

**VALLEY COUNCIL OF GOVERNMENTS**

**AUDITED FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION AND  
SINGLE AUDIT REPORTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**VALLEY COUNCIL OF GOVERNMENTS  
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## **Independent Auditors' Report**

Board of Directors of  
Valley Council of Governments  
Derby, Connecticut 06418

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Valley Council of Governments, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Council'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, each major fund and the aggregate remaining fund information of the Valley Council of Governments, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7–11 and 23–24 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 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 Valley Council of Governments basic financial statements. The Overhead Rate Calculation and the Financial Summary for the State of Connecticut Department of Transportation are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedules of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Connecticut Single Audit Act and is also not a required part of the basic financial statements.

The Overhead Rate Calculation, the Financial Summary for the State of Connecticut Department of Transportation and the Schedules of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Overhead Rate Calculation, the Financial Summary for the State of Connecticut Department of Transportation and the Schedules of Expenditures of Federal and State Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015, on our consideration of the Valley Council of Governments internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Valley Council of Governments internal control over financial reporting and compliance.

*Michaud Accavallo Woodbridge & Cusano, LLC*

Killingworth, Connecticut  
November 16, 2015

## **VALLEY COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Valley Council of Governments ("VCOG"), we offer readers of VCOG's financial statements this narrative overview and analysis of the financial activities of VCOG for the fiscal year ended June 30, 2015.

### **FINANCIAL HIGHLIGHTS**

- Effective January 1, 2015, VCOG transferred the majority of its net assets to the Naugatuck Valley Council of Governments, a new entity which combined the operations of VCOG and the Council of Governments of Central Naugatuck Valley ("COGCNV").
- The assets of VCOG exceeded its liabilities at the close of the most recent fiscal year by \$42,248 (net position) all of which may be used to meet VCOG's ongoing obligations.
- VCOG's total net position decreased by \$31,300 from operations and \$181,301 related to the transfer of net assets to NVCOG...
- As of the close of the current fiscal year, VCOG's governmental funds reported combined ending fund balances of \$42,248, a decrease of \$192,990 in comparison with the prior year. The entire fund balance is available for spending at VCOG's discretion (unassigned fund balance).

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to VCOG's basic financial statements. VCOG's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### ***Basis of Presentation***

VCOG is considered a single-program governmental organization for financial reporting purposes. Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis -for State and Local Governments* require the presentation of government-wide financial statements and fund financial statements. The government-wide financial statements consist of the statement of net position and the statement of activities while the governmental fund financial statements consist of the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. VCOG has no business-type activities. Rather than presenting government-wide financial statements along with separate governmental fund financial statements, VCOG has chosen to combine the two types of financial statements as permitted by GASB Statement No. 34. Accordingly, the accompanying financial statements of VCOG consist of the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures and changes in fund balances/statement of activities.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of VCOG's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of VCOG'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 VCOG is improving or deteriorating.

## **VALLEY COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS**

The statement of activities presents information showing how VCOG's net position changed during the most recent fiscal year. All changes in 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.

Both of the government-wide financial statements display information about VCOG's governmental activities, which consists of regional planning. VCOG does not have any business-type activities.

The government-wide financial statements include only VCOG because there are no legally separate organizations for which VCOG is legally accountable.

The government-wide financial statements can be found on pages 13 and 14 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. VCOG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. VCOG maintains one governmental fund, the general fund.

#### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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 VCOG's near-term financing requirements.

Because 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 VCOG's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

VCOG maintains one governmental fund. The basic governmental fund financial statements can be found on pages 13 and 14 of this report.

### **Notes to the Financial Statements**

The notes to the financial statements 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 starting on page 15 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information other than this management's discussion and analysis that can be found starting on page 24 of this report.

**VALLEY COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

Over time, net position may serve as one measure of a government's financial position. Total net position of VCOG totaled \$42,248 and \$254,849 as of June 30, 2015 and 2014, respectively, and are summarized as follows:

	Governmental Activities	
	2015	2014
Current and other assets	\$ 61,852	\$ 692,284
Capital assets, net	-	19,610
Total assets	61,852	711,894
Long-term liabilities	-	54,541
Other liabilities	19,604	132,593
Total liabilities	19,604	187,134
Deferred inflows		
Grants	-	269,913
Net assets:		
Invested in capital assets, net	-	19,610
Unrestricted	42,248	235,239
Total net position	\$ 42,248	\$ 254,849

As of June 30, 2015, all of VCOG's net position is considered unrestricted and may be used to meet VCOG's ongoing obligations.

Overall, net position decreased by \$192,990 or 82.0% in comparison to the prior year. This decrease is attributable entirely the transfer of the majority of operations to form NVCOG.

**VALLEY COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Changes in Net position**

Changes in net position for the years ended June 30, 2015 and 2014 are as follows:

	Governmental Activities	
	2015	2014
Revenues:		
Federal government	\$ 889,209	\$ 1,158,899
State of Connecticut	443,149	349,491
Other governmental agencies	97,760	91,784
Miscellaneous	44,467	21,291
Total revenues	1,474,585	1,621,465
Expenses:		
Salaries and related costs	390,937	580,085
Contractors	924,972	839,562
Travel	13,366	23,788
Professional	62,584	48,259
Rent	-	14,220
Utilities	15,238	19,501
Bonds and insurance	8,613	7,435
Supplies	5,593	6,543
Repairs and maintenance	33,991	13,003
Office expense	49,898	6,086
Depreciation and amortization	693	3,474
	1,505,885	1,561,956
 (Decrease) Increase in Net position	 (31,300)	 59,509
Net position - beginning	254,849	195,340
Transfer of assets to NVCOG	(181,301)	-
Net position - ending	\$ 42,248	\$ 254,849

**FINANCIAL ANALYSIS OF VCOG's FUNDS**

As noted earlier, VCOG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of VCOG's governmental funds is to provide information on near-term, inflows, outflows, and balances of spendable resources. Such information is useful in assessing VCOG's financing requirements. In particular, unassigned fund balance may serve as a useful measure of VCOG's net resources available for spending at the end of the fiscal year.

**VALLEY COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As of the end of the current fiscal year, VCOG's governmental funds reported combined ending and balances of \$42,248, a decrease of \$192,990 in comparison with the prior year. The entire balance constitutes unassigned fund balance, which is available for spending at VCOG's discretion.

***General Fund***

The General Fund is the chief operating fund of VCOG. The entire governmental funds ending fund balances is recorded in the General Fund.

**BUDGETARY HIGHLIGHTS**

Budgets are adopted by the Board of Directors on a modified accrual basis. The adopted annual budget covers the General Fund and the Special Revenue Funds on a combined basis.

There was no change between the original budget and the final amended budget.

**CAPITAL ASSETS**

The following table is a two-year comparison of the investment in capital assets presented for governmental activities:

	Governmental Activities	
	2015	2014
Furniture and equipment	\$ -	\$ 5,245
Leasehold improvements	-	14,365
Totals	<u>\$ -</u>	<u>\$ 19,610</u>

Additional information on VCOG's capital assets can be found in Note 3 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

VCOG receives intergovernmental revenues from the State of Connecticut. Connecticut's economy moves in the same general cycle as the national economy. Any loss or significant reduction of these revenues could have a significant adverse impact on VCOG's financial position and program services.

This was considered in preparing VCOG's budget for fiscal year 2015.

During the current fiscal year, unassigned fund balance of the General Fund decreased to \$42,248. VCOG has not appropriated any of this unassigned fund balance for spending in the 2015 fiscal year budget.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of VCOG's finances for all those with an interest in VCOG's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Executive Director at Valley Council of Governments, 12 Main Street, Railroad Station, Derby, CT 06418.

## **BASIC FINANCIAL STATEMENTS**

**VALLEY COUNCIL OF GOVERNMENTS  
STATEMENT OF NET POSITION  
YEAR ENDED JUNE 30, 2015**

	<b>Governmental</b>		<b>Government-</b>
	<b>Fund-General</b>	<b>Adjustments</b>	<b>Wide</b>
	<b>Fund</b>	<b>(Note 7)</b>	<b>Statement of</b>
	<u>          </u>	<u>          </u>	<u>Activities</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 12,749	\$ -	\$ 12,749
Receivables:			
Other receivables	45,760	-	45,760
Other assets	3,343	-	3,343
Capital assets, net of accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 61,852</u>	<u>\$ -</u>	<u>\$ 61,852</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 19,604	\$ -	19,604
Due to State of Connecticut	-	-	-
Noncurrent liabilities:			
Due within one year - compensated absences	-	-	-
Due in more than one year - compensated absences	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>19,604</u>	<u>-</u>	<u>19,604</u>
<b>DEFERRED INFLOWS</b>			
Grants	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows	<u>19,604</u>	<u>-</u>	<u>19,604</u>
<b>FUND BALANCES/NET POSITION</b>			
Fund balance - unassigned	<u>42,248</u>	<u>(42,248)</u>	<u>-</u>
Total fund balances	<u>42,248</u>	<u>(42,248)</u>	<u>-</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 61,852</u>		
Net position:			
Invested in capital assets, net of related debt		0	-
Unrestricted		<u>42,248</u>	<u>42,248</u>
		<u>\$ 42,248</u>	<u>\$ 42,248</u>

See notes to financial statements.

**VALLEY COUNCIL OF GOVERNMENTS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

	<b>Governmental Funds</b>		
	<b>Statement of Revenues,</b>		
	<b>Expenditures and Changes</b>		<b>Government-Wide</b>
	<b>in Fund Balances - General</b>	<b>Adjustments</b>	<b>Statement of</b>
	<b>Fund</b>	<b>(Note 7)</b>	<b>Activities</b>
<b>REVENUES</b>			
Federal government	\$ 889,209	\$ -	\$ 889,209
State of Connecticut	443,149	-	443,149
Other governmental agencies	97,760	-	97,760
Miscellaneous	44,467	-	44,467
Total revenues	<u>1,474,585</u>	<u>-</u>	<u>1,474,585</u>
<b>EXPENDITURES/EXPENSES</b>			
Current:			
Salaries and related costs	390,937	-	390,937
Contractors	924,972	-	924,972
Travel	13,366	-	13,366
Professional	62,584	-	62,584
Utilities	15,238	-	15,238
Bonds and insurance	8,613	-	8,613
Supplies	5,593	-	5,593
Repairs and maintenance	33,991	-	33,991
Office expense	49,898	-	49,898
Depreciation and amortization	-	693	693
Total expenditures/expenses	<u>1,505,192</u>	<u>693</u>	<u>1,505,885</u>
Excess (deficiency) of revenues over expenditures	(30,607)	30,607	-
Change in net position		<u>\$ (31,300)</u>	(31,300)
Fund balances/net position - beginning of year	235,238		254,849
Transfer of assets to NVCOG	(162,383)		(181,301)
Fund balances/net position - end of year	<u>\$ 42,248</u>		<u>\$ 42,248</u>

See notes to the schedule of state financial assistance.

**VALLEY COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Valley Council of Governments ("VCOG") conform to accounting principles generally accepted in the United States of America, as applicable to governmental organizations. Effective January 1, 2015, VCOG transferred the majority of its net assets to the Naugatuck Valley Council of Governments ("NVCOG").

**FINANCIAL REPORTING ENTITY**

VCOG is governed by a 4-member board of directors, comprised of an elected official from each municipality served by VCOG. VCOG is funded primarily by assessments of area municipalities and federal and state grants. As required by accounting principles generally accepted in the United States of America, the basic financial statements of the reporting entity include only the funds of the Valley Council of Governments (the primary government) as no component units exist based on operational or financial relationships with VCOG.

**BASIS OF PRESENTATION**

VCOG is considered a single-program governmental organization for financial reporting purposes. Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments* require the presentation of government-wide financial statements and fund financial statements. The government-wide financial statements consist of the statement of net position and the statement of activities. The fund financial statements consist of the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. VCOG has no business-type activities. Rather than presenting government-wide financial statements along with separate governmental funds financial statements, VCOG has chosen to combine the two types of financial statements as permitted by GASB Statement No. 34. Accordingly, the accompanying financial statements of VCOG consist of the governmental funds balances sheet/statement of net position and the governmental funds statement of revenues, expenditures and changes in fund balances/statement of activities.

**Implementation of New Accounting Standards**

For the year ended June 30, 2013, the Council implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" ("GASB Statement No. 63"). This statement provides financial reporting guidance for these elements first introduced in GASB Concept Statement No.4, "Elements of Financial Statements". Previous financial reporting standards did not include guidance for reporting these financial statement elements, which are distinct from assets and liabilities.

**Government-wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the primary government as a whole.

The Statement of Net Position presents the financial position of the Council at the end of its fiscal year. The Statement of Activities demonstrates the degree to which 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 a) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, b) grants and

**VALLEY COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and c) interest earned on grants that is required to be used to support a particular program. The Council does not allocate indirect expenses to functions in the Statement of Activities.

**Fund Financial Statements**

Information presented in the fund financial statements columns provides information about VCOG's governmental fund.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

**Government-wide and Fiduciary Fund Financial Statements**

The government-wide and fiduciary fund 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. Assessments from member municipalities are recognized as revenues in the year for which they are levied. 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 susceptible to accrual, that is, when they are both measurable and available. Revenues are considered available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, VCOG considers revenues pertaining to member municipality assessments, grants and contracts, and interest associated with the current period to be susceptible to accrual. All other revenue items are considered measurable and available only when the cash is received by VCOG. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital projects are reported as other financing sources.

**ASSETS, LIABILITIES AND FUND EQUITY**

**Cash Equivalents**

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less when purchased.

**Capital Assets**

Capital assets, which are comprised of office equipment, computer equipment, and leasehold improvements, are reported in the government-wide financial statements. A capital asset is defined by VCOG as an asset with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**VALLEY COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Equipment	5 to 15
Leasehold improvements	5 to 40

As of June 30, 2015, VCOG no longer held capital assets and improvements.

**Unearned/Deferred Revenue**

In the government-wide and fund financial statements, this liability represents resources that have been received but not earned. In the fund financial statements, this liability also represents revenues considered measurable but not available during the current period. As of June 30, 2015, VCOG did not have deferred revenue to recognize in future periods.

**Compensated Absences**

All compensated absences are accrued when incurred in the government-wide statement of net position. Expenditures for compensated absences are recognized in the governmental fund financial statements in the current year to the extent they are paid during the year, or the vested amount is expected to be paid with available resources. At the end of each six-month period, VCOG pays its employees one hour of pay for every two hours of accrued sick time.

**Deferred Outflows/Inflows of Resources** —In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. As of June 30, 2015, the governmental funds report unavailable revenues from one source, grant funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Net Position** — Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Council or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes, net investment in capital assets, restricted for debt service and special revenue funds. The balance is classified as unrestricted.

**VALLEY COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Fund Balance**

Information presented in the government-wide statement of net position column includes VCOG's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

*Invested in capital assets, net of related debt* - This category consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets. VCOG had no capital related debt as of June 30, 2015.

*Restricted net position* - This category consists of net position whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation. None of VCOG's net position is considered to be restricted as of June 30, 2015.

*Unassigned net position* - This category consists of net position, which does not meet the definition of the two preceding categories.

**USE OF ESTIMATES**

The preparation of the 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 and disclosures in the financial statements. Actual results could differ from those estimates.

**NOTE 2 - CASH DEPOSITS**

**CASH DEPOSITS - CUSTODIAL CREDIT RISK**

Custodial credit risk is the risk that, in the event of a bank failure, VCOG will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. VCOG does not have a deposit policy for custodial credit risk.

All of the VCOG's deposits were in qualified public institutions as defined by State statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank. VCOG's cash and cash equivalents as of June 30, 2015 consisted of cash deposits of \$11,593.

**VALLEY COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Credit Risk**

VCOG has no investment policy that would further limit its investment choices beyond those limited by Connecticut state statutes. Connecticut state statutes permit VCOG to invest in obligations of the United States, including its instrumentalities and agencies; in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service. Pension trust funds may also invest in certain real estate mortgages, in certain savings banks or savings and loan associations, or in stocks or bonds or other securities selected by the trustee, with the care of a prudent investor.

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 consisted of the following:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
<b>Governmental Activities</b>				
Capital assets, being depreciated:				
Furniture and equipment	\$ 72,942	\$ -	\$ 72,942	\$ -
Leasehold improvements	141,730	-	141,730	-
Total capital assets, being depreciated	<u>214,672</u>	<u>-</u>	<u>214,672</u>	<u>-</u>
Less accumulated depreciation and amortization for:				
Furniture and equipment	136,485	-	136,485	-
Leasehold improvements	58,577	-	58,577	-
Total accumulated depreciation and amortization	<u>195,062</u>	<u>-</u>	<u>195,062</u>	<u>-</u>
Total capital assets, being depreciated, net	<u>19,610</u>	<u>-</u>	<u>19,610</u>	<u>-</u>
Governmental activities capital assets, net	<u>\$ 19,610</u>	<u>\$ -</u>	<u>\$ 19,610</u>	<u>\$ -</u>

All capital assets were transferred to NVCOG effective January 1, 2015.

Depreciation expense was charged to the functions of the primary government as follows:

General government activities	<u>\$ 693</u>
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**VALLEY COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Compensated absences	\$ 54,541	\$ -	\$ 54,541	\$ -	\$ -

All compensated absences were transferred to NVCOG effective January 1, 2015.

**NOTE 5 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND FINANCIAL STATEMENTS AND THE GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES**

Adjustments to convert from the governmental funds statement of revenues, expenditures and changes in fund balances to the government-wide statement of activities consisted of the following for the year ended June 30, 2015:

Depreciation and amortization expense	\$	693
Other		-
	<u>\$</u>	<u>693</u>

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation and amortization expense. Therefore, an adjustment is made for the amount by which depreciation and amortization exceeded capital outlays during the current year.

**NOTE 6 - ECONOMIC DEPENDENCY**

A large concentration of revenue is comprised of federal and state grants received from the State of Connecticut. Any loss of or significant reduction in these grants could have a significant adverse impact on VCOG's financial position and program services.

**NOTE 7- EMPLOYEE RETIREMENT PLAN**

The VCOG Sponsors a non-contributory simplified employee pension plan (SEP) for the benefits of all full time employees. The VCOG is required to contribute 6% of the gross earnings of each participant and 15% of the gross wages of the executive director. The current year's contribution amount was \$26,068.

**VALLEY COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 8- RISK MANAGEMENT**

VCOG is subject to normal risks associated with its operations including property damage, personal injury and employee dishonesty. All risks are managed through the purchase of commercial insurance. Losses incurred from insured risks have not exceeded insurance coverage for any of the past three fiscal years.

**NOTE 9 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through November 16, 2015, the date of the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**VALLEY COUNCIL OF GOVERNMENTS  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
Federal Revenue	\$ 2,516,590	\$ 2,516,590	\$ 889,209	\$ (1,627,381)
State of Connecticut Revenue	393,391	393,391	361,826	(31,565)
SGIA Allocation	169,125	169,125	81,323	(87,802)
Local Revenue	43,848	43,848	36,050	(7,798)
Brownfield Dues	12,000	12,000	10,200	(1,800)
Municipal Dues	51,500	51,500	51,510	10
Interest Income	-	-	2,696	2,696
Other Income	-	-	41,771	41,771
Total revenue	<u>3,186,454</u>	<u>3,186,454</u>	<u>1,474,585</u>	<u>(1,711,869)</u>
Advertising	2,500	2,500	2,121	(379)
Bonds & Insurance	7,764	7,764	8,613	849
Computer Repairs / Supplies	10,000	10,000	31,920	21,920
Contractors	2,389,269	2,389,269	936,289	(1,452,980)
Dues, Books & Subscriptions	1,000	1,000	(30)	(1,030)
Dues Professional	3,000	3,000	3,000	-
Bank Service Charges	50	50	-	(50)
Lease Expense	1,200	1,200	1,172	(28)
Health and Life Insurance	95,548	95,548	57,034	(38,514)
Maintenance	3,000	3,000	2,071	(929)
Meetings Expense	-	-	2,687	2,687
Miscellaneous	4,000	4,000	-	(4,000)
Postage and Delivery	3,000	3,000	2,809	(191)
Office Cleaning	1,000	1,000	-	(1,000)
Payroll Taxes	29,416	29,416	23,999	(5,417)
Pension	30,323	30,323	26,068	(4,255)
Printing and Reproduction	2,000	2,000	356	(1,644)
Professional Fees-Accounting	10,000	10,000	14,463	4,463
Professional Fees-Legal	14,046	14,046	36,805	22,759
Rent-In Kind	14,220	14,220	-	(14,220)
Salaries & Wage Expense	313,690	313,690	244,275	(69,415)
Direct Salary-Fringes Holiday	20,435	20,435	12,783	(7,652)
Direct Salary-Fringes Sick Leave	18,565	18,565	5,336	(13,229)
Direct Salary-Fringes Accrued Vacation Pay	31,844	31,844	21,442	(10,402)
Telephone	6,000	6,000	3,059	(2,941)
Travel Expense	24,000	24,000	13,366	(10,634)
Utilities	11,000	11,000	9,298	(1,702)
Supplies	5,000	5,000	2,906	(2,094)
Website	5,000	5,000	2,880	(2,120)
Other Expenses	-	-	40,470	40,470
Total expenditures	<u>\$ 3,056,870</u>	<u>\$ 3,056,870</u>	<u>1,505,192</u>	<u>\$ (1,551,678)</u>
Excess expenditures over revenues			(30,607)	
Net position - beginning of year			235,238	
Transfer of net assets to NVCOG			(162,383)	
Net position - end of year			<u>\$ 42,248</u>	

The accompanying notes are an integral part of this schedule of required supplemental information.

**VALLEY COUNCIL OF GOVERNMENTS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 1 - BUDGETARY INFORMATION**

Budgets are adopted by the Board of Directors on a modified accrual basis. The adopted annual budget covers the General Fund and the Special Revenue Funds on a combined basis.

The Executive Committee for VCOG prepares and presents to the Board of Directors a budget at the June board meeting. The Board of Directors may amend tills budget, but must adopt a formal budget by June 30. The Board has the authority to make line item transfers and additional appropriations. Spending by management is limited by the total amount appropriated during any fiscal year. Appropriations lapse at yearend.

VCOG does not employ encumbrance accounting since at present it is not considered necessary to assure budgetary control. Any excess of expenditures over revenues will be funded by either future revenue or the respective fund balances.

**NOTE 2 - COMPLIANCE - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2015, expenditures exceeded appropriations for the following objects (the legal level of control):

Other Expenses	\$ 40,470
Professional Fees-Legal	22,759
Computer Repairs / Supplies	21,920
Professional Fees-Accounting	4,463
Bonds & Insurance	849

The over expenditures Computers Repairs/Supplies & Computer Improvement are a result of unanticipated costs, but all of the overages were all directly reimbursed by project funding. The over expenditures in Accounting and Legal are directly related to the consolidation of the 2 separate entities, while these were over the anticipated budget, all monies were funded by the SGIA allocation for the purposes of consolidation. All other expenses are grossly under budget, because the budget was set for a full 12 month cycle and VCOG consolidated with COGCNV 6 months into the fiscal year, therefore, essentially VCOG only had 6 months' worth of budgeted expenses incurred.

## **Other Supplementary Information**

**VALLEY COUNCIL OF GOVERNMENTS  
 FINANCIAL SUMMARY FOR THE STATE OF CONNECTICUT  
 DEPARTMENT OF TRANSPORTATION  
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>FHWA/FTA</u> <u>4.21-20(14)</u>
Maximum Funds Authorized:	
FHWA/FTA	\$ 207,126
ConnDOT - FHWA/FTA	25,891
Local	<u>25,891</u>
	<u>\$ 258,908</u>
Audited Expenditures	
Direct costs:	
Advertising	\$ 405
Salaries	42,106
Travel	-
Indirect costs:	<u>66,837</u>
	<u>\$ 109,348</u>
Distribution of Audited Costs	
FHWA/FTA	\$ 87,478
ConnDOT - FHWA/FTA	10,935
Local	<u>10,935</u>
	<u>\$ 109,348</u>
ConnDOT responsibility:	
FHWA/FTA	\$ 87,478
ConnDOT - FHWA/FTA	<u>10,935</u>
	98,413
Payments received through June 30, 2015	<u>98,413</u>
Due from ConnDOT, November 1, 2015	<u>\$ -</u>

## **Federal Single Audit**



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## **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***

### **The Board of Directors Valley Council of Governments**

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, each major fund and the aggregate remaining fund information of the Valley Council of Governments ("Council") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Valley Council of Governments basic financial statements and have issued our report thereon dated November 16, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Council'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 Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 Valley Council of Governments 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 council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Michaud Accavallo Woodbridge & Cusano, LLC*

Killingworth, Connecticut  
November 16, 2015



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## **Independent Auditor's Report On Compliance For Each Major Program And On Internal Control Over Compliance Required By OMB Circular A-133**

To the Board of Directors of the  
Valley Council of Governments

### **Report on Compliance for Each Major Federal Program**

We have audited Valley Council of Governments 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 Valley Council of Governments major federal programs for the year ended June 30, 2015. Valley Council of Governments major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Valley Council of Governments 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 Valley Council of Governments 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 Valley Council of Governments compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, Valley Council of Governments, 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, 2015.

## **Report on Internal Control Over Compliance**

Management of Valley Council of Governments 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 Valley Council of Governments 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 Valley Council of Governments 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.

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Valley Council of Governments, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Valley Council of Governments basic financial statements. We issued our report thereon dated November 16, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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. 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Michaud Accavallo Woodbridge & Cusano, LLC*

Killingworth, Connecticut  
November 16, 2015

**VALLEY COUNCIL OF GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS  
YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Department of Environmental Protection:			
Revolving Loan Fund	66.814		\$ 301,475
Brownfields Assesment & Cleanup	66.818		<u>211,178</u>
Total Department of Environmental Protection			512,653
Department of Transportation:			
Passed through the State of Connecticut Department of Transportation:			
Regional Transportation Planning	20.205	6.181-03(12)	318,320
Directly funded:			
Highway Planning and Construction			
Route 8 PE Study	20.208		11,625
Route 67 Improvements	20.208		1,831
Route 34 Improvements	20.208		<u>44,780</u>
Total Department of Transportation			<u>376,556</u>
Total Expenditures of Federal Awards			<u>\$ 889,209</u>

See notes to the schedule of expenditures of federal awards.

**VALLEY COUNCIL OF GOVERNMENTS  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015**

**NOTE A - ACCOUNTING BASIS**

**BASIC FINANCIAL STATEMENTS**

The accounting policies of the Valley Council of Governments conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations.

**SCHEDULE OF EXPENDITURES OF FEDERAL A WARDS**

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of federal awards is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance-based awards, revenues are recognized to the extent of performance achieved during the grant period.

Certain financial assistance is not dependent on expenditure activity or the achievement of performance goals and, accordingly, is considered expended in the fiscal year of receipt. These financial assistance program receipts are reflected in the expenditures column of the schedule of expenditures of federal awards.

**NOTE B - OTHER FEDERAL ASSISTANCE**

No other federal assistance was received in the form of loan guarantees or insurance.

**VALLEY COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant Deficiencies identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

Federal Financial Assistance

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified?  Yes  None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?  Yes  No

The following schedule reflects the major programs included in the audit:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.205	Regional Transportation Planning
20.208	Highway Planning

The dollar threshold for determining Type A and B programs is \$300,000.

Auditee qualified as low-risk auditee?  Yes  No

**SECTION II-FINANCIAL STATEMENTS FINDINGS**

No matters were reported.

**SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**SUMMARY SCHEDULE OF THE STATUS OR PRIOR AUDIT FINDINGS**

There were no findings or questioned costs reported in VCOG's prior year-end federal single audit.

## **State Single Audit**



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**Independent Auditor's Report on Compliance for Each Major State Program, Report on Internal Control over Compliance, and Report on Schedule of State Financial Assistance Required by the Connecticut State Single Audit Act**

To the Board of Directors of the  
Valley Council of Governments

**Report on Compliance for Each Major State Program**

We have audited the Valley Council of Governments (the "Council") compliance with the types of compliance requirements described in the State of Connecticut, Office of Policy and Management *Compliance Supplement to the State Single Audit Act* that could have a direct and material effect on each of the Council's major state programs for the year ended June 30, 2015. The Council's major state programs are identified in the summary of auditor's results section of the accompanying schedule of state findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Council's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act 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 state program occurred. An audit includes examining, on a test basis, evidence about the Council'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 state program. However, our audit does not provide a legal determination of the Council's compliance.

***Opinion on Each Major State Program***

In our opinion, the Valley Council of Governments 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 state programs for the year ended June 30, 2015.

## **Report on Internal Control Over Compliance**

Management of the Council 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 Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, 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 Council'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 state 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 state 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 state 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.

### **Purpose of this Report**

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 State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Council, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements. We issued our report thereon dated November 16, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act 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. 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Purpose of this Report**

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 State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

*Michaud Accavallo Woodbridge & Cusano, LLC*

Killingworth, Connecticut  
November 16, 2015

**VALLEY COUNCIL OF GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2015**

<u>State Grantor/Pass-through Grantor/Program Title</u>	<u>State Grant Program Core - CT Number</u>	<u>Expenditures</u>
Office of Policy and Management State Grant In Aid	OPM20600	\$ <u>81,323</u>
Department of Economic Development		
DECD Initiative		3,323
Municipal Projects		<u>206,132</u>
Total Department of Economic Development		209,455
Department of Transportation		
Regional Transportation planning	09DOT0181AA	128,747
TOD Pilot Program	DOT00360194PL	773
Facility Assessment	DOT1703275GR	7,534
Busses & Admin Capital	09DOT0181AA	<u>15,317</u>
Total Department of Transportation		<u>152,371</u>
Total Expenditures of State financial assistance		<u>\$ 443,149</u>

See notes to the schedule of state financial assistance.

**VALLEY COUNCIL OF GOVERNMENTS  
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE ASSISTANCE  
YEAR ENDED JUNE 30, 2015**

Various departments and agencies of the State of Connecticut have provided financial assistance to the Valley Council of Governments through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs of the Council.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Council conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations. The following is a summary of the more significant policies relating to the aforementioned grant programs.

**BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of state financial assistance has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of state financial assistance is presented in accordance with regulations established by the State of Connecticut, Office of Policy and Management.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance-based awards, revenues are recognized to the extent of performance achieved during the grant period.

The schedule of expenditures of state financial assistance contained in this report is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain financial assistance is not dependent on expenditure activity or the achievement of performance goals and, accordingly, is considered expended in the fiscal year of receipt. These financial assistance program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

**VALLEY COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015**

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported
- Noncompliance material to financial statements noted  yes  no

**State Financial Assistance**

Internal control over major programs:

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

Type of report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?  yes  no

The following schedule reflects the major programs included in the audit:

<b><u>State Grantor and Program State</u></b>	<b><u>Core-CT Number</u></b>	<b><u>Expenditures</u></b>
<b>Department of Economic Development</b>		
Municipal Projects		\$206,132
Dollar threshold used to distinguish between type A and type B programs:		\$200,000

See notes to the schedule of state financial assistance.

**VALLEY COUNCIL OF GOVERNMENTS  
FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015**

**II. FINANCIAL STATEMENT FINDINGS**

**No findings were reported.**

**III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

**No findings were reported.**

**STATUS OF PRIOR YEAR FINDINGS**

There were no prior year findings.

## **Schedule of Burden, Fringe and Overhead (Indirect) Costs**



Guiding Successful People

**Ansonia**  
158 Main Street, Suite 301  
Ansonia, Connecticut 06401  
P: 203-732-2311

**Killingworth**  
166 Route 81  
Killingworth, Connecticut 06419  
P: 860-663-0110

**New Haven**  
900 Chapel Street, Suite 620  
New Haven, Connecticut 06510  
P: 203-773-0384

**Westport**  
611 Riverside Avenue  
Westport, Connecticut 06880  
P: 877-839-7423

**Principals**  
Francis H. Michaud Jr. CPA  
John A. Accavallo CPA  
Sandra M. Woodbridge CPA  
Dominic L. Cusano MBA CPA  
Darin L. Offerdahl MBA CPA

## Independent Auditors' Report

Board of Directors of  
Valley Council of Governments  
Derby, Connecticut 06418

We have audited the Schedule of Burden, Fringe and Overhead (Indirect) Costs of the Valley Council of Governments for the year ended June 30, 2015. This schedule is the responsibility of the Valley Council of Governments management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying schedule was prepared on a basis of accounting practices prescribed by OMB Circular A-87, as discussed in Note 2, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the schedule referred to above presents fairly, in all material respects, the direct labor, fringe benefits and general overhead of the Valley Council of Governments for the year ended June 30, 2015 on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 16, 2015 on our consideration of the Valley Council of Governments internal control over financial reporting and its compliance with laws and regulations.

This report is intended for the information and use of the Board of Directors and management of the Valley Council of Governments and the State of Connecticut Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

*Michaud Accavallo Woodbridge & Cusano, LLC*

Killingworth, Connecticut  
November 16, 2015

**VALLEY COUNCIL OF GOVERNMENTS  
SCHEDULE OF BURDEN, FRINGE AND OVERHEAD (INDIRECT) COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**INDIRECT COSTS**

Salaries	\$ 68,930
Holiday/Vacation/Sick	39,561
Fringe Benefits	107,101
Dues Professional	2,970
Bonds & Insurance	8,613
Computer Supplies/Repairs	7,999
Contractors	83
Lease Expense	1,172
Maintenance	2,071
Meetings Expense	1,956
Miscellaneous	2,509
Postage & Delivery	239
Accounting	9,700
Telephone	2,969
Travel	8,763
Utilities	9,298
Supplies	2,382
Depreciation	693
Website	2,880
	<u>\$ 279,889</u>
 <b>TOTAL PAYROLL</b>	 283,836
LESS: Compensated absences	39,561
LESS: Indirect payroll	<u>68,930</u>
	<u>\$ 175,345</u>
 Overhead rate	 <u>155.01%</u>

**VALLEY COUNCIL OF GOVERNMENTS  
NOTES TO SCHEDULE OF BURDEN, FRINGE AND OVERHEAD (INDIRECT) COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 1 - DESCRIPTION OF ENTITY**

Valley Council of Governments was established in 2002, replacing the Valley Regional Planning Agency, and organized under the laws of the State of Connecticut in accordance with General Statutes Sections 4-124i through 4-124p and Special Act No. 73-79 of the Connecticut General Assembly.

Valley Council of Governments is considered to be a legally separate organization under a joint venture agreement with the member municipalities. Valley Council of Governments has the right to enter into legal contracts and incur its own debt. Valley Council of Governments mission, as a regional council of governments, is to provide a centralized agency responsible for coordinating regional planning activities that benefit its members. Valley Council of Governments has the authority to apply for federal and state funds to further the activities and purpose of the agency.

Each member community appoints representatives to sit on the Valley Council of Governments Board of Directors. The Board is responsible for establishing and approving policies, resolutions and the annual budget. Member assessments are charged on a per capita basis and approved by the Board.

**NOTE 2 - BASIS OF ACCOUNTING AND DESCRIPTION OF ACCOUNTING SYSTEMS**

Valley Council of Governments policy is to prepare its Schedule of Burden, Fringe and Overhead (Indirect) Costs (the Schedule) on the basis of accounting practices prescribed by *Cost Principles for State, Local, and Indian Tribal Governments* (OMB Circular A-87). Accordingly, the Schedule is not intended to present the costs of the Valley Council of Governments in conformity with accounting principles generally accepted in the United States of America.

**NOTE 3 - BASIS OF PRESENTATION**

The Schedule presents indirect expenses and rate recalculation for the Valley Council of Governments for the year ended June 30, 2015.

Criteria used for determining allowable costs and the method of rate calculation are 2 CFR Part 225, *Cost Principles for State, Local, and Indian Tribal Governments* (OMB Circular A-87).