Monroeville Finance Authority

(A Component Unit of the Municipality of
Monroeville, Pennsylvania)

Financial Statements (Cash Basis)

June 12, 2012 (Inception) through December 31, 2012
with Independent Auditor's Report

MaherDuessel
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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DECEMBER 31, 2012

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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 December 31, 2012 and for the period June 12, 2012 (Inception) through December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's 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 Authority'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 Authority'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 - cash basis of the Authority as of December 31, 2012, and the respective changes in financial position - cash basis for the period June 12, 2012 (Inception) through December 31, 2012 in accordance with the 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 cash basis of accounting 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.

Other Matter

This is the initial set of financial statements for the Authority as financial transactions initially occurred during 2012.

Maher Duessel

Pittsburgh, Pennsylvania
October 4, 2013

MONROEVILLE FINANCE AUTHORITY

STATEMENT OF NET POSITION (CASH BASIS)

DECEMBER 31, 2012

Assets	
Cash	$ 11,800
Net Position	
Unrestricted	$ 11,800

See accompanying notes to financial statements (cash basis).

MONROEVILLE FINANCE AUTHORITY

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

JUNE 12, 2012 (INCEPTION) THROUGH DECEMBER 31, 2012

Operating Revenues:		
Fee income	$	135,000
Operating Expenses:		
Contribution to the Municipality of Monroeville		120,000
Other operating expenses		3,200
Total operating expenses		123,200
Operating Income		11,800
Change in Net Position		11,800
Net Position:		
June 12, 2012 (Inception)		-
End of year	$	11,800

See accompanying notes to financial statements (cash basis).

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 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; as such, this is the first year of operations and the first set of financial statements for the Authority.

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.

Budgetary Information

The Authority does not adopt an annual budget.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the cash basis financial statements (financial statements) were available to be issued.

3. Deposits and Investments

Governmental Accounting Standards Board 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 to it. The Authority does not have a formal deposit policy for custodial credit risk; however, as of December 31, 2012, all of the Authority's bank balances were covered by federal depository insurance and, therefore, were free of custodial credit risk. At December 31, 2012, the carrying value and bank balance of the Authority's deposits was $11,800.

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.

During 2012, there was one issuance of debt in July for $356 million. The aggregate principal amount outstanding at December 31, 2012 was approximately $356 million.