

Monroeville Finance Authority

A Component Unit of the Municipality of
Monroeville, Pennsylvania

Financial Statements (Cash Basis)

Year Ended December 31, 2014
with Independent Auditor's Report

MaherDuessel
Certified Public Accountants

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MONROEVILLE FINANCE AUTHORITY

YEAR ENDED DECEMBER 31, 2014

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Independent Auditor's Report

Board of Directors
Monroeville Finance Authority

We have audited the accompanying cash basis financial statements (financial statements) of the Monroeville Finance Authority (Authority), a component unit of the Municipality of Monroeville, Pennsylvania, as of and for the year ended December 31, 2014, and the related notes to the 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 the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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 cash basis financial position of the Authority as of December 31, 2014, and changes in cash basis financial position, thereof for the year then ended in accordance with the cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Mahe Duessel

Pittsburgh, Pennsylvania
June 19, 2015

MONROEVILLE FINANCE AUTHORITY

STATEMENT OF NET POSITION (CASH BASIS)

DECEMBER 31, 2014

<u>Assets</u>	
Cash	<u>\$ 13,449</u>
<u>Net Position</u>	
Unrestricted	<u>\$ 13,449</u>

See accompanying notes to financial statements (cash basis).

MONROEVILLE FINANCE AUTHORITY

STATEMENT OF OPERATING REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

Operating Revenues:	
Fee income	<u>\$ 159,653</u>
Operating Expenses:	
Contribution to the Municipality of Monroeville	197,652
Other operating expenses	<u>6,499</u>
Total operating expenses	<u>204,151</u>
Operating Income Loss)	<u>(44,498)</u>
Change in Net Position	(44,498)
Net Position:	
Beginning of year	<u>57,947</u>
End of year	<u><u>\$ 13,449</u></u>

See accompanying notes to financial statements (cash basis).

MONROEVILLE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

1. REPORTING ENTITY

The Monroeville Finance Authority (Authority) is a body organized under the Municipality Authorities Act of 1935, P.L. 463 (Act), as amended and supplemented, having been duly organized under said Act by the Municipality of Monroeville (Municipality). The Authority was formed on June 12, 2012 (inception) and at that time the first Board of Directors (Board) was elected. The formation of the Authority was approved by the Commonwealth of Pennsylvania in July 2012. The Authority began to operate and conduct financial transactions in 2012.

The Authority was organized to finance working capital, acquiring, holding, constructing, financing, and improving, maintaining and operating, owning, or leasing projects of the kind and character as set forth in Section 5607 of the Act.

The Authority's Board is made up of five members, all of whom are appointed by the Municipality. The Authority is considered to be a component unit of the Municipality of Monroeville, since there is a financial relationship between the Authority and the Municipality.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Measurement Focus

The Authority is considered an Enterprise Fund and utilizes the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, amounts are recognized when received or paid rather than when earned or when obligations are incurred.

Operations that are accounted for as an Enterprise Fund are financed and operated in a manner similar to private business enterprises, where the intent of the Authority is that the costs (expenses) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Enterprise Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Authority currently is financing fee income. Operating expenses include grants to the Municipality and administrative expenses and other expenses incurred to maintain the Authority's existence. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

MONROEVILLE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

Budgetary Information

The Authority does not adopt an annual budget.

3. DEPOSITS

The following is a description of the Authority's deposit risk:

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 to it. The Authority does not have a formal deposit policy for custodial credit risk; however, as of December 31, 2014, all of the Authority's bank balances were covered by federal depository insurance and, therefore, were free of custodial credit risk. At December 31, 2014, the carrying value and bank balance of the Authority's deposits was \$13,449.

4. CONDUIT DEBT

The Authority issues tax-exempt and taxable limited-obligation debt through various lending and financial institutions to provide below-market interest rate financing to private-sector entities for eligible projects. The debt is secured by the property financed and is solely funded from the payments received from the entity benefiting from the financing. Neither the Authority, the Commonwealth of Pennsylvania, nor any political subdivision thereof, is obligated in any manner for the repayment of the debt. Accordingly, the debt is not reported as a liability in the accompanying financial statements. The conduit debt for the Authority as of December 31, 2014 is as follows:

	<u>Principal Outstanding</u>	<u>Issued Amount</u>
Revenue Bonds, Series of 2012	\$ 346,120,000	\$ 356,465,000
Revenue Refunding Bonds, Series of 2013B	69,020,000	70,610,000
Revenue Bonds, Series of 2014B	50,000,000	50,000,000
Total	<u>\$ 465,140,000</u>	<u>\$ 477,075,000</u>