

**ALLEGHENY COUNTY  
AUTHORITY FOR IMPROVEMENTS  
IN MUNICIPALITIES**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2013**

**ALLEGHENY COUNTY  
AUTHORITY FOR IMPROVEMENTS IN MUNICIPALITIES  
YEAR ENDED DECEMBER 31, 2013**

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements	
Statement of Net Position	7
Statement of Revenues, Expenses, and Changes in Net Position	8
Statement of Cash Flows	9
Notes to the Financial Statements	10-15
Other Supplementary Information:	
Schedule of Loans Receivable – General Fund	16

March 25, 2014

Independent Auditor's Report

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

**Report on the Financial Statements**

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, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## 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, 2013, 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 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion 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.

*The Binkley Kanavy Group, LLC*

Certified Public Accountants

# AUTHORITY FOR IMPROVEMENTS IN MUNICIPALITIES MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2013

The Authority for Improvements in Municipalities of Allegheny County (the "Authority") Management's Discussion and Analysis is designed to provide an overview of the Authority's financial activities for the year ended December 31, 2013, and should be read in conjunction with the Authority's financial statements, which begin on page 7.

The financial section of this audit report consists of the following: management's discussion and analysis; statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows; notes to the financial statements; and the additional information section.

The Statement of Net Position (the difference between assets and liabilities), found on page 7, reports information on the activities of the Authority using the accrual basis of accounting. It includes 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. A proprietary fund is considered a separate accounting entity with a separate set of self-balancing accounts. The Authority reports the following four proprietary funds:

- General Fund: where the general operating activities of the Authority are reported.
- Urban Development Action Grant Fund (UDAG): where UDAG grant revenues and expenditures are reported.
- Commerce Loan Fund: where the repayment of loans previously provided by the Pennsylvania Department of Commerce are reported.
- Community Development Block Grant Fund (CDBG): where CDBG grant revenues and expenditures are reported.

The statement of revenues, expenses, and changes in net position, found on page 8, provides information on how the Authority's direct expenses of a given activity are offset by program revenues. Separate columns are utilized for each of the Authority's business-type activities.

The Statement of Cash Flows, found on page 9, indicates how much cash was provided and used in operating activities as well as other cash sources and uses, such as investing and financing activities. The statement of cash flows includes a reconciliation of operating income to net cash provided by operating activities.

The Notes to the Financial Statements (Notes), starting on page 10, provide information essential to understanding the basic financial statements.

The additional information section following the notes to the financial statements reports general fund loans granted in 2013, total principal repayments, and outstanding principal balances as of December 31, 2013.

**AUTHORITY FOR IMPROVEMENTS IN MUNICIPALITIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2013**

**Government-Wide Financial Analysis**

The schedule below reflects the changes in net position compared to prior years.

<b>Net Position</b>			
<b><u>Administrative Fund</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>Change</u></b>
Total Assets	\$ 2,325,160	\$ 2,377,032	\$ (51,872)
Total Liabilities	<u>374,260</u>	<u>374,225</u>	<u>35</u>
Total Net Position	<u>\$ 1,950,900</u>	<u>\$ 2,002,807</u>	<u>\$ (51,907)</u>

**AUTHORITY FOR IMPROVEMENTS IN MUNICIPALITIES  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2013**

	<u>2013</u>	<u>2012</u>
<b><u>Operating Revenues:</u></b>		
Interest from loans	\$ 26,990	\$ 39,090
Program Income	<u>63,148</u>	<u>7,264</u>
Total Operating Revenues	<u>\$ 90,138</u>	<u>\$ 46,354</u>
 <b><u>Operating Expenses:</u></b>		
Administrative Fees	\$ 125,000	\$ 125,000
Professional Services	14,520	16,507
Program Disbursements	-	-
Other	<u>2,733</u>	<u>3,215</u>
Total Operating Expenses	<u>\$ 142,253</u>	<u>\$ 144,722</u>
 Operating Income (Loss)	 <u>\$ (52,115)</u>	 <u>\$ (98,368)</u>
 <b><u>Non-Operating Revenues (Expenses):</u></b>		
Interest	\$ 243	\$ 263
Interest transfers to other funds	<u>(35)</u>	<u>(35)</u>
Total Non-Operating Revenues (Expenses)	<u>208</u>	<u>228</u>
 Change in Net Position	 <u>\$ (51,907)</u>	 <u>\$ (98,140)</u>
 <b><u>Net Position:</u></b>		
Beginning of year	<u>2,002,807</u>	<u>2,100,947</u>
End of year	<u>\$ 1,950,900</u>	<u>\$ 2,002,807</u>

Operating Revenues include:

- Interest from loans totaled \$26,990 in 2013, a decrease of \$12,100 from loan interest of \$39,090 in 2012, due to reductions in outstanding balances.
- Other revenues recorded for the General Fund consist of various administrative and legal fees of \$63,148 in 2013, a increase of \$55,884 over the \$7,264 of other revenues received in 2012.

Operating Expenses include:

- An administrative fee is paid to the Allegheny County Department of Economic Development (“ACED”) annually to help defray the costs of administering the Authority’s activities. The Authority paid ACED \$125,000 in both 2013 and 2012.
- Professional fees are the contracted audit and legal fees paid in 2013 and 2012.

**AUTHORITY FOR IMPROVEMENTS IN MUNICIPALITIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2013**

- Program disbursements are grants paid from the Authority through its various programs. There were no program disbursements in 2013 and 2012.
- Other expenses include legal advertising, directors' and officers' liability insurance and miscellaneous costs paid in 2013 and 2012.

**Current Conditions Expected to Significantly Affect Net Position or Results of Operations**

- No conditions are anticipated that would significantly affect net position or results of operations in 2014.

**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, 2013**

	Business-Type Activities - Enterprise Funds				Total
	General Fund	Urban Development Grant Fund	Commerce Loan Fund	Community Development Grant Fund	
<b>Assets</b>					
Current Assets:					
Cash and cash equivalents	\$ 1,339,128	\$ -	\$ -	\$ -	\$ 1,339,128
Annual fee receivable	3,601	-	-	-	3,601
Current Portion of loans receivable	370,000	-	-	-	370,000
Due from the General Fund	-	-	-	124,260	124,260
Due from Commerce Loan Fund	-	-	-	-	-
Total Current Assets	<u>1,712,729</u>	<u>-</u>	<u>-</u>	<u>124,260</u>	<u>1,836,989</u>
Noncurrent Assets:					
Loan Receivable	570,359	-	-	-	570,359
Restricted Cash	42,072	222,215	-	-	264,287
<b>Total Assets</b>	<u>\$ 2,325,160</u>	<u>\$ 222,215</u>	<u>\$ -</u>	<u>\$ 124,260</u>	<u>\$ 2,671,635</u>
<b>Liabilities and Net Position</b>					
Current Liabilities:					
Due to CDBG Fund	\$ 124,260	\$ -	\$ -	\$ -	\$ 124,260
Due to General Fund	-	-	-	-	-
Loan Payable	250,000	-	-	-	250,000
Total Current Liabilities	<u>374,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>374,260</u>
<b>Total Liabilities</b>	374,260	-	-	-	374,260
Net Position:					
Restricted for projects	42,072	222,215	-	124,260	388,547
Unrestricted	1,908,828	-	-	-	1,908,828
Total Net Position	<u>1,950,900</u>	<u>222,215</u>	<u>-</u>	<u>124,260</u>	<u>2,297,375</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 2,325,160</u>	<u>\$ 222,215</u>	<u>\$ -</u>	<u>\$ 124,260</u>	<u>\$ 2,671,635</u>

See accompanying notes to financial statements.

**AUTHORITY FOR  
IMPROVEMENT IN MUNICIPALITIES**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED DECEMBER 31, 2013**

	Business-Type Activities - Enterprise Funds				Total
	General Fund	Urban Development Action Grant Fund	Commerce Loan Fund	Community Development Block Grant Fund	
<b>Operating Revenues:</b>					
Interest from loans	\$ 26,990	\$ -	\$ -	\$ -	\$ 26,990
Program income	63,148	-	-	-	63,148
Total operating revenues	<u>90,138</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,138</u>
<b>Operating Expenses:</b>					
Administration fee	125,000	2,500	-	-	127,500
Program expense	-	-	-	-	-
Professional services	14,520	-	-	-	14,520
Other	2,733	-	-	-	2,733
Total operating expenses	<u>142,253</u>	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>144,753</u>
<b>Operating Loss</b>	<u>(52,115)</u>	<u>(2,500)</u>	<u>-</u>	<u>-</u>	<u>(54,615)</u>
<b>Non-Operating Revenues (Expenses):</b>					
Interest	243	53	7	-	303
Interest transfer to other funds	(35)	-	-	-	(35)
Interest transfers from other funds	-	-	-	35	35
Other	-	-	(55,889)	-	(55,889)
Total non-operating revenues (expenses)	<u>208</u>	<u>53</u>	<u>(55,882)</u>	<u>35</u>	<u>(55,586)</u>
<b>Change in Net Position</b>	<u>(51,907)</u>	<u>(2,447)</u>	<u>(55,882)</u>	<u>35</u>	<u>(110,201)</u>
<b>Net Position:</b>					
Beginning of year	2,002,807	224,662	55,882	124,225	2,407,576
End of year	<u>\$ 1,950,900</u>	<u>\$ 222,215</u>	<u>-</u>	<u>\$ 124,260</u>	<u>\$ 2,297,375</u>

See accompanying notes to financial statements.

**AUTHORITY FOR  
IMPROVEMENT IN MUNICIPALITIES**

**STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2013**

	Business-Type Activities - Enterprise Funds				
	General Fund	Urban Development Action Grant Fund	Commerce Loan Fund	Community Development Block Grant Fund	Total
<b>Cash Flows From Operating Activities:</b>					
Receipts from customers	\$ 63,148	\$ -	\$ -	\$ -	\$ 63,148
Other receipts					
Payments for goods and services	(17,253)	-	-	-	(17,253)
Other payments	(125,000)	(2,500)	-	-	(127,500)
Loan interest payments	25,036	-	-	-	25,036
Loans disbursed	(152,331)	-	-	-	(152,331)
Loan principal repayments	507,322	-	-	-	507,322
Repayments	6,083	-	(61,970)	-	(55,887)
Net cash provided by (used in) operating activities	307,005	(2,500)	(61,970)	-	242,535
<b>Cash Flows From Investing Activities:</b>					
Interest received	243	53	7	-	303
Net cash provided by (used in) investing activities	243	53	7	-	303
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	307,248	(2,447)	(61,963)	-	242,838
<b>Cash and Cash Equivalents:</b>					
Beginning of year	1,073,952	224,662	61,963	-	1,360,577
End of year	<u>\$ 1,381,200</u>	<u>\$ 222,215</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,603,415</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:</b>					
Operating income (loss)	\$ (52,115)	\$ (2,500)	\$ -	\$ -	\$ (54,615)
Non cash activity	-	-	-	-	-
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Change in assets and liabilities:					
Loans Receivable	354,991	-	-	-	354,991
Due From Other Funds and repayments	6,083	-	(61,970)	-	(55,887)
Accounts receivables	(1,954)	-	-	-	(1,954)
Total adjustments	359,120	-	(61,970)	-	297,150
Net cash provided by (used in) operating activities	<u>\$ 307,005</u>	<u>\$ (2,500)</u>	<u>\$ (61,970)</u>	<u>\$ -</u>	<u>\$ 242,535</u>

See accompanying notes to financial statements.

**ALLEGHENY COUNTY AUTHORITY FOR IMPROVEMENTS IN  
MUNICIPALITIES  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 1: 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 throughout 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:

**A. 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 or ancillary activities.

**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 THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES – (CONTINUED)**

A. Basis of Accounting – (continued)

A description of each fund of the Authority is presented below:

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.

Commerce Loan Fund

The Authority acts as an agent for certain loan repayments from entities who had previously received funds from the Pennsylvania Department of Commerce. Certain portions of the loan repayments are remitted to the Pennsylvania Department of Commerce. The Authority collects the loan repayments and disburses these same funds to the appropriate governmental entities. Any interest earned on the amounts collected is permitted to be retained by the Authority. During 2013, the Authority identified inactive project funds of \$55,889. These funds were transferred to the General Fund and the Commerce Loan Fund was closed.

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 the Regional Industrial Development Corporation Park.

B. Cash and Cash Equivalents

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

C. Restricted Assets

Restricted Assets represent resources set aside for liquidation of specific obligations. See Note 4 for details of restricted assets.

**ALLEGHENY COUNTY AUTHORITY FOR IMPROVEMENTS IN  
MUNICIPALITIES  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES – (CONTINUED)**

D. 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.”

E. 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.

F. Accounts Receivable

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, 2013 and, therefore, no allowance is needed at December 31, 2013.

**ALLEGHENY COUNTY AUTHORITY FOR IMPROVEMENTS IN  
MUNICIPALITIES  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 2: ADMINISTRATIVE SERVICES**

The Authority contracts annually 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, 2013 was \$125,000, which was paid by the General Fund.

**NOTE 3: DEPOSITS AND INVESTMENTS**

GASB Statement No. 40, “*Deposit 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:

Deposits

*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, 2013, the carrying value and bank balance of the Authority’s deposits was \$335,237. Amounts exposed to custodial credit risk are 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.

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.

**ALLEGHENY COUNTY AUTHORITY FOR IMPROVEMENTS IN  
MUNICIPALITIES  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

Investments - (continued)

As of December 31, 2013, the Authority's investments were held in the Pennsylvania Local Government Investment Trust (PLGIT). The Authority's investments in PLGIT entail pools managed by others, which are not evidenced by specific securities. All investments in the external investment pool, which are not SEC-registered, are subject to oversight by the Commonwealth of Pennsylvania. The book value of these investments as of December 31, 2013, was \$1,268,178.

*Interest Rate Risk* – The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates; however, the investments in PLGIT described above all have maturities of less than one year.

*Credit Risk* – The Authority does not have a formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2013, the Authority's investments in PLGIT were rated AAA by Standard's & Poor's.

**NOTE 4: RESTRICTED ASSETS**

Assets whose use is limited to a specific purpose have been classified as restricted in balance sheet/statement of net position. Restricted cash is composed of the following:

- The *General Fund* reported a restricted cash balance of \$42,072 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 *Commerce Loan Fund* previously provided loans thru the PA Department of Commerce. The Authority collected the loan payments and made remittances to the Commonwealth. The last loan was collected in September 2012. In May 2013, the Authority closed the fund and transferred the remaining balance to its General Fund.
- The *CDBG* fund has restricted assets consisting of an amount due to the CDBG fund from the General Fund. The funds are restricted because they are to be used on specific projects.

**ALLEGHENY COUNTY AUTHORITY FOR IMPROVEMENTS IN  
MUNICIPALITIES  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 5: 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, 2013 was approximately \$12.2 million.

**NOTE 6: 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 can not be greater than the matching investment. In 2013, none of these funds were disbursed. The balance of the \$1 million contribution is \$42,072 and is shown as restricted cash in the General Fund.

**NOTE 7: LOANS PAYABLE**

During 2010, the Authority entered into a loan agreement with the Redevelopment Authority of Allegheny County. The proceeds of this loan were to be used by the Authority to provide additional funding for its revolving loan fund. The outstanding principal of this loan at December 31, 2013 was \$250,000. This loan bears 0% interest and the entire loan balance was due June 1, 2013. The Authority intends to restructure this loan so that repayment occurs annually as payments on underlying loans are collected.

**ALLEGHENY COUNTY AUTHORITY FOR IMPROVEMENTS IN MUNICIPALITIES**  
**SCHEDULE OF LOANS RECEIVABLE - GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2013**

	December 31, 2012	2013 Loans	Principal Repayments	December 31, 2013
Aleppo Township	\$ 60,000	\$ -	\$ 20,000	\$ 40,000
Borough of Avalon	68,633	-	26,634	41,999
Borough of Bellevue	14,800	-	14,800	-
Ben Avon Heights Boro	94,600	-	31,533	63,067
Borough of Braddock Hills	15,000	-	5,000	10,000
Borough of Carnegie	60,000	-	30,000	30,000
Char West Council of Governments		100,000	-	100,000
Dormont Borough	12,493	-	2,499	9,994
East Deer Township	99,725	-	19,945	79,780
Borough of East McKeesport	43,859	-	43,859	-
Borough of East Pittsburgh	18,000	-	6,000	12,000
Municipal Authority of the Borough of Edgeworth	40,000	-	10,000	30,000
Borough of Glassport	17,759	-	17,759	-
Harmar Township	30,000	-	10,000	20,000
Harrison Township	16,000	-	8,000	8,000
Township of Kennedy	150,000	-	50,000	100,000
Liberty Borough	-	-	-	-
Borough of McKees Rocks	16,000	-	8,000	8,000
Borough of Munhall	92,000	-	23,000	69,000
Borough of North Versailles	60,629	-	60,629	-
Borough of Pitcairn	60,904	12,331	-	73,235
Port Vue Borough	32,089	-	22,044	10,045
Municipal Authority of South Fayette Township	80,000	-	20,000	60,000
Steel Valley COG	56,659	-	18,885	37,774
Borough of Versailles	51,000	-	17,000	34,000
Borough of West View	40,000	-	20,000	20,000
White Oak Borough	65,200	-	21,734	43,466
Wilmerding	-	40,000	-	40,000
Totals	<u>\$ 1,295,350</u>	<u>\$ 152,331</u>	<u>\$ 507,322</u>	<u>\$ 940,359</u>