



OFFICE OF THE CONTROLLER
County of Allegheny

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TO THE CITIZENS OF ALLEGHENY COUNTY:

I am pleased to present the 2001 Comprehensive Annual Financial Report (CAFR) for the County of Allegheny (the County).

The information presented is accurate in all material aspects and is presented in a manner designed to fairly set forth the County's financial position and the results of its operations for the year ended December 31, 2001. These financial statements and supplemental information are the responsibility of the County's management. All disclosures necessary to gain a thorough understanding of the County's financial affairs are included herein. This report contains all of the funds and account groups of the County, as well as the financial data of the discrete component units that are included as part of the County's reporting entity.

This CAFR consists of three major sections: the Introductory Section, the Financial Section and the Statistical Section. The Introductory Section includes this transmittal letter highlighting significant 2001 financial and management items, the Certificate of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association for the 2000 CAFR, an organization chart and a list of principal officials. The Financial Section contains a report by the independent public accounting firm of Arthur Andersen LLP, the general purpose financial statements, notes to general purpose financial statements and the combining and individual financial statements and schedules with comparative budgetary and prior year information, as applicable, arranged by fund type and account group. The Statistical Section includes historical financial information, selected demographic and other miscellaneous statistics for the County.

This report is designed to provide information to various users including: the taxpayers of Allegheny County, investors, creditors, governmental officials and the general public. Its intent is to describe the County's financial condition and the financial results of its operations as of and for the year ended December 31, 2001.

COUNTY OF ALLEGHENY, PENNSYLVANIA

COUNTY OF ALLEGHENY, PENNSYLVANIA

Founded in 1788, the County of Allegheny is the second most populous county in Pennsylvania and the 19th most populous in the nation with 1.3 million residents residing in 730.74 square miles encompassing 130 municipalities. The County provides a number of services and programs, such as the delivering of essential human services to the poor and needy, enforcing laws, constructing roads and stimulating economic development.

Effective January 1, 2000, the County began operating under a Home Rule Charter (the Charter). The Charter superceded certain provisions of the Pennsylvania Second Class County Code pertaining to the County's governing framework. Specifically, the Charter established a 15 member County Council to serve as the legislative branch of the government and a Chief Executive to perform the executive function. The County Council and Chief Executive replaced the three-member Board of Commissioners that previously performed all legislative and executive functions as set forth in the Second Class County Code.

The Charter also required adoption of an Administrative Code to detail the administration and operation of the County. Unless expressly or implicitly modified or repealed by the Charter, all provisions of the Second Class County Code and other applicable laws still govern the operations of the County.

The Controller is elected to serve as the County's chief financial officer. The Treasurer is elected to collect taxes and invest County funds. Other independently elected row officers include the Coroner, Clerk of Courts, District Attorney, Jury Commissioners (2), Prothonotary, Recorder of Deeds, Register of Wills and Sheriff. The Court of Common Pleas is part of the unified judicial system provided for by the Pennsylvania Constitution.

REPORTING ENTITY AND ITS SERVICES

REPORTING ENTITY:

Statement of Governmental Accounting Standards No. 14, "The Financial Reporting Entity," establishes standards for defining and reporting on the financial reporting entity. The core or nucleus of the financial reporting entity is the "primary government." The Governmental Accounting Standards Board's Codification, Section 2100.112, classifies all general-purpose local governments as primary governments. For this report, the County is considered the "primary government."

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The financial reporting entity includes both the primary government and all of its "discrete component units." A component unit is a legally separate entity that meets any one of the following criteria:

- ⇒ The primary government appoints the voting majority of the board, and is able to impose its will on the component unit, or is in a relationship of financial benefit or burden with the component unit;
- ⇒ The component unit is fiscally dependent on the primary government, or;
- ⇒ The financial statements of the primary government would be misleading if data from the component unit was not included.

In conformity with accounting principles generally accepted in the United States, the financial statements of the County's discrete component units are included in this report because of the significance of their operational or financial relationships with the County. The majority of the board of directors of the component units, except Memorial Hall are appointed by the County's Chief Executive and confirmed by the County Council.

Individual financial data for the Allegheny County Airport Authority (ACAA), Port Authority of Allegheny County (PAT), Community College of Allegheny County (CCAC), Redevelopment Authority of Allegheny County (RAAC), Allegheny HealthChoices Inc. (AHCI), and combined data for the Allegheny County Industrial Development Authority (ACIDA), Soldiers' and Sailors' Memorial Hall and Museum Trust, Inc. (Memorial Hall) and Allegheny County Conservation District (the Conservation District) have been included in the County's general-purpose financial statements. They are reported in separate columns to emphasize that they are legally separate from the County. A separate Combined Statement of Revenues, Expenditures and Other Changes and Changes in Fund Balances for CCAC is included to conform with accounting principles specific to colleges and universities.

COUNTY-WIDE SERVICES:

Reflected in this report are the services provided by the County, including health and social services, education and cultural programs, public safety, infrastructure construction, repair and maintenance, judicial services, transportation, economic development, long-term nursing care and rehabilitation of the chronically ill and elderly, treatment, counseling and housing for people with mental disabilities or drug and alcohol dependency, shelter for delinquent children, services for abused children and their families, and general governmental administration.

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2001: THE YEAR IN REVIEW

FINANCE AND MANAGEMENT

RESULTS OF OPERATIONS:

During 2001, the County continued to provide or support programs and services that encompassed public protection, infrastructure development, human services, culture and recreation, education and economic development. On December 5, 2000, County Council adopted a \$639.3 million operating budget for 2001. The budget was balanced using \$650,000 of undesignated fund balance in the Liquid Fuel Tax Fund. The budget set the real property tax rate at 4.9 mills. The large reduction in the millage (25.2 mills in fiscal year 2000) resulted from a change in the County's predetermined ratio between a real estate parcel's assessed value and its' market value. Beginning in 2001, each parcel within the County was assessed at 100% of market value, rather than the previous 25%.

On January 16, 2001, County Council made technical corrections to the 2001 Operating Budget and adjusted the 2001 millage rate. The technical corrections transferred appropriations between expenditure characters within certain departments. In addition, real estate tax estimates were increased, offset by a similar increase in the amount of tax refunds. As a result, the 2001 millage rate was lowered from 4.9 mills to 4.72 mills in order to be in compliance with the anti-windfall provision of the County's Home Rule Charter that pertains to reassessments. The assessed valuation of real property for 2001 that was certified in January was substantially higher than the estimate used in the original budget.

During 2001, the County and PAT agreed to restructure the payment schedule used by the County to provide operating and capital assistance to PAT. As a result, the County deferred payment of \$3,549,102 until the first half of fiscal year 2002. Because PAT operates on a July to June fiscal year, there was no effect on PAT's 2001 financial statements, and there will be no effect on its 2002 financial statements. Also during 2001, the County and CCAC agreed to restructure the payment schedule used by the County to provide its' required sponsorship for CCAC. As a result, the County deferred payment of \$9,152,886 until the first half of fiscal year 2002. Because CCAC operates on a July to June fiscal year, there is no effect on CCAC's 2001 financial statements, and there will be no effect on its 2002 financial statements. Included in the County's General Fund at December 31, 2001 is a reservation of fund balance of \$12,701,988 for these payments.

During 2001, the County received a one-time reimbursement from RAAC for the amount of County sales tax intercepted by RAAC to pay the required debt service on its Special Tax Development Bonds. The reimbursement, for \$4,983,000, is recorded as an operating transfer from a component unit. In addition, the County transferred \$3,000,000 in accumulated project management fees charged by the Department of Economic Development for services provided to various County authorities from the County Grants Fund to the General Fund. And another operating transfer from the Capital Projects Fund for \$1,980,499 was made to reimburse the General Fund for minor equipment purchases during the year.

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In addition to the above operating transfers, equity transfers from the Capital Projects Fund totaling \$2,229,118 were made to reimburse the General Fund for prior year debt related expenditures. All of these additional sources, which total \$12.2 million, are included in the General Fund's undesignated fund balance at December 31, 2001.

The restructured contracts and additions to the General Funds' fund balance are summarized as follows:

<u>Addition</u>	<u>Amount</u>
PAT payment restructuring	\$ 3,549,102
CCAC payment restructuring	9,152,886
RAAC sales tax intercept reimbursement	4,983,000
Operating transfer from County Grants Fund	3,000,000
Operating transfer from Capital Projects Fund	1,980,499
Equity transfers from Capital Projects Fund	<u>2,229,118</u>
	\$ <u>24,894,605</u>

In addition, an equity transfer from the Capital Projects Fund of \$452,050 was made to reimburse the Debt Service Fund for debt related expenditures during the year.

In 2001, the County implemented GASB Statement No. 33, "Accounting and Financial Reporting for Non-Exchange Transactions," which established accounting and financial reporting standards to guide state and local governments' decisions as to the appropriate fiscal period for recognizing the results of non-exchange transactions involving cash and other financial resources, including contributions received from federal and state agencies. The implementation resulted in the County restating the 2001 beginning General Fund fund balance to reflect transactions for which eligibility requirements were met, but revenues were not available (were not collected in the fiscal period or within 90 days after the end of the fiscal period.) As a result, the County's 2001 beginning General Fund fund balance was decreased by \$21,949,743 in the accompanying financial statements, and the revenues from such transactions were recognized in fiscal year 2001 upon collection.

After adjusting for the contract restructurings, additions and change in accounting principle, results of operations for fiscal year 2001 indicate an \$8.5 million deficit in the General Fund, compared to a \$6.7 million deficit in the General Fund in 2000.

When compared to the previous year, 2001 revenues increased by \$30.0 million, or 4.9%. Real property tax and collections increased \$10.3 million, or 4.5% from the previous year. The increase is due to several factors. First, current collections increased \$17.8 million. Much of that increase is the result of a court order requiring the County to revalue all real estate parcels in 2001. Additionally, delinquent tax revenues were higher by \$2.2 million. Much of that increase is in the current-delinquent category, which represents individuals paying their 2001 taxes after the May 31st deadline. The remainder represents individuals paying 2000 taxes in 2001 before they would be lienied.

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Actual liened collections increased \$908,000, and interest and penalty on delinquent and lien tax payments increased \$338,000. Offsetting the increased tax collections were higher tax refunds of \$10.6 million. The reassessment resulted in 91,863 appeals being filed by property owners. Hearings for those appeals are ongoing. The County also received \$292,000 fewer in-lieu-of-tax payments from tax-exempt entities in 2001.

A number of factors are responsible for the \$40.1 million increase in federal revenues. Foremost of these is the previously mentioned change in accounting principle regarding intergovernmental receipts, which resulted in \$5.7 million in Temporary Assistance to Needy Families (TANF) funding being restated as fiscal year 2001 revenue rather than fiscal year 2000 revenue. The effect of this accounting change on the variance year-to-year is \$11.4 million. In addition, for 2001 there was a more customary increase in TANF funding for the Office of Children, Youths and Families (CYF). That increase was for \$10.2 million.

In addition, Title IV-E child placement revenue for CYF rose by \$17.8 million. Again, the change in accounting principle as to the recognition of intergovernmental receipts resulted in \$5.7 million in Title IV-E child placement funding being restated as fiscal year 2001 revenue rather than fiscal year 2000 revenue. The effect of the change between the two fiscal years is \$11.4 million. For 2001 there was an increase in the Title IV-E allocation that resulted in higher administrative and per diem rates to the County. This increase meant an additional \$6.4 million in revenue for 2001. A decline in Title IV-B adoption services revenue of \$429,000 offset the increases.

Finally, rent reimbursements for the new Juvenile Court facility, which opened in October 2000, increased \$433,000 this year.

State revenues increased by \$17.4 million. Again, the change in accounting principle regarding intergovernmental receipts resulted in \$10.5 million in state Act 148 funding for CYF being restated as fiscal year 2001 revenue rather than fiscal year 2000 revenue. The effect of the accounting change on the year-to-year variance is \$21.0 million.

During 2000, the County received a one-time transportation subsidy from the state for \$5.0 million and a one-time technology subsidy of \$2.0 million. As these were one-time subsidies, no monies were received in 2001. However, the County did receive some new state funding in 2001. Senior judge operational support resulted in \$512,000 for 2001, and the County received a full year of criminal justice and crime lab subsidies, versus a half-year in 2000. Criminal justice receipts totaled \$6.6 million in 2001, compared to \$2.9 million in 2000. Crime lab receipts totaled \$906,000 in 2001, compared to \$894,000 in 2000.

State reimbursement for County Health Department expenditures decreased by \$438,000. The Health Department is reimbursed by the state the lesser of \$6 per capita less non-participating communities or 50% of the expenditures submitted. In essence, revenues are directly related to expenditures. Because expenditures are \$1.2 million lower this year, the Health Department did not accrue as much revenue at the end of the year, resulting in the decrease.

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Finally, Pennsylvania's deregulation of electric utilities resulted in lower Public Utility Realty Tax (PURT) revenues of \$426,000 in the General Fund. Electric power plant properties are no longer tax-exempt. Thus, the total pool of funds distributed is lower.

Charges for services decreased \$4.5 million in 2001. The decline is the result of recording \$5.8 million in Allegheny County Airport Authority reimbursements for Police salary and fringe benefits as revenue in 2000 instead of as an operating transfer from component units. The funds have been reclassified this year.

Changes in regulations to the Medicare program, fewer residents, and a different patient mix at the John J. Kane Regional Health Centers resulted in decreased patient income and miscellaneous charges for services that totaled \$1.4 million.

Collections from parents and guardians, which support the operations of the Office of Children, Youths and Families increased \$585,000 in 2001. General government charges increased \$1.2 million. Most of the increase is in row office filing fees. Recreation fees increased \$868,000.

Interest earnings decreased \$8.0 million in 2001. Because the real estate tax due date was pushed back one month in 2001, the County had approximately \$175 million less in idle cash for an entire month. Additionally, interest rates were lower for 2001 versus 2000.

Miscellaneous receipts increased \$3.8 million in 2001, while other financing sources increased \$15.9 million. The increase in other financing sources includes the reimbursement from the airport authority for Police personnel costs at Pittsburgh International Airport of \$7.5 million. It also includes the previously mentioned one-time reimbursements and operating transfers.

When compared to 2000 expenditures, 2001 expenditures increased by \$13.9 million, or 2.3%. The increase in expenditures is the result of the following:

General government expenditures increased by \$4.6 million in 2001 compared to 2000. Part of the increase was at the Office of Property Assessment, where expenditures swelled \$1.0 million. As mentioned previously, the County has been under a court order to fix its property assessment system, which was found to be inequitable. The increased costs were the result of a continued mass revaluation of all real estate parcels in the County in order to comply with the court order. In addition, hearing officer fees rose substantially to handle the increase in assessment appeals filed by property owners in 2001.

Management Information Service expenditures increased from \$3.7 million in 2000 to \$5.4 million in 2001. Salaries, fringe benefit and service expenditures increased as a result of greater spending for staff, computer programming, outside consultants and computer maintenance.

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Expenditures for the Court of Common Pleas – Division of Judicial Support increased from \$12.0 million in 2000 to \$14.1 million in 2001. Real estate rentals for the Juvenile Court facility that opened in October 2000 rose from \$851,000 in 2000 to \$3,406,000 for 2001, an increase of \$2,555,000. There is a slight offset to these additional costs on the revenue side, where federal Juvenile Court rent reimbursements increased by \$433,000.

Expenditures for the Court of Common Pleas – Family/Adult Division increased from \$860,000 last year to \$1.4 million this year. Included this year are certain Non-Title IV-D expenditures, which totaled \$532,000. The new expenditures were for salaries, fringe benefits, contracted services, real estate rentals and legal counsel fees. Meanwhile, expenditures for the Courts' Minor Judiciary Division increased from \$7.0 million in 2000 to \$7.4 million in 2001. The increase was due to higher salary and fringe benefits costs.

Expenditures for the Public Defender's Office increased from \$4.5 million last year to \$5.4 million this year. The County continues to operate the Public Defender's Office under a court-approved settlement requiring the hiring of additional attorneys and investigators. In addition, research, information and investigations and testimony transcript costs were higher.

Sheriff's Office expenditures increased from \$12.0 million in 2000 to \$13.8 million in 2001. The increases are associated with staffing the regional booking centers, along with increased constable fees. Additionally, District Attorney's Office expenditures increased from \$9.6 million in 2000 to \$10.2 million in 2001. Personnel costs and case expenses were the reason for the increase.

Non-departmental operating expenditures decreased \$6.6 million in 2001. The primary reason for the decrease is the completion of the contract with SABRE Systems to reassess each real estate parcel within the County. Billings related to this contract totaled \$158,000 in 2001, compared to \$6.1 million in 2000.

Expenditures for the County Manager's Office were lower by \$400,000. For 2001, the Office of Special Events was transferred to the Department of Public Works, and these expenditures are now included with other culture and recreation expenditures.

Chief Executive and County Council expenditures during 2001 were \$417,842 and \$998,780, respectively.

Public safety expenditures increased \$3.6 million, from \$59.3 million to \$62.9 million during 2001. Jail expenditures are \$723,000 higher than at this time last year, mainly in the areas of fringe benefits and services. County Police expenditures are \$1,739,000 higher than last year, in the areas of personnel, fringe benefits and services. The increase is mainly due to heightened security requirements at Pittsburgh International Airport because of the September 11th events.

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Building Guard expenditures are \$443,000 higher than last year because of the increased security at the County Courthouse. And a new Bureau of Criminal Investigation, with costs of \$733,000 in 2001, is included in this functional area of expenditures.

Public works' expenditures decreased \$2.0 million in 2001. A shift in personnel caused the decrease. There is a \$1.5 million increase in expenditures for the Parks division of the Department of Public Works, which is classified under the culture and recreation functional category. Also, expenditures in the department's Administrative division are down \$156,000 versus 2000, Engineering division costs are down \$259,000 and Facilities Management division costs are down \$471,000.

Health and welfare expenditures increased by \$19.0 million between 2000 and 2001. Expenditures for the Office of Children, Youth and Families (CYF) increased \$15.0 million in 2001. CYF programs have expanded because federal funding (Title IV-E and Temporary Assistance to Needy Families) has increased to permit service expansions. In addition, Institutional Care costs increased \$2.6 million in 2001.

Expenditures at the John J. Kane Regional Health Centers increased \$2.4 million. Declining numbers of on-staff nurses have required the Kane Centers to contract with agency nurses. Payment rates for contract nurses are typically higher than for on-staff nurses. Contractual costs for mobile X-ray services, occupational therapy, physical therapy, respiratory therapy and medical evaluations have also increased.

Culture and recreation costs increased by \$1.9 million year to year, primarily due to higher Parks expenditures of \$1,465,000. Parks' salaries and fringe benefits increased because of the aforementioned shift in personnel. In addition, Special Events, where costs were \$523,000 in 2001, is now included in this category.

Economic development expenditures increased by \$1.3 million, from \$881,000 in 2000 to \$2.2 million in 2001. Beginning in 2001, the County has recorded the tax revenue and economic development expenditures for all tax increment financing (TIF) payments made directly to the TIF entity or trustee that did not pass through the County Treasurer's Office. The amount totaled \$1,257,000.

As a result of the \$8.5 million deficit, restructured contracts and one-time additions, the total fund balance in the County's General Fund increased from \$29,780,761 at the end of 2000 to \$46,148,729 at the end of 2001. However, the undesignated fund balance decreased from \$24,143,714 at the end of 2000 to \$23,864,289 at the end of 2001, a decrease of \$279,425. Included in the total fund balance at December 31, 2001 is a reserve for subsequent year's appropriations of \$12,701,988 and a designation of \$6,406,677 for subsequent year's appropriations. These figures represent the amount of fund balance used to balance the County's 2002 Operating Budget.

The following chart details the changes in fund balances in the General Fund for the year 2001:

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CHANGES IN FUND BALANCES – GENERAL FUND					
DESCRIPTION	RESERVED	UNRESERVED			TOTAL FUND BALANCES
		DESIGNATED	UNDESIGNATED	TOTAL	
Audited Fund Balances as of 12/31/00	\$ 5,287,231	349,816	24,143,714	24,493,530	29,780,761
Effect of accounting change	-	-	(21,949,743)	(21,949,743)	(21,949,743)
Restated Fund Balances as of 1/1/01	5,287,231	349,816	2,193,971	2,543,787	7,831,018
<u>2001 Use of Fund Balance:</u>					
SABRE Expenditures	-	(157,802)	-	(157,802)	(157,802)
	-	(157,802)	-	(157,802)	(157,802)
<u>2001 Operating Activity:</u>					
Liquidation of 2000 Encumbrance Balance	(5,287,231)	-	-	-	(5,287,231)
Reclass 2001 Encumbrances to Reserved	2,983,761	-	(2,983,761)	(2,983,761)	-
Reclass Subsequent Year Appropriation	-	6,406,677	(6,406,677)	-	-
Reclass to Reserved -PAT	3,549,102	-	(3,549,102)	(3,549,102)	-
Reclass to Reserved -CCAC	9,152,886	-	(9,152,886)	(9,152,886)	-
Revenue Variance	-	-	(6,904,402)	(6,904,402)	(6,904,402)
Expenditure Variance	-	-	3,822,798	3,822,798	3,822,798
	10,398,518	6,406,677	(25,174,030)	(18,767,353)	(8,368,835)
Net Operating Activity and Use of Fund Balance	10,398,518	6,248,875	(25,174,030)	(18,925,155)	(8,526,637)
<u>One time Adjustments made in 2001:</u>					
Effect of accounting change	-	-	21,949,743	21,949,743	21,949,743
Restructure PAT Payment	-	-	3,549,102	3,549,102	3,549,102
Restructure CCAC Payment	-	-	9,152,886	9,152,886	9,152,886
RAAC Payment for Debt	-	-	4,983,000	4,983,000	4,983,000
Operating Transfer from County Grants	-	-	3,000,000	3,000,000	3,000,000
Operating Transfer from Capital Projects	-	-	1,980,499	1,980,499	1,980,499
Equity Transfers from Capital Projects	-	-	2,229,118	2,229,118	2,229,118
	-	-	46,844,348	46,844,348	46,844,348
Audited Fund Balances as of 12/31/01	\$ 15,685,749	6,598,691	23,864,289	30,462,980	46,148,729

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INDEPENDENT AUDIT:

For the 22nd consecutive year, the County's General Purpose Financial Statements have been audited by an independent public accounting firm. The unqualified opinion of Arthur Andersen LLP is included in the Financial Section of this report.

CERTIFICATE OF ACHIEVEMENT:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the prestigious Certificate of Achievement for Excellence in Financial Reporting to the Controller's Office for the 2000 CAFR. This was the 19th consecutive year the Controller's Office has received this award, indicative of the Controller's continuing commitment to maintaining standards of excellence in financial processing and reporting. The 2001 CAFR was completed for the 18th consecutive year within 90 days of year-end, which is consistent with the issuance of annual reports by major corporations in the private sector.

INTERIM FINANCIAL REPORTING:

To ensure that timely and accurate information is available to County management for decision-making purposes, the Controller's Office publishes quarterly comparative financial reports for the primary government, which includes interim financial statements and budgetary data prepared and presented in a manner that conforms to accounting principles generally accepted in the United States. The County's independent public accountants review these financial statements.

INTERNAL AUDIT:

The Controller's Audit Division routinely conducts financial and compliance audits of County departments, agencies, row offices and federal and state grants to ensure that County government is efficient, effective and compliant. Management reviews are performed when the need arises. The division issued numerous financial and compliance audits, reviews and special reports to the Chief Executive, County Council and the general public during the 2001 calendar year to inform County taxpayers and protect their financial interests.

PERSONNEL ACTIONS:

In September, County Councilman Richard D. Olasz resigned. C. L. Jabbour was appointed to fill the remainder of his term. In December, County Councilman Joseph Natoli resigned. Brenda Frazier was appointed to fill the remainder of his term.

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Michael A. Della Vecchia resigned as Recorder of Deeds in June, having won election to the Court of Common Pleas. John L. Schultz served the remainder of 2001 as Acting Recorder of Deeds. A list of the County's principal officials can be found on page 51 of this report.

DEBT RESTRUCTURING:

The County has embarked upon a debt-restructuring program to structure the County's debt so that no future County government will be forced to raise taxes to pay for routine capital projects. Implementation of the restructuring began in 2000 and should be completed in 2002. The new policy consists of two components: 1) the utilization of annual adjustable rate debt to replace fixed rate debt and 2) restructuring the debt so that annual debt service payments will not exceed \$64 million. The following chart details activity related to general obligation bonds during 2001:

SUMMARY OF GENERAL OBLIGATION BOND ACTIVITY					
<u>DESCRIPTION</u>	<u>BONDS PAYABLE</u>	<u>ACCRETION</u>	<u>DEBT ISSUED</u>	<u>DEBT RETIRED</u>	<u>BONDS PAYABLE</u>
Beginning Balance at 12/31/00	\$ 635,191,675	-	-	-	635,191,675
Accretion Adjustment	-	3,109,141	-	-	3,109,141
Less: Principal Payments	-	-	-	(36,587,535)	(36,587,535)
Ending Balance at 12/31/01	<u>\$ 635,191,675</u>	<u>3,109,141</u>	<u>-</u>	<u>(36,587,535)</u>	<u>601,713,281</u>

BOND RATING:

The County continued to maintain investment grade bond ratings from the three major rating agencies on its outstanding debt. Those ratings include: A2 from Moody's Investor Service, AA- from Standard & Poor's, and A from Fitch Investor Services.

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The ratings are the result of the County's economic growth relative to other major metropolitan areas across the country and the corresponding growth in the County's tax base, increasingly stable financial operations, and an above average but manageable debt position given the County's debt restructuring program.

COUNTY OPERATIONS

MAJOR CURRENT YEAR INITIATIVES:

The Redevelopment Authority of Allegheny County (RAAC) extended a \$1.3 million loan from the County's Economic Development Fund to ensure construction continued at the Rockpointe Business Airpark in West Deer. Due to the significant amount of excavation required, the funds kept the project on schedule while awaiting the approval of a \$2 million grant from the state's Redevelopment Assistance Capital Program. The Rockpointe project involves the development of a 210-acre industrial park adjacent to Rock Airport in the West Deer Township, along with improvements to the airport itself. Hoping to attract high-tech businesses to the area, the complex will facilitate intermodal transportation through the use of air, rail and ground transport. To that extent, the existing 2,645-foot runway at Rock Airport is being replaced with a new 5,000-foot runway, and the final development of the airpark will include a railroad-loading zone. Upon completion, the project has the potential to employ 4,000 individuals.

RAAC also approved a \$2 million loan from the Economic Development Fund to assist a local firm's expansion and relocation. Cellomics Inc. plans to relocate its headquarters, laboratory and manufacturing operations into 153,000 square-feet of leased space at the Pittsburgh Technology Center along Second Avenue. The firm will occupy space in a new five-story building at the northern end of the Hot Metal Bridge. The loan will be used to finance various tenant improvements necessary to transform the building into a state-of-the-art biotechnology facility. Cellomics is developing and commercializing various products designed to provide in-depth knowledge about cells and cellular functions in order to aid research in drug discovery, basic biomedical research and clinical diagnostics. The company is one of many local firms contributing to the growth of technology-based industries in the region. In the Pittsburgh Metropolitan Statistical Area, 66 biomedical/biotechnology companies employ 5,333 individuals with an average salary of \$54,982.

The Western Pennsylvania School for Blind Children will be expanding its educational facilities in Pittsburgh's Oakland area through a \$15 million tax-exempt bond issued through the Allegheny County Industrial Development Authority (ACIDA). The bond proceeds will be used to construct a 36,000 square-foot annex that will house an early childhood intervention center. Chartered in 1887, the school is the only facility of its type in Western Pennsylvania, serving 33 counties and 243 school districts. Enrollment at the school fluctuates from 180 to 200 pupils, who range in age from 2 to 20 years.

The Watson Institute will enhance its campus and services through a \$16 million tax-exempt bond issue from ACIDA. The new construction will consist of a new 61,000 square-foot

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education center and will entail converting an 8,200 square-foot maintenance building into an office and meeting space for employees. Located in Leet Township, the nonprofit corporation provides special education programming and psychological services for children, ages 3 through 12 years, who are diagnosed with autism, cerebral palsy, neurological impairments, brain injuries and muscular dystrophy.

ALLEGHENY COUNTY AIRPORT AUTHORITY/PITTSBURGH INTERNATIONAL AIRPORT:

Passenger levels at Pittsburgh International Airport (PIA) increased in 2001 from the level set in 2000, with a total of 19.9 million passengers flying into or out of the facility. This represents an increase in plane ridership of 0.6% compared to the 19.8 million passengers that utilized the facility in 2000. PIA was one of only three major U.S. airports to post an increase in passenger traffic in 2001.

AirTran Airways, which began low-fare service between Pittsburgh International Airport, Chicago and Atlanta in 2000, increased the number of daily flights to those cities in 2001. As an AirTran destination, the region is benefiting from competitive service to some of the country's largest business centers. In addition to these cities, AirTran provides easy access to nearly two dozen other destinations throughout the southeast via its' hub in Atlanta. Other service changes in 2001 included the introduction of US Airways Express' nonstop service to Memphis, Tennessee and Little Rock, Arkansas.

PORT AUTHORITY OF ALLEGHENY COUNTY:

The Port Authority's First Avenue Light Rail Transit Station opened in November. Located directly adjacent to PNC Bank's Firstside Center, the First Avenue stop is the first downtown light rail transit station to open in 13 years. The station is directly linked via a pedestrian bridge to a 1,249-space public parking facility. The pairing of the light rail system and the garage is indicative of the Port Authority's plan to extend the light rail system to Pittsburgh's growing North Shore neighborhoods and attractions, including PNC Park and Heinz Field.

CURRENT LOCAL CONDITIONS

The County, as part of the nation's industrial heartland, went through an economic transformation more than two decades ago. Once dependent on heavy and primary metal manufacturing, it now enjoys a diversified economy. A downturn in a single industry can no longer disrupt the local economy the way the steel industry's drastic downsizing did more than two decades ago.

Jobs in high technology and service industries have helped the region engineer an impressive rebound. As a result, the County is more economically diverse than at any point in its history, and the quality of life in the region has improved dramatically.

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Economists had predicted an uneven year for the region in 2001, a trend that was expected nationwide. For the Pittsburgh area, the great decade long expansion was expected to be broken gently. Early in the year, experts looked for a "soft landing" response to the recession for the local economy. But by the end of the year, economists and local leaders were pleased with the results. "We made out much better than we had in past recessions," stated Richard F. Moody, Regional Economist and Vice President of PNC Financial Services Group.

Evidence of the above can be discerned from the region's employment data for 2001. While the country was in the midst of a nationwide recession, locally, job opportunities continued to grow. The Pennsylvania Department of Labor and Industry reports that businesses in the Pittsburgh Metropolitan Statistical Area added 6,000 workers in 2001. Moreover, the total for 2000 was revised upward by 1,800 jobs to 20,000, the biggest jump in local business payrolls in a decade. Total employment in the region reached a record high of 1,133,900 in 2001.

Altogether, the area has added 86,900 workers since 1994. Although the figure is 13,000 jobs shy of a 1994 goal established by the Allegheny Conference on Community Development, it is 17,000 more than conference leaders had estimated would be the final count when the challenge expired at the end of 2000.

While the increase in jobs during 2001 indicates a slower rate in job growth than in 2000, the figure is more than four times the original estimate for 2001, and it represents an increase during a recession year when payroll employment fell nationally. According to preliminary data released by the U.S. Bureau of Labor Statistics, payroll employment declined in 23 of the 38 metropolitan areas with average payrolls of 750,000 jobs or more.

Many of the newly created jobs pay high salaries, requiring advanced skills, and are available in industries such as computer software engineering and health services. The indicators confirm that the economic climate of the Pittsburgh region is strong and should boost the confidence of the business community, job seekers and college graduates.

The engineering and management services industries increased employment in 2001 by 2,400 jobs, totaling 39,100, and the business services industry, including software manufacturing, added 1,800 jobs, totaling 72,000 in 2001. Private sector social-service jobs increased by 1,700 to 33,000, while employment in the amusement increased by 700 jobs to 18,800. Local education employment also rose by 700 jobs to 53,600, and retail trade jobs increased by 400, to 205,900. Although health services overall gained 2,200 jobs last year to 120,700, employment in hospitals fell by 700 jobs to 55,900, reflecting a move away from hospital inpatient care to outpatient and home care and skilled nursing facilities. The manufacturing, wholesale trade and construction industries lost jobs in 2001, with wholesale trade posting the biggest drop, 2,300 jobs to 56,100. Manufacturing fell 2,200 jobs to 135,500, while construction ended a string of annual increases by declining 500 jobs to 57,000. However, the construction total is still higher by 2,400 jobs over the past two years.

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While employment grew in 2001, the jobless rate also rose. For the year, the County's average annual unemployment rate was 3.8%, up from 3.7% in 2000. However, once again, the County fared much better than the Pittsburgh Metropolitan Statistical Area (4.3%), the Commonwealth of Pennsylvania (4.7%) and the nation as a whole (4.8 %). Additional employment information regarding the County can be found on Table XII of this report.

The slowing economy beat out declining mortgage rates, causing home sales in the County to drop slightly in 2001, even as home prices rose. According to RealSTATs, a local firm that collects information on deeds filed in the Recorder of Deeds' Offices within the six-county metropolitan area, there were 18,636 home sales in the County during 2001, compared to 19,258 in 2000. This represents a 3.2% decrease in home sales. Despite fewer sales, the average price of a house increased by 3.8%, from \$110,480 in 2000 to \$114,686 in 2001.

PROSPECTS FOR THE FUTURE

REGIONAL ECONOMIC OUTLOOK:

Experts predict the economy will rebound nationally and locally in the second half of 2002. Leading economic indicators already suggest a recovery. According to the U.S. Department of Commerce, December factory orders increased 0.7% from the previous month, while January factory orders jumped 1.6%. While the numbers have yet to approach levels achieved prior to the recession, they do indicate improvement. In the meantime, the County's latest construction boom, which began three years ago, continues.

Work is progressing on the \$332 million expansion of the David L. Lawrence Convention Center. When completed in the spring of 2003, the facility will be one of the most unique convention centers in the world. The design incorporates a helipad, public outdoor jogging track, sculpture garden, restaurant and riverfront promenade. The new center will have 242,000 square-feet of column-free exhibition space, a 96,000 square-foot secondary hall and a 35,000 square-foot ballroom. Located along the Allegheny River, the new facility will be accessible by car and boat. The expanded facility is expected to generate additional revenues for the hospitality community, as well as numerous retail businesses and sporting and cultural venues. A combination of \$150 million in state capital funds and \$180 million in bonds backed by the County's hotel/motel tax financed the expansion.

Other ongoing construction projects include additional residential, commercial and retail developments at the \$300 million Waterfront complex on the site of the former U.S. Steel Homestead Works, the \$100 million office, retail and entertainment development on the site of the former U.S. Steel South Side Works in Pittsburgh, and Forest City Enterprises' \$25 million Bessemer Court development at Station Square, part of a \$71 million expansion at the site, also on Pittsburgh's South Side.

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A Hard Rock Café, scheduled to open in the summer of 2002, will anchor the Bessemer Court venue. The development will also include a 130-foot high, multicolored water-jet, which will be synchronized to music and fireworks. Additional plans for the Station Square project include renovation of the pedestrian bridge over Carson Street at the base of the Duquesne Incline, expansion of the Sheraton Hotel on the site and renovation of the Freight House Shops.

Robinson Mall, the first mall to be built in the County in 15 years, opened in 2001 along the fast growing airport corridor. Anchored by major department stores such as Kaufmanns, Penney's and Sears, the \$250 million project has 650,000 square-feet of shopping space. Adjacent to the mall is 1.2 million square-feet of peripheral retail space, where construction will continue over the next four years.

Current estimates indicate that the region can expect a total of \$2.4 billion in new non-residential construction work in 2002, compared with \$2.8 billion in 2001, according to Pittsburgh Construction News, a local market tracking service. Much of the construction will take place in Allegheny County and be focused on medical and educational institutions.

UPMC Health System and the University of Pittsburgh have development plans totaling more than \$600 million. Among the projects is a new \$250 million Children's Hospital, to be built on the Terrace Street side of UPMC Montefiore in Pittsburgh's Oakland neighborhood. The new facility will have seven levels with 235 beds, a rooftop garden and helipad. Four floors of Montefiore will be renovated to support Children's, while the Kaufmann Medical Building on Fifth Avenue will be converted into Children's administrative offices and a physician office building. Another UPMC project is the Child & Adult Ambulatory Care Center, also on Fifth Avenue in Oakland.

Additionally, construction is continuing on the \$130 million Hillman Cancer Institute adjacent to UPMC Shadyside Hospital in Pittsburgh's Shadyside neighborhood. An additional \$20 million expansion at UPMC Shadyside will include a new surgical unit and a pain-treatment center, as well as an upgrade of the hospital's inpatient facilities.

The University of Pittsburgh has announced plans for a \$128 million Biotechnology Center at its Oakland campus. The twelve-story facility will provide 300,000 square-feet of laboratory and scientific research space. Construction is also continuing on the university's \$32 million Multipurpose Building and \$69 million Convocation Center. Carnegie Mellon University will spend \$60 million to renovate its student resident halls, while the Community College of Allegheny County plans \$30 million in capital improvements, including a new \$16 million science building on its North Side campus.

Additional projects on tap for 2002 include expansion of the Senator John Heinz Pittsburgh Regional History Center to an adjacent five-story building in the Strip District. The building will house traveling exhibits created by the Smithsonian Institute, artifacts from the Historical Society of Western Pennsylvania, an education center, theatre and the Western Pennsylvania Sports Hall of Fame. Construction should be completed in 2004. Also, the Pittsburgh Cultural Trust will begin construction of Theatre Square in the downtown Cultural District. The ten-story, \$27 million complex will include a street level 200-seat cabaret theatre,

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a central ticket office with drive-through window, 4,500 square-feet of retail space and a multi-level parking garage.

An independent review of the region's economy concluded that the Internet explosion and the spread of new communication technologies will boost productivity, create wealth and most importantly, add jobs in the region. Computer technology is reshaping the area's economy and job base, as well as the nature of commerce itself. In 1994, the Pennsylvania Department of Labor & Industry projected that by 2005, the region would have a total of 10,000 jobs in the software engineering field. Already, more than 700 companies throughout the region employ more than 12,000 individuals, and the trend is just beginning.

These projects are only part of a local development surge that should continue to make the County a more vibrant and attractive place to live and work.

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GOVERNMENT COOPERATION:

The County continues to be involved in cooperative programs with the City of Pittsburgh to create and enhance government efficiencies. The County and the City are also continuing to coordinate economic development throughout the County, and ultimately, the surrounding region. The County continues to cooperate with other municipalities outside of the City through the Councils of Government. That teamwork extends to the private sector, through cooperation with the Pittsburgh Regional Alliance (PRA), a nonprofit organization that coordinates regional development activities. PRA has six member organizations: the Greater Pittsburgh Chamber of Commerce; Penn's Southwest Association; the Pittsburgh High Technology Council; the Southwestern Pennsylvania Industrial Resource Center; the Regional Industrial Development Corporation of Southwestern Pennsylvania, and; the World Trade Center Pittsburgh. The County provides an annual operating subsidy to PRA.

2002 BUDGET:

On December 4, 2001, County Council adopted a 2002 Operating Budget of \$658.8 million. The budget once again set the real property tax rate at 4.72 mills. In addition, County Council adopted a 2002 Capital Budget and Five-Year Capital Improvement Plan. The 2002 Capital Budget totaled \$48.4 million and included 54 infrastructure and capital improvement projects. Also, County Council approved a 2002 Grants and Special Accounts Budget of \$557.6 million.

On January 8, 2002, the County's Property Assessment Oversight Board certified the assessed valuation of real property in the County for 2002. This marked the second year in a row that assessed values increased significantly from the previous year. The 11.1% increase in the assessed value of taxable properties was the result of a continued mass revaluation of all real estate parcels in the County. The revaluation was initiated in response to a court ruling which found that the County's property assessment system resulted in assessments that were not uniform, and therefore inequitable. The 2001 revaluation resulted in 91,863 property owners filing assessment appeals. Approximately 66% of the 44,624 appeals that were heard by the end of 2001 resulted in reductions that averaged almost 25%. Hearings for the remaining 2001 appeals continue in 2002.

The total 2002 assessed valuation was substantially higher than the estimate provided when County Council adopted the 2002 Operating Budget and tax millage rate on December 4, 2001.

On February 21, 2002, the County issued Tax and Revenue Anticipation Notes (TRANS), Series A of 2002, in the amount of \$30,000,000. The TRANS bear an interest rate of 2% and mature on December 20, 2002. Proceeds from the TRANS will be used to ensure sufficient cash flow for County operations prior to the receipt of tax revenue. A subsequent TRAN of \$80,000,000 is also planned, pending the adoption of an adjusted millage rate.

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2002 PREVIEW:

Work is underway on the Siemens Westinghouse Power Corporation fuel cell manufacturing plant at the Waterfront development in Munhall that will eventually employ 500 workers. Construction will be aided by a \$2.0 million loan from the Redevelopment Authority of Allegheny County. The first phase of the plant is expected to be operational by late 2002, with expansion continuing through 2006. Siemens Westinghouse selected the County for its new plant after a comprehensive, nine-month search that involved 123 potential sites. The firm plans to launch its fuel cell product line by 2003. The technology offers highly efficient, clean power generation with nearly zero emissions. Currently, the firm is operating out of a research and development pilot plant in Churchill, 3.5 miles from the new facility.

Lake Region Medical Inc., a Minnesota-based manufacturer of specialty medical devices, will expand operations to the County at the Regional Industrial Development Corporation's East Complex in O'Hara Township. The project will create 140 new jobs over the next three years. Lake Region Medical is a division of Lake Region Manufacturing Inc., which employs approximately 1,200 at its corporate headquarters in Minnesota and at its Dublin, Ireland facility. The company is a leader in the medical manufacturing industry, and boasts that every three seconds, a Lake Region product is used to help heal or save a person's life. The state is supporting the project through an Opportunity Grant, Job Creation Tax Credits and WEDNet funding totaling \$353,000. The County will contribute \$256,000 in Community Development Block Grant funds to the project.

The 2.3-mile, \$63 million extension of PAT's Martin Luther King Jr. East Busway between Wilkinsburg and the Swissvale-Rankin line should be completed in November. The extension will link with the existing 6.8 mile East Busway that provides express service between Wilkinsburg and downtown Pittsburgh, bypassing congestion on the Parkway East and city streets. The project will include four stations and six park-and-ride lots, adding 1,000 new spaces along the corridor. Currently, 30,000 riders travel the Busway. With the new extension, that figure is expected to increase to 50,000 by the year 2005.

US Airways has agreed to lease a proposed \$120 million publicly-owned airline maintenance facility to be built at Pittsburgh International Airport - preserving nearly 3,000 airline machinist jobs in the area. Under the deal, the Allegheny County Airport Authority would own the facility and lease it to US Airways, which would use it to maintain 140 wide-body Airbus and 140 Boeing 737 jets.

More information about the County may be obtained at the County's official web site at www.county.allegheny.pa.us.

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GASB UPDATE:

The County is required to implement Statement of Governmental Accounting Standards No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," issued by the Governmental Accounting Standards Board (GASB) for fiscal year 2002. GASB Statement No. 34 establishes new requirements to enhance the understandability and usefulness of the County's Comprehensive Annual Financial Report. GASB Statement No. 34 will help users by:

- ⇒ Assessing the finances of the government in its entirety, including the year's operating results;
- ⇒ Determining whether the government's overall financial position improved or deteriorated;
- ⇒ Evaluating whether the government's current-year revenues were sufficient to pay for current-year services;
- ⇒ Indicating the cost of providing services to its citizenry;
- ⇒ Indicating how the government finances its programs through user fees and other program revenues versus general tax revenues, and;
- ⇒ Explaining the extent to which the government has invested in capital assets, including roads, and other infrastructure assets.

The statement represents the most important change in the history of financial reporting of County government. The Controller's Office has been preparing to implement GASB Statement No. 34 for several years and expects to do so without difficulty.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

Under provisions of the Second Class County Code and the Home Rule Charter, the Controller is responsible for developing and maintaining the accounting system for the County. In addition, the Controller must audit all claims before disbursement, present a proposed operating budget, audit accounts of all County offices, file an annual financial report with the Court of Common Pleas and perform many administrative and board functions.

The accounts of the County are organized within funds and account groups. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The County maintains the following types of funds and account groups: governmental funds; proprietary funds; fiduciary funds, and; account groups for fixed assets and long-term debt.

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BASIS OF ACCOUNTING:

The accounting records for the County's general government operations are maintained on the modified accrual basis of accounting. Revenues are recorded when measurable and available. Expenditures are recorded when services or goods are received and the fund liabilities are incurred, except for principal and interest on general long-term debt, which are reflected as expenditures when due. The accounting records for the County's proprietary fund types and related trust fund are maintained on the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred.

INTERNAL CONTROL:

The County's internal accounting control system is an established framework that provides officials with assurances that assets of the government are reasonably safeguarded against loss from unauthorized use. These controls are in place to ensure that financial transactions are authorized and properly recorded in order to have reliable records for preparing financial statements and maintaining accountability for assets and liabilities.

BUDGETARY PROCESS:

As specified in the Home Rule Charter, the Chief Executive must present the annual operating and capital budgets to County Council 75 days before the end of each fiscal year. No later than 25 days before the end of the year, County Council must adopt, by resolution, balanced operating and capital budgets. The annual budget contains estimated revenues and expenditures for the following funds: General, Liquid Fuel Tax and Debt Service. In addition, in accordance with the Administrative Code, County Council must adopt a grants and special revenues budget and a trust and agency budget.

Budgetary control is maintained at the fund, department and character levels of expenditures by encumbering the total dollars indicated on purchase requisitions prior to their release to vendors. Encumbrance, as employed in governmental accounting, means a restriction is placed on the budget allowance to control expenditures. Expenditure documents that result in an overrun of available appropriation balances at the various levels of control are not released until appropriation transfers are officially requested and made available. At year-end, open encumbrances are reported as reservations of fund balance and reappropriated at the start of the next fiscal year.

REVENUE AND EXPENDITURE OVERVIEW

The following revenue and expenditure overview relates to the finances of the primary government (Allegheny County). Three funds comprise the general governmental functions for purposes of the following revenue and expenditure analyses and charts. They include the General, Liquid Fuel Tax and Debt Service Funds.

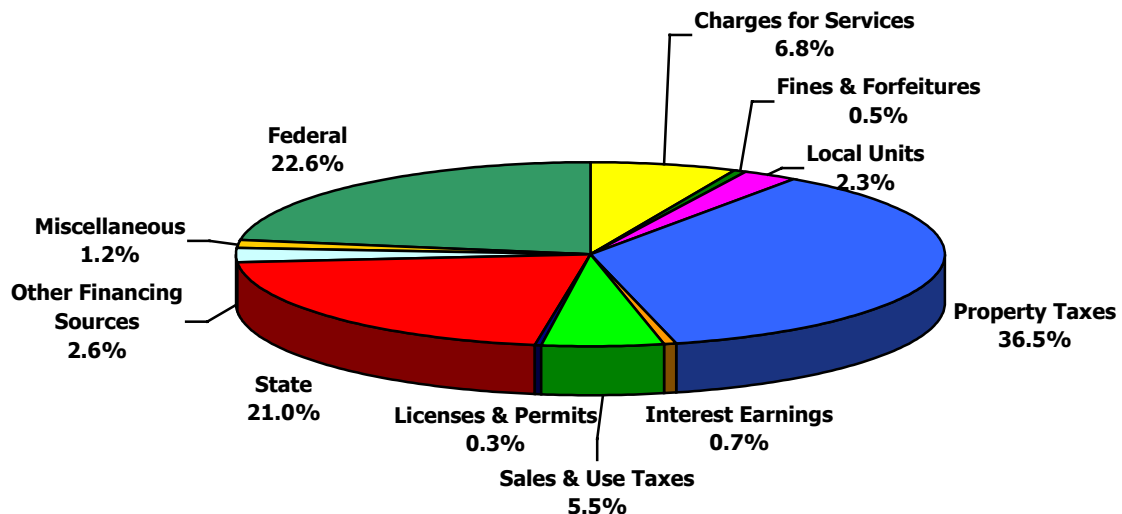
COUNTY OF ALLEGHENY, PENNSYLVANIA

REVENUES:

Revenues for all general governmental functions, excluding the internal service funds, totaled \$660,385,159 in 2001, which represents an increase of 12.9% compared to revenues for 2000. Revenues are classified into the following general types:

- * Property Taxes - real property taxes levied by the County.
- * Sales and Use Taxes - the 1% local sales tax adopted by the County.
- * Licenses and Permits - charges for the issuances of licenses and permits.
- * Federal - monies received from the federal government such as grants, entitlements and reimbursements.
- * State - grants, entitlements, shared revenues and reimbursements provided by the Commonwealth of Pennsylvania.
- * Local Units - revenues provided by the Allegheny Regional Asset District, as well as revenues received from local municipalities and school districts.
- * Charges for Services - fees and charges for services rendered to a taxpayer, third-party or to another County fund.
- * Fines and Forfeitures - charges levied by the Court of Common Pleas or District Justices.
- * Interest Earnings - monies received from investments and management of idle cash.
- * Miscellaneous - revenues from sources not otherwise provided for in other classifications.
- * Other Financing Sources - monies received from capital projects, grants or component units.

2001 Revenues and Other Financing Sources – Total \$660,385,159



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Revenues for 2001 and 2000 which support general governmental functions, and the changes between years, are shown in the following table:

CHANGES IN REVENUES BY FUNCTION				
<u>REVENUE SOURCES</u>	2001 <u>ACTUAL</u>	2000 ACTUAL (as Restated)	AMOUNT INCREASE (DECREASE)	PERCENTAGE INCREASE (DECREASE)
TAXES – PROPERTY	\$ 241,497,867	231,202,103	10,295,764	4.5%
TAXES – SALES AND USE	36,306,595	35,930,228	376,367	1.0
LICENSES AND PERMITS	1,831,553	1,985,089	(153,536)	(7.7)
FEDERAL REVENUES	149,014,500	108,881,436	40,133,064	36.9
STATE REVENUES	138,824,604	121,396,342	17,428,262	14.3
LOCAL UNITS REVENUES	14,990,811	14,839,217	151,594	1.0
CHARGES FOR SERVICES	44,905,366	49,402,693	(4,497,327)	(9.1)
FINES AND FORFEITURES	3,328,185	3,333,450	(5,265)	(0.2)
INTEREST EARNINGS	4,345,929	12,395,072	(8,049,143)	(64.9)
MISCELLANEOUS	7,873,266	4,075,391	3,797,875	93.2
OTHER FINANCING SOURCES	<u>17,466,483</u>	<u>1,570,099</u>	<u>15,896,384</u>	1,012.4
TOTAL REVENUES	<u>\$ 660,385,159</u>	<u>585,011,120</u>	<u>75,374,039</u>	12.9%

Combined, real property and sales and use taxes accounted for 42.1% of the County's revenues in 2001, compared to 45.7% in 2000. Overall, revenues from real property taxes increased \$10.3 million or 4.5% in fiscal year 2001. Sales and use taxes increased \$376,000, or 1.0%. The large increases in federal and state revenues of \$40.1 million and \$17.4 million, respectively, are the result of standard increases in funding for the Office of Children, Youths and Families, as well as the effects of the previously mentioned change in accounting principles. Miscellaneous revenues increased \$3.8 million and other financing sources increased \$15.9 million. However, charges for services and facilities decreased \$4.5 million and interest earnings decreased \$8.0 million. Detailed reasons for the increases/decreases are provided in the explanations for the individual funds.

COUNTY OF ALLEGHENY, PENNSYLVANIA

The following table details the variances between actual and budgeted revenues for general governmental functions, as well as the percentage change for 2001:

COMPARISON OF BUDGETED TO ACTUAL REVENUES BY FUNCTION				
<u>REVENUE SOURCES</u>	<u>2001 ADOPTED BUDGET</u>	<u>2001 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>PERCENTAGE FAVORABLE (UNFAVORABLE)</u>
TAXES – PROPERTY	\$ 249,094,000	241,497,867	(7,596,133)	(3.0)%
TAXES – SALES AND USE	38,139,000	36,306,595	(1,832,405)	(4.8)
LICENSES AND PERMITS	1,910,500	1,831,553	(78,947)	(4.1)
FEDERAL REVENUES	126,512,715	149,014,500	22,501,785	17.8
STATE REVENUES	134,393,637	138,824,604	4,430,967	3.3
LOCAL UNITS REVENUES	14,894,000	14,990,811	96,811	0.7
CHARGES FOR SERVICES	54,210,236	44,905,366	(9,304,870)	(17.2)
FINES AND FORFEITURES	3,179,000	3,328,185	149,185	4.7
INTEREST EARNINGS	11,000,000	4,345,929	(6,654,071)	(60.5)
MISCELLANEOUS	5,303,988	7,873,266	2,569,278	48.4
OTHER FINANCING SOURCES	-	<u>17,466,483</u>	<u>17,466,483</u>	100.0
TOTAL REVENUES	638,637,076	<u>660,385,159</u>	<u>21,748,083</u>	3.4%
PLUS: USE OF FUND BALANCE	<u>650,000</u>			
TOTAL ADOPTED BUDGET	<u>\$ 639,287,076</u>			

The total adopted revenue budget for 2001 of \$639,287,076 included \$650,000 use of undesignated fund balance in the Liquid Fuel Tax Fund. Estimated revenue collections for 2001 were \$638,637,076.

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The following table details the actual revenues for general governmental functions by fund for the year 2001:

REVENUES BY FUNCTION BY FUND				
<u>REVENUE SOURCES</u>	<u>GENERAL FUND</u>	<u>LIQUID FUEL TAX FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL OPERATING REVENUE</u>
TAXES – PROPERTY	\$ 181,745,680	-	59,752,187	241,497,867
TAXES – SALES AND USE	36,306,595	-	-	36,306,595
LICENSES AND PERMITS	1,831,553	-	-	1,831,553
FEDERAL REVENUES	149,014,500	-	-	149,014,500
STATE REVENUES	134,326,905	4,271,609	226,090	138,824,604
LOCAL UNITS REVENUES	13,203,311	-	1,787,500	14,990,811
CHARGES FOR SERVICES	44,905,366	-	-	44,905,366
FINES AND FORFEITURES	3,328,185	-	-	3,328,185
INTEREST EARNINGS	3,429,753	38,647	877,529	4,345,929
MISCELLANEOUS	7,873,266	-	-	7,873,266
OTHER FINANCING SOURCES	<u>17,415,576</u>	<u>-</u>	<u>50,907</u>	<u>17,466,483</u>
TOTAL REVENUES	<u>\$ 593,380,690</u>	<u>4,310,256</u>	<u>62,694,213</u>	<u>660,385,159</u>

Allocations of the real property tax levy by purpose for 2001 and the preceding two years were as follows (amount per \$100 assessed value):

<u>PURPOSE</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
GENERAL FUND	\$ 0.3548	1.865	1.86
DEBT SERVICE FUND	<u>.1172</u>	<u>.655</u>	<u>.66</u>
TOTAL TAX RATE	<u>\$ 0.472</u>	<u>2.52</u>	<u>2.52</u>

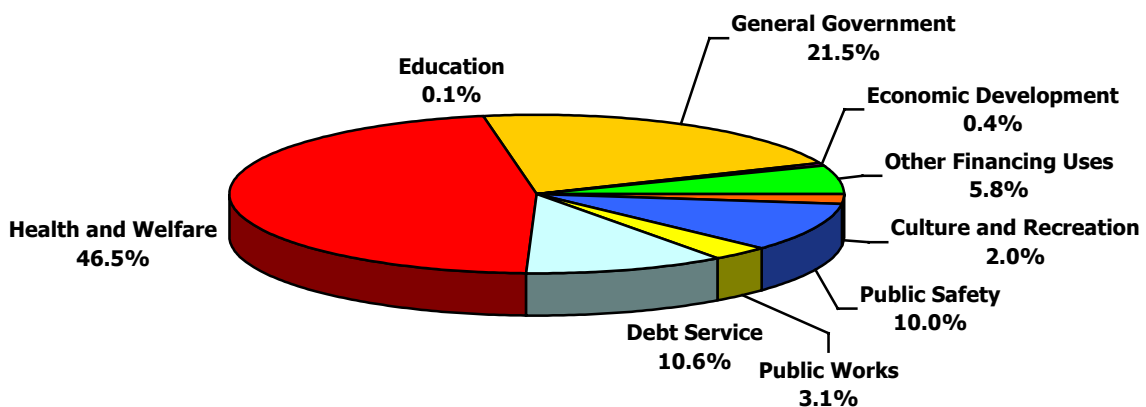
COUNTY OF ALLEGHENY, PENNSYLVANIA

EXPENDITURES:

Expenditures for governmental services, excluding the internal service funds, totaled \$627,811,975 in 2001, which represents an increase of 2.3% from the previous year. Expenditures fall into nine general classifications:

- * General Government - represents services provided by the administrative, elected row offices and judicial branches of government.
- * Public Safety - includes such services as emergency management, the jail and law enforcement departments involved in the protection of County residents.
- * Public Works - accounts for those expenditures that provide for physical infrastructure essential to the County, including roads, bridges and parks.
- * Health & Welfare - includes expenditures to address the needs of older adults, abused and neglected children, infirm adults and mentally ill and retarded residents.
- * Culture & Recreation - accounts for the various recreational and cultural events, programs and facilities, including the extensive County-wide park system.
- * Education - includes expenditures to provide formal and informal opportunities to County residents, exclusive of the Community College of Allegheny County.
- * Economic Development - represents various development and promotional programs designed to attract new companies to the region.
- * Debt Service - reflects scheduled payments for long-term debt.
- * Other Financing Sources - includes payments to capital projects, grants or component units.

2001 Expenditures and Other Financing Uses – Total \$627,811,975



COUNTY OF ALLEGHENY, PENNSYLVANIA

Expenditures by classification for 2001 and 2000, and the changes between years, are shown in the following table:

CHANGES IN EXPENDITURES BY FUNCTION				
<u>EXPENDITURE FUNCTION</u>	<u>2001 ACTUAL</u>	<u>2000 ACTUAL</u>	<u>AMOUNT INCREASE (DECREASE)</u>	<u>PERCENTAGE INCREASE (DECREASE)</u>
GENERAL GOVERNMENT	\$ 134,959,861	130,327,062	4,632,799	3.6%
PUBLIC SAFETY	62,860,652	59,280,543	3,580,109	6.0
PUBLIC WORKS	19,465,369	21,121,891	(1,656,522)	(7.8)
HEALTH AND WELFARE	291,672,745	272,715,555	18,957,190	7.0
CULTURE AND RECREATION	12,486,077	10,611,515	1,874,562	17.7
EDUCATION	804,825	806,000	(1,175)	(0.1)
ECONOMIC DEVELOPMENT	2,213,712	880,896	1,332,816	151.3
DEBT SERVICE: PRINCIPAL RETIREMENT	36,612,500	33,128,573	3,483,927	10.5
INTEREST CHARGES	30,034,151	31,197,283	(1,163,132)	(3.7)
OTHER FINANCING USES	<u>36,702,083</u>	<u>53,862,001</u>	<u>(17,159,918)</u>	(31.9)
TOTAL EXPENDITURES	<u>\$ 627,811,975</u>	<u>613,931,319</u>	<u>13,880,656</u>	2.3%

As previously indicated, total outlays increased by 2.3%, or \$13.9 million during 2001. General government expenditures increased by \$4.6 million, public safety expenditures increased by \$3.6 million, health and welfare expenditures increased by \$19.0 million, culture and recreation expenditures increased by \$1.9 million, and economic development expenditures increased by \$1.3 million. In addition, combined debt service principal and interest payments increased by \$2.3 million. The increases were offset by a \$1.7 million decrease in public works expenditures and a \$17.2 million drop in other financing uses. Education expenditures remained steady. These changes are discussed in greater detail in the fund narratives that follow.

COUNTY OF ALLEGHENY, PENNSYLVANIA

The following table shows expenditures by function as compared to the adopted budget for 2001. The budget figure of \$644,505,735 includes reappropriations for open encumbrances at the end of 2000 of \$5,218,659 and operating transfers made during 2001, which net to zero. Please refer to Exhibit A-3 in the financial section for a more complete analysis.

COMPARISON OF BUDGETED TO ACTUAL EXPENDITURES BY FUNCTION				
<u>EXPENDITURE FUNCTION</u>	<u>2001 ADOPTED BUDGET</u>	<u>2001 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>PERCENTAGE FAVORABLE (UNFAVORABLE)</u>
GENERAL GOVERNMENT	\$ 134,235,102	134,959,861	(724,759)	(0.5)%
PUBLIC SAFETY	63,058,584	62,860,652	197,932	0.3
PUBLIC WORKS	20,279,890	19,465,369	814,521	4.0
HEALTH AND WELFARE	296,171,129	291,672,745	4,498,384	1.5
CULTURE AND RECREATION	12,545,004	12,486,077	58,927	0.5
EDUCATION	805,000	804,825	175	0.0
ECONOMIC DEVELOPMENT	1,620,014	2,213,712	(593,698)	(36.6)
DEBT SERVICE: PRINCIPAL RETIREMENT INTEREST CHARGES	37,883,585 28,882,067	36,612,500 30,034,151	1,271,085 (1,152,084)	3.4 (4.0)
OTHER FINANCING USES	<u>49,025,360</u>	<u>36,702,083</u>	<u>12,323,277</u>	25.1
TOTAL EXPENDITURES LESS: REAPPROPRIATIONS TOTAL ADOPTED BUDGET	644,505,735 <u>(5,218,659)</u> <u>\$ 639,287,076</u>	<u>627,811,975</u>	<u>16,693,760</u>	2.6%

COUNTY OF ALLEGHENY, PENNSYLVANIA

The following table details actual expenditures for general governmental functions by fund for the year 2001:

<i>EXPENDITURES BY FUNCTION BY FUND</i>				
<u>EXPENDITURE FUNCTION</u>	<u>GENERAL FUND</u>	<u>LIQUID FUEL TAX FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL OPERATING EXPENDITURES</u>
GENERAL GOVERNMENT	\$ 134,959,861	-	-	134,959,861
PUBLIC SAFETY	62,860,652	-	-	62,860,652
PUBLIC WORKS	14,599,369	4,866,000	-	19,465,369
HEALTH AND WELFARE	291,672,745	-	-	291,672,745
CULTURE AND RECREATION	12,486,077	-	-	12,486,077
EDUCATION	804,825	-	-	804,825
ECONOMIC DEVELOPMENT	2,213,712	-	-	2,213,712
DEBT SERVICE: PRINCIPAL RETIREMENT	-	-	36,612,500	36,612,500
INTEREST CHARGES	992,773	-	29,041,378	30,034,151
OTHER FINANCING USES	<u>36,702,083</u>	<u>-</u>	<u>-</u>	<u>36,702,083</u>
TOTAL EXPENDITURES	<u>\$ 557,292,097</u>	<u>4,866,000</u>	<u>65,653,878</u>	<u>627,811,975</u>

Expenditures can also be viewed on a departmental basis. The following chart summarizes expenditures, indicating the departmental adopted budget, including reappropriated balances from 2000, and authorized budget transfers. Also shown is the adjusted budget compared favorably to actual expenditures, as expenditures were \$16.7 million less than anticipated. Departmental expenditures for the year 2001 were as follows:

COUNTY OF ALLEGHENY, PENNSYLVANIA

SUMMARY OF EXPENDITURES					
<u>DEPARTMENT</u>	<u>2001 ADOPTED BUDGET INCLUDING REAPPRO- PRIATIONS</u>	<u>2001 BUDGET TRANSFERS</u>	<u>2001 ADJUSTED BUDGET</u>	<u>2001 ACTUAL EXPENDITURES</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
COUNTY ADMINISTRATION:					
Chief Executive	\$ 450,907	600	451,507	417,842	33,665
County Manager	1,043,801	14,300	1,058,101	880,807	177,294
Budget and Finance	780,778	9,200	789,978	669,330	120,648
Solicitor	<u>2,436,614</u>	<u>(46,900)</u>	<u>2,389,714</u>	<u>1,732,697</u>	<u>657,017</u>
	4,712,100	(22,800)	4,689,300	3,700,676	988,624
Human Resources	912,267	14,000	926,267	904,344	21,923
M/W/DBE	378,418	20,998	399,416	326,147	73,269
Public Defender	5,739,269	(282,445)	5,456,824	5,361,979	94,845
ADMINISTRATIVE SERVICES:					
Administration	4,654,399	451,150	5,105,549	4,517,400	588,149
MIS	5,987,291	4,995	5,992,286	5,417,202	575,084
Purchasing & Supplies	698,502	6,200	704,702	663,393	41,309
Elections	4,769,844	(3,272)	4,766,572	4,765,391	1,181
Veterans' Affairs	594,457	(4,000)	590,457	588,731	1,726
Property Management	2,242,142	169,400	2,411,542	2,404,609	6,933
Property Assessment	<u>4,511,716</u>	<u>1,348,351</u>	<u>5,860,067</u>	<u>5,669,456</u>	<u>190,611</u>
	23,458,351	1,972,824	25,431,175	24,026,182	1,404,993
Jail	39,321,393	935,118	40,256,511	40,269,740	(13,229)
County Police	18,841,139	1,762,874	20,604,013	20,454,770	149,243
Emergency Services	1,451,760	13,300	1,465,060	1,403,198	61,862
Public Works	32,390,976	257,231	32,648,207	31,785,431	862,776
HUMAN SERVICES:					
Administration	1,242,888	(2,841,400)	(1,598,512)	318,292	(1,916,804)
Aging	4,903,940	(458,050)	4,445,890	3,212,877	1,233,013
Children, Youth and Families	119,133,984	13,110,223	132,244,207	131,536,791	707,416
Behavioral Health and Mental Retardation	<u>23,926,671</u>	<u>(3,720,833)</u>	<u>20,205,838</u>	<u>17,978,865</u>	<u>2,226,973</u>
	149,207,483	6,089,940	155,297,423	153,046,825	2,250,598
Health Department	22,463,981	(2,627,430)	19,836,551	19,288,486	548,065
Shuman Juvenile Detention	7,904,867	(628,400)	7,276,467	7,260,675	15,792
Kane Regional Centers	87,563,912	(7,575,614)	79,988,298	78,320,819	1,667,479
Economic Development	1,614,014	6,000	1,620,014	2,213,712	(593,698)
Miscellaneous Grant Agencies *	81,493,210	3,246,570	84,739,780	72,110,849	12,628,931

COUNTY OF ALLEGHENY, PENNSYLVANIA

<i>SUMMARY OF EXPENDITURES – continued</i>					
<u>DEPARTMENT</u>	<u>2001 ADOPTED BUDGET INCLUDING REAPPRO- PRIATIONS</u>	<u>2001 BUDGET TRANSFERS</u>	<u>2001 ADJUSTED BUDGET</u>	<u>2001 ACTUAL EXPENDITURES</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Non-departmental Operating Expenditures	10,768,049	(8,594,312)	2,173,737	6,845,269	(4,671,532)
TOTAL ADMINISTRATION	488,221,189	(5,412,146)	482,809,043	467,319,102	15,489,941
County Council	1,057,624	7,400	1,065,024	998,780	66,244
ROW OFFICES:					
Controller	4,325,742	39,700	4,365,442	4,284,881	80,561
Coroner	6,302,757	51,300	6,354,057	6,185,125	168,932
Clerk of Courts	2,150,162	17,237	2,167,399	2,137,293	30,106
District Attorney	9,878,477	296,326	10,174,803	10,167,342	7,461
Jury Commissioners	551,903	3,900	555,803	530,691	25,112
Recorder of Deeds	2,645,542	9,050	2,654,592	2,509,729	144,863
Register of Wills	2,470,430	83,406	2,553,836	2,528,560	25,276
Sheriff	12,274,149	1,587,749	13,861,898	13,794,116	67,782
Treasurer	4,309,616	189,754	4,499,370	4,465,536	33,834
Prothonotary	2,916,255	17,754	2,934,009	2,889,100	44,909
	<u>47,825,033</u>	<u>2,296,176</u>	<u>50,121,209</u>	<u>49,492,373</u>	<u>628,836</u>
Court of Common Pleas	43,355,087	1,332,520	44,687,607	44,347,842	339,765
Debt Service	<u>64,046,802</u>	<u>1,776,050</u>	<u>65,822,852</u>	<u>65,653,878</u>	<u>168,974</u>
TOTAL EXPENDITURES	644,505,735	-	<u>644,505,735</u>	<u>627,811,975</u>	<u>16,693,760</u>
LESS: REAPPROPRIATIONS	<u>(5,218,659)</u>				
TOTAL ADOPTED BUDGET	<u>\$ 639,287,076</u>				

* These expenditures include transfers to component units.

COUNTY OF ALLEGHENY, PENNSYLVANIA

INDIVIDUAL FUND ANALYSES:

A more detailed analysis of each fund is presented on the following pages, with an explanation of the underlying reasons for the fluctuations in revenues and expenditures or expenses.

GENERAL FUND:

A comparison of the revenues of the General Fund for the last two years areas follows:

GENERAL FUND				
<u>REVENUE SOURCES</u>	<u>2001</u>	<u>2000 (as Restated)</u>	<u>INCREASE (DECREASE)</u>	<u>PERCENTAGE INCREASE (DECREASE)</u>
TAXES - PROPERTY	\$ 181,745,680	171,206,833	10,538,847	6.2%
TAXES - SALES AND USE	36,306,595	35,930,228	376,367	1.0
LICENSES AND PERMITS	1,831,553	1,985,089	(153,536)	(7.7)
FEDERAL REVENUES	149,014,500	108,881,436	40,133,064	36.9
STATE REVENUES	134,326,905	116,678,063	17,648,842	15.1
LOCAL UNITS REVENUE	13,203,311	13,151,717	51,594	0.4
CHARGES FOR SERVICES	44,905,366	49,402,693	(4,497,327)	(9.1)
FINES AND FORFEITURES	3,328,185	3,333,450	(5,265)	(0.2)
INTEREST EARNINGS	3,429,753	10,598,843	(7,169,090)	(67.6)
MISCELLANEOUS	7,873,266	4,067,992	3,805,274	93.5
OTHER FINANCING SOURCES	<u>17,415,576</u>	<u>1,519,214</u>	<u>15,896,362</u>	1,046.4
TOTAL REVENUES	<u>\$ 593,380,690</u>	<u>516,755,558</u>	<u>76,625,132</u>	14.8%

COUNTY OF ALLEGHENY, PENNSYLVANIA

When compared to 2000 revenues, 2001 revenues increased by \$76.6 million, or 14.8%. The increase in revenues is the result of the following:

- ◆ Real property tax and collections increased \$10.5 million, or 6.2% from the previous year. The increase is the result of several factors. First, current collections increased \$16.4 million. Much of that increase is due to Common Pleas Court Judge R. Stanton Wettick Jr.'s court order, which required the County to revalue all real estate parcels in 2001. Second, a small part of the increase is due to new construction projects placed on the tax rolls for 2001. Third, the millage percentage allocated to Fund 01 increased slightly, from 74.0% in 2000 to 75.2% in 2001 (the balance is in the Debt Service Fund). Additionally, delinquent taxes were higher by \$1.6 million. Much of that increase is in the current-delinquent category, which represents individuals paying their 2001 taxes after the May 31st deadline. The remainder represents individuals paying 2000 taxes in 2001 before they would be liened. Actual liened collections increased \$660,000, and interest and penalty on delinquent and lien tax payments increased \$271,000. Offsetting the increases were higher tax refunds of \$8.0 million in the General Fund. The reassessment resulted in 91,863 appeals being filed by property owners. Hearings for those appeals are ongoing. The County also received \$292,000 fewer in lieu of tax payments from tax-exempt entities in 2001. The revenue represents agreements with not-for-profit entities.
- ◆ Sales tax revenues increased \$376,367 over the 2000 total.
- ◆ *A number of factors are responsible for the increase in federal revenues of \$40.1 million. The foremost of these is the previously mentioned change in accounting principles regarding the recognition of intergovernmental receipts, which resulted in \$5.7 million in Temporary Assistance to Needy Families (TANF) funding being restated as fiscal year 2001 revenue rather than fiscal year 2000 revenue. The effect of this accounting change on the variance year-to-year is \$11.4 million. In addition, for 2001 there was a more traditional increase in TANF funding for programs of the Office of Children, Youths and Families (CYF). That increase was for \$10.2 million. Changes in the County's allocation and the timing of drawdowns are the reasons for the increase. The fiscal year 1999/2000 allocation to the County was \$30.5 million. It soared to \$36.8 million for fiscal year 2000/01, and increased again to \$38.1 million for fiscal year 2001/02.*
- ◆ In addition to the increase in TANF revenue, Title IV-E child placement revenue for CYF rose by \$17.8 million. Again, the change in accounting principles regarding the recognition of intergovernmental receipts resulted in \$5.7 million in Title IV-E child placement funding being restated as fiscal year 2001 revenue rather than fiscal year 2000 revenue. The effect of the change between the two fiscal years is \$11.4 million. In addition, for 2001 there was an increase in the Title IV-E allocation that resulted in higher administrative and per diem rates. This increase meant an additional \$6.4 million in revenue for 2001.
- ◆ *Offsetting the TANF and Title IV-E increases was a drop in Title IV-B adoption services revenue of \$429,000.*

COUNTY OF ALLEGHENY, PENNSYLVANIA

- ◆ Federal revenues for the Office of Behavioral Health/Mental Retardation increased \$575,000 this year, mainly because Title XIX funding increased \$377,000. In addition, the County received \$180,000 in federal Community Mental Health Block Grant funding in 2001. There were no such receipts last year.
- ◆ Rent reimbursements for the new Juvenile Court facility, which opened in October 2000, increased \$433,000 this year. Additionally, federal revenue for maintenance of prisoners increased by \$133,000, Environmental Protection Agency air quality revenues increased by \$67,000 and miscellaneous federal revenues increased by \$94,000 in 2001.
- ◆ Offsetting these increases were a drop in federal Medicare revenues of \$116,000 at the John J. Kane Regional Health Centers. Medicare has instituted a new reimbursement system, which includes a longer patient evaluation process. Additionally, Medicare is paying for fewer treatment days under the new system.
- ◆ *A number of factors are responsible for the increase in state revenues of \$17.6 million. The foremost of these is the previously mentioned change in accounting principles regarding the recognition of intergovernmental receipts, which resulted in \$10.5 million in state Act 148 funding for CYF being restated as fiscal year 2001 revenue rather than fiscal year 2000 revenue. The effect of the accounting change on the year-to-year variance was \$21.0 million.*
- ◆ *During 2000, the County received a one-time transportation subsidy from the state for \$5.0 million and a one-time technology subsidy of \$2.0 million, thereby boosting last year's numbers. However, the County did receive some new state funding in 2001. Senior judge operational support totaled \$512,000 in 2001. And the County received a full year of criminal justice and crime lab subsidies, versus a half-year in 2000. These two funding streams are expected to continue for the foreseeable future at a rate of \$7.0 million annually. Criminal justice receipts totaled \$6.6 million in 2001, compared to \$2.9 million in 2000. Crime lab receipts totaled \$906,000 in 2001, compared to \$894,000 in 2000.*
- ◆ State reimbursement for County Health Department expenditures decreased by \$438,000. The Health Department is reimbursed by the state the lesser of \$6 per capita less non-participating communities or 50% of the expenditures submitted. In essence, revenues are directly related to expenditures. The County's reimbursement has always been based on expenditures rather than population. Because expenditures are \$1.2 million lower this year, the Health Department did not accrue as much revenue at the end of the year, resulting in the decrease. Not all of the expenditures qualify for reimbursement. For example, certain environmental health expenditures are funded with federal EPA money, and certain inspection costs the department incurs are funded through charges for services. Thus the decrease in revenue does not equal exactly one-half of the decrease in expenditures
- ◆ State funding for Court of Common Pleas' Division of Adult Probation increased \$315,000 during 2001, while state medical assistance prescription revenues at the John J. Kane Regional Health Centers increased \$133,000.

COUNTY OF ALLEGHENY, PENNSYLVANIA

- ◆ Finally, Pennsylvania's deregulation of electric utilities resulted in lower Public Utility Realty Tax (PURT) revenues of \$426,000 in the General Fund. Electric power plant properties are no longer tax-exempt. Thus, the total pool of funds distributed is lower.
- ◆ Charges for services decreased \$4.5 million in 2001. The decrease is the result of recording \$5.8 million in Allegheny County Airport Authority reimbursements for Police salary and fringe benefits as revenues in 2000 instead of an operating transfer from component units. The funds have been reclassified this year. Other general government charges for services such as row office filing fees, court costs, crime lab user fees, special election reimbursement fees, copying charges and sale of maps have increased. The total for these items is \$1.2 million. Most of the increase is in row office filing fees.
- ◆ Changes in regulations to the Medicare program and a different patient mix at the John J. Kane Regional Health Centers resulted in decreased patient income and miscellaneous charges for services of \$1.4 million. Medicare is paying for fewer treatment days, which means that patients must pay more through insurance or their own funds. Because Medicare is taking longer to notify the County which patients will be reimbursed, an aging of receivables analysis was performed on patient-pay revenues. Based on this analysis, collection percentages were decreased, resulting in lower revenues.
- ◆ Recreation fees increased \$868,000 in 2001, as favorable weather resulted in increased use of the County's parks system, including wave pools, golf courses and picnic groves.
- ◆ Collections from parents and guardians, which support the operations of the Office of Children, Youths and Families increased \$585,000 in 2001.
- ◆ Interest earnings decreased \$7.2 million in 2001. Because the real estate tax due date was pushed back one month in 2001, the County had approximately \$175 million less in idle cash for an entire month. Additionally, interest rates were lower for 2001 versus 2000.
- ◆ Miscellaneous receipts increased \$3.8 million in 2001.
- ◆ Other financing sources increased \$15.9 million in 2001. The increase includes a \$7.5 million reimbursement from the airport authority for Police personnel costs at Pittsburgh International Airport. Also included is an operating transfer from the Capital Projects Fund of \$2.0 million to reimburse the General Fund for minor equipment purchases during the year.
- ◆ During 2001, the County received a one-time reimbursement from the Redevelopment Authority of Allegheny County (RAAC) for \$4,983,000, the amount of the County's sales tax intercepted by RAAC to pay the required debt service on its Special Tax Development Bonds. In addition, the County made a one-time transfer from the County Grants Fund to the General Fund of \$3,000,000 in accumulated project management fees charged by the Department of Economic Development for services provided to various County authorities. Both are included in other financing sources.

COUNTY OF ALLEGHENY, PENNSYLVANIA

The following is a comparison of the expenditures of the General Fund for the last two years:

GENERAL FUND				
<u>EXPENDITURES BY FUNCTION</u>	<u>2001</u>	<u>2000</u>	<u>INCREASE (DECREASE)</u>	<u>PERCENTAGE INCREASE (DECREASE)</u>
GENERAL GOVERNMENT	\$ 134,959,861	130,327,062	4,632,799	3.6%
PUBLIC SAFETY	62,860,652	59,280,543	3,580,109	6.0
PUBLIC WORKS	14,599,369	16,607,425	(2,008,056)	(12.1)
HEALTH AND WELFARE	291,672,745	272,715,555	18,957,190	7.0
CULTURE AND RECREATION	12,486,077	10,611,515	1,874,562	17.7
EDUCATION	804,825	806,000	(1,175)	(0.1)
ECONOMIC DEVELOPMENT	2,213,712	880,896	1,332,816	151.3
DEBT SERVICE: INTEREST CHARGES	992,773	120,917	871,856	721.0
OTHER FINANCING USES	<u>36,702,083</u>	<u>53,862,001</u>	<u>(17,159,918)</u>	(31.9)
TOTAL EXPENDITURES	<u>\$ 557,292,097</u>	<u>545,211,914</u>	<u>12,080,183</u>	2.2%

When compared to 2000 expenditures, 2001 expenditures increased by \$12.1 million, or 2.2%. The increase in expenditures is the result of the following:

- ◆ General government expenditures increased by \$4.6 million in 2001 compared to 2000. Departments included in this functional category that experienced increased costs include the Office of Property Assessment, where expenditures increased \$1.0 million from \$4.7 million last year to \$5.7 million this year. Salaries, fringe benefits, services, supplies and equipment costs were higher, while materials costs were lower. As mentioned previously, the County has been under a court order to fix its property assessment system, which was found to be inequitable. The increased costs were the result of a continued mass revaluation of all real estate parcels in the County in order to comply with the court order. Hearing Officer fees increased substantially to handle the increase in appeals in 2001.

COUNTY OF ALLEGHENY, PENNSYLVANIA

- ◆ Management Information Service expenditures increased from \$3.7 million in 2000 to \$5.4 million in 2001. Salaries increased from \$1.7 million to \$2.0 million, with a corresponding increase in fringe benefits. Service expenditures also increased, from \$1.1 million to \$2.0 million, as a result of increased spending for computer programming and outside consultants, as the County prepared to upgrade its computerized financial systems and replace obsolete equipment. Those costs increased from \$589,000 last year to \$1.4 million in 2001. Also, computer maintenance costs increased from \$67,000 in 2000 to \$563,000 in 2001.

- ◆ Administrative Services - Division of Administration expenditures increased \$3.5 million from 2000, while Administrative Services - Division of Property Maintenance expenditures decreased \$2.8 million from 2000. Some transfer of functions occurred during the year. The Utilities/Energy division, representing \$2.2 million in expenditures, the Records Administration division, representing \$300,000 in expenditures, and certain Property Maintenance administrative costs, representing \$300,000 in expenditures, were transferred from the Division of Property Maintenance to the Division of Administration. Also, the Weights and Measures division formerly housed at the County Law Department, representing \$200,000 in expenditures, was transferred to Administrative Services - Division of Administration. The remainder of the increase for the Division of Administration was for telephones and utility costs. Additionally, garage expenditures for the Division of Property Maintenance increased \$100,000.

- ◆ Expenditures for the Court of Common Pleas – Division of Judicial Support increased from \$12.0 million in 2000 to \$14.1 million in 2001. The reason has to do with the Juvenile Court facility that opened in October 2000. Real estate rentals for that facility increased from \$851,000 in 2000 to \$3,406,000 for 2001, a difference of \$2,555,000. There is a slight offset to these additional costs on the revenue side, where federal Juvenile Court rent reimbursements increased by \$433,000.

- ◆ The Court of Common Pleas – Family/Adult Division expenditures increased from \$860,000 last year to \$1.4 million this year. Included in this year's costs are certain Non-Title IV-D expenditures, which totaled \$532,000. The new expenditures were for salaries, fringe benefits, contracted services, real estate rentals and legal counsel fees. Meanwhile, expenditures for the Courts' Minor Judiciary Division increased from \$7.0 million in 2000 to \$7.4 million in 2001. The reason for the increase was additional salary and fringe benefits costs.

- ◆ Expenditures for the Public Defender's Office increased from \$4.5 million last year to \$5.4 million this year. The County continues to operate the Public Defender's Office under a court-approved settlement requiring the hiring of additional attorneys and investigators. Salaries for the Public Defender's Office increased from \$3.2 million to \$3.8 million, with a corresponding increase in fringe benefit costs. Service expenditures also increased, from \$345,000 to \$433,000. The primary reasons were increases in travel, research, information and investigations and transcribing testimony. However, costs for examinations and evaluations were lower than in 2000.

COUNTY OF ALLEGHENY, PENNSYLVANIA

- ◆ Sheriff's Office expenditures increased from \$12.0 million in 2000 to \$13.8 million in 2001. Sheriff's Office salary costs increased from \$8.0 million to \$9.4 million, with a resultant increase in fringe benefit costs. The increases are associated with staffing the regional booking centers. Service expenditures increased from \$1.5 million to \$1.6 million because of an increase in constable fees, which grew from \$1.0 million in 2000 to \$1.1 million in 2001. Additionally, District Attorney's Office expenditures increased from \$9.6 million in 2000 to \$10.2 million in 2001. Salaries increased from \$6.8 million in 2000 to \$7.0 million in 2001, along with fringe benefit cost increases. Service expenditures also increased, from \$1.1 million to \$1.3 million. The primary reason was an increase in case expenses, which went from \$443,000 last year to \$565,000 this year.

- ◆ *Non-departmental operating expenditures decreased \$6.6 million in 2001. The primary reason for the decrease is the completion of the contract with SABRE Systems to reassess each real estate parcel within the County. Billings related to this contract totaled \$158,000 in 2001, compared to \$6.1 million in 2000. Meanwhile, other non-departmental service expenditures decreased \$1.0 million. An increase in non-departmental fringe benefit costs of \$364,000 offset the decreases.*

- ◆ Expenditures for the County Manager's Office were lower by \$400,000. For 2001, the Office of Special Events was transferred to the Department of Public Works, and these expenditures are now included with other culture and recreation expenditures. Many of the division's special events take place at County parks, so the transfer made sense from both logical and functional perspectives.

- ◆ Chief Executive and County Council expenditures during 2001 were \$417,842 and \$998,780, respectively.

- ◆ Public safety expenditures increased \$3.6 million, from \$59.3 million to \$62.9 million during 2001. Jail expenditures are \$723,000 higher than at this time last year, mainly in the areas of fringe benefits and services. County Police expenditures are \$1,739,000 higher than last year, in the areas of personnel, fringe benefits and services. The increase is mainly due to heightened security requirements at Pittsburgh International Airport because of the September 11th events. Based on agreement with the Allegheny County Airport Authority (ACAA), the County pays the salaries and fringe benefit costs of the Police patrolling the airport and is reimbursed by ACAA. As such, increased operating transfers from ACAA offset the increased expenditures. Building Guard expenditures are \$443,000 higher than last year because of the increased security at the County Courthouse. Also, Police Training Academy expenditures are higher this year by \$163,000. A new Bureau of Criminal Investigation, with costs of \$733,000 for 2001, is included in this functional area of expenditures. Lower costs at Emergency Management of \$222,000, mostly in salaries, fringe benefits and services, offset these expenditure increases.

- ◆ Public works' expenditures decreased \$2.0 million in 2001. The department's maintenance expenditures are down \$1.1 million from 2000 in the categories for personnel, fringe benefits and, to some extent, materials. Salaries and fringe benefits are \$2.1 million and \$1.2 million respectively, for 2001 versus \$2.6 million and \$1.8 million respectively, for 2000. A

COUNTY OF ALLEGHENY, PENNSYLVANIA

shift in personnel caused the decrease. There is a \$1.5 million increase in expenditures for the Parks division of the Department of Public Works, which is classified under the culture and recreation functional category. Also, expenditures in the department's Administrative division are down \$156,000 versus 2000, Engineering division costs are down \$259,000 and Facilities Management division costs are down \$471,000.

◆ *Health and welfare expenditures increased by \$19.0 million between 2000 and 2001. Expenditures for the Office of Children, Youth and Families (CYF) increased \$15.0 million in 2001. CYF programs have expanded because federal funding (Title IV-E and Temporary Assistance to Needy Families) has increased to permit service expansions. The numbers of child-care cases and the provider rates to shelter the children in the office's care have increased from the previous year.*

◆ *Institutional Care costs increased \$2.6 million in 2001. In addition, Home Detention/Electronic Monitoring Program costs increased \$65,000, while Shuman Juvenile Detention Center costs declined \$121,000. The increase in Institutional Care costs occurred because Juvenile Court judges have been placing adjudicated juveniles in a more secure detention facility with enhanced treatment regimens since October 2000. The facility offers greater treatment options, but placement at the facility is approximately \$120 per-day higher than the average out-of-home placement. During 2001, the County incurred cost for 6,174 days, at a cost of \$1.7 million. Additionally, because provider rates have been set a level commensurate with the child's needs, the average per-day rate of placement has increased. Finally, the average length of placement has increased.*

◆ Office of Behavioral Health/Mental Retardation (BH/MR) administrative costs continued to be shown in the General Fund. There was little change in costs from last year.

◆ *Expenditures at the John J. Kane Regional Health Centers increased \$2.4 million. Declining numbers of on-staff nurses have required the Kane Centers to contract with agency nurses. Payment rates for contract nurses are typically higher than for on-staff nurses. As such, salary costs decreased and service costs increased in 2001. Overtime and bargaining unit increases have moderated some of the decline in salary costs due to the staff shortage. In addition to increased agency nurse costs, the decline in staff has forced the Kane Centers to contract for mobile X-ray services. Contractual costs for occupational therapy, physical therapy, respiratory therapy and medical evaluations have also increased. Finally, a contract to provide meals at the Kane Centers has resulted in a decrease in supply costs and a corresponding increase in service costs.*

◆ Health Department expenditures are \$1.2 million lower than last year. Salaries for the Administration and Medical divisions are lower. Fringe benefits remained steady across all divisions. Services dropped slightly for the Administration division and dramatically for the Environmental Health division, where contracted services decreased from \$566,000 last year to \$217,000 this year. Equipment expenditures are lower for all divisions.

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- ◆ *Culture and recreation costs increased by \$1.9 million year to year, primarily due to higher Parks expenditures of \$1,465,000. The Parks' salaries and fringe benefits increased because of the aforementioned shift in personnel. In addition, Special Events, with total expenditures of \$523,000 is a new division included in this category for 2001. The office used to be budgeted with the County Manager's Office.*

- ◆ Education expenditures represent grants to various education agencies that are made throughout the year upon request of the agency. The slight decrease from 2000 to 2001 is because this year's payment to the Local Government Academy was \$1,175 lower.

- ◆ Economic development expenditures increased by \$1.3 million, from \$881,000 in 2000 to \$2.2 million in 2001. Some of the expenditures in this category, like the education category above, represent grants to development agencies that are made throughout the year upon request of the agency. However, the increase for 2001 is because in prior years, the annual report reclassified only the tax increment financing (TIF) payment to the Moon Transportation Authority from general government expenditures to economic development expenditures. Last year, the payment was \$458,000, while this year it was \$270,000. Beginning in 2001, all TIF payments the County collected and paid out have been reclassified, resulting in lower general government and higher economic development expenditures of \$331,000 in 2001. Additionally, the County has recorded the tax revenue and economic development expenditures incurred in 2001 for those TIFs paid directly to the TIF entity or trustee that did not pass through the County. The amount totaled \$1,257,000.

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LIQUID FUEL TAX FUND:

Established by state legislation on June 1, 1931, the Liquid Fuel Tax is an excise tax imposed on all liquid fuels sold or used and delivered within the Commonwealth of Pennsylvania. The present tax rate is 26.6 cents per gallon. Of this amount, one-half cent per gallon is allocated to the Liquid Fuel Tax Fund and is then distributed in June and December of each year to the 67 counties of Pennsylvania.

The Pennsylvania Department of Revenue administers the allocation of this revenue, which must be used by counties for highway and bridge maintenance. Revenues, expenditures and fund balance for the Liquid Fuel Tax Fund for the last two years are as follows:

LIQUID FUEL TAX FUND				
<u>DESCRIPTION</u>	<u>2001</u>	<u>2000</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>PERCENTAGE INCREASE (DECREASE)</u>
REVENUES:				
STATE LIQUID FUEL TAX	\$ 4,271,609	4,328,194	(56,585)	(1.3)%
INTEREST EARNINGS	<u>38,647</u>	<u>63,622</u>	<u>(24,975)</u>	<u>(39.3)</u>
TOTAL REVENUES	4,310,256	4,391,816	(81,560)	(1.9)
EXPENDITURES:				
ROAD MAINTENANCE	<u>4,866,000</u>	<u>4,514,466</u>	<u>(351,534)</u>	<u>(7.8)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(555,744)	(122,650)	(433,094)	(353.1)
FUND BALANCE AT BEGINNING OF YEAR	<u>840,761</u>	<u>963,411</u>	<u>(122,650)</u>	<u>(12.7)</u>
FUND BALANCE AT END OF YEAR	<u>\$ 285,017</u>	<u>840,761</u>	<u>(555,744)</u>	<u>(66.1)%</u>

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DEBT SERVICE FUND AND GENERAL LONG-TERM DEBT ACCOUNT GROUP:

The Debt Service Fund accounts for the accumulation of resources for and payment of the County's general long-term debt principal and interest. The following is a comparison of revenues, expenditures and fund balance for the Debt Service Fund for 2001 and 2000:

DEBT SERVICE FUND				
<u>DESCRIPTION</u>	<u>2001</u>	<u>2000</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>PERCENTAGE INCREASE (DECREASE)</u>
REVENUES	\$ 62,643,306	63,812,861	(1,169,555)	(1.8)%
EXPENDITURES	<u>65,653,878</u>	<u>64,204,939</u>	<u>(1,448,939)</u>	(2.3)
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(3,010,572)</u>	<u>(392,078)</u>	<u>(2,618,494)</u>	(667.9)
PROCEEDS OF GENERAL OBLIGATION BONDS	-	5,238,371	(5,238,371)	(100.0)
PROCEEDS OF GENERAL OBLIGATION REFUNDING BONDS	-	119,428,000	(119,428,000)	(100.0)
PAYMENT TO REFUNDED BOND ESCROW AGENT	-	(119,428,000)	119,428,000	(100.0)
OPERATING TRANSFERS FROM COMPONENT UNITS	<u>50,907</u>	<u>50,885</u>	<u>22</u>	0.0
TOTAL OTHER FINANCING SOURCES	<u>50,907</u>	<u>5,289,256</u>	<u>(5,238,349)</u>	(99.0)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(2,959,665)	4,897,178	(7,856,843)	(160.4)
FUND BALANCE AT BEGINNING OF YEAR	5,238,371	138,995	5,099,376	3,668.7
EQUITY TRANSFER	<u>452,050</u>	<u>202,198</u>	<u>249,852</u>	123.6
FUND BALANCE AT END OF YEAR	<u>\$ 2,730,756</u>	<u>5,238,371</u>	<u>(2,507,615)</u>	(47.9)%

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The ratio of tax-supported debt to assessed valuation is a useful indicator of the County's debt position and is of interest to municipal managers, citizens and investors. This data for the County at the end of 2001 is as follows:

<u>TAX-SUPPORTED DEBT</u>	<u>RATIO OF DEBT TO END-OF-YEAR ASSESSED VALUATION</u>	<u>DEBT PER CAPITA</u>
\$ 601,713,281	1.09 %	\$ 469.48

Tax-supported debt represents all debt of the County. The total amount of long-term debt outstanding of the County consists of \$601,713,281 in General Obligation Bonds at December 31, 2001. Complete detailed information concerning the General Obligation Bonds of the County appears in Schedules J-1 through J-4 of this report.

CAPITAL PROJECTS FUNDS:

The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major facilities. Rigid internal control procedures are practiced by the Controller's Office to ensure that sufficient funding sources are available before approval is given to any new construction contracts, change orders or amendments to existing construction contracts.

In 2000 the County issued General Obligation Bonds, Series C-51, with net proceeds of \$24,995,918, and General Obligation Bonds, Series C-52 with net proceeds of \$25,004,082. The net proceeds were for the County's road, bridge, equipment, building and park rehabilitation programs for 2000 and 2001.

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A comparison of the total revenues, expenditures, proceeds and fund balances for the Capital Projects Fund is shown in the following table:

CAPITAL PROJECTS FUND				
<u>DESCRIPTION</u>	<u>2001</u>	<u>2000</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>PERCENTAGE INCREASE (DECREASE)</u>
REVENUES	\$ 11,127,244	20,653,469	(9,526,225)	(46.1)%
EXPENDITURES	<u>26,774,387</u>	<u>33,309,520</u>	<u>6,535,133</u>	19.6
DEFICIENCY OF REVENUE OVER EXPENDITURES	(15,647,143)	(12,656,051)	(2,991,092)	(23.6)
PROCEEDS OF GENERAL OBLIGATION BONDS	-	50,000,000	(50,000,000)	(100.0)
OPERATING TRANSFERS OUT	(1,980,499)	-	(1,980,499)	(100.0)
OPERATING TRANSFERS TO COMPONENT UNITS	(6,114,992)	(3,300,000)	(2,814,992)	(85.3)
FUND BALANCE AT BEGINNING OF YEAR	109,638,204	75,594,255	34,043,949	(45.0)
EQUITY TRANSFERS	<u>(2,681,168)</u>	<u>-</u>	<u>(2,681,168)</u>	(100.0)
FUND BALANCE AT END OF YEAR	<u>\$ 83,214,402</u>	<u>109,638,204</u>	<u>(26,423,802)</u>	(24.1)%

Revenues decreased \$9.5 million between 2000 and 2001. Rehabilitation of the Glenwood Bridge was completed in late in 2000, and as such, federal reimbursements for the project were \$7.4 lower in 2001. This decrease was offset by a \$1.4 million increase in federal funding for handrail replacements for the 6th, 7th and 9th Street Bridges. State revenues for miscellaneous bridge construction/rehabilitation projects decreased \$2.0 million.

Expenditures decreased \$6.5 million between 2000 and 2001. Expenditures for bridge projects decreased \$5.6 million and roads projects decreased \$1.7 million, while parks projects increased \$1.8 million. The predominant road project in 2001 was the new Settler's Cabin interchange with the Parkway West. Additional projects included the annual program to upgrade and reconstruct existing roadways, milling and paving work, micro-surfacing and seal-coat treatments, and drainage improvements.

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Parks projects included playground safety improvements and the resurfacing of the bicycle path in North Park. Equipment expenditures were the result of efforts to upgrade the computerized financial system and replace nonfunctioning or obsolete equipment. Building projects included roof replacements and elevator repairs at County buildings. Additional financial information on the Capital Projects Funds appears in Exhibits D-1 and D-2 in this report.

GRANTS FUNDS:

The County and Human Service Grants Funds were established for the purpose of accounting for federal, state and other grants and related program expenditures.

The following is a comparison of revenues, expenditures and fund balances for the Grants Funds for the last two years:

GRANTS FUNDS				
<u>COUNTY AND HUMAN SERVICE</u>	<u>2001</u>	<u>2000</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>PERCENTAGE INCREASE (DECREASE)</u>
REVENUES	\$ 531,158,990	454,839,139	76,319,851	16.8%
EXPENDITURES	<u>521,209,997</u>	<u>453,500,373</u>	<u>(67,709,624)</u>	(14.9)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,948,993	1,338,766	8,610,227	643.1
NET OPERATING TRANSFERS	(6,367,174)	(2,509,823)	(3,857,351)	153.7
FUND BALANCE AT BEGINNING OF YEAR	<u>11,890,905</u>	<u>13,061,962</u>	<u>(1,171,057)</u>	9.0
FUND BALANCE AT END OF YEAR	<u>\$ 15,472,724</u>	<u>11,890,905</u>	<u>3,581,819</u>	30.1%

Each grant is established on its own fiscal year or program completion basis in accordance with the grant agreement. Expenditures are controlled within each grant project so as not to exceed the grant revenues provided. These grants encompass a wide variety of projects, including service, training and assistance programs. The increase in both revenues and expenditures can be attributed to the Behavioral Health/Mental Retardation and Behavioral Health/Managed Care program (adults and children on medical assistance), which increased by \$32.0 million and \$13.1 million between 2000 and 2001, respectively. Expenditures for the Community Development Block Grant and Home Investment Program increased \$7.4 million and \$4.7 million, respectively in 2001.

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There were expansions of the Aging Block Grant, Family Center Initiative, Child Support Enforcement program, Medicaid Waiver program, Homeless Assistance program, Human Service Development Fund, Workforce Investment Act, Dislocated Workers, School Based Probation program, Intermediate Punishment program and Local Law Enforcement Block Grant. Exhibits B-4 and B-5 provide detailed listings of grant program resources and uses of funds for 2001.

INTERNAL SERVICE FUNDS:

The Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis, and the County's medical self-insurance plan.

The County has two Internal Service Funds: Central Services and Risk Management. The Central Services Fund is composed of two divisions: Graphics and the Mailroom. Various user departments of the County are charged for the services and materials provided by these divisions. User rates are established to provide for full absorption of operating expenses, including depreciation. The Risk Management Fund expenses include claims incurred and reported, and estimates of claims incurred but not reported. The expenses are ultimately charged to the various user funds.

A comparison of the total operating revenues, expenses and changes in retained earnings for the Internal Service Funds covering 2001 and 2000 follows:

INTERNAL SERVICE FUNDS				
<u>CENTRAL SERVICE AND RISK MANAGEMENT</u>	<u>2001</u>	<u>2000</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>PERCENTAGE INCREASE (DECREASE)</u>
OPERATING REVENUES	\$ 27,341,554	37,221,746	(9,880,192)	(26.5)%
OPERATING EXPENSES	<u>27,341,554</u>	<u>37,223,245</u>	<u>9,881,691</u>	26.5
OPERATING LOSS	-	(1,499)	1,499	100.0
NON-OPERATING REVENUES (NET)	<u>-</u>	<u>1,499</u>	<u>(1,499)</u>	(100.0)
NET LOSS	<u>-</u>	<u>-</u>	<u>-</u>	-
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	-
RETAINED EARNINGS AT END OF YEAR	<u>\$ -</u>	<u>-</u>	<u>-</u>	-

COUNTY OF ALLEGHENY, PENNSYLVANIA

The County's shift to insurance for health care accounts for the decrease in risk management expenditures. Exhibits E-1, E-2 and E-3 provide additional information on the Internal Service Funds.

TRUST AND AGENCY FUNDS:

The Pension Trust Fund supports the County's Retirement System and provides for regular payments to qualified, retired County employees. On December 31, 2001, the fund balance reserved for the Employees' Retirement System was \$648,781,267, representing a decrease of \$62,425,046 from the December 31, 2000 fund balance of \$711,206,313. A decline in the market values of the fund's investments was the primary cause of the decline. Detailed information on the Pension Trust Fund appears in Exhibits F-1 and F-2.

The Agency Fund accounts for the administration of assets that come into the County's possession in connection with its governmental responsibility. Detailed information on the Agency Fund appears in Exhibit F-3.

GENERAL FIXED ASSETS ACCOUNT GROUP:

The general fixed assets of the County are those fixed assets of a significant value used in the performance of general governmental functions but exclude the fixed assets of the proprietary fund. The County has defined significant value as a cost of \$1,000 or more per item.

As of December 31, 2001, the general fixed assets of the County amounted to \$370,493,085. This amount represents historical cost or estimated historical cost. Exhibits G-1, G-2 and G-3 provide data on County general fixed assets (excluding infrastructure) along with the funding source for acquisition of those assets.

CASH MANAGEMENT

A pooled cash account is maintained for County Funds to account for all cash that does not require a restricted bank account. Through the utilization of pooled cash, the Treasurer's Office invests excess cash in short-term investments and thereby achieves the best possible financial return on available funds. Excess cash in restricted bank accounts is also invested in short-term investments.

COUNTY OF ALLEGHENY, PENNSYLVANIA

The results of this year's investment activities are shown below, with a comparison to the previous year:

<u>INTEREST EARNINGS BY FUND TYPE</u>				
<u>FUND TYPE</u>	<u>2001</u>	<u>2000</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>PERCENTAGE INCREASE (DECREASE)</u>
GENERAL FUND	\$ 3,429,753	10,598,843	(7,169,090)	(67.6)%
SPECIAL REVENUE FUNDS	2,397,299	1,979,768	417,531	21.0
DEBT SERVICE FUND	877,529	1,732,607	(855,078)	(49.4)
CAPITAL PROJECTS FUNDS	2,810,908	2,703,120	107,788	3.9
INTERNAL SERVICE FUNDS	<u>-</u>	<u>1,499</u>	<u>(1,499)</u>	<u>(100.0)</u>
TOTAL	<u>\$ 9,515,489</u>	<u>17,015,837</u>	<u>(7,500,348)</u>	<u>(44.1)%</u>

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Allegheny, Pennsylvania, for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2000. This was the 19th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

COUNTY OF ALLEGHENY, PENNSYLVANIA

ACKNOWLEDGMENTS

The information contained in this report provides a comprehensive picture of the financial position of the County of Allegheny. The presentation of this report on a timely basis could not be accomplished without the efficient and dedicated services of many people. I wish to express my thanks and sincere appreciation to all of the staff and auditors who assisted and contributed during its preparation.

Respectfully submitted,

Dan Onorato
Controller