



County of Allegheny

Office of the Controller

INDEPENDENT AUDITOR'S REPORT
ALLEGHENY COUNTY POLICE DEPARTMENT
U.S. DEPARTMENT OF JUSTICE
EQUITABLE SHARING FUND
FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010

JULY 17, 2012

Chelsa Wagner
Controller

104 County Courthouse
436 Grant Street
Pittsburgh, PA 15219
Phone: (412) 350-4660
Fax: (412) 350-4770

E-mail: Controller@alleghenycounty.us

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CHELSA WAGNER
CONTROLLER

COUNTY OF ALLEGHENY

OFFICE OF THE CONTROLLER

104 COURTHOUSE • 436 GRANT STREET
PITTSBURGH, PA 15219-2498
PHONE (412) 350-4660 • FAX (412) 350-3006

July 2, 2012

Mr. Charles W. Moffatt
Superintendent
Allegheny County Police
400 North Lexington Street
Pittsburgh, PA 15208

SUBJECT:

INDEPENDENT AUDITOR'S REPORT
ALLEGHENY COUNTY POLICE DEPARTMENT
U.S. DEPARTMENT OF JUSTICE EQUITABLE SHARING FUND
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Dear Superintendent Moffatt:

We have audited the accompanying balance sheets of the Allegheny County Police Department U. S. Department of Justice Equitable Sharing Fund as of December 31, 2011 and 2010, and the related statements of revenues, expenditures, and changes in fund balance for the years then ended. These financial statements are the responsibility of management of the Allegheny County Police Department. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

Superintendent Moffatt

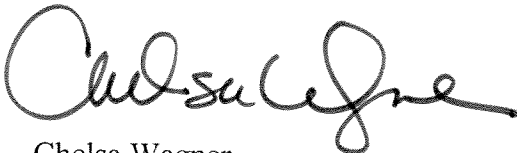
July 2, 2012

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In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Allegheny County Police Department U.S. Department of Justice Equitable Sharing Fund as of December 31, 2011 and 2010 and the changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated July 2, 2012 on our consideration of the Allegheny County Police 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 the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Kind regards,



Chelsa Wagner
Controller



Lori Churilla
Assistant Deputy Controller, Auditing

CW/lc

cc: Honorable Charles Martoni, President, County Council
Honorable Nicholas Futules, Vice President, County Council
Honorable Rich Fitzgerald, Allegheny County Executive
Ms. Jennifer Liptak, Acting County Manager
Ms. Warren Finkel, Budget Director, Allegheny County
Mr. Joseph Catanese, Director of Constituent Services, County Council
Mr. Walter Szymanski, Budget Director, County Council
Mr. Ed Przybyla, Fiscal Manager, Allegheny County Police Department
Ms. Amy Griser, Deputy Controller
Mr. Seth Hufford, Chief of Staff, Controller's Office
Mr. Robert J. Lentz, Assistant Deputy, Accounting, Controller's Office
Mr. Nick Hays, Communications Director, Controller's Office

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CONTROLLER, COUNTY OF ALLEGHENY
104 COURTHOUSE
PITTSBURGH, PENNSYLVANIA 15219

ALLEGHENY COUNTY POLICE DEPARTMENT
U.S. DEPARTMENT OF JUSTICE EQUITABLE SHARING FUND
BALANCE SHEETS

	<u>DECEMBER 31,</u>	
	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash	\$ 204,767	\$ 214,231
Due from Other Funds	60	63
Total Assets	<u>\$ 204,827</u>	<u>\$ 214,294</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Accounts Payable	\$ 3,250	\$ 2,507
Accrued Liabilities	5,099	7,802
Total Liabilities	8,349	10,309
Restricted Fund Balance (to be used for Law Enforcement Activities)	196,478	203,985
Total Liabilities and Fund Balance	<u>\$ 204,827</u>	<u>\$ 214,294</u>

See accompanying notes to financial statements.

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ALLEGHENY COUNTY POLICE DEPARTMENT
U.S. DEPARTMENT OF JUSTICE EQUITABLE SHARING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

	FOR THE YEAR ENDED DECEMBER 31,	
	2011	2010
<u>REVENUES</u>		
Shared Revenue	\$ 148,161	\$ 194,031
Interest Income	510	651
Total Revenues	148,671	194,682
<u>EXPENDITURES</u>		
Equipment	51,626	87,968
Supplies	67,790	41,830
Repairs	29,035	25,297
Other	7,727	8,439
Total Expenditures	156,178	163,534
Change in Fund Balance	(7,507)	31,148
Fund Balance - Beginning of Year	203,985	172,837
Fund Balance - End of Year	\$ 196,478	\$ 203,985

See accompanying notes to financial statements.

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ALLEGHENY COUNTY POLICE DEPARTMENT
U.S. DEPARTMENT OF JUSTICE EQUITABLE SHARING FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The Allegheny County Police Department participates in the U.S. Department of Justice's Equitable Sharing Program. Under the program, any state or local law enforcement agency that directly participates in an investigation or prosecution that results in a federal recovery of forfeited property may request an equitable share of the proceeds of the forfeited property. The federal investigative agency, the US Attorney, or the Deputy Attorney General may approve that an equitable share of the forfeited property be remitted to the agency based on its participation in the case. The authority of the U.S. Department of Justice to share federally forfeited property with participating state and local law enforcement agencies is established via Title 21, U.S. Code Section 881(e)(3).

A provision of the U.S. Department of Justice's Equitable Sharing Program requires that a separate special revenue fund be utilized to account for deposits of funds received under the program, as well as disbursements of those funds. The Allegheny County Police Department U.S. Department of Justice Equitable Sharing Fund (the "Fund") is a special revenue fund that was established for that purpose.

The accompanying Fund financial statements are intended to present only the assets, liabilities, fund balance, revenues, expenditures, and changes in fund balance of the Fund, and not those of 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 conformity with U.S. generally accepted accounting principles. Under the modified accrual basis of accounting, revenues are recognized in the period in which they become measurable and available. For revenue recognition purposes, amounts collected within 60 days of the financial statement date are deemed to be available. Expenditures are recorded when a liability is incurred.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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 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 June 23, 2011. 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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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

The County's short-term 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 75% 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 FIXED ASSETS

Forfeited funds may be used to purchase vehicles and equipment necessary for law enforcement purposes. Fixed assets are recorded as expenditures at the time of purchase. Fixed assets with a purchase price of \$1,000 or more are recorded at cost on the County's fixed asset listing. The Police Department also maintains a listing of the fixed assets purchased using the Fund's resources.

NOTE 4 FUND BALANCE RESTRICTION

The fund balance of the U.S. Department of Justice Equitable Sharing Fund is restricted for conducting law enforcement activities as stipulated in the U.S. Department of Justice's *Guide to Equitable Sharing for State and Local Law Enforcement Agencies*.

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NOTE 5 SHARED REVENUE

Amounts reported under the caption "shared revenue" represent amounts received from the U.S. Department of Justice attributable to the Police Department's participation in the U.S. Department of Justice's Equitable Sharing Program.