



COREY O'CONNOR

Allegheny County Controller

**INDEPENDENT AUDITOR'S REPORT
ALLEGHENY COUNTY HEALTH DEPARTMENT
TITLE V AIR QUALITY FUND
FOR THE YEAR ENDED
DECEMBER 31, 2023**

September 12, 2024

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COUNTY OF ALLEGHENY

OFFICE OF THE CONTROLLER

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September 12, 2024

Dr. Iulia Vann
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, 2023

Dear Dr. Vann:

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, 2023, 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, 2023, 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 the 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 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.

Dr. Iulia Vann
September 12, 2024

- 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 September 12, 2024 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 Sara Innamorato, County Executive, Allegheny County
Mr. John Fournier, County Manager, Allegheny County
Mr. Grant Gittlen, Chief of Staff, Allegheny County
Mr. Tim Cox, 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

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ALLEGHENY COUNTY HEALTH DEPARTMENT
TITLE V AIR QUALITY FUND
BALANCE SHEET
DECEMBER 31, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Cash	\$ 4,772,615
Prepaid rent	15,798
Due from other funds	619,144
Emissions fees receivable (no allowance deemed necessary)	976,405
Total Assets	6,383,962
Deferred Outflows of Resources	-
Total Assets and Deferred Outflows of Resources	\$ 6,383,962

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE

Due to other funds	\$ 86,323
Accounts payable & accrued expenses	155,173
Unearned permit maintenance fees	172,000
Total Liabilities	413,496
Deferred Inflows of Resources	976,405
Restricted Fund Balance (to be used for Air Quality Program Expenditures)	4,994,061
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 6,383,962

(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, 2023

REVENUES

Emissions fees	\$ 1,065,552
Permit maintenance fees	208,000
Interest income	<u>193,337</u>
Total Revenues	<u>1,466,889</u>

EXPENDITURES

Current:	
Salaries	1,022,268
Fringe benefits	336,026
Professional services	21,797
Travel & training	13,571
Rentals & leases	13,392
Supplies & materials	7,715
Utilities & communications	4,890
Other services	3,818
Court costs	449
Debt Service:	
Interest - Lease	<u>20,443</u>
Total Expenditures	<u>1,444,369</u>

Excess of Revenues Over Expenditures **22,520**

Fund Balance - Beginning of Year 4,971,541

Fund Balance - End of Year **\$ 4,994,061**

(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, 2023

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 60 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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TITLE V AIR QUALITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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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TITLE V AIR QUALITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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 2023 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, 2023 consist of the following:

US Steel Clairton Works	\$ 572,249
US Steel Edgar Thompson	182,773
US Steel Irvin Plant	70,303
Others under \$50,000	<u>151,080</u>
Total	<u>\$ 976,405</u>

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TITLE V AIR QUALITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 4 INTERFUND BALANCES

The amount due from other funds at December 31, 2023, \$619,144, consists of:

- \$566,103 due from the Air Pollution Control Fund, of which \$417,700 is attributable to salary and fringe benefit cross-charges, \$132,403 is attributable to uncorrected prior year cross-charge errors, \$10,000 is attributable to permit maintenance fees that were erroneously deposited into the Air Pollution Control Fund, and \$6,000 is attributable to a refund paid by the Title V Fund that was due from the Air Pollution Control Fund,
- \$34,082 due from the 2019/2022 PM 2.5 Fund, of which \$29,522 is attributable to salary and fringe benefit cross-charges, and \$4,560 is attributable to uncorrected prior year cross-charge errors, and
- \$18,959 due from the General Fund, of which \$18,681 represents the Title V Air Quality Fund's share of 2023 County investment pool earnings that were not credited to the Fund as of December 31, 2023, and \$278 was for in-County travel.

The amount due to other funds at December 31, 2023, \$86,323, consists of:

- \$60,196 due to the Air Pollution Control Fund, of which \$30,000 is attributable to an uncorrected permit maintenance fee transfer error, \$22,347 is attributable to payroll cross-charge errors, \$5,349 is attributable to uncorrected prior year payroll cross-charge errors, and \$2,500 is attributable to an installation permit fee that was erroneously deposited in the Title V Fund,
- \$25,070 due to the General Fund attributable to healthcare costs allocable to the Fund that were paid by the General Fund, and
- \$1,057 due to the 2019/2022 PM2.5 Fund attributable to uncorrected prior year cross-charge errors.

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TITLE V AIR QUALITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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*.

NOTE 6 OFFICE LEASE

Allegheny County (County), as a lessee, is a party to a noncancelable lease of office space within the City of Pittsburgh which is currently being utilized by the ACHD for Air Quality Program operations and plumbing permitting. The lease commenced on November 1, 2023. The lease has a 10-year term and the County has two five-year renewal options. In addition to base rent, the County must pay additional rent to the extent that expenses and taxes exceed the annualized base year costs.

The County recognizes a lease liability and an intangible right-to-use lease asset (lease asset) for such leases in its government-wide financial statements. At the commencement of the lease, the County measured the lease liability at the present value of payments expected to be made during the lease term. Since the two five-year renewal options are expected to be exercised, the lease term was deemed to be twenty years (consistent with the accounting standards for leases). The County used its estimated incremental borrowing rate of 4.31% as the discount rate for the lease. The lease liability is subsequently reduced by the principal portion of lease payments made. The lease asset was initially measured at the initial amount of the lease liability and will be amortized on a straight-line basis over its useful life.

The lease liability and lease asset at the inception of the lease were \$8,184,333. On December 31, 2023, the lease liability was \$8,152,220 and the lease asset net of accumulated amortization was \$8,116,131.

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TITLE V AIR QUALITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 6 OFFICE LEASE (CONTINUED)

Future principal and interest payments as of December 31, 2023 are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	197,504	344,120	541,624
2025	204,035	335,589	541,624
2026	214,940	326,684	541,624
2027	224,237	317,387	541,624
2028	250,901	307,651	558,552
2029-2033	1,900,549	1,315,403	3,215,952
2034-2038	2,352,532	863,420	3,215,952
2039-2043	2,805,523	303,231	3,108,754

Only 35% of the cost of the leased space was allocable to and has been allocated to the Title V Air Quality Fund for 2023.