

COVER PAGE

**SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION
ALTOONA, PENNSYLVANIA**

Single Audit Reporting Package

June 30, 2013

**SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION
SINGLE AUDIT REPORTING PACKAGE
JUNE 30, 2013**

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Management's Discussion and Analysis (MD&A) Year Ended June 30, 2013

Southern Alleghenies Planning and Development Commission (*The Commission*) management offers readers of *The Commission's* financial statements the following narrative overview and analysis of the financial activities of *The Commission* for the fiscal year ended June 30, 2013. Readers are encouraged to consider the information presented in conjunction with additional information found within the audit.

FINANCIAL HIGHLIGHTS

- ❖ *The Commission's* total net assets increased by \$156,899
- ❖ Cash decreased \$83,169
- ❖ Notes and other assets decreased \$2,095,890
- ❖ Notes and other liabilities decreased \$2,252,789
- ❖ Operating revenues decreased approximately \$1,200,349
- ❖ Operating expenses decreased \$1,080,484
- ❖ Operating income increased \$149,461

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to *The Commission's* basic financial statements. This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of *The Commission*:

- Government-wide financial statements are designed to provide readers with a broad overview of *The Commission's* finances in a manner similar to a private-sector business.
- Fund financial statements are designed to focus on individual parts of *The Commission*, reporting on operations in more detail than the governmental-wide statements.
- ❖ *The Commission* has the following types of funds:
 - Governmental funds. Most of *The Commission's* basic services are included in governmental funds which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. These funds provide a detailed short-term view of operations. Included in these financial statements are the General fund, the Workforce Investment Act grant fund, the Welfare (EARN) grant fund, and the Travel and Tourism fund. The income received and expenses incurred directly relate to the delivery of regional economic, community and workforce development services. The income is representative of approximately 97.6% federal and state grants received on cost reimbursement type contracts. As a general rule, the funding arrangements *The Commission*

has with federal and state agencies do not allow for profit. The balance of the Commission's revenue is derived from supporting member County Governments for the general operations of *The Commission* and other contributions from the region's convention and visitors' bureaus for specific travel and tourism special projects.

- Proprietary funds. These offer short and long-term financial information about the activities the government operates like a business. Included in these financial statements are the revolving loan funds. *The Commission*, through grants and loans, offer low interest financing to facilitate economic development and job creation in small to medium-sized companies. The income received is generally earned from customer fees, interest income on outstanding loans and bank balances and late fees. Expenses generally include interest and bad debt expense; grant matching funds, legal and other filing fees.
- Fiduciary funds. These provide information about the financial relationships in which *The Commission* acts solely as a trustee or agent for the benefit of others to whom the resources in question belong. *The Commission* is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These activities are excluded from *The Commission's* government-wide financial statements because *The Commission* cannot use these assets to finance its operations. *The Commission* acts as a trustee for the financial operations of the Southern Alleghenies Region five (5) Pennsylvania CareerLink Centers.

The financial statements also contain notes and required supplementary information that explain some of the information in the financial statements as well as more detailed data. While detailed sub-fund information is not presented, separate accounts are maintained for each program to control and manage money for particular purposes or to demonstrate that *The Commission* is properly using specific appropriations and grants.

REPORTING THE COMMISSION AS A WHOLE

One of the most important questions asked about *The Commissions* is as follows: "Is *The Commission* as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about *The Commission* as a whole and about its activities in a way that helps answer this question. These statements are prepared on the accrual basis of accounting, and include all assets and liabilities. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Net assets may serve over time as a useful indicator of a government's financial position. In the Case of *The Commission's* governmental fund, assets exceeded liabilities by \$681,489 and the business type activities assets exceeded liabilities by \$7,431,713 as of June 30, 2013.

The largest portion of *The Commission's* total assets reflects receivables from its revolving loan customers and federal and state grantor agencies. In regard to certain revolving loan customers, *The Commission* is required to utilize payments received to pay down related debt and fund additional loans to customers.

In the Statement of Net Assets and the Statement of Activities, *The Commission* is divided between two kinds of activities:

- ❖ Governmental activities. *The Commission's* basic services are reported here, including economic, community and workforce development services, general and administrative activities and tourism activities.

- ❖ **Business-type activities.** Included are the revolving loan funds. *The Commission* charges a fee to customers to help it cover some of the costs of certain services provided.

REPORTING *THE COMMISSION'S* MOST SIGNIFICANT FUNDS

The Commission established several funds to help control and manage money for particular purposes such as The Alleghenies Tourism Council fund or to show that it is meeting legal responsibilities for using certain grants such as the Workforce Investment Act fund, the Welfare (EARN) fund, and the Revolving Loan funds. *The Commission* operates three kinds of funds: governmental, proprietary and fiduciary.

- ❖ **Governmental funds.** Most of *The Commission's* basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the accrual basis of accounting. The governmental fund statements provide a detailed short-term view of *The Commission's* general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance *The Commission's* programs. The relationship (or difference) is described between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.
- ❖ **Proprietary funds.** When *The Commission* charges customers for the services it provides, these services are generally reported in proprietary funds. These funds are reported using the accrual basis of accounting. Proprietary funds like Governmental funds provide a short-term view of *The Commission's* business-type activities.
- ❖ **Fiduciary funds.** *The Commission* is the trustee, or fiduciary, for the local Pennsylvania CareerLink funds. *The Commission* is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of *The Commission's* fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 11-12. These activities are excluded from *The Commission's* other financial statements because *The Commission* cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF *THE COMMISSION* AS A WHOLE

The Commission's financial position is the product of several financial transactions, including the net results of the activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The Commission's combined net assets were \$8,133,202 at June 30, 2013. The combined assets of *The Commission* decreased \$2,095,890 while total liabilities decreased \$2,252,789 during fiscal year 2013. The overall decrease in assets and liabilities in the government-wide statement of net assets is due primarily to a \$588,556 decrease in accounts receivable which corresponds with a \$1,200,349 decrease in revenue as funding continues to erode. Accounts Payable decreased \$542,165 in the Governmental Activities again, due to the reimbursement nature of our business. The most significant changes in the *Commission's* combined assets and liabilities can be seen in the *Commission's* Proprietary Funds, Notes Receivable decreased \$1,414,717, primarily in the Small Business and Industries First Fund as we experienced significant paydown/payoffs in our loan program. On the positive side, the *Commission's* Due to Other Governments saw a corresponding decrease of \$1,506,025.

Operating Governmental Activities grant revenue decreased \$1,201,074 while expenses decreased by \$1,035,287. As stated previously, the majority of *The Commission's* revenues are derived from cost reimbursement type contracts. Therefore, as revenue decreases, corresponding grant expenses also decrease. The decreases in revenues and expenses in the Governmental Activities were experienced in all areas of our business and are attributable to a multitude of factors ranging from loss of funding in the General Grants, performance based contracting and the timing of revenue recognition within the Welfare Grant and sequestration throughout all of our Federal revenue sources.

The general fund continues its tradition of providing value-added services to the region's businesses, communities and local governments. Services include procurement, export, tourism, economic development planning and infrastructure, broadband expansion, energy conservation and capital investment, and transportation planning.

The Commission's grants supporting direct business development services (primarily PREP) provide for various and distinct outputs and outcomes, and in Fiscal Year 2013 most goals were met. SAP&DC's efforts to assist the region's businesses resulted in \$99 million of new sales, 398 new jobs and 1,954 jobs retained. Furthermore, SAP&DC has continued to enjoy very favorable customer satisfaction survey ratings from its customers, as well as from governmental agencies that provide this organization with funds.

Supported in the Commission's general fund is the Planning and Community Development Division. This division worked throughout the region with major projects related to infrastructure development to include the extension of sewer and water service, telecommunications, and improved roadway access to businesses and healthcare facilities. Other activities included transportation planning and programming, energy efficiency and conservation assistance to businesses, nonprofits and local government clients, and securing state and federal grants, which, in turn, leveraged other public and private funds. The result is significant long-term private investment with the potential for creating substantial numbers of new private sector jobs. SAP&DC continued the process of updating the Southern Alleghenies Comprehensive Economic Development Strategy (CEDS) which serves as a roadmap for economic development activities in the region. In addition, a funding award from the PA Department of Conservation and Natural Resources (DCNR) has provided for a Greenways Mini-Grants Program to assist with the implementation of the regional Greenways and Open Space Network Plan.

The Tourism Program in FY 2013 was funded with a \$134,000 from its participating Convention & Visitor's Bureaus and local tourism partners. The focus in 2013 was the promotion of The Alleghenies as a destination for tourists' traveling groups. As such, the assets of the region were packaged and promoted through paid advertising, web sites, social media, participation in trade shows, direct sales calls and public relations efforts to inspire media attention on the region. The overall objective continues to be increasing overnight stays, enhancing the visitor experience and increasing visitor spending.

The Southern Alleghenies Employment, Advancement, and Retention Network (EARN) Program served a total of 564 participants. Approximately \$700,000 was used to provide job search and job readiness instruction, job development, skill training, and unpaid work experience, as well as case management services in the six county area. Program participants are recipients of Temporary Assistance for Needy Families (TANF) and/or Food stamps, and were considered the hardest to serve, having barriers such as substance abuse, domestic violence, mental health issues, low educational levels, and criminal backgrounds. The State Department of Public Welfare made major changes which effected the operation of the EARN program. These changes included a new referral process, revised performance goals, elimination of neutral terminations, and a modified grant allocation process. The new grant process mandated that 65% of the funds were granted through cost reimbursement and the other 35% of the total allocation was dependent on the performance outcomes of job placement, job retention, and increased work hours. The definitions of job placement and job retention were revised, so that placements had to occur within 90 days of program enrollment, and clients must work at least 80 hours within a four week period for the placement to count. Clients had to work at least 26 of 36 weeks for job retention, for a

total of at least 520 hours. 140 placements met the revised job placement definition. EARN continues to serve TANF recipients who have exceeded the 90 placement period, even though the program does not receive credit for these placements.

The Southern Alleghenies Workforce Investment Board (SAWIB) continues to ensure that the region's residents have access to a wide variety of workforce services. Roughly 55% of the WIA funds received by the Commission were used in support of the region's five PA CareerLinks®, one satellite site, and eleven access points. WIA funds were also used for the delivery of Title I services, and all required quality assurance and monitoring functions. Despite their costliness, these facilities remain important to the counties they serve; tens of thousands of residents used PA CareerLink® services over the past year, including many of the region's long-term unemployed. In addition to supporting the one-stop sites, over \$720,000 of WIA and Rapid Response dollars, or roughly 19% of the SAWIB's budget, were allocated to assist over 150 individuals with the cost of pursuing post-secondary education or on-the-job training (OJT). Awards of up to \$6,000 per person were given to these eligible individuals to help defray the cost of their schooling. The SAWIB also continued to support on-the-job training opportunities for the long-term unemployed, using \$400,000 from a federal National Emergency Grant for OJT (NEG-OJT) and a second National Emergency Grant for Dislocated Worker Training (NEG-DWT) in the amount of \$100,000. Through the NEG-OJT initiative, as of June 30, 2013, 62 individuals have participated in the program with 51 receiving full-time employment and the remaining still in training. Funding through the NEG-OJT is available through June 30, 2014; funding through the NEG-DWT is available through June 30, 2015.

In regard to business-related activities, any change was due primarily to a significant change in notes receivables, notes payables and due to other governments. Despite the continued adverse economy, the Commission once again experienced an increase in net assets of \$207,561 for the year. *The Commission* closed 12 loans at a value of \$1.74 million with a leverage of \$8.21 million in public and private funds; projected 39 jobs created and projected 346 jobs retained in the region we serve. *The Commission* borrowed approximately \$550,000 in Commonwealth of Pennsylvania Small Business First and First Industries Funds. These funds were then lent to qualified lenders and converted to a Notes Receivable. At June 30, 2013, *The Commission* had \$2,533,170 in loans committed. Barring another economic crisis, management sees signs of an improved economy going in FY 2014.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of 2013, *The Commission* had \$27,833 invested in a broad range of capital assets, including computer related equipment, software and other office equipment.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

The financial report is designed to provide the customers, clients, citizens and creditors in the Southern Alleghenies Region with a general overview of *The Commission's* finances and to demonstrate *The Commission's* accountability for the appropriations and grants that it receives.

If questions should arise about this report or additional financial information is needed, contact Edward M. Silveti, Executive Director, SAP&DC, 3 Sheraton Drive, Altoona, PA 16601-9343 or visit the Commission's website at: www.sapdc.org

INDEPENDENT AUDITOR'S REPORT

October 30, 2013

The Board of Directors
Southern Alleghenies Planning
and Development Commission
Altoona, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Southern Alleghenies Planning and Development Commission, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Southern Alleghenies Planning and Development Commission, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages I-V be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southern Alleghenies Planning and Development Commission's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the basic financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2013, on our consideration of the Southern Alleghenies Planning and Development Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southern Alleghenies Planning and Development Commission's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Wessel & Company".

WESSEL & COMPANY
Certified Public Accountants

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash (Note 2)	\$ 577,158	\$ 2,917,612	\$ 3,494,770
Accounts Receivable	629,941	-	629,941
Interfund Receivable/(Payable)	-	(1)	(1)
Prepaid Expenses	71,463	-	71,463
Notes Receivable (Note 3)	-	2,670,781	2,670,781
Total Current Assets	<u>1,278,562</u>	<u>5,588,392</u>	<u>6,866,954</u>
<u>Non-Current Assets:</u>			
Notes Receivable (Note 3)	-	10,364,526	10,364,526
Capital Assets, Net (Note 4)	27,833	-	27,833
Total Non-Current Assets	<u>27,833</u>	<u>10,364,526</u>	<u>10,392,359</u>
Total Assets	<u>\$ 1,306,395</u>	<u>\$ 15,952,918</u>	<u>\$ 17,259,313</u>
<u>LIABILITIES AND NET POSITION</u>			
<u>Current Liabilities:</u>			
Accounts Payable	\$ 308,285	\$ -	\$ 308,285
Accrued Liabilities	100,949	-	100,949
Unearned Revenue	142,228	-	142,228
Accrued Vacation	73,444	-	73,444
Notes Payable (Note 5)	-	64,833	64,833
Total Current Liabilities	<u>624,906</u>	<u>64,833</u>	<u>689,739</u>
<u>Non-Current Liabilities:</u>			
Due to Other Governments (Note 7)	-	7,807,091	7,807,091
Notes Payable (Note 5)	-	649,281	649,281
Total Non-Current Liabilities	<u>-</u>	<u>8,456,372</u>	<u>8,456,372</u>
Total Liabilities	<u>624,906</u>	<u>8,521,205</u>	<u>9,146,111</u>
<u>Net Position:</u>			
Investments in Capital Assets, Net of Related Debt	27,833	-	27,833
Restricted	-	5,816,770	5,816,770
Unrestricted	653,656	1,614,943	2,268,599
Total Net Position	<u>681,489</u>	<u>7,431,713</u>	<u>8,113,202</u>
Total Liabilities and Net Position	<u>\$ 1,306,395</u>	<u>\$ 15,952,918</u>	<u>\$ 17,259,313</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Grants	\$ 1,964,474	\$ -	\$ 1,951,798	\$ -	\$ (12,676)	\$ -	\$ (12,676)
Welfare Grants	706,831	-	706,831	-	-	-	-
Workforce Investment Act Grants	3,828,593	-	3,828,593	-	-	-	-
Travel Development	106,607	7,375	74,367	-	(24,865)	-	(24,865)
Unallocated Depreciation Expense	13,045	-	-	-	(13,045)	-	(13,045)
Total Governmental Activities	6,619,550	7,375	6,561,589	-	(50,586)	-	(50,586)
Business-type Activities:							
Loan Programs							
Health and Human Services	333	10,670	-	-	-	10,337	10,337
EDA Flood	-	5,085	641	-	-	5,726	5,726
Local Economic Development	-	12,201	-	-	-	12,201	12,201
Small Business First	4,605	11,751	-	-	-	7,146	7,146
Economic Development	4,440	98,897	-	-	-	94,457	94,457
Intermediary Relending Program	1,759	16,877	-	-	-	15,118	15,118
Intermediary Relending Program	2,492	15,967	-	-	-	13,475	13,475
ARC/PCLF	142	22,975	-	-	-	22,833	22,833
Intermediary Relending Program	3,333	22,940	-	-	-	19,607	19,607
Total Business-type Activities	17,104	217,363	641	-	-	200,900	200,900
	\$ 6,636,654	\$ 224,738	\$ 6,562,230	\$ -	\$ (50,586)	\$ 200,900	\$ 150,314
General Revenues:							
Other Revenue					\$ -	\$ -	\$ -
Unrestricted Investment Earnings					(75)	6,661	6,586
Total General Revenues and Transfers					(75)	6,661	6,586
Change in Net Position					(50,661)	207,561	156,900
Net Position - Beginning of Year					732,150	7,224,152	7,956,302
Net Position - End of Year					\$ 681,489	\$ 7,431,713	\$ 8,113,202

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION
BALANCE SHEET - GOVERNMENTAL FUNDS
(INCLUDING THE RECONCILIATION OF TOTAL GOVERNMENTAL
FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES)
JUNE 30, 2013

	Governmental Fund Types				
	General Grant Fund	Welfare Grant Fund	Workforce Investment Act Grant Fund	Travel Development Fund	Totals (Memorandum Only)
<u>ASSETS</u>					
Cash	\$ 512,609	\$ 24,540	\$ 6,783	\$ 33,226	\$ 577,158
Accounts Receivable	414,893	104,015	111,267	150	630,325
Interfund Receivables	100,898	-	-	(471)	100,427
Prepaid Expenses	71,084	-	-	379	71,463
Total Assets	<u>\$ 1,099,484</u>	<u>\$ 128,555</u>	<u>\$ 118,050</u>	<u>\$ 33,284</u>	<u>\$ 1,379,373</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities					
Accounts Payable	\$ 181,520	\$ 45,428	\$ 74,765	\$ 6,572	\$ 308,285
Interfund Payables	-	57,526	43,285	-	100,811
Accrued Liabilities	100,949	-	-	-	100,949
Deferred Revenue	116,627	25,601	-	-	142,228
Accrued Vacation	73,444	-	-	-	73,444
Total Liabilities	<u>472,540</u>	<u>128,555</u>	<u>118,050</u>	<u>6,572</u>	<u>725,717</u>
Fund Balance					
Assigned	-	-	-	26,712	26,712
Unassigned	<u>626,944</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>626,944</u>
Total Liabilities and Fund Balance	<u>\$ 1,099,484</u>	<u>\$ 128,555</u>	<u>\$ 118,050</u>	<u>\$ 33,284</u>	

Amounts reported for governmental activities in the statement of net position are different due to the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>27,833</u>
Net Position of Governmental Activities	<u>\$ 681,489</u>

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Governmental Fund Types				
	General Grant Fund	Welfare Grant Fund	Workforce Investment Act Grant Fund	Travel Development Fund	Totals (Memorandum Only)
<u>Revenues</u>					
Federal and State Grants	\$ 1,876,133	\$ 706,381	\$ 3,828,593	\$ -	\$ 6,411,107
Local Sources	75,665	450	-	74,367	150,482
Interest Income	415	-	-	(490)	(75)
Participation Fees	-	-	-	7,375	7,375
Total Revenues	1,952,213	706,831	3,828,593	81,252	6,568,889
<u>Expenditures</u>					
Administration	1,964,474	263,166	293,943	-	2,521,583
Program	-	443,665	3,534,650	106,607	4,084,922
Total Expenditures	1,964,474	706,831	3,828,593	106,607	6,606,505
Excess (Deficit) of Revenues Over (Under) Expenditures	(12,261)	-	-	(25,355)	(37,616)
Fund Balance - Beginning of Year	639,205	-	-	52,067	691,272
Fund Balance - End of Year	\$ 626,944	\$ -	\$ -	\$ 26,712	\$ 653,656

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND TYPES
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in fund balance - total government funds (page 6).	\$ (37,616)
---	-------------

The net effect of various transactions involving capital assets, (i.e., purchases, disposals, depreciation expense, etc.) is to decrease net income.	<u>(13,045)</u>
--	-----------------

Change in net position of government activities (page 4).	<u>\$ (50,661)</u>
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SOUTHERN ALABAMA AGENCIES PLANNING AND DEVELOPMENT COMMISSION
STATEMENTS OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Health and Human Services	EDA Flood	Local Economic Development Fund	Small Business and First Industries Fund
<u>ASSETS</u>				
Cash	\$ 96,002	\$ 83,205	\$ 972,132	\$ 266,221
Accounts Receivable	-	-	-	-
Due from Other Funds	-	-	-	-
Notes Receivable	423,797	109,818	274,063	7,909,629
TOTAL ASSETS	<u>\$ 519,799</u>	<u>\$ 193,023</u>	<u>\$ 1,246,195</u>	<u>\$ 8,175,850</u>
<u>LIABILITIES AND NET POSITION</u>				
Liabilities				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	1	-	12	(1)
Due to Other Governments	-	-	-	7,807,091
Loans Payable	10,000	-	-	-
Total Liabilities	<u>10,001</u>	<u>-</u>	<u>12</u>	<u>7,807,090</u>
Net Position				
Restricted	509,798	193,023	-	-
Unrestricted	-	-	1,246,183	368,760
Total Liabilities and Net Position	<u>\$ 519,799</u>	<u>\$ 193,023</u>	<u>\$ 1,246,195</u>	<u>\$ 8,175,850</u>

<u>Economic Development Loan</u>	<u>Intermediary Relending Program</u>	<u>Intermediary Relending Program</u>	<u>ARC/ PCLF</u>	<u>Intermediary Relending Program</u>	<u>Totals (Memorandum Only)</u>
\$ 845,294	\$ 240,318	\$ 186,836	\$ 158,686	\$ 68,918	\$ 2,917,612
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,478,833</u>	<u>343,041</u>	<u>357,569</u>	<u>571,291</u>	<u>567,266</u>	<u>13,035,307</u>
<u>\$ 3,324,127</u>	<u>\$ 583,359</u>	<u>\$ 544,405</u>	<u>\$ 729,977</u>	<u>\$ 636,184</u>	<u>\$ 15,952,919</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(11)	-	-	-	-	1
-	-	-	-	-	7,807,091
<u>-</u>	<u>157,078</u>	<u>231,087</u>	<u>-</u>	<u>315,949</u>	<u>714,114</u>
<u>(11)</u>	<u>157,078</u>	<u>231,087</u>	<u>-</u>	<u>315,949</u>	<u>8,521,206</u>
3,324,138	426,281	313,318	729,977	320,235	5,816,770
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,614,943</u>
<u>\$ 3,324,127</u>	<u>\$ 583,359</u>	<u>\$ 544,405</u>	<u>\$ 729,977</u>	<u>\$ 636,184</u>	<u>\$ 15,952,919</u>

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Health and Human Services	EDA Flood	Local Economic Development Fund	Small Business and First Industries Fund
<u>Operating Revenues</u>				
Loan Interest	\$ 10,378	\$ 4,258	\$ 11,949	\$ 4,542
Loan Fees	292	827	252	7,209
Total Operating Revenues	10,670	5,085	12,201	11,751
<u>Operating Expenses</u>				
Administration	83	-	-	4,605
Bad Debt Expense	-	-	-	-
Interest Expense	250	-	-	-
Total Operating Expenses	333	-	-	4,605
Operating Income	10,337	5,085	12,201	7,146
<u>Non-Operating Revenues/(Expenses)</u>				
Other Revenue/(Expenses)	-	126	-	-
Interest Income	205	185	2,111	569
Total Non-Operating Revenue/(Expenses)	205	311	2,111	569
<u>Other Financing Sources/(Uses):</u>				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
	-	-	-	-
Increase (Decrease) in Net Position	10,542	5,396	14,312	7,715
Net Position - Beginning of Year	499,256	187,627	1,231,871	361,045
Net Position - End of Year	\$ 509,798	\$ 193,023	\$ 1,246,183	\$ 368,760

Economic Development Loan	Intermediary Relending Program	Intermediary Relending Program	ARC/ PCLF	Intermediary Relending Program	Totals (Memorandum Only)
\$ 89,675	\$ 15,364	\$ 15,396	\$ 21,706	\$ 20,488	\$ 193,756
9,222	1,513	571	1,269	2,452	23,607
98,897	16,877	15,967	22,975	22,940	217,363
4,440	-	-	142	3,333	12,603
-	-	-	-	-	-
-	1,759	2,492	-	-	4,501
4,440	1,759	2,492	142	3,333	17,104
94,457	15,118	13,475	22,833	19,607	200,259
-	-	-	515	-	641
2,041	480	368	389	313	6,661
2,041	480	368	904	313	7,302
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
96,498	15,598	13,843	23,737	19,920	207,561
3,227,640	410,683	299,475	706,240	300,315	7,224,152
<u>\$ 3,324,138</u>	<u>\$ 426,281</u>	<u>\$ 313,318</u>	<u>\$ 729,977</u>	<u>\$ 320,235</u>	<u>\$ 7,431,713</u>

SOUTHERN ELEGHENIES PLANNING AND DEVELOPMENT COMMISSION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Cash Flows From Operating Activities		
Cash Received from Users	\$ 217,363	
Cash Payments to Vendors for Services	(12,605)	
Cash Payments for Other Operating Expenses	<u>(4,501)</u>	
Net Cash Provided By Operating Activities		\$ 200,257
Cash Flows From Non-Capital and Related Financing Activities		
Net Disbursements to Other Governments	(1,506,025)	
Net Receipts from Borrowers	1,414,717	
Principal Payments on Debt	<u>(74,113)</u>	
Net Cash Used In Non-Capital and Related Financing Activities		(165,421)
Cash Flows From Investing Activities		
Other Revenue	(21,618)	
Interest Income	<u>6,661</u>	
Net Cash Used In Investing Activities		(14,957)
Net Increase in Cash and Cash Equivalents		19,879
Cash and Cash Equivalents - Beginning of Year		<u>2,897,733</u>
Cash and Cash Equivalents - End of Year		<u>\$ 2,917,612</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating Income		\$ 200,259
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease in Accounts Payable	<u>(2)</u>	
Total Adjustments		<u>(2)</u>
Net Cash Provided By Operating Activities		<u>\$ 200,257</u>

See Independent Auditor's Report and
Accompanying Notes to Financial Statements

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
Accounts Receivable	\$ 262,618
Due from Other Funds	<u>384</u>
Total Assets	<u><u>\$ 263,002</u></u>
<u>LIABILITIES AND NET POSITION</u>	
Liabilities	
Accounts Payable	<u>\$ 263,002</u>
Total Liabilities	<u>263,002</u>
Net Position	
Held in Trust	<u>-</u>
Total Liabilities and Net Position	<u><u>\$ 263,002</u></u>

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

Southern Alleghenies Planning and Development Commission (The Commission) was incorporated on July 28, 1967 as a response of the region's business and political leadership to federal initiatives encouraging planning for community and economic growth on a multi-county basis. The driving force of the Commission is to promote progress through regional cooperation.

The Commission serves Bedford, Blair, Cambria, Fulton, Huntingdon, and Somerset Counties. Its governing board is comprised of nineteen (19) individuals, two (2) County Commissioners from each participant county, as well as seven (7) at large members representing the private sector. Valuable guidance is also provided by numerous other public and private sector representatives who serve on The Commission's various advisory committees.

The business and community development services of The Commission include partnerships and designations of various federal and state agencies, e.g.;

- Local Development District (Appalachia Regional Commission)
- Economic Development District (Economic Development Administration)
- Workforce Investment Area (PA Department of Labor and Industry)
- Area Loan Organization (PA Department of Community and Economic Development)
- Regional Export Network (PA Department of Community and Economic Development)
- Partners for Regional Economic Performance (PA Department of Community and Economic Development)
- Regional Planning Organization for Rural Transportation (PA Department of Transportation)
- Regional Project Review Clearinghouse (PA Department of Community and Economic Development)
- The Alleghenies Tourism Council

A. Reporting Entity

The Commission, for financial purposes, includes all of the funds and account groups relevant to its operations. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from The Commission. The Commission does not serve as an oversight unit over any other governmental unit and, therefore, the reporting entity consists of only The Commission.

B. Basis of Presentation

The Commission's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

In the current year, the Commission has implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." GASB defines two new elements of financial statements: (1) deferred outflows of resources and (2) deferred inflows of resources as dictated by GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." GASB Statement No. 63 also amends GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" that reference statements of net assets. Statement of net assets has been replaced with the statement of net position. The Commission had no transactions that qualified as deferred outflows or inflows as defined by GASB 63.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about The Commission as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of The Commission that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of The Commission at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of The Commission's governmental activities and for the business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of The Commission, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of The Commission.

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

During the year, The Commission segregates transactions related to certain Commission functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of The Commission at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. The Commission's only fiduciary fund is reported as an agency fund.

C. Fund Accounting

The accounts of The Commission are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are reported

by generic classifications within the financial statements. The following fund types are used by The Commission:

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are The Commission's major governmental funds:

General Fund - the general fund is the general operating fund of The Commission. It is used to account for all financial resources not accounted for and reported in another fund.

PROPRIETARY FUNDS

Proprietary funds focus on the determination of changes in net assets, financial position and cash flows and are classified as either enterprise or internal service.

Enterprise Fund -- The Commission's enterprise fund is its loan fund, which is used to account for all revenues and expenses pertaining to revolving loans. An enterprise fund accounts for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is the cost of providing goods and services to the participants on a continuing basis, which are financed or recovered through user charges.

In applying the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds*, the Commission applies all GASB pronouncements and all Financial Accounting Standards Board pronouncements, Accounting Principle Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

FIDUCIARY FUNDS

The Commission's only fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Commission's Agency Fund is used to account for expenses related to the Blair, Bedford, Cambria, Somerset and Huntingdon CareerLink Sites and for pass thru funds where the Commission acts solely as an escrow agent for the Commonwealth of Pennsylvania.

D. Measurement Focus

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of The Commission are included on the statement of net position.

FUND FINANCIAL STATEMENTS

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Operating revenues include interest and fees received on outstanding loans. Non-operating revenues include revenues from other sources that are not directly attributable to the outstanding loans. The statement of cash flows provides information about how The Commission finances and meets the cash flow needs of its proprietary activities.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which The Commission must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to The Commission on a reimbursement basis.

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grant and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as unearned revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

F. Budgetary Data

Administrative budgets are prepared, however they are not legally required and therefore are not presented. Each grant budget is prepared on a fiscal year basis that corresponds to the fiscal year of the individual grant or activity. Budgets are adopted on a basis consistent with generally accepted accounting principles. The Commission's Board of Directors approves all budgets and revisions. The level of budgetary responsibility varies, i.e. some on an object basis (salaries, fringes, etc.), some on a functional basis (training, administration, etc.), and some in total. Unused appropriations lapse at the end of the contract.

The Commission's primary funding source is federal and state grants, which have grant periods that may or may not coincide with the Commission's fiscal year. These grants normally are for a twelve-month period; however, they can be awarded for periods shorter or longer than twelve months.

Because of the Commission's dependency on federal and state grant revenues, revenue estimates are based upon the best available information as to potential sources of funding.

The Commission's annual budget differs from that of most local governments in two respects: (1) the uncertain nature of grant awards from other entities and (2) conversion of grant budgets to a fiscal year basis.

The resulting annual budget is subject to constant change within the fiscal year due to:

- Increases/decreases in actual grant awards from those estimated;
- Changes in grant periods;
- Unanticipated grant awards not included in the budget; and
- Expected grant awards, which fail to materialize.

The Board of Directors formally approves the annual budget but, greater emphasis is placed on complying with the individual grant budget, terms and conditions on a grant-by-grant basis. These terms and conditions usually specify the period during which costs may be incurred and outline budget restrictions or allowances.

G. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the budgetary funds. Generally accepted accounting principles (GAAP) require encumbrances outstanding at year end to be reported as reservations of fund balances since they do not constitute expenditures or liabilities.

H. Cash and Investments

Cash includes amounts in demand deposits, as well as short-term investments with a maturity date within three months of the date acquired by the Commission.

Statutes authorize The Commission to invest in U.S. treasury bills, short-term obligations of the United States Government or its agencies or instrumentalities, deposits in savings accounts or time deposits of institutions insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation. The Commission's cash investment accounts are insured or insured collateralized as provided by law by the depository with obligations from the United States of America, Commonwealth of Pennsylvania, or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

I. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Internal activity is eliminated within the Government-Wide Financial Statements.

J. Accumulated Compensated Absences

The Commission reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Accumulated compensated absences for paid time off are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

The entire compensated absence liability is reported on the government-wide financial statements.

It is The Commission's policy to permit employees to carry over into the next calendar year no more than 70 hours (10 days) of which will be paid to employees upon separation from The Commission's service.

K. Accounts Receivable

Accounts receivable are considered by management to be fully collectible and accordingly no allowance for doubtful accounts is considered necessary.

L. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Commission maintains a capitalization threshold of \$5,000. The Commission does not possess any

infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Description Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Furniture, Computers/Software and Equipment	3 – 10 Years	N/A
Vehicles	5 Years	N/A
M. Estimates		

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N. Income Taxes

The Commission is exempt from Federal Income Tax under Section 501(c)(4) of the Internal Revenue Code; therefore, no provision for income taxes has been made.

The Commission previously adopted FASB Interpretation No. 48 (FIN 48) the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Commission has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Commission believes that income tax tiling positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Commission's financial condition, results of operations or cash flows. Accordingly, the Commission has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at October 30, 2013.

The Commission is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Commission believes it is no longer subject to income tax examinations for years prior to June 30, 2010.

The Commission's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

O. Net Position

Net position represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through

the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors, or laws, or other regulations of other governments. The Commission's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

P. Fund Balance

The Commission previously implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement required the governmental funds' fund balances to be reclassified into the following five categories.

Nonspendable fund balance – fund balance permanently restricted and unavailable for current operations

Restricted fund balance – fund balance temporarily restricted for specified purposes stipulated by constitution, external resource providers, or through enabling legislation

Committed fund balance – fund balance temporarily restricted for specified purposes established by a formal action by the Board of Directors. Formal action by the Board of Directors is also necessary to modify or rescind a fund balance commitment.

Assigned fund balance – fund balance intended for a specific purpose that does not meet the criteria to be classified as restricted or committed. The Board of Directors has authorized the Executive Director as the official authorized to assign fund balance to a specific purpose.

Unassigned fund balance – fund balance available for operations without any restriction.

The Board of Directors will spend the most restricted dollars before less restricted in the order as defined above.

The Commission reports the following fund balance classifications:

General Grant Fund

Unassigned	\$	626,944
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This represents funds for future programs.

Travel Development Fund

Assigned	\$	26,712
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This represents funds for future programs within the Travel Development Program.

Q. Governmental Financial Assistance

Southern Alleghenies Planning and Development Commission receives nearly all of its support under grants and contracts with various governmental agencies. A significant reduction in the level of this support, if such was to occur, would have a significant effect on the Commission's programs and activities.

R. Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current year. Unearned revenue also arises when the Commission receives resources before it has legal claim to them. This occurs when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Commission has a legal claim to the resources, the liability is removed from the Fund's balance sheet and revenue is recognized.

NOTE 2 – CASH AND INVESTMENTS

The Organization has a policy that requires all deposits and investments, other than U.S. government obligations, to be covered by Federal insurance or to be fully collateralized by the financial institution issuing the investment or acquiring the deposit. Deposits that are not insured by the Federal Deposit Insurance Corporation are collateralized using the pooled asset method to 100% of value as required by Pennsylvania Law.

The securities pledged as collateral are held by the trust department of a financial institution or by its agents in the financial institution's name. When certificates of deposit are purchased, the Organization or its agent either holds the actual certificate of deposit or receives a safekeeping certificate as its proof of ownership.

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and Investments	\$ 3,494,620
Fiduciary funds:	
Cash and investments	<u>---</u>
Total Cash and Investments	<u>\$ 3,494,620</u>

Cash and investments as of June 30, 2013 consist of the following:

Cash on hand	\$ 150
Deposits with financial institutions	<u>3,494,620</u>
Total Cash and Investments	<u>\$ 3,494,770</u>

NOTE 3 – NOTES RECEIVABLE

Notes receivable reflect revolving loans to area businesses to encourage industrial growth and development. The Commission's notes receivable activity for the year ended June 30, 2013 was as follows:

	<u>Balance at June 30, 2012</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at June 30, 2013</u>
Economic Development Administration/Service Revolving Loan Fund	\$ 91,340	\$ 80,000	(\$ 61,522)	\$ 109,818
Economic Development Administration	2,360,295	750,000	(631,462)	2,478,833
Health and Human Services	457,921	---	(34,124)	423,797
Small Business and Industries First Fund	9,437,304	510,000	(2,037,675)	7,909,629
Local Economic Development	338,758	---	(64,695)	274,063
Intermediary Relending Program	1,316,095	200,000	(248,219)	1,267,876
Appalachian Regional Commission PA Capital Loan Fund	<u>463,267</u>	<u>200,000</u>	(<u>91,976</u>)	<u>571,291</u>
Total Notes Receivable	<u>\$ 14,464,980</u>	<u>\$ 1,740,000</u>	<u>(\$ 3,169,673)</u>	<u>\$ 13,035,307</u>

The above notes receivable have terms ranging from three (3) to fifteen (15) years and interest rates ranging from 2% to 5.5%. Further, the notes receivable, with the exception of the Intermediary Relending Program, which has a \$14,955 allowance for doubtful accounts at June 30, 2013, utilized the direct write-off method for uncollectible notes. The Economic Development Loan Fund directly wrote-off \$--- during the fiscal year 2013.

Total Notes Receivable	\$ 13,035,307
Amount Receivable in One Year	<u>2,670,781</u>
Amount Receivable in Excess of One Year	<u>\$ 10,364,526</u>

* During fiscal year ending June 30, 2013, this fund was eliminated due to the same amount being reported as both a receivable and payable to Department of Community Affairs for a number of years. In addition, there has been no activity in recent years within this fund.

NOTE 4 – CAPITAL ASSETS

The Commission's capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Balance at June 30, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2013</u>
Office Equipment	\$ 49,256	\$ ---	\$ ---	\$ 49,256
Computer Equipment	129,565	---	(22,314)	107,251
Computer Software	5,205	---	---	5,205
Vehicles	20,958	---	---	20,958
Other Equipment	<u>68,599</u>	<u>---</u>	<u>---</u>	<u>68,599</u>
Total Capital Assets, at historical cost	\$ <u>273,583</u>	\$ <u>---</u>	(\$ <u>22,314</u>)	\$ <u>251,269</u>
Less accumulated				
Office Equipment	(\$ 31,455)	\$ (2,194)	\$ ---	(\$ 33,649)
Computer Equipment	(117,712)	(6,195)	22,314	(101,593)
Computer Software	(5,204)	---	---	(5,204)
Vehicles	(20,957)	---	---	(20,957)
Other Equipment	(<u>57,377</u>)	<u>(4,656)</u>	<u>---</u>	(<u>62,033</u>)
Total Accumulated Depreciation	(\$ <u>232,705</u>)	\$ <u>(13,045)</u>	\$ <u>22,314</u>	(\$ <u>223,436</u>)
Governmental activities Capital assets, net	\$ <u>40,878</u>	\$ <u>(13,045)</u>	\$ <u>---</u>	\$ <u>27,833</u>

NOTE 5 – NOTES PAYABLE

The Commission's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities:

As of June 30, 2013, there were no long term notes payable under governmental activities.

Business-Type Activities:

As of June 30, 2013, the long-term debt payable from proprietary fund resources consisted of the following:

Loans payable to the U.S. Department of Agriculture, Farmers Home Administration were previously administered by the Department of Health and Human Services in the amount of \$500,000. The Commission uses these funds to finance loans to various businesses. Terms of the loan provide, among other things, for repayment in semi-annual installments of \$10,000 plus interest commencing June 30, 1989. The loan terms are as follows:

<u>Rate</u>	<u>Period</u>	
1.00%	01/01/89 to 03/31/92	
1.00%	04/01/92 to 03/31/97	
1.00%	04/01/97 to 12/31/13	\$ 10,000

Loans payable to the U.S. Department of Agriculture, Farmers Home Administration are in the amount of \$500,000. The Commission uses these funds to finance loans to third parties for certain purposes. Terms of the loan provide, among other things, for repayment of principal and interest in twenty-eight (28) equal, annual amortized installments commencing October 24, 1993 with any remaining balance due and payable on October 24, 2020. Interest only was paid annually for the first two years. Interest will accrue on the unpaid principal balance at the rate of 1% per annum.

157,078

Loans payable to the U.S. Department of Agriculture, Farmers Home Administration are in the amount \$500,000. The Commission uses these funds to finance loans to third parties for certain purposes. Terms of the loan provide, among other things, for repayment of principal and interest in twenty-eight (28) equal, annual amortized installments commencing March 23, 1998 with any remaining balance due and payable on March 23, 2025. Interest only was paid annually for the first two years. Interest will accrue on the unpaid principal balance at the rate of 1% per annum.

231,088

Loans payable to the U.S. Department of Agriculture are in the amount of \$262,500. The Commission uses these funds to finance loans to third parties for certain purposes. Terms of the loan provide, among other things, for repayment of principal and interest in twenty-eight (28) equal, annual amortized installments commencing May 25, 2003 with any remaining balance due and payable on May 25, 2030. Interest only will be paid annually for the first two years. Interest will accrue on the unpaid principal balance at the rate of 1% per annum.

315,948

\$ 714,114

Long-Term Liability Activity

Long-term liability activity for the year ended June 30, 2013 was as follows:

Business-type Activities Payable from Restricted Net Assets:

	Balance at June 30, 2012	Additions	Reductions	Balance at June 30, 2013	Amount Due Within One Year
Loans Payable:					
Health & Human Services	\$ 30,000	\$ ---	(\$ 20,000)	\$ 10,000	\$ 10,000
Intermediary Relending Program	175,884	---	(18,806)	157,078	19,179
Intermediary Relending Program	249,161	---	(18,073)	231,088	18,248
Intermediary Relending Program	<u>333,182</u>	<u>---</u>	<u>(17,234)</u>	<u>315,948</u>	<u>17,406</u>
Business-type activities long-term liabilities	\$ <u>788,227</u>	\$ <u>---</u>	\$ <u>(74,113)</u>	\$ <u>714,114</u>	\$ <u>64,833</u>

Debt Maturity**Business-type Activities**

Principal and interest payments due on The Commission's loans payable outstanding at June 30, 2013 are as follows:

	<u>Principal</u>	<u>Interest</u>
2014	\$ 64,833	\$ 6,857
2015	55,381	6,308
2016	55,934	5,755
2017	56,494	5,196
2018	57,058	4,631
2019-23	250,386	15,100
2024-28	138,255	5,359
2029-30	<u>35,774</u>	<u>357</u>
Total	\$ <u>714,114</u>	\$ <u>49,563</u>

NOTE 6 – LINE OF CREDIT

The Commission has a line of credit in the amount of \$500,000. The line of credit is secured by the Commission's real property, personal property, and promissory notes and bears interest at a fluctuating rate of .50% under Wall Street Journal National Prime Rate. As of June 30, 2013, the balance on the line of credit was \$0 with an interest rate of 4.00%.

NOTE 7 – DUE TO OTHER GOVERNMENTS

Due to other governments relates to various loans from the Pennsylvania Small Business and First Industries Fund obtained under a master loan agreement, dated January 27, 1983 and subsequently amended July 1, 2005, between the Pennsylvania Department of Commerce and the Southern Alleghenies Planning and Development Commission. The Commission uses these funds to finance loans to various businesses. Repayments are used to offset associated commission debt. Interest rates range from 3% - 5%. The balance outstanding at June 30, 2013 amounted to \$7,807,091.

NOTE 8 – DEFERRED COMPENSATION PLAN

On January 1, 1999, The Commission established a deferred compensation plan which was adopted under the provisions of the Internal Revenue Code Section 457 (Deferred Compensation Plan with Respect to Service for State and Local Governments). A third-party administers the plan under an annuity contract agreement.

For purposes of employer matching contributions, the plan covers all employees of The Commission that meet the two (2) eligibility requirements, which are defined as follows:

1. Completion of one year of service before entry date, and
2. Twenty-one (21) years of age or older.

The employee amount of contributions shall be equal to any percentage greater than three percent (3%) of compensation for the pay period. The employer will match one hundred percent (100%) of the employee's contribution up to a maximum of five percent (5%). The 2013 fiscal year contributions for the employee by the employer amounted to \$55,067.

However, employees are eligible to make salary deferral contributions upon hire. All amounts of compensation deferred under the Plan and all income attributed to those amounts (until paid or made available to the employee or beneficiary) are the fiduciary responsibility of The Commission and are restricted for employees that participate in the plan. The Commission must exercise due care as required of any ordinary prudent investor.

Plan activity for the year ended June 30, 2013 was as follows:

Fair market value at July 1, 2012	\$ 1,519,827
Contributions	160,164
Investment income and appreciation of plan net assets	164,345
Withdrawals*	(120,953)
Fair market value at June 30, 2013	<u>\$ 1,723,383</u>

* Includes refunds, terminations, and cash retirement withdrawals.

NOTE 9 – OPERATING LEASES

During 2010, the Commission entered into a ten (10) year operating lease for office space covering the period October 1, 2010 to September 30, 2020. The agreement provides for monthly payments of \$7,063 for the first five (5) years of the lease term and monthly payments of \$7,769 for the last five (5) years of the lease. The term of the lease may be extended or renewed at the option of the Commission, for two (2) additional terms of five (5) years each.

Rent expense amounted to \$141,441 for the fiscal year ended June 30, 2013.

The Commission entered into a five (5) year operating lease agreement in January 2007 for a mail machine. Lease payments began in August 2007 at \$385 per month. After twelve monthly payments, the monthly lease payment increased to \$1,330 per month.

The Commission entered into a three (3) year operating lease agreement for a copier. Lease payments began in July 2008 at \$1,092 per month.

Future minimum lease payments on the leases are as follows:

Year Ended June 30

2014	\$ 163,627
2015	121,566
2016	127,036
2017	124,725
2018	124,725
2018-2022	<u>280,631</u>
	<u>\$ 942,310</u>

NOTE 10 – RELATED PARTY TRANSACTIONS

During May 2002, the Commission loaned Southern Alleghenies Community Development Corporation (a non-profit corporation) \$50,000. The loan required monthly installment payments of approximately \$1,500. The loan bears an annual interest rate of 5%. Throughout the current year, \$1,300 in principal was paid, leaving a balance outstanding of \$21,471 as of June 30, 2013. Management is of the opinion that the loan is collectible.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Grant Programs

The Commission participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Commission is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. In the opinion of management, liabilities resulting from disallowed expenditures, if any, would not be material to the accompanying financial statements at June 30, 2013.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events were considered through October 30, 2013, which is the date that financial statements were available to be issued.

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION
GENERAL GRANT FUND
SCHEDULE OF GRANT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

AGENCY	GRANT NUMBER	SALARIES	FRINGE BENEFITS
APPALACHIAN REG. COMMISSION	PA-0708F-C40	\$ 24,284	\$ 13,752
APPALACHIAN REG. COMMISSION	PA-0708F-C41	22,659	9,362
APPALACHIAN REG. COMMISSION	PA-17267-2012	0	0
ECONOMIC DEVELOPMENT ADMINISTRATION	01-83-08910-02	29,122	13,388
APPALACHIAN REGIONAL COMMISSION ENTERPRISE	PA-8304-C29-11	14,248	8,975
APPALACHIAN REGIONAL COMMISSION ENTERPRISE	PA-8304-C30-12	180,013	90,765
DEPARTMENT OF DEFENSE DEFENSE LOGISTICS AGENCY	SP4800-11-2-1279	0	0
DEPARTMENT OF DEFENSE DEFENSE LOGISTICS AGENCY	SP4800-12-2-1379	17,583	6,970
DEPT. OF TRANSPORTATION	520916 WORK ORDER #3	20,437	10,279
DEPT. OF TRANSPORTATION	520916 WORK ORDER #4	69,376	35,402
TREE VITALIZE	BRC-TV-14-7	0	0
EXPORT PROGRAM	C000045388	29,379	14,508
EXPORT STEP	4300348850	0	0
EXPORT EDA	Pass Thru	0	0
PARTNERS FOR REGIONAL ECONOMIC PERFORMANCE	C000051889	145,092	66,793
CR Energy	10-16e	14,305	7,141
Energy Year 5	PA-15726-C4-2011	4,951	2,763
Energy Year 6	PA-15726-C5-2012	10,767	5,071
WPP-SUSTAINABLE ENERGY FUND	WPPSEF	3,363	2,112
PENELEC-SUSTAINABLE ENERGY	PENELECSEF	3,413	1,460
NCAC-SUSTAINABLE ENERGY FUND	NCACSEF	0	0
TOTALS		<u>\$ 588,991</u>	<u>\$ 288,740</u>

SUPPLIES		CONSULTANT AND CONTRACTED SERVICES	TRAVEL COSTS	OTHER DIRECT & ALLOCATED EXPENSES	EXPENDITURES (MEMORANDUM ONLY)
\$	8,324	\$ -	\$ 1,760	\$ 14,344	\$ 62,464
	0	0	2,381	11,328	45,730
	798	0	0	0	798
	0	0	2,459	17,031	62,000
	0	25,558	0	7,933	56,714
	4,299	1,095	2,354	97,885	376,411
	0	0	0	0	0
	0	52,242	172	8,153	85,120
	975	2,452	3,755	10,444	48,342
	5,003	8,853	3,812	38,977	161,423
	0	(1,075)	0	0	(1,075)
	63	4,281	5,863	45,744	99,868
	0	6,709	4,140	32,873	43,722
	0	0	0	2,300	2,300
	10,590	128,299	19,375	53,161	423,310
	500	0	2,070	8,617	32,633
	0	77,141	157	2,595	87,607
	265	162,495	1,142	5,599	185,339
	0	0	0	1,874	7,349
	0	0	0	1,803	6,676
	0	0	0	87	87
\$	30,818	\$ 468,049	\$ 49,438	\$ 360,747	\$ 1,786,817

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION
SCHEDULE OF MATCHING AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

FEDERAL/STATE GRANTOR AGENCY	CFDA #	GRANT NUMBER	GRANT PERIOD
APPALACHIAN REGIONAL COMMISSION	23.009	PA-0708F-C40	1/1/2012 TO 12/31/2012
APPALACHIAN REGIONAL COMMISSION	23.009	PA-0708F-C41	1/1/2013 TO 3/31/2013
APPALACHIAN REGIONAL COMMISSION	23.001	PA-17267-2012	4/1/2012 TO 9/30/2013
APPALACHIAN REGIONAL COMMISSION	23.011	PA-8304-C30-11	7/1/2011 TO 12/31/2012
APPALACHIAN REGIONAL COMMISSION	23.011	PA-8304-C31-12	7/1/2012 TO 9/30/2013
APPALACHIAN REGIONAL COMMISSION	23.001	PA-15726-C4-2011	10/1/2011 TO 9/30/2012
APPALACHIAN REGIONAL COMMISSION	23.001	PA-15726-C5-2012	10/1/2012 TO 9/30/2013
U.S. DEPARTMENT OF DEFENSE DEFENSE LOGISTICS AGENCY	12.002	SP4800-12-2-1279	2/1/2012 TO 1/31/2013
U.S. DEPARTMENT OF DEFENSE DEFENSE LOGISTICS AGENCY	12.002	SP4800-13-2-1379	2/1/2013 TO 12/31/2013
ECONOMIC DEVELOPMENT ADMINISTRATION	11.302	01-83-08910-02	7/1/2012 TO 6/30/2013
COMMONWEALTH OF PA RURAL TRANSPORTATION THRU PA DEPT. OF TRANSPORTATION	20.205	520916 Work Order #3	7/1/2011 TO 6/30/2012
COMMONWEALTH OF PA RURAL TRANSPORTATION THRU PA DEPT. OF TRANSPORTATION	20.205	520916 Work Order #4	7/1/2012 TO 6/30/2013

(A) IN-KIND REPRESENTS MEETING AND TRAVEL TIME
DONATED BY VARIOUS COMMITTEE MEMBERS OF THE COMMISSION.

See Independent

SCHEDULE II

GRANT AWARD	REQUIRED MATCH	FEDERAL	STATE	LOCAL	(A) IN-KIND	TOTAL
100,857	100%	—	8,419	33,146	9,298	50,863
98,013	100%	35,234	17,264	22,780	7,622	82,900
50,000	100%	35,234	17,264	22,780	7,622	82,900
400,000	100%	73,474	320,463	-	14,118	408,055
400,000	100%	90,736	296,968	-	10,000	397,704
440,000	102%	—	346,850	-	20,000	366,850
300,000	104%	—	120,770	-	19,602	140,372
200,000	100%	—	47,373	-	-	47,373
185,773	25%	—	125,697	-	-	125,697
62,000	100%	—	64,908	-	10,000	74,908
236,490	5%	—		-	-	-
236,490	5%	—		7,614	-	7,614

Auditor's Report

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Grantor Program Title	Federal CFDA Number	Pass Through Grantor's Number	Grant Period	Cash Received	Program or Award Amount	Local Match Required	Accrued or (Deferred) Revenue at 6/30/12	Revenue Recognized	Federal Expenditures	Accrued or (Deferred) Revenue at 6/30/13
U.S. DEPARTMENT OF AGRICULTURE										
<i>Passed Through the Commonwealth of Pennsylvania Department of Labor and Industry</i>										
Federal Food Stamp Program	10.581	100118111	7/1/11-6/30/12	\$ 7,176	\$ 47,112	N/A	\$ 7,176	\$ -	\$ -	\$ -
Federal Food Stamp Program	10.561	4100080659	7/1/12-6/30/13	-	1,238	N/A	-	1,238	1,238	1,238
			Total CFDA #10.561	7,176	48,350		7,176	1,238	1,238	1,238
TOTAL U.S. DEPARTMENT OF AGRICULTURE				\$ 7,176	\$ 48,350		\$ 7,176	\$ 1,238	\$ 1,238	\$ 1,238
U.S. DEPARTMENT OF COMMERCE										
<i>Direct Federal Funding</i>										
Economic Development Support for Planning Organizations	11.303	01-83-08485.02	7/1/09-6/30/10	\$ (2,037)	\$ 62,189	50.00%	\$ (2,037)	\$ -	\$ -	\$ -
Economic Development Support for Planning Organizations	11.303	01-08-08910-02	7/1/12-6/30/13	62,000	62,000	50.00%	(2,037)	62,000	62,000	-
			Total CFDA #11.303	59,963	124,189					
<i>Direct Federal Funding</i>										
Economic Development Support for Planning Organizations	11.302	01-83-08910	7/1/10-6/30/11	(79)	62,000	50.00%	(79)	-	-	-
Economic Development Support for Planning Organizations	11.302	01-83-08910-01	7/1/11-6/30/12	(5,960)	62,000	50.00%	(5,960)	-	-	-
			Total CFDA #11.302	(6,039)	124,000		(6,039)	-	-	-
<i>Direct Federal Funding</i>										
EDA Revolving Loan Fund	11.307	01-79-07376.2	N/A	-	N/A	N/A	-	2,962,854	2,962,854	-
EDA Revolving Loan Fund	11.307	01-1958002	N/A	-	N/A	N/A	-	129,242	129,242	-
			Total CFDA #11.307 **	-	-		-	2,792,096	2,792,096	-
TOTAL U.S. DEPARTMENT OF COMMERCE				\$ 53,924	\$ 248,189		\$ (8,076)	\$ 2,854,096	\$ 2,854,096	\$ -
U.S. DEPARTMENT OF DEFENSE										
<i>Passed Through the Northern Tier Regional Planning and Development Commission</i>										
Procurement Technical Assistance For Business Firms	12.002	SP4800-13-2-1379	02/1/13-12/31/13	\$ 33,216	\$ 185,773	25.00%	\$ -	\$ 85,800	\$ 85,800	\$ 52,584
Procurement Technical Assistance For Business Firms	12.002	SP4800-12-2-1279	02/1/12-01/31/13	199,994	200,000	50.00%	85,320	114,539	114,539	(135)
			Total CFDA #12.002	233,210	385,773		85,320	200,339	200,339	52,449
TOTAL U.S. DEPARTMENT OF DEFENSE				\$ 233,210	\$ 385,773		\$ 85,320	\$ 200,339	\$ 200,339	\$ 52,449
U.S. DEPARTMENT OF LABOR										
<i>Passed Through the Commonwealth of Pennsylvania Department of Labor and Industry</i>										
WIA Adult Program	17.258	100123001	7/1/12-6/30/14	\$ 81,138	\$ 81,138	N/A	\$ -	\$ 81,138	\$ 81,138	\$ -
WIA Adult Program	17.258	100123011	10/1/12-6/30/14	772,858	982,316	N/A	-	816,249	816,249	43,391
WIA Adult Program	17.258	100113011	10/1/11-6/30/13	318,889	1,059,540	N/A	146,372	172,517	172,517	-
			Total CFDA #17.258	1,172,885	2,122,994		146,372	1,069,904	1,069,904	43,391

See Independent Auditor's Report and
Accompanying Notes to Schedule of Expenditures of Federal Awards

Grantor Program Title	Federal CFDA Number	Pass Through Grantor's Number	Grant Period	Cash Received	Program or Award Amount	Local Match Required	Accrued or (Deferred) Revenue at 6/30/12	Revenue Recognized	Federal Expenditures	Accrued or (Deferred) Revenue at 6/30/13
U.S. DEPARTMENT OF LABOR (Continued)										
<i>Passed Through the Commonwealth of Pennsylvania Department of Labor and Industry</i>										
WIA Youth Activities	17.259	100123301	4/1/12-6/30/14	856,128	1,059,290	N/A	-	867,466	867,466	11,338
WIA Youth Activities	17.259	100113301	4/1/11-6/30/13	280,743	1,172,401	N/A	153,080	127,663	127,663	-
			Total CFDA #17.259	1,136,871	2,231,691		153,080	995,129	995,129	11,338
<i>Passed Through the Commonwealth of Pennsylvania Department of Labor and Industry</i>										
WIA Dislocated Workers-NEG OJT	17.260	100097011	6/30/10-6/30/12	22,600	367,776	N/A	11,031	11,569	11,569	-
			Total CFDA #17.260	22,600	367,776		11,031	11,569	11,569	-
<i>Passed Through the Commonwealth of Pennsylvania Department of Labor and Industry</i>										
WIA Dislocated Workers	17.276	100124151	10/1/12-6/30/13	25,719	50,000	N/A	-	29,061	29,061	3,342
WIA Dislocated Workers	17.276	100114051	7/1/11-6/30/13	-	80,985	N/A	(27,549)	27,549	27,549	-
WIA Dislocated Workers	17.276	100114151	10/1/11-6/30/13	151,432	191,990	N/A	(1,034)	152,466	152,466	-
WIA Dislocated Workers	17.276	100124011	10/1/12-6/30/14	735,766	960,659	N/A	-	745,382	745,382	9,616
WIA Dislocated Workers	17.276	100124001	7/1/12-6/30/14	165,492	185,492	N/A	-	165,492	165,492	-
WIA Dislocated Workers	17.276	100114011	10/1/11-6/30/13	350,689	958,831	N/A	195,584	155,105	155,105	-
			Total CFDA #17.276	1,429,096	2,407,957		167,001	1,275,055	1,275,055	12,958
			Total WIA Cluster	\$3,761,454	\$7,130,418		\$477,484	\$3,351,657	\$3,351,657	\$67,687
<i>Passed Through the Commonwealth of Pennsylvania Department of Labor and Industry</i>										
WIA OJT/NEG	17.277	100127011	6/30/12-6/30/13	29,058	165,287	N/A	-	51,309	51,309	22,251
WIA FTCA NEG Fleetwood	17.277	100117001	7/1/11-6/30/13	148,773	329,841	N/A	17,450	133,663	133,663	2,340
			Total CFDA #17.277	177,831	495,128		17,450	184,972	184,972	24,591
				\$3,839,285	\$7,625,546		\$494,934	\$3,636,629	\$3,636,629	\$92,278
TOTAL U.S. DEPARTMENT OF LABOR										
U.S. DEPARTMENT OF TRANSPORTATION										
<i>Passed Through the Commonwealth of Pennsylvania Department of Transportation</i>										
Highway Planning and Construction	20.205	520916-3	7/1/11-6/30/12	\$86,651	\$196,192	10.00%	\$45,610	\$41,041	\$41,041	\$-
Highway Planning and Construction	20.205	520916-4	7/1/12-6/30/13	85,750	196,192	10.00%	-	132,571	132,571	46,821
			Total CFDA #20.205	172,401	392,384		45,610	173,612	173,612	46,821
				\$172,401	\$392,384		\$45,610	\$173,612	\$173,612	\$46,821
TOTAL U.S. DEPARTMENT OF TRANSPORTATION										
APPALACHIAN REGIONAL COMMISSION										
<i>Direct Federal Funding</i>										
ARC Energy	23.001	PA-15726-C5-2012	10/1/12-9/30/13	\$133,710	\$300,000	52.00%	\$-	\$185,339	\$185,339	\$51,629
ARC Energy	23.001	PA-15726-C4-2011	10/1/11-9/30/12	205,523	440,000	49.00%	117,916	87,607	87,607	-
ARC Lighting	23.001	PA-17267-2012	4/1/12-9/30/13	45,000	50,000	N/A	-	798	798	(44,202)
			Total CFDA #23.001	384,233	790,000		117,916	273,744	273,744	7,427

See Independent Auditor's Report and
Accompanying Notes to Schedule of Expenditures of Federal Awards

Grantor Program Title	Federal CFDA Number	Pass Through Grantor's Number	Grant Period	Cash Received	Program or Award Amount	Local Match Required	Accrued or (Deferred) Revenue at 6/30/12	Revenue Recognized	Federal Expenditures	Accrued or (Deferred) Revenue at 6/30/13
APPALACHIAN REGIONAL COMMISSION (Continued)										
<i>Direct Federal Funding</i>										
Appalachian Local Development District Assistance	23.009	PA0708F-C33	1/1/05 - 12/31/05	(537)	88,142	50.00%	(537)	-	-	-
Appalachian Local Development District Assistance	23.009	PA0708F-C34	1/1/06 - 12/31/06	(6,288)	87,284	50.00%	(6,288)	-	-	-
Appalachian Local Development District Assistance	23.009	PA-0708F-C35	1/1/07 - 12/31/07	(5,383)	87,290	50.00%	(5,383)	-	-	-
Appalachian Local Development District Assistance	23.009	PA-0708F-C36	1/1/08 - 12/31/08	(295)	99,000	50.00%	(295)	-	-	-
Appalachian Local Development District Assistance	23.009	PA-0708F-C37	1/1/09 - 12/31/09	1,560	97,571	50.00%	1,560	-	-	-
Appalachian Local Development District Assistance	23.009	PA-0708F-C40	1/1/12 - 12/31/12	25,214	100,857	50.00%	(42,138)	62,463	62,463	(4,889)
Appalachian Local Development District Assistance	23.009	PA-0708F-C41	1/1/12 - 12/31/12	51,586	98,013	50.00%	-	45,729	45,729	(5,857)
		Total CFDA #23.009		65,857	698,157		(53,081)	108,192	108,192	(10,746)
<i>Direct Federal Funding</i>										
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	PA-8304-C30-11	7/1/11 - 12/31/12	7,375	400,000	50.00%	(49,339)	56,714	56,714	-
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	PA-8304-C31-12	7/1/12 - 9/30/13	360,000	400,000	50.00%	-	376,410	376,410	16,410
		Total CFDA #23.011 **		367,375	800,000		(49,339)	433,124	433,124	16,411
TOTAL APPALACHIAN REGIONAL COMMISSION				\$ 817,465	\$ 2,248,157		\$ 15,496	\$ 815,060	\$ 815,060	\$ 13,091
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES										
<i>Passed Through the Commonwealth of Pennsylvania Department of Labor and Industry</i>										
Temporary Assistance for Needy Families	93.558	100118141	7/1/11-6/30/12	\$ 151,820	\$ 965,708	N/A	\$ 151,820	\$ -	\$ -	\$ -
Temporary Assistance for Needy Families	93.558	4100060659	7/1/12-6/30/13	609,859	712,817	N/A	-	703,908	703,908	94,247
Temporary Assistance for Needy Families	93.558	4100060659	7/1/12-6/30/13	18,312	383,825	N/A	-	-	-	(18,312)
Work Wages	93.558	100118231	7/1/11-6/30/12	5,253	12,192	N/A	5,253	-	-	-
Subsidized Wages	93.558	100108241	7/1/11-6/30/12	(718)	18,287	N/A	(718)	-	-	-
Fringe Benefits	93.558	100118251	7/1/11-6/30/12	1,071	1,829	N/A	1,071	-	-	-
Eye and Ear	93.558	100118261	7/1/11-6/30/12	773	3,086	N/A	773	-	-	-
Temporary Assistance for Needy Families	93.558	100123361	7/1/12-6/30/13	280,523	300,000	N/A	-	281,964	291,964	11,441
Temporary Assistance for Needy Families	93.558	100113361	7/1/11-6/30/12	58,761	330,033	N/A	58,761	-	-	-
		Total CFDA #93.558 **		1,125,254	2,727,777		216,760	995,870	995,870	87,376
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				\$1,125,254	\$ 2,727,777		\$ 216,760	\$ 995,870	\$ 995,870	\$ 87,376
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$6,348,715	\$13,676,176		\$ 857,220	\$ 8,576,843	\$ 8,576,843	\$ 293,253

** Major Program

See Independent Auditor's Report and
Accompanying Notes to Schedule of Expenditures of Federal Awards

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southern Alleghenies Planning and Development Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – EDA REVOLVING LOAN FUND

Southern Alleghenies Planning and Development Commission administers two EDA Revolving Loan Funds (CFDA No. 11.307) funded by the U.S. Department of Commerce. At June 30, 2013, the Federal Awards Expended under each program was calculated as follows:

	<u>#01-79-07376.2</u>	<u>#01-1958002</u>
Balance of RLF loans outstanding @ 6/30/13	\$ 2,478,833	\$109,819
Cash and investment balance in RLF @ 6/30/13	845,294	83,205
Administrative expenses paid out of RLF income during FYE 6/30/13	4,441	(126)
Unpaid principal of all loans written off during FYE 6/30/13	<u>---</u>	<u>---</u>
	<u>\$ 3,328,568</u>	<u>\$ 192,898</u>
Original federal grant	\$ 1,705,000	\$ 100,000
Total amount loaned with local match	<u>2,129,001</u>	<u>150,000</u>
Federal share of RLF	<u>80%</u>	<u>67%</u>
Total Federal Awards Expended	<u>\$ 2,662,854</u>	<u>\$ 129,242</u>

NOTE 3 – SUBRECIPIENTS OF FEDERAL FUNDS

Southern Alleghenies Planning and Development Commission has the following subrecipients who receive federal funding:

Center for Community Action	\$ 133,551
Goodwill Industries of the Conemaugh Valley	738,911
Huntingdon Employment & Training, Inc.	662,218
Private Industry Council of Centre County	946,147
Tableland Services, Inc.	435,819
Somerset Technology Center	31,152
North Center Regional Planning	152,710
Northeastern PA Alliance	68,005
Northern Tier Regional Planning	111,104
Northwest PA Regional Planning	50,289
SEDA-COG	35,238
Southwestern PA Corporation	43,247
Penn State University	<u>35,422</u>
Total Federal Pass-Through Funds	<u>\$ 3,443,813</u>

NOTE 4 – FEDERAL CASH RECEIVED

Southern Alleghenies Planning and Development Commission has reported cash that was returned to the granting agencies on the Schedule of Federal Awards as a negative cash receipt.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

October 30, 2013

The Board of Directors Southern Alleghenies Planning
and Development Commission
Altoona, Pennsylvania 16602

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Southern Alleghenies Planning and Development Commission, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Southern Alleghenies Planning and Development Commission's basic financial statements, and have issued our report thereon dated June 30, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southern Alleghenies Planning and Development Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southern Alleghenies Planning and Development Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Southern Alleghenies Planning and Development Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern Alleghenies Planning and Development Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



WESSEL & COMPANY
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

October 30, 2013

The Board of Directors Southern Alleghenies Planning
and Development Commission
Altoona, Pennsylvania 16602

Report on Compliance for Each Major Federal Program

We have audited Southern Alleghenies Planning and Development Commission's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Southern Alleghenies Planning and Development Commission's major federal programs for the year ended June 30, 2013. Southern Alleghenies Planning and Development Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Southern Alleghenies Planning and Development Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southern Alleghenies Planning and Development Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Southern Alleghenies Planning and Development Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, Southern Alleghenies Planning and Development Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of Southern Alleghenies Planning and Development Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Southern Alleghenies Planning and Development Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southern Alleghenies Planning and Development Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



WESSEL & COMPANY
Certified Public Accountants

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

SUMMARY OF AUDIT RESULTS

1. Type of report the auditor issued on the general-purpose financial statements of the auditee: Unqualified Opinion.
2. No significant deficiencies in internal control were disclosed by the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Southern Alleghenies Planning and Development Commission were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit.
5. Type of report the auditor issued on compliance for each major federal award program: Unqualified Opinion.
6. No audit findings are required to be reported in accordance with Section 510(a) of OMB Circular A-133 is reported in this Schedule.
7. Identification of major programs:
 - U.S. Department of Commerce – Economic Adjustment Assistance – CFDA #11.307
 - U.S. Department of Health and Human Services – Temporary Assistance for Needy Families – CFDA #93.558
 - Appalachian Regional Commission – ARC Energy - #23.001
 - Appalachian Regional Commission – Appalachian Research, Technigcal Assistance, and Demonstration Projects - #23.011
8. The dollar threshold used to distinguish between Type A and Type B Programs was \$300,000.
9. The Commission does not qualify as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

None Noted

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None Noted

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013

NOT APPLICABLE

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION
CORRECTIVE ACTION PLAN
JUNE 30, 2013

NONE NECESSARY