

**Northern Tier Regional Planning
and Development Commission**

Financial Statements and
Supplementary Information

June 30, 2014



BAKER TILLY

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Northern Tier Regional Planning and Development Commission

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Northern Tier Regional Planning and Development Commission

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Independent Auditors' Report

Board of Directors
Northern Tier Regional Planning and Development Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Northern Tier Regional Planning and Development Commission (the "Commission") as of and for the year ended June 30, 2014, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Northern Tier Regional Planning and Development Commission as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The combining schedule of revenues and expenses-governmental funds on pages 33-34 is presented for purposes of additional analysis and is not a required part of the basic financial statements. In addition, the accompanying schedule of expenditures of federal awards on pages 35-38 as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedule of revenues and expenditures-governmental funds and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2015 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* in considering the Commission's internal control over financial reporting and compliance.

Baker Tilly Viechow Krause, LLP

Wilkes-Barre, Pennsylvania
February 27, 2015

Northern Tier Regional Planning and Development Commission

Management's Discussion and Analysis

June 30, 2014

(Unaudited)

This Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis of the financial activities of Northern Tier Regional Planning and Development Commission (the "Commission") as of and for the year ended June 30, 2014 as compared to June 30, 2013. The Commission's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow. This discussion focuses on the Commission's financial performance as a whole; readers should also review the basic financial statements and the notes thereto to enhance their understanding of the Commission's financial performance.

Financial Highlights

Overall net position increased approximately \$110,000 in 2014 and increased \$42,000 in 2013.

The governmental activities net position increased approximately \$19,000, which includes the activities of Workforce Development and Community and Economic Development. The Workforce Development division has secured several competitive grants through other funding sources including Industry Partnership and NEG Dislocated Worker Training grants. EARN funding remained consistent after a 50% cut two years ago.

The business-type activities net position increased approximately \$91,000 as a result of loan fund activities. The Commission closed 10 new loans totaling \$666,500. With over \$3 million dollars in private financing leveraged, the loan program continues to have a positive impact on the economy of our region. Over \$30,000,000 in total international sales by export clients and \$11,000,000 in total government sales by procurement clients were generated for the year. The total impact of business assistance resulted in 65 jobs created and 185 jobs retained for the region.

Over 60 people received training and technical assistance with information technology/energy needs, and 130 people received local transportation related training for the benefit of their municipalities. The award of \$633,422 in economic development related infrastructure was also secured.

As in previous years, our overall business assistance programs continue to have a substantial impact on our rural region. The return on investment in terms of both dollars and jobs continues to be significant. The Commission continues to look for ways to adjust our programs and make improvements to the ways in which we provide services, with the ultimate goal of positively impacting our region.

Northern Tier Regional Planning and Development Commission

Management's Discussion and Analysis
June 30, 2014
(Unaudited)

Overview of the Financial Statements

The Commission's basic financial statements are comprised of governmental activities and business-type activities. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting. The focus of these statements is long-term.

The statement of net position presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The statement of activities presents information showing how the Commission's net position changed during the most recent fiscal year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused compensated absences).

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of fund financial statements is short-term. Fund financial statements are prepared using the modified accrual basis of accounting.

The Commission maintains two governmental funds. Information on each is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Commission's near-term financing requirements.

Northern Tier Regional Planning and Development Commission

Management's Discussion and Analysis
June 30, 2014
(Unaudited)

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Commission's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

Enterprise Funds

The Commission maintains six enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Commission uses enterprise funds to account for its four revolving loan programs and its two blended component units Northern Tier Foundation and Northern Tier Regional Planning and Development Commission, Inc.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic enterprise fund financial statements can be found on pages 17-19 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-32 of this report.

Northern Tier Regional Planning and Development Commission

Management's Discussion and Analysis

June 30, 2014

(Unaudited)

Condensed Statement of Net Position

	<u>2014</u>	<u>2013</u>	<u>Change from 2013 to 2014</u>
Assets			
Current and other assets	\$ 3,674,031	\$ 3,604,005	\$ 70,026
Capital assets	365,493	393,904	(28,411)
Loans receivable and other assets	<u>2,120,051</u>	<u>2,092,090</u>	<u>27,961</u>
Total	<u>\$ 6,159,575</u>	<u>\$ 6,089,999</u>	<u>\$ 69,576</u>
Liabilities and Net Assets			
Current liabilities	\$ 575,041	\$ 558,524	\$ 16,517
Debt and other long-term liabilities	<u>551,598</u>	<u>608,688</u>	<u>(57,090)</u>
Total liabilities	<u>1,126,639</u>	<u>1,167,212</u>	<u>(40,573)</u>
Net position:			
Net investment in capital assets	164,065	167,193	(3,128)
Restricted for loan programs	3,903,997	3,814,287	89,710
Unrestricted	<u>964,874</u>	<u>941,307</u>	<u>23,567</u>
Total net position	<u>5,032,936</u>	<u>4,922,787</u>	<u>110,149</u>
Total	<u>\$ 6,159,575</u>	<u>\$ 6,089,999</u>	<u>\$ 69,576</u>

Northern Tier Regional Planning and Development Commission

Management's Discussion and Analysis

June 30, 2014

(Unaudited)

Condensed Statement of Activities

	<u>2014</u>	<u>2013</u>	<u>Change from 2014 To 2013</u>	<u>Percentage Change</u>
Revenues:				
Program revenues:				
Charges for services	\$ 204,509	\$ 194,337	\$ 10,172	5.23 %
Operating grants and contributions	4,047,531	4,305,637	(258,106)	(5.99)
General revenues, investment earnings	1,019	1,273	(254)	(19.95)
Total revenues	<u>4,253,059</u>	<u>4,501,247</u>	<u>(248,188)</u>	<u>(5.51)</u>
Program Expenses:				
Governmental activities	4,038,066	4,325,114	(287,048)	(6.64)
Business-type activities	104,844	134,548	(29,704)	(22.08)
Total expenses	<u>4,142,910</u>	<u>4,459,662</u>	<u>(316,752)</u>	<u>(7.10)</u>
Increase in net position	110,149	41,585	68,564	164.88
Net position - beginning	<u>4,922,787</u>	<u>4,881,202</u>	<u>41,585</u>	<u>0.85</u>
Net position - ending	<u>\$ 5,032,936</u>	<u>\$ 4,922,787</u>	<u>\$ 110,149</u>	<u>2.24 %</u>

Northern Tier Regional Planning and Development Commission

Management's Discussion and Analysis

June 30, 2014

(Unaudited)

Financial Analysis of the Fund Statements

Governmental Funds

The following represents a summary of fund revenue and expenses.

	<u>2014</u>	<u>2013</u>
Revenues:		
Federal, state, and local grants and contracts	\$ 3,729,644	\$ 3,999,891
Other income	240,448	222,164
Counties' appropriations	60,000	60,000
In-kind services	27,177	31,392
	<u> </u>	<u> </u>
Total	<u>\$ 4,057,269</u>	<u>\$ 4,313,447</u>
Expenses:		
Contracted services	\$ 2,308,834	\$ 2,244,258
Salaries and wages	776,750	1,011,488
Other	311,696	327,681
Indirect costs	340,641	346,840
Fringe benefits	253,571	350,465
Incentive grants	1,401	19,138
In-kind services	27,177	31,392
Advertising	10,823	9,538
Administrative expenses	1,298	1,647
	<u> </u>	<u> </u>
Total	<u>\$ 4,032,191</u>	<u>\$ 4,342,447</u>

Revenues

The decrease in federal and state grants and contracts from 2013 is due to a decrease in federal funding received for the NEG Dislocated Worker Training Grant in 2014.

Expenses

Expenditures decreased 7.14%, which is primarily due to a decrease in contracted services due to limited funds being available under the PA-DOT SPEC and EARN programs.

Northern Tier Regional Planning and Development Commission

Management's Discussion and Analysis

June 30, 2014

(Unaudited)

Economic Condition and Outlook

The economy has diversified over the years becoming less concentrated on agriculture and manufacturing and much more dependent on the services sector. Business and economics are tied to the surrounding economic centers of New York's southern tier, the Scranton/Wilkes-Barre area and Williamsport. A few large employers continue to significantly influence the overall employment and economic environment of the region. Historically, unemployment rates have been above the national and state averages; but recently, unemployment rates have been fairly close to the state and national average.

A priority for the Commission is to focus on expanding regional opportunities to grow the economic base by maintaining a strong and viable agricultural sector, building upon the natural resource industries and growing value added production, leveraging the industrial heritage and capabilities of the region to retain and attract manufacturing, recognizing the demographic opportunities and needs of the region to support an expanding health care sector, and further promoting and taking advantage of the travel and tourism opportunities in the region.

Also continuing to seek opportunities for efficiencies and streamlining of government activities to improve regional economic opportunities and the quality of life for its citizens remains a priority.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, 312 Main Street, Towanda, Pennsylvania 18848.

Northern Tier Regional Planning and Development Commission

Statement of Net Position

June 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash	\$ 867,852	\$ 1,493,647	\$ 2,361,499
Due from grantors	482,006	-	482,006
Other receivables	45,509	-	45,509
Internal balances	19,121	(19,121)	-
Loans receivable	-	750,472	750,472
Prepaid expenses	9,155	25,390	34,545
	<u>1,423,643</u>	<u>2,250,388</u>	<u>3,674,031</u>
Total current assets			
Noncurrent Assets			
Capital assets, net	16,926	348,567	365,493
Loans receivable, net	-	2,120,051	2,120,051
	<u>16,926</u>	<u>2,468,618</u>	<u>2,485,544</u>
Total noncurrent assets			
Total assets	<u>\$ 1,440,569</u>	<u>\$ 4,719,006</u>	<u>\$ 6,159,575</u>
Liabilities and Net Assets			
Current Liabilities			
Loans payable	\$ -	\$ 37,797	\$ 37,797
Note payable	-	19,909	19,909
Accounts payable	199,608	6,208	205,816
Accrued salaries and wages	67,752	-	67,752
Accrued interest	-	1,045	1,045
Due to subrecipients	86,177	-	86,177
Unearned revenue	156,545	-	156,545
	<u>510,082</u>	<u>64,959</u>	<u>575,041</u>
Total current liabilities			
Noncurrent Liabilities			
Loans payable	-	286,850	286,850
Note payable	-	181,519	181,519
Accrued leave	83,229	-	83,229
	<u>83,229</u>	<u>468,369</u>	<u>551,598</u>
Total noncurrent liabilities			
Total liabilities	<u>593,311</u>	<u>533,328</u>	<u>1,126,639</u>
Net Position			
Net investment in capital assets	16,926	147,139	164,065
Restricted	-	3,903,997	3,903,997
Unrestricted	830,332	134,542	964,874
	<u>847,258</u>	<u>4,185,678</u>	<u>5,032,936</u>
Total net position			
Total liabilities and net position	<u>\$ 1,440,569</u>	<u>\$ 4,719,006</u>	<u>\$ 6,159,575</u>

See notes to financial statements

Northern Tier Regional Planning and Development Commission

Statement of Activities

June 30, 2014

	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Primary government:						
Governmental activities:						
Workforce Development	\$ 2,613,615	\$ -	\$ 2,613,615	\$ -		\$ -
Community and Economic Development	1,424,451	9,350	1,433,916	18,815		18,815
Total governmental activities	4,038,066	9,350	4,047,531	18,815		18,815
Business-type activities:						
Foundation	99,629	94,004	-	-	\$ (5,625)	(5,625)
NTRPDC, INC.	1,504	8,343	-	-	6,839	6,839
Economic Development Administration/ Appalachian Regional Commission	-	69,679	-	-	69,679	69,679
Farmers Home Administration Intermediary Relending Program	3,711	13,152	-	-	9,441	9,441
Farmers Home Administration Small Business Loan Program	-	9,318	-	-	9,318	9,318
Farmers Home Administration Rural Business Enterprise Grant Program	-	663	-	-	663	663
Total business-type activities	104,844	195,159	-	-	90,315	90,315
Total primary government	\$ 4,142,910	\$ 204,509	\$ 4,047,531	18,815	90,315	109,130
General revenues, Unrestricted investment earnings						
				388	631	1,019
Change in net position						
				19,203	90,946	110,149
Net position - beginning						
				828,055	4,094,732	4,922,787
Net position - ending						
				\$ 847,258	\$ 4,185,678	\$ 5,032,936

See notes to financial statements

Northern Tier Regional Planning and Development Commission

Balance Sheet
Governmental Funds
June 30, 2014

	<u>Workforce Development</u>	<u>Community and Economic Development</u>	<u>Total</u>
Assets			
Assets			
Cash	\$ 24,723	\$ 843,129	\$ 867,852
Due from grantors	61,454	420,552	482,006
Due from other funds	-	19,121	19,121
Other receivables	-	45,509	45,509
Prepaid expenses	-	9,155	9,155
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 86,177</u>	<u>\$ 1,337,466</u>	<u>\$ 1,423,643</u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ -	\$ 199,608	\$ 199,608
Accrued salaries and wages	-	67,752	67,752
Due to subrecipients, net	86,177	-	86,177
Unearned revenue	-	156,545	156,545
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>86,177</u>	<u>423,905</u>	<u>510,082</u>
Fund Balance			
Unassigned	-	913,561	913,561
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 86,177</u>	<u>\$ 1,337,466</u>	<u>\$ 1,423,643</u>

See notes to financial statements

Northern Tier Regional Planning and Development Commission

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2014

Total Fund Balances - Governmental Funds \$ 913,561

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds 16,926

Long-term liabilities, consisting of accrued paid time off, are not due and payable in the current period and therefore are not reported in the funds (83,229)

Total Net Position - Governmental Funds \$ 847,258

Northern Tier Regional Planning and Development Commission

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2014

	<u>Workforce Development</u>	<u>Community and Economic Development</u>	<u>Total</u>
Revenues			
Federal grants and contracts	\$ 2,334,711	\$ 860,353	\$ 3,195,064
State grants and contracts	71,665	442,867	514,532
Local grants and contracts	-	20,048	20,048
Other income	207,239	33,209	240,448
Counties' appropriations	-	60,000	60,000
In-kind services	-	27,177	27,177
	<hr/>	<hr/>	<hr/>
Total revenues	2,613,615	1,443,654	4,057,269
Expenditures			
Contracted services	2,029,100	279,734	2,308,834
Salaries and wages	269,090	507,660	776,750
Indirect costs	118,100	222,541	340,641
Fringe benefits	87,785	165,786	253,571
NEG expenses	58,577	-	58,577
Building use allowance	13,882	25,843	39,725
Incentive grants	-	1,401	1,401
Office supplies and postage	593	13,108	13,701
Miscellaneous	-	8,419	8,419
Equipment show expense	-	19,578	19,578
Tuition and seminars	4,631	29,257	33,888
Travel	13,337	41,821	55,158
Dues and subscriptions	66	16,883	16,949
In-kind services	-	27,177	27,177
Vehicle use allowance	2,306	16,790	19,096
Professional fees	14,557	32,048	46,605
Advertising	293	10,530	10,823
Assessment	1,298	-	1,298
	<hr/>	<hr/>	<hr/>
Total expenditures	2,613,615	1,418,576	4,032,191
Net Change in Fund Balances	-	25,078	25,078
Fund Balance, Beginning	<hr/>	<hr/>	<hr/>
	-	888,483	888,483
Fund Balance, Ending	<hr/>	<hr/>	<hr/>
	\$ -	\$ 913,561	\$ 913,561

See notes to financial statements

Northern Tier Regional Planning and Development Commission

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2014

Net Change in Fund Balances - Governmental Funds \$ 25,078

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

Paid time off expenses reported in the statement of activities that do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (529)

Capital outlays to purchase capital assets are reported in the governmental funds, as expenditures. However for governmental activities, those costs are shown in the combined statement of net assets and allocated over their estimated useful lives as annual depreciation in the combined statement of activities. This is the amount of depreciation expense for the period (5,346)

Change in Net Position of Governmental Activities \$ 19,203

Northern Tier Regional Planning and Development Commission

Statement of Net Position
Enterprise Funds
June 30, 2014

	Foundation	NTRPDC, INC.	EDA/ARC	FMHA-IRP	FMHA-SBLP	RBEG	Total (Memorandum Only)
Assets							
Current Assets							
Cash	\$ 25,012	\$ 119,033	\$ 538,997	\$ 154,842	\$ 326,800	\$ 328,963	\$ 1,493,647
Prepaid expense	390	-	25,000	-	-	-	25,390
Loans receivable, current	-	10,622	382,516	127,803	116,233	113,298	750,472
Total current assets	25,402	129,655	946,513	282,645	443,033	442,261	2,269,509
Noncurrent Assets							
Capital assets, net	348,567	-	-	-	-	-	348,567
Loans receivable, net	-	5,859	1,468,018	268,139	226,867	151,168	2,120,051
Total noncurrent assets	348,567	5,859	1,468,018	268,139	226,867	151,168	2,468,618
Total assets	\$ 373,969	\$ 135,514	\$ 2,414,531	\$ 550,784	\$ 669,900	\$ 593,429	\$ 4,738,127
Liabilities and Net Position							
Current Liabilities							
Loans payable, current	\$ -	\$ -	\$ -	\$ 37,797	\$ -	\$ -	\$ 37,797
Note payable, current	19,909	-	-	-	-	-	19,909
Accounts payable	6,208	-	-	-	-	-	6,208
Due to other funds	19,121	-	-	-	-	-	19,121
Accrued interest	1,045	-	-	-	-	-	1,045
Total current liabilities	46,283	-	-	37,797	-	-	84,080
Noncurrent Liabilities							
Loans payable	-	-	-	286,850	-	-	286,850
Note payable	181,519	-	-	-	-	-	181,519
Total noncurrent liabilities	181,519	-	-	286,850	-	-	468,369
Total liabilities	227,802	-	-	324,647	-	-	552,449
Net Position							
Net investment in capital assets	147,139	-	-	-	-	-	147,139
Restricted	-	-	2,414,531	226,137	669,900	593,429	3,903,997
Unrestricted	(972)	135,514	-	-	-	-	134,542
Total net position	146,167	135,514	2,414,531	226,137	669,900	593,429	4,185,678
Total liabilities and net position	\$ 373,969	\$ 135,514	\$ 2,414,531	\$ 550,784	\$ 669,900	\$ 593,429	\$ 4,738,127

See notes to financial statements

Northern Tier Regional Planning and Development Commission

Statement of Revenues, Expenses and Changes in Net Position

Enterprise Funds

Year Ended June 30, 2014

	Foundation	NTRPDC, INC.	EDA/ARC	FMHA-IRP	FMHA-SBLP	RBEG	Total (Memorandum Only)
Operating Revenues							
Loan fund interest	\$ -	\$ 1,393	\$ 69,679	\$ 13,152	\$ 9,318	\$ 663	\$ 94,205
Rental income	94,000	-	-	-	-	-	94,000
Miscellaneous income	4	6,950	-	-	-	-	6,954
Total operating revenues	94,004	8,343	69,679	13,152	9,318	663	195,159
Operating Expenses							
Janitorial	25,995	-	-	-	-	-	25,995
Depreciation and amortization	23,065	-	-	-	-	-	23,065
Utilities	15,763	-	-	-	-	-	15,763
Maintenance and supplies	3,539	-	-	-	-	-	3,539
Contracted services	5,357	-	-	-	-	-	5,357
Professional fees	2,866	1,504	-	-	-	-	4,370
Miscellaneous	14,896	-	-	-	-	-	14,896
Total operating expenses	91,481	1,504	-	-	-	-	92,985
Operating Income	2,523	6,839	69,679	13,152	9,318	663	102,174
Nonoperating Revenue (Expense)							
Interest income	-	22	98	-	459	52	631
Interest expense	(8,148)	-	-	(3,711)	-	-	(11,859)
Nonoperating revenue (expense), net	(8,148)	22	98	(3,711)	459	52	(11,228)
Net Income (Loss)	(5,625)	6,861	69,777	9,441	9,777	715	90,946
Net Position							
Beginning of year	151,792	128,653	2,344,754	216,696	660,123	592,714	4,094,732
End of year	\$ 146,167	\$ 135,514	\$ 2,414,531	\$ 226,137	\$ 669,900	\$ 593,429	\$ 4,185,678

See notes to financial statements

Northern Tier Regional Planning and Development Commission

Statement of Cash Flows - Enterprise Funds
 Enterprise Funds
 Year Ended June 30, 2014

	Foundation	NTRPDC, INC.	EDA/ARC	FMHA-IRP	FMHA-SBLP	RBEG	Total (Memorandum Only)
Cash Flows from Operating Activities							
Rental income received	\$ 94,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 94,000
Miscellaneous income received	4	6,950	-	-	-	-	6,954
Loan payments received (disbursed)	-	27,888	(47,846)	(50,062)	(94,311)	123,783	(40,548)
Payments to suppliers	(40,187)	(1,504)	-	-	-	-	(41,691)
Payments to utilities	(15,763)	-	-	-	-	-	(15,763)
Net cash provided by (used in) operating activities	38,054	33,334	(47,846)	(50,062)	(94,311)	123,783	2,952
Cash Flows from Investing Activities							
Interest received	-	22	98	-	459	52	631
Cash Flows from Capital and Related Financing Activities							
Repayment of amounts due to FMHA-IRP	-	-	-	(37,420)	-	-	(37,420)
Repayment of note payable	(25,283)	-	-	-	-	-	(25,283)
Interest paid	(8,148)	-	-	(3,711)	-	-	(11,859)
Net cash used in capital and related financing activities	(33,431)	-	-	(41,131)	-	-	(74,562)
Net Increase (Decrease) in Cash	4,623	33,356	(47,748)	(91,193)	(93,852)	123,835	(70,979)
Cash, Beginning of Year	20,389	85,677	586,745	246,035	420,652	205,128	1,564,626
Cash, End of Year	\$ 25,012	\$ 119,033	\$ 538,997	\$ 154,842	\$ 326,800	\$ 328,963	\$ 1,493,647
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities							
Operating income	\$ 2,523	\$ 6,839	\$ 69,679	\$ 13,152	\$ 9,318	\$ 663	\$ 102,174
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:							
Depreciation and amortization	23,065	-	-	-	-	-	23,065
Changes in assets and liabilities:							
Due from other funds							
Prepaid expenses	11,366	-	(25,000)	-	-	-	(13,634)
Loans receivable	-	26,495	(92,525)	(63,214)	(103,629)	123,120	(109,753)
Accounts payable	3,344	-	-	-	-	-	3,344
Due to other funds	(2,244)	-	-	-	-	-	(2,244)
Total adjustments	35,531	26,495	(117,525)	(63,214)	(103,629)	123,120	(99,222)
Net Cash Provided by (Used in) Operating Activities	\$ 38,054	\$ 33,334	\$ (47,846)	\$ (50,062)	\$ (94,311)	\$ 123,783	\$ 2,952

See notes to financial statements

Northern Tier Regional Planning and Development Commission

Notes to Financial Statements

June 30, 2014

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Northern Tier Regional Planning and Development Commission (the "Commission") is a regional planning and development organization located in Towanda, Pennsylvania serving the northern Pennsylvania counties of Bradford, Sullivan, Susquehanna, Tioga and Wyoming (the "Counties"). Programs and services include workforce investment training and assistance to eligible adults and youth leading to unsubsidized employment, low interest loans to small businesses, and improvement of the economic and environmental climate in rural communities.

The Commission is a political subdivision of the Commonwealth of Pennsylvania and is not considered a component unit of any of the Counties. The Commission is not subject to federal or state income tax.

Financial Reporting Entity

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Commission (the primary government) and its component units, Northern Tier Foundation ("Foundation") and Northern Tier Regional Planning and Development Commission, Inc. ("NTRPDC, Inc.").

The Foundation, a nonprofit corporation, is governed by a five-member board appointed by the Commission. The Foundation's purpose is to provide rental office space to the Commission.

NTRPDC, Inc. was formed for the purpose of administering programs that will promote the continued social and economic development of Bradford, Sullivan, Susquehanna, Tioga, and Wyoming counties.

Based on the significance of their operational and financial relationships with the Commission, the financial statements of the Foundation and NTRPDC, Inc. are included in the financial reporting entity as blended component units, as part of the Commission's business-type activities.

Basis of Presentation

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report the information on all of the activities of the primary government and its blended component units. Governmental activities, which are supported by intergovernmental revenues that are legally or administratively restricted to expenditures for specified purposes, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Northern Tier Regional Planning and Development Commission

Notes to Financial Statements

June 30, 2014

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the enterprise fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

The Commission reports two major governmental funds composed of the following special revenue funds:

COMMUNITY AND ECONOMIC DEVELOPMENT - is used to account for various grants and the administration of loan funds for the purposes of economic, export, transportation planning, and community development.

WORKFORCE DEVELOPMENT - is used to account for the activities of the Workforce Investment Act ("WIA") and Welfare program revenues and expenditures.

The Commission reports six major enterprise funds:

FOUNDATION - is used to account for the activities of the Northern Tier Foundation (a blended component unit), which provides rental space for activities of the Commission and flexibility to receive funding from various resources. Northern Tier Foundation is a 501(c)(3) corporation.

Northern Tier Regional Planning and Development Commission

Notes to Financial Statements

June 30, 2014

NTRPDC INC. - is used to account for the activities of the Northern Tier Regional Planning and Development Commission, Inc. (a blended component unit), which is to promote effective partnerships and collaboration and administer programs that will provide a nonpartisan organizational framework to promote the continued social and economic development of Bradford, Sullivan, Susquehanna, Tioga, and Wyoming counties through the retention and expansion of industrial, commercial, financial, research, educational, technology, and other allied businesses and development activities, as well as to improve the region's environment, recreation facilities, and quality of life.

EDA/ARC - is used to account for all activity in the Economic Development Administration/Appalachian Regional Commission revolving loan fund and is operated in a manner similar to a private business enterprise.

FMHA-IRP - is used to account for all activity in the Farmers Home Administration Intermediary Relending Program and is operated in a manner similar to a private business enterprise.

FMHA-SBLP - is used to account for all activity in the Farmers Home Administration Small Business Loan Program and is operated in a manner similar to a private business enterprise.

FMHA-RBEG - is used to account for all activity in the Farmers Home Administration Rural Business Enterprise Grant Program and is operated in a manner similar to a private business enterprise.

Enterprise funds distinguish between operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues for the enterprise funds are interest collected on outstanding loans and rental income. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Northern Tier Regional Planning and Development Commission

Notes to Financial Statements

June 30, 2014

Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The Commission maintains a capitalization threshold of \$5,000 for all capital assets.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	20-30
Equipment	5-15

Unearned Revenue

Unearned revenue represents amounts which have met asset recognition criteria, but for which revenue recognition criteria have not been met.

Governmental Fund Balance Classifications/Policies and Procedures

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Commission classifies its governmental fund balances as follows, as applicable:

- *Non-spendable* - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints
- *Restricted* - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation
- *Committed* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Commission's "highest level of decision making authority" which do not lapse at year-end
 - The Board of Directors is its highest level of decision-making authority and commits funds through a formal board motion
- *Assigned* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Commission
- *Unassigned* - includes positive fund balance within the Community and Economic Development Fund which has not be classified within the above mentioned categories and negative fund balances in other governmental funds

Northern Tier Regional Planning and Development Commission

Notes to Financial Statements

June 30, 2014

In governmental funds when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the Commission's policy is generally to first apply the expenditure toward restricted fund balance and then to unrestricted resources. When an expenditure is incurred that can be paid using either committed, assigned, or unassigned amounts, the Commission's policy is to use committed resources, then assigned resources, then unassigned resources.

In-Kind Services

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal funding on various grants. Contributed services are therefore reflected as revenue and expenditures in accordance with legal requirements of the individual grants. Contributed services are recorded as an expenditure with an equivalent amount recorded as revenue. The amounts of such services are recorded in the accompanying financial statements at their estimated fair values at date of receipt.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

New Accounting Standards

The Commission adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, ("GASB No. 65") for the year ended June 30, 2014. GASB No. 65 provides financial reporting guidance related to the impact on the financial statements of deferred outflows of resources and deferred inflows of resources, such as changes in the use of the term deferred in financial statements presentations. In addition, this statement also amends the financial statement element classification of certain items previously reported as assets and liabilities to more consistently align with asset, liability, deferred inflow or resources and deferred outflow of resources definitions. The Commission implemented the accounting and reporting requirements of GASB No. 65 as of July 1, 2013. The effect of this adoption did not have a material effect on the Commission's financial statements.

The Commission adopted GASB Statement No. 66, *Technical Corrections - 2012, an amendment of GASB Statements No. 10 and No. 62*, for the year ended June 30, 2014. GASB No. 66 provides technical corrections to resolve conflicting guidance related to accounting for risk financing activities and the treatment of leases with scheduled rent increases. The Commission adopted the accounting and reporting requirements of GASB No. 66 as of July 1, 2013. The effect of this adoption did not materially change the Commission's accounting and reporting policies.

Northern Tier Regional Planning and Development Commission

Notes to Financial Statements

June 30, 2014

2. Cash

The carrying amount of the Commission's deposits was \$2,361,499 as of June 30, 2014. The bank balance totaled \$2,458,563 as of June 30, 2014. The difference represents outstanding checks and normal reconciling items.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk. Commonwealth of Pennsylvania Act 72 of 1971, as amended, allows banking institutions to satisfy the collateralization requirement by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institutions' trust departments.

The balance of the Commission's cash deposits is categorized as follows to give an indication of the level of risk assumed by the Commission at year-end.

	<u>2014 Bank Balance</u>
Insured	\$ 989,035
Uninsured:	
Collateral held by pledging banks' trust department not in the Commission's name	<u>1,469,528</u>
Total	<u>\$ 2,458,563</u>

Northern Tier Regional Planning and Development Commission

Notes to Financial Statements

June 30, 2014

3. Capital Assets

Activity in capital assets for the year ended June 30, 2014 is as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2014</u>
Governmental activities:				
Office furniture and equipment	\$ 48,279	\$ -	\$ -	\$ 48,279
Accumulated depreciation	<u>(26,007)</u>	<u>(5,346)</u>	<u>-</u>	<u>(31,353)</u>
Governmental activities capital assets, net	<u>\$ 22,272</u>	<u>\$ (5,346)</u>	<u>\$ -</u>	<u>\$ 16,926</u>
Business-type activities (Foundation):				
Land	\$ 13,724	\$ -	\$ -	\$ 13,724
Capital assets being depreciated:				
Building and improvements	551,719	-	-	551,719
Office furniture and equipment	<u>36,417</u>	<u>-</u>	<u>-</u>	<u>36,417</u>
Total	601,860	-	-	601,860
Accumulated depreciation	<u>(230,228)</u>	<u>(23,065)</u>	<u>-</u>	<u>(253,293)</u>
Business-type activities capital assets, net	<u>\$ 371,632</u>	<u>\$ (23,065)</u>	<u>\$ -</u>	<u>\$ 348,567</u>

Depreciation expense of \$5,346 is allocated to miscellaneous expenses in the community and economic development column of the statement of activities - governmental funds.

4. Due from (to) Subrecipients, Net

The amounts due from (to) subrecipients in the Commission's government activities are as follows at June 30, 2014:

Due from Bradford County Action	\$ 10,502
Due to Trehab Center	<u>(96,679)</u>
Due to subrecipients	<u>\$ (86,177)</u>

Northern Tier Regional Planning and Development Commission

Notes to Financial Statements

June 30, 2014

5. Revolving Loan Programs

The Commission participates in six revolving loan programs. The purpose of these loan programs is to provide low interest loans to small businesses in an effort to create jobs and other economic development in rural areas. In connection with these programs, the Commission made new loans of approximately \$847,000 in 2014 and collected principal and interest repayments of approximately \$876,000 in 2014. The programs are summarized below:

Pennsylvania Small Business First Program (SBFP) [Formerly Pennsylvania Capital Loan Fund (PCLF)]

The Commission has an agreement with the Commonwealth of Pennsylvania, Department of Community and Economic Development (“DCED”) to participate in the SBFP. The SBFP replaced the PCLF with substantially all regulations and program guidelines remaining intact. The loan review committee established by the Commission is responsible for reviewing all loan applications and recommending loan applications for approval by the Commission’s board of directors. Once approved, the Commission must submit the applications to the DCED for its review and approval.

DCED is responsible for establishing loan interest rates, issuing loan checks and receiving loan payments from the borrower. As a result, the accompanying financial statements do not include the operations of the SBFP. The Commission is entitled to retain service fees charged on the loans to cover costs of making and servicing its loan program, which are included in the accompanying financial statements. The Commission is the guarantor on the outstanding loan balances under the SBFP that total \$878,650 at June 30, 2014.

First Industries Fund (FIF)

The Commission has entered into an agreement with DCED to participate in the FIF. The loan review committee established by the Commission is responsible for reviewing all loan applications and recommending loan applications for approval by the Commission’s board of directors. Once approved, the Commission must submit the applications to DCED for its review and approval. As a result, the accompanying financial statements do not include the operations of the FIF. The Commission is entitled to retain service fees charged on the loans to cover costs of making and servicing the loan program, which are included in the accompanying financial statements. The Commission is the guarantor on the outstanding loan balances under the FIF that total \$1,687,305 at June 30, 2014. Under the terms of the agreement with FIF, there is a contingent liability in the event of a default by the business enterprise on its loans.

Economic Development Administration/ Appalachian Regional Commission (EDA/ARC)

The Commission has entered into an agreement with SEDA-Council of Governments (SEDA-COG) to participate in the U.S. Department of Commerce, Economic Development Administration (EDA) revolving loan fund. EDA awarded SEDA-COG a grant of \$1,500,000 requiring a local match of \$500,000 for the purpose of establishing a small business revolving loan program. SEDA-COG subcontracted one-third of the program to the Commission.

In addition, the Commission has entered into an agreement with the Appalachian Regional Commission to participate in a revolving loan fund.

Northern Tier Regional Planning and Development Commission

Notes to Financial Statements

June 30, 2014

Farmers Home Administration Intermediary Relending Program (FMHA-IRP)

The Commission has entered into an agreement with FMHA-IRP for a \$500,000 low interest loan from FMHA to be used for a relending program (Note 6). The Commission requests drawdowns on the loan after FMHA approves the loan application between the Commission and the borrower. As of June 30, 2014, the loan had a balance outstanding of \$206,991. The Commission has entered into a second agreement with FMHA-IRP for a \$500,000 low interest loan from FMHA to be used for a relending program (Note 6). The Commission requests drawdowns on the loan after FMHA approves the loan application between the Commission and the borrower. As of June 30, 2014, the loan had a balance outstanding of \$117,656.

Farmers Home Administration Small Business Loan Program (FMHA-SBLP)

The Commission has entered into the FMHA-SBLP with the approval of a \$200,000 and \$110,000 grant from FMHA to be used for a revolving loan program. The Commission requests drawdowns on the grant after FMHA approves the loan application between the Commission and the borrower.

NTRPDC, Inc. has entered into the FMHA-SBLP with the approval of a \$98,000 grant from FMHA to be used for a revolving loan program. NTRPDC-Inc. requests drawdowns on the grant after FMHA approves the loan application between the Commission and the borrower.

An allowance of approximately \$35,000 has been established for the loans outstanding under these programs.

Farmers Home Administration Rural Business Enterprise Grant Program (FMHA-RBEG)

The Commission has entered into the FMHA-RBEG with the approval of a \$1,000,000 grant from the FMHA to be used for a \$500,000 revolving loan program and \$500,000 pass-through grant for Envirocycle, Inc.

Northern Tier Regional Planning and Development Commission

Notes to Financial Statements

June 30, 2014

6. Long-Term Liabilities

At June 30, 2014, the Commission's business-type activities long-term debt consisted of the following:

	Balance at July 1, 2013	Additions	Payments	Balance at June 30, 2014	Current Portion
3.75% note payable to First Liberty Bank and Trust in monthly installments of \$641 including interest through 2014	\$ 8,814	\$ -	\$ (7,466)	\$ 1,348	\$ 1,348
3.75% note payable to Bradford County Industrial Development Authority, in monthly installments of \$2,145, including interest through 2023; collateralized by property and equipment	217,897	-	(17,817)	200,080	18,561
1% loan payable to FMHA, in annual installments of \$20,565, including interest through 2022	136,838	-	(19,182)	117,656	19,375
1% loan payable to FMHA, in annual installments of \$20,565, including interest through 2024	225,229	-	(18,238)	206,991	18,422
Total	<u>\$ 588,778</u>	<u>\$ -</u>	<u>\$ (62,703)</u>	<u>\$ 526,075</u>	<u>\$ 57,706</u>

Scheduled principal and interest payments on the note and loans payable are as follows:

	Principal	Interest	Total
Years ending June 30:			
2015	\$ 57,706	\$ 10,517	\$ 68,223
2016	57,442	9,426	66,868
2017	58,559	8,309	66,868
2018	59,708	7,160	66,868
2019	79,719	5,976	85,695
2020-2024	212,941	11,569	224,510
Total	<u>\$ 526,075</u>	<u>\$ 52,957</u>	<u>\$ 579,032</u>

Interest expense on the above obligations totaled \$11,859 in 2014.

The Commission obtained a \$350,000 line of credit. The interest on any draw is variable, resetting annually (2.50% at June 30, 2014). At June 30, 2014 there were no draws against the line of credit. The line of credit expires January 31, 2015.

Northern Tier Regional Planning and Development Commission

Notes to Financial Statements

June 30, 2014

7. Liability for Compensated Absences

An employee, upon termination of employment from the Commission, is paid for accrued leave up to a maximum of 50 days. The accrued leave liability has been recorded in the noncurrent liabilities section of the governmental activities.

Accrued leave liability, July 1, 2013	\$ 82,700
Additions	88,167
Payouts	<u>(87,638)</u>
Accrued leave liability, June 30, 2014	<u>\$ 83,229</u>

8. Deferred Compensation Plan

The Commission has a deferred compensation plan in which all full-time employees are eligible for participation.

Employees are given the option of paid health insurance coverage or the deferred compensation plan. For those employees selecting the deferred compensation plan, the Commission contributes an amount up to \$600.

Compensation under the plan is deferred from federal income tax only. All other payroll related taxes are paid currently. The Commission's contribution to the deferred compensation plan was \$45,276 in 2014.

9. Contingencies

Grant Programs

The Commission participates in numerous state and federal grant and loan programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant and loan programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Commission has not complied with the rules and regulations governing the grant and loan programs, refunds of any money received may be required and the collectability of any related receivable at June 30, 2014 may be impaired. In the opinion of Commission management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grant and loan programs; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

The Commission has guaranteed various outstanding loans of private businesses in relation to the SBFP and FIF loan programs. At June 30, 2014, the balance of outstanding loans guaranteed by the Commission total \$878,650 and \$1,687,305 for the SBFP and FIF loan programs, respectively.

Northern Tier Regional Planning and Development Commission

Notes to Financial Statements

June 30, 2014

10. Indirect Cost Rate

During the year ended June 30, 2014, indirect costs were allocated to individual programs as a percentage of direct salaries and related fringe benefit expense. The allocation of indirect costs for all programs was computed as follows:

Total direct salaries	\$ 776,750
Total related fringe benefits	<u>253,571</u>
Total direct salaries and benefits	<u>\$ 1,030,321</u>
Indirect costs:	
Salaries and wages	\$ 151,238
Contracted services	50,556
Fringe benefits	50,437
Program supplies	21,124
Telephone	20,597
Insurance expense	10,780
Building use allowance	8,269
Miscellaneous	6,450
Meeting expense	4,256
Outside printing costs	3,417
Travel	3,195
Equipment lease	2,483
Professional fees	2,445
Postage	2,276
Tuition and training	1,188
Periodicals and books	1,161
Advertising	<u>769</u>
Total	<u>\$ 340,641</u>

Indirect cost rate calculation:

$$\begin{aligned} \text{Indirect cost rate} &= \frac{\text{Total indirect costs}}{\text{Total direct salaries and benefits}} \\ \text{Indirect cost rate} &= \frac{\$ 340,641}{\$ 1,030,321} = 33.06\% \end{aligned}$$

11. New Accounting Pronouncements

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and fiscal reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. To the extent applicable, the Commission is required to adopt Statement No. 69 for its fiscal year 2015 financial statements.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. To the extent applicable, the Commission is required to adopt Statement No. 70 for its fiscal year 2015 financial statements.

Northern Tier Regional Planning and Development Commission

Combining Schedule of Revenues and Expenditures - Governmental Funds

Year Ended June 30, 2014

	Unrestricted	ARC ED 13	ARC ED 14	PA DOT SPEC	ARCLDD 13	ARCLDD 14	OIBD 13	OIBD 14	PREP
Revenues									
Federal grants and contracts	\$ -	\$ 112,769	\$ 285,000	\$ 86,800	\$ 50,018	\$ 53,966	\$ -	\$ -	\$ -
State grants and contracts	-	-	-	14,200	-	-	5,092	34,125	357,139
Local grants and contacts	-	-	-	-	-	-	-	-	-
Other income	22,857	-	173	1,364	-	-	-	-	866
Counties' appropriations	60,000	-	-	-	-	-	-	-	-
In-kind services	15,177	-	-	-	-	-	-	-	-
Total revenues	98,034	112,769	285,173	102,364	50,018	53,966	5,092	34,125	358,005
Expenditures									
Contracted services	3,147	10,778	11,028	-	10,993	3,795	-	-	177,333
Salaries and wages	1,109	52,404	134,595	49,826	18,047	24,902	122	15,424	82,729
Indirect costs	271	21,158	60,502	21,899	8,688	10,229	50	6,798	36,364
Fringe benefits	197	15,445	42,324	16,433	5,949	8,671	40	5,252	27,938
Incentive grants	-	-	-	-	-	-	1,401	-	-
Miscellaneous	8,379	-	-	40	-	-	-	-	-
Equipment show expense	19,578	-	-	-	-	-	-	-	-
NEG expenses	-	-	-	-	-	-	-	-	-
Assessments	-	-	-	-	-	-	-	-	-
In-kind services	15,177	-	-	-	-	-	-	-	-
Building use allowance	2	2,144	6,531	3,333	1,034	1,250	-	833	3,701
Travel	1,340	501	8,205	9,017	844	961	-	2,620	5,676
Office supplies and postage	1,245	1,016	2,198	14	132	-	-	296	7,970
Tuition and seminars	1,201	3,865	4,207	717	-	170	-	2,337	8,547
Dues and subscriptions	12,908	226	1,621	-	-	550	-	-	1,078
Vehicle use allowance	884	1,497	3,082	438	3,365	2,462	-	565	2,080
Professional fees	6,673	2,961	10,158	647	966	976	3,479	-	1,010
Advertising	845	774	722	-	-	-	-	-	3,579
Total expenditures	72,956	112,769	285,173	102,364	50,018	53,966	5,092	34,125	358,005
Revenues in Excess of Expenditures	\$ 25,078	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

ARC ED - Appalachian Regional Commission Enterprise Development

PA DOT - Pennsylvania Department of Transportation

ARCLDD - Appalachian Regional Commission Local Development District

OIBD - Office of International Business Development

PREP - Partnerships for Regional Economic Performance

EDA - Economic Development Administration

DOD - Department of Defense Procurement

OBTT - Online Broadband and Technology Training Program

MIIA - Make It In America

EARN - Employment Advancement and Retention Network

WIA - Workforce Investment Act

Northern Tier Regional Planning and Development Commission

Combining Schedule of Revenues and Expenditures - Governmental Funds

Year Ended June 30, 2014

	PA DOT 14	EDA 13	EDA 14	DOD 12	DOD 13	OBTT	MIIA	EARN	WIA	Total
Revenues										
Federal grants and contracts	\$ 160,382	\$ 22,617	\$ 23,292	\$ 26,152	\$ 30,020	\$ -	\$ 9,337	\$ 598,141	\$ 1,736,570	\$ 3,195,064
State grants and contracts	20,048	-	-	-	-	12,263	-	-	71,665	514,532
Local grants and contracts	20,048	-	-	-	-	-	-	-	-	20,048
Other income	3,729	1,386	-	-	-	-	2,834	-	207,239	240,448
Counties' appropriations	-	-	-	-	-	-	-	-	-	60,000
In-kind services	-	12,000	-	-	-	-	-	-	-	27,177
Total revenues	204,207	36,003	23,292	26,152	30,020	12,263	12,171	598,141	2,015,474	4,057,269
Expenditures										
Contracted services	62,660	-	-	-	-	-	-	457,108	1,571,992	2,308,834
Salaries and wages	70,756	11,588	11,007	11,636	13,793	6,510	3,212	74,580	194,510	776,750
Indirect costs	31,147	5,579	4,373	5,602	5,599	2,867	1,415	32,707	85,393	340,641
Fringe benefits	23,879	3,820	3,872	3,836	4,821	2,216	1,093	24,193	63,592	253,571
Incentive grants	-	-	-	-	-	-	-	-	-	1,401
Miscellaneous	-	-	-	-	-	-	-	-	-	8,419
Equipment show expense	-	-	-	-	-	-	-	-	-	19,578
NEG expenses	-	-	-	-	-	-	-	-	58,577	58,577
Assessments	-	-	-	-	-	-	-	-	1,298	1,298
In-kind services	-	12,000	-	-	-	-	-	-	-	27,177
Building use allowance	4,192	563	548	633	643	325	111	4,004	9,878	39,725
Travel	5,656	573	1,392	1,279	1,513	-	2,244	2,322	11,015	55,158
Office supplies and postage	96	59	82	-	-	-	-	254	339	13,701
Tuition and seminars	2,180	140	771	377	745	-	4,000	587	4,044	33,888
Dues and subscriptions	500	-	-	-	-	-	-	-	66	16,949
Vehicle use allowance	699	455	271	436	460	-	96	360	1,946	19,096
Professional fees	1,294	966	976	966	976	-	-	2,026	12,531	46,605
Advertising	1,148	260	-	1,387	1,470	345	-	-	293	10,823
Total expenditures	204,207	36,003	23,292	26,152	30,020	12,263	12,171	598,141	2,015,474	4,032,191
Revenues in Excess of Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,078

Northern Tier Regional Planning and Development Commission

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Funding Source Code	Federal CFDA Number	Pass-through Entity's Number	Award Amount	Cash Receipts (Transfers)	Accrued or (Deferred) Revenue at July 1, 2013	Revenues Recognized	Federal Expenditures	Accrued or (Deferred) Revenue at June 30, 2014
Appalachian Regional Commission									
Local Development District Administrative Grant	D	23.009	PA-0708C-C41	\$ 98,013	\$ 46,427	\$ (3,591)	\$ 50,018	\$ 50,018	\$ -
Local Development District Administrative Grant	D	23.009	PA-0708C-C42	103,136	51,568	-	53,966	53,966	2,398
Appalachian Regional Commission Enterprise Development	D	23.001	PA-8305-C31	285,000	124,668	15,325	109,343	109,343	-
Appalachian Regional Commission Enterprise Development	D	23.001	PA-8305-C32-13	285,000	242,966	-	285,000	285,000	42,034
Passed through Alleghenies Planning and Development Commission, Local Development District Administrative Grant	I	23.001	13000224-00	<u>20,000</u>	<u>8,001</u>	<u>4,575</u>	<u>3,426</u>	<u>3,426</u>	<u>-</u>
Total Appalachian Regional Commission				<u>791,149</u>	<u>473,630</u>	<u>16,309</u>	<u>501,753</u>	<u>501,753</u>	<u>44,432</u>
U.S. Department of Commerce									
Economic Development Administration	D	11.302	01-83-14244	60,000	30,000	7,383	22,617	22,617	-
Economic Development Administration	D	11.302	01-83-14244-01	70,000	35,000	-	23,292	23,292	(11,708)
Passed through Economic Development Administration, Passed through SEDA-Council of Governments, Make it in America	I	11.307	01-69-14381	37,700	-	-	3,607	3,607	3,607
Passed through Economic Development Administration, Passed through SEDA-Council of Governments, Make it in America (Travel)	I	11.307	99-unknown	<u>5,730</u>	<u>-</u>	<u>-</u>	<u>5,730</u>	<u>5,730</u>	<u>5,730</u>
Total U.S. Department of Commerce				<u>173,430</u>	<u>65,000</u>	<u>7,383</u>	<u>55,246</u>	<u>55,246</u>	<u>(2,371)</u>
U.S. Department of Health and Human Services									
Passed through Pennsylvania Department of Public Welfare:									
WIA Youth - TANF	I	93.558	130123361	75,000	13,000	13,000	-	-	-
EARN - TANF - Federal (New Directions)	I	93.558	FY13: 70121	547,153	(4,173)	(4,173)	-	-	-
EARN - TANF - Federal (New Directions - Performance Based)	I	93.558	FY13: 70121	272,201	129,400	-	129,400	129,400	-
WIA Youth - TANF	I	93.558	130133361	68,967	65,730	-	68,790	68,790	3,060
EARN - TANF - Federal (New Directions)	I	93.558	FY14: 70121	505,517	402,406	-	447,025	447,025	44,619
EARN - TANF - Federal (New Directions - Performance Based)	I	93.558	FY14: 70121	<u>272,201</u>	<u>21,716</u>	<u>-</u>	<u>21,716</u>	<u>21,716</u>	<u>-</u>
Total U.S. Department of Health and Human Services				<u>1,741,039</u>	<u>628,079</u>	<u>8,827</u>	<u>666,931</u>	<u>666,931</u>	<u>47,679</u>

Northern Tier Regional Planning and Development Commission

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Funding Source Code	Federal CFDA Number	Pass-through Entity's Number	Award Amount	Cash Receipts (Transfers)	Accrued or (Deferred) Revenue at July 1, 2013	Revenues Recognized	Federal Expenditures	Accrued or (Deferred) Revenue at June 30, 2014
U.S. Department of Labor									
WIA Cluster									
Passed through Pennsylvania Department of Labor & Industry:									
Adult	I	17.258	130123011	\$ 312,075	\$ 40,981	\$ 17,274	\$ 23,707	\$ 23,707	\$ -
Adult	I	17.258	130123013	52,250	52,250	20,700	31,550	31,550	-
Adult	I	17.258	130133001	8,638	8,638	-	8,638	8,638	-
Adult	I	17.258	130133011	312,953	300,991	-	295,658	295,658	(5,333)
Youth	I	17.259	130123301	354,263	246,799	24,566	222,233	222,233	-
Youth	I	17.259	130133301	332,731	311,183	-	313,258	313,258	2,075
Youth	I	17.259	130143301	450,271	-	-	15,507	15,507	15,507
Dislocated Worker	I	17.278	130124011	442,751	136,510	16,734	119,776	119,776	-
Dislocated Worker	I	17.278	130134001	71,264	71,264	-	71,264	71,264	-
Dislocated Worker	I	17.278	130134011	614,613	434,855	-	480,039	480,039	45,184
Dislocated Worker - Rapid Response - (IP)	I	17.278	130124052	18,224	7,024	7,024	-	-	-
Dislocated Worker - Rapid Response	I	17.278	130124151	75,000	51,131	43,642	7,489	7,489	-
Dislocated Worker - Rapid Response	I	17.278	130124152	14,009	14,009	-	14,009	14,009	-
Total WIA Cluster				<u>3,059,042</u>	<u>1,675,635</u>	<u>129,940</u>	<u>1,603,128</u>	<u>1,603,128</u>	<u>57,433</u>
Disaster Grant (NEG)	I	17.277	130126200	<u>150,000</u>	<u>64,735</u>	<u>-</u>	<u>64,652</u>	<u>64,652</u>	<u>(83)</u>
Total U.S. Department of Labor				<u>3,209,042</u>	<u>1,740,370</u>	<u>129,940</u>	<u>1,667,780</u>	<u>1,667,780</u>	<u>57,350</u>

Northern Tier Regional Planning and Development Commission

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Funding Source Code	Federal CFDA Number	Pass-through Entity's Number	Award Amount	Cash Receipts (Transfers)	Accrued or (Deferred) Revenue at July 1, 2013	Revenues Recognized	Federal Expenditures	Accrued or (Deferred) Revenue at June 30, 2014
U.S. Department of Transportation									
Passed through the Pennsylvania Department of Transportation, Center for Program Development and Management:									
Rural Transportation Planning Grant	I	20.205	FY12: 520913 (#1-A)-VIII	\$ 66,000	\$ 2,804	\$ 2,804	\$ -	\$ -	\$ -
Rural Transportation Planning Grant	I	20.205	FY13: 520913 -I	52,000	10,799	10,799	-	-	-
Rural Transportation Planning Grant	I	20.205	FY13: 520913 -II	11,000	2,208	2,208	-	-	-
Rural Transportation Planning Grant	I	20.205	FY13: 520913 -III	10,000	2,123	2,123	-	-	-
Rural Transportation Planning Grant	I	20.205	FY13: 520913 -IV	11,000	922	922	-	-	-
Rural Transportation Planning Grant	I	20.205	FY13: 520913 -V	9,192	1,734	1,734	-	-	-
Rural Transportation Planning Grant	I	20.205	FY13: 520913 -VIII	66,000	9,200	9,200	-	-	-
Rural Transportation Planning Grant	I	20.205	FY13: 520913 -VII	30,000	15,077	15,077	-	-	-
Rural Transportation Planning Grant	I	20.205	FY14: 520913 -I	129,190	88,253	-	129,190	129,190	40,937
Rural Transportation Planning Grant	I	20.205	FY14: 520913 -II	11,000	7,982	-	11,000	11,000	3,018
Rural Transportation Planning Grant	I	20.205	FY14: 520913 -III	11,000	2,825	-	11,000	11,000	8,175
Rural Transportation Planning Grant	I	20.205	FY14: 520913 -V	9,192	1,765	-	9,192	9,192	7,427
Rural Transportation Planning Grant	I	20.205	FY14: 520913 -VIII	66,000	55,317	-	56,800	56,800	1,483
Rural Transportation Planning Grant	I	20.205	FY14: 520913 -VII	30,000	17,144	-	30,000	30,000	12,856
Rural Transportation Planning Grant	I	20.205	033370	1,400,000	3,837	3,837	-	-	-
Total U.S Department of Transportation				<u>1,911,574</u>	<u>221,990</u>	<u>48,704</u>	<u>247,182</u>	<u>247,182</u>	<u>73,896</u>
U.S. Department of Defense									
Procurement Grant	D	12.600	SP4800-13-2-1379	51,500	42,868	16,716	26,152	26,152	-
Procurement Grant	D	12.600	SP4800-14-2-1479	51,500	16,441	-	30,020	30,020	13,579
Total U.S. Department of Defense				<u>103,000</u>	<u>59,309</u>	<u>16,716</u>	<u>56,172</u>	<u>56,172</u>	<u>13,579</u>
Total expenditures of federal awards				<u>\$ 7,929,234</u>	<u>\$ 3,188,378</u>	<u>\$ 227,879</u>	<u>\$ 3,195,064</u>	<u>\$ 3,195,064</u>	<u>\$ 234,565</u>

Northern Tier Regional Planning and Development Commission

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

	Federal CFDA Number	Loan Period Beginning/ Ending Date	Program Amount	Loan Balance July 1, 2013	Drawdowns	Payments	Loan Balance June 30, 2014
U.S. Department of Agriculture							
Farmers Home Administration Intermediary Relending Program	10.767	7/92-7/28	\$ 500,000	\$ 136,838	\$ -	\$ 19,182	\$ 117,656
Farmers Home Administration Intermediary Relending Program	10.767	6/96-6/32	500,000	<u>225,229</u>	<u>-</u>	<u>18,238</u>	<u>206,991</u>
Total U.S. Department of Agriculture				<u>\$ 362,067</u>	<u>\$ -</u>	<u>\$ 37,420</u>	<u>\$ 324,647</u>

See notes to schedule of expenditures of federal awards

Northern Tier Regional Planning and Development Commission

Notes to Schedule of Expenditures of Federal Awards

June 30, 2014

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Northern Tier Regional Planning and Development Commission (the "Commission") under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Commission.

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 OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

3. Revolving Loan Programs

The Commission administers a Revolving Loan Fund Program funded by the U.S. Department of Commerce, Economic Development Administration and matching funds from the Appalachian Regional Commission (FMHA-IRP) Governments. Loans outstanding at June 30, 2014 were \$395,942.

The Commission administers a Revolving Loan Fund Program funded by the U.S. Department of Agriculture and passed through the Farmers Home Administration Small Business Loan Program (FMHA-SBLP). Loans outstanding at June 30, 2014 were \$343,100.

The Commission administers a Revolving Loan Fund Program funded by the U.S. Department of Agriculture and passed through the Farmers Home Administration Rural Business Enterprise Grant Program (FMHA-RBEG). Loans outstanding at June 30, 2014 were \$264,466.

The Commission administers a Revolving Loan Fund Program funded by the Appalachian Regional Commission. Loans outstanding at June 30, 2014 were \$1,850,534.

**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
with *Government Auditing Standards***

Board of Directors
Northern Tier Regional Planning and Development Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of Northern Tier Regional Planning and Development Commission (the "Commission") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents, and have issued our report thereon dated February 27, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Baker Tilly Virchow Krause, LLP

Wilkes-Barre, Pennsylvania
February 27, 2015

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

Board of Directors
Northern Tier Regional Planning and Development Commission

Report on Compliance for the Major Federal Programs

We have audited Northern Tier Regional Planning and Development Commission's (the "Commission") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended June 30, 2014. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and 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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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

Baker Tilly Virchow Krause, LLP

Wilkes-Barre, Pennsylvania
February 27, 2015

Northern Tier Regional Planning and Development Commission

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.558 23.001	Temporary Assistance for Needy Families Enterprise Development Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes _____ no

Northern Tier Regional Planning and Development Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Section IV - Summary of Prior Year Findings

None.

**Independent Accountants' Report
on Applying Agreed-Upon Procedures
on the Schedule of WIA Expenditures
By Program Identifiers and Cost Categories**

Board of Directors
Northern Tier Regional Planning and Development Commission

We have performed the procedures, enumerated below, which were agreed to by the Board of Directors of Northern Tier Regional Planning and Development Commission (the "Commission") and the Commonwealth of Pennsylvania, Department of Labor and Industry, to the accompanying financial schedules of the Commission for the fiscal year ended June 30, 2014, solely to assist you in complying with the requirements of the Pennsylvania Department of Labor and Industry. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board of Directors of the Commission and the Commonwealth of Pennsylvania Department of Labor and Industry. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and findings are as follows:

- (a) We verified the clerical accuracy of the Commission's summarization of amounts reported on the monthly Financial Status Report (FSR) submitted to the Commonwealth of Pennsylvania, Department of Labor and Industry during the fiscal year ended June 30, 2014 and the report of the summarized, fiscal year totals on the respective formats as presented in the WIA Policies and Procedures Manual. This procedure was performed for the WIA expenditures by program identifier and cost category included on pages 48 through 50 administered by the Commission which were funded in whole, or in part, by the Commonwealth of Pennsylvania, Department of Labor and Industry. No findings were noted.
- (b) We inquired of management regarding any adjustment to reported revenues or expenditures which were not reflected on reports submitted to the Commonwealth of Pennsylvania Department of Labor and Industry. No findings were noted.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the financial schedules referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Northern Tier Regional Planning and Development Commission and the Commonwealth of Pennsylvania, Department of Labor and Industry and is not intended to be and should not be used by anyone other than these specified parties.

Baker Tilly Virchow Krause, LLP

Wilkes-Barre, Pennsylvania
February 27, 2015

Northern Tier Regional Planning and Development Commission

Schedule of WIA Expenditures by Program Identifiers and Cost Categories
 Year Ended June 30, 2014

Title	Contract Number	Contract Period	Cost Category	Authorized Budget	Cumulative Claimed	Actual Budget	(Over) Under
Adult Program - 2012 Second Installment	130123011	10/01/12-06/30/13	ADMINISTRATION	\$ 31,207	\$ 31,207	\$ 31,207	\$ -
			DIRECT TRAINING	280,868	280,868	280,868	-
			CONTRACT TOTAL	312,075	312,075	312,075	-
Adult Program - 2012 Third Installment (DW Transfer)	130123013	10/01/12-06/30/15	ADMINISTRATION	5,225	5,225	5,225	-
			DIRECT TRAINING	47,025	47,025	47,025	-
			CONTRACT TOTAL	52,250	52,250	52,250	-
Adult Program - 2013 First Installment	130133001	07/01/13-06/30/16	ADMINISTRATION	864	864	864	-
			DIRECT TRAINING	7,774	7,774	7,774	-
			CONTRACT TOTAL	8,638	8,638	8,638	-
Adult Program - 2013 Second Installment	130133011	10/01/13-06/30/16	ADMINISTRATION	31,295	14,000	31,295	17,295
			DIRECT TRAINING	281,658	281,658	281,658	-
			CONTRACT TOTAL	312,953	295,658	312,953	17,295
Youth Program - 2012	130123301	04/01/12-06/30/15	ADMINISTRATION	35,426	35,426	35,426	-
			IN SCHOOL YOUTH	153,390	153,390	153,390	-
			OUT OF SCHOOL	165,447	165,447	165,447	-
			CONTRACT TOTAL	354,263	354,263	354,263	-
Youth Program - 2013	130133301	04/01/13-06/30/16	ADMINISTRATION	33,273	13,800	33,273	19,473
			IN SCHOOL YOUTH	140,928	140,928	140,928	-
			OUT OF SCHOOL	158,530	158,530	158,530	-
			CONTRACT TOTAL	332,731	313,258	332,731	19,473
Youth Program - 2014	130143301	04/01/14-06/30/17	ADMINISTRATION	45,027	-	45,027	45,027
			IN SCHOOL YOUTH	202,622	9,171	202,622	193,451
			OUT OF SCHOOL	202,622	6,336	202,622	196,286
			CONTRACT TOTAL	450,271	15,507	450,271	434,764
Dislocated Worker Program - 2012 Second Increment	130124011	10/01/12-06/30/15	ADMINISTRATION	44,275	44,275	44,275	-
			DIRECT TRAINING	398,476	398,476	398,476	-
			CONTRACT TOTAL	442,751	442,751	442,751	-

Northern Tier Regional Planning and Development Commission

Schedule of WIA Expenditures by Program Identifiers and Cost Categories

Year Ended June 30, 2014

Title	Contract Number	Contract Period	Cost Category	Authorized Budget	Cumulative Claimed	Actual Budget	(Over) Under
Dislocated Worker Program - 2013 First Increment	130134001	07/01/13-06/30/16	ADMINISTRATION	\$ 7,126	\$ 7,126	\$ 7,126	\$ -
			DIRECT TRAINING	64,138	64,138	64,138	-
			CONTRACT TOTAL	71,264	71,264	71,264	-
Dislocated Worker Program - 2013 Second Increment	130134011	10/01/13-06/30/16	ADMINISTRATION	61,461	20,646	61,461	40,815
			DIRECT TRAINING	553,152	459,393	553,152	93,759
			CONTRACT TOTAL	614,613	480,039	614,613	134,574
12 DW RR First Increment	130124151	10/01/12-06/30/14	ADMINISTRATION	-	-	-	-
			DIRECT TRAINING	75,000	75,000	75,000	-
			CONTRACT TOTAL	75,000	75,000	75,000	-
12 DW RR Second Increment	130124152	10/01/12-06/30/15	ADMINISTRATION	-	-	-	-
			DIRECT TRAINING	14,009	14,009	14,009	-
			CONTRACT TOTAL	14,009	14,009	14,009	-
WIA Youth - TANF	130133361	07/01/13-06/30/14	ADMINISTRATION	6,897	6,897	6,897	-
			DIRECT TRAINING	62,070	61,893	62,070	177
			CONTRACT TOTAL	68,967	68,790	68,967	177
13 IP	13013005	07/01/13-06/30/14	ADMINISTRATION	3,907	3,907	3,907	-
			DIRECT TRAINING	74,243	67,758	74,243	6,485
			CONTRACT TOTAL	78,150	71,665	78,150	6,485
12 NEG - Dislocated Worker Training	130126200	06/26/13-06/30/15	ADMINISTRATION	7,500	5,000	7,500	2,500
			DIRECT TRAINING	142,500	59,652	142,500	82,848
			CONTRACT TOTAL	150,000	64,652	150,000	85,348
12 TANF - Federal (New Directions - Performance Based)	70121	07/01/12-06/30/15	DIRECT TRAINING	272,201	147,262	272,201	124,939
			CONTRACT TOTAL	272,201	147,262	272,201	124,939
13 TANF - Federal (New Directions)	70121	07/01/13-06/30/14	ADMINISTRATION	84,177	84,177	84,177	-
			DIRECT TRAINING	421,340	362,848	421,340	58,492
			CONTRACT TOTAL	505,517	447,025	505,517	58,492

Northern Tier Regional Planning and Development Commission

Schedule of WIA Expenditures by Program Identifiers and Cost Categories
 Year Ended June 30, 2014

Title	Contract Number	Contract Period	Cost Category	Authorized Budget	Cumulative Claimed	Actual Budget	(Over) Under
13 TANF - Federal (New Directions - Performance Based)	70121	07/01/13-06/30/15	DIRECT TRAINING	\$ 272,201	\$ 21,716	\$ 272,201	\$ 250,485
			CONTRACT TOTAL	272,201	21,716	272,201	250,485