



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, 2010**

SEPTEMBER 13, 2011

**County of Allegheny
Office of the Controller
Mark Patrick Flaherty
Controller**

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MARK PATRICK FLAHERTY
CONTROLLER

COUNTY OF ALLEGHENY

OFFICE OF THE CONTROLLER

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GUY A. TUMOLO
DEPUTY CONTROLLER

September 2, 2011

Dr. Bruce Dixon
Director
Allegheny County Health Department
3333 Forbes Avenue
Pittsburgh, PA 15213

SUBJECT:

**Independent Auditor's Report
Allegheny County Health Department
Title V Air Quality Fund
For the Year Ended December 31, 2010**

Dear Dr. Dixon:

We have audited the accompanying balance sheet of the Allegheny County Health Department's ("ACHD") Title V Air Quality Fund ("the Fund") as of December 31, 2010 and the related statement of revenues, expenditures and changes in fund balance for the year then ended. These financial statements are the responsibility of ACHD's management. Our responsibility is to express an opinion on these financial statements based on our audit.

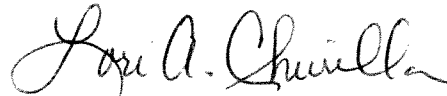
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides a reasonable basis for our opinion.

Dr. Dixon
September 2, 2011

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2010 and the changes in financial position for the year 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 September 2, 2011 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 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 audit.

Very truly yours,



Lori A. Churilla
Assistant Deputy Controller, Auditing



MARK PATRICK FLAHERTY
Controller

cc: Honorable James Burn, Jr., President County Council
Honorable Dan Onorato, Chief Executive, Allegheny County
Honorable William Russell Robinson, County Council
Ms. Amy Griser, Budget Director, Allegheny County
Mr. Joe Catanese, Director of Constituent Services, County Council
Ms. Jennifer Liptak, Budget Director, County Council
Mr. James Flynn, Jr., County Manager, Allegheny County Manager
Mr. Guy A. Tumolo, Deputy Controller, Controller's Office
Mr. Robert J. Lentz, Assistant Deputy, Accounting, Controller's Office
Ms. Pamela Goldsmith, Communications Director, Controller's Office

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ALLEGHENY COUNTY HEALTH DEPARTMENT
TITLE V AIR QUALITY FUND
BALANCE SHEET
DECEMBER 31, 2010

ASSETS

Cash	\$ 11,572,104
Due from other funds	9,386
Accounts receivable (no allowance deemed necessary)	<u>1,101,832</u>
Total Assets	<u><u>\$ 12,683,322</u></u>

LIABILITIES AND FUND BALANCE

Due to other funds	\$ 44,232
Accounts payable	71,986
Accrued expenses	49,621
Deferred revenue	<u>1,101,832</u>
Total Liabilities	1,267,671
Fund Balance - Restricted for Air Quality Program Expenditures	<u>11,415,651</u>
Total Liabilities and Fund Balance	<u><u>\$ 12,683,322</u></u>

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

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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, 2010

Revenues:

Emissions fees	\$ 1,312,313
Interest income	38,565

Total Revenues	<u>1,350,878</u>
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Expenditures:

Salaries	1,051,638
Fringe benefits	353,347
Contracted services	484,805
Machinery and equipment	76,964
Employee relations	27,082
Audit fees	14,400
Other expenses	18,714

Total Expenditures	<u>2,026,950</u>
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Change in Fund Balance	(676,072)
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Fund Balance - Beginning of Year	<u>12,091,723</u>
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Fund Balance - End of Year	<u><u>\$ 11,415,651</u></u>
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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, 2010

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, liabilities, 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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ALLEGHENY COUNTY HEALTH DEPARTMENT
TITLE V AIR QUALITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 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 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 October 28, 2009. 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, 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 ACCOUNTS RECEIVABLE

Emissions fees are billed and collected in the year following the year in which the emissions occur. As a result, emissions fees for the year are measurable but not available at year-end, and therefore cannot be recorded as revenues under the modified accrual basis of accounting. Accounts are considered fully collectible by management and no allowance for doubtful accounts is deemed necessary. The balance of accounts receivable at December 31, 2010 is comprised of 2010 emission fees recorded as deferred revenue, which are as follows:

Orion Power-Cheswick	\$ 409,150
US Steel-Clairton Works	302,607
US Steel-Irvin	71,140
US Steel Edgar Thompson	68,227
Guardian Industries	57,968
Shenango, Inc.	56,357
Others under \$50,000	<u>136,383</u>
TOTAL	<u>\$ 1,101,832</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, 2010

NOTE 4 INTERFUND BALANCES

The amount due from other funds at December 31, 2010 includes \$3,327 due from the County's General Fund and \$6,059 due from the Air Pollution Control Fund. The amount due to other funds at December 31, 2010 includes \$2,972 due to the County's General Fund and \$41,260 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 2010 investment pool interest earnings that were not posted to the Fund's accounts as of December 31, 2010. All of the other interfund balances at December 31, 2010 relate to personnel cost cross-charges. Inter-fund balances are routinely settled on a timely basis.