



OFFICE OF THE CONTROLLER
County of Allegheny

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

JAMES M. FLYNN, JR.
Deputy Controller

MICHAEL H. WOJCIK
Solicitor

DAN ONORATO
Controller

April 30, 2003

TO THE CITIZENS OF ALLEGHENY COUNTY:

I am pleased to present the 2002 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, 2002. 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 the government-wide financial statements and fund financial statements 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 2002 financial and management items, the Certificate of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association for the 2001 CAFR, an organization chart and a list of principal officials. The Financial Section contains a report by the independent public accounting firm of Maher Duessel, "Management's Discussion and Analysis," a narrative overview of the County's financial performance for the fiscal year ended December 31, 2002, the basic financial statements, which includes government-wide financial statements and fund financial statements, notes to the financial statements, required supplementary information and combining and individual financial statements and schedules with comparative budgetary and prior year information, as applicable, arranged by fund type. The Statistical Section includes historical financial information, selected demographic and other miscellaneous statistics for the County.

COUNTY OF ALLEGHENY, PENNSYLVANIA

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, 2002.

COUNTY OF ALLEGHENY, PENNSYLVANIA

Founded in 1788, the County of Allegheny is the second most populous county in Pennsylvania and the 29th 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

COUNTY OF ALLEGHENY, PENNSYLVANIA

general-purpose local governments as primary governments. For this report, the County is considered the "primary government."

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 County Industrial Development Authority (ACIDA), and combined data for the Allegheny HealthChoices Inc. (AHCI), Soldiers' and Sailors' Memorial Hall and Museum Trust, Inc. (Memorial Hall) and Allegheny County Conservation District (Conservation District) have been included in the County's government-wide financial statements. They are reported in separate columns to emphasize that they are legally separate from the County.

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.

COUNTY OF ALLEGHENY, PENNSYLVANIA

FINANCE AND MANAGEMENT

GASB UPDATE:

For 2002, the County has implemented Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," issued by the Governmental Accounting Standards Board (GASB Statement #34). This statement, known as the "Reporting Model" statement, affects the way the County prepares and presents financial information. GASB Statement No. 34 establishes new requirements to enhance the understandability and usefulness of the County's Comprehensive Annual Financial Report. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. 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.

GASB Statement #34 requires that comprehensive annual financial report include a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports. Information regarding the County's results of operations, formerly included in this transmittal letter, can now be found in the MD&A.

INDEPENDENT AUDIT:

For the 23rd consecutive year, the County's General Purpose Financial Statements have been audited by an independent public accounting firm. The unqualified opinion of Maher Duessel, Certified Public Accountants, is included in the Financial Section of this report.

COUNTY OF ALLEGHENY, PENNSYLVANIA

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 2001 CAFR. This was the 20th 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.

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 2002 calendar year to inform County taxpayers and protect their financial interests.

PERSONNEL ACTIONS:

In January, Valerie McDonald Roberts was sworn in as Recorder of Deeds and Michael E. Lamb was sworn in as Prothonotary. Also, Peter R. DeFazio and Cyril H. Wecht, M.D., J.D., began new terms as Sheriff and Coroner, while Jean A. Milko and Allan C. Kirschman began new terms as Jury Commissioners.

At its first meeting in January, James E. Simms was elected President of County Council and Rick Schwartz was elected Vice-president. Also, Doug Price, C. L. Jabbour and Brenda Frazier began their first full terms on County Council, while incumbents Ronald L. Francis, Jr., Tom Shumaker, Charles J. Martoni, and Wayne Fontana began second terms.

In March, County Councilman Mike Crossey resigned. Jim Fenton was appointed to fill the remainder of his term. In June, Earl F. Hord, Director of the Department of Economic Development, retired. Stephen E. Morgan was appointed to the position. In October, County Solicitor Terrence F. McVerry resigned to accept an appointment to the bench of the U.S. District Court for Western Pennsylvania. In November, Charles P. McCullough was appointed in his place. A list of the County's principal officials can be found on page 43 of this report.

COUNTY OF ALLEGHENY, PENNSYLVANIA

COUNTY OPERATIONS

MAJOR CURRENT YEAR INITIATIVES:

During 2002, the County implemented J.D. Edwards One World Xe (J.D. Edwards) enterprise software in order to support the County's increasing business needs. The project's goal was to lay the foundation for an integrated, county-wide, business information network that facilitates the sharing of information across departments, provides real-time transaction processing, and improves data management and reporting tools for accounting, contracts, budgeting, purchasing, human resources and payroll. The effort was coordinated by the Controller's Office, Division of Computer Services and Department of Human Services. Key systems used for processing financial and human resources data were upgraded in these departments, as well as in the Department of Human Resources and Division of Purchasing. In addition, key business processes were redesigned to take advantage of J.D. Edwards' functionality. While the project focused on the departments mentioned above, the entire County will benefit from the improvements made to financial systems, business processes and technology infrastructure through new inquiry screens that track important financial data and new financial reports that provide more detailed information. As a fully integrated system, J.D. Edwards provides the functionality to reduce the duplicate entry of information into multiple systems, and reduce the effort and time required to support and maintain numerous and disparate systems and interfaces across the County. By collecting and disseminating information in a more timely and useful manner, J.D. Edwards will enable County management to have real-time information to support key business decisions.

The Allegheny County Industrial Development Authority (ACIDA) issued Guaranteed Revenue Bonds in the amount of \$65 million to demolish the Allegheny County Jail Annex Building and construct a new office building. The building will house offices for the Department of Human Services and the Coroner. The project is in the architectural design phase. Construction is scheduled to begin during 2003.

The Redevelopment Authority of Allegheny County (RAAC) approved the capitalization of a loan to the Waterfront Main Street Development Fund, up to \$1.5 million, from the Economic Development Fund. As a result, repayment of the loan will be guaranteed through the assignment of proceeds from additional tax revenues generated by the Waterfront Development, a complex of retail, restaurants and corporate tenants extending through the communities of Homestead, West Homestead and Munhall. The Main Street Development Fund will be used to improve the existing business district on Eighth Avenue. The fund will support costs related to the revitalization of the area, including engineering and design services. It will also provide loans and grants to businesses to undertake renovations. The fund is intended to spotlight and assist smaller boutique and specialized businesses that can draw upon the Waterfront's client base.

COUNTY OF ALLEGHENY, PENNSYLVANIA

RAAC also extended a loan commitment of \$2 million from the Allegheny County Economic Development Fund to Massaro Limited Partnership for the construction of a 112,000-square-foot office facility on a 21-acre site in Moon Township. Total development costs are anticipated at \$14.3 million. This is the first of four buildings planned for the site.

ALLEGHENY COUNTY AIRPORT AUTHORITY (ACAA)/PITTSBURGH INTERNATIONAL AIRPORT:

Passenger levels at Pittsburgh International Airport (PIT) decreased in 2002 from the level set in 2001, with a total of 18.0 million passengers flying into or out of the facility. This represents a decrease in plane ridership of 9.6% compared to the 19.9 million passengers that utilized the facility in 2001.

The Official Airline Guide Worldwide once again named Pittsburgh International Airport among the top five airports in the world. PIT was the only airport in the United States to make the prestigious list. This marks the fourth consecutive year the airport has been a finalist for the guide's "Best Airport" award.

America West Airlines initiated service between Pittsburgh and Phoenix in October, offering two round-trip flights every day between the two cities. From Phoenix, passengers can make connections to dozens of America West destinations in the Western states and Calgary and Vancouver in Canada, along with nine cities south of the border, including Mexico City, Los Cabos and Puerto Vallarta. The carrier presently offers similar service between Phoenix or Las Vegas and 20 cities east of the Mississippi.

US Airways, ACAA's major signatory airline (accounting for 83% of enplaned passengers in 2002) emerged from bankruptcy on March 31, 2003 and rejected all unexpired leases and obligations with ACAA, effective January 5, 2004. ACAA has developed plans for multiple scenarios to operate PIT assuming various levels of activity/passenger enplanements related to US Airways. The Governor of the Commonwealth of Pennsylvania has formed a task force comprised of representatives of the Pittsburgh and Philadelphia airports to negotiate with US Airways on a unified state-wide basis.

PORT AUTHORITY OF ALLEGHENY COUNTY:

During 2002, the Port Authority of Allegheny County (PAT) completed the second phase of its' light rail transit station improvement program. Construction activities, including concrete repairs to platforms, new station furnishings, improved lighting, weather repellent screens and sign refinishing resulted in upgraded customer amenities and improved aesthetics at the stations.

COUNTY OF ALLEGHENY, PENNSYLVANIA

PAT has undertaken a Maglev Environmental Impact Statement study in cooperation with the Pennsylvania Department of Transportation and the Federal Railroad Administration. The project is the initiative of Maglev, Inc., which has advanced the high-speed Maglev effort for more than a decade. The Pittsburgh and Washington D.C./Baltimore regions are competing for \$950 million in federal funding to construct the nation's first high-speed Maglev transportation system.

Plans for the Pennsylvania Maglev project include a 54-mile line connecting Pittsburgh International Airport, the Pittsburgh central business district, Monroeville and Greensburg, Pennsylvania, with multi-modal stations at each location. The entire trip from the airport to Greensburg would take approximately 35 minutes, including stops. The project team is currently refining the proposal and conducting a preliminary environmental investigation of the study area. The \$3.5 billion project is estimated to generate up to 10,000 temporary jobs and approximately 1,000 permanent jobs in the region. Opportunities include manufacturing and fabrication jobs related to an anticipated 200,000 pounds of plate steel needed to build the guideway.

The Federal Transit Administration (FTA) has given PAT approval to begin final design of the North Shore Connector, which will extend its' light rail transit system under the Allegheny River to the new David L. Lawrence Convention Center and the growing North Shore. Congress has already appropriated funds for final design, which will take approximately one year to complete. Once underway, the \$389 million project should be completed by 2007.

PAT's final design efforts will include continued coordination of project plans with Continental Realty and the Pittsburgh Parking Authority, which are formulating development plans at two of the four proposed North Shore Connector Stations. Continental Realty is developing the area between PNC Park and Heinz Field under which the North Shore Connector alignment will pass. The Pittsburgh Parking Authority is planning a new intermodal facility as part of a development that includes a new Greyhound station adjacent to the planned Convention Center Station.

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.

COUNTY OF ALLEGHENY, PENNSYLVANIA

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.

CURRENT LOCAL CONDITIONS

The County, as part of the nation's industrial heartland, experienced an economic transformation nearly 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 Allegheny County and the surrounding region engineer an impressive economic rebound. Currently, the County is more economically diverse than at any point in its history. The quality of life in the region has also improved.

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.

While the continued diversification has contributed to overall regional growth in the past few decades, the local economy felt the impact of a national economic downturn in 2002. Evidence of this can be discerned from the region's employment data. According to the Pennsylvania Department of Labor and Industry's Center for Workforce Information and Analysis, the average annual unemployment rate in Allegheny County for 2002 was 4.7% compared to 3.8% in 2001 and 3.7% in 2000.

Comparatively, the average unemployment rate for the Pittsburgh Metropolitan Statistical Area, which includes Allegheny, Butler, Beaver, Westmoreland, Fayette and Washington counties, was 5.4% in 2002. The statewide average unemployment rate for 2002 rose to 5.7%, while the national rate climbed to 5.8% for the year.

COUNTY OF ALLEGHENY, PENNSYLVANIA

The number of workers who lost their jobs in 2002 further illustrates the region's ailing economy. Originally, the state estimated that businesses in the six-county metropolitan region would lose about 9,000 jobs throughout the year. However, reports indicate that employers in the Pittsburgh region actually shed more than 12,000 workers. Although the job gain figures for 2001 were revised upward by 900 to 6,900, the losses in 2002 outweighed the increase.

Based on an annual review of business payroll taxes, the state Department of Labor and Industry reports that 2002 experienced major declines in manufacturing, trade and transportation.

Manufacturing reported a decline of 7,600 jobs from 2001. Construction lost an average of 1,400 jobs during 2002. Average unemployment in trade, transportation and utilities industries fell by 5,191 to 232,600 during the year. The total number of non-farm jobs fell by 12,100 or 1.1% in 2002.

On the other hand, the education and health care industries gained more than 4,500 jobs, ending the year with average employment of 204,400 jobs. Leisure and hospitality industries – an array of arts, entertainment, lodging and food establishments that employ more than 100,000 people – gained on average 1,100 jobs. Local, state and federal governments gained 1,100 jobs in 2002 for an average of 125,900 jobs. Additional employment information regarding the County can be found on Table XII of this report.

The continued decline in mortgage rates beat out the economic downturn, causing home sales in the County to increase for the year. According to RealSTATs, a Pittsburgh-based real estate information company, the number of sales in the County increased from 17,743 in 2001 to 18,850 in 2002. For residential homes in Allegheny County costing more than \$10,000, the average sales price was \$122,051 for the year compared to \$116,148 in 2001.

And despite the struggling economy, new-home construction increased in 2002. According to Pittsburgh Construction News, a local construction market tracking service, the number of permits issued for single-family homes jumped by 6.8% from 2001. The value of homes for which permits were issued was \$720 million for the year. In the six-county metropolitan statistical area, Allegheny County had the highest number of single-family permits issued in 2002.

However, nonresidential construction slowed significantly in 2002. Specifically, the value of commercial buildings for which permits were issued in the six-county region declined to an estimated \$1.8 billion, from \$2.1 billion in 2001.

COUNTY OF ALLEGHENY, PENNSYLVANIA

PROSPECTS FOR THE FUTURE

REGIONAL ECONOMIC OUTLOOK:

Experts predict a slight economic recovery for the region in 2003. Richard Moody, regional economist for PNC Financial Services Group, forecasts a 0.6% increase in jobs for the six-county area, but estimates that local hiring will remain virtually flat for 2003. Moody predicts that the United States' involvement in international conflicts will continue to have an impact on the 2003 economy. Business spending is expected to increase modestly, while individual incomes are expected to increase 2.1% in 2003.

Jeff Burd, President of Pittsburgh Construction News, estimates that in 2003, the County can expect housing development to grow again by about 2% to 5%. However, consumers' uncertainty about the economy, the level of economic development in the region, and interest rates will impact growth.

Statistics indicate that the economic recovery is off to a slow start. The Pennsylvania Department of Labor and Industry reported that the region's unemployment rate jumped to 6.1% in January 2003, which matched Pennsylvania's rate and marked the state's highest rate since August of 1994. However, the national rate was down three-tenths of a percentage point to 5.7% in January 2003. In the meantime, local businesses, universities, health care providers and non-profit organizations prepare for the future.

Several new office buildings were erected in 2002. GlaxoSmithKline Consumer Healthcare moved into its new \$49 million headquarters in Moon Township in October, while Alcoa Business Services Center relocated from Two Allegheny Center to a new \$32 million building on Pittsburgh's North Shore.

Along the Monongahela River, construction is progressing on the public/private SouthSide Works project. Developed at the site of the former LTV Steel plant along East Carson Street, the 34-acre mixed-use complex will feature office space, residential units, specialty retail outlets, restaurants and a hotel. Several buildings have been completed, and in the spring of 2003, the Soffer Organization will begin development for an \$18 million cinema/retail/entertainment complex.

The U.S. Department of Housing and Urban Development tapped the SouthSide Works project for a Brownfields Economic Development Initiative Grant of \$1.5 million and another \$4.5 million in Section 108 loan guarantees. The funds will support the construction of an 827-space parking garage. The SouthSide project was honored with the Phoenix Award at the 2002 National Brownfields Convention for excellence in brownfield redevelopment.

COUNTY OF ALLEGHENY, PENNSYLVANIA

The Waterfront development includes retail stores, restaurants and corporate tenants and stretches through the communities of West Homestead, Homestead and Munhall. Adding to the existing development, Residence at the Waterfront, a luxury apartment and townhouse complex, opened in 2002. By fall 2003, a new Kaufmann's department store and a Courtyard by Marriott hotel are scheduled to open.

In August 2002, Children's Hospital of Pittsburgh announced it would acquire the former St. Francis Medical Center in Lawrenceville and construct a new Children's Hospital on the site. The \$420 million renovation and reconstruction project is set for completion in 2007. The new hospital is expected to contain 230,000 square feet of research space and a 263-bed inpatient and clinical complex.

Construction of the Pittsburgh Cultural Trust's Theatre Square project in the downtown Cultural District should be completed in the spring of 2003. The ten-story, \$27 million complex will include a street level 200-seat cabaret theatre, a central ticket office with drive-through window, 4,500 square-feet of retail space and a multi-level parking garage.

Late in 2002, the Senator H. John Heinz Pittsburgh Regional History Center received a \$9 million state grant to help fund plans to build a five-story addition on Smallman Street in Pittsburgh's Strip District. The building will house traveling exhibits created by the Smithsonian Institute, as well as artifacts from the Historical Society of Western Pennsylvania, the Western Pennsylvania Sports Museum. Construction of the \$27 million project should be completed in 2004.

The Pittsburgh Children's Museum on the North Side has embarked on a \$28 million expansion project to bring hands-on exhibits to its current location and to the neighboring Buhl Planetarium building. The buildings will be linked by a new, three-story connecting building. The new museum is scheduled to open in September 2004.

Phipps Conservatory and Botanical Gardens in Oakland has embarked on an expansion and renovation project that will include a new conservatory for themed displays, a new front pavilion, improved visitor amenities and horticultural facilities, and new offices. The Conservatory received \$5 million in state assistance to fund the \$34 million project slated to begin in 2003.

The Carnegie Museum of Natural History in Oakland announced plans to expand its Dinosaur Hall. The expansion will house new exhibits that integrate dinosaurs into the environments of their respective time periods. A \$15 million state grant will help fund the \$35 million project. Construction is expected to begin in 2004. In addition, the National Aviary is in the preliminary stages of planning an expansion for its current facility on the North Shore.

COUNTY OF ALLEGHENY, PENNSYLVANIA

2003 PREVIEW:

The grand opening of the new \$365 million David L. Lawrence Convention Center is scheduled for September 2003. The center triples Pittsburgh's capacity for meetings, conventions and exhibitions, and incorporates a helipad, sculpture garden, pedestrian walkway to the Allegheny River and riverfront promenade. It also features 330,000 square feet of exhibit space; 250,000 square feet of column-free exhibit space; a 34,000-square-foot ballroom; 53 meeting rooms and two 175-seat lecture halls; as well as state-of-the-art teleconference and telecommunications capabilities. The convention center is expected to generate additional revenues for the hospitality community, as well retail businesses and sporting and cultural venues. A combination of \$175 million in state capital funds and \$180 million in bonds backed by the County's hotel/motel tax financed the expansion. There are plans for a new 500-room hotel to accompany the new Convention Center as well.

Ohio-based Continental Real Estate plans to begin work on a retail and office development between Heinz Field and PNC Park on Pittsburgh's North Shore by spring or summer of 2003. Adding to the North Shore development, the Pittsburgh Steelers unveiled plans in late 2002 to build a \$9 million, 5,600-seat, fabric roof amphitheater adjacent to Heinz Field. Construction is expected to start in late spring or early summer, enabling the amphitheater to be open for concerts in May 2004.

Siemens Westinghouse Power Corp.'s new 180,000-square-foot fuel cell plant at the Waterfront development in Munhall was nearly complete at the end of 2002. Construction costs were aided by a \$2 million loan from the Redevelopment Authority of Allegheny County. Siemens originally planned to launch its fuel cell product line in 2003 and employ as many as 500 workers. However, due to the national economic downturn, the company will remain in the pre-commercialization phase longer than expected. Fuel cells are designed to offer cleaner, more efficient energy sources for industrial parks, hospitals and office buildings.

The County plans to utilize additional Tax Increment Financing (TIF) plans to spur economic development. The TIF plan for Mt. Nebo Point, prepared by the County's Department of Economic Development, was approved and adopted by the County, Ohio Township and the Avonworth School District. The plan, for retail development with office and hotel space, allocates certain tax revenues as funding public road improvements, water distribution systems, sanitary sewer systems and storm water improvements, as well as wetland and stream enhancements. The development is expected to generate 483 part-time jobs and 700 full-time positions, with an additional 250 construction related jobs.

Finally, the TIF plan for Frazier Mills was approved and adopted by the County, Frazier Township and the Deer Lakes School District. This project will feature a multiple-anchor retail and entertainment center of over 1 million square feet, as well as ancillary commercial development of over 600,000 square feet. Ancillary uses may include retail, entertainment, services, restaurants, hotels, and office components. The TIF plan allocates certain tax revenues for the construction of a new interchange and bridge accessing state Route 28, as well as improvements to local roadways, sewer, electrical, gas and water lines.

COUNTY OF ALLEGHENY, PENNSYLVANIA

2003 BUDGET:

On December 3, 2002, County Council adopted a 2003 Operating Budget of \$653.1 million. The Chief Executive vetoed various line-items of the budget on December 12, 2002, prompting Council to declare the vetoes invalid. To date, the budget dispute remains unsettled. The Chief Executive maintains that he can use his line-item veto power to set department and row office allocations at any level lower than the Council approved amount. County Council contends that the Chief Executive has two choices with respect to any row office or department: either accept Council's budget figure or veto the entire allocation. The vetoes trimmed allocations to eight row offices and one executive department. In a joint letter signed on December 24, 2002, the Chief Executive and County Council agreed to use the Chief Executive's budget until the dispute could be settled. The Chief Executive's operating budget totaled \$650.9 million for 2003. The budget maintained the real property tax rate of 4.69 mills.

Additionally, County Council has adopted a 2003 Capital Budget and Five-Year Capital Improvement Plan. The 2003 Capital Budget totals \$33.1 million and includes 50 infrastructure and capital improvement projects and two feasibility studies. Also, County Council approved a 2003 Grants and Special Accounts Budget of \$657.2 million. No disputes exist regarding the Capital or Grants and Special Accounts Budgets.

On December 31, 2002, the County's Property Assessment Oversight Board certified the assessed valuation of real property for the County for 2003.

Unlike the previous two years, county property owners will not see a reassessment in 2003. In fact, the assessed value of taxable properties will actually decrease from the previous year's level by 4.5%. The decrease is the result of assessment appeals. A 1997 court ruling found that the County's property assessment system resulted in assessments that were not uniform, and therefore inequitable. As a result, Allegheny County was required to revalue all county properties by 2001. The 2001 revaluation resulted in 92,000 property owners filing assessment appeals. Of the 2001 appeals that have been decided, approximately 65% have resulted in reductions that averaged 27%, approximately 7% have resulted in increases that averaged 42%, and approximately 28% resulted in no change to the property value.

A further revaluation in 2002 resulted in approximately 91,000 new appeals for 2002 and an additional 38,000 of property owners who filed appeals in 2001 but did not receive a hearing during 2001. Of the 2002 appeals that have been decided, approximately 58% have resulted in reductions that averaged 23%, approximately 3% have resulted in increases that averaged 45%, and approximately 39% resulted in no change to the property value.

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

COUNTY OF ALLEGHENY, PENNSYLVANIA

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

Under provisions of the Second Class County Code, 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. 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: governmental funds; proprietary funds, and; fiduciary funds.

BASIS OF ACCOUNTING:

The accounting records for the County's governmental funds 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 funds 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.

COUNTY OF ALLEGHENY, PENNSYLVANIA

Budgetary control is maintained at the total budget, 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.

2002: THE YEAR IN REVIEW

During 2002, 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 4, 2001, County Council adopted a \$658.8 million operating budget for 2002. The budget was balanced using \$12.7 million of reserved fund balance in the General Fund and \$6.4 million of undesignated fund balance in the General Fund. The budget set the real property tax rate at 4.72 mills. On April 2, 2002, County Council adjusted the 2002 millage rate. The rate was lowered from 4.72 mills to 4.69 mills.

During 2002, the County made a one-time transfer from the Debt Service Fund to the General Fund of \$9,134,153. The transfer represents the savings resulting from refinancing certain issues of the County's general obligation bonds (\$3,888,614) as well as the Debt Service Fund's portion of the fund balance used to balance the 2003 Budget (\$5,245,539). In addition, a \$1,478,629 transfer from the Capital Projects Fund was made to reimburse the General Fund for minor equipment purchases during the year, and a \$1,188,247 transfer was made from the Clerk of Courts' Individual Appearance Bond Account to the General Fund representing escrowed bond forfeiture funds determined to belong to the County. Finally, a \$4,347,032 transfer was made from the General Fund to the Title IV-D Child Support Enforcement program in the County Grants Fund. Financial support in the form of tax revenues had not been transferred to the program for several years. All of these additional sources, which total \$11.6 million, are included in the General Fund's undesignated fund balance at December 31, 2002.

The additions to the General Fund fund balance are summarized as follows:

<u>Addition</u>	<u>Amount</u>
Transfer from Debt Service Fund	\$ 9,134,153
Transfer from Capital Projects Fund	1,478,629
Transfer from Clerk of Courts' Individual Appearance Bond Account	1,188,247
Transfer to County Grants IV-D Program (Prior years)	(1,754,980)
Decrease in I.B.N.R. payable	<u>1,570,977</u>
	\$ <u>11,617,026</u>

COUNTY OF ALLEGHENY, PENNSYLVANIA

After adjusting for the aforementioned one-time additions, results of operations for fiscal year 2002 indicate an \$10.4 million operating use of fund balance in the General Fund, compared to a \$8.5 million operating use of fund balance in the General Fund in 2001. The following revenue and expenditure overview details the activity that resulted in the \$10.4 million operating use of fund balance.

REVENUE AND EXPENDITURE OVERVIEW

This 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.

REVENUES:

Revenues for all general governmental functions, excluding the internal service funds, totaled \$653,136,085 in 2002, which represents a decrease of 1.1% compared to revenues for 2001. 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, excluding the transfer from the Debt Service Fund mentioned above.

COUNTY OF ALLEGHENY, PENNSYLVANIA

Revenues for 2002 and 2001 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>	<u>2002 ACTUAL</u>	<u>2001 ACTUAL</u>	<u>VARIANCE</u>	<u>PERCENTAGE</u>
TAXES – PROPERTY	\$ 260,914,127	241,497,867	19,416,260	8.0%
TAXES – SALES AND USE	36,525,074	36,306,595	218,479	0.6
LICENSES AND PERMITS	1,996,219	1,831,553	164,666	9.0
FEDERAL REVENUES	143,349,308	149,014,500	(5,665,192)	(3.8)
STATE REVENUES	122,720,010	138,824,604	(16,104,594)	(11.6)
LOCAL UNITS REVENUES	15,565,181	15,224,846	340,335	2.2
CHARGES FOR SERVICES	53,636,679	52,174,315	1,462,364	2.8
FINES AND FORFEITURES	3,670,891	3,328,185	342,706	10.3
INTEREST EARNINGS	3,375,148	4,345,929	(970,781)	(22.3)
MISCELLANEOUS	9,904,819	12,856,266	(2,951,447)	(23.0)
OTHER FINANCING SOURCES	<u>1,478,629</u>	<u>4,980,499</u>	<u>(3,501,870)</u>	<u>(70.3)</u>
TOTAL REVENUES	<u>\$ 653,136,085</u>	<u>660,385,159</u>	<u>(7,249,074)</u>	<u>(1.1%)</u>

When compared to the previous year, 2002 revenues decreased by \$7.2 million, or 1.1%. Combined, real property and sales and use taxes accounted for 45.5% of the County's revenues in 2002, compared to 42.1% in 2001. Overall, revenues from real property taxes increased \$19.4 million or 8.0% in fiscal year 2002. The increase is due to several factors. First, current collections increased \$17.0 million. The increase is the net result of higher assessments, a slightly lower tax rate and new construction added to the tax rolls. Additionally, delinquent tax revenues were higher by \$1.5 million. Much of that increase is in the current-delinquent category, which represents individuals paying their 2002 taxes after the June 30th deadline. The remainder represents individuals paying 2001 taxes in 2002 before they would be liened.

COUNTY OF ALLEGHENY, PENNSYLVANIA

Actual liened collections increased \$414,000, and interest and penalty on delinquent and lien tax payments increased \$145,000. Additionally, tax refunds were \$265,000 lower than the previous year. The 2002 reassessment resulted in approximately 91,000 appeals being filed by property owners, versus 92,000 appeals in 2001. In addition, approximately 38,000 property owners who filed appeals in 2001 but did not receive a hearing in 2001 were automatically given appeal hearings for their 2002 values. Hearings on the 2002 appeals are ongoing. The County also received \$85,000 higher in-lieu-of-tax payments from tax-exempt entities in 2002.

There was a slight increase in sales and use tax revenues from last year, which is somewhat surprising given the state of the economy. December tax collections were \$4,714,381. This was the largest monthly amount the County has ever received since the tax started in 1994.

Higher collections of firearm licenses and Health Department restaurant permits are the reason for the increase in license and permit revenues year to year. The cost of a five-year firearm license increased from \$17.50 to \$19.00 during late 2001.

A number of factors are responsible for the decrease in federal revenues of \$5.7 million. The County is permitted to drawdown on federal air pollution revenues in an amount equal to 50% of expenditures incurred, up to an annual maximum. For 2002, the Health Department began spending more Title V money in the County Grants Fund and less money in the General Fund for air pollution programs. As a result, the reimbursement is \$268,000 lower.

A change in accounting requirements in 2001 pertaining to revenue recognition is the reason for the year to year decreases in Temporary Assistance for Needy Families (TANF) and Title IV-E Child placement revenues in 2002 for the Office of Children, Youth and Families (CYF). GASB Statement No. 33, "Accounting and Financial Reporting for Non-Exchange Transactions," established accounting and reporting standards on 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. Per this statement, the County restated its' 2001 beginning General Fund fund balance. All revenues not received within 90 days after December 31, 2000 were affected. As a result, the County's 2001 beginning General Fund fund balance was decreased by \$21,949,743, and the revenues from such transactions were recognized in fiscal year 2001 upon collection. The impact on TANF revenues for 2001 was \$5.7 million, as was the impact on Title IV-E revenues. In effect, this revenue was a reimbursement for 2000 expenditures. At year-end 2001 and 2002, all revenues were received within the appropriate time periods per the GASB Statement No. 33 requirements. As a result, TANF revenues are \$4.9 million lower in 2002 and Title IV-E revenues are \$3.0 million lower.

Title IV-B - Adoption Services funding increased \$520,000 in 2002. The County's allocation was decreased in 2001 in order to increase other CYF funding. The allocation was restored in 2002. Title XX - Social Services funding increased during the fourth quarter of 2002, resulting in a \$132,000 increase in revenues year to year.

COUNTY OF ALLEGHENY, PENNSYLVANIA

Federal revenues for the Office of Behavioral Health/Mental Retardation increased \$350,000 this year, mainly because of an increase in Title XIX funding. In addition, Skilled nursing care revenues at the John J. Kane Regional Health Centers increased \$889,000, while Medicare revenues increased \$336,000. Finally, fluctuations in the number of federal prisoners housed in the County Jail resulted in increased maintenance of prisoner revenues of \$187,000.

State revenues are \$16.1 million lower in 2002 for the reasons detailed below.

Health Department revenues are \$1.4 million lower year to year. The Health Department is reimbursed by the State, the lesser of: \$6 per capita less non-participating communities or 50% of the expenditures incurred. For 2002, the state has reformulated how they reimburse expenditures. They are withholding more environmental health expenditures, which are primarily reimbursed by Act 12 revenue, before they calculate what expenditures are available for reimbursement with Act 315 revenue. As a result, Act 12 revenue is higher year to year by \$38,000, while Act 315 revenue is lower by \$1.4 million.

For state fiscal years 2000/2001 and 2001/2002, we were allocated \$7.5 million in criminal justice and the crime lab subsidies. Thus, the combined total of the two revenue sources for County fiscal year 2001 was \$7,461,059. For state fiscal year 2002/2003, we were only allocated \$5.5 million. As a result, accruals for these revenues at the end of 2002 were made in order to split the shortfall between fiscal years 2002 and 2003.

State Act 148 revenues for CYF decreased \$6.0 million between years. GASB Statement No. 33 had an effect here as well. Last years total includes \$10.5 million related to 2000 expenditures. Increases in the County's allocation have helped to offset some of the variance. The County's allocation has risen from \$68.9 million for state fiscal year 2001/2002 to \$74.8 million for fiscal year 2002/2003.

Beginning, July 1, 2002, administrative expenditures of the Office of Behavioral Health/Mental Retardation are being shown along with programmatic expenditures in the Human Services Grants Fund. As a result, there is a decrease in state funding in the General Fund of \$7.3 million in 2002.

Once again, Pennsylvania's deregulation of electric utilities has resulted in lower Public Utility Realty Tax (PURT) revenues. The decrease from 2001 is \$413,000. Electric power plant properties are no longer tax-exempt. Thus, the total pool of funds distributed is lower.

In 2001, the County accrued \$512,000 in Senior Judge operational support revenues, a new revenue source. The actual amount received turned out to be \$81,000 less than what was accrued, and the funding was eliminated. Hence the decrease year to year.

Finally, adult probation revenues for the Court of Common Pleas increased \$331,000 in 2002. In addition, skilled nursing care revenues at the Kane Regional Health Centers increased \$728,000, while medical assistance paid prescription revenues decreased \$738,000.

COUNTY OF ALLEGHENY, PENNSYLVANIA

Funding from the Regional Asset District for the County's parks system increased \$370,000 in 2002. As a result, local governmental units revenue is higher.

Charges for services and facilities revenues are \$1.5 million higher this year. General government revenues are \$1.3 million higher in 2002. Last year, County Police salary and fringe reimbursements from the airport authority were \$7.3 million. This year, the reimbursement totals \$8.6 million. Hence the increase year to year. In addition, Recorder of Deeds' filing fees increased up \$988,000 from the previous year and Sheriff's filing fees increased \$435,000. Meanwhile, Prothonotary's Office filing fees are lower by \$718,000, Register of Wills' filing fees are lower by \$277,000 and the Jail's reimbursement for its' BH/MR unit expenditures are lower by \$305,000.

Real estate revenues represent the County's commission on realty transfers. The revenues are directly related to number of deeds being transferred and to the amount involved in the transfers. In 2002, the Recorder of Deeds' Office experienced the highest recording year in its history, with 262,000 items recorded. Not only was there an increase in property transfers, but sale prices also increased, resulting in \$203,000 of increased revenues in 2002.

Collections from parents and guardians represent supplemental receipts from parents to CYF and Juvenile Court. The amount of revenue varies according to the size of the payments assessed and the number of cases processed. Revenues in 2002 increased \$1.1 million.

The decrease in patient income at the Kane Regional Health Centers of \$701,000 is the result of fewer self-pay patients during 2002.

Finally, administrative fees decreased \$609,000 from last year. Administrative expenditures for the Area Agency on Aging were shifted to the Human Services Grants Fund beginning July 1, 2002. As a result, reimbursement for those charges is no longer recorded in the General Fund.

Fines and forfeiture revenues increased \$343,000 between 2001 and 2002. The fines collected by the district justices are largely determined by the type and volume of cases handled.

Interest earnings declined from last year by \$463,000. In 2001, the tax due date was pushed back one month because of reassessment-related matters. For 2002, County Council extended the tax due date two months as a result of further reassessment matters. So the County had approximately \$185 million less in idle cash for an entire month compared to 2001. Interest rates in 2002 were also lower, of course.

Miscellaneous revenues decreased \$3.0 million in 2002. Sale of property, equipment and supplies revenue increased \$581,000, as the County sold one of its warehouses. But other receipts decreased \$3.5 million. Last years total includes the \$5.0 million returned to the County by RAAC, as bond proceeds were used to make the debt service payments on the Economic Development Fund bonds rather than the County's sales tax revenue. Meanwhile, landfill trust fund revenues at the Health Department increased \$710,000 in 2002.

COUNTY OF ALLEGHENY, PENNSYLVANIA

Other financing sources represent one time adjustments to revenues received during the year from other funds within the County, excluding the Debt Service Fund transfer previously mentioned.

The following table details the variances between budgeted and actual revenues for general governmental functions, as well as the percentage of change for 2002:

COMPARISON OF BUDGETED TO ACTUAL REVENUES BY FUNCTION				
<u>REVENUE SOURCES</u>	<u>2002 AMENDED BUDGET</u>	<u>2002 ACTUAL</u>	<u>VARIANCE</u>	<u>PERCENTAGE</u>
TAXES – PROPERTY	\$ 241,784,000	260,914,127	19,130,127	7.9%
TAXES – SALES AND USE	35,350,000	36,525,074	1,175,074	3.3
LICENSES AND PERMITS	1,970,000	1,996,219	26,219	1.3
FEDERAL REVENUES	135,269,534	143,349,308	8,079,774	6.0
STATE REVENUES	138,450,050	122,720,010	(15,730,040)	(11.4)
LOCAL UNITS REVENUES	15,267,000	15,565,181	298,181	2.0
CHARGES FOR SERVICES	59,347,070	53,636,679	(5,710,391)	(9.6)
FINES AND FORFEITURES	3,479,000	3,670,891	191,891	5.5
INTEREST EARNINGS	5,750,000	3,375,148	(2,374,852)	(41.3)
MISCELLANEOUS	2,991,200	9,904,819	6,913,619	231.1
OTHER FINANCING SOURCES	-	<u>1,478,629</u>	<u>1,478,629</u>	100.0
TOTAL REVENUES	639,657,854	<u>653,136,085</u>	<u>13,478,231</u>	2.1%
PLUS: USE OF FUND BALANCE	<u>19,108,665</u>			
TOTAL ADOPTED BUDGET	<u>\$ 658,766,519</u>			

The total adopted revenue budget for 2002 of \$658,766,519 included the use of \$12,701,988 of reserved fund balance and \$6,406,677 of designated fund balance in the General Fund. Estimated revenue collections for 2002 were \$639,657,854, while actual collections were \$653,136,085. Actual collections were 2.1% higher than estimated collections.

COUNTY OF ALLEGHENY, PENNSYLVANIA

The following table details the actual revenues for general governmental functions by fund for the year 2002:

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	\$ 194,826,410	-	66,087,717	260,914,127
TAXES – SALES AND USE	36,525,074	-	-	36,525,074
LICENSES AND PERMITS	1,996,219	-	-	1,996,219
FEDERAL REVENUES	143,349,308	-	-	143,349,308
STATE REVENUES	118,084,767	4,508,177	127,066	122,720,010
LOCAL UNITS REVENUES	13,805,332	-	1,759,849	15,565,181
CHARGES FOR SERVICES	53,636,679	-	-	53,636,679
FINES AND FORFEITURES	3,670,891	-	-	3,670,891
INTEREST EARNINGS	2,966,660	20,382	388,106	3,375,148
MISCELLANEOUS	9,904,819	-	-	9,904,819
OTHER FINANCING SOURCES	1,478,629	-	-	1,478,629
TOTAL REVENUES	<u>\$ 580,244,788</u>	<u>4,528,559</u>	<u>68,362,738</u>	<u>653,136,085</u>

Allocations of the real property tax levy by purpose for 2002 and the preceding two years were as follows (amount per \$100 assessed value):

<u>PURPOSE</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
GENERAL FUND	\$ 0.34897	0.3548	1.865
DEBT SERVICE FUND	<u>.12003</u>	<u>.1172</u>	<u>.655</u>
TOTAL TAX RATE	<u>\$ 0.469</u>	<u>0.472</u>	<u>2.52</u>

COUNTY OF ALLEGHENY, PENNSYLVANIA

EXPENDITURES:

Expenditures for governmental services, excluding the internal service funds, totaled \$654,773,685 in 2002, which represents an increase of 4.3% from the previous year. Expenditures fall into ten 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.
- * Transportation - includes contributions to the Port Authority of Allegheny County
- * 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, including 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 Uses - includes payments to capital projects, grants or component units.

COUNTY OF ALLEGHENY, PENNSYLVANIA

Expenditures by classification for 2002 and 2001, and the changes between years, are shown in the following table:

CHANGES IN EXPENDITURES BY FUNCTION				
<u>EXPENDITURE FUNCTION</u>	<u>2002 ACTUAL</u>	<u>2001 ACTUAL</u>	<u>INCREASE/ DECREASE</u>	<u>PERCENTAGE</u>
GENERAL GOVERNMENT	\$ 138,490,404	134,959,861	3,530,543	2.6%
PUBLIC SAFETY	64,337,763	62,860,652	1,477,111	2.3
PUBLIC WORKS	19,536,205	19,465,369	70,836	0.4
TRANSPORTATION	23,300,000	19,800,214	3,499,786	17.7
HEALTH AND WELFARE	303,025,378	291,672,745	11,352,633	3.9
CULTURE AND RECREATION	12,915,666	12,941,077	(25,411)	(0.2)
EDUCATION	20,895,000	12,151,939	8,743,061	71.9
ECONOMIC DEVELOPMENT	7,923,985	7,276,712	647,273	8.9
DEBT SERVICE: PRINCIPAL RETIREMENT	35,417,500	36,612,500	(1,195,000)	(3.3)
INTEREST CHARGES	28,931,784	30,034,151	(1,102,367)	(3.7)
OTHER FINANCING USES	-	36,755	(36,755)	(100.0)
TOTAL EXPENDITURES	<u>\$ 654,773,685</u>	<u>627,811,975</u>	<u>26,961,710</u>	4.3%

As previously indicated, total outlays increased by 4.3%, or \$27.0 million during 2002. General government expenditures increased by \$3.5 million, public safety expenditures increased by \$1.5 million, public works expenditures increased by \$71,000, transportation expenditures increased by \$3.5 million, health and welfare expenditures increased by \$11.4 million, education expenditures increased by \$8.7 million, and economic development expenditures increased by \$647,000. The increases were offset by a decrease in culture and recreation expenditures of \$25,000, a decrease in combined debt service principal and interest payments of \$2.3 million and a \$37,000 decrease in other financing uses. These changes are discussed in greater detail in the fund narratives that follow.

COUNTY OF ALLEGHENY, PENNSYLVANIA

When compared to 2001 expenditures, 2002 expenditures increased by \$27.0 million, or 4.3%. The increase in expenditures is the result of the following:

General Government expenditures increased \$3.5 million, from \$135.0 million in 2001 to \$138.5 million in 2002. Departments/divisions included in this functional category that experienced increased costs included the Department of Administration's Office of Property Assessment, where expenditures increased \$1.3 million, from \$5.7 million last year to \$7.0 million this year. Property Assessment continued efforts to correct assessment values county-wide and deal with a second wave of appeals resulting from the reassessment implemented in January, 2002 (the second such reassessment in two years.) Salary and fringe benefit expenditures increased \$326,000, while service expenditure increased \$1.1 million. The bulk of the service expenditure increase was the cost of hearing officers assigned to property assessment appeals cases, and payments on a \$3.75 million contract to design, install and support a new integrated property assessment and real estate tax administration system. Offsetting the increases were a decrease in miscellaneous service expenditures of \$159,000 and a decrease in postage expenditures of \$69,000. Equipment expenditures decreased \$91,000, as fewer purchases of computer hardware and non-fixed asset machinery/equipment were required.

Expenditures of the Department of Administrative Services, Division of Administration decreased \$461,000 from \$4.5 million last year to \$4.1 million this year. Service expenditures decreased \$623,000. Electric utility costs at County-owned buildings increased \$74,000 and water costs rose \$29,000, but heating utility costs decreased \$192,000. Telephone expenditures decreased \$662,000, while data communication facility charges increased \$112,000. Repair/maintenance expenditures increased \$145,000 due to higher computer maintenance costs.

Management Information Systems (MIS) expenditures decreased \$716,000, from \$5.4 million last year to \$4.7 million this year. Salary and fringe benefit expenditures increased \$1.5 million and \$316,000, respectively, as additional staff was hired related to the implementation of the County's J.D. Edwards One World Xe (J.D. Edwards) integrated financial management information software system. However, most of the additional expenditures were cross charged to the County's operating departments, where the benefits of J.D. Edwards are being realized, allowing the County to obtain federal and state reimbursement for the costs where allowable. As a result, MIS has a \$1.9 million expenditure recovery this year. Service expenditures decreased \$347,000 for the year. Computer programming expenditures decreased \$1.4 million, while computer systems design costs rose \$703,000. Data communication facilities expenditures increased \$307,000. Computer software purchases decreased \$170,000, but computer software license costs increased \$156,000. Repair/maintenance costs decreased \$155,000 due to lower computer maintenance expenditures. And equipment expenditures decreased \$136,000, as fewer pieces of computer equipment and non-fixed asset machinery were purchased this year.

Law Department expenditures increased \$375,000, from \$1.4 million last year to \$1.8 million this year. The increase was the result of higher personnel and fringe benefit costs.

COUNTY OF ALLEGHENY, PENNSYLVANIA

Expenditures for the Public Defender's Office increased \$446,000 from \$5.4 million last year to \$5.8 million this year. Salaries and fringe benefits increased \$426,000 and \$94,000 respectively, while equipment expenditures decreased \$71,000. The office had 123 filled full-time positions at the end of 2002, versus 107 positions at the end of 2001. The County is party to a court-approved settlement to increase the number of attorneys and investigators at the Public Defender's Office. Hence the staffing increases.

The Sheriff's Office realized a decrease in expenditures of \$962,000, from \$13.8 million last year to \$12.8 million this year. The main reason for the decrease was the transfer on Constable fee costs from the Sheriff's Office to Non-departmental operating expenditures in 2002. These costs totaled \$1.1 million in 2001 and \$1.3 million in 2002. As a result, service expenditures for the Sheriff's Office were \$1.2 million lower this year. Salaries were \$337,000 higher even though staff levels dropped from 212 full-time filled positions at the end of 2001 to 190 at the end of 2002. The increase is due to longevity and cost of living raises. Fringe benefits were \$78,000 lower as a result of the drop in staff levels.

The Recorder of Deeds' Office experienced an increase in expenditures of \$175,000 from the prior year. Salaries increased \$108,000 with the hiring of two additional employees and cost of living/merit raises. Service expenditures increased \$22,000, as indexing costs were \$31,000 lower but microfilm/microfiche costs were \$70,000 higher. Equipment expenditures increased \$42,000 due to the purchase of furniture and fixtures.

Expenditures by the Treasurer's Office decreased \$230,000, from \$4.5 million last year to \$4.2 million this year. Salary and fringe benefit expenditures were lower as the office had three fewer employees. Service expenditures decreased \$103,000 as postage costs were \$121,000 lower, copying/duplicating costs were \$35,000 lower and contracted services were \$64,000 lower. Offsetting the decreases were higher financial service costs of \$91,000.

Expenditures by the Court of Common Pleas, Division of Judicial Support decreased \$482,000, from \$14.1 million last year to \$13.6 million this year. Personnel expenditures were lower, but fringe benefit expenditures increased. Real estate rentals for the Courts' administrative offices and the new Juvenile Court facility were both lower than last year, as were miscellaneous service expenditures.

The Courts' Criminal Division experienced an increase in expenditures of \$631,000, from \$4.0 million last year to \$4.7 million this year. Increased legal counsel fees of \$726,000 and professional witness fees of \$68,000 were only slightly offset by lower juror fees of \$35,000 and lower miscellaneous service expenditures of \$93,000. Meanwhile, the Civil Division realized a decrease in expenditures of \$161,000, from \$2.7 million last year to \$2.5 million this year. Personnel and fringe benefit costs were \$62,000 and \$53,000 lower, respectively. Services expenditures decreased \$52,000 due to lower juror fee costs.

COUNTY OF ALLEGHENY, PENNSYLVANIA

Expenditures for the Courts' Adult Probation Division decreased \$321,000, from \$4.5 million last year to \$4.1 million this year. Salary expenditures decreased \$571,000 while fringe benefit expenditures increased \$167,000. Last year, all fringe benefits were paid for out of the Courts' County Offender Supervision grant rather than from the operating budget. With J.D. Edwards, fringe benefit costs are charged along with the payroll, so for the pays charged here in September and October, there are fringe benefit costs. Starting in November, adult probation payrolls were charged to the grant. Hence the decrease in personnel expenditures year to year. Service expenditures increased \$94,000 between years. The increase is due to higher telephone charges and real estate rentals.

The Courts' Family-Adult Division realized an increase in expenditures of \$4.3 million, from \$1.4 million last year to \$5.7 million this year. Financial support from tax revenues for the Title IV-D Child Support Enforcement program in the County Grants Fund had not been transferred for several years. As a result, service expenditures increased \$4.3 million.

Non-departmental operating expenditures decreased \$421,000. Fringe benefit expenditures are lower because of decreases to the Incurred But Not Reported (IBNR) payable and the short-term workers' compensation payable. The County has shifted from self-insurance to full insurance for its' employee health care plans. In addition, it has been aggressively attempting to decrease its' workers' compensation costs by settling numerous cases. As a result, the IBNR and workers' compensation liabilities, which are adjusted annually, experienced substantial reductions in 2002. Service expenditures increased \$724,000 from the previous year. The primary reason is the aforementioned transfer of Constable fees from the Sheriff's Office to Non-departmental expenditures. Total costs in 2002 were \$1.3 million. Contracted service expenditures increased \$490,000, while the under assessment appeal incentive that the County pays to municipalities increased \$94,000. Finally, property insurance increased \$126,000, as liability costs have increased significantly following the events of September 11, 2001. However, postage expenditures decreased \$175,000 and judgements and losses decreased \$363,000. Finally, general liability insurance decreased \$903,000, again due to a shift to full insurance.

Public safety expenditures increased \$1.5 million, from \$62.8 million in 2001 to \$64.3 million in 2002. Jail expenditures decreased \$186,000 between years. Personnel, fringe benefit and service costs increased, but were more than offset by lower supply, material, repair/maintenance and equipment costs. Personnel costs for the year were \$145,000 higher. Salaries and wages increased \$272,000, even though the jail staff decreased from 615 full and part-time employees to 592 employees during the year. The increase is attributable to longevity and cost of living increases associated with the union bargaining agreements. Part-time salaries/wages increased \$403,000 in 2002, while overtime costs decreased \$553,000, reflecting a staffing shift away from overtime to part-time employees. Other personnel costs, including sick-pay buy-back, uniform maintenance allowances and health benefit waiver incentives increased \$23,000.

COUNTY OF ALLEGHENY, PENNSYLVANIA

Additionally, the Jail's fringe benefit costs increased \$124,000 from the previous year. Higher utility costs are the primary reason why service expenditures increased \$168,000. Supply costs decreased \$328,000 between years. There were reduced expenditures for X-ray, printing/duplicating, office and janitorial supplies in 2002. Also, 2002 saw lower expenditures for institutional clothing and the jail guards' uniform allowances of \$183,000. And finally, equipment expenditures were lower by \$152,000. Most of the decrease was attributable to fewer purchases of communications equipment and furniture/fixtures.

County Police expenditures are \$1.9 million higher than last year. Increased security requirements at Pittsburgh International Airport following the events of September 11, 2001 are the primary reason for the rise in expenditures. Building Guard expenditures are \$344,000 lower in 2002. Decreases in staff levels are behind the decline. Police Training Academy expenditures decreased by \$49,000. A drop in personnel costs and fewer expenditures for ammunition were partially offset by higher electric costs.

Funding for the joint City/County Bureau of Criminal Investigation increased \$64,000. And finally, Emergency Management expenditures were \$55,000 higher in 2002, as supply, repairs/maintenance and equipment costs all increased.

Public Works expenditures increased \$71,000 over the previous year. The Administrative Division's expenditures increased \$90,000. Salaries increased \$61,000 while fringes remained relatively constant. Service expenditures increased \$32,000. Contracted services increased by \$67,000 and employee related expenditures increased \$16,000, but utility costs dropped by \$44,000 and computer software expenditures decreased by \$11,000.

Public Works' Engineering Division expenditures increased \$332,000, primarily in salaries and fringe benefits. Maintenance Division expenditures increased \$11,000. Salaries and fringe benefits expenditures increased \$364,000 and service expenditures increased \$57,000, but material expenditures for such items as rock salt, asphalt and tar, paint, brick and cement, vehicle parts and machinery parts decreased \$430,000.

Facilities Management Division expenditures decreased \$361,000. Salaries increased \$55,000 from the previous year, but fringe benefits decreased \$165,000. Service expenditures decreased \$196,000 as contracted services were \$43,000 lower and auto insurance costs were \$152,000 lower. Supply expenditures decreased \$51,000, primarily due to fuel and lubricant costs for fleet management. Materials expenditures increased \$40,000, mainly for plumbing materials, vehicle parts and other materials. Repair and maintenance expenditures decreased \$44,000, mainly for vehicle and machinery repairs.

Transportation expenditures represent operating contributions to the Port Authority of Allegheny County (PAT), which allow the authority to receive matching federal and state funds. Last year, the County restructured the terms of its' payment schedule to PAT that deferred \$3.5 million it had budgeted for PAT to future years. As a result, transportation expenditures are higher this year by \$3.5 million.

COUNTY OF ALLEGHENY, PENNSYLVANIA

Health and Welfare expenditures increased \$11.4 million, from \$291.7 million in 2001 to \$303.0 million in 2002. Health Department expenditures are \$2.0 million higher than last year. Health Administrative Division expenditures decreased \$390,000. Combined salary and fringe benefit costs are down \$39,000 from the prior year. Service expenditures are lower by \$283,000. Contracted services decreased \$306,000, copy equipment rental and lease/purchase costs decreased by \$23,000 and employee training/education costs decreased \$12,000, while computer software purchases and licenses increased \$39,000. Decreases in building repairs and computer maintenance are the reason for a \$12,000 drop in repair and maintenance expenditures. Fewer vehicle, computer hardware and non-fixed asset purchases are the reason for a \$54,000 drop in equipment expenditures.

Health's Environmental Division expenditures in 2002 were \$265,000 higher than 2001. Salaries are \$164,000 higher than the previous year, while fringe benefit costs remained constant. Services expenditures were \$207,000 higher. In-county travel increased \$18,000, contracted services increased \$148,000 and computer software costs increased \$59,000, while utility costs decreased \$34,000, liability insurance was down \$17,000 and copying/duplicating expenditures dropped \$15,000. Equipment expenditures decreased \$97,000. Vehicle purchases were \$21,000 less, laboratory equipment purchases were \$28,000 less, furniture purchases were \$20,000 less and non-fixed asset purchases were \$18,000 less.

Medical Division expenditures were \$1.6 million higher in 2002 than 2001. Personnel costs rose \$493,000 while fringe benefits increased \$58,000. Most of the increase in service expenditures was due to the Jail medical contract, where costs increased \$933,000 to \$5.4 million in 2002. Other Medical Division service expenditures increased \$225,000. Travel and employee related costs increased \$11,000, contracted services increased \$111,000, medical services increased \$75,000, real estate rentals increased \$49,000 and computer software costs increased \$46,000, while utility costs decreased \$20,000, laboratory services decreased \$48,000 and liability insurance dropped \$12,000. Supply expenditures decreased \$110,000, all in health and medical supplies.

For 2002, a new Health Department division was established: Laboratories. Expenditures for 2002 were \$498,000, primarily salaries, fringe benefits and supplies.

Expenditures at the John J. Kane Regional Health Centers saw a \$5.1 million increase from the previous year. Combined, personnel and fringe benefit costs increased \$1.2 million compared to 2001. The increase in personnel costs can be attributed to staff levels, which increased from 1,417 at the end of 2001 to 1,441 at the end of 2002, and the need to offer competitive wages and incentives to maintain current employees and attract new staff. Service expenditures increased \$4.8 million from the prior year. The primary reason for the increase is attributable to agency nurses. Due to the increased demand for nursing services nationwide, it has become increasingly necessary to contract with temporary nurses. Other increases in service expenditures can be attributed to contracts for respiratory therapy and occupational therapy. Supplies expenditures decreased \$407,000 year to year, while equipment expenditures decreased \$400,000.

COUNTY OF ALLEGHENY, PENNSYLVANIA

Expenditures for the Office of Children, Youth and Families (CYF) increased \$11.8 million during 2002. CYF salary and fringe benefit costs increased \$2.6 million, as the office filled a number of caseworker positions during the year. Overall, staffing levels rose from 471 at the end of 2001 to 516 at the end of 2002. Service expenditures increased \$8.5 million. Part of the increase in services is due to a \$3.0 million increase in subsidized adoption expenditures. The other reason has to do with 20 new agency contracts becoming "annualized," meaning payments to these agencies reimbursed certain 2001 expenditures as well as 2002 expenditures.

In addition to the CYF increase, Institutional Care expenditures rose \$637,000, Community Intensive Supervision costs rose \$632,000, and Shuman Juvenile Detention Center expenditures increased \$384,000.

Beginning July 1, 2002, administrative expenditures for Behavioral Health/Mental Retardation (BH/MR) and Area Agency on Aging were transferred to the Human Services Grants Fund, where program costs were expended. The transfer coincided with the conversion to J.D. Edwards. As a result, BH/MR and Aging expenditures did not actually decrease from 2001; they were shifted. Only the county match requirements for these two programs remain in the operating budget. There was a combined \$8.9 million drop in BH/MR and Area Agency on Aging expenditures in the General Fund during 2002.

Culture and recreation expenditures in the General Fund remained relatively stable between 2001 and 2002. Parks Department expenditures decreased \$46,000, while Office of Special Events expenditures increased \$17,000 and Cooperative Extension costs rose \$4,000.

Education expenditures include grants to education agencies such as the Allegheny County Library Association and the Local Government Academy, which are paid out during the year upon request of the agency (total for 2002 of \$95,000), and the County's sponsorship contribution to the Community College of Allegheny County (CCAC), which totaled \$20.8 million in 2002. The increase year to year is because in 2001, the County restructured the terms of its payment schedule to CCAC, deferring \$9.2 million it had budgeted for CCAC to future years. Offsetting the increase is the elimination of the annual funding for the County bookmobile program of \$700,000. The Allegheny Regional Asset District assumed responsibility for funding the program in 2002.

Economic development expenditures in the General Fund include grants to development agencies such as the Southwest PA Regional Planning Commission, Allegheny League of Municipalities and the various county Councils of Governments, which are paid out during the year upon request of the agency (total for 2002 of \$345,000), the annual funding contribution to the Allegheny County Conservation District of \$70,000, support for the principal and interest payments on the Redevelopment Authority's Economic Development Fund bonds of \$4.9 million, and payments related to the various tax increment financing (TIF) projects throughout the county. For 2002, the TIF total is \$2.6 million. TIFs increased by \$851,000 in 2002. New TIF projects include the Robinson Mall, Oliver Garage, McKeesport Districts #1 and #2 and the North Shore East/River Avenue project.

COUNTY OF ALLEGHENY, PENNSYLVANIA

Debt Service expenditures represents principal and interest payments on the County's long-term general obligation bonds, as well as interest payments of a Tax and Revenue Anticipation Note (TRAN). The TRAN is a short-term debt vehicle, allowing the County to function until tax revenues are received.

The following table shows expenditures by function as compared to the adopted budget for 2002. The budget figure of \$661,726,188 includes reappropriations for open encumbrances at the end of 2001 of \$2,959,669. 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>2002 AMENDED BUDGET</u>	<u>2002 ACTUAL</u>	<u>VARIANCE</u>	<u>PERCENTAGE</u>
GENERAL GOVERNMENT	\$ 138,625,804	138,490,404	135,400	0.1%
PUBLIC SAFETY	65,580,924	64,337,763	1,243,161	1.9
PUBLIC WORKS	20,255,265	19,536,205	719,060	3.5
TRANSPORTATION	23,300,000	23,300,000	-	0.0
HEALTH AND WELFARE	310,772,729	303,025,378	7,747,351	2.5
CULTURE AND RECREATION	12,708,488	12,915,666	(207,178)	(1.6)
EDUCATION	20,895,000	20,895,000	-	0.0
ECONOMIC DEVELOPMENT	5,224,156	7,923,985	(2,699,829)	(51.7)
DEBT SERVICE: PRINCIPAL RETIREMENT	37,179,940	35,417,500	1,762,440	4.7
INTEREST CHARGES	27,183,882	28,931,784	(1,747,902)	6.4
OTHER FINANCING USES	-	-	-	0.0
TOTAL EXPENDITURES	661,726,188	654,773,685	6,952,503	1.1%
LESS: REAPPROPRIATIONS	(2,959,669)			
TOTAL ADOPTED BUDGET	<u>\$ 658,766,519</u>			

COUNTY OF ALLEGHENY, PENNSYLVANIA

The following table details actual expenditures for general governmental functions by fund for the year 2002:

EXPENDITURES BY FUNCTION BY FUND				
<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	\$ 138,490,404	-	-	138,490,404
PUBLIC SAFETY	64,337,763	-	-	64,337,763
PUBLIC WORKS	15,258,205	4,278,000	-	19,536,205
TRANSPORTATION	23,300,000	-	-	23,300,000
HEALTH AND WELFARE	303,025,378	-	-	303,025,378
CULTURE AND RECREATION	12,915,666	-	-	12,915,666
EDUCATION	20,895,000	-	-	20,895,000
ECONOMIC DEVELOPMENT	7,923,985	-	-	7,923,985
DEBT SERVICE: PRINCIPAL RETIREMENT	-	-	35,417,500	35,417,500
INTEREST CHARGES	1,972,673	-	26,959,111	28,931,784
OTHER FINANCING USES	-	-	-	-
TOTAL EXPENDITURES	<u>\$ 588,119,074</u>	<u>4,278,000</u>	<u>62,376,611</u>	<u>654,773,685</u>

Expenditures can also be viewed on a departmental basis. The following chart summarizes expenditures, indicating the departmental adopted budget, including reappropriated balances from 2001, and authorized budget transfers. Also shown is the adjusted budget compared favorably to actual expenditures, as expenditures were \$7 million less than anticipated. Departmental expenditures for the year 2002 were as follows:

COUNTY OF ALLEGHENY, PENNSYLVANIA

SUMMARY OF EXPENDITURES					
<u>DEPARTMENT</u>	<u>2002 ADOPTED BUDGET INCLUDING REAPPRO- PRIATIONS</u>	<u>2002 BUDGET TRANSFERS</u>	<u>2002 ADJUSTED BUDGET</u>	<u>2002 ACTUAL EXPENDITURES</u>	<u>VARIANCE</u>
COUNTY ADMINISTRATION:					
Chief Executive	\$ 452,305	-	452,305	406,124	46,181
County Manager	1,053,159	-	1,053,159	867,898	185,261
Budget and Finance	780,769	-	780,769	669,985	110,784
Solicitor	<u>2,434,780</u>	<u>-</u>	<u>2,434,780</u>	<u>2,218,138</u>	<u>216,642</u>
	4,721,013	-	4,721,013	4,162,145	558,868
Human Resources	913,757	-	913,757	884,910	28,847
M/W/DBE	437,386	-	437,386	369,946	67,440
Public Defender	6,021,821	-	6,021,821	5,808,198	213,623
ADMINISTRATIVE SERVICES:					
Administration	4,654,224	34,378	4,688,602	4,056,704	631,898
MIS	6,100,714	(70,012)	6,030,702	4,701,326	1,329,376
Purchasing & Supplies	670,051	160	670,211	589,190	81,021
Elections	4,655,517	5,240	4,660,757	4,520,250	140,507
Veterans' Affairs	638,945	3,780	642,725	552,340	90,385
Property Management	2,425,114	8,030	2,433,144	2,349,805	83,339
Property Assessment	<u>5,644,212</u>	<u>1,489,920</u>	<u>7,134,132</u>	<u>7,006,259</u>	<u>127,873</u>
	24,788,777	1,471,496	26,260,273	23,775,874	2,484,399
Jail	40,531,700	-	40,531,700	40,083,851	447,849
County Police	19,837,239	2,874,520	22,711,759	21,998,371	713,388
Emergency Services	1,540,435	-	1,540,435	1,458,514	81,921
Public Works	32,623,685	(25)	32,623,660	31,827,283	796,377
HUMAN SERVICES:					
Administration	715,532	(1,034,550)	(319,018)	(25,214)	(293,804)
Aging	4,710,839	(2,307,881)	2,402,958	2,333,014	69,944
Children, Youth and Families	130,810,969	11,997,441	142,808,410	143,436,024	(627,614)
Behavioral Health and Mental Retardation	<u>22,105,664</u>	<u>(11,529,530)</u>	<u>10,576,134</u>	<u>9,921,580</u>	<u>654,554</u>
	158,343,004	(2,874,520)	155,468,484	155,665,404	(196,920)
Health Department	22,413,010	548,403	22,961,413	21,265,566	1,695,847
Shuman Juvenile Detention	7,914,609	-	7,914,609	7,645,030	269,579
Kane Regional Centers	92,554,673	(3,207,510)	89,347,163	83,453,001	5,894,162

COUNTY OF ALLEGHENY, PENNSYLVANIA

SUMMARY OF EXPENDITURES – continued					
<u>DEPARTMENT</u>	<u>2002 ADOPTED BUDGET INCLUDING REAPPRO- PRIATIONS</u>	<u>2002 BUDGET TRANSFERS</u>	<u>2002 ADJUSTED BUDGET</u>	<u>2002 ACTUAL EXPENDITURES</u>	<u>VARIANCE</u>
Institutional Care/ C.I.S.P./ Home Detention	33,129,355	1,308,980	34,438,335	34,444,037	(5,702)
Miscellaneous Grant Agencies *	50,463,249	93,030	50,556,279	50,831,375	(275,096)
Non-departmental Operating Expenditures	9,783,861	(3,243,059)	6,540,802	8,678,459	(2,137,657)
TOTAL ADMINISTRATION	506,017,574	(3,028,685)	502,988,889	492,351,964	10,636,925
County Council	1,000,000	-	1,000,000	987,656	12,344
ROW OFFICES:					
Controller	4,632,725	-	4,632,725	4,416,848	215,877
Coroner	6,350,464	(109,184)	6,241,280	6,203,828	37,452
Clerk of Courts	2,144,151	-	2,144,151	2,131,141	13,010
District Attorney	9,880,172	276,600	10,156,772	10,037,305	119,467
Jury Commissioners	527,400	-	527,400	523,980	3,420
Recorder of Deeds	2,676,907	6,735	2,683,642	2,684,592	(950)
Register of Wills	2,472,001	80,470	2,552,471	2,550,640	1,831
Sheriff	9,933,198	2,992,360	12,925,558	12,831,994	93,564
Treasurer	4,258,680	-	4,258,680	4,236,023	22,657
Prothonotary	2,928,891	46	2,928,937	2,898,637	30,300
	<u>45,804,589</u>	<u>3,247,027</u>	<u>49,051,616</u>	<u>48,514,988</u>	<u>536,628</u>
Court of Common Pleas	43,630,405	691,456	44,321,861	48,569,793	(4,247,932)
Debt Service	<u>65,273,620</u>	<u>(909,798)</u>	<u>64,363,822</u>	<u>64,349,284</u>	<u>14,538</u>
TOTAL EXPENDITURES	661,726,188	-	661,726,188	654,773,685	6,952,503
LESS: REAPPROPRIATIONS	<u>(2,959,669)</u>				
TOTAL ADOPTED BUDGET	<u>\$ 658,766,519</u>				

As a result of the \$10.4 million operating use of fund balance and the one-time additions of \$11.6 million, the total fund balance in the County's General Fund increased from \$46,148,729 at the end of 2001 to \$47,408,596 at the end of 2002. The undesignated portion of the fund balance increased from \$23,864,289 at the end of 2001 to \$27,244,624 at the end of 2002, an increase of \$3,380,335. Included in the total fund balance at December 31, 2002 is a designation of \$16,000,000 for subsequent year's appropriations. This figure represents the amount of fund balance used to balance the County's 2003 Operating Budget.

COUNTY OF ALLEGHENY, PENNSYLVANIA

The following chart details the changes in fund balances in the General Fund for the year 2002:

CHANGES IN FUND BALANCES – GENERAL FUND					
<u>DESCRIPTION</u>	<u>RESERVED</u>	<u>UNRESERVED</u>			<u>TOTAL FUND BALANCES</u>
		<u>DESIGNATED</u>	<u>UNDESIGNATED</u>	<u>TOTAL</u>	
Audited Fund Balances as of 1/1/2002	\$ 15,685,749	6,598,691	23,864,289	30,462,980	46,148,729
<u>2002 Operating Activity and Use of Fund Balance:</u>					
Liquidation of 2001 Encumbrance Balance	(2,983,761)	-	-	-	(2,983,761)
Reclass Designation to Balance 2002 Budget	-	(6,406,677)	6,406,677	-	-
Reclass Reserve for PAT Expenditures	(3,549,102)	-	3,549,102	3,549,102	-
Reclass Reserve for CCAC Expenditures	(9,152,886)	-	9,152,886	9,152,886	-
Reclass 2002 Encumbrances to Reserved	4,163,972	-	(4,163,972)	(4,163,972)	-
Reclass SABRE Designation	-	(192,014)	192,014	-	-
Reclass Appropriation to Balance 2003 Budget	-	16,000,000	(16,000,000)	-	-
Revenue Variance		-	6,203,178	6,203,178	6,203,178
Expenditure Variance		-	(13,576,576)	(13,576,576)	(13,576,576)
Net Operating Activity and Use of Fund Balance	<u>(11,521,777)</u>	<u>9,401,309</u>	<u>(8,236,691)</u>	<u>1,164,618</u>	<u>(10,357,159)</u>
<u>One time Adjustments made in 2002:</u>					
Transfer from Debt Service Fund	-	-	9,134,153	9,134,153	9,134,153
Transfer from Capital Projects Fund	-	-	1,478,629	1,478,629	1,478,629
Transfer from Clerk of Courts' Account	-	-	1,188,247	1,188,247	1,188,247
Transfer to County Grants Fund IV-D Program	-	-	(1,754,980)	(1,754,980)	(1,754,980)
Reduction of Incurred But Not Reported Payable	-	-	1,570,977	1,570,977	1,570,977
	-	-	11,617,026	11,617,026	11,617,026
Audited Fund Balances as of 12/31/2002	\$ <u>4,163,972</u>	<u>16,000,000</u>	<u>27,244,624</u>	<u>43,244,624</u>	<u>47,408,596</u>

COUNTY OF ALLEGHENY, PENNSYLVANIA

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, 2001. This was the 20th 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.

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