liabilities	<u>63,237</u>	<u>12,094</u>	<u>56,886</u>	<u>46,735</u>	<u>306,615</u>	<u>-</u>	<u>485,567</u>	
<hr/>								
Fund Balance								
Fund balance: Restricted	2,099	-	1,842	40,815	-	3,384	48,140	
Total fund balance (deficit)	<u>2,099</u>	<u>-</u>	<u>1,842</u>	<u>40,815</u>	<u>-</u>	<u>3,384</u>	<u>48,140</u>	
Total liabilities and fund balance	<u>\$ 65,336</u>	<u>\$ 12,094</u>	<u>\$ 58,728</u>	<u>\$ 87,550</u>	<u>\$ 306,615</u>	<u>\$ 3,384</u>	<u>\$ 533,707</u>	

REDEVELOPMENT AUTHORITY OF ALLEGHENY COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES --
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Project Planning	International Business	Steel Valley Redevelopment Planning	Vacant Property Program	Hurricane Ivan	Homestead Escrow	Total
Revenues							
Interest income and other	\$ 138	\$ 2	\$ 112	\$ 167	\$ 198	\$ -	\$ 617
Total Revenues	138	2	112	167	198	-	617
Expenditures							
Community development:							
Other	36	2	37	-	99,460	16	99,551
Total Expenditures	36	2	37	-	99,460	16	99,551
Excess (deficiency) of revenues over expenditures	102	-	75	167	(99,262)	(16)	(98,934)
Fund balance, beginning of year	1,997	-	1,767	40,648	99,262	3,400	147,074
Fund balance, end of year	\$ 2,099	\$ -	\$ 1,842	\$ 40,815	\$ -	\$ 3,384	\$ 48,140