

Southern Alleghenies Planning and Development Commission

Financial Statements
and Required Supplementary and
Supplementary Information

Year Ended June 30, 2019
with Independent Auditor's Reports

MaherDuessel

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SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

Independent Auditor's Report

Management's Discussion and Analysis	i
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Financial Statements:

Government-Wide Financial Statements:

Statement of Net Position	1
Statement of Activities	2

Fund Financial Statements:

Balance Sheet - Governmental Funds	3
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	4
Statement of Fund Net Position – Proprietary Funds	5
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	6
Statement of Cash Flows - Proprietary Funds	7
Statement of Fiduciary Net Position – Fiduciary Fund	8

Notes to Financial Statements	9
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SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

(Continued)

Supplementary Information:

Combining Statement of Net Position - Other Enterprise Funds	25
Combining Statement of Revenues, Expenditures, and Changes in Net Position - Other Enterprise Funds	26
Schedule of Expenditures of Federal Awards	27
Notes to Schedule of Expenditures of Federal Awards	29
Schedule of Revenues, Expenses, and Comparison with Budget – EARN Program	31
Schedule of Cumulative Expenditures of Federal Awards – WIOA	32

Independent Auditor's Reports Required by the Uniform Guidance:

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 <i>Government Auditing Standards</i>	33
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	35
Schedule of Findings and Questioned Costs	38
Summary Schedule of Prior Audit Findings	39

Independent Auditor's Report

Board of Directors Southern Alleghenies Planning and Development Commission

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 (Commission) as of and for the year ended June 30, 2019, 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.

Opinions

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 Commission as of June 30, 2019, and the respective changes in financial position 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 through vi 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 Commission's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and*

Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The supplementary information and 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 supplementary information 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 November 13, 2019, on our consideration of the Commission's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We previously audited the Commission's 2018 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated November 16, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it was derived.

Maher Duessel

Pittsburgh, Pennsylvania
November 13, 2019



Management's Discussion and Analysis (MD&A) Year Ended June 30, 2019

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, 2019. Readers are encouraged to consider the information presented in conjunction with additional information found within the audit.

FINANCIAL HIGHLIGHTS

- ❖ *The Commission's* total net position increased by \$231,285
- ❖ Cash and cash equivalents increased \$362,138
- ❖ Total assets increased \$1,380,562
- ❖ Notes and other liabilities increased \$1,149,277
- ❖ Total operating revenues increased \$477,829
- ❖ Total operating expenses increased \$493,886

OVERVIEW OF FINANCIAL STATEMENTS

This management's 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 Innovation & Opportunity Act (WIOA) grant fund, and the Welfare (EARN) grant fund. The income received and expenses incurred directly relate to the delivery of regional economic, community and workforce development services. In the vast majority, this income consists of 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 mostly from supporting member County Governments for the general operations of *The Commission*.
- 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, and 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 Commission* 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 Position 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 position may serve over time as a useful indicator of a government's financial position. In the case of *The Commission's* governmental funds, assets exceeded liabilities by \$766,839 and the business type activities assets exceeded liabilities by \$8,507,249 as of June 30, 2019.

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 Position 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 or to show that it is meeting legal responsibilities for using certain grants (such as the Workforce Innovation and Opportunity 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 modified 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 Position 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 provide a short and long-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 Position. 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 position were \$9,274,088 at June 30, 2019. The combined total assets of *The Commission* increased \$1,380,562, while total liabilities increased \$1,149,277 during fiscal year 2019. The most significant changes in *The Commission's* combined assets and liabilities can be seen in *The Commission's* Proprietary Funds. Cash balances at fiscal year-end had increased by \$79,964 from the prior year. Notes receivable increased by \$957,323 and *The Commission's* amount due to other governments saw an increase of \$851,604. On the governmental activities' side, accounts receivable, accounts payable, and unearned revenue all saw nominal changes in balances from the prior year.

Operating Governmental Activities grant revenue increased \$493,328 while expenditures increased by \$480,833. As stated previously, most of *The Commission's* revenues are derived from cost reimbursement type contracts. Therefore, changes to expenses normally coincide with changes to revenues. We anticipate that this trend of grant revenues holding steady (with potential growth) in the near future.

The General Fund continues its tradition of providing value-added services to the region's businesses, communities, and local governments. Services include procurement, export, economic development planning and infrastructure, capital investment, and transportation planning and programming.

The Commission's grants supporting direct business development services provide for various and distinct outputs and outcomes, and in fiscal year 2019 most goals were met. *The Commission's* business development team worked with 232 existing businesses to assist those businesses to develop new sales and markets, internationally, domestically and government markets the efforts resulted in 64.6 million of new sales, 225 new jobs and 1,100 jobs retained. Special initiatives this year included organizing and accompanying a group of businesses to the Bauma trade show in Germany, participating in the International Wood Fair, and organizing a Trade Mission to South Africa, Tanzania, and Kenya. Furthermore, *The Commission* 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. *The Commission* functioned as the coordinating agency for the region-wide PREP (Partnership for Regional Economic Performance), a network of 11 economic development agencies that assisted 834 business clients during the fiscal year. *The Commission* also continued to coordinate Start-Up Alleghenies organizing a region-wide ecosystem and a movement to encourage and support entrepreneurial growth in the region. Through this effort 61 new businesses were started creating 100 non-owner jobs and generating over \$4 million in new sales. *The Commission* was also instrumental in the establishment and launch of the Alleghenies Angel fund, a new source of investment capital for start-up and emerging businesses in the region. Start-Up Alleghenies and the Workforce Development Board hosted a conference entitled "Creating an Entrepreneurial Spirit in the Workplace" that was attended by over 130 stakeholders. *The Commission* coordinated and participated in the Engage Program, a proactive business outreach effort to help businesses engage with the services that are available to them, action plans were developed for 325 businesses during the fiscal year.

The Planning and Community Development (P&CD) Division worked throughout the region with major projects related to infrastructure development to include the construction of a new access road that will promote business development opportunities. Other activities included funding to support trail and recreation efforts, transportation planning and programming, 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. Specifically, the Planning Division secured over \$4M in public funds, which leveraged local and private funds and created an estimated 230 new jobs. In addition, P&CD staff continued to serve as the regional clearinghouse for projects requesting federal funds. To this end, staff reviewed a total of 27 applications for projects throughout the region and provided support letters as appropriate. As the regional coordinator for Pennsylvania's Keystone Opportunity Zone (KOZ) Program, P&CD staff processed the necessary local approval for 15 applications requesting property owner and business tax abatement.

The Employment, Advancement, and Retention Network (EARN) Program provided job placement and job retention services to 558 Temporary Assistance for Needy Families (TANF) recipients in the six-county area during fiscal year 2019. EARN participants typically have multiple barriers, such as criminal history, mental health problems, background of domestic violence, and lack of transportation. Program funds were used for staff to provide instruction, assessment, case management, job development, work experience, and assistance in career exploration to encourage obtaining skill training. Emphasis was also placed on teaching job seeking skills such as resume writing and interview skills. In addition, clients were provided with activities to help them improve various soft skills and life skills, including time management, communication, teamwork, and parenting skills. Recent initiatives included partnering with various community agencies to serve the needs of the full family rather than just the client. As a result, 260 jobs were obtained, with over a third of those in jobs paying at least \$10.00 per hour. The Southen Alleghenies EARN program received \$192,714.24 performance payments for meeting such goals as job placement, job retention, wage of at least \$10 per hour, and closure of TANF cash grants.

The Southern Alleghenies Workforce Development Board (SAWDB) continues to support the region's public workforce system and ensure that the residents have access to a wide variety of workforce services. Funding utilized by the SAWDB in support of the public workforce system includes an annual Workforce Innovation and Opportunity Act (WIOA) allocation, Rapid Response funds, Temporary Assistance to Needy Families (TANF) awards, and other competitively secured grant dollars. Roughly 6% of the WIOA and TANF were used to cover the infrastructure costs associated with maintaining five PA CareerLinks® and four affiliate sites. In Program Year 2019, the Cambria and Blair PA CareerLinks® co-located into the Johnstown and Altoona Public Libraries. These innovative moves resulted in substantial cost savings, increased foot traffic for both the libraries and PA CareerLinks® and received national recognition by the US Department of Labor as the first one-stop/library co-locations in the country. The SAWDB also utilized 50% of the annual allocation to underwrite subcontracts with the agencies that provide workforce services to jobseekers and employers. WIOA funds were also used for the required quality assurance and monitoring functions, to cover specialized jobseeker supportive services and assessment costs, for participation in the Industry Cluster Research Consortium, and support for the Northstar Digital Literacy Assessment. The Commonwealth's WIOA Plan requires each Workforce Development Board to allocate increasingly larger portions of its budget in support of training. For this past fiscal year, some \$1,395,374 was earmarked to support training for jobseekers; 152 individuals received assistance 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 SAWDB was also successful in securing and administering competitivel funding to support additional workforce-related programs. These grants include a \$262,844 Economic Transition Grant that is supporting retraining for individuals displaced from the retail, service and hospitality sectors, and a \$108, 813 Business-Education Partnership grant designed to better connect students and educators with employers, a \$50,000 Teacher in the Workplace Grant that enables educators to spend significant time learning employer-needs first hand, and a \$221,840 State-Local Internship Program grant to pair local college students with employers.

In regard to business-related activities, any changes were due primarily to variations in notes receivable, notes payable, and amounts due to other governments. *The Commission* closed 15 loans at a value of

\$3,537,578 with a leverage of \$13,845,208 in public and private funds; projected 44 jobs created 308 jobs retained in the region we serve. *The Commission* borrowed \$1,838,678 this fiscal year from the Commonwealth of Pennsylvania's Pennsylvania Industrial Development Authority (PIDA) fund. At June 30, 2019, *The Commission* had \$787,500 in loans approved, but not yet funded.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of fiscal year 2019, *The Commission* had \$1,440, net of accumulated depreciation, 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 Steven K. Howsare, Executive Director, SAP&DC, 3 Sheraton Drive, Altoona, PA 16601-9343 or visit the Commission's website at: www.sapdc.org

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

STATEMENT OF NET POSITION

JUNE 30, 2019

(With Comparative Totals at June 30, 2018)

	Governmental Activities	Business-type Activities	Total	2018
Assets				
Cash and cash equivalents	\$ 1,929,771	\$ 1,175,057	\$ 3,104,828	\$ 2,742,690
Accounts receivable	1,761,767	-	1,761,767	1,695,362
Internal balances	(111,703)	100,000	(11,703)	(25,766)
Prepaid expenses	45,342	-	45,342	50,539
Notes receivable, current portion	-	2,196,048	2,196,048	2,280,720
Notes receivable, long-term portion, net	-	11,227,831	11,227,831	10,185,836
Capital assets, net	1,440	-	1,440	15,610
Total Assets	3,626,617	14,698,936	18,325,553	16,944,991
Liabilities				
Accounts payable	1,060,879	1,395	1,062,274	864,566
Unearned revenue	1,664,132	-	1,664,132	1,468,744
Accrued liabilities	134,767	-	134,767	172,929
Due to other governments	-	5,822,228	5,822,228	4,970,624
Notes payable, current portion	-	57,958	57,958	57,384
Notes payable, long-term portion	-	310,106	310,106	367,941
Total Liabilities	2,859,778	6,191,687	9,051,465	7,902,188
Net Position				
Net investment in capital assets	1,440	-	1,440	15,610
Restricted	-	6,701,113	6,701,113	6,514,707
Unrestricted	765,399	1,806,136	2,571,535	2,512,486
Total Net Position	\$ 766,839	\$ 8,507,249	\$ 9,274,088	\$ 9,042,803

See accompanying notes to financial statements.

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for Year Ended June 30, 2018)

Functions/Programs	Total Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-Type Activities	Total	2018
Governmental Activities:							
General	\$ 2,790,912	\$ -	\$ 2,789,398	\$ (1,514)	\$ -	\$ (1,514)	\$ 27,136
Welfare	908,953	-	908,953	-	-	-	-
Workforce innovation and opportunity	4,616,046	-	4,616,046	-	-	-	-
Unallocated depreciation expense	14,170	-	-	(14,170)	-	(14,170)	(14,170)
Total governmental activities	8,330,081	-	8,314,397	(15,684)	-	(15,684)	12,966
Business-Type Activities:							
Small business and first industries	9,658	30,718	-	-	21,060	21,060	25,722
Economic development	28,364	115,074	-	-	86,710	86,710	84,851
Intermediary relending	4,602	51,048	-	-	46,446	46,446	45,541
Other	105	74,277	-	-	74,172	74,172	59,681
Total business-type activities	42,729	271,117	-	-	228,388	228,388	215,795
	<u>\$ 8,372,810</u>	<u>\$ 271,117</u>	<u>\$ 8,314,397</u>	(15,684)	228,388	212,704	228,761
General revenues:							
Interest				4,558	14,023	18,581	10,992
Change in Net Position				(11,126)	242,411	231,285	239,753
Net position - beginning of year				777,965	8,264,838	9,042,803	8,803,050
Net position - end of year				\$ 766,839	\$ 8,507,249	\$ 9,274,088	\$ 9,042,803

See accompanying notes to financial statements.

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2019
(With Comparative Totals at June 30, 2018)

	Special Revenue Funds				
	General	Welfare Grant	Workforce Innovation and Opportunity Grant Fund	Total	2018
Assets	Fund	Fund			
Cash and cash equivalents	\$ 1,882,711	\$ 37,964	\$ 9,096	\$ 1,929,771	\$ 1,647,597
Accounts receivable	635,140	279,246	847,381	1,761,767	1,695,362
Due from other funds	-	1,208,890	-	1,208,890	781,229
Prepaid expenses	45,342	-	-	45,342	50,539
Total Assets	\$ 2,563,193	\$ 1,526,100	\$ 856,477	\$ 4,945,770	\$ 4,174,727
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 216,553	\$ 91,250	\$ 753,076	\$ 1,060,879	\$ 863,720
Due to other funds	1,241,309	-	79,284	1,320,593	906,979
Unearned revenue	205,165	1,434,850	24,117	1,664,132	1,468,744
Accrued liabilities	134,767	-	-	134,767	172,929
Total Liabilities	1,797,794	1,526,100	856,477	4,180,371	3,412,372
Fund Balance:					
Nonspendable:					
Prepaid items	45,342	-	-	45,342	50,539
Unassigned	720,057	-	-	720,057	711,816
Total Fund Balance	765,399	-	-	765,399	762,355
Total Liabilities and Fund Balance	\$ 2,563,193	\$ 1,526,100	\$ 856,477	\$ 4,945,770	\$ 4,174,727
Total Fund Balance - Governmental Funds				\$ 765,399	\$ 762,355
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.					
				<u>1,440</u>	<u>15,610</u>
Total Net Position of Governmental Activities				\$ 766,839	\$ 777,965

See accompanying notes to financial statements.

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for Year Ended June 30, 2018)

	Special Revenue Funds				
	General Fund	Welfare Grant Fund	Workforce Innovation and Opportunity Grant Fund	Total	2018
Revenues:					
Federal and state grants	\$ 2,663,828	\$ 908,953	\$ 4,616,046	\$ 8,188,827	\$ 7,695,499
Local sources	125,570	-	-	125,570	166,715
Interest income	4,558	-	-	4,558	1,835
Total revenues	2,793,956	908,953	4,616,046	8,318,955	7,864,049
Expenditures:					
Planning and development:					
Administration	265,147	95,483	309,634	670,264	661,191
Program	2,525,765	813,470	4,306,412	7,645,647	7,173,887
Total expenditures	2,790,912	908,953	4,616,046	8,315,911	7,835,078
Net Change in Fund Balance	3,044	-	-	3,044	28,971
Fund Balance:					
Beginning of year	762,355	-	-	762,355	733,384
End of year	<u>\$ 765,399</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 765,399</u>	<u>\$ 762,355</u>

Net Change in Fund Balance - Governmental Funds \$ 3,044 \$ 28,971

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

Governmental funds report the acquisition of capital assets as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This amount is the difference between depreciation expense and acquisitions:

Current expenditures for capital assets	-	-
Less: depreciation expense	(14,170)	(14,170)
Change in Net Position of Governmental Activities	<u>\$ (11,126)</u>	<u>\$ 14,801</u>

See accompanying notes to financial statements.

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

STATEMENT OF NET POSITION PROPRIETARY FUNDS

JUNE 30, 2019
(With Comparative Totals at June 30, 2018)

Assets	Small Business and First Industries Fund	Economic Development Loan Fund	Intermediary Relending Programs Fund	Other Enterprise Funds	Total	2018
Cash	\$ 33,787	\$ 337,030	\$ 167,385	\$ 636,855	\$ 1,175,057	\$ 1,095,093
Due from other funds	-	-	-	100,000	100,000	100,134
Notes receivable, net	6,239,408	3,508,782	1,551,540	2,124,149	13,423,879	12,466,556
Total Assets	\$ 6,273,195	\$ 3,845,812	\$ 1,718,925	\$ 2,861,004	\$ 14,698,936	\$ 13,661,783
Liabilities and Net Position						
Liabilities:						
Accounts payable	\$ 1,395	\$ -	\$ -	\$ -	\$ 1,395	\$ 846
Due to other funds	-	-	-	-	-	150
Due to other governments	5,822,228	-	-	-	5,822,228	4,970,624
Notes payable	-	-	368,064	-	368,064	425,325
Total Liabilities	5,823,623	-	368,064	-	6,191,687	5,396,945
Net Position:						
Restricted	-	3,845,812	1,350,861	1,504,440	6,701,113	6,514,707
Unrestricted	449,572	-	-	1,356,564	1,806,136	1,750,131
Total Fund Balance	449,572	3,845,812	1,350,861	2,861,004	8,507,249	8,264,838
Total Liabilities and Fund Balance	\$ 6,273,195	\$ 3,845,812	\$ 1,718,925	\$ 2,861,004	\$ 14,698,936	\$ 13,661,783

See accompanying notes to financial statements.

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for Year Ended June 30, 2018)

	Small Business and First Industries Fund	Economic Development Loan Fund	Intermediary Relending Programs Fund	Other Enterprise Funds	Total	2018
Operating Revenues:						
Loan interest	\$ 11,903	\$ 107,546	\$ 49,558	\$ 67,568	\$ 236,575	\$ 213,998
Loan fees	18,815	7,528	1,490	6,709	34,542	31,473
Total operating revenues	30,718	115,074	51,048	74,277	271,117	245,471
Operating Expenditures:						
Administration	9,658	28,364	-	105	38,127	24,852
Interest expense	-	-	4,602	-	4,602	4,824
Total operating expenditures	9,658	28,364	4,602	105	42,729	29,676
Operating Income (Loss)	21,060	86,710	46,446	74,172	228,388	215,795
Non-Operating Revenues (Expenditures):						
Interest income	431	2,261	2,306	9,025	14,023	9,157
Change in Net Position	21,491	88,971	48,752	83,197	242,411	224,952
Net Position:						
Beginning of year	428,081	3,756,841	1,302,109	2,777,807	8,264,838	8,039,886
End of year	\$ 449,572	\$ 3,845,812	\$ 1,350,861	\$ 2,861,004	\$ 8,507,249	\$ 8,264,838

See accompanying notes to financial statements.

SOUTHERN ALLEGHENIES PLANNING AND DELVELOPMENT COMMISSION

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for Year Ended June 30, 2018)

	Small Business and First Industries Fund	Economic Development Loan Fund	Intermediary Relending Programs Fund	Other Enterprise Funds	Total	2018
Cash Flows From Operating Activities:						
Net receipts (disbursements) from (to) borrowers	\$ 25,923	\$ 243,081	\$ 40,877	\$ (144,483)	\$ 165,398	\$ 64,816
Payments for services	(9,109)	(28,364)	-	(105)	(37,578)	(24,006)
Payments for other operating expenses	-	-	(4,602)	-	(4,602)	(4,824)
Net cash provided by (used in) operating activities	16,814	214,717	36,275	(144,588)	123,218	35,986
Cash Flows From Noncapital Financing Activities:						
Principal payments on debt	-	-	(57,261)	-	(57,261)	(56,872)
Transfers from (to) other funds, net	83	(47)	(13)	(39)	(16)	958
Net cash provided by (used in) noncapital financing activities	83	(47)	(57,274)	(39)	(57,277)	(55,914)
Cash Flows From Investing Activities:						
Other revenue	-	-	-	-	-	-
Interest income	431	2,261	2,306	9,025	14,023	9,157
Net cash provided by (used in) investing activities	431	2,261	2,306	9,025	14,023	9,157
Net Increase (Decrease) in Cash and Cash Equivalents	17,328	216,931	(18,693)	(135,602)	79,964	(10,771)
Cash and Cash Equivalents:						
Beginning of year	16,459	120,099	186,078	772,457	1,095,093	1,105,864
End of year	\$ 33,787	\$ 337,030	\$ 167,385	\$ 636,855	\$ 1,175,057	\$ 1,095,093
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Operating income (loss)	\$ 21,060	\$ 86,710	\$ 46,446	\$ 74,172	\$ 228,388	\$ 215,795
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Change in:						
Notes receivable	(856,399)	128,007	(10,171)	(218,760)	(957,323)	(702,431)
Due to other governments	851,604	-	-	-	851,604	521,776
Accounts payable	549	-	-	-	549	846
Total adjustments	(4,246)	128,007	(10,171)	(218,760)	(105,170)	(179,809)
Net cash provided by (used in) operating activities	\$ 16,814	\$ 214,717	\$ 36,275	\$ (144,588)	\$ 123,218	\$ 35,986

See accompanying notes to financial statements.

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUND

JUNE 30, 2019
(With Comparative Totals at June 30, 2018)

Assets	2019	2018
Accounts receivable	\$ 283,977	\$ 176,460
Due from other funds	11,703	25,766
Total Assets	\$ 295,680	\$ 202,226
Liabilities		
Accounts payable	\$ 295,680	\$ 202,226

See accompanying notes to financial statements.

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

1. Summary of Significant Accounting Policies

Southern Alleghenies Planning and Development Commission (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 of Directors (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 Innovation and Opportunity Act (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)

Reporting Entity

As the majority of the Commission's governing board is comprised of individuals appointed by participating local governments, for financial reporting purposes, the Commission is considered to be a state and local government. Therefore, the financial statements of the

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

Commission follow accounting standards governed by the Governmental Accounting Standards Board (GASB).

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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.

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 balance 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 financial 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.

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.

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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

The accounts of the Commission are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows and outflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate.

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 - This fund is the general operating fund of the Commission. It is used to account for all financial resources not accounted for and reported in other funds.

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

Welfare Grant Fund - This fund is used specifically to account for all financial resources relating to the Commission's welfare program. This activity primarily includes Temporary Assistance for Needy Families (TANF) funds, which are provided through the Pennsylvania Department of Human Services through cost reimbursement contracts.

Workforce Innovative and Opportunity Grant Fund - This fund is used specifically for all financial resources relating to the Commission's Workforce Development Programs and is primarily funded by cost reimbursement contracts with the Pennsylvania Department of Labor and Industry.

Proprietary Funds

The focus of proprietary funds measurement is upon determination of operating income, changes in net position, financial position, and cash flows. These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Commission reports the following major proprietary funds: Small Business and First Industries Fund, Economic Development Loan Fund, and Intermediary Relending Programs Fund.

Additionally, the Commission reports the following other proprietary fund information: Health and Human Services Fund, EDA Flood Fund, Local Economic Development Fund, and ARC/PCLF Fund. All of the funds provide revolving loans to businesses within the Commission's six-county region and promote and encourage industrial growth and development.

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-through funds where the Commission acts solely as an escrow agent for the Commonwealth of Pennsylvania.

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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 the Commission receives resources before it has legal claim to them. Grant and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission has no activity which qualifies for reporting in this category.

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

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

with generally accepted accounting principles. The Commission's Board 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 (12) period; however, they can be awarded for periods shorter or longer than twelve months.

Due to 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.

Cash and Cash Equivalents

The Commission has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. For purposes of the basic financial statements, the Commission considers cash equivalents to be highly liquid short-term investments that are readily convertible to known amounts of cash and mature within 90 days of the date they are acquired.

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

Interfund Activity

During the course of operations, transactions occur between individual funds for goods provided or services rendered. As a general rule, the effect of internal activity is eliminated within the government-wide financial statements. Exceptions to this general rule are activity between the Commission's governmental activities, business-type activities, and fiduciary fund.

Accumulated Compensated Absences

It is the Commission's policy to permit employees to carry over into the next calendar year no more than seventy (70) hours (ten (10) days). Upon separation from Commission employment and regardless of reason, employees will be reimbursed no more than thirty-five (35) accrued PTO hours. However, if two (2) weeks' notice is not provided by any employee when leaving the Commission's employ, then the reimbursement of thirty-five (35) PTO hours will be forfeited. No PTO use will be allowed during the last two (2) weeks (ten (10) workdays) of an employee's employment.

Accounts Receivable

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

Notes Receivable

Notes receivable are reported net of allowance for doubtful accounts. Estimates for the allowance are established by specific identification of accounts. As of June 30, 2019, the allowance for doubtful accounts is \$14,955.

Capital Assets

All capital assets are capitalized at cost (or estimated historical cost). Donated fixed assets are recorded at their acquisition 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 expenses when incurred.

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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>Estimated Lives</u>
Furniture, Computers/Software and Equipment	3-10 Years
Vehicles	5 Years

Estimates

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

Income Taxes

The Internal Revenue Service considers the Commission exempt under Section 501(c)(4) of the Internal Revenue Code. Accordingly, no provision for income taxes has been provided in the financial statements. Further, the Commission annually files a Form 990.

Fund Balance

In the fund financial statements, governmental funds report fund balance in categories based on the level of constraint placed upon the funds. These levels are as follows:

- Nonspendable – This category represents funds that are not in spendable form.
- Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties.
- Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by the Board. Such commitment is made via formal action by the Board and must be made prior to the

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

end of the year. A commitment can only be modified or removed by the same formal action. There was no committed fund balance at June 30, 2019.

- Assigned – This category represents intentions of the Board to use the funds for specific purposes. The Board has delegated the authority to assign amounts to be used for specific purposes to the Executive Director or his/her designee. There was no assigned fund balance at June 30, 2019.
- Unassigned – This category includes the residual classification for the Commission's General Fund and includes all spendable amounts not contained in other classifications.

The Commission's policy is to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position

The government-wide and proprietary funds financial statements are required to report three components of net position:

Net Investment in Capital Assets - This component of net position consists of capital assets net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

Restricted - This component of net position consists of constraints placed on net position use through external restrictions. Net position is restricted as described below:

Amount	Restriction
\$ 3,845,812	Economic Development Loans
1,350,861	Intermediary Relending Programs
393,283	Health and Human Services Programs
227,158	EDA Flood Programs
883,999	ARC/PCLF Programs
<u>\$ 6,701,113</u>	

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental Financial Assistance

The 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 were to occur, would have a significant effect on the Commission's programs and activities.

Pending Pronouncements

GASB has issued several statements that will become effective in future years, including Statement Nos. 84 (Fiduciary Activities), 87 (Leases), 89 (Accounting for Interest Cost Incurred Before the End of a Construction Period), 90 (Majority Equity Interests), and 91 (Conduit Debt Obligations). Management has not yet determined the impact of these statements on the Commission's financial statements.

2. Cash and Cash Equivalents

The Commission 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

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

the financial institution issuing the investment or acquiring the deposit. Deposits that are not insured by Federal insurance are collateralized using the polled asset method as required by Pennsylvania Law.

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Commission’s deposits may not be returned to it. The Commission does not have a formal deposit policy for custodial credit risk. As of June 30, 2019, \$250,000 of the Commission’s \$3,470,856 bank balance was insured by the Federal Deposit Insurance Corporation (FDIC). These deposits have carrying amounts of \$3,104,828 as of June 30, 2019.

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, 2019 was as follows:

	Balance at June 30, 2018	Additions	Reductions	Balance at June 30, 2019
Economic Development Administration/ Service Revolving Loan Fund	\$ 178,567	\$ -	\$ (22,058)	\$ 156,509
Economic Development Administration	3,636,789	417,650	(545,657)	3,508,782
Health and Human Services	303,814	135,000	(67,670)	371,144
Small Business and Industries First Fund	5,383,009	1,888,678	(1,032,279)	6,239,408
Local Economic Development	654,389	400,000	(327,997)	726,392
Intermediary Relending Program	1,541,369	250,000	(239,829)	1,551,540
Appalachian Regional Commission/ PA Capital Loan Fund	768,619	446,250	(344,765)	870,104
	<u>\$ 12,466,556</u>	<u>\$ 3,537,578</u>	<u>\$ (2,580,255)</u>	<u>\$ 13,423,879</u>

The above notes receivable has terms ranging from three to fifteen years and interest rates ranging from 1.5% to 5.5%. The Commission’s allowance for doubtful accounts at June 30, 2019 was \$14,955.

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

4. Capital Assets

The Commission's capital asset activity for the year ended June 30, 2019, was as follows:

	Balance at June 30, 2018	Additions	Disposals	Balance at June 30, 2019
Office equipment	\$ 49,256	\$ -	\$ -	\$ 49,256
Computer equipment	84,407	-	-	84,407
Computer software	5,205	-	-	5,205
Vehicles	26,500	-	-	26,500
Other equipment	73,834	-	-	73,834
Total capital assets	239,202	-	-	239,202
Less: accumulated depreciation	(223,592)	(14,170)	-	(237,762)
Total capital assets, net	<u>\$ 15,610</u>	<u>\$ (14,170)</u>	<u>\$ -</u>	<u>\$ 1,440</u>

5. Notes Payable

As of June 30, 2019, the long-term debt payable from proprietary fund resources consisted of the following:

IRP #1 - 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 (2) years. Interest will accrue on the unpaid principal balance at the rate of 1% per annum. The loan is collateralized by the notes receivable.

\$ 40,225

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IRP #2 - 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 (2) years. Interest will accrue on the unpaid principal balance at the rate of 1% per annum. The loan is collateralized by the notes receivable.

118,788

IRP #3 - Loans payable to the U.S. Department of Agriculture 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 May 25, 2003, with any remaining balance due and payable on May 25, 2030. Interest only will be paid annually for the first two (2) years. Interest will accrue on the unpaid principal balance at the rate of 1% per annum. The loan is collateralized by the notes receivable.

209,051

\$ 368,064

Long-term liability activity for proprietary activities for the year ended June 30, 2019 was as follows:

Business-Type Activities

	<u>Balance at June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2019</u>	<u>Amount Due Within One Year</u>
Loans Payable:					
Intermediary relending program #1	\$ 60,189	\$ -	\$ (19,964)	\$ 40,225	\$ 20,157
Intermediary relending program #2	137,973	-	(19,185)	118,788	19,371
Intermediary relending program #3	227,163	-	(18,112)	209,051	18,430
	<u>\$ 425,325</u>	<u>\$ -</u>	<u>\$ (57,261)</u>	<u>\$ 368,064</u>	<u>\$ 57,958</u>

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

Debt Maturity

Principal and interest payments due to the Commission's Loans payable outstanding at June 30, 2019 are as follows:

Fiscal Year Ended June 30,	Principal	Interest
2020	\$ 57,958	\$ 3,729
2021	58,247	3,150
2022	38,561	2,563
2023	38,946	2,178
2024	39,336	1,788
2025-2029	118,788	4,206
2030	16,228	204
	<u>\$ 368,064</u>	<u>\$ 17,818</u>

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 5%. As of June 30, 2019, there was no outstanding balance.

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 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% to 5%. The balance outstanding at June 30, 2019 is \$5,822,228.

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

8. Deferred Compensation Plan

On January 1, 1999, the Commission established a deferred compensation plan (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 (1) 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 3% of compensation for the pay period. The employer will match one 100% of the employee's contribution up to a maximum of 5%. Total employer contributions for the year ended June 30, 2019 amounted to \$62,123.

9. Operating Leases

During 2010, the Commission entered into a 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 years of the lease term and monthly payments of \$7,769 for the last five years of the lease. The term of the lease may be extended or renewed at the option of the Commission, for two additional terms of five years each.

In addition, the Commission has entered into multiple lease agreements for additional office space. These leases are entered into for a period of not more than one year and, therefore, are not considered long-term leases.

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

Rent expense amounted to approximately \$131,000 for the fiscal year ended June 30, 2019. Future minimum lease payments on the leases are as follows:

Fiscal Year Ended June 30,	
2020	\$ 93,228
2021	<u>23,307</u>
	<u>\$ 116,535</u>

10. Commitments and Contingencies

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, 2019.

SUPPLEMENTARY INFORMATION

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

COMBINING STATEMENT OF NET POSITION OTHER ENTERPRISE FUNDS

JUNE 30, 2019
(With Comparative Totals at June 30, 2018)

Assets	Health and Human Services Fund	EDA Flood Fund	Local Economic Development Fund	ARC/PCLF Fund	Total	2018
Cash	\$ 22,139	\$ 70,649	\$ 530,172	\$ 13,895	\$ 636,855	\$ 772,457
Due from other funds	-	-	100,000	-	100,000	100,051
Notes receivable	371,144	156,509	726,392	870,104	2,124,149	1,905,389
Total Assets	<u>\$ 393,283</u>	<u>\$ 227,158</u>	<u>\$ 1,356,564</u>	<u>\$ 883,999</u>	<u>\$ 2,861,004</u>	<u>\$ 2,777,897</u>
Liabilities and Net Position						
Liabilities:						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90
Total Liabilities	-	-	-	-	-	90
Net Position:						
Restricted	393,283	227,158	-	883,999	1,504,440	1,455,757
Unrestricted	-	-	1,356,564	-	1,356,564	1,322,050
Total Fund Balance	393,283	227,158	1,356,564	883,999	2,861,004	2,777,807
Total Liabilities and Fund Balance	<u>\$ 393,283</u>	<u>\$ 227,158</u>	<u>\$ 1,356,564</u>	<u>\$ 883,999</u>	<u>\$ 2,861,004</u>	<u>\$ 2,777,897</u>

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION OTHER ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for Year Ended June 30, 2018)

	Health and Human Services Fund	EDA Flood Fund	Local Economic Development Fund	ARC/PCLF Fund	Total	2018
Operating Revenues:						
Loan interest	\$ 8,310	\$ 5,047	\$ 25,055	\$ 29,156	\$ 67,568	\$ 56,765
Loan fees	972	-	4,000	1,737	6,709	2,999
Total operating revenues	9,282	5,047	29,055	30,893	74,277	59,764
Operating Expenditures:						
Administration	21	-	-	84	105	83
Total operating expenditures	21	-	-	84	105	83
Operating Income (Loss)	9,261	5,047	29,055	30,809	74,172	59,681
Non-Operating Revenues (Expenditures):						
Interest income	1,156	780	5,459	1,630	9,025	5,043
Change in Net Position	10,417	5,827	34,514	32,439	83,197	64,724
Net Position:						
Beginning of year	382,866	221,331	1,322,050	851,560	2,777,807	2,713,083
End of year	<u>\$ 393,283</u>	<u>\$ 227,158</u>	<u>\$ 1,356,564</u>	<u>\$ 883,999</u>	<u>\$ 2,861,004</u>	<u>\$ 2,777,807</u>

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's and Pass-Through Numbers	Expenditures	Amounts Passed through to Subrecipients
<u>U.S. Department of Commerce</u>				
Investments for Public Works and Economic Development Facilities	11.302	ED16PHI3020049-1	\$ 70,000	\$ -
Economic Development Cluster - Economic Adjustment Assistance	11.307	01-79-07376.2	2,632,110	-
Economic Development Cluster - Economic Adjustment Assistance	11.307	01-19-58002	170,368	-
Total CFDA #11.307; Total Economic Development Cluster			2,802,478	-
Total U.S. Department of Commerce			2,872,478	-
<u>U.S. Department of Defense</u>				
Procurement Technical Assistance for Business Firms	12.002	SP4800-18-2-1879	110,483	55,421
Procurement Technical Assistance for Business Firms	12.002	SP4800-19-2-1979	118,439	60,681
Total CFDA #12.002			228,922	116,102
Passed-Through the Commonwealth of Pennsylvania Department of Community and Economic Development:				
Economic Adjustment Assistance for State Governments	12.617	C000065864	74,005	-
Total U.S. Department of Defense			302,927	116,102
<u>U.S. Department of Labor</u>				
Passed-Through the Commonwealth of Pennsylvania Department of Labor and Industry:				
WIOA Adult Program	17.258	100183001	210,868	59,634
WIOA Adult Program	17.258	100183011	628,824	501,101
WIOA Adult Program	17.258	100173011	317,169	185,615
WIOA Adult Program	17.258	100173132	63,585	63,544
WIOA Adult Program	17.258	100173005	682	-
Total CFDA #17.258			1,221,128	809,894
WIOA Youth Activities	17.259	100183301	936,505	686,809
WIOA Youth Activities	17.259	100173306	5,646	-
WIOA Youth TIW	17.259	100173342	40,000	-
WIOA Youth Activities	17.259	100173301	272,146	230,438
Total CFDA #17.259			1,254,297	917,247
WIOA Dislocated Worker Formula Grants	17.278	100184001	217,661	111,608
WIOA Dislocated Worker Formula Grants	17.278	100184011	642,133	495,715
WIOA Dislocated Worker Formula Grants	17.278	100184133	24,907	24,907
WIOA Dislocated Worker Formula Grants	17.278	100184132	6,415	6,415
WIOA Dislocated Worker Formula Grants	17.278	100174011	209,643	137,615
WIOA Dislocated Worker Formula Grants	17.278	100174132	63,348	62,424
WIOA Dislocated Worker Formula Grants	17.278	100174151	57,552	-
WIOA Dislocated Worker Formula Grants	17.278	100174053	15,864	-
WIOA Dislocated Worker Formula Grants	17.278	100174005	810	-
WIOA Dislocated Worker Formula Grants	17.278	100164151	58,380	-
WIOA Dislocated Worker Formula Grants	17.278	100164135	70,585	70,415
Total CFA #17.278			1,367,298	909,099
Total WIOA Cluster			3,842,723	2,752,342

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's and Pass-Through Numbers	Expenditures	Amounts Passed through to Subrecipients
<u>U.S. Department of Labor (continued)</u>				
Passed-Through the Commonwealth of Pennsylvania Department of Labor and Industry:				
Workforce Investment Act (WIA) National Emergency Grants	17.277	100188423	11,026	-
Total U.S. Department of Labor			3,853,749	2,636,240
<u>U.S. Department of Transportation</u>				
Passed-Through the Commonwealth of Pennsylvania Department of Transportation:				
Highway Planning and Construction Cluster - Highway Planning and Construction	20.205	521178 #1	236,939	-
<u>Appalachian Regional Commission</u>				
Appalachian Area Development Supplemental and Direct Grants	23.002	PW-18777-IM-17	428,825	-
Appalachian Local Development District Assistance	23.009	PA-708-F-C47-19	36,230	-
Appalachian Local Development District Assistance	23.009	PA-708-F-C46-18	55,563	-
Total CFDA #23.009			91,793	-
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	PA-8304-C37	395,039	
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	CO-18317-15	45,666	-
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	PW-18777-IM-C1-18	142,457	-
Total CFDA #23.011			583,162	-
Total Appalachian Regional Commission			1,103,780	-
<u>U.S. Department of Health and Human Services</u>				
Passed Through the Commonwealth of Pennsylvania Department of Labor and Industry:				
Temporary Assistance for Needy Families	93.558	100183361	600,609	556,863
Temporary Assistance for Needy Families	93.558	100173361	77,503	77,497
Total CFDA #93.558			678,112	634,360
Passed Through the Commonwealth of Pennsylvania Department of Human Services				
Temporary Assistance for Needy Families (FY18-19)	93.558	4100077221	695,056	343,866
Temporary Assistance for Needy Families (FY16 Incentive)	93.558	4100060659	29,586	29,586
Temporary Assistance for Needy Families (FY15 Incentive)	93.558	4100060659	34,665	23,611
Temporary Assistance for Needy Families (FY14 Incentive)	93.558	4100060659	149,644	149,455
Total CFDA #93.558			908,951	546,518
Total TANF Cluster			1,587,063	1,180,878
Total U.S. Department of Health and Human Services			1,587,063	1,180,878
Total expenditures of federal awards			\$ 9,956,936	\$ 3,933,220

(Concluded)

See accompanying notes to schedule of expenditures of federal awards.

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Southern Alleghenies Planning and Development Commission (Commission). The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial statements of the Commission.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Commission has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Revolving Loan Funds

On the accompanying Schedule, the portions of program expenditures representing federal expenditures were obtained directly from the grantor or estimated based on information provided by the grantor.

Federal expenditures for the Economic Development Administration (EDA) and the Appalachian Regional Commission (ARC) Revolving Loan Fund (RLF) were calculated as follows:

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

	<u>#01-79-07376.2</u>	<u>#01-1958002</u>
Balance of the RLF at June 30, 2019	\$ 3,508,782	\$ 156,509
Plus:		
Cash balance in the RLF at June 30, 2019	337,030	70,649
Administrative expenses paid from RLF during the fiscal year	24,938	-
Unpaid principal of all loans written off during the fiscal year	<u>-</u>	<u>-</u>
Total	<u>3,870,750</u>	<u>227,158</u>
Federal awards	1,804,000	112,587
Total amount loaned with local match	2,656,000	150,116
The federal share of the RLF	<u>68%</u>	<u>75%</u>
Total RLF federal expenditures	<u>\$ 2,632,110</u>	<u>\$ 170,368</u>

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

SCHEDULE OF REVENUES, EXPENSES, AND COMPARISON WITH BUDGET

YEAR ENDED JUNE 30, 2019

EARN GRANT AGREEMENT CONTRACT NUMBER 4100077221

	Budget	Actual	Variance
Revenues:			
Pennsylvania Department of Human Services	\$ 712,817	\$ 695,056	\$ 17,761
Total revenues	712,817	695,056	17,761
Expenses:			
Administration costs:			
Personnel:			
Staff salaries	67,646	63,567	4,079
Staff fringe benefits	22,543	18,800	3,743
Total personnel	90,189	82,367	7,822
Equipment and supplies	3,487	288	3,199
Operating expenses	15,988	12,826	3,162
Total administration costs	109,664	95,481	14,183
Direct training costs:			
Personnel:			
Staff salaries	152,305	151,829	476
Staff fringe benefits	67,637	67,397	240
Total personnel	219,942	219,226	716
Equipment and supplies	3,488	3,457	31
Operating expenses	35,857	33,026	2,831
Other program expenses	-	-	-
Total direct training costs	259,287	255,709	3,578
Subcontracted expenses	343,866	343,866	-
Total expenses	712,817	695,056	17,761
Excess (Deficiency) of Revenues over Expenses	\$ -	\$ -	\$ -

**SOUTHERN ALLEGHENIES PLANNING
AND DEVELOPMENT COMMISSION**

SCHEDULE OF CUMULATIVE EXPENDITURES OF FEDERAL AWARDS - WIOA

YEAR ENDED JUNE 30, 2019

Title	CDFA Number	Contract Number	Contract Period	Authorized Budget	Actual Expenditures			(Over) Under Budget
					Prior to 7/1/18	7/1/18-6/30/19	Cumulative	
WIOA DW	17.278	100-16-4151	10/01/16-06/30/19	\$ 73,666	\$ 15,286	\$ 58,380	\$ 73,666	\$ -
WIOA DW Program - SLIP	17.278	100-16-4135	02/01/19-06/30/19	70,585	-	70,585	70,585	-
Total				<u>\$ 144,251</u>	<u>\$ 15,286</u>	<u>\$ 128,965</u>	<u>\$ 144,251</u>	<u>\$ -</u>
WIOA Adult Program	17.258	100-17-3005	04/01/18-06/30/19	\$ 682	\$ -	\$ 682	\$ 682	\$ -
WIOA Adult Program	17.258	100-17-3011	10/01/17-06/30/19	960,935	643,767	317,169	960,935	-
WIOA Adult Statewide BEP	17.258	100-17-3132	06/01/18-06/30/19	63,585	-	63,585	63,585	-
WIOA DW Program	17.278	100-17-4005	04/01/18-06/30/19	810	-	810	810	-
WIOA DW Program	17.278	100-17-4011	10/01/17-06/30/19	863,440	653,797	209,643	863,440	-
WIOA Youth Program	17.259	100-17-3301	04/01/17-06/30/19	1,103,616	831,470	272,146	1,103,616	-
WIOA Youth Program	17.259	100-17-3306	04/01/18-06/30/19	5,646	-	5,646	5,646	-
WIOA Youth TIW	17.259	100173342	06/01/18-06/30/19	40,000	-	40,000	40,000	-
TANF	93.558	100-17-3361	07/01/17-06/30/19	614,004	536,501	77,503	614,004	-
WIOA DW	17.278	100-17-4053	07/01/17-06/30/19	15,864	-	15,864	15,864	-
WIOA DW	17.278	100-17-4151	10/01/17-12/31/19	101,350	-	57,552	57,552	43,798
WIOA DW	17.278	100-17-4132	04/01/18-10/31/18	131,128	67,780	63,348	131,128	-
Total				<u>\$ 3,901,059</u>	<u>\$ 2,733,315</u>	<u>\$ 1,123,947</u>	<u>\$ 3,857,262</u>	<u>\$ 43,798</u>
WIOA Adult Program	17.258	100-18-3001	07/01/18-06/30/20	\$ 210,868	\$ -	\$ 210,868	\$ 210,868	\$ -
WIOA Adult Program	17.258	100-18-3011	10/01/18-06/30/20	1,124,159	-	628,824	628,824	495,335
WIOA DW Program	17.278	100-18-4001	07/01/18-06/30/20	217,661	-	217,661	217,661	-
WIOA DW Program	17.278	100-18-4011	10/01/18-06/30/20	1,034,989	-	642,133	642,133	392,855
WIOA Youth Program	17.259	100-18-3301	04/01/18-06/30/20	1,313,055	-	936,505	936,505	376,550
WIOA Youth TIW	17.259	100-18-3342	04/01/19-06/30/20	150,000	-	-	-	150,000
TANF	93.558	100-18-3361	07/01/18-06/30/20	659,680	-	600,609	600,609	59,071
WIOA DW RR	17.278	100-18-4152	10/01/18-06/30/21	155,487	-	-	-	155,487
WIOA DW NEG Econ Transition	17.277	100-18-8423	01/01/19-09/30/20	262,844	-	11,026	11,026	251,818
WIOA DW Statewide SLIP	17.278	100-18-4133	02/01/19-09/30/19	151,256	-	24,907	24,907	126,348
WIOA DW Statewide BEP	17.278	100-18-4132	01/01/19-06/30/20	108,813	-	6,415	6,415	102,398
Total				<u>\$ 5,388,812</u>	<u>\$ -</u>	<u>\$ 3,278,949</u>	<u>\$ 3,278,949</u>	<u>\$ 2,109,862</u>

**Southern Alleghenies Planning
and Development Commission**

Independent Auditor's Reports
Required by the Uniform Guidance

Year Ended June 30, 2019

**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**

**Board of Directors
Southern Alleghenies Planning
and Development Commission**

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, business-type activities, each major fund, and the aggregate remaining fund information of the Southern Alleghenies Planning and Development Commission (Commission) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 13, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Board of Directors
Southern Alleghenies Planning and Development Commission
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

Mahe Duessel

Pittsburgh, Pennsylvania
November 13, 2019

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors Southern Alleghenies Planning and Development Commission

Report on Compliance for Each Major Federal Program

We have audited the Southern Alleghenies Planning and Development Commission's (Commission) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended June 30, 2019. The 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 the Commission's compliance.

Board of Directors
Southern Alleghenies Planning and Development Commission
Independent Auditor's Report on Compliance for Each
Major Program and on Internal Control over Compliance

Opinion on Each Major Federal Program

In our opinion, the 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, 2019.

Report on Internal Control over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered the 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 the Uniform Guidance, 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 the 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 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.

Board of Directors
Southern Alleghenies Planning and Development Commission
Independent Auditor's Report on Compliance for Each
Major Program and on Internal Control over Compliance

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mahe Duessel

Pittsburgh, Pennsylvania
November 13, 2019

SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles

2. Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiencies identified that are not considered to be material weakness(es)?
☐ yes ☒ none reported

3. Noncompliance material to financial statements noted? ☐ yes ☒ no

4. Internal control over major programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiencies identified that are not considered to be material weakness(es)?
☐ yes ☒ none reported

5. Type of auditor's report issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? ☐ yes ☒ no

7. Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
11.307	Economic Development Cluster
93.558	TANF Cluster

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000

9. Auditee qualified as low-risk auditee? ☒ yes ☐ no

II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

No matters were reported.

III. Findings and questioned costs for federal awards.

No matters were reported.

**SOUTHERN ALLEGHENIES PLANNING
AND DEVELOPMENT COMMISSION**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2019

NONE