

**Southwestern Pennsylvania  
Commission**

Single Audit Report

June 30, 2009



# **SOUTHWESTERN PENNSYLVANIA COMMISSION**

YEAR ENDED JUNE 30, 2009

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**Southwestern Pennsylvania  
Commission**

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**Southwestern  
Pennsylvania  
Commission**

# **SOUTHWESTERN PENNSYLVANIA COMMISSION**

YEAR ENDED JUNE 30, 2009

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YEAR ENDED JUNE 30, 2009

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### Independent Auditor's Report

Executive Committee and Commissioners  
Southwestern Pennsylvania Commission

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Southwestern Pennsylvania Commission (Commission) as of and for the year ended June 30, 2009, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the Commission's 2008 financial statements and, in our report dated December 5, 2008 we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, and each major fund of the Commission as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2009 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis Section on pages i through iii is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The additional information listed in the table of contents is presented for the purpose of additional

analysis, and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Maher Duessel*

Pittsburgh, Pennsylvania  
December 7, 2009

# SOUTHWESTERN PENNSYLVANIA COMMISSION (SPC)

## SINGLE AUDIT MANAGEMENT'S DISCUSSION and ANALYSIS (MD&A)

This Management's Discussion and Analysis (MD&A) of the financial performance of the SPC governmental activities, including the business-type activities, is to provide a summary understanding and analysis of the basic financial statements for the fiscal year ending June 30, 2009. The following summary analysis should be used in conjunction with the included financial statements.

### Overview:

- Total Net Assets for the Fiscal Year ending June 30, 2009 equal \$470,145 vs. June 30, 2008 of \$1,129,843. A net decrease of \$659,698. This decrease is attributed to: 1) a net increase in total restricted cash received through debt financing to cover costs associated with the buildings energy savings and efficiency project vs. the previous year at this time; 2) an increase in accounts receivable due to late payments received from PennDOT at year end; 3) a net decrease in loans receivable due to greater loan payments received vs. new loans issued; 4) an increase in construction in progress due to the startup of the energy savings and efficiency project; 5) a net increase in accumulated depreciation and amortization relating to fixed assets; and 6) a net increase in total liabilities due mainly to debt financing.
- Total government program activities expenses equal \$8,141,572 vs. \$7,992,829 as of June 30, 2008. An increase of \$148,743 due mainly to an increase in the highway and transit planning activities included in the 2008-09 Unified Planning Work Program.
- Total business-type activities expenses equal \$6,319,142 vs. \$6,167,643 as of June 30, 2008. An increase of \$151,499 due mainly to an increase in mortgage interest expense attributed to debt financing.
- The revenues, expenditures, and changes in fund balance statement for the governmental funds saw little change in the total amount of revenues received and expenditures incurred vs. the prior year. The planning activities of the governmental unit remained relatively the same as in the prior year. No major changes to report.
- Proprietary Fund Total Net Assets for the year equal \$9,074 vs. \$671,610 as of June 30, 2008. A decrease of \$662,536 attributed mainly to the net effect of new debt financing and the decrease of depreciable assets.
- Total Proprietary Fund operating revenues for the year equal \$5,654,591. A net increase of \$249,073 from the previous year attributed mainly to the increase in rents and operating subsidy.
- Total Proprietary Fund operating expenses, before amortization/depreciation expense, for the year totaled \$4,264,634. A net increase of \$15,668 from the previous year. No significant changes to report from the prior year.
- Total Proprietary Fund amortization/depreciation expense for the year equal \$1,256,431 vs. \$1,198,689 as of June 30, 2008.
- A total of \$225,000 was requested and distributed from the ALCOA Endowment – Regional Enterprise Tower Fund to support building operations and capital improvements.
- Statement of Cash Flows - Proprietary Funds Net cash provided by (used in) operating activities for the year equal \$1,767,073 vs. \$1,276,852 for the previous year attributed mainly to an increase in receipts from customers and a decrease in payments for goods and services from the previous fiscal year.

**Basic Financial Statements** – SPC uses the accrual basis of accounting to record revenues when earned and to record expenses when incurred. The SPC accounts and financial position is presented in the Governmental Activities of the Southwestern Pennsylvania Commission. The Business-Type Activities include activities relating to the operations of the Regional Enterprise Tower which the Corporation is the owner.

The following summary financial information serves as the basis for the analysis of SPC's financial position.

**Statement of Net Assets** – this financial statement summarizes the overall SPC capital structure as to whether company assets were financed by incurring debt or equity. Increases or decreases in net assets and/or liabilities can be a useful indicator as to whether the financial position of SPC is improving or deteriorating. This statement also reflects the overall financial strength of the SPC including its Governmental and Business-type activities compared

to the previous year. Total Net Assets decreased \$659,698 compared to the previous year. In summary, SPC is in a strong financial position to cover its liabilities at year-end without incurring debt.

**SUMMARY**

	<u>June 30, 2009</u>			<u>2008</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
<b>ASSETS</b>				
Total cash and cash equivalents	\$3,085,202	\$1,900,800	\$4,986,002	\$4,626,412
Accounts receivable	1,605,271	43,314	1,648,585	1,261,313
Internal balances	(192,881)	192,881	-	-
Prepaid expenses	51,125	100,253	151,378	116,999
Loans receivable	14,311,769	-	14,311,769	15,437,356
Net fixed assets	-	12,275,554	12,275,554	10,660,772
Total Assets	<u>\$18,860,486</u>	<u>\$14,512,802</u>	<u>\$33,373,288</u>	<u>\$32,102,852</u>
<b>LIABILITIES</b>				
Total Liabilities	<u>\$18,399,415</u>	<u>\$14,503,728</u>	<u>\$32,903,143</u>	<u>\$30,973,009</u>
Total Net Assets	<u>\$461,071</u>	<u>\$9,074</u>	<u>\$470,145</u>	<u>\$1,129,843</u>

**Statement of Activities** – this financial statement provides information on SPC’s programs by functions and the revenues generated or used to support program related expenses. This statement generally is a balanced statement for the Governmental Activities. That is, revenues match expenses. As this statement reports, a total of \$8,141,572 in revenues and alike are needed to support governmental activities. As for the Business-type activities, there are sufficient charges for services to support expenditures before non-operating revenue and expense items.

<b>SUMMARY</b>	<u>Total Expenses</u>	<u>Program Revenues Charges</u>		<u>Net (Expense) Revenues and Changes in Net Assets</u>	
		<u>for Services</u>	<u>Operating grants and contributions</u>	<u>Governmental activities</u>	<u>Business-type activities</u>
Total governmental activities	\$ 8,141,572		\$6,928,019	\$(1,213,553)	
Total business-type activities	<u>6,319,142</u>	<u>\$5,426,384</u>			<u>\$(892,758)</u>
Total primary government	<u>\$14,460,714</u>	<u>\$5,426,384</u>	<u>\$6,928,019</u>	(1,213,553)	(892,758)
Total general revenues and transfers				<u>1,216,391</u>	<u>230,222</u>
Change in net assets				2,838	(662,536)
Net assets - beginning of year				<u>\$458,233</u>	<u>671,610</u>
Net assets - end of year				<u>\$461,071</u>	<u>\$9,074</u>

**Balance Sheet – Governmental Funds** - the Balance Sheet reports information about SPC Governmental Funds activities and details changes in the organizations financial position. This report includes all assets, liabilities and unreserved fund balance as of June 30, 2009. This statement reports financial information for the Southwestern Pennsylvania Corporation General Fund as the administrative arm of the Commission and the Southwestern Pennsylvania Commission Special Revenue Fund which receives federal and state grant funding to support its planning activities and which are transferred out to the corporation to pay expenditures. The Special Revenue Fund maintains the SPC program grant advances received and restricted for program expenses. Accounts receivable reflect program grant funds due relating to the various planning and economic development programs undertaken by SPC. The General Fund balance increase of \$2,838 reflects deferred revenue recognized.

**Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds** reports information on the accrual basis of accounting which is most commonly found with a quasi-governmental entity. The overall financial health of SPC is a product of its ability to secure federal, state, local, and private financial assistance grants to move project studies forward. In summary, after review of the overall financial position of SPC, it is management’s opinion, that there are sufficient fund balance reserve’s to cover unforeseen charges.

**Statement of Net Assets – Proprietary Fund** reports financial information relating to the business-type activities of the Southwestern Pennsylvania Corporation (SPC). The SPC is the owner of the Regional Enterprise Tower and as such is responsible for the overall fiscal and operating management of the building. Oxford Development Company was hired, via a Management and Leasing Agreement, on January 1, 2005 to provide building management and leasing services. This agreement is for a three (3) period ending December 31, 2007. Upon mutual consent, said agreement was extended for an additional three year period ending on December 31, 2010. This statement reports a weak financial position as of June 30, 2009. Additional long-term debt, in the amount of \$3,052,000 was incurred during the fiscal year to finance the buildings Energy Savings and Efficiency Project.

**Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund** reports financial information relating to the business-type activities of the SPC. Revenues and expenses are recorded on the accrual basis. The business-type activities report a decrease in net assets of \$662,536 after amortization and depreciation expense of \$1,256,431. Operating subsidy totaled \$288,207 relating to the use of ALCOA Endowment earnings to support operations and Showcase project funds to support expenditures relating to the Showcase Project.

#### **Contacting SPC’s Director of Administration**

If you have any questions about this report, please contact SPC’s Director of Administration, 425 Sixth Avenue #2500, Pittsburgh, PA 15219.

# SOUTHWESTERN PENNSYLVANIA COMMISSION

## STATEMENT OF NET ASSETS

JUNE 30, 2009

(With Comparative Totals at June 30, 2008)

Assets	Governmental Activities	Business-type Activities	Total	2008
Cash and cash equivalents:				
Operating	\$ 481,664	\$ 594,741	\$ 1,076,405	\$ 1,085,822
Restricted	1,241,966	1,306,059	2,548,025	1,887,771
Revolving loan funds:				
Uncommitted	1,288,117	-	1,288,117	1,652,819
Committed	73,455	-	73,455	-
<b>Total cash and cash equivalents</b>	<b>3,085,202</b>	<b>1,900,800</b>	<b>4,986,002</b>	<b>4,626,412</b>
Accounts receivable, net of allowance \$0	1,605,271	43,314	1,648,585	1,261,313
Internal balances	(192,881)	192,881	-	-
Prepaid expenses	51,125	100,253	151,378	116,999
Loans receivable:				
Appalachian Regional Commission - RLF	1,386,799	-	1,386,799	1,181,888
Economic Development Administration - RLF	697,822	-	697,822	475,956
First Industries Loan Fund	1,063,181	-	1,063,181	970,562
Small Business First Loan Fund	11,163,967	-	11,163,967	12,808,950
Fixed assets:				
Showcase	-	3,641,046	3,641,046	3,641,046
HYP elevator	-	186,541	186,541	186,541
Land	-	2,300,000	2,300,000	2,300,000
Building	-	7,906,916	7,906,916	7,906,916
Building improvements	-	933,757	933,757	875,492
Furniture, fixtures, and equipment	-	103,834	103,834	103,834
Leasehold improvements	-	7,661,205	7,661,205	7,379,341
Capitalized leasing fees	-	1,452,531	1,452,531	1,414,374
Capitalized software donation	-	450,000	450,000	450,000
Equipment	41,829	-	41,829	41,829
Construction in progress	-	2,631,238	2,631,238	138,311
Less accumulated depreciation/amortization	(41,829)	(14,991,514)	(15,033,343)	(13,776,912)
<b>Net fixed assets</b>	<b>-</b>	<b>12,275,554</b>	<b>12,275,554</b>	<b>10,660,772</b>
<b>Total Assets</b>	<b>18,860,486</b>	<b>14,512,802</b>	<b>33,373,288</b>	<b>32,102,852</b>
<b>Liabilities</b>				
Accounts payable	917,052	591,481	1,508,533	1,278,723
Accrued salaries and fringe benefits	199,090	-	199,090	176,604
Grant advances	1,413,384	-	1,413,384	1,223,125
Deferred revenue	233,659	185,576	419,235	396,661
Notes payable - SBF/FIF loan programs	12,300,603	-	12,300,603	13,779,512
Mortgage payable, current portion	-	371,442	371,442	286,636
Mortgage payable, long-term portion	-	13,230,063	13,230,063	10,544,734
Accrued interest payable	-	125,166	125,166	29,385
Deferred revenues of revolving loan funds	3,335,627	-	3,335,627	3,257,629
<b>Total Liabilities</b>	<b>18,399,415</b>	<b>14,503,728</b>	<b>32,903,143</b>	<b>30,973,009</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	-	(272,315)	(272,315)	271,798
Restricted	-	250,000	250,000	-
Unrestricted	461,071	31,389	492,460	858,045
<b>Total Net Assets</b>	<b>\$ 461,071</b>	<b>\$ 9,074</b>	<b>\$ 470,145</b>	<b>\$ 1,129,843</b>

See accompanying notes to financial statements.

# SOUTHWESTERN PENNSYLVANIA COMMISSION

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

(With Comparative Total for Year Ended June 30, 2008)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Program Revenues		Primary Government			
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	2008
<b>Governmental Activities:</b>						
General	\$ 22,670	\$ -	\$ (22,670)	\$ -	\$ (22,670)	\$ (78,359)
Highway, transit planning	5,480,852	4,803,102	(677,750)	-	(677,750)	(623,315)
Local government and other programs	347	-	(347)	-	(347)	(50)
Special projects	-	-	-	-	-	(62,464)
Economic development programs	2,536,476	2,124,917	(411,559)	-	(411,559)	(314,570)
Other	101,227	-	(101,227)	-	(101,227)	(100,227)
<b>Total governmental activities</b>	<b>8,141,572</b>	<b>6,928,019</b>	<b>(1,213,553)</b>	<b>-</b>	<b>(1,213,553)</b>	<b>(1,178,985)</b>
<b>Business-Type Activities:</b>						
Regional Enterprise Tower	6,319,142	5,426,384	-	(892,758)	(892,758)	(918,273)
<b>Total business-type activities</b>	<b>6,319,142</b>	<b>5,426,384</b>	<b>-</b>	<b>(892,758)</b>	<b>(892,758)</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 14,460,714</b>	<b>\$ 6,928,019</b>	<b>(1,213,553)</b>	<b>(892,758)</b>	<b>(2,106,311)</b>	<b>(2,097,258)</b>
<b>General revenues:</b>						
Commission member contributions			424,527	-	424,527	483,200
Loan program fees			43,071	-	43,071	72,687
Interest income and other			72,229	2,015	74,244	3,091
Contributions			254,799	-	254,799	227,293
In-kind contributions			574,742	-	574,742	445,096
Regional Enterprise Tower			75,230	-	75,230	100,227
Operating subsidy			(228,207)	228,207	-	-
<b>Total general revenues and operating subsidy</b>			<b>1,216,391</b>	<b>230,222</b>	<b>1,446,613</b>	<b>1,331,594</b>
<b>Change in Net Assets</b>			<b>2,838</b>	<b>(662,536)</b>	<b>(659,698)</b>	<b>(765,664)</b>
Net assets - beginning of year			458,233	671,610	1,129,843	1,895,507
Net assets - end of year			<b>\$ 461,071</b>	<b>\$ 9,074</b>	<b>\$ 470,145</b>	<b>\$ 1,129,843</b>

See accompanying notes to financial statements.

# SOUTHWESTERN PENNSYLVANIA COMMISSION

## BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2009  
(With Comparative Totals at June 30, 2008)

Assets	Southwestern Pennsylvania Corporation General Fund	Southwestern Pennsylvania Commission Special Revenue Fund	Total	2008
<b>Cash and cash equivalents:</b>				
Operating	\$ 481,664	\$ -	\$ 481,664	\$ 745,336
Restricted	530,536	711,430	1,241,966	1,445,375
<b>Revolving loan funds:</b>				
Uncommitted	1,288,117	-	1,288,117	1,652,819
Committed	73,455	-	73,455	-
<b>Total cash and cash equivalents</b>	<b>2,373,772</b>	<b>711,430</b>	<b>3,085,202</b>	<b>3,843,530</b>
Accounts receivable	4,747	1,600,524	1,605,271	1,228,489
Prepaid expenses	51,125	-	51,125	5,717
<b>Loans receivable:</b>				
Appalachian Regional Commission - RLF	1,386,799	-	1,386,799	1,181,888
Economic Development Administration - RLF	697,822	-	697,822	970,562
First Industries Loan Fund	1,063,181	-	1,063,181	475,956
Small Business First Loan Fund	11,163,967	-	11,163,967	12,808,950
Advance to Regional Enterprise Tower	250,000	-	250,000	-
<b>Fixed assets:</b>				
Equipment	41,829	-	41,829	41,829
Less accumulated depreciation	(41,829)	-	(41,829)	(41,829)
<b>Total Assets</b>	<b>\$ 16,991,413</b>	<b>\$ 2,311,954</b>	<b>\$ 19,303,367</b>	<b>\$ 20,515,092</b>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 197,255	\$ 719,797	\$ 917,052	\$ 956,122
Accrued salaries and fringe benefits	199,090	-	199,090	176,604
Due to Regional Enterprise Tower	442,881	-	442,881	439,605
Grant advances	415,485	997,899	1,413,384	1,223,125
Deferred revenue	94,191	139,468	233,659	224,262
Notes payable - SBF/FIF loan programs	12,300,603	-	12,300,603	13,779,512
Deferred revenues - Revolving loan funds	3,335,627	-	3,335,627	3,257,629
<b>Total Liabilities</b>	<b>16,985,132</b>	<b>1,857,164</b>	<b>18,842,296</b>	<b>20,056,859</b>
<b>Fund Balance:</b>				
<b>Unreserved:</b>				
Private Contribution Fund	6,281	-	6,281	3,443
General Fund - Commission	-	454,790	454,790	454,790
<b>Total Fund Balance</b>	<b>6,281</b>	<b>454,790</b>	<b>461,071</b>	<b>458,233</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 16,991,413</b>	<b>\$ 2,311,954</b>	<b>\$ 19,303,367</b>	<b>\$ 20,515,092</b>

See accompanying notes to financial statements.

# SOUTHWESTERN PENNSYLVANIA COMMISSION

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

YEAR ENDED JUNE 30, 2009  
(With Comparative Totals for Year Ended June 30, 2008)

	Southwestern Pennsylvania Corporation	Southwestern Pennsylvania Commission	Total	2008
	General Fund	Special Revenue Fund		
<b>Revenues:</b>				
Federal grants	\$ -	\$ 4,861,987	\$ 4,861,987	\$ 4,925,017
State grants	-	2,066,032	2,066,032	1,888,827
SPC member contributions	-	424,527	424,527	483,200
In-kind service contributions	-	574,742	574,742	445,096
Contributions	228,207	26,592	254,799	227,293
Loan program fees	43,071	-	43,071	72,687
Interest income and other	9,347	62,882	72,229	50
Reimb. from RET operations	75,230	-	75,230	100,227
Operating subsidy	(228,207)	-	(228,207)	(156,148)
<b>Total revenues</b>	<b>127,648</b>	<b>8,016,762</b>	<b>8,144,410</b>	<b>7,986,249</b>
<b>Expenditures:</b>				
Salaries and employee benefits	4,115,825	-	4,115,825	3,693,467
Consultants	2,075,233	-	2,075,233	2,242,469
Printing and publications	53,674	-	53,674	62,893
Telephone	19,615	-	19,615	25,191
Postage	13,075	-	13,075	25,210
Supplies	221,872	-	221,872	184,283
In-kind services - match	574,742	-	574,742	445,098
Travel	112,163	-	112,163	132,575
Promotion, PR, and Advertising	8,838	-	8,838	-
Equipment and computer services	106,004	-	106,004	86,561
Temporary personnel	21,473	-	21,473	10,431
Books, dues, and subscriptions	72,666	-	72,666	291,037
Legal/audit	128,725	-	128,725	185,191
Rent	410,134	-	410,134	396,883
Insurance	40,439	-	40,439	41,204
Meetings	142,647	-	142,647	133,196
Training and development	24,447	-	24,447	37,140
<b>Total expenditures</b>	<b>8,141,572</b>	<b>-</b>	<b>8,141,572</b>	<b>7,992,829</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(8,013,924)</b>	<b>8,016,762</b>	<b>2,838</b>	<b>(6,580)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	8,348,954	332,192	8,681,146	8,735,471
Transfers out	(332,192)	(8,348,954)	(8,681,146)	(8,735,471)
<b>Total other financing sources (uses)</b>	<b>8,016,762</b>	<b>(8,016,762)</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>2,838</b>	<b>-</b>	<b>2,838</b>	<b>(6,580)</b>
<b>Fund Balance:</b>				
Beginning of year	3,443	454,790	458,233	464,813
End of year	<b>\$ 6,281</b>	<b>\$ 454,790</b>	<b>\$ 461,071</b>	<b>\$ 458,233</b>

See accompanying notes to financial statements.

# SOUTHWESTERN PENNSYLVANIA COMMISSION

## STATEMENT OF NET ASSETS PROPRIETARY FUND

JUNE 30, 2009  
(With Comparative Totals at June 30, 2008)

Assets	2009	2008
Cash and cash equivalents:		
Operating	\$ 594,741	\$ 340,486
Restricted	1,306,059	442,396
Total cash and cash equivalents	1,900,800	782,882
Accounts receivable, net of allowance	43,314	32,824
Due from Southwestern Pennsylvania Corporation	442,881	439,605
Prepaid expenses	100,253	111,282
Fixed assets:		
Showcase	3,641,046	3,641,046
HYP elevator	186,541	186,541
Land	2,300,000	2,300,000
Building	7,906,916	7,906,916
Building improvements	933,757	875,492
Furniture, fixtures, and equipment	103,834	103,834
Leasehold improvements	7,661,205	7,379,341
Capitalized leasing fees	1,452,531	1,414,374
Capitalized software donation	450,000	450,000
Construction in progress	2,631,238	138,311
Less accumulated depreciation/amortization	(14,991,514)	(13,735,083)
Net fixed assets	12,275,554	10,660,772
<b>Total Assets</b>	14,762,802	12,027,365
<b>Liabilities</b>		
Accounts payable	591,481	322,601
Deferred revenue - rents	159,308	172,399
Deferred revenue - interest	26,268	-
Advance from Southwestern Pennsylvania Corporation	250,000	-
Mortgage payable, current portion	371,442	286,636
Mortgage payable, long-term portion	13,230,063	10,544,734
Accrued interest payable	125,166	29,385
<b>Total Liabilities</b>	14,753,728	11,355,755
<b>Net Assets</b>		
Invested in capital assets, net of related debt	(523,037)	271,798
Unrestricted	532,111	399,812
<b>Total Net Assets</b>	\$ 9,074	\$ 671,610

See accompanying notes to financial statements.

# SOUTHWESTERN PENNSYLVANIA COMMISSION

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUND

YEAR ENDED JUNE 30, 2009  
(With Comparative Totals for Year Ended June 30, 2008)

	2009	2008
<b>Operating Revenues:</b>		
Rents	\$ 5,364,840	\$ 5,189,956
Other income	61,544	59,414
Operating subsidy	228,207	156,148
Total operating revenues	5,654,591	5,405,518
<b>Operating Expenses:</b>		
Administrative salaries/benefits	178,311	175,459
Security/safety services	195,618	175,419
Building cleaning services	749,692	789,278
HVAC services	674,550	673,319
Administrative services	43,006	46,870
Building management fees	81,453	79,096
General building services	575,611	517,586
Utilities	1,216,532	1,263,313
Insurance	87,346	104,826
Real estate taxes	325,254	311,649
Non-escalating expenses	137,261	112,151
Amortization/depreciation expenses	1,256,431	1,198,689
Total operating expenses	5,521,065	5,447,655
<b>Total Operating Income (Loss) Before Non-Operating Revenues (Expenses)</b>	<b>133,526</b>	<b>(42,137)</b>
<b>Non-Operating Revenues (Expenses):</b>		
Interest income	2,015	3,041
Mortgage interest	(798,077)	(719,988)
Total non-operating revenues (expenses)	(796,062)	(716,947)
<b>Change in Net Assets</b>	<b>(662,536)</b>	<b>(759,084)</b>
<b>Net Assets:</b>		
Beginning of year	671,610	1,430,694
End of year	\$ 9,074	\$ 671,610

See accompanying notes to financial statements.

# SOUTHWESTERN PENNSYLVANIA COMMISSION

## STATEMENT OF CASH FLOWS PROPRIETARY FUND

YEAR ENDED JUNE 30, 2009  
(With Comparative Totals for Year Ended June 30, 2008)

	2009	2008
<b>Cash Flows From Operating Activities:</b>		
Receipts from customers	\$ 5,654,002	\$ 5,427,639
Payments for goods and services	(3,148,883)	(3,437,060)
Interest income	2,015	3,041
Payments to employees	(740,061)	(716,768)
Net cash provided by (used in) operating activities	1,767,073	1,276,852
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Payment of long-term debt	(281,865)	(263,457)
Proceeds of long-term debt	3,052,000	-
Payment of interest on long-term debt	(798,077)	(719,988)
Transfer from related entity	250,000	-
Acquisition of property and equipment	(2,871,213)	(261,990)
Net cash provided by (used in) capital and related financing activities	(649,155)	(1,245,435)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,117,918	31,417
<b>Cash and Cash Equivalents:</b>		
Beginning of year	782,882	751,465
End of year	\$ 1,900,800	\$ 782,882
<b>Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:</b>		
Change in net assets	\$ (662,536)	\$ (759,084)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,256,431	1,198,689
Mortgage interest	798,077	719,988
Change in operating assets and liabilities:		
Accounts receivable	(10,490)	31,331
Due from other funds	(3,276)	(131,084)
Prepaid assets	11,029	(1,317)
Accounts payable	364,661	96,455
Deferred rent	13,177	121,874
Total adjustments	2,429,609	2,035,936
Net cash provided by (used in) operating activities	\$ 1,767,073	\$ 1,276,852

See accompanying notes to financial statements.

# **SOUTHWESTERN PENNSYLVANIA COMMISSION**

## **NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2009

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### **1. REPORTING ENTITY AND ORGANIZATION**

#### Reporting Entity

The Southwestern Pennsylvania Commission (Commission) is a voluntary organization comprising the ten Counties of Allegheny, Armstrong, Beaver, Butler, Fayette, Greene, Indiana, Lawrence, Washington, and Westmoreland, as well as, the City of Pittsburgh. It was created under the Regional Planning Law, May 29, 1956, P.L. 1845, as amended, Section 3 of the Intergovernmental Cooperation Act, Number 180, July 12, 1972. The general purpose to be accomplished through the establishment of the Commission is to foster cooperative planning and coordinated effort among local government jurisdictions in southwestern Pennsylvania and to serve as a forum for the discussion of their common problems and aspirations. In keeping with this general purpose, the Commission maintains active programs of transportation planning and programming, economic development planning, and technical assistance to local governments.

The Commission consists of sixty-one voting individuals called Commissioners, which represent the Members of the Commission, the Pennsylvania Department of Transportation, the Governor's Office, the Pennsylvania Department of Community and Economic Development, the Port Authority of Allegheny County, and the Transit Operators Committee. The Commission is managed by Officers elected by the Board of Commissioners (Board).

The Commission has retained the Southwestern Pennsylvania Corporation (Corporation), a component unit, to conduct studies and render services and to perform its administrative functions. All administrative costs and the costs associated with studies or services provided by the Corporation on behalf of the Commission are allocated directly or by an indirect cost allocation plan. The Corporation is a tax-exempt corporation whose operations consist primarily of services provided to the Commission and the operation of the Regional Enterprise Tower.

The Commission maintains an ongoing program of assistance to local governments. It is intended to help local elected officials improve management techniques and fiscal practices which will result in more efficient municipal operations. These intentions are accomplished by producing practical reference manuals, conducting workshops, and furnishing services directly to community officials on a selective basis.

As the designated Metropolitan Planning Organization, the Commission develops a comprehensive transportation plan and a transportation improvement program for the southwestern Pennsylvania area. The scope of the planning and programming process includes highways, bridges, transit, and airport system elements. Projects must originate in

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# SOUTHWESTERN PENNSYLVANIA COMMISSION

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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the plan and be consistent with the program to qualify for federal funding. The Commission receives the majority of its funding from the Pennsylvania Department of Transportation.

The Commission contributes to the ongoing economic development effort in the region by sponsoring transportation related economic impact studies, when warranted, and by providing technical support services to existing economic development agencies so that they can perform their roles more effectively.

The Commission is exempt from federal income tax as a governmental entity defined in Section 115(2) of the Code.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "*Financial Reporting Entity*," the Commission is defined as a primary government. Consistent with applicable guidance, the criteria used by the Commission to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given situation, the Commission reviews the applicability of the following criteria:

The Commission is financially accountable for:

1. Organizations that make up the legal entity.
  2. Legally separate organizations if the Commission appoints a voting majority of the organizations' governing body and the Commission is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Commission.
    - a. Impose its Will - If the Commission can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.
    - b. Financial Benefit or Burden - Exists if the Commission (1) is entitled to the organization's resources, (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.
  3. Organizations that are fiscally dependent on the Commission. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes, or set rates or charges, or issue bonded debt without approval by the Commission.
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# **SOUTHWESTERN PENNSYLVANIA COMMISSION**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2009**

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Following is a brief description of the component unit, Southwestern Pennsylvania Corporation (Corporation), meeting the above criteria which is included within the financial reporting entity as a blended presentation. The blended presentation is required when a component unit is so closely related to the primary government that they are, in substance, the same as the primary government, such as when the component unit's governing body is substantively the same as the governing body of the primary government or the component unit provides services entirely to, or almost entirely, or exclusively, or almost exclusively, indirectly benefits the primary government. The component unit of the Commission is reported as the general fund and a proprietary fund and is presented as a blended component unit because the Commission appoints the voting majority of their Board, the Commission can impose its will on the component unit, they provide services almost entirely to the Commission, and a financial benefit or burden exists.

The Corporation was incorporated on December 17, 1984, for civic, charitable, literary, and educational purposes. The Corporation provides services to the Commission, which includes conducting studies and performing administrative functions. In addition, the Corporation is the owner of the Regional Enterprise Tower. These financial statements include the financial position and the results of operations of both the Commission and the Corporation, collectively referred to as SPC.

The Corporation's members include the voting members of the Commission as described above. The Corporation is managed by directors elected by the members.

The Corporation is the administrator of the Local Development District serving the member counties. In that capacity, the Corporation offers an array of financial, marketing, and strategic support services directed toward businesses and municipalities including the Appalachian Regional Commission - Revolving Loan Fund (ARC/RLF), Economic Development Administration - Revolving Loan Fund (EDA/RLF), Small Business First Loan Fund (SBF), and the First Industries Programs (FIF). ARC/RLF and the SBF are programs to provide low-interest loans to small businesses to achieve economic benefits in the service area.

As noted above, the Corporation operates the Regional Enterprise Tower. The Regional Enterprise Tower is the former Aluminum Company of America (ALCOA) corporate headquarters that was donated to the Corporation in August 1998. The Regional Enterprise Tower is leased primarily to non-profit and government organizations dedicated to educational, cultural, and economic activities for the benefit of the inhabitants of the Southwestern Pennsylvania region.

The Corporation has been determined to be exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1986 (Code) and has further

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# SOUTHWESTERN PENNSYLVANIA COMMISSION

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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been classified as an organization which is not a private foundation in accordance with Section 509(a)(3) of the Code. Because the appointment of a controlling majority of the members of the Corporation's governing body consists of local government officials, the Corporation is considered a government organization for reporting purposes.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of SPC. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net assets presents the financial condition of the governmental and business-type activities of SPC as of year-end.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and the proprietary fund.

### Measurement Focus, Basis of Accounting, and Financial Statement Preparation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The proprietary fund also follows this measurement focus and basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities

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# **SOUTHWESTERN PENNSYLVANIA COMMISSION**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2009**

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of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Grants and member contributions associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of SPC 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, fund equity, revenues, and expenditures or expenses, as appropriate.

SPC reports the following major governmental funds:

The General Fund is the Corporation's primary operating fund. It accounts for all financial resources of the Corporation, except for those required to be accounted for in another fund, which includes the Regional Enterprise Tower proprietary fund. The Corporation is considered the administrative arm of the Commission and provides the Commission with personnel to work on Commission projects and pays bills on behalf of the Commission. The Commission in return reimburses the Corporation for the above services. This reimbursement is reflected as an operating transfer out on the Commission Special Revenue Fund and an operating transfer in on the Corporation General Fund.

The Commission Special Revenue Fund accounts for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

SPC reports the following major proprietary fund:

The Regional Enterprise Tower Fund accounts for the operations of the Regional Enterprise Tower. The Regional Enterprise Tower is a separate fund of the Corporation. Proprietary funds are used to account for operations, which are conducted, on a fee-for-service basis in a manner similar to commercial enterprises. SPC's intent is that the cost of services to the tenants of the Regional Enterprise Tower be recovered primarily through user charges or rents.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private-sector guidance

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# SOUTHWESTERN PENNSYLVANIA COMMISSION

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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for their business-type activities and enterprise funds, subject to this same limitation. SPC has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of SPC's proprietary fund, the Regional Enterprise Tower, are charges to tenants for leased space. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

### Receivables

Loans receivable are recorded at the time amounts are disbursed to the borrower. A deduction from assets is recorded at the time the Corporation determines that a loan is not collectible and upon approval from the sponsoring agency.

### Prepaid

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### Deferred Revenue

Deferred revenue consists primarily of grant funds received prior to incurring eligible expenditures. In addition, interest earned and loan program fees on the revolving loan funds are deferred in accordance with grant provisions until needed. Deferred revenue for the Regional Enterprise Tower consists of prepaid rent that is recognized when the rent payment is due.

### Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical

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# SOUTHWESTERN PENNSYLVANIA COMMISSION

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The building amount presented on the statement of net assets – proprietary fund represents net costs incurred during the start up phase of the Regional Enterprise Tower plus construction costs incurred since acquisition of the building that can not be assigned to particular tenants, plus the donated value of the building and land (\$9.5 million). The donated value is based upon a real estate appraisal used by ALCOA to determine the value of their tax deduction.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements as projects are constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25
Building improvements	20 - 25
Furniture, fixtures, and equipment	3 - 10
Leasehold improvements	over the life of the related lease
Leasing commission fees	over the life of the related lease

Equipment purchased under programs where the grantor retains title to the fixed asset is not capitalized. Instead, the cost of the equipment is charged to the program when purchased.

### Compensated Absences

It is SPC's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since SPC does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds when earned.

### Cash and Cash Equivalents

For the purposes of the statement of cash flows, SPC considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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# SOUTHWESTERN PENNSYLVANIA COMMISSION

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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### In-Kind Contributions

In-kind contributions include services provided by various organizations which are recorded at estimated value and board members' time which is recorded at predetermined rates applied on an hourly basis. The services are recognized when the in-kind support is characterized as integral to operations. Contributed support is recognized in the financial statements in accordance with Appalachian Regional Commission regulations.

### Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Interfund Advance

\$250,000 was advanced from SPC as collateral to induce the lender to extend financing for the Regional Enterprise Tower – Energy Savings and Conservation Project. Funds were advanced from earnings related to the ALCOA Endowment – Regional Enterprise Tower Fund held in reserve by SPC. The collateral secures payment to the secured party of the indebtedness of SPC. Provided no event of default then exists, the secured party shall release the collateral to the pledgor within five (5) days after the delivery to the secured party by the pledgor of a copy of a USPAP (FIRREA) Real Estate Appraisal of the mortgaged property establishing that the amount of all then existing indebtedness of the pledgor is no greater than 90% of the appraised value of such property. As of the date of financing, the appraised value of the said property “AS IS” was \$9,150,000 and “AS COMPLETED” an appraised value of \$12,000,000 effective July 1, 2009.

### Budgets and Budgetary Accounting

The General Fund, the Special Revenue Fund, and the Proprietary Fund do not have legally adopted budgets that would require separate budgetary comparison schedules. Budgetary control for certain SPC programs is maintained through enforcement of the related grant provisions.

### Reclassifications

Certain reclassifications have been made to the accompanying summarized financial statements for the year ended June 30, 2008 to conform to the current year's presentation.

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# SOUTHWESTERN PENNSYLVANIA COMMISSION

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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### Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

### **3. CASH AND CASH EQUIVALENTS**

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits, and certificates of deposit. The statutes allow pooling of governmental funds for investment purposes.

The deposit and investment policy of SPC adheres to state statutes. Deposits are maintained in demand accounts. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of SPC.

GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*" requires disclosures related to the following deposit and investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. As of year end, SPC does not hold any investments, as such; the following is a description of SPC's deposit risk:

**Custodial Credit Risk** - Custodial credit risk is the risk that in the event of a bank failure, SPC's deposits may not be returned to it. SPC does not have a formal deposit policy for custodial credit risk. As of June 30, 2009, \$3,916,374 of the SPC's bank balance of \$5,199,398 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have a carrying amount of \$4,986,002 as of June 30, 2009, of which \$1,288,117 is reported as revolving loan funds in the statement of net assets.

Committed revolving loan funds cash and cash equivalents represent amounts approved for loans under the ARC/RLF, EDA/RLF, or SBF but not yet disbursed to the borrower. Uncommitted cash and cash equivalents include approximately \$815,769 of loan fees paid by borrowers and held for future administrative costs.

Restricted cash for the Regional Enterprise Tower represents amounts designated for future repairs and maintenance, as well as, real estate tax and insurance escrow of the Regional Enterprise Tower. Restricted cash for the Corporation represents foundation funding that has been deferred because it has not yet been spent for its intended purpose, as well as, funds restricted for general operating activities and debt service of the Regional Enterprise Tower.

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# SOUTHWESTERN PENNSYLVANIA COMMISSION

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

### 4. PENSION PLAN

SPC has a noncontributory, defined contribution pension plan (Plan) for all employees eligible to participate in the Plan. The contribution for the year ended June 30, 2009 was approximately \$179,516. The funding policy is to contribute 7% of the employees' salaries plus a supplemental amount for employees in the Plan prior to 1985. All employees are 100% vested once three years of service are completed.

### 5. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

Pennsylvania Department of Transportation	\$ 1,379,761
SPC - Grant Program advances	133,110
Regional Enterprise Tower tenant receivable (net)	43,314
RET- SPC reimbursements	3,744
Federal Transit Administration	87,323
Other	1,333
	<u>\$ 1,648,585</u>

### 6. LOANS RECEIVABLE

Following is a roll forward of loans outstanding under the ARC/RLF, EDA/RLF, FIF, and SBF for the year ended June 30, 2009:

	<u>ARC/RLF</u>	<u>EDA/RLF</u>	<u>FIF</u>	<u>SBF</u>
Balance at June 30, 2008	\$ 1,181,888	\$ 475,956	\$ 970,562	\$ 12,808,950
Add back monies in escrow at June 30, 2008	-	-	-	-
Less monies in escrow at June 30, 2009	-	-	(73,455)	-
Loans issued	460,000	350,000	275,000	724,000
Payments received	(255,089)	(128,134)	(108,926)	(2,368,983)
Loans written off	-	-	-	-
Balance at June 30, 2009	<u>\$ 1,386,799</u>	<u>\$ 697,822</u>	<u>\$ 1,063,181</u>	<u>\$ 11,163,967</u>
Number of loans outstanding	<u>14</u>	<u>7</u>	<u>7</u>	<u>126</u>

The above loans bear interest at rates ranging from 4.0% to 5.0% per annum. The outstanding loans balances range in amounts from \$2,840 to \$204,717 and mature through 2024.

# SOUTHWESTERN PENNSYLVANIA COMMISSION

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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Loans receivable-ARC/RLF consist of the outstanding balance of notes assigned to the Corporation via a Novation of the Pennsylvania Enterprise Development Revolving Loan Fund grant (ARC Contract No. 80-232), which was entered into between and among the Corporation, the Commonwealth of Pennsylvania, and the Appalachian Regional Commission on October 1, 1992, plus amounts disbursed for subsequent loans. The Corporation's obligation under these loans is to issue the loans under ARC/RLF guidelines, process payments, and employ valid collection efforts. If ARC/RLF loans are administered under the above guidelines, the Corporation will be relieved of any liability from delinquent loans by ARC.

Loans receivable-EDA/RLF consist of outstanding loan balances awarded to borrowers via a federal grant from the U.S. Department of Commerce – Economic Development Administration to the Corporation via grant award number 01-39-03634, amended, purpose of which is to provide a revolving loan fund to assist in the retention, expansion, and inception of small business in the southwestern Pennsylvania region. The Corporation's obligation under this grant award is to issue loans in accordance with EDA/RLF guidelines, process payments, and employ valid loan collection efforts. If the EDA/RLF loans are administered under the above guidelines, the Corporation will be relieved of any obligation for delinquent loans.

Loans receivable-SBF and FIF consist of the outstanding balance of notes assigned to the Corporation on July 1, 1992, via an assignment of notes receivable agreement plus disbursements for subsequent loans less repayments. A new Master Loan Agreement for SBF and First Industries Programs was entered into between the SPC and Commonwealth of Pennsylvania Department of Community and Economic Development. This agreement is effective July 1, 2005. The Corporation's obligations under these loans are limited to administering the loans and to the assignment of collateral from the borrower. Principal and interest payments for the SBF loans are made by the borrowers, on behalf of the Corporation, directly to the Commonwealth of Pennsylvania Department of Community and Economic Development.

### **7. NOTES PAYABLE – SBF/FIF LOAN PROGRAMS**

Notes payable – SBF/FIF Loan Programs consists of promissory notes between the Corporation and the Commonwealth of Pennsylvania Department of Community and Economic Development. This balance includes an assignment of notes receivable agreement plus notes for subsequent loans less repayments. Any difference between the loans receivable and notes payable, arise due to cash on hand for loans approved but not yet disbursed at June 30, 2009.

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# SOUTHWESTERN PENNSYLVANIA COMMISSION

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

### 8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance at June 30, 2008	Increases	Decreases	Ending Balance at June 30, 2009
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Equipment	\$ 41,829	\$ -	\$ -	\$ 41,829
Less accumulated depreciation for:				
Equipment	(41,829)	-	-	(41,829)
Governmental activities capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,300,000	\$ -	\$ -	\$ 2,300,000
WIP - Energy Savings Project	-	2,607,216	-	2,607,216
Construction in progress	138,311	-	(114,289)	24,022
Total capital assets, not being depreciated	<u>2,438,311</u>	<u>2,607,216</u>	<u>(114,289)</u>	<u>4,931,238</u>
Capital assets, being depreciated:				
Showcase	3,641,046	-	-	3,641,046
HYP elevator	186,541	-	-	186,541
Building	7,906,916	-	-	7,906,916
Building improvements	875,492	58,265	-	933,757
Furniture, fixtures, and equipment	103,834	-	-	103,834
Leasehold improvements	7,379,341	281,864	-	7,661,205
Capitalized leasing fees	1,414,374	38,157	-	1,452,531
Capitalized software donation	450,000	-	-	450,000
Total capital assets, being depreciated	<u>21,957,544</u>	<u>378,286</u>	<u>-</u>	<u>22,335,830</u>
Less accumulated depreciation/amortization for:				
Showcase	2,320,690	279,422	-	2,600,112
HYP elevator	111,925	18,654	-	130,579
Building	3,110,055	316,276	-	3,426,331
Building improvements	264,344	44,990	-	309,334
Furniture, fixtures, and equipment	29,990	14,019	-	44,009
Leasehold improvements	6,356,300	484,548	-	6,840,848
Capitalized leasing fees	1,091,779	98,522	-	1,190,301
Capitalized software donation	450,000	-	-	450,000
Total accumulated depreciation/amortization	<u>13,735,083</u>	<u>1,256,431</u>	<u>-</u>	<u>14,991,514</u>
Total capital assets, being depreciated, net	<u>8,222,461</u>	<u>(878,145)</u>	<u>-</u>	<u>7,344,316</u>
Business-type activities capital assets, net	<u>\$ 10,660,772</u>	<u>\$ 1,729,071</u>	<u>\$ (114,289)</u>	<u>\$ 12,275,554</u>

# SOUTHWESTERN PENNSYLVANIA COMMISSION

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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Amortization/depreciation expense was charged to functions/programs of SPC as follows:

Business-type activities:	
Regional Enterprise Tower	<u>\$1,256,431</u>

### 9. LEASES

SPC leases its office space in the Regional Enterprise Tower under a lease expiring December 31, 2010. In this lease, SPC is both the landlord and the tenant. The lease provides for a base monthly rental, plus a provision for escalation to cover increased operating costs. During the year ended June 30, 2009, the base monthly rental payments were \$31,467. Rental expense for the year was approximately \$370,604. The minimum rental payment is as follows:

Fiscal Year Ended June 30,	Amount
2010	\$ 380,115
2011	191,316
Total	<u>\$ 571,431</u>

The Regional Enterprise Tower is a multi-tenant facility with rental space available to eligible, not-for profits, governmental entities, and for-profit entities. As of June 30, 2009, the building is approximately 81% occupied. The future minimum rental payments to be received under signed leases are as follows:

Fiscal Year Ended June 30,	Amount
2010	\$ 4,325,459
2011	3,432,407
2012	2,849,632
2013	2,357,612
2014	1,636,252
2015-2019	3,729,597
2020-2022	772,503
Total	<u>\$ 19,103,462</u>

# SOUTHWESTERN PENNSYLVANIA COMMISSION

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

### 10. DEBT

#### FIRST MORTGAGE:

The renovations of the Regional Enterprise Tower were financed through a mortgage with First Commonwealth Bank. The \$12,000,000 mortgage established a \$1,000,000 repair and maintenance reserve account. The reserve account has a balance of \$268,104 as of June 30, 2009 and is recorded on the statement of net assets as restricted cash. The mortgage consists of two components, one for \$8,400,000 at an interest rate of 6.3% (nontaxable) and the other is for \$3,600,000 at an interest rate of 7.0% (taxable).

The mortgages require payments through May 15, 2013. At June 30, 2009, the \$8,400,000 mortgage has an outstanding balance of \$7,346,313 and the \$3,600,000 mortgage has an outstanding balance of \$3,203,192. These outstanding balances will either be refinanced or paid in full at May 15, 2013.

The mortgage requires SPC to maintain at all times during the mortgage a ratio of net operating income, adjusted for interest expense and depreciation, to annual debt service requirements of at least 1.10. SPC maintained a debt service coverage ratio of 1.14 at June 30, 2009. Debt maturities are as follows:

Fiscal Year June 30,	Business-type Activities		Total Debt Service Requirements
	Principal	Interest	
2010	\$ 305,840	\$ 676,221	\$ 982,061
2011	326,334	655,727	982,061
2012	348,205	633,857	982,062
2013	9,569,126	4,243	9,573,369
	<u>\$ 10,549,505</u>	<u>\$ 1,970,048</u>	<u>\$ 12,519,553</u>

#### SECOND MORTGAGE:

The Energy Conservation Measures Project for the Regional Enterprise Tower was financed through the Laurel Capital Corporation. The mortgage consists of two components, one for \$2,581,720 at an interest rate of 5.378% (nontaxable) and the other is for \$470,280 at an interest rate of 7.0% (taxable).

The mortgages require payments through June 11, 2024. At June 30, 2009, the \$2,581,720 mortgage has an outstanding balance of \$2,581,720 and the \$470,280 mortgage has an

# SOUTHWESTERN PENNSYLVANIA COMMISSION

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

outstanding balance of \$470,280. Total accrued interest on both mortgages at June 30, 2009 is \$96,312. First mortgage payment is due on July 11, 2009.

The mortgage requires SPC to maintain at all times during the mortgage a ratio of net operating income to annual debt service requirements of at least 1.10. SPC maintained a debt service coverage ratio of 1.14 at June 30, 2009. Debt maturities are as follows:

Fiscal Year June 30,	Business-type Activities		Total Debt Service Requirements
	Principal	Interest	
2010	\$ 65,602	\$ 174,470	\$ 240,072
2011	83,993	170,320	254,313
2012	98,740	165,230	263,970
2013	114,557	159,461	274,018
2014	131,986	152,481	284,467
2015-2019	974,662	619,745	1,594,407
2020-2024	1,582,460	344,375	1,926,835
	<u>\$ 3,052,000</u>	<u>\$ 1,786,082</u>	<u>\$ 4,838,082</u>

### 11. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-Type Activities:</b>					
Business-type activities long-term activities:					
Mortgage	\$ 10,831,370	\$ -	\$ (281,865)	\$ 10,549,505	\$ 305,840
2nd Mortgage	-	3,052,000	-	3,052,000	65,602
	<u>\$ 10,831,370</u>	<u>\$ 3,052,000</u>	<u>\$ (281,865)</u>	<u>\$ 13,601,505</u>	<u>\$ 371,442</u>

# SOUTHWESTERN PENNSYLVANIA COMMISSION

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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### 12. CONTINGENCY

SPC receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of such funds generally requires compliance with contract requirements and is subject to audit. Any disallowed costs resulting from such audits could become a liability of SPC. The amount, if any, of expenses that may be disallowed by the granting agencies cannot be determined at this time. Management expects such amounts, if any, to be immaterial.

In accordance with the Internal Revenue Service's revenue ruling, SPC must maintain a certain ratio of conforming tenants at the Regional Enterprise Tower. Eighty-five percent of the tenants are to consist of conforming not-for-profit/government entities and the remaining 15% may be non-conforming tenants. If SPC exceeds the 15% for-profit ratio, SPC runs the risk that they may be taxed on these revenues. The ratio of conforming to non-conforming tenants as of June 30, 2009 is 91.23/8.77.

SPC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. SPC maintains insurance through an independent insurance carrier for these types of business losses. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years. There have been no significant changes in insurance coverage since the prior fiscal year. Management believes the insurance coverage is sufficient to cover SPC against potential losses.

As of June 30, 2009, energy efficient building improvements for The Regional Enterprise Tower are not complete. Estimated costs to complete this project are \$444,783.

### 13. REGIONAL ENTERPRISE TOWER - OPERATIONS

The Regional Enterprise Tower incurred a loss of approximately \$566,000 during the current year, compared to a budgeted loss of approximately \$701,000. The Regional Enterprise Tower experienced rental income and operating costs as budgeted during fiscal year 2009. The lower than anticipated net loss was due to a one time inclusion of an unbudgeted operating subsidy to support operating expenses and tenant improvements.

#### Liquidity

In recent years, the Regional Enterprise Tower has had significant decreases in net assets, although the building operations have experienced sufficient revenues from all sources to cover operating costs. Management has taken aggressive measures in an effort to sustain a stable level of revenues from rents while maintaining and even reducing operating costs. The

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# SOUTHWESTERN PENNSYLVANIA COMMISSION

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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building was transferred to SPC by donation agreement in 1998 including a condition that not less than \$10,000,000 indebtedness be incurred by SPC to initiate renovations to the building. The ALCOA Endowment – Regional Enterprise Tower Fund was created in 2001 to support capital improvements and general operating expenses of the Regional Enterprise Tower. Beginning in 2004 the Endowment began providing earnings distributions totaling \$1,771,764 of which \$192,881 remains in reserve. The Regional Enterprise Tower fund has no grant making funds available through the Endowment as of June 30, 2009 due to the Endowment funds being below the \$5,000,000 required minimum balance for making funds available. Net assets balance at June 30, 2009 is \$9,074, which could go negative in 2010, and which raises the question of liquidity.

The ability of the building operations to meet its obligations remains positive at this time. There is sufficient cash available to cover current obligations (current liabilities) without having to dispose of its fixed assets. Future minimum rents under lease through June 2017 total \$19,103,462. Future cash flow projections through June 30, 2010, forecast a breakeven cash flow from operations. Although it appears that the Regional Enterprise Tower has sufficient cash flow in the short-term, there is concern regarding long-term cash flows.

Subsequent to year-end, SPC was notified that one tenant of significant size (VisitPittsburgh) has decided not to renew their lease after its expiration in fall of 2010 and that a second tenant of significant size (The Allegheny Conference on Community Development) issued an RFP to review market opportunities). Both of these leases run through August 2010 and September 2010, respectively and together make-up approximately \$845,000 or 19% of annual revenues and occupy approximately 43,350 square feet or 12.27% of total square footage.

Due to the state of the ALCOA Endowment-The Regional enterprise Tower Fund, the Pittsburgh downtown office real estate market, and the financial condition of the Regional Enterprise Tower, the ability of the Regional Enterprise Tower to perform needed capital maintenance is greatly hindered. Furthermore, the appraised value of the Regional Enterprise Tower “AS IS” on December 4, 2008 prior to the planned energy savings and efficiency project was \$9,150,000 and “AS COMPLETED” an appraised value of \$12,000,000 effective July 1, 2009. However, debt outstanding for this property at June 30, 2009 is \$13,601,505.

#### **14. ALCOA ENDOWMENT – REGIONAL ENTERPRISE TOWER FUND**

On April 17, 2001, ALCOA made an irrevocable transfer and conveyance of \$5,000,000 (Fund) to The Pittsburgh Foundation (Foundation) as a gift in support of the operations of the Regional Enterprise Tower. The principal and income of the Fund shall be used to support capital improvements and general operating expenses of the Regional Enterprise Tower as

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# **SOUTHWESTERN PENNSYLVANIA COMMISSION**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2009**

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long as (a) the Regional Enterprise Tower is owned by the Corporation or some other organization recognized by the Internal Revenue Service as exempt from federal income tax and (b) the Regional Enterprise Tower is used to centralize educational, cultural, and economic development activities for the benefit of the Southwestern Pennsylvania region. As the Corporation has no control over these funds and the funds stay with the building (would be available to other owners of the building if no longer owned by the Corporation), this Fund is not reflected on the financial statements. Under any and all circumstances, the principal and income of the Fund must be devoted exclusively to public charitable uses or purposes as defined in the Resolution and Declaration of Trust, Articles of Incorporation and Bylaws of The Pittsburgh Foundation. Furthermore, under any and all circumstances, this Fund shall be used to assist educational, cultural, and economic development activities for the benefit of the Southwestern Pennsylvania region. Semi-annually, the Foundation will report to the Corporation the amount available for distribution based upon the current spending policy of the Foundation. For distributions to be made, the principal balance in the Fund may not be less than \$5 million. Approximately \$225,000 in distributions was made during fiscal year 2009. The current Grantmaking spending policy rate is five percent of a rolling 12 quarter average of the principal market value of each fund. Each September 30, the spending amount for each fund is calculated. As of September 30, 2009, the Grantmaking amount available is \$0. The Fund's market value was \$3,903,772 at June 30, 2009. The Fund's market value was \$4,408,633 at September 30, 2009.

## Additional Information

# SOUTHWESTERN PENNSYLVANIA COMMISSION

## STATEMENT OF CHANGES IN DEFERRED REVENUES OF REVOLVING LOAN FUNDS

JUNE 30, 2009  
(With Comparative Totals for Year Ended June 30, 2008)

	Revolving Loan Funds						Total	2008
	Appalachian Regional Commission	Small Business First Loan Fund	Economic Development Administration	First Industries	Other			
<b>Increases:</b>								
Interest income	\$ 3,066	\$ -	\$ 1,238	\$ -	\$ 15,896	\$ 20,200	\$ 25,218	
Loan interest	46,555	-	25,050	-	-	71,605	71,627	
Funds rec'd prior year write-offs	28,327	-	-	-	-	28,327	-	
Incentive payment	-	23,000	-	-	-	23,000	-	
Fees	29,457	66,717	9,618	10,819	-	116,611	120,641	
Total increases	107,405	89,717	35,906	10,819	15,896	259,743	217,486	
<b>Decreases:</b>								
ARC/RLF loans write-off	-	-	-	-	-	-	57,046	
Excess funds returned	124,621	-	-	-	-	124,621	-	
Refund application fees	-	3,000	-	3,000	-	6,000	13,203	
Fee sharing	-	2,000	-	-	-	2,000	18,060	
Loan fees used	6,299	28,474	6,299	-	-	41,072	54,627	
Inter account adjustment	-	8,052	-	-	-	8,052	-	
Total decreases	130,920	41,526	6,299	3,000	-	181,745	142,936	
<b>Net Increase (Decrease)</b>	(23,515)	48,191	29,607	7,819	15,896	77,998	74,550	
<b>Deferred Revenues:</b>								
Beginning of year	1,718,586	666,238	755,706	30,655	86,444	3,257,629	3,183,079	
End of year	\$ 1,695,071	\$ 714,429	\$ 785,313	\$ 38,474	\$ 102,340	\$ 3,335,627	\$ 3,257,629	

# SOUTHWESTERN PENNSYLVANIA COMMISSION

## DETAILS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE PRIVATE CONTRIBUTION FUND AND GENERAL FUNDS

YEAR ENDED JUNE 30, 2009  
(With Comparative Totals for Year Ended June 30, 2008)

	Private Contribution Fund	SPC General Fund	Total	2008
<b>Revenues:</b>				
Commission member contributions	\$ -	\$ 16,508	\$ 16,508	\$ 71,779
Interest Income	9,000	-	9,000	-
Total revenues	9,000	16,508	25,508	71,779
<b>Expenditures:</b>				
Travel and meetings	6,162	16,508	22,670	26,306
Communications	-	-	-	52,053
Total expenditures	6,162	16,508	22,670	78,359
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	2,838	-	2,838	(6,580)
Fund Balance - Beginning of Year	3,443	454,790	458,233	464,813
Fund Balance - End of Year	\$ 6,281	\$ 454,790	\$ 461,071	\$ 458,233

**SOUTHWESTERN PENNSYLVANIA COMMISSION**

UNIFIED PLANNING WORK PROGRAMS, 2008-2009 PROGRAM YEAR

DETAILS OF EXPENDITURES BY ACTIVITY CLASSIFICATION

JUNE 30, 2009

(With Comparative Totals for Year Ended June 30, 2008)

	Funding Source						Totals	2008
	FHWA	FTA	FTA Section 5307	PennDot	Local	Other		
<b>Data Systems and Modeling:</b>								
Maintain data and graphic files	\$ 128,861	\$ -	\$ -	\$ 16,108	\$ 16,108	\$ -	\$ 161,077	\$ 147,378
GIS maintenance and operation	326,501	-	-	40,813	40,813	-	408,127	380,887
Air quality planning	118,446	-	-	22,209	7,403	-	148,058	128,911
Land use models and regional forecasts	110,888	41,665	-	20,792	17,347	-	190,692	183,453
Transportation models	125,436	47,132	-	23,519	19,622	-	215,709	193,854
Transportation model development (Year 5)	-	-	-	-	-	-	-	11,504
Transportation model development (Year 6)	2,953	-	-	369	2,577	-	5,899	74,151
Transportation model development (Year 8)	-	-	-	-	-	-	-	38,506
<b>Total data systems and modeling</b>	<b>813,085</b>	<b>88,797</b>	<b>-</b>	<b>123,810</b>	<b>103,870</b>	<b>-</b>	<b>1,129,562</b>	<b>1,158,644</b>
<b>Transportation Plans and Programs:</b>								
Long-range planning	116,833	43,898	-	21,906	18,276	-	200,913	178,630
TIP management	202,575	-	-	17,725	-	32,918	253,218	240,115
Congestion management	79,935	-	-	14,988	4,996	-	99,919	86,792
Financial planning	94,397	-	-	17,699	5,900	-	117,996	114,235
Project planning and evaluation	56,985	-	-	-	14,246	-	71,231	48,229
Environmental justice report	9,019	-	-	1,128	1,126	-	11,273	26,271
<b>Total transportation plans and programs</b>	<b>559,744</b>	<b>43,898</b>	<b>-</b>	<b>73,446</b>	<b>44,544</b>	<b>32,918</b>	<b>754,550</b>	<b>694,272</b>
<b>Transportation Modes and System Operation/Management:</b>								
Freight planning	42,309	-	-	7,933	2,644	-	52,886	69,918
Intermodal initiatives	62,450	-	-	7,806	7,806	-	78,062	79,648
Transportation operations/safety planning	80,289	-	-	15,054	5,018	-	100,361	100,577
Commute info program - UPWP	40,800	122,400	-	5,100	35,700	-	204,000	185,547
Transit technical/planning assistance	-	209,294	-	-	52,324	-	261,618	273,335
Port Authority planning program	-	184,000	-	-	-	46,000	230,000	176,412
Rail system capacity study	-	-	-	-	-	-	-	25,073
Access to Work interagency cooperative	-	129,324	-	-	14,549	17,782	161,655	49,106
Regional Traffic Signal Program	156,013	-	-	-	19,502	19,502	195,017	-
Mobility plan Robinson/N. Fayette retail area	-	-	-	-	-	-	-	48,835
Multi-jurisdictional trans/land use development plan	91,351	-	-	-	22,838	-	114,189	28,879
Washington County transit study	-	-	-	-	-	-	-	80,267
West Busway TOD study	-	-	-	-	-	-	-	-
Truck Parking Study	-	-	-	-	-	-	-	-
<b>Total transportation modes and system operation/management</b>	<b>473,212</b>	<b>645,018</b>	<b>-</b>	<b>35,893</b>	<b>160,381</b>	<b>83,284</b>	<b>1,397,788</b>	<b>1,117,597</b>
<b>Projects to Assist PennDot:</b>								
Highway performance monitoring - traffic count program	159,982	-	-	39,995	-	-	199,977	179,646
Highway performance monitoring - Lawrence County	20,000	-	-	-	-	5,000	25,000	25,000
Highway performance monitoring - inventory	52,382	-	-	13,095	-	-	65,477	75,492
Technical assistance to PennDot	129,358	-	-	24,901	7,438	-	161,697	148,659
Traffic forecasts/needs reports	-	-	-	103,158	-	-	103,158	50,839
<b>Total projects to assist PennDot</b>	<b>361,722</b>	<b>-</b>	<b>-</b>	<b>181,149</b>	<b>7,438</b>	<b>5,000</b>	<b>555,309</b>	<b>479,636</b>
<b>Outreach and Coordination:</b>								
Support for planning agencies	213,366	-	-	-	-	53,342	266,708	252,266
LTAP promotion and evaluation	34,611	-	-	-	8,653	-	43,264	42,471
PennDOT Planning Partners Meeting	30,000	-	-	-	17	-	30,017	-
Public participation program	97,375	36,587	-	12,172	21,318	-	167,452	274,500
<b>Total outreach and coordination</b>	<b>375,352</b>	<b>36,587</b>	<b>-</b>	<b>12,172</b>	<b>29,988</b>	<b>53,342</b>	<b>507,441</b>	<b>569,237</b>
<b>Program Administration:</b>								
UPWP administration	70,071	26,329	-	13,138	10,962	-	120,500	117,022
General support services	145,072	54,508	-	18,134	31,761	-	249,475	241,340
<b>Total program administration</b>	<b>215,143</b>	<b>80,837</b>	<b>-</b>	<b>31,272</b>	<b>42,723</b>	<b>-</b>	<b>369,975</b>	<b>358,362</b>
<b>Total UPWP programs</b>	<b>\$ 2,798,258</b>	<b>\$ 895,137</b>	<b>\$ -</b>	<b>\$ 457,742</b>	<b>\$ 388,944</b>	<b>\$ 174,544</b>	<b>\$ 4,714,625</b>	<b>\$ 4,377,748</b>

# SOUTHWESTERN PENNSYLVANIA COMMISSION

## PENNSYLVANIA TURNPIKE COMMISSION PROJECTS

### CUMULATIVE REVENUES, EXPENDITURES, AND COMPUTATION OF PROJECT GRANTS ON CURRENT PROJECTS

YEAR ENDED JUNE 30, 2009  
(With Comparative Totals for Year Ended June 30, 2008)

	Turnpike		Southern Beltway		June 30, 2009		June 30, 2008	
	Contract No. 1986-2008	89-014-G125 2008-09	Contract No. 8130-29-019, 6114-89-125, 00-29-0019, and 89-014-G125	Contract No. 8130-29-019, 6114-89-125, 00-29-0019, and 89-014-G125	Current Year Total	Cumulative Total	Current Year Total	Cumulative Total
<b>Revenues:</b>								
State grants	\$ 1,327,848	\$ -	\$ 1,327,848	\$ 244,507	\$ -	\$ 1,572,355	\$ 267	\$ 1,572,355
<b>Expenditures:</b>								
Salaries and employee benefits	\$ 797,559	\$ -	\$ 797,559	\$ 129,634	\$ -	\$ 927,193	\$ 180	\$ 927,193
Consultants	65,724	-	65,724	54,054	-	119,778	-	119,778
Printing and publications	5,617	-	5,617	2,746	-	8,363	-	8,363
Telephone	5	-	5	-	-	5	-	5
Postage	389	-	389	25	-	414	-	414
Supplies	379	-	379	260	-	639	-	639
Travel and meetings	8,471	-	8,471	1,351	-	9,822	-	9,822
Equipment and computer services	103,459	-	103,459	-	-	103,459	-	103,459
Temporary personnel	2,616	-	2,616	-	-	2,616	-	2,616
Books, dues, and subscriptions	16	-	16	11	-	27	-	27
Legal/audit	63	-	63	-	-	63	-	63
Indirect costs	343,550	-	343,550	56,426	-	399,976	87	399,976
<b>Total expenditures</b>	<b>\$ 1,327,848</b>	<b>\$ -</b>	<b>\$ 1,327,848</b>	<b>\$ 244,507</b>	<b>\$ -</b>	<b>\$ 1,572,355</b>	<b>\$ 267</b>	<b>\$ 1,572,355</b>
			State participation in project costs		100%	\$ 1,700,000	100%	\$ 1,700,000
			State grant allowed is 100% of expenditures			\$ 1,572,355	\$ 267	\$ 1,572,355
			Less grant payments			(1,572,355)	(267)	(1,572,355)
			Receivable at June 30, 2009			-	-	-

# SOUTHWESTERN PENNSYLVANIA COMMISSION

## ECONOMIC DEVELOPMENT PROGRAMS

### COMBINING STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM

JUNE 30, 2009

(With Comparative Totals for Year Ended June 30, 2008)

	Appalachian Regional Commission Planning and Administration		Appalachian Regional Commission Enterprise Development Program		U.S. Department of Defense SCAP		SCAP		U.S. Department of Defense SCAP		EDA OEDP 01-83-08488-01 July 1, 2008 to June 30, 2009		Page Subtotal
	PA-0708E-08 C16-302 July 1, 2008 to Dec 31, 2008	PA-0708E-09 C17-302 Jan 1, 2009 to June 30, 2009	PA-11055-07 C15-302 July 1, 2008 to Sept. 30, 2008	PA-11055-07 C16-302 October 1, 2008 to June 30, 2009	SP4800-03-2-0318 July 1, 2008 to Sept. 30, 2008	SP4800-08-2-0835 Oct. 1, 2008 to June 30, 2009	SP4800-03-2-0318 July 1, 2008 to Sept. 30, 2008	SP4800-08-2-0835 Oct. 1, 2008 to June 30, 2009	Total	Total	Total	Total	
<b>Revenues:</b>													
Federal grants	68,330	44,657	112,987	325,840	107,094	218,746	\$ 325,840	17,301	55,900	\$ 73,201	54,600	\$ 566,628	-
State grants	11,619	2,289	13,908	-	-	-	-	-	-	-	5,167	19,075	-
SFC member contributions	66,382	48,105	114,487	-	-	-	-	-	-	-	47,000	161,487	-
In-kind contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest income and other	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	146,331	95,051	241,382	325,840	107,094	218,746	325,840	17,301	55,900	73,201	106,767	747,190	-
<b>Expenditures:</b>													
Salaries and employee benefits	53,715	29,513	83,228	193,046	74,689	118,357	193,046	9,884	31,693	41,577	27,610	345,461	-
Consultants	42	30	72	(2,428)	(2,731)	303	-	-	-	-	-	(2,428)	-
Printing and publications	-	224	224	911	-	911	28	19	9	28	2	1,013	-
Telephone	-	2	25	58	-	58	-	-	-	-	-	282	-
Postage	23	2	25	661	-	661	19	-	19	19	2	707	-
Supplies	-	-	-	6,546	-	6,546	-	-	-	-	-	6,546	-
In-kind services - match	66,382	48,105	114,487	-	-	-	-	-	-	-	-	-	-
Travel and meetings	1,649	2,536	4,185	8,463	2,164	6,299	8,463	1,587	2,309	3,896	47,000	161,487	-
Communications	-	-	-	2,512	(10,867)	13,379	-	-	-	-	18,776	35,320	-
Equipment and computer services	-	-	-	610	178	432	610	-	-	-	-	2,512	-
Books, dues, and subscriptions	500	-	500	3,824	-	3,824	3,824	566	6,691	7,257	-	11,581	-
Legal/audit	-	-	-	34,374	21,770	12,604	34,374	-	-	-	-	34,374	-
Education	-	-	-	442	-	442	442	551	-	551	-	993	-
Indirect costs	24,020	14,641	38,661	100,996	43,789	57,207	100,996	4,694	15,179	19,873	13,377	172,907	-
Total expenditures	146,331	95,051	241,382	350,015	128,864	221,151	350,015	17,301	55,900	73,201	106,767	771,565	-
Excess (Deficiency) Revenues Over Expenditures	-	-	-	(24,175)	(21,770)	(2,405)	(24,175)	-	-	-	-	(24,175)	-
<b>Other Financing Source:</b>													
Operating transfer in	-	-	-	24,175	21,770	2,405	24,175	-	-	-	-	24,175	-
Net Change in Fund Balance	-	-	-	-	-	-	-	-	-	-	-	-	-

(Continued)

# SOUTHWESTERN PENNSYLVANIA COMMISSION

## ECONOMIC DEVELOPMENT PROGRAMS

### COMBINING STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM

JUNE 30, 2009  
(With Comparative Totals for Year Ended June 30, 2008)  
(Continued)

	PA DCED Enterprise Development Program		PA DCED Regional Export Network		PA DCED BREP		PA DCED BOAF		APOLLO BOROUGHS KOEZ		NW Reg'l Planning and Development Commission LDD Energy Savings Program		NW Reg'l Planning and Development Commission LED Project		NW Reg'l Planning and Development Commission e-Commonwealth		Total	2008
	July 1, 2008 to Sept. 30, 2008	July 1, 2008 to June 30, 2009	July 1, 2008 to June 30, 2009	July 1, 2008 to June 30, 2009	July 1, 2008 to June 30, 2009	July 1, 2008 to June 30, 2009	July 1, 2008 to June 30, 2009	July 1, 2008 to June 30, 2009	July 1, 2008 to June 30, 2009	July 1, 2008 to June 30, 2009	July 1, 2008 to June 30, 2009	July 1, 2008 to June 30, 2009	July 1, 2008 to June 30, 2009	July 1, 2008 to June 30, 2009	July 1, 2008 to June 30, 2009	Page Subtotal		
<b>Revenues:</b>																		
Federal grants																		
State grants	279,844	618,559	167,000	394,750	98,136	15,840	8,846	21,950	16,246	566,628	1,621,171	19,075	11,834	230,048	806,807			
SFC member contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,470,671		
In-kind contributions	-	-	-	125,045	-	-	-	-	-	-	-	-	-	-	-	11,834		
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	286,532		
Interest income and other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total revenues	279,844	618,559	167,000	519,795	98,136	15,840	8,846	21,950	16,246	566,628	1,746,216	19,075	11,834	230,048	2,519,360			
<b>Expenditures:</b>																		
Salaries and employee benefits	133,994	335,525	51,663	36,670	63,755	5,969	4,909	21,950	10,720	990,666	645,205	458,687	739,165	4,956	875,938			
Consultants	19,935	822	73,500	335,820	6,660	(38)	44	335	335	456,259	458,687	2,813	3,826	4,956	739,165			
Printing and publications	1,005	1,363	9	24	71	-	-	-	-	161	161	161	443	-	3,993			
Telephone	31	130	-	-	-	-	-	-	-	233	233	233	3,677	-	3,993			
Postage	637	1,992	-	-	-	-	108	-	-	19,975	19,975	19,975	26,521	-	4,339			
Supplies	71	19,822	82	-	-	-	-	-	-	125,045	125,045	125,045	286,532	-	230,048			
In-kind services - match	-	-	-	125,045	-	-	-	-	-	-	-	-	-	-	-			
Travel and meetings	13,689	22,817	6,987	1,991	1,269	194	1,309	-	110	83,686	48,366	48,366	83,686	-	81,493			
Communications	20,751	33,159	4,226	-	-	-	-	-	-	58,136	58,136	58,136	60,648	-	68,853			
Equipment and computer services	7,767	1,023	8,790	-	-	-	-	-	-	8,790	8,790	8,790	9,400	-	4,141			
Temporary personnel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,100			
Books, dues, and subscriptions	4,106	16,072	950	339	-	-	-	-	-	21,467	21,467	21,467	33,048	-	50,010			
Legal/audit	19,878	22,844	1,500	1,500	-	-	-	-	-	45,722	45,722	45,722	80,096	-	75,949			
Education	751	983	595	2,549	700	-	-	-	-	5,578	5,578	5,578	6,571	-	21,980			
Indirect costs	57,229	162,007	25,488	17,357	30,841	3,055	2,476	-	4,848	476,208	303,301	476,208	428,083	-	428,083			
Total expenditures	279,844	618,559	167,000	519,795	98,136	15,840	8,846	21,950	16,246	2,517,381	1,746,216	2,517,381	2,592,048	(72,688)				
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	-	-	-	-	-	-	-	-	-	(24,175)	-	-	-	-	-			
<b>Other Financing Source:</b>																		
Operating transfer in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,175		
<b>Net Change in Fund Balance</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		

(Continued)

# SOUTHWESTERN PENNSYLVANIA COMMISSION

## SCHEDULE OF OTHER PROGRAMS AND GRANTS

YEAR ENDED JUNE 30, 2009

(With Comparative Totals for Year Ended June 30, 2008)

	Heinz Endowment Unified GIS Program B1404	Heinz Endowment Unified GIS Program B2166	SPC Communications	Loan Program Administration	Outside Project	Totals	2008
<b>Revenues:</b>							
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-	-	-	-
SPC member contributions	-	-	-	-	-	-	-
Communications	-	-	-	-	-	-	-
Other local match	-	-	-	-	-	-	-
In-kind contributions	-	-	-	-	-	-	-
Contributions	18	25,978	-	-	-	25,996	-
Regional Enterprise Tower	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>18</b>	<b>25,978</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,996</b>	<b>-</b>
<b>Expenditures:</b>							
Salaries and employee benefits	-	17,135	155,350	-	-	172,485	202,395
Consultants	-	-	30,000	-	-	30,000	30,000
Printing and publications	-	-	2,559	-	-	2,559	31,003
Postage	-	-	153	-	-	153	6,393
Supplies	18	-	6,963	18,896	-	25,877	2,732
Travel and meetings	-	-	881	-	347	1,228	5,265
Books, dues, and subscriptions	-	-	9,528	-	-	9,528	7,079
Legal/audit	-	-	7,875	-	-	7,875	2,616
Training and development	-	-	1,600	-	-	1,600	-
Indirect costs	-	8,843	73,865	-	-	82,708	100,922
<b>Total expenditures</b>	<b>18</b>	<b>25,978</b>	<b>288,774</b>	<b>18,896</b>	<b>347</b>	<b>334,013</b>	<b>388,405</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>-</b>	<b>-</b>	<b>(288,774)</b>	<b>(18,896)</b>	<b>(347)</b>	<b>(308,017)</b>	<b>(388,405)</b>
<b>Other Financing Source:</b>							
Operating transfers in	-	-	288,774	18,896	347	308,017	388,405
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**SOUTHWESTERN PENNSYLVANIA COMMISSION**  
**SCHEDULE OF FEDERAL TRANSIT ADMINISTRATION GRANTS**

YEAR ENDED JUNE 30, 2009  
 (With Comparative Totals for Year Ended June 30, 2008)

	FTA/CommuteInfo Programs(1201-2601-2604)	FTA/CommuteInfo Programs(1201-2601-2604)	FTA/CommuteInfo Programs(1201-2601-2604)	FTA/CommuteInfo Programs(1201-2601-2604)	FTA/CommuteInfo Programs(1201-2601-2604)	FTA/CommuteInfo Programs(1201-2601-2604)	FTA/CommuteInfo Programs(1201-2601-2604)	FTA/CommuteInfo Programs(1201-2601-2604)	FTA/CommuteInfo Programs(1201-2601-2604)	FTA/CommuteInfo Programs(1201-2601-2604)	FTA/CommuteInfo Programs(1201-2601-2604)	Page
	March 10, 2003 to June 30, 2008	July 1, 2008 to June 30, 2009	Project Total	FTA/CommuteInfo Programs(1201-2601-2604)	FTA/CommuteInfo Programs(1201-2601-2604)	FTA/CommuteInfo Programs(1201-2601-2604)	FTA/CommuteInfo Programs(1201-2601-2604)	FTA/CommuteInfo Programs(1201-2601-2604)	FTA/CommuteInfo Programs(1201-2601-2604)	FTA/CommuteInfo Programs(1201-2601-2604)	FTA/CommuteInfo Programs(1201-2601-2604)	Subtotal
<b>Revenues:</b>												
Federal grants	1,945,071	397,331	2,342,402	78,419	1,575	79,994	78,419	1,575	79,994	78,419	1,575	2,502,390
State grants	-	50,000	50,000	-	-	-	-	-	-	-	-	50,000
SPC member contributions	-	-	-	-	-	-	-	-	-	-	-	-
Communications	43,147	596	43,743	-	-	-	-	-	-	-	-	43,743
Other local match	444,637	61,237	505,874	-	-	-	-	-	-	-	-	505,874
In-kind contributions	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>2,432,855</b>	<b>509,164</b>	<b>2,942,019</b>	<b>78,419</b>	<b>1,575</b>	<b>79,994</b>	<b>78,419</b>	<b>1,575</b>	<b>79,994</b>	<b>78,419</b>	<b>1,575</b>	<b>3,102,007</b>
<b>Expenditures:</b>												
Salaries and employee benefits	234,131	22,742	256,873	851	1,071	1,922	851	1,071	1,922	851	1,071	260,717
Consultants	1,484,684	393,933	1,878,617	69,356	-	69,356	69,356	-	69,356	69,356	-	2,017,329
Printing and publications	24,201	3	24,204	24	-	24	24	-	24	24	-	24,252
Postage	37	1	38	182	-	182	182	-	182	182	-	402
Supplies	40,527	2,389	42,916	-	-	-	-	-	-	-	-	42,916
In-kind services match	444,637	61,237	505,874	-	-	-	-	-	-	-	-	505,874
Travel and meetings	51,070	6,379	57,449	534	-	534	534	-	534	534	-	58,517
Equipment and computer services	27,658	2,250	29,908	-	-	-	-	-	-	-	-	29,908
Books, dues, and subscriptions	2,000	-	2,000	-	-	-	-	-	-	-	-	2,000
Communications	-	8,838	8,838	-	-	-	-	-	-	-	-	8,838
Legal/audit	5,895	-	5,895	6,974	-	6,974	6,974	-	6,974	6,974	-	19,843
Education	2,342	374	2,716	-	-	-	-	-	-	-	-	2,716
Indirect costs	115,673	11,018	126,691	498	504	1,002	498	504	1,002	498	504	128,695
<b>Total expenditures</b>	<b>2,432,855</b>	<b>509,164</b>	<b>2,942,019</b>	<b>78,419</b>	<b>1,575</b>	<b>79,994</b>	<b>78,419</b>	<b>1,575</b>	<b>79,994</b>	<b>78,419</b>	<b>1,575</b>	<b>3,102,007</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>												
<b>Other Financing Source:</b>												
Operating transfers in	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(Continued)

**SOUTHWESTERN PENNSYLVANIA COMMISSION**  
**SCHEDULE OF FEDERAL TRANSIT ADMINISTRATION GRANTS**

YEAR ENDED JUNE 30, 2009  
 (With Comparative Totals for Year Ended June 30, 2008)  
 (Continued)

	FTA/Commuter Info Programs(2606)		FTA/CMAQ Planning Programs(2605)		FTA/CMAQ Planning Programs(2605)		Page Subtotal	FTA Total	2008
	PA-90-X672-02 July 1, 2008 to June 30, 2009	PA-95-X007-00 July 1, 2007 to June 30, 2008	PA-95-X007-00 July 1, 2008 to June 30, 2009	PA-95-X007-00 July 1, 2008 to June 30, 2009	Project Total				
<b>Revenues:</b>									
Federal grants	\$ 22,739	\$ 109,713	\$ 178,744	\$ 288,457			\$ 311,196	\$ 2,813,586	\$ 2,211,622
Slate grants	-	-	-	-			-	50,000	-
Other local match	-	-	-	-			-	43,743	43,147
In-kind contributions	5,685	27,428	46,744	74,172			79,857	585,731	472,065
Total revenues	28,424	137,141	225,488	362,629			391,053	3,493,060	2,726,834
<b>Expenditures:</b>									
Salaries and employee benefits	347	12,962	59,599	72,561			72,908	333,625	248,795
Consultants	22,232	76,044	81,813	157,857			180,089	2,197,418	1,699,440
Printing and publications	-	4	6,393	6,397			6,397	30,649	24,253
Postage	-	-	-	-			-	402	401
Supplies	-	-	-	-			-	42,916	40,527
In-kind services match	5,685	27,428	46,744	74,172			79,857	585,731	472,065
Travel and meetings	-	-	84	84			84	58,601	52,139
Equipment and computer services	-	-	-	-			-	29,908	27,658
Books, dues, and subscriptions	-	-	-	-			-	2,000	2,000
Communications	-	-	-	-			-	8,838	-
Legal/audit	-	13,680	2,475	16,155			16,155	35,998	33,523
Education	-	-	-	-			-	2,716	2,342
Indirect costs	160	7,023	28,380	35,403			35,563	164,258	123,692
Total expenditures	28,424	137,141	225,488	362,629			391,053	3,493,060	2,726,834
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	-	-	-	-			-	-	-
<b>Other Financing Source:</b>									
Operating transfers in	-	-	-	-			-	-	-
<b>Net Change in Fund Balance</b>	\$ -	\$ -	\$ -	\$ -			\$ -	\$ -	\$ -

(Concluded)

# SOUTHWESTERN PENNSYLVANIA COMMISSION

## ACTUAL OVERHEAD COSTS

JUNE 30, 2009

(With Comparative Totals for Year Ended June 30, 2008)

	2009	2008
<b>Overhead Costs:</b>		
Salaries and fringe benefits	\$ 725,955	\$ 643,824
Consultants	179,427	171,502
Printing and publications	12,509	11,523
Computer services	-	2,532
Telephone	16,599	16,457
Postage	6,399	5,985
Supplies	75,059	61,921
Travel and meeting	7,591	11,796
Equipment purchase/lease/maintenance	76,184	66,941
Dues and subscriptions	21,247	20,291
Insurance	40,439	41,204
Legal/audit	45,960	39,682
Rent	408,994	395,743
Training and development	2,155	7,240
	1,618,518	1,496,641
Overhead incurred	1,618,518	1,496,641
Total overhead applied	1,618,518	1,496,641
<b>Fringe Costs:</b>		
FICA employer taxes	226,726	203,950
Health insurance	482,863	427,672
Life/disability insurance	31,019	27,768
Unemployment compensation	25,019	19,937
Workmen's compensation insurance	7,147	4,665
Pension	179,516	169,670
Financial planning, tuition, etc.	1,800	-
HR review, severance, and outplacement services	11,276	13,935
Flex benefits/fees	30,933	29,336
Transit pass	27,792	25,260
Leave time	426,897	390,179
	1,450,988	1,312,372
Fringe costs incurred	1,450,988	1,312,372
Total fringe costs applied	1,450,988	1,312,372
<b>Total Overhead and Fringe Costs Applied</b>	<b>\$ 3,069,506</b>	<b>\$ 2,809,013</b>

# SOUTHWESTERN PENNSYLVANIA COMMISSION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's and Pass-Through Numbers	Program or Award Amount	Expenditures Through June 30, 2008	2009 Expenditures	Expenditures Through June 30, 2009
<u>U.S. Department of Transportation</u>						
Passed through the Pennsylvania Department of Transportation and the Southwestern Pennsylvania Commission:						
Highway Planning and Construction	20.205	520658-CC-DD	\$ 2,902,952	-	\$ 2,646,970	\$ 2,646,970
Highway Planning and Construction	20.205	520658-Z-AA-BB	2,741,813	2,479,852	148,336	2,628,188
Highway Planning and Construction	20.205	520658-S-T-U-V-Y	3,216,127	2,755,763	2,953	2,758,716
Total 20.205				5,235,615	2,798,259	8,033,874
Federal Transit - Metropolitan Planning Grants	20.505	520658-CC-DD	946,560	-	895,137	895,137
				5,235,615	3,693,396	8,929,011
<u>Direct Programs:</u>						
Federal Transit - Formula Grants - Section 5307	20.507	PA-90-X471-00	1,031,363	1,031,363	-	1,031,363
Federal Transit - Formula Grants - Section 5307	20.507	PA-90-X471-01	2,084,007	913,707	292,088	1,205,795
Federal Transit - Formula Grants - Section 5307	20.507	PA-90-X471-02	172,582	-	105,246	105,246
Federal Transit - Formula Grants - Section 5307	20.507	PA-57-X001-00	80,000	78,419	1,575	79,994
Federal Transit - Formula Grants - Section 5307	20.507	PA-37-X029-00	80,000	78,419	1,575	79,994
Federal Transit - Formula Grants - Section 5307	20.507	PA-95-X007-00	1,685,000	109,713	178,747	288,460
Federal Transit - Formula Grants - Section 5307	20.507	PA-90-X672-00	291,734	-	-	-
Federal Transit - Formula Grants - Section 5307	20.507	PA-90-X672-01	65,000	-	22,739	22,739
Federal Transit - Formula Grants - Section 5307	20.507	PA-90-X672-02	711,438	-	-	-
Total 20.507				2,211,621	601,970	2,813,591
Total U.S. Department of Transportation				7,447,236	4,295,366	11,742,602
<u>Appalachian Regional Commission</u>						
<u>Direct Programs:</u>						
Appalachian Regional Development:						
ARC 302(a) 01/08-12/08	23.001	PA-0708E-08-C16-302	99,000	30,670	68,330	99,000
ARC 302(a) 01/09-12/09	23.001	PA-0708E-09-C17-302	97,571	-	44,657	44,657
ARC 302(b) 10/07-09/08	23.001	PA-11055-C15-07	400,000	292,906	107,094	400,000
ARC 302(b) 10/08-09/09	23.001	PA-11055-C16-08	400,000	-	218,746	218,746
Total 23.001				323,576	438,827	762,403
<u>Revolving Loan Program:</u>						
Appalachian Research, Technical Assistance, and Demonstration Projects						
	23.011	ARC 93-67	1,451,274	1,632,684	1,584,604	1,584,604
Total Appalachian Regional Commission				1,956,260	2,023,431	2,347,007

(Continued)

# SOUTHWESTERN PENNSYLVANIA COMMISSION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's and Pass-Through Numbers	Program or Award Amount	Expenditures Through June 30, 2008	2009 Expenditures	Expenditures Through June 30, 2009
<u>U.S. Department of Defense</u>						
Passed Through Indiana University of Pennsylvania:						
Procurement Technical Assistance for Business Firms - 10/07-09/08	12.002	SP4800-03-2-0318	78,222	56,890	17,301	74,191
Procurement Technical Assistance for Business Firms - 10/08-09/09	12.002	SP4800-08-2-0835	91,000	-	55,900	55,900
Total U.S. Department of Defense				56,890	73,201	130,091
<u>U.S. Department of Commerce</u>						
Direct Programs:						
Economic Development - Support for Planning Organizations - 7/08-6/09	11.302	01-83-08488-01	54,600	-	54,600	54,600
Economic Adjustment Assistance	11.307	01-39-03634	375,000	587,296	634,409	634,409
Total U.S. Department of Commerce				587,296	689,009	689,009
Total expenditures of federal awards				\$ 10,047,682	\$ 7,081,007	\$ 14,908,709

(Concluded)

**Note to Schedule of Expenditures of Federal Awards:**

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting. Approximately, \$230,000 of CFDA 20.505 was passed through to the Port Authority of Allegheny County. Federal expenditures for the Economic Development Administration and the Appalachian Regional Commission Revolving Loan Fund include the following:

1. Balance of the revolving loan fund loans outstanding at the end of the fiscal year. Only the federal share (exclude the matching fund share, if applicable) of the revolving loan fund shall be used in this determination; plus
2. Cash and investment balance in the revolving loan fund at the end of the fiscal year; plus
3. Administrative expenses paid out of the revolving loan fund during the fiscal year.
4. Funds in the amount of \$124,621 were required to be returned to Appalachian Regional Commission due to not meeting the percent of loans made to the percent of loan funds available.

**Southwestern Pennsylvania  
Commission**  
Independent Auditor's Reports in  
Accordance with OMB Circular A-133



**Southwestern  
Pennsylvania  
Commission**

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*

Executive Committee and Commissioners  
Southwestern Pennsylvania Commission

We have audited the financial statements of Southwestern Pennsylvania Commission (Commission) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 7, 2009 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material misstatement of the financial statements will not be prevented or detected by the Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of 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

Executive Committee and Commissioners  
Southwestern Pennsylvania Commission  
Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters

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*.

\* \* \* \* \*

This report is intended solely for the information and use of the Executive Committee, Commissioners, management, others within the Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mahe Duessel*

Pittsburgh, Pennsylvania  
December 7, 2009

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Executive Committee and Commissioners  
Southwestern Pennsylvania Commission

Compliance

We have audited the compliance of Southwestern Pennsylvania Commission (Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission 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. Our audit does not provide a legal determination on the Commission compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies,

Executive Committee and Commissioners  
Southwestern Pennsylvania Commission  
Independent Auditor's Report on Compliance  
with Requirements Applicable to Each Major Program

that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

\* \* \* \* \*

This report is intended solely for the information and use of the Executive Committee, Commissioners, management, others within the Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mahe Duessel*

Pittsburgh, Pennsylvania  
December 7, 2009

# SOUTHWESTERN PENNSYLVANIA COMMISSION

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2009

1. Summary of Audit Results:

- i. The auditor's report on the financial statements was an unqualified opinion.
- ii. There were no significant deficiencies or material weaknesses in internal controls that were disclosed by the audit of the financial statements.
- iii. There were no instances of noncompliance material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, disclosed during the audit.
- iv. There were no significant deficiencies or material weaknesses in internal control over each of its major federal programs that were disclosed by the audit.
- v. The auditor's report on compliance for each of its major federal programs was an unqualified opinion.
- vi. The audit did not disclose any audit findings that were required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- vii. The programs tested as major federal programs were:

U.S. Department of Transportation – Highway Planning and Construction  
CFDA #20.205

Appalachian Regional Commission – Revolving Loan Program: Appalachian  
Research, Technical Assistance, and Demonstration Projects CFDA #23.011

U.S. Department of Commerce – Economic Adjustment Assistance CFDA  
#11.307

- viii. The dollar threshold used to distinguish between type A and type B programs was \$300,000.
- ix. Southwestern Pennsylvania Commission was a low risk auditee.

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

**No matters were reported.**

3. Findings and questioned costs for federal awards.

**No matters were reported.**

# **SOUTHWESTERN PENNSYLVANIA COMMISSION**

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**YEAR ENDED JUNE 30, 2009**

**NONE REPORTED.**