



County of Allegheny

Office of the Controller

INDEPENDENT AUDITOR'S REPORT
ALLEGHENY COUNTY HEALTH DEPARTMENT
TITLE V AIR QUALITY FUND
FOR THE YEAR ENDED
DECEMBER 31, 2022

August 30, 2023

Corey O'Connor
Controller

104 County Courthouse
436 Grant Street
Pittsburgh, PA 15219
Phone: (412) 350-4660
Fax: (412) 350-3006

E-mail: Controller@alleghenycounty.us

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County of Allegheny Office of the Controller

104 Courthouse 436 Grant Street
Pittsburgh, PA 15219-2498
Phone (412) 350-4660 Fax (412) 350-3006



August 30, 2023

Mr. Patrick Dowd
Acting Director
Allegheny County Health Department
542 Fourth Avenue
Pittsburgh, PA 15219

SUBJECT: INDEPENDENT AUDITOR'S REPORT
ALLEGHENY COUNTY HEALTH DEPARTMENT
TITLE V AIR QUALITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

Dear Mr. Dowd:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Title V Air Quality Fund of the Allegheny County Health Department as of and for the year ended December 31, 2022, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Allegheny County Health Department's Title V Air Quality Fund as of December 31, 2022, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Allegheny County Health Department (Allegheny County) and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Allegheny County Health Department's (Allegheny County'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 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 and *Government 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Allegheny County Health Department's (Allegheny County'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.

Mr. Patrick Dowd
August 30, 2023

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Allegheny County Health Department's (Allegheny County'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2023 on our consideration of the Allegheny County Health Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Allegheny County Health Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Allegheny County Health Department's internal control over financial reporting and compliance.

Kind regards,



Corey O'Connor
Controller



Lori A. Churilla
Assistant Deputy Controller, Auditing

cc: Honorable Patrick Catena, President, County Council
Honorable John F. Palmiere, Vice-President, County Council
Honorable Rich Fitzgerald, County Executive, Allegheny County
Ms. Jennifer M. Liptak, County Manager and Chief of Staff, Allegheny County
Mr. Adam Lentz, Deputy Director, Budget and Finance
Mr. Tim Cox, Deputy Director, Budget and Finance
Mr. Kenneth J. Varhola, Chief of Staff, County Council
Ms. Sarah Roka, Budget Manager, County Council
Ms. Kim Joyce, Deputy Director Administration, ACHD

COREY O' CONNOR
 CONTROLLER, COUNTY OF ALLEGHENY
 104 COURTHOUSE
 PITTSBURGH, PENNSYLVANIA 15219

ALLEGHENY COUNTY HEALTH DEPARTMENT
TITLE V AIR QUALITY FUND
BALANCE SHEET
DECEMBER 31, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Cash	\$ 4,448,627
Due from other funds	877,118
Emissions fees receivable (no allowance deemed necessary)	<u>1,065,552</u>
Total Assets	6,391,297
Deferred Outflows of Resources	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 6,391,297</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE

Due to other funds	\$ 39,205
Accounts payable & accrued expenses	142,999
Unearned permit fees	<u>172,000</u>
Total Liabilities	354,204
Deferred Inflows of Resources	1,065,552
Restricted Fund Balance (to be used for Air Quality Program Expenditures)	<u>4,971,541</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 6,391,297</u>

(See accompanying notes to financial statements)

COREY O'CONNOR
 CONTROLLER, COUNTY OF ALLEGHENY
 104 COURTHOUSE
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ALLEGHENY COUNTY HEALTH DEPARTMENT
TITLE V AIR QUALITY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2022

REVENUES

Emissions fees	\$ 1,140,118
Permit maintenance fees	194,960
Interest income	36,936

Total Revenues	1,372,014
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EXPENDITURES

Salaries	1,151,708
Fringe benefits	372,710
Professional services	59,273
Supplies & materials	17,641
Rentals & leases	11,321
Travel & training	10,047
Other services	4,776
Utilities & communications	4,217
Court costs	1,252
Fixed assets	297

Total Expenditures	1,633,242
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Deficiency of Revenues Under Expenditures	(261,228)
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Fund Balance - Beginning of Year	5,232,769
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Fund Balance - End of Year	\$ 4,971,541
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(See accompanying notes to financial statements)

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ALLEGHENY COUNTY HEALTH DEPARTMENT
TITLE V AIR QUALITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity:

The Allegheny County Title V Air Quality Fund (the Fund) was established in February 1994 under the major operating permit program for the deposit of all emission fees, related interest and other fees required by Title V of the Clean Air Act. The fees and related interest collected can only be used to fund the costs of developing and administering a pollution control program in accordance with Title V of the Clean Air Act. Fund transactions are accounted for in a separate special revenue fund since the revenues are legally restricted to expenditures in connection with these specified purposes.

The accompanying financial statements include only the assets and deferred outflows of resources, liabilities and deferred inflows of resources, fund balance, revenues, and expenditures of the Fund and are not intended to present the financial position or results of operations of the Allegheny County Health Department (Allegheny County) taken as a whole.

Basis of Accounting:

The Fund's accounting records are maintained and the accompanying financial statements have been prepared on the modified accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized in the period in which they become measurable and available. For measurement purposes, available means expected to be collected within 90 days of the balance sheet date. Expenditures are recorded when a liability is incurred.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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ALLEGHENY COUNTY HEALTH DEPARTMENT
TITLE V AIR QUALITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 DEPOSITS AND INVESTMENTS

Pennsylvania statutes provide for investment of governmental funds into certain authorized investments. The statutes also allow pooling of governmental funds for investment purposes. Allegheny County ("County") pools its funds for investment purposes, and the cash in the Title V Air Quality Fund represents a portion of those pooled funds. The County Board of Investment has adopted an investment policy that adheres to state statutes and further limits permitted investment types and procedures. This policy was last revised January 2019. The primary objectives, in priority order, of the Board's investment activities are safety of principal, liquidity, and return on investment.

The County Treasurer is authorized by the County Board of Investment to invest in U.S. Treasury Obligations, directly issued U.S. Federal Agency securities, repurchase agreements, deposit accounts, obligations of the Commonwealth of Pennsylvania, shares of investment companies (mutual funds), certificates of deposit, commercial paper, Pennsylvania Local Government Investment Trust (PLGIT), and INVEST. INVEST is a government pool established by the State Treasurer exclusively for investment by Pennsylvania municipalities.

The County's cash deposits are subject to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, the County's deposits may not be returned to it. The County's investment policy mitigates custodial credit risk by requiring collateralization of uninsured balances of certain investments, including certificates of deposit, savings accounts, time deposits, checking with interest accounts, and repurchase agreements.

The County's investment policy limits collateral to U.S. Treasury Obligations and U.S. Government Agency investments. The policy requires a collateral level of 102% of the market value of principal and accrued interest and that collateral be pledged in accordance with Act 72 of the Pennsylvania State Legislature, Section 3836-1 through Section 3836-6. Act 72 requires a financial institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

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ALLEGHENY COUNTY HEALTH DEPARTMENT
TITLE V AIR QUALITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

The County’s investments are subject to credit risk, custodial credit risk, concentrations of credit risk, and interest rate risk. The County’s investment policy minimizes credit risk by permitting only certain types of investments and establishing minimum quality levels for the riskier investments. With respect to custodial credit risk, the County’s safekeeping and custody policy minimally requires that all security transactions be conducted within the confines of Act 72. Direct security transactions must be on a delivery versus payment basis. All securities are to be held in the Treasurer’s name. If a counterparty is used, the counterparty must send written confirmation of the transaction to the Treasurer. According to the County’s investment policy, diversification will prevent over concentration in a sector and minimize the opportunity for risky investments. With the exception of U.S. Treasury securities, no more than 55% of the County’s total investment portfolio will be invested in a single security type or with a single financial institution. To minimize interest rate risk, the County’s investment policy limits investment maturities to a maximum of 13 months from the date of purchase. An exception to this rule is repurchase agreements which should be collateralized with maturities up to 20 years. Reserve funds may be invested in securities exceeding five years if the maturity of such investments reasonably coincides with the expected use of the funds.

NOTE 3 RECEIVABLES

Emissions fees are billed and collected in the year following the year in which the emissions occur. As a result, emissions fees for 2022 are not measurable and available at year-end, and therefore cannot be recorded as revenues under the modified accrual basis of accounting. Emissions fees are considered fully collectible by management and therefore no allowance for doubtful collections is deemed necessary. Emissions fees receivable at December 31, 2022 consist of the following:

US Steel Clairton Works	\$	606,231
US Steel Edgar Thompson		166,383
Cheswick Generating Station		83,042
US Steel Irvin Plant		62,188
Others under \$50,000		147,708
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Total	\$	<u>1,065,552</u>

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ALLEGHENY COUNTY HEALTH DEPARTMENT
TITLE V AIR QUALITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 4 **INTERFUND BALANCES**

The amount due from other funds at December 31, 2022, \$877,118, consists of:

- \$508,279 due from the General Fund, which consists of \$481,269 attributable to salary and fringe benefit cross-charges, and \$27,010 which represents the Title V Air Quality Fund's share of 2022 County investment pool earnings that were not credited to the Fund as of December 31, 2022.
- \$329,425 due from the Air Pollution Control Fund, which consists of \$197,023 of major source permit maintenance fees that were improperly deposited in the Air Pollution Control Fund, and \$132,402 attributable to salary and fringe benefit cross-charges,
- \$29,591 due from the 2019/2022 PM 2.5 Fund attributable to salary and fringe benefit cross-charges, and
- \$9,823 due from the 2022/2023 DCED Election Integrity Fund associated with salary and fringe benefit cost recovery.

The amount due to other funds at December 31, 2022, \$39,205, consists of:

- \$33,856 due to the General Fund, of which \$24,625 is attributable to healthcare costs allocable to the Fund that were paid by the General Fund, and \$9,231 is attributable to software licensing costs, and
- \$5,349 due to the Environmental Health Fund attributable to salary and fringe benefit cross-charges.

NOTE 5 **RESTRICTED FUND BALANCE**

The fund balance of the Allegheny County Health Department Title V Air Quality Fund is restricted for air quality permitting program expenditures as stipulated in Title V of the Clean Air Act and *Allegheny County Health Department Rules and Regulations, Article XXI Air Pollution Control Manual*.