



# 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, 2013

AUGUST 25, 2014

**Chelsa Wagner**  
Controller

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**CHELSEA WAGNER**  
CONTROLLER

# COUNTY OF ALLEGHENY

## OFFICE OF THE CONTROLLER

104 COURTHOUSE • 436 GRANT STREET  
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PHONE (412) 350-4660 • FAX (412) 350-3006

August 25, 2014

Dr. Karen Hacker  
Director  
Allegheny County Health Department  
955 Rivermont Drive  
Pittsburgh, PA 15207

**SUBJECT:                    INDEPENDENT AUDITOR'S REPORT**  
**ALLEGHENY COUNTY HEALTH DEPARTMENT**  
**TITLE V AIR QUALITY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

Dear Dr. Hacker:

We have audited the accompanying Title V Air Quality Fund financial statements of the Allegheny County Health Department as of and for the year ended December 31, 2013.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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**

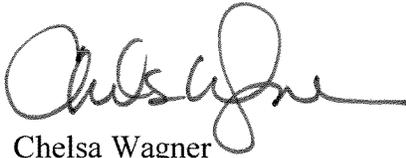
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Title V Air Quality Fund of the Allegheny County Health Department as of December 31, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Dr. Karen Hacker  
August 25, 2014

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2014, 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 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 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 Allegheny County Health Department's internal control over financial reporting and compliance.

Kind regards,



Chelsa Wagner  
Controller



Lori Churilla  
Assistant Deputy Controller, Auditing

CW/lc

cc: Honorable John DeFazio, President, County Council  
Honorable Nicholas Futules, Vice President, County Council  
Honorable Rich Fitzgerald, County Executive  
Mr. William McKain, County Manager, Allegheny County  
Ms. Jennifer Liptak, Chief of Staff, County Executive  
Mr. Warren Finkel, Budget Director, Allegheny County  
Mr. Joseph Catanese, Director of Constituent Services, County Council  
Mr. Walter Szymanski, Budget Director, County Council  
Mr. Ronald Sugar, Deputy Director, ACHD  
Mr. James Thompson, Air Pollution Control Manager, ACHD

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**ALLEGHENY COUNTY HEALTH DEPARTMENT**  
**TITLE V AIR QUALITY FUND**  
**BALANCE SHEET**  
**DECEMBER 31, 2013**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

Cash	\$ 9,231,032
Due from other funds	21,611
Emissions fees receivable (no allowance deemed necessary)	<u>1,668,895</u>
<b>Total Assets</b>	<b>10,921,538</b>
<b>Deferred Outflows of Resources</b>	<u>-</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u><u>\$ 10,921,538</u></u></b>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE**

Due to other funds	\$ 101,707
Deferred revenue	2,081
Accounts payable	8,079
Accrued expenses	<u>69,889</u>
<b>Total Liabilities</b>	<b>181,756</b>
<b>Deferred Inflows of Resources</b>	<b>1,668,895</b>
<b>Restricted Fund Balance (to be used for Air Quality Program Expenditures)</b>	<u><b>9,070,887</b></u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b><u><u>\$ 10,921,538</u></u></b>

(See accompanying notes to financial statements)

CHELSA WAGNER  
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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, 2013**

**REVENUES**

Emissions fees	\$ 1,106,452
Interest income	23,620
	1,130,072
<b>Total Revenues</b>	<b>1,130,072</b>

**EXPENDITURES**

Salaries	1,213,563
Fringe benefits	436,586
Contracted services	84,218
Fixed assets	79,451
Materials & supplies	61,858
Rentals & leases	15,335
Travel & training	11,006
Other expenses	18,826
	1,920,843

**Total Expenditures** **1,920,843**

**Change in Fund Balance** **(790,771)**

Fund Balance - Beginning of Year 9,861,658

**Fund Balance - End of Year** **\$ 9,070,887**

(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, 2013**

**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.

***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 60 days of the balance sheet date. Expenditures are recorded when a liability is incurred.

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 Allegheny County taken as a whole.

***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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**TITLE V AIR QUALITY FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 2      DEPOSITS AND INVESTMENTS**

Pennsylvania statutes provide for investment of governmental funds into certain authorized investments. The statutes also permit pooling of governmental funds for investment purposes. Allegheny County (the "County") pools its funds for investment purposes, and the cash and cash equivalents in the Title V Air Quality Fund represent a portion of those pooled funds. The County Investment Board has adopted an investment policy that adheres to state statutes and further limits permitted investment types and procedures. This policy was last revised January 9, 2013. The primary objectives of the Board's investment activities are safety of principal, liquidity, and return on investment, in that order.

The County Treasurer is authorized by the County Investment Board to invest the County's pooled funds in U.S. Treasury Obligations, securities issued directly by U.S. Federal Agencies, repurchase agreements, deposit accounts, Commonwealth of Pennsylvania obligations, shares of investment companies (mutual funds), certificates of deposit, commercial paper, the Pennsylvania Local Government Investment Trust (PLGIT), and INVEST. INVEST is a governmental investment pool established by the State Treasurer exclusively for use 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, an entity'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, 2013**

**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 attempts to minimize credit risk by permitting only certain types of investments and establishing minimum quality levels for 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 concentrations of credit risk. With the exception of U.S. Treasury securities, no more than 65% of the County's total investment portfolio will be invested in a single security type or with a single financial institution. The County's investment policy attempts to minimize interest rate risk by limiting investment maturities to a maximum of 13 months from the purchase date, with limited exceptions.

**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 2013 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, 2013 consist of the following:

USS / Clairton Works	\$	554,449
NRG Midwest LP / Cheswick		503,087
USS Corp / Edgar Thomson Works		171,692
US Steel Corp / Irvin Plant		119,941
Shenango Inc / Shenango Coke Plant		71,999
Others under \$50,000		<u>247,727</u>
Total	\$	<u>1,668,895</u>

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**TITLE V AIR QUALITY FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 4**      **INTERFUND BALANCES**

The amount due from other funds at December 31, 2013 includes \$4,170 due from the County's General Fund, and \$17,441 due from the Air Pollution Control Fund. The amount due to other funds at December 31, 2013 includes \$49 due to the County's General Fund and \$101,658 due to the Air Pollution Control Fund.

The amount due from the General Fund represents the portion of the Title V Air Quality Fund's share of 2013 investment pool interest earnings that were not posted to the Fund's accounts as of December 31, 2013. All of the other interfund balances at December 31, 2013 relate to personnel cost cross-charges. Interfund balances are routinely settled on a timely basis.

**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*.