

**Allegheny County
Higher Education Building 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
HIGHER EDUCATION BUILDING AUTHORITY -
ADMINISTRATIVE FUND**

YEARS ENDED DECEMBER 31, 2021 AND 2020

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Independent Auditor's Report

**Board of Directors
Allegheny County Higher Education Building Authority**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Allegheny County Higher Education Building 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 Higher Education Building 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 increased by \$48,402 during the current year and increased by \$58,112 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 year, the Authority facilitated the issuance of approximately \$47.9 million and \$70.3 million 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, provides 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, provides 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, indicates how much cash was provided and used by operating activities as well as other cash sources and uses such as investing and financing activities.

Proprietary Funds

The 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 \$686,253 for the year ended December 31, 2021, and by \$637,851 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>
<u>Assets</u>			
Cash	\$ 661,959	\$ 628,052	\$ 33,907
Accounts receivable	24,294	9,799	14,495
Total Assets	<u>\$ 686,253</u>	<u>\$ 637,851</u>	<u>\$ 48,402</u>
<u>Net Position</u>			
Unrestricted	\$ 686,253	\$ 637,851	\$ 48,402
Total Net Position	<u>\$ 686,253</u>	<u>\$ 637,851</u>	<u>\$ 48,402</u>

Changes in Net Position

The Fund's net position increased by \$48,402 for the year ended December 31, 2021, and increased by \$58,112 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
Operating Revenues:			
Annual administrative fees	\$ 237,424	\$ 230,113	\$ 7,311
Closing fees	35,000	46,138	(11,138)
Legal fee income	5,000	5,000	-
Miscellaneous	500	1,000	(500)
Total operating revenues	<u>277,924</u>	<u>282,251</u>	<u>(4,327)</u>
Operating Expenses:			
Administrative fees	200,000	200,000	-
Professional fees	26,794	23,978	2,816
Other	2,880	3,050	(170)
Total operating expenses	<u>229,674</u>	<u>227,028</u>	<u>2,646</u>
Operating Income (Loss)	<u>48,250</u>	<u>55,223</u>	<u>(6,973)</u>
Non-operating Revenues:			
Interest income	152	2,889	(2,737)
Total non-operating revenues	<u>152</u>	<u>2,889</u>	<u>(2,737)</u>
Net Income (Loss)	<u>48,402</u>	<u>58,112</u>	<u>(9,710)</u>
Net Position:			
Beginning of year	637,851	579,739	58,112
End of year	<u>\$ 686,253</u>	<u>\$ 637,851</u>	<u>\$ 48,402</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 298.8% and 281.0% 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 increased by \$7,311 during the current year and increased by \$17,587 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 \$200,000 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
Assets		
Cash and cash equivalents	\$ 661,959	\$ 628,052
Accounts receivable	24,294	9,799
Total Assets	\$ 686,253	\$ 637,851
Liabilities and Net Position		
Liabilities	\$ -	\$ -
Net Position:		
Unrestricted net position	686,253	637,851
Total Net Position	686,253	637,851
Total Liabilities and Net Position	\$ 686,253	\$ 637,851

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
Operating Revenues:		
Administrative fees:		
Annual	\$ 237,424	\$ 230,113
Closing	35,000	46,138
Legal	5,000	5,000
Other	500	1,000
Total operating revenues	277,924	282,251
Operating Expenses:		
Administrative fees	200,000	200,000
Professional fees	26,794	23,978
Other	2,880	3,050
Total operating expenses	229,674	227,028
Operating Income (Loss)	48,250	55,223
Non-Operating Revenues (Expenses):		
Interest income	152	2,889
Total non-operating revenues (expenses)	152	2,889
Change in Net Position	48,402	58,112
Net Position:		
Beginning of year	637,851	579,739
End of year	\$ 686,253	\$ 637,851

See accompanying notes to financial statements.

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STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash Flows From Operating Activities:		
Receipts from customers	\$ 263,429	\$ 282,251
Payment for administrative services to Allegheny County	(200,000)	(200,000)
Payments for goods and services	(29,674)	(27,028)
Net cash provided by (used in) operating activities	33,755	55,223
Cash Flows From Investing Activities:		
Interest received	152	2,889
Net cash provided by (used in) investing activities	152	2,889
Net Increase (Decrease) in Cash and Cash Equivalents	33,907	58,112
Cash and Cash Equivalents:		
Beginning of year	628,052	569,940
End of year	\$ 661,959	\$ 628,052
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:		
Operating income (loss)	\$ 48,250	\$ 55,223
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Change in:		
Accounts receivable	(14,495)	-
Accounts payable	-	-
Net cash provided by (used in) operating activities	\$ 33,755	\$ 55,223

See accompanying notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Organization

Allegheny County Higher Education Building 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 educational facilities and other related projects. The Authority, incorporated in 1981, 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) consisting 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 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.

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.

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Classification of Net Position

Net position is 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.

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 \$200,000 for each year, which was paid by the Fund.

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NOTES TO FINANCIAL STATEMENTS

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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 \$50,033 and \$53,223 was exposed to custodial credit risk, respectively. These deposits have carrying amounts of \$10,033 and \$48,407 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 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 \$651,926 and \$579,645, respectively, and are classified as cash and cash equivalents on the statements of net position. As of

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December 31, 2021, the Authority's investments in PLGIT are rated AAAM by Standard & Poor's.

5. Conduit Debt

The Authority administers the Higher Education Building Bond Program (Program). Under this Program, the Authority issues limited obligation loan revenue bonds through financial entities to provide below-market interest rate financing for educational institutions. The revenue bonds are repayable solely from each educational institution'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 \$757 million and \$750 million, respectively.