

Southwestern Pennsylvania Commission

Financial Statements
and Required Supplementary and
Supplementary Information

Year Ended June 30, 2023
with Independent Auditor's Report



MaherDuessel

SOUTHWESTERN PENNSYLVANIA COMMISSION

YEAR ENDED JUNE 30, 2023

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SOUTHWESTERN PENNSYLVANIA COMMISSION

YEAR ENDED JUNE 30, 2023

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Independent Auditor's Report

**Executive Committee and Commissioners
Southwestern Pennsylvania Commission**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Southwestern Pennsylvania Commission (Commission) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial

statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023, on our consideration of the Commission's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that

testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Commission's 2022 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated December 19, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it was derived.

Maher Duessel

Pittsburgh, Pennsylvania
December 15, 2023

Southwestern Pennsylvania Commission Management's Discussion and Analysis Year Ended June 30, 2023

This Management's Discussion and Analysis of the financial performance of the governmental activities of the Southwestern Pennsylvania Commission (SPC) is to provide a summary understanding and analysis of the basic financial statements for the fiscal year ending June 30, 2023. The following summary analysis should be used in conjunction with the included financial statements.

INTRODUCTION

SPC is the regional planning agency serving the 10-county Southwestern Pennsylvania (SWPA) region. As the official Metropolitan Planning Organization (MPO), Local Development District (LDD), and Economic Development District (EDD) for SWPA, SPC directs the use of state and federal transportation and economic development funds allocated to the region—approximately \$35 billion through 2045. SPC helps counties, cities, municipalities, and townships access state and federal transportation funds. SPC is charged with developing the region's long-range transportation plan and the comprehensive economic development strategy; working with multiple planning partners at the federal, state, regional, and local levels on programs and projects that advance the Regional Vision, Major Goals, and Strategies of the Long-Range plan. SPC's ten-county region includes the City of Pittsburgh and the counties of Allegheny, Armstrong, Beaver, Butler, Fayette, Greene, Indiana, Lawrence, Washington, and Westmoreland. The Southwestern Pennsylvania Corporation, a non-profit 501(c)(3) organization, is the administrative arm of SPC.

FISCAL YEAR 2023 ANALYSIS

SPC uses the modified accrual basis of accounting to record revenues when earned and expenses when incurred. The following brief summary financial information serves as the basis for analysis of SPC's financial position.

- **Statement of Net Position** 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 SPC compared to the previous year. Total assets increased by \$6,841,877 mainly due to an increase in loans receivable, recognition of right-to-use assets, and the purchase of capital assets. Total Net Position for the years ending June 30, 2023 and 2022 was \$406,569 and \$457,444, respectively.

Governmental Activities	2023	2022
Assets		
Total cash and cash equivalents	\$ 2,216,747	\$ 3,967,540
Accounts receivable	3,626,342	2,271,227
Prepaid expenses	59,004	115,401
Other assets	168,579	50,742
Loans receivable	6,354,349	5,761,161
Capital assets, net of accum. amortization	6,937,492	354,565
Total Assets	<u>19,362,513</u>	<u>12,520,636</u>
Liabilities		
Accounts payable	\$ 2,054,526	\$ 1,462,084
Accrued salaries and fringe benefits	305,580	298,057
Grant advances	1,883,547	2,105,555
Unearned revenue	655,187	538,744
Notes payable - PIDA/SBF loan programs	2,988,893	2,784,790
Accrued liabilities	69,543	63,561
Lease liability	6,237,548	354,565
Unearned revenues of revolving loan funds	4,761,120	4,455,836
Total Liabilities	<u>18,955,944</u>	<u>12,063,192</u>
Net Position	<u>\$ 406,569</u>	<u>\$ 457,444</u>

- **Statement of Activities** provides information on SPC's programs by functions and the revenues generated or used to support program-related activities. This statement generally is a balanced statement for the Governmental Activities. Total governmental activity expenses equal \$11,200,717 as of June 30, 2023 as compared to \$12,499,627 as of June 30, 2022. The net decrease of \$1,298,910 is due mainly to a net decrease in special projects, local government and other programs, and the highway and transit planning program activities related to Federal Highway Administration and Regional Traffic Signal program funding.

Summary	Total Expenses	Operating Grants and Contributions	Governmental Activities	2022
Total governmental activities	<u>\$ 11,200,717</u>	<u>\$ 8,776,757</u>	\$ (2,423,960)	\$ (3,239,695)
Total general revenues			<u>(2,373,085)</u>	<u>(3,239,695)</u>
Change in Net Position			(50,875)	-
Net position - beginning of year			<u>457,444</u>	<u>457,444</u>
Net position - end of year			<u>\$ 406,569</u>	<u>\$ 457,444</u>

- **Balance Sheet – Governmental Funds** reports information about SPC Governmental Funds activities and details changes in SPC’s financial position. This report includes all assets, liabilities, and unreserved fund balance as of June 30, 2023 and reports financial information for the Southwestern Pennsylvania Corporation General Fund as the administrative arm of SPC, 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 General Fund 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.
- **Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds** reports information using the current financial resources measurement focus and the modified 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. There was sufficient program funding to support program activities with a decrease in federal and state grant revenues and expenditures of \$684,571 compared to the prior year. The decrease is due mainly to a net decrease in the Federal Transit Administration program activities related to Coronavirus Response and Relief Supplemental Appropriations Act funding.

<u>Governmental Funds</u>	<u>2023</u>	<u>2022</u>
<u>Revenues</u>		
Federal Grants	\$ 7,253,481	\$ 7,748,010
State Grants	1,523,276	1,713,318
Member Contributions	902,004	781,438
In-Kind Contributions	976,140	945,760
Contributions	313,419	1,333,035
Fees and other	181,522	181,159
Total Revenues	<u>11,149,842</u>	<u>12,702,720</u>
<u>Expenditures</u>		
	<u>18,976,889</u>	<u>12,702,720</u>
<u>Other Financing Sources (Uses)</u>		
Transfers in	11,736,554	13,298,726
Transfers out	(11,736,554)	(13,298,726)
Leases	7,076,228	-
	<u>7,076,228</u>	<u>-</u>
Net Change in Fund Balance	<u><u>\$ (750,819)</u></u>	<u><u>\$ -</u></u>

FISCAL YEAR 2024 AND THE FUTURE

For fiscal year 2024, SPC will follow a strategy of pursuing discretionary infrastructure, economic development and environmental grants on behalf of Southwestern Pennsylvania. With the unprecedented availability of Federal funding for projects in transportation, water resources, energy, community development and other programmatic areas, Southwestern Pennsylvania is uniquely positioned to benefit from aggressively pursuing competitive grant opportunities. SPC will serve as a lead agency in developing a consensus-based regional approach (seen by State and Federal sponsors as the most effective methodology) to address needs in all 10 counties and the City of Pittsburgh. Success in this endeavor will be based on proactive engagement by the regional stakeholders and the adequate resourcing of SPC to secure and manage these critical grants.

Economic and Workforce Development

SPC is designated by the U.S. Appalachian Regional Commission (ARC) as the Local Development District and by the U.S. Department of Commerce, Economic Development Administration (EDA) as the Economic Development District for Southwestern Pennsylvania. SPC members play a lead role in identifying priority needs of local communities to foster economic development, to target and meet the most pressing needs, and to build community cohesion and leadership. This

department is responsible for providing information to update portions of the Comprehensive Economic Development Strategy (CEDS) plan and Long-Range Plan (LRP) known as Smart Moves.

The Economic and Workforce Development department at SPC provides technical assistance to applicants on EDA and ARC grants as well as serves as the regional entity to rank and move forward millions of dollars in ARC Area Development applicant projects for voting. These projects are reviewed with regional members, ranked to determine regional priority, and submitted to DCED and ARC for application review. If selected, applicants will complete a full application to apply for ARC funding.

SPC is the southwestern Pennsylvania regional coordinator for the Partnership for Regional Economic Performance (PREP) program. Our PREP program is designed to integrate the delivery system historically served by the following core service providers: Industrial Resource Centers (IRCs), Industrial Development Organizations (IDOs), Local Development Districts (LDDs), and Small Business Development Centers (SBDCs).

Under PREP, SPC's Economic and Workforce Development operations include the Business Finance, Export Development, and the Procurement Technical Assistance Center (PTAC). Programs are developed to encourage business growth, increase regional competitiveness, and ultimately result in job creation and retention.

In FY 2024, SPC will continue to invest in entrepreneurial and business development strategies that strengthens the region. SPC will provide technical assistance in the field of international business development, governmental marketing, business financing, and in other activities.

Transportation Planning

As the Metropolitan Planning Organization (MPO) for the region, SPC is required by federal law to develop and regularly update several transportation planning and programming documents, including a Long Range Plan (LRP), which establishes the long term vision, goals, and strategies for the region; the Transportation Improvement Program (TIP), which details the highest transportation project and program priorities of the region over a four-year period; and the Unified Planning Work Program (UPWP), which identifies the regional transportation planning activities to be conducted within each state fiscal year.

SPC uses a continuing, cooperative, and comprehensive planning process to fulfill its transportation planning role for the region. Local transportation service providers, transit agencies, airport authorities, maritime operators, rail-freight operators, pedestrian and bicycle advocates, port operators, municipal officials, the business community, and the public are all partners in the development and implementation of the regional Transportation Improvement Plan (TIP). In addition, PennDOT, the Federal Highway Administration (FHWA) and Federal Transit Administration (FTA) are important partners in the design, funding, and implementation of the TIP for the region.

Recognizing that the transportation system not only provides for the mobility of people and goods, but also affects patterns of growth and economic activity through accessibility to land, the SPC transportation planning process works to identify strategies that advance the long-term transportation, community development, and economic goals of the region. The integration of transportation and economic development planning requires cooperation with local municipalities, member counties, and other MPOs and planning entities in adjoining regions.

The Transportation Planning department also offers and participates in the Local Technical Assistance Program (LTAP). The LTAP mission is to share transportation knowledge, improve road maintenance and safety skills, and put research and new technology into practice at the local level. This is accomplished through free training and technical assistance. Trainings are offered either as half-day or full-day courses. Workshop topics include: Winter Maintenance, Roadside Vegetation, etc. Customized workshops can be provided at the request of a municipality or a group of municipalities.

In fiscal year 2024, SPC will continue its federally mandated MPO duties and provide technical assistance to members, local governments, and other stakeholders. It will continue its robust public engagement efforts and, in addition, it will serve as the regional leader in bringing discretionary funding into the region, and bringing innovative solutions to critical regional issues surrounding transportation, community and economic development, and broadband internet connectivity.

Strategic Initiatives and Policy

The Strategic Initiatives and Policy department at SPC works on building the region's transportation funding capacity through the policy goals of maximizing the effectiveness of existing resources, leveraging other sources of funding, and finding innovative ways to advance the Regional Vision, Goals and Strategies as set forth in the Long Range Plan (LRP). Given the significant needs associated with the regional transportation system and the demands on the federal and state base Transportation Improvement Program (TIP) funds, it is important to help project sponsors look for additional sources of funding that exist beyond typical TIP funds. SPC works to identify, promote, and utilize funding programs beyond these typical TIP base funds, and to build and enhance relationships with federal, state and local officials as well as other private sector and philanthropic partners.

The Strategic Initiatives and Policy department also focuses on new Federal emphasis areas related to the environment and coordinating with SPC's Transportation Program Development Group to incorporate those areas into SPC's planning tasks as well as the region's Long Range Plan (LRP) and Transportation Improvement Program (TIP). New emphasis areas from the Bipartisan Infrastructure Law (BIL) include the Justice 40 Initiative/Environmental Justice and Climate/Resilience, including the National Electric Vehicle Infrastructure (NEVI) program. Another Federal, statewide, and regional emphasis area is broadband connectivity.

The Strategic Initiatives and Policy department manages SPC's Water Resource Center (WRC), which promotes regional collaboration on water topics, is a leader in facilitating coordination and education, and provides technical assistance to its member governments. SPC's member governments have identified various water-related issues within the region. Stormwater management and flooding have been identified among the top regional priorities and serve as one of the primary focus areas of the WRC.

SOUTHWESTERN PENNSYLVANIA COMMISSION

STATEMENT OF NET POSITION

JUNE 30, 2023

(With Comparative Totals at June 30, 2022)

Assets	Governmental Activities	2022
Cash and cash equivalents:		
Operating	\$ 96,613	\$ 242,364
Restricted	506,490	2,130,389
Revolving loan funds:		
Uncommitted	1,613,644	1,594,787
Total cash and cash equivalents	2,216,747	3,967,540
Accounts receivable	3,626,342	2,271,227
Prepaid expenses	59,004	115,401
Other assets	168,579	50,742
Loans receivable:		
Appalachian Regional Commission - RLF	1,923,774	1,354,829
Economic Development Administration - RLF	941,669	886,095
Economic Development Administration - RLF CARES Act	500,013	735,447
PIDA/SBF Loan Fund	2,988,893	2,784,790
Total loans receivable	6,354,349	5,761,161
Right-to-use assets, net of accumulated amortization	6,186,673	354,565
Capital assets, net of accumulated depreciation	750,819	-
Total Assets	19,362,513	12,520,636
Liabilities		
Accounts payable	2,054,526	1,462,084
Accrued salaries and fringe benefits	305,580	298,057
Grant advances	1,883,547	2,105,555
Unearned revenue	655,187	538,744
Notes payable - PIDA/SBF loan programs	2,988,893	2,784,790
Accrued liabilities	69,543	63,561
Lease liability - Due within in one year	592,201	354,565
Lease liability - Due in more than one year	5,645,347	-
Unearned revenues of revolving loan funds	4,761,120	4,455,836
Total Liabilities	18,955,944	12,063,192
Net Position		
Unrestricted	406,569	457,444
Total Net Position	\$ 406,569	\$ 457,444

See accompanying notes to financial statements.

SOUTHWESTERN PENNSYLVANIA COMMISSION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

(With Comparative Totals for Year Ended June 30, 2022)

<u>Functions/Programs</u>	<u>Total Expenses</u>	Program Revenues		Net (Expense) Revenue and Changes in Net Position		<u>2022</u>
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Total	
Governmental Activities:						
General	\$ 577,647	\$ -	\$ -	\$ (577,647)	\$ (577,647)	\$ (302,512)
Highway, transit planning	7,513,129	-	6,621,459	(891,670)	(891,670)	(895,200)
Local government and other programs	-	-	-	-	-	(245,897)
Special projects	68,810	-	-	(68,810)	(68,810)	(808,431)
Economic development programs/prep	3,041,131	-	2,155,298	(885,833)	(885,833)	(987,655)
Total government activities	<u>\$ 11,200,717</u>	<u>\$ -</u>	<u>\$ 8,776,757</u>	<u>(2,423,960)</u>	<u>(2,423,960)</u>	<u>(3,239,695)</u>
General revenues:						
Commission member contributions				902,004	902,004	781,438
Loan program fees				100,277	100,277	71,927
Interest income and other				81,245	81,245	107,535
Contributions				313,419	313,419	1,333,035
In-kind contributions				976,140	976,140	945,760
Total general revenues				<u>2,373,085</u>	<u>2,373,085</u>	<u>3,239,695</u>
Change in Net Position				(50,875)	(50,875)	-
Net position - beginning of year				<u>457,444</u>	<u>457,444</u>	<u>457,444</u>
Net position - end of year				<u>\$ 406,569</u>	<u>\$ 406,569</u>	<u>\$ 457,444</u>

See accompanying notes to financial statements.

SOUTHWESTERN PENNSYLVANIA COMMISSION

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2023
(With Comparative Totals at June 30, 2022)

Assets	Southwestern Pennsylvania Corporation General Fund	Southwestern Pennsylvania Commission Special Revenue Fund	Total	2022
Cash and cash equivalents:				
Operating	\$ 96,613	\$ -	\$ 96,613	\$ 242,364
Restricted	8,807	497,683	506,490	2,130,389
Revolving loan funds:				
Uncommitted	1,613,644	-	1,613,644	1,594,787
Total cash and cash equivalents	1,719,064	497,683	2,216,747	3,967,540
Accounts receivable	2,564	3,623,778	3,626,342	2,271,227
Prepaid expenses	59,004	-	59,004	115,401
Other assets	168,579	-	168,579	50,742
Loans receivable:				
Appalachian Regional Commission - RLF	1,923,774	-	1,923,774	1,354,829
Economic Development Administration - RLF	941,669	-	941,669	886,095
Economic Development Administration - RLF CARES Act	500,013	-	500,013	735,447
PIDA/SBF Loan Fund	2,988,893	-	2,988,893	2,784,790
Due from Commission	1,097,179	-	1,097,179	1,217,213
Total Assets	\$ 9,400,739	\$ 4,121,461	\$ 13,522,200	\$ 13,383,284
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 2,054,526	\$ -	\$ 2,054,526	\$ 1,462,084
Accrued salaries and fringe benefits	305,580	-	305,580	298,057
Grant advances	-	1,883,547	1,883,547	2,105,555
Unearned revenue	38,785	616,402	655,187	538,744
Notes payable - PIDA/SBF loan program	2,988,893	-	2,988,893	2,784,790
Accrued liabilities	-	69,543	69,543	63,561
Unearned revenues - revolving loan funds	4,761,120	-	4,761,120	4,455,836
Due to Corporation	-	1,097,179	1,097,179	1,217,213
Total Liabilities	10,148,904	3,666,671	13,815,575	12,925,840
Fund Balance:				
Nonspendable:				
Prepaid items	59,004	-	59,004	115,401
Unassigned	(807,169)	-	(807,169)	(112,747)
Assigned - Commission Projects	-	454,790	454,790	454,790
Total Fund Balance	(748,165)	454,790	(293,375)	457,444
Total Liabilities and Fund Balance	\$ 9,400,739	\$ 4,121,461	\$ 13,522,200	\$ 13,383,284

See accompanying notes to financial statements.

SOUTHWESTERN PENNSYLVANIA COMMISSION

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

YEAR ENDED JUNE 30, 2023

(With Comparative Totals for Year Ended June 30, 2022)

	Southwestern Pennsylvania Corporation	Southwestern Pennsylvania Commission	Total	2022
	General Fund	Special Revenue Fund		
Revenues:				
Federal grants	\$ -	\$ 7,253,481	\$ 7,253,481	\$ 7,748,010
State grants	-	1,523,276	1,523,276	1,713,318
SPC member contributions	-	902,004	902,004	781,438
In-kind service contributions	-	976,140	976,140	945,760
Contributions	73,815	239,604	313,419	1,333,035
Loan program fees	100,277	-	100,277	71,927
Interest income and other	-	81,245	81,245	109,232
Total revenues	174,092	10,975,750	11,149,842	12,702,720
Expenditures:				
Salaries and employee benefits	5,359,628	-	5,359,628	5,395,504
Contractual	2,762,698	-	2,762,698	4,433,433
Printing and publications	18,317	-	18,317	17,422
Telephone	46,221	-	46,221	32,501
Postage	1,887	-	1,887	1,749
Supplies	303,684	-	303,684	281,308
In-kind services - match	976,140	-	976,140	945,760
Travel	84,117	-	84,117	54,650
Promotion, PR, and advertising	-	-	-	235
Equipment and computer services	210,818	-	210,818	216,896
Temporary personnel	7,914	-	7,914	21,417
Books, dues, and subscriptions	299,031	-	299,031	300,699
Legal/audit	246,952	-	246,952	255,222
Rent	689,884	-	689,884	631,669
Insurance	73,919	-	73,919	51,113
Meetings	28,679	-	28,679	39,116
Training and development	39,953	-	39,953	24,026
Capital expenditures	7,827,047	-	7,827,047	-
Total expenditures	18,976,889	-	18,976,889	12,702,720
Excess (Deficiency) of Revenues Over Expenditures	(18,802,797)	10,975,750	(7,827,047)	-
Other Financing Sources (Uses):				
Transfers in	11,356,152	380,402	11,736,554	13,298,726
Transfers out	(380,402)	(11,356,152)	(11,736,554)	(13,298,726)
Leases	7,076,228	-	7,076,228	-
Total other financing sources (uses)	18,051,978	(10,975,750)	7,076,228	-
Net Change in Fund Balance	(750,819)	-	(750,819)	-
Fund Balance:				
Beginning of year	2,654	454,790	457,444	457,444
End of year	<u>\$ (748,165)</u>	<u>\$ 454,790</u>	<u>\$ (293,375)</u>	<u>\$ 457,444</u>

See accompanying notes to financial statements.

SOUTHWESTERN PENNSYLVANIA COMMISSION

RECONCILIATION OF THE BALANCE SHEETS OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF NET POSITION

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Total Fund Balances - Governmental Funds	\$ (293,375)	\$ 457,444
Amounts reported for governmental activities in the statements of net position are different because:		
Capital assets and right-to-use leased assets are recorded as expenditures in the governmental fund financial statements but are recorded as assets in the government-wide financial statements.	6,937,492	354,565
Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds (leases payable).	(6,237,548)	(354,565)
Total Net Position - Governmental Activities	\$ 406,569	\$ 457,444

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022										
Net Change in Fund Balance - Governmental Funds	\$ (750,819)	\$ -										
Amounts reported for governmental activities in the statements of activities are different because:												
The issuance of lease obligations is a revenue, while repayment of lease principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position. This amount is the net effect of these differences.	(5,882,983)	593,593										
Governmental funds report capital outlays as expenditures. Depreciation/amortization of capital assets are not recorded as expenditures in the governmental fund financial statements but are recorded as expenses in the government-wide financial statements.	<table style="margin-left: 20px; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Right-to-use asset additions</td> <td style="text-align: right;">\$ 6,190,750</td> </tr> <tr> <td style="padding-left: 20px;">Capital asset additions</td> <td style="text-align: right;">750,819</td> </tr> <tr> <td style="padding-left: 20px;">Less: amortization expense</td> <td style="text-align: right;">(358,642)</td> </tr> <tr> <td style="padding-left: 20px;">Less: depreciation expense</td> <td style="text-align: right;">-</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">6,582,927</td> </tr> </table>	Right-to-use asset additions	\$ 6,190,750	Capital asset additions	750,819	Less: amortization expense	(358,642)	Less: depreciation expense	-		6,582,927	(593,593)
Right-to-use asset additions	\$ 6,190,750											
Capital asset additions	750,819											
Less: amortization expense	(358,642)											
Less: depreciation expense	-											
	6,582,927											
Change in Net Position of Governmental Activities	\$ (50,875)	\$ -										

See accompanying notes to financial statements.

SOUTHWESTERN PENNSYLVANIA COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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 blended 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 activities of the Corporation are discussed below.

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 the plan and be consistent with the program to qualify for federal funding. The Commission

SOUTHWESTERN PENNSYLVANIA COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

receives the majority of its funding from the Pennsylvania Department of Transportation as pass-through funds from the U.S. 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 accounting principles generally accepted in the United States of America 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, 2023

Following is a brief description of the component unit, the 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 it is, 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 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, and a financial benefit or burden exists.

The Corporation was incorporated on November 1, 2010, for civic, charitable, literary, and educational purposes. The Corporation provides services to the Commission, which includes conducting studies and performing administrative functions. The Corporation's members include the voting members of the Commission as described above. The Corporation is managed by directors elected by the members. 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 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), Economic Development Administration – Revolving Loan Fund CARES Act, and the Small Business First Loan Fund (SBF). ARC/RLF, EDA/RLF, and the SBF are programs to provide low-interest loans to small businesses to achieve economic benefits in the service area.

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 (Code) and has further 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 financial reporting purposes.

SOUTHWESTERN PENNSYLVANIA COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

2. Summary of Significant Accounting Policies

Basis of Presentation

The government-wide financial statements (i.e., the statement of net position 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. SPC has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of SPC as of year-end. All net position is considered unrestricted as of June 30, 2023, as there are no external restrictions on net position, or amounts invested in capital assets.

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.

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.

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

SOUTHWESTERN PENNSYLVANIA COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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. 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.

Receivables

Loans receivable are recorded at the time amounts are disbursed to the borrower. A loan is written off 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.

Unearned Revenue and Grant Advances

Grant advances consists of grant funds received prior to incurring eligible expenditures. Unearned revenue consists of interest earned and loan program fees on the revolving loan funds are unearned in accordance with grant provisions until needed.

SOUTHWESTERN PENNSYLVANIA COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

Capital Assets

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 cost if purchased or constructed and depreciated using the straight-line method over their estimated useful lives. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

Leases

The Commission is a lessee for a noncancellable lease of office space. The Commission recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

The Commission measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Commission determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Commission uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Commission generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Commission is reasonably certain to exercise.

The Commission monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

SOUTHWESTERN PENNSYLVANIA COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

Lease assets are reported with capital assets and lease liabilities are reported with leases payable on the statements of net position.

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 corporation. All vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds when earned.

Cash and Cash Equivalents

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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.

Fund Balance

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

SOUTHWESTERN PENNSYLVANIA COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

- Nonspendable – This category represents funds that are not in spendable form and includes such items as prepaid expenditures.
- Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties.
- Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by the board. Such commitment is made via a board resolution and must be made prior to the end of the fiscal year. Removal of this commitment requires a board resolution. SPC currently does not have any committed funds.
- Assigned – This category represents intentions of the board to use the funds for specific purposes. Such assignment are made by the Finance Director, but approval is obtained from the board for all such assignments.
- Unassigned – This category represents all other funds not otherwise defined.

SPC's policy is to use funds in the order of the most restrictive to the least restrictive.

Classification of Net Position

The government-wide and proprietary fund financial statements are required to classify net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net position consists of constraints placed on assets through external restrictions, reduced by liabilities related to those assets.
- Unrestricted – This component of net position consists of assets that do not meet the definition of “restricted” or “net investment in capital assets.”

SOUTHWESTERN PENNSYLVANIA COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

Budgets and Budgetary Accounting

The General Fund and the Special Revenue 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.

Adopted Pronouncements

The following Governmental Accounting Standards Board (GASB) statements were adopted for the year ended June 30, 2023: Statement Nos. 91 (Conduit Debt Obligations), 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements), and 96 (Subscription-Based Information Technology Arrangements). These statements had no significant impact on SPC's financial statements for the year ended June 30, 2023.

Pending Pronouncements

GASB has issued statements that will become effective in future years, including Statement Nos. 100 (Accounting Changes and Error Corrections) and 101 (Compensated Absences). Management has not yet determined the impact of these statements on the financial statements.

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, short-term commercial paper issued by a public corporation, banker's acceptances, 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.

SOUTHWESTERN PENNSYLVANIA COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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, 2023, \$1,627,270 of SPC's bank balance of \$2,333,723 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 \$2,216,747 as of June 30, 2023, of which \$1,613,644 is reported as revolving loan funds in the statement of net position.

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. There were no committed RLF funds as of June 30, 2023. Uncommitted cash and cash equivalents include approximately \$564,000 of net loan fees paid by borrowers and held for future administrative costs.

Restricted cash for the Corporation represents amounts contributed for specific purposes. Restricted cash for the Commission represents contributed or grant funding that has been deferred because it has not yet been spent for its intended purpose.

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, 2023 was \$210,733. The Plan Trustee administrative fees were \$49,948. 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.

SOUTHWESTERN PENNSYLVANIA COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

5. Accounts Receivable

Accounts receivable consist of the following:

Pennsylvania Department of Transportation	\$	2,506,493
Pennsylvania Department of Community and Economic Development		697,544
Appalachian Regional Commission		199,357
Federal Transit Administration		121,283
Economic Development Administration		98,186
Other		3,479
	\$	<u>3,626,342</u>

No allowance for doubtful accounts has been established for accounts receivable as it is expected to be fully collectible.

6. Loans Receivable

Following is a roll forward of loans outstanding under the ARC/RLF, EDA/RLF, EDA/RLF CARES Act, and PIDA/SBF for the year ended June 30, 2023:

	ARC/RLF	EDA/RLF	EDA/RLF CARES Act	PIDA/SBF
Balance at June 30, 2022	\$ 1,354,829	\$ 886,095	\$ 735,447	\$ 2,784,790
Add back monies in escrow at June 30, 2022	-	-	-	-
Less monies in escrow at June 30, 2022	-	-	-	-
Loans issued	796,205	275,000	75,000	661,480
Payments received	(227,260)	(219,426)	(310,434)	(457,377)
Loans written off	-	-	-	-
Balance at June 30, 2023	<u>\$ 1,923,774</u>	<u>\$ 941,669</u>	<u>\$ 500,013</u>	<u>\$ 2,988,893</u>
Number of loans outstanding	<u>18</u>	<u>11</u>	<u>25</u>	<u>32</u>

The above loans bear interest at rates ranging from 0% to 4.0% per annum. The outstanding loan balances range in amounts from \$2,323 to \$288,000 and mature through 2033.

SOUTHWESTERN PENNSYLVANIA COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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 CARES Act 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 01-79-15002. The purpose of the grant is to capitalize a revolving loan fund to alleviate sudden and severe economic dislocation caused by the coronavirus (COVID-19) pandemic, to provide permanent resources to support economic resiliency, and to further the long-term economic adjustment objectives of the region served by this award. 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 - 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, the 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. The recently enacted Reinvigorating Lending for the Future Act (the Act) authorizes EDA to release its federal interest in certain Revolving Loan Fund (RLF) awards that have operated satisfactorily for seven years beyond disbursement of grant funds. By authorizing EDA to release its federal interest in certain RLF awards, the Act will reduce RLF recipient administrative burden and allow RLF award funds to be used for broader economic development purposes. In a letter dated March 29, 2021, the Commission requested that EDA release its federal interest in Investment Number 01-39-03634. The EDA approved the Commission's request and, as such, this RLF is no longer subject to the Uniform Guidance.

SOUTHWESTERN PENNSYLVANIA COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

Loans receivable – PIDA/SBF 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 PIDA/SBF was entered into between 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 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 – PIDA/SBF Loan Program

Notes payable – PIDA/SBF Loan Program 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, 2023.

8. Contingencies

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 that may arise, resulting from such audits, could become a liability of SPC. Management expects no disallowed costs at this time.

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.

SOUTHWESTERN PENNSYLVANIA COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

9. Capital Assets

A summary of changes in capital assets is as follows:

	Balance at July 1, 2022	Additions	Deletions	Balance at June 30, 2023
<u>Capital assets being depreciated</u>				
Building improvements	\$ -	\$ 750,819	\$ -	\$ 750,819
Accumulated depreciation	-	-	-	-
Total capital assets, net	<u>\$ -</u>	<u>\$ 750,819</u>	<u>\$ -</u>	<u>\$ 750,819</u>

10. Leases Payable

SPC leased approximately 28,392 square feet of office space through January 2023. The lease had an imputed interest rate of 3%. Lease payments for the year ended June 30, 2023 were \$358,120.

During October 2022, the Commission entered into a 10-year lease for new office space with a four-month grace period on rent. Payments began in February 2023. Annual lease payments begin at approximately \$579,000 increasing each year to approximately \$692,000 at the end of the 10 years. SPC has made an accounting policy election to use its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of June 30, 2023 was 3.83%. As of June 30, 2023, the value of the lease liability was \$5,871,877. The value of the right-to-use asset as of June 30, 2023 was \$6,068,883 and had accumulated amortization of \$244,713.

SPC also has thirteen noncancelable leases for office equipment. Four of these agreements have a \$1 purchase option upon termination of the agreements. SPC has elected to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of June 30, 2023 was 2.85%. As of June 30, 2023, the value of the lease liabilities totaled \$365,670. The value of the right-to-use assets as of June 30, 2023 totaled \$476,432 and had accumulated amortization of \$113,929.

SOUTHWESTERN PENNSYLVANIA COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

The future principal and interest lease payments as of June 30, 2023 were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 592,201	\$ 225,608	\$ 817,809
2025	599,733	204,162	803,895
2026	560,506	182,660	743,166
2027	548,673	162,047	710,720
2028	568,088	140,800	708,888
Thereafter	<u>3,368,347</u>	<u>337,869</u>	<u>3,706,216</u>
Totals	<u>\$ 6,237,548</u>	<u>\$ 1,253,146</u>	<u>\$ 7,490,694</u>

Subsequent to year end, SPC entered into two additional equipment agreements for a server beginning in October 2023 with an initial lease liability totaling \$107,165 and for office furniture beginning in July 2023 with an initial lease liability totaling \$467,414.

Subsequent to year-end, the Commission secured a loan of \$750,000 from Bridgeway Capital to cover costs of furniture and equipment purchased for the new office space during fiscal year 2023.

SUPPLEMENTARY INFORMATION

SOUTHWESTERN PENNSYLVANIA COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Grantor's and Pass-Through Numbers	Program or Award Amount	Cumulative Award Expenditures Through June 30, 2022	Amounts Passed through to Subrecipients	2023 Direct Expenditures	2023 Total Expenditures	Cumulative Award Expenditures Through June 30, 2023
U.S. Department of Transportation								
Passed through the Pennsylvania Department of Transportation and the Southwestern Pennsylvania Commission:								
Highway Planning and Construction:								
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	101020086	465,452	\$ 74,092	\$ -	\$ 64,183	\$ 64,183	\$ 138,275
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	119915	1,062,994	114,903	-	103,597	103,597	218,500
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	M125585000	668,800	116,727	-	785	785	117,512
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	C920001415(WO#1)	9,264,000	-	-	4,368,668	4,368,668	4,368,668
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	C920001415(WO#1)	2,275,000	-	-	1,084,749	1,084,749	1,084,749
Total Highway Planning and Construction				305,722	-	5,621,982	5,621,982	5,927,704
Direct Programs:								
Federal Transit Cluster:								
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	PA-90-X749-00-01	2,000,000	1,771,732	-	8,110	8,110	1,779,842
COVID 19 - Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	PA-2020-032-01-00/PA-90-X959	2,468,965	449,922	-	122,873	122,873	572,795
COVID 19 - Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	PA-2020-032-02-00/PA-90-X957	496,550	107,955	-	21,520	21,520	129,475
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	PA-95-X007-00-01-02-03-06-07	3,085,000	2,892,904	-	25,880	25,880	2,918,784
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	PA-021-050-11-01-02-03-04-05	3,008,757	102,995	-	87,080	87,080	190,075
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	PA-2022-005-00/PA-90-Y013	173,336	-	150,296	-	150,296	150,296
Total Federal Transit Cluster				5,325,508	150,296	265,463	415,759	5,741,267
Total U.S. Department of Transportation				5,631,230	150,296	5,887,445	6,037,741	11,668,971
Appalachian Regional Commission								
Direct Programs:								
Appalachian Regional Development:								
ARC 302(a) 2022	23.001	PA-708-E-C30-22	130,285	46,761	-	63,587	63,587	110,348
ARC 302(a) 2023	23.001	PA-708-E-C31-23	133,647	-	-	67,429	67,429	67,429
Total Appalachian Regional Development				46,761	-	131,016	131,016	177,777
Appalachian Area Development:								
ARC Shale POWER Grant 10/2019 to 9/2022	23.002	PW-19708-IM-302-19	1,423,497	952,805	408,640	2,606	411,246	1,364,051
ARC Tri-State Net Zero Manufacturing Initiative 10/2022 to 9/2025	23.002	PW-20876-IM-22	1,375,961	-	93,186	-	93,186	93,186
ARC Community Capacity	23.002	PA-21001-23	200,000	-	-	29,120	29,120	29,120
ARC 302(b) 07/2022 - 06/2023	23.002	PA-11055-C30-22	400,000	-	-	380,230	380,230	380,230
Total Appalachian Area Development				952,805	501,826	411,956	913,782	1,866,587
Total Direct Programs				999,566	501,826	542,972	1,044,798	2,044,364
Revolving Loan Program:								
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	ARC93-67	1,451,274	3,760,199	-	2,160,059	2,160,059	5,920,258
Total Appalachian Regional Commission				999,566	501,826	2,703,031	3,204,857	2,044,364

See accompanying notes to schedule of expenditures of federal awards.

SOUTHWESTERN PENNSYLVANIA COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

(Continued)

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grantor's and Pass-Through Numbers</u>	<u>Program or Award Amount</u>	<u>Cumulative Award Expenditures Through June 30, 2022</u>	<u>Amounts Passed through to Subrecipients</u>	<u>2023 Direct Expenditures</u>	<u>2023 Total Expenditures</u>	<u>Cumulative Award Expenditures Through June 30, 2023</u>
U.S. Department of Defense								
Passed Through Johnstown Area Regional Industries (JARI):								
Procurement Technical Assistance for Business Firms - 8/1/2022 to 7/31/2023	12.002	SP4800-22-2-2232	102,431	-	-	63,394	63,394	63,394
Procurement Technical Assistance for Business Firms - 8/1/2021 to 7/31/2022	12.002	SP4800-21-2-2132	99,768	<u>86,465</u>	-	<u>7,736</u>	<u>7,736</u>	<u>94,201</u>
Total Procurement Technical Assistance for Business Firms				<u>86,465</u>	-	<u>71,130</u>	<u>71,130</u>	157,595
Total U.S. Department of Defense				<u>86,465</u>	-	<u>71,130</u>	<u>71,130</u>	157,595
U.S. Department of Commerce								
Direct Programs:								
Economic Development Support for Planning Organizations - 7/22 - 6/23	11.302	ED22PHI3020055 Year 1	70,000	-	-	64,680	64,680	64,680
Expanded Pathways to New Economic Careers	11.302	01-79-15316	24,800,000	-	29,479	47,337	76,816	76,816
Total Direct Programs				-	29,479	112,017	141,496	141,496
Economic Development Cluster:								
Revolving Loan Fund (RLF):								
COVID 19 - Economic Adjustment Assistance	11.307	01-79-15002/URI:115174	1,000,000	<u>2,003,681</u>	-	1,070,023	1,070,023	3,073,704
Total Economic Development Cluster and 11.307				<u>2,003,681</u>	-	<u>1,070,023</u>	<u>1,070,023</u>	3,073,704
Total U.S. Department of Commerce				<u>2,003,681</u>	29,479	1,182,040	1,211,519	3,215,200
Total Expenditures of Federal Awards				<u>\$ 8,720,942</u>	<u>\$ 681,601</u>	<u>\$ 9,843,646</u>	<u>\$ 10,525,247</u>	<u>\$ 17,086,130</u>

(Concluded)

See accompanying notes to schedule of expenditures of federal awards.

SOUTHWESTERN PENNSYLVANIA COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Southwestern Pennsylvania Commission (SPC) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of SPC, it is not intended to and does not present the financial statements of SPC.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

SOUTHWESTERN PENNSYLVANIA COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

3. Revolving Loan Funds

SPC administers the Economic Development Administration (EDA) Revolving Loan Fund (RLF) and the EDA CARES Act RLF. The EDA CARES Act RLF was capitalized during the year ended June 30, 2021, through a federal grant from the EDA. This EDA CARES Act RLF is reported on the Schedule as the COVID-19 EDA RLF. In a letter dated March 29, 2021, SPC requested that the EDA release its federal interest in the EDA RLF. The EDA approved SPC's request and, as a result, this EDA RLF is no longer subject to Uniform Guidance and is no longer required to be reported on the Schedule.

Federal expenditures for the COVID-19 EDA and the Appalachian Regional Commission (ARC) RLF were calculated as follows:

	<u>COVID-19 EDA</u>
Balance of the RLF at June 30, 2023	\$ 500,013
Plus:	
Cash and investment balance in the RLF at June 30, 2023	540,564
Administrative expenses paid out of the RLF during the fiscal year	29,446
The unpaid principal of all loans written off during the fiscal year	<u>-</u>
	1,070,023
Multiplied by:	
The federal share of the RLF	<u>100%</u>
Total RLF federal expenditures	<u><u>\$ 1,070,023</u></u>

SOUTHWESTERN PENNSYLVANIA COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

	<u>ARC</u>
Balance of the RLF at July 1, 2022	\$ 1,354,829
Plus:	
Current year new loans	796,205
RLF income earned and expended	<u>9,025</u>
	2,160,059
Multiplied by:	
The federal share of the RLF	<u>100%</u>
Total RLF federal expenditures	<u><u>\$ 2,160,059</u></u>

Loans outstanding at the beginning of the year, loans made during the year, and loans outstanding at June 30, 2023 consist of:

Revolving Loan Fund Program	COVID-19	
	<u>EDA</u>	<u>ARC</u>
Balance of the RLF at July 1, 2022	\$ 735,447	\$ 1,354,829
Plus: Loans issued	75,000	796,205
Less: Loans paid off	<u>(310,434)</u>	<u>(227,260)</u>
Balance of the RLF at June 30, 2023	<u><u>\$ 500,013</u></u>	<u><u>\$ 1,923,774</u></u>

4. Indirect Cost Rate

SPC did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Southwestern Pennsylvania Commission

Independent Auditor's Reports
Required by the Uniform Guidance

Year Ended June 30, 2023



**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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Southwestern Pennsylvania Commission (Commission) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements, and have issued our report thereon dated December 15, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission’s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission’s internal control.

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Maher Duessel

Pittsburgh, Pennsylvania
December 15, 2023

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

**Executive Committee and Commissioners
Southwestern Pennsylvania Commission**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Southwestern Pennsylvania Commission's (Commission) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Commission’s major federal programs for the year ended June 30, 2023. 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.

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Commission’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Commission's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over compliance. Accordingly, no such opinion is expressed.

Executive Committee and Commissioners
Southwestern Pennsylvania Commission
Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control over Compliance

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Maker Duessel

Pittsburgh, Pennsylvania
December 15, 2023

SOUTHWESTERN PENNSYLVANIA COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

I. Summary of Audit Results

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

2. Internal control over financial reporting:

Material weakness(es) identified? yes no

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

3. Noncompliance material to financial statements noted? yes no

4. Internal control over major programs:

Material weakness(es) identified? yes ? no

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

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

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

7. Major Programs:

AL Number(s)

20.205

Name of Federal Program or Cluster

Highway Planning and Construction

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

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

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

No matters were reported.

III. Findings and questioned costs for federal awards.

No matters were reported.

SOUTHWESTERN PENNSYLVANIA COMMISSION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2023

NONE