

**Allegheny County  
Hospital Development Authority -  
Administrative Fund**

Financial Statements  
and Required Supplementary Information

Years Ended December 31, 2021 and 2020  
with Independent Auditor's Report

**MaherDuessel**

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**ALLEGHENY COUNTY  
HOSPITAL DEVELOPMENT AUTHORITY -  
ADMINISTRATIVE FUND**

YEARS ENDED DECEMBER 31, 2021 AND 2020

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## Independent Auditor's Report

**Board of Directors  
Allegheny County Hospital Development Authority**

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying financial statements of the Allegheny County Hospital Development Authority – Administrative Fund (Fund), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fund, as of December 31, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the net position of the Allegheny County Higher Education Building Authority as of December 31, 2021 and 2020, and the changes in its net position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 audits 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.

*Mahe Duessel*

Pittsburgh, Pennsylvania  
March 18, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Administrative Fund (Fund) of the Allegheny County Hospital Development Authority's (Authority) Management's Discussion and Analysis (MD&A) is designated to provide an overview of the Fund's financial activities for the years ended December 31, 2021 and 2020, and should be read in conjunction with the Fund's financial statements, which begin on page 1.

### Financial Highlights

- The Fund's net position decreased by (\$23,860) during the current year and decreased by (\$41,232) during the prior year.
- The Authority continues to provide access to capital markets through its conduit debt program. The Fund receives annual and closing fees associated with this program. During the current and prior years, the Authority facilitated the issuance of \$47.4 million and \$0 in conduit debt, respectively.

### Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the Fund's basic financial statements. The Fund's basic financial statements consist of two parts: 1) fund financial statements and 2) notes to financial statements.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Statements of Net Position, found on page 1, provide information about the Fund's financial position using the accrual basis of accounting. It includes all of the Fund's assets and liabilities and indicates which assets, if any, are restricted as to use.

The Statements of Revenues, Expenses, and Changes in Net Position, on page 2, provide information on how the Fund's direct expenses of a given activity are offset by program revenues. Under the accrual basis of accounting, revenues are recognized when they are earned, and expenses are recognized when incurred.

The Statements of Cash Flows, on page 3, indicate how much cash was provided and used by operating activities as well as other cash sources and uses such as investing and financing activities.

## Proprietary Funds

The Fund is classified as an enterprise fund, which is a type of proprietary fund. Enterprise funds are used to report activities that are intended to recover all or a significant portion of their costs through user fees and charges.

## Notes to Financial Statements

The notes, which begin on page 4, provide additional information that is essential to a full understanding of data provided in the fund financial statements.

## Analysis of Net Position

Net position is a useful indicator of a government's financial position. For the Fund, total assets were greater than liabilities by \$2,076,450 for the year ended December 31, 2021, and \$2,100,310 for the year ended December 31, 2020.

### **Condensed Statements of Net Position**

The following is a summary of the Fund's Statements of Net Position as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>	<u>Change</u>
<b>Assets</b>			
Cash	\$ 1,459,631	\$ 1,732,757	\$ (273,126)
Accounts receivable	616,819	367,553	249,266
<b>Total Assets</b>	<b><u>\$ 2,076,450</u></b>	<b><u>\$ 2,100,310</u></b>	<b><u>\$ (23,860)</u></b>
<b>Net Position</b>			
Unrestricted	\$ 2,076,450	\$ 2,100,310	\$ (23,860)
<b>Total Net Position</b>	<b><u>\$ 2,076,450</u></b>	<b><u>\$ 2,100,310</u></b>	<b><u>\$ (23,860)</u></b>

## Changes in Net Position

The Fund's net position decreased by (\$23,860) for the year ended December 31, 2021, and decreased by (\$41,232) for the year ended December 31, 2020.

The following summarizes the Fund's Statements of Revenues, Expenses, and Changes in Net Position for the years ended December 31, 2021 and 2020.

### Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2021	2020	Change
<b>Operating Revenues:</b>			
Annual administrative fees	\$ 751,447	\$ 761,427	\$ (9,980)
Closing fees	27,972	-	27,972
Legal fee income	5,000	-	5,000
Miscellaneous	1,000	-	1,000
Total operating revenues	<u>785,419</u>	<u>761,427</u>	<u>23,992</u>
<b>Operating Expenses:</b>			
Administrative fees	500,000	500,000	-
Trustee and professional fees	26,794	28,978	(2,184)
Contribution to Allegheny County	279,501	279,501	-
Other	3,245	2,848	397
Total operating expenses	<u>809,540</u>	<u>811,327</u>	<u>(1,787)</u>
<b>Operating Income (Loss)</b>	<u>(24,121)</u>	<u>(49,900)</u>	<u>25,779</u>
<b>Non-operating Revenues:</b>			
Interest income	261	8,668	(8,407)
Total non-operating revenues	<u>261</u>	<u>8,668</u>	<u>(8,407)</u>
<b>Net Income (Loss)</b>	<u>(23,860)</u>	<u>(41,232)</u>	<u>17,372</u>
<b>Net Position:</b>			
Beginning of year	<u>2,100,310</u>	<u>2,141,542</u>	<u>(41,232)</u>
End of year	<u>\$ 2,076,450</u>	<u>\$ 2,100,310</u>	<u>\$ (23,860)</u>

### Net Position

The Fund's net position is classified as unrestricted and is available to fund the Authority's activities. For the sake of comparison, the Fund's net position represents 256.50% and 258.9% of the Fund's expenses for the years ended December 31, 2021 and 2020, respectively.

### Operating Revenues

Annual administrative fees are collected from entities on whose behalf the debt was issued for as long as the debt remains outstanding. These fees decreased by (\$9,980) during the current year and decreased by (\$5,633) in the prior year. These fees increase and decrease based on the issuance of and retirement of debt issues from year to year.

Closing fees, including legal fee income, are collected from entities during the year, and debt is issued on their behalf.

## **Operating Expenses**

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 Fund paid ACED \$500,000 per year for 2021 and 2020.

The Fund pays dues to the Southwestern Pennsylvania Commission on behalf of Allegheny County. The Fund paid \$279,501 per year for 2021 and 2020.

## **Requests for Information**

The financial report is designed to provide an overview of the Fund'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.

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STATEMENTS OF NET POSITION

DECEMBER 31, 2021 AND 2020

	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 1,459,631	\$ 1,732,757
Accounts receivable	616,819	367,553
	<b>\$ 2,076,450</b>	<b>\$ 2,100,310</b>
<b>Liabilities and Net Position</b>		
Liabilities	\$ -	\$ -
Net Position:		
Unrestricted net position	2,076,450	2,100,310
	2,076,450	2,100,310
	<b>\$ 2,076,450</b>	<b>\$ 2,100,310</b>

See accompanying notes to financial statements.

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STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
<b><u>Operating Revenues:</u></b>		
Administrative fees:		
Annual	\$ 751,447	\$ 761,427
Closing	27,972	-
Legal fee income	5,000	-
Miscellaneous	1,000	-
Total operating revenues	785,419	761,427
<b><u>Operating Expenses:</u></b>		
Administrative fees	500,000	500,000
Trustee and professional fees	26,794	28,978
Contribution to Allegheny County	279,501	279,501
Other	3,245	2,848
Total operating expenses	809,540	811,327
<b>Operating Income (Loss)</b>	<b>(24,121)</b>	<b>(49,900)</b>
<b><u>Non-Operating Revenues (Expenses):</u></b>		
Interest income	261	8,668
Total non-operating revenues (expenses)	261	8,668
<b>Change in Net Position</b>	<b>(23,860)</b>	<b>(41,232)</b>
<b><u>Net Position:</u></b>		
Beginning of year	2,100,310	2,141,542
End of year	<b>\$ 2,076,450</b>	<b>\$ 2,100,310</b>

See accompanying notes to financial statements.

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STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
<b>Cash Flows From Operating Activities:</b>		
Receipts from customers	\$ 536,153	\$ 393,874
Payments for goods and services	(30,039)	(31,826)
Payment for administrative services to Allegheny County	(500,000)	(500,000)
Payment of contribution to Allegheny County	(279,501)	(279,501)
Net cash provided by (used in) operating activities	(273,387)	(417,453)
<b>Cash Flows From Investing Activities:</b>		
Interest received	261	8,668
Net cash provided by (used in) investing activities	261	8,668
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(273,126)	(408,785)
<b>Cash and Cash Equivalents:</b>		
Beginning of year	1,732,757	2,141,542
End of year	\$ 1,459,631	\$ 1,732,757
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:</b>		
Operating income (loss)	\$ (24,121)	\$ (49,900)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Change in:		
Accounts receivable	(249,266)	(367,553)
Net cash provided by (used in) operating activities	\$ (273,387)	\$ (417,453)

See accompanying notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS

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**1. Organization**

Allegheny County Hospital Development Authority (Authority) was created by a resolution of the Board of Commissioners of Allegheny County under the Municipality Authorities Act of the General Assembly of the Commonwealth of Pennsylvania, approved May 2, 1945, P.L. 382, as amended and supplemented. The purpose of the Authority is to acquire, hold, construct, improve, maintain, own, operate, and lease hospitals and related facilities, and other projects acquire, constructed, or improved for related purposes. The Authority, incorporated in 1971, has a legal life through 2045.

The Authority issues revenue bonds and notes for eligible projects in Allegheny County. Each issue is payable from receipts derived by the Authority from the entity on whose behalf the debt was issued and is secured separately and distinctly from the issues for every other entity. All debt instruments are supported by the credit of the respective institution involved in each individual project. The interest rate, terms of the repayment, and dollar amount of the bonds are matters of direct negotiation between the institution and the bond underwriters.

These financial statements include only the Authority's Administrative Fund (Fund). The Fund accounts only for promotional and administrative operations of the Authority and interest earnings from investing administrative Fund resources. The Fund does not include any assets or liabilities relating to Authority debt issues.

The governing body of the Authority is a Board of Directors (Board). The Board consists of members appointed by the County Executive of Allegheny County. Allegheny County has not included the Authority in its reporting entity because Allegheny County's accountability for the Authority does not extend beyond making these appointments.

**2. Summary of Significant Accounting Policies**

Basis of Accounting

The Fund is reported as an Enterprise Fund. The Fund accounts for its activities on the accrual basis of accounting in accordance with the provisions of the Governmental

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Accounting Standards Board (GASB) Statements. Accordingly, revenues are recorded when earned, and expenses are recorded when incurred.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Fund. Operating revenues consist primarily of annual and closing fees on conduit debt (see below). Non-operating revenues and expenses consist of those revenues and expenses that are related to financial and investing types of activities and result from non-exchange transactions, such as capital contributions, grants, or ancillary activities.

When an expense is incurred, for purposes in which there are both restricted and unrestricted resources available, it is the Fund's policy to apply those expenses first to the restricted resources, to the extent such are available; and then to the unrestricted resources.

Closing and Annual Fees

The Fund charges those entities on whose behalf the debt is issued a closing fee at the inception of each issue and annual fees due on each anniversary of the issue for as long as the issue is outstanding. The closing fee is greater than the recurring annual fee because it incorporates recovery of administrative expenses, including professional advisors, incurred by the Authority on behalf of sponsoring the issue. Annual fees are non-refundable and are recognized as revenue at the time they are due. Management believes this approach best matches revenues with related expenses.

Advance

In prior years, the Authority advanced approximately \$1,200,000 to Residential Resources, Inc. to be used to collateralize mortgages of properties purchased to house mental health/mental retardation residents of Allegheny County. The Authority maintains a secondary interest in the properties to secure the advance. The return of the funds to the Authority is dependent upon Residential Resources, Inc. developing the ability to provide its own collateral to supplant the collateral advanced by the Authority. Due to the contingent nature of the ultimate return of these funds, no asset has been recorded in the financial statements of the Authority.

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Cash and Cash Equivalents

For the 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.

Accounts Receivable

Accounts receivable represent annual fees billed and unpaid at the end of the year.

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. There was no restricted net position at year-end.

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

Pending Pronouncements

GASB has issued statements that will become effective in future years, including Statement Nos. 87 (Leases), 91 (Conduit Debt Obligations), 92 (Omnibus 2020), 93 (Replacement of Interbank Offered Rates), 94 (Public-Private and Public-Public Partnerships), 96 (Information Technology Arrangements), and 97 (Deferred Compensation Plans). Management has not yet determined the impact of these statements on the financial statements.

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YEARS ENDED DECEMBER 31, 2021 AND 2020

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**3. 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 in 2021 and 2020 was \$500,000 for each year, which was paid by the Fund.

**4. Deposits and Investments**

The Authority is authorized to make investments of the following types pursuant to the Municipality Authorities Act of 1945: (1) United States Treasury bills, (2) short-term obligations of the United States government or its agencies or instrumentalities, (3) deposits in savings accounts or time deposits or share accounts of institutions which are insured, (4) obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political subdivision thereof, and (5) shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the investments of that company meet the criteria in (1) through (4) above.

GASB Statement No. 40, “*Deposits and Investment Risk Disclosures*,” requires disclosures related to the following deposit and investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. The following is a description of the Authority's deposit and investment risks:

*Custodial Credit Risk* – For a deposit, 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, 2021 and 2020, \$0 of the Authority's bank balance of \$5,402 and \$49,369 was exposed to custodial credit risk, respectively. These deposits have carrying amounts of \$5,402 and \$44,619 as of December 31, 2021 and 2020, respectively, and are classified as cash and cash equivalents on the statements of net position.

The Authority also has deposits managed by the Pennsylvania Local Government Investment Trust (PLGIT). These funds are not exposed to custodial credit risk because their

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existence is not evidenced by securities that exist in physical form. The Authority's investment in PLGIT (an external investment pool) is the same as the value of the pool shares and is reported at amortized cost, which approximates fair value. All investments in an external investment pool that is not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania. The Authority can withdraw funds from the external investment pool without limitations or fees. As of December 31, 2021 and 2020, the bank and book balances of the investments in PLGIT were \$1,454,229 and \$1,688,138, respectively, and are classified as cash and cash equivalents on the statements of net position. As of December 31, 2021, the Authority's investments in PLGIT are rated AAAM by Standard & Poor's.

**5. Conduit Debt**

The Authority administers the Hospital Development Bond Program (Program). Under this Program, the Authority issues limited obligation loan revenue bonds and notes to provide below-market interest rate financing for hospitals. The revenue bonds and notes are repayable solely from each hospital's respective resources. Neither the general credit of the Authority nor the general credit and taxing power of Allegheny 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 balance of the debt issued as of December 31, 2021 and 2020, is approximately \$2.556 billion and \$2.602 billion, respectively.

**6. Contributions to Allegheny County**

The contributions to Allegheny County of \$279,501 and \$279,501 during 2021 and 2020, respectively, are annual dues that the Authority paid the Southwestern Pennsylvania Commission on behalf of Allegheny County.