

**LOWER CONNECTICUT RIVER VALLEY  
COUNCIL OF GOVERNMENTS**

**AUDITED FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION AND  
FEDERAL AND STATE SINGLE AUDIT REPORT**

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

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS  
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FOR THE YEAR ENDED JUNE 30, 2015**

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## Independent Auditors' Report

Board of Directors of  
Lower Connecticut River Valley Council of Governments  
145 Dennison Road  
Essex, CT 06426

### **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 Lower Connecticut River 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 Lower Connecticut River Valley Council of Governments, as of June 30, 2015, and the respective changes in financial position 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 6–13 and 29-30 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 Lower Connecticut River Valley Council of Governments' basic financial statements. The combining and individual non-major fund 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 Schedule of Expenditures of Federal Awards 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 is also not a required part of the basic financial statements.

The combining and individual other fund financial statements, the Overhead Rate Calculation, the Financial Summary for the State of Connecticut Department of Transportation and the Schedule 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, combining and individual other fund financial statements, the Overhead Rate Calculation, the Financial Summary for the State of Connecticut Department of Transportation and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2015, on our consideration of the Lower Connecticut River 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 Lower Connecticut River Valley Council of Governments' internal control over financial reporting and compliance.

*Michaud Accavallo Woodbridge & Cusano, LLC*

Killingworth, Connecticut  
October 15, 2015

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

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

The RiverCOG ended its third fiscal year in excellent financial health. This report for the Fiscal Year 2015 Audit represents the overview of an agency after the final process of transition into a fully operational Council of Governments. The financial statements provide detailed information about the significant funds attributable to agency operations and workload. The Agency develops a budget to establish an appropriate per capita contribution from its member towns. The adopted budget is a best estimate at the time; however, program, projects, and cash flow will vary based on workload deadlines, pending grant applications, or funds receivable. Given the nature of the work within the agency, it is the RiverCOG policy to not amend our budget during the fiscal year.

After the untimely illness and unexpected death of RiverCOG's Executive Director, Linda Krause in June 2014. Jean Davies served as the agency's Acting Executive Director and Principal Planner. Efforts to find a new Executive Director proceeded and the RiverCOG Board hired Samuel Gold, the then Executive Director of the Council of Governments of the Central Naugatuck Valley (COGCNV) in Waterbury, CT. Mr. Gold finished out 2014 at COGCNV and started full time as RiverCOG Executive Director on January 1, 2015.

Special recognition should be given to the RiverCOG board who worked diligently to find a new Executive Director and for staff who calmly dealt with the tragic loss of Linda Krause and warmly welcomed Samuel Gold as director. During FY2015, the RiverCOG Executive Committee began meeting regularly prior to COG meetings and became an effective vehicle for the Executive Director and Chair to vet and set agency policies. Efforts were also made to hold meetings outside of the RiverCOG offices in Essex, including a legislative meeting at the State Capitol in February 2015.

### **FINANCIAL HIGHLIGHTS**

- The assets of RiverCOG exceeded its liabilities at the close of the most recent fiscal year by \$543,167 (net assets) of this amount, \$401,224 (unrestricted net assets) may be used to meet RiverCOG's ongoing obligations.
- RiverCOG's total net assets increased by \$117,004.
- As of the close of the current fiscal year, RiverCOG's governmental funds reported combined ending fund balances of \$501,734, an increase of \$131,298 in comparison with the prior year.

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

This discussion and analysis are intended to serve as an introduction to RiverCOG's basic financial statements. RiverCOG'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.

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

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

RiverCOG 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 assets 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. RiverCOG has no business-type activities. Rather than presenting government-wide financial statements along with separate governmental fund financial statements, RiverCOG has chosen to combine the two types of financial statements as permitted by GASB Statement No. 34. Accordingly, the accompanying financial statements of RiverCOG consist of the governmental funds balance sheet/statement of net assets 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 RiverCOG's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how RiverCOG's net assets 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 RiverCOG's governmental activities, which consists of regional planning. RiverCOG does not have any business-type activities.

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

The government-wide financial statements can be found on pages 15 and 16 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. RiverCOG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

### ***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 RiverCOG'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 RiverCOG'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.

RiverCOG maintains 12 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Department of Transportation, Household Hazardous Waste and Recycling, Domestic Preparedness, Regional Performance Incentive Program, Route 1 Corridor Study, COG Regional Plan, Middletown Brownsfield, all of which are considered to be major funds. Data from the three other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 15 and 16 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 17 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 29 of this report.

Combining schedules and other supplementary information can be found starting on page 32 of this report.

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

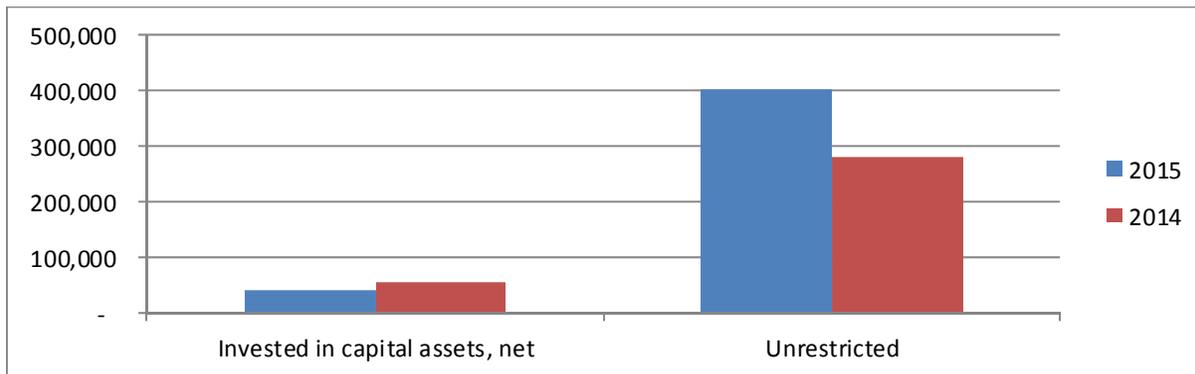
Over time, net position may serve as one measure of a government's financial position. Total net position of RiverCOG totaled \$543,167 and \$426,163, as previously reported, as of June 30, 2015 and 2014, respectively, and are summarized as follows:

	Gov't Wide	
	2015	2014
Current and other assets	\$ 978,642	\$ 905,219
Capital assets, net	42,439	62,440
Total assets	1,021,081	967,659
Liabilities	105,679	188,195
Deferred inflow of resources	371,229	346,588
Other liabilities	1,006	6,713
Total liabilities	477,914	541,496
Net position:		
Invested in capital assets, net	41,433	55,727
Unrestricted	401,223	279,930
Restricted	100,511	90,506
Total net position	\$ 543,167	\$ 426,163

As of June 30, 2015, 7.6% of RiverCOG's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. RiverCOG uses these capital assets to provide services to member towns; consequently, these assets are not available for future spending.

Of the remainder of RiverCOG's net assets, \$401,223 is unrestricted and may be used to meet RiverCOG's ongoing obligations. The remaining \$100,511 is restricted to specific fund use for the various projects ongoing.

Overall, net position increased by \$117,004 or 27% in comparison to the prior year. This increase is attributable to timing of revenue received for the various projects, less grants requiring matching contributions, and lower overhead costs.



**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

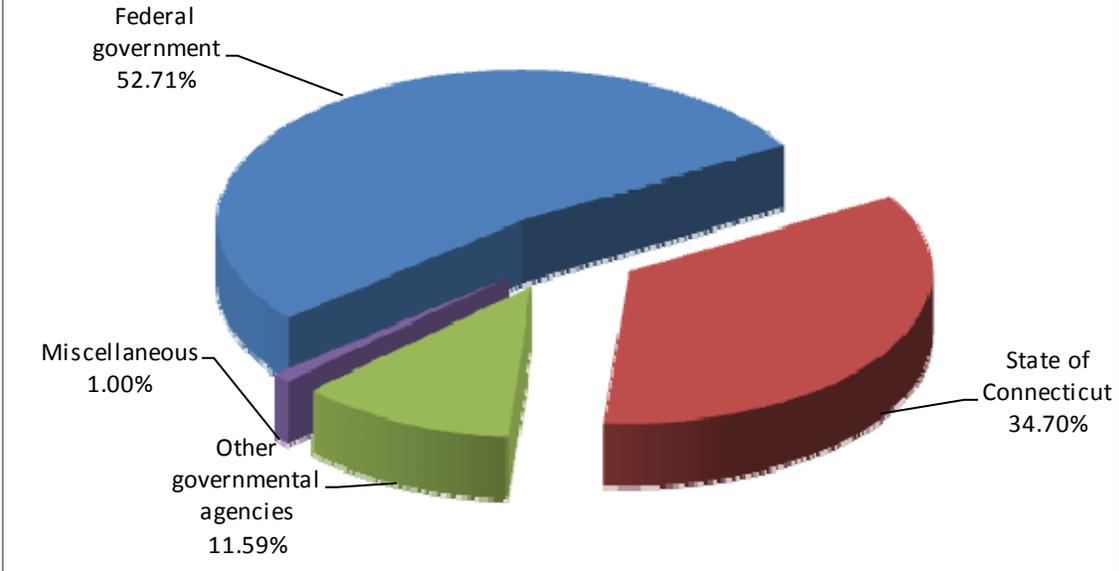
**Changes in Net Position**

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

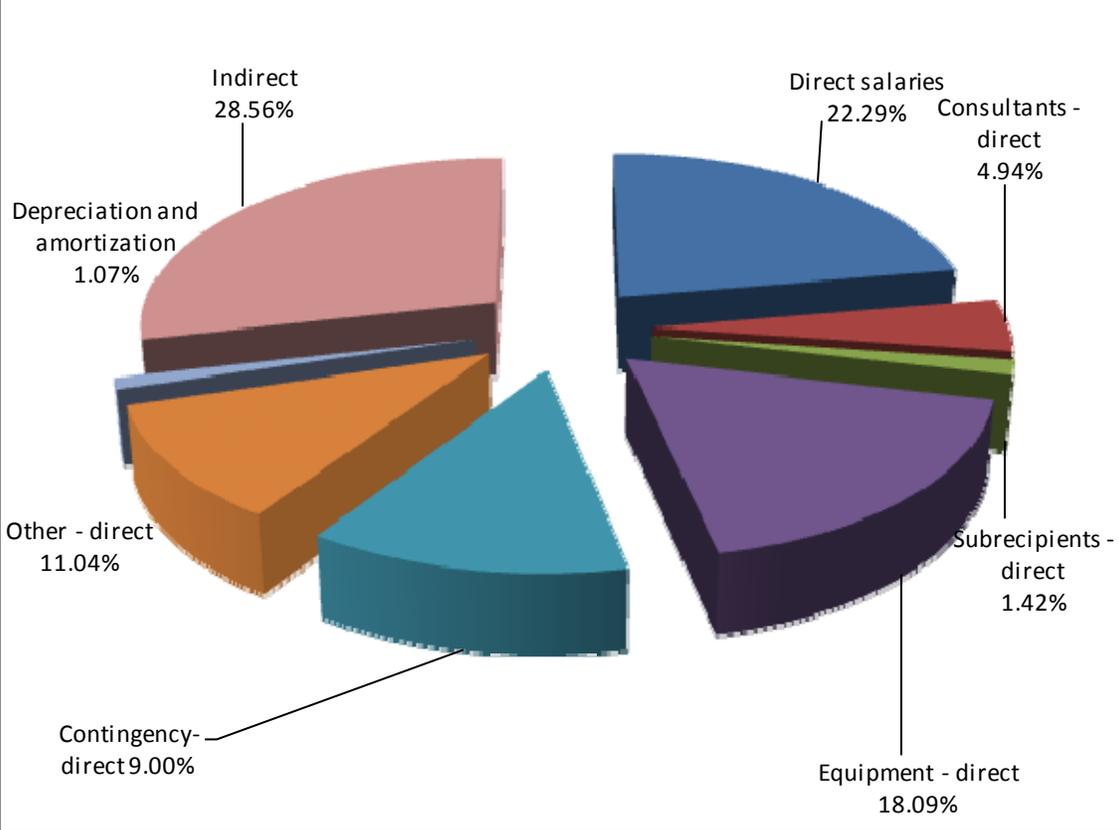
	Gov't Wide Activities	
	2015	2014
Revenues:		
Federal government	\$ 1,137,488	\$ 1,589,518
State of Connecticut	748,707	1,158,169
Other governmental agencies	250,193	249,579
Miscellaneous	21,488	16,933
Total revenues	2,157,876	3,014,199
Expenses:		
Direct salaries	454,981	441,665
Consultants - direct	100,746	261,487
Subrecipients - direct	28,979	361,398
Equipment - direct	328,574	761,961
Contingency - direct	256,776	281,739
Other - direct	228,527	279,605
Depreciation and amortization	21,868	24,946
Indirect	620,422	580,852
Total expenses	2,040,873	2,993,653
Increase (Decrease) in net position	117,003	20,546
Net position - beginning	426,163	405,617
Net position - end of year	\$ 543,166	\$ 426,163

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**2015 Revenues by Source - Governmental Activities**



**2015 Expenses - Governmental Activities**



**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

***Governmental Activities***

Governmental activities increased RiverCOG's net assets by \$117,004 thereby accounting for the entire increase of RiverCOG's net assets.

**FINANCIAL ANALYSIS OF RIVERCOG'S FUNDS**

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

**Governmental Funds**

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

As of the end of the current fiscal year, RiverCOG's governmental funds reported combined ending fund balances of \$501,734, an increase of \$131,298 in comparison with the prior year.

***General Fund***

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

***Other Major Funds***

The other major funds include the Department of Transportation, Household Hazardous Waste and Recycling, Domestic Preparedness, Regional Performance Incentive Program, COG Regional Plan, SGIA Regional Plan, and the Route 1 Corridor Study. These funds provide various transportation or other planning services to the Lower Connecticut River Valley Council of Governments region. These funds are operated on a cost-reimbursement basis, thus, there are no ending fund balances.

**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.

The budget was not amended during the year.

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CAPITAL ASSETS**

RiverCOG's investment in capital assets for its governmental activities as of June 30, 2015 totaled \$42,439 (net of accumulated depreciation). This investment in capital assets includes furniture and equipment. The total decrease in RiverCOG's investment in capital assets for the current fiscal year was \$20,001, or 26%. There were no major capital asset transactions during the current fiscal year. The decrease is primarily attributable to current year depreciation.

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

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Furniture and equipment	<u>42,439</u>	<u>62,440</u>
Totals	<u>\$ 42,439</u>	<u>\$ 62,440</u>

Additional information on RiverCOG's capital assets can be found in Note 3 on page 23 of this report.

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

RiverCOG 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 RiverCOG's financial position and program services.

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

During the current fiscal year, unassigned fund balance of the General Fund was \$401,223. RiverCOG has not appropriated any of this unassigned fund balance for spending in the 2016 fiscal year budget.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of RiverCOG's finances for all those with an interest in RiverCOG'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 Financial Manager or Executive Director at Lower Connecticut River Valley Council of Governments, 145 Dennison Road, Essex, CT 06426.

## **BASIC FINANCIAL STATEMENTS**

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

**Governmental Funds Balance Sheets**

	General Fund	Department of Transportation	Household Hazardous Waste and Recycling	Total Domestic Preparedness	Regional Performance Incentive Program	Route 1 Corridor Study	COG Regional Plan	SGIA Regional Planning	Non Major Gov't Funds	Total	Adjustments (Note 8)	Gov't-Wide Stmt of Net Position
<b>ASSETS</b>												
Cash and cash equivalents	\$ 825,574	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 825,574	\$ -	\$ 825,574
Receivables:												
Due from State of Connecticut	-	64,536	-	49,601	-	-	-	-	4,185	118,322	-	118,322
Due from other funds	-	-	100,511	7,500	57,223	227	119,318	187,188	-	471,967	(471,967)	-
other receivables	10,184	-	-	-	-	-	-	-	2,102	12,286	-	12,286
Security deposit	8,667	-	-	-	-	-	-	-	-	8,667	-	8,667
Capital assets, net of accumulated depreciation	-	-	-	-	-	-	-	-	-	-	42,439	42,439
Total current assets	<u>844,425</u>	<u>64,536</u>	<u>100,511</u>	<u>57,101</u>	<u>57,223</u>	<u>227</u>	<u>119,318</u>	<u>187,188</u>	<u>6,287</u>	<u>1,436,816</u>	<u>(429,528)</u>	<u>1,007,288</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>												
Prepaid expenses	13,793	-	-	-	-	-	-	-	-	13,793	-	13,793
Total deferred outflows of resources	<u>13,793</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,793</u>	<u>-</u>	<u>13,793</u>
Total assets	<u>\$ 858,218</u>	<u>\$ 64,536</u>	<u>\$ 100,511</u>	<u>\$ 57,101</u>	<u>\$ 57,223</u>	<u>\$ 227</u>	<u>\$ 119,318</u>	<u>\$ 187,188</u>	<u>\$ 6,287</u>	<u>\$ 1,450,609</u>	<u>\$ (429,528)</u>	<u>\$ 1,021,081</u>
<b>LIABILITIES</b>												
Current liabilities:												
Accounts payable	\$ 33,155	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,155	\$ -	\$ 33,155
Due to State of Connecticut	-	-	-	-	-	227	-	-	-	227	-	227
Accrued payroll & taxes	21,706	-	-	-	-	-	-	-	-	21,706	-	21,706
Accrued compensated absences	50,591	-	-	-	-	-	-	-	-	50,591	-	50,591
Non current liabilities												
Obligation under capital lease	-	-	-	-	-	-	-	-	-	-	1,006	1,006
Due to other funds	351,543	64,536	-	49,601	-	-	-	-	6,287	471,967	(471,967)	-
Total liabilities	<u>456,995</u>	<u>64,536</u>	<u>-</u>	<u>49,601</u>	<u>-</u>	<u>227</u>	<u>-</u>	<u>-</u>	<u>6,287</u>	<u>577,646</u>	<u>(470,961)</u>	<u>106,685</u>
<b>DEFERRED INFLOW OF RESOURCES</b>												
Deferred revenue	-	-	-	7,500	57,223	-	119,318	187,188	-	371,229	-	371,229
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,500</u>	<u>57,223</u>	<u>-</u>	<u>119,318</u>	<u>187,188</u>	<u>-</u>	<u>371,229</u>	<u>-</u>	<u>371,229</u>
<b>FUND BALANCES/NET ASSETS</b>												
Fund balances:												
Unrestricted	401,223	-	-	-	-	-	-	-	-	401,223	(401,223)	-
Restricted	-	-	100,511	-	-	-	-	-	-	100,511	(100,511)	-
Total fund balances	<u>401,223</u>	<u>-</u>	<u>100,511</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>501,734</u>	<u>(501,734)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 858,218</u>	<u>\$ 64,536</u>	<u>\$ 100,511</u>	<u>\$ 57,101</u>	<u>\$ 57,223</u>	<u>\$ 227</u>	<u>\$ 119,318</u>	<u>\$ 187,188</u>	<u>\$ 6,287</u>	<u>\$ 1,450,609</u>		
<b>NET POSITION</b>												
Invested in capital assets, net of related debt											41,433	41,433
Restricted											100,511	100,511
Unrestricted											401,223	401,223
											<u>\$ 543,167</u>	<u>\$ 543,167</u>

See notes to financial statements.

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

**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances**

	General Fund	Department of Transportation	Household Hazardous Waste and Recycling	Total Domestic Preparedness	Regional Performance Incentive Program	Route 1 Corridor Study	COG Regional Plan	SGIA Regional Plan	Non Major Gov't Funds	Total	Adjustment (Note 8)	Gov't Wide Stmt of Activities
<b>REVENUES</b>												
Federal government	\$ -	\$ 486,417	\$ -	\$ 643,525	\$ -	\$ -	\$ -	\$ -	\$ 7,546	\$ 1,137,488	\$ -	\$ 1,137,488
State of Connecticut	-	60,803	-	-	267,738	63,008	2,340	300,654	54,164	748,707	-	748,707
Other governmental agencies	84,006	60,803	77,949	-	-	7,005	-	-	20,430	250,193	-	250,193
Miscellaneous	1,166	-	-	-	-	-	-	-	20,322	21,488	-	21,488
Total revenues	<u>85,172</u>	<u>608,023</u>	<u>77,949</u>	<u>643,525</u>	<u>267,738</u>	<u>70,013</u>	<u>2,340</u>	<u>300,654</u>	<u>102,462</u>	<u>2,157,876</u>	<u>-</u>	<u>2,157,876</u>
<b>EXPENDITURES/EXPENSES</b>												
Current:												
Direct costs:												
Salaries	3,255	230,250	18,072	35,316	24,677	29	981	112,733	29,668	454,981	-	454,981
Consultants	-	-	-	5,820	-	69,926	-	25,000	-	100,746	-	100,746
Subrecipients	-	-	-	-	-	-	-	-	28,979	28,979	-	28,979
Equipment	9,286	-	-	319,288	-	-	-	-	-	328,574	-	328,574
Contingency	-	49,730	346	-	206,700	-	-	-	-	256,776	-	256,776
Other	3,515	10,229	24,580	178,256	2,298	18	4	7,314	2,313	228,527	-	228,527
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	21,868	21,868
Indirect	4,476	317,814	24,945	48,745	34,063	40	1,355	155,607	40,951	627,996	(7,574)	620,422
Total expenditures/expenses	<u>20,532</u>	<u>608,023</u>	<u>67,943</u>	<u>587,425</u>	<u>267,738</u>	<u>70,013</u>	<u>2,340</u>	<u>300,654</u>	<u>101,911</u>	<u>2,026,579</u>	<u>14,294</u>	<u>2,040,873</u>
Excess (deficiency) of revenues over expenditures	64,640	-	10,006	56,101	-	-	-	-	551	131,298	(14,294)	117,003
<b>OTHER FINANCING SOURCES (USES)</b>												
Transfers in	56,652	-	-	-	-	-	-	-	-	56,652	(56,652)	-
Transfers out	-	-	-	(56,101)	-	-	-	-	(551)	(56,652)	56,652	-
Total other financing sources (uses)	<u>56,652</u>	<u>-</u>	<u>-</u>	<u>(56,101)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(551)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses	121,292	-	10,006	-	-	-	-	-	-	131,298	(131,298)	-
Change in net assets	-	-	-	-	-	-	-	-	-	-	\$ 117,004	117,004
Fund balances/net assets - beginning of year	279,930	-	90,506	-	-	-	-	-	-	370,436	-	426,163
Fund balances/net assets - end of year	<u>\$ 401,222</u>	<u>\$ -</u>	<u>\$ 100,512</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 501,734</u>	<u>\$ -</u>	<u>\$ 543,167</u>

See notes to financial statements.

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

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

The Lower Connecticut River Valley Council of Governments ("RiverCOG") was established on July 16, 2012 by the merger of the Connecticut River Estuary and Midstate Regional Planning Agencies. The RiverCOG provides local planning, technical and administrative services to its seventeen member towns. These are the towns of Chester, Clinton, Cromwell, Deep River, Durham, East Haddam, East Hampton, Essex, Haddam, Killingworth, Lyme, Middlefield, Middletown, Old Lyme, Old Saybrook, Portland and Westbrook. Funding is received from local towns by per capita assessments and technical assistance contracts.

RiverCOG also receives federal financial assistance and funding from the State of Connecticut and other local agencies in the form of restricted and unrestricted grants and technical assistance contracts.

The accounting policies of the RiverCOG conform to accounting principles generally accepted in the United States of America, as applicable to governmental organizations. The following is a summary of significant accounting policies:

**BASIS OF PRESENTATION**

RiverCOG 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. RiverCOG has no business-type activities. Rather than presenting government-wide financial statements along with separate governmental funds financial statements, RiverCOG has chosen to combine the two types of financial statements as permitted by GASB Statement No. 34. Accordingly, the accompanying financial statements of RiverCOG 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**

Information presented in the government-wide statement of net assets column and in the government-wide statement of activities column of the accompanying financial statements includes all financial activities of RiverCOG. RiverCOG's activities are financed through member municipality assessments, inter-governmental revenues, and other non-exchange transactions.

Information presented in the government-wide statement of activities column demonstrates the degree to which RiverCOG's expenses are offset by revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. For RiverCOG's purposes, all revenues and expenses are related to a single program, regional planning.

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

**Fund Financial Statements**

Information presented in the fund financial statements columns provide information about RiverCOG's governmental funds. The emphasis of fund financial statements is on major governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

RiverCOG reports the following major governmental funds:

*General Fund* - This fund is RiverCOG's primary operating fund. It accounts for all financial resources of RiverCOG, except those accounted for and reported in another fund.

*Department of Transportation Fund* - This fund is used for regional transportation planning services.

*Household Hazardous Waste and Recycling Fund* - This fund is used to staff and operate a Permanent Household Hazardous Waste Facility for the Region.

*Domestic Preparedness Fund* - This fund is used to support staffing, reporting and record keeping for Emergency Management funding. It is also used for pass-through implementation of Emergency Management budgeting and funding for the 30 towns comprising DEMHS Region 2.

*Regional Performance Incentive Program Fund* - This fund is used for the development of a Regional GIS and Economic Development Plan.

*Route 1 Corridor Study Fund* - This fund is used to facilitate and oversee a pre-engineering/design study for the Boston Post Road Corridor in the towns of Old Saybrook, Clinton and Westbrook.

*COG Regional Plan Fund* - This fund is used to research and publish a Regional Plan of Conservation and Development.

*SGIA Regional Plan Fund* - This fund represents State Grant In Aid funding from the state of Connecticut to support various planning activities.

**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.

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

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 to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, RiverCOG 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 to be measurable and available only when the cash is received by RiverCOG. 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 and Cash Equivalents**

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less when purchased. Cash equivalents also include investments in the State Treasurer's Short-Term Investment Fund ("STIF") which totaled \$696,335 as of June 30, 2015.

**Investments**

In accordance with *GASB Statement No. 31, Accounting and Financial Reporting/or Certain Investments and for External Investment Pools*, RiverCOG presents all investments at fair value, except for money market investments which RiverCOG has elected to report at amortized cost.

The fair value of investments traded on public markets is determined using quoted market prices. RiverCOG invests in the STIF, which is an investment pool managed by the State Treasurer's Office. The fair value of RiverCOG's position in this pool is the same as the value of the pool shares.

**Capital Assets**

Capital assets, which are comprised of furniture and equipment, are reported in the government-wide financial statements. A capital asset is defined by RiverCOG as an asset with an initial individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Depreciation is computed over the estimated useful life of the asset, ranging from three to ten years, using the straight-line method and is added to accumulated depreciation each year. All depreciation is included as unallocated indirect cost.

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

**Unearned/Deferred Revenue**

In the government-wide and fund financial statements, this liability represents resources that have been received but not yet earned. In the fund financial statements, this liability also represents revenues considered measurable but not available during the current period.

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

**Compensated Absences**

All compensated absences are accrued when incurred in the government-wide statement of net assets. 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.

RiverCOG allows vacation time to be accrued to a maximum of 175 hours. RiverCOG's sick leave policy permits the accumulation of up to a maximum of 210 hours. Employees are not paid for unused sick days upon termination of employment, accordingly, sick pay is charged to expenditures when taken. No provision has been made in the financial statements for unused sick leave.

**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 futures 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 RiverCOG 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 investments in capital assets, restricted for debt service and special revenue funds. The balance is classified as unrestricted and restricted based on criteria above.

**Fund Balance**

Information presented in the government-wide statement of net assets column includes RiverCOG's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are 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. RiverCOG had \$1,006 in capital related debt as of June 30, 2015.

*Restricted net position* - This category consists of net assets 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. For the year ended June 30, 2015, RiverCOG had \$100,511 of restricted net assets.

*Unrestricted net position* - This category consists of net assets, which do not meet the definition of the two preceding categories. For the year ended June 30, 2015, unrestricted net position was \$401,223.

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

**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 AND INVESTMENTS**

**CASH DEPOSITS - CUSTODIAL CREDIT RISK**

Custodial credit risk is the risk that, in the event of a bank failure, RiverCOG 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. RiverCOG has a policy to invest all cash in such bank accounts where the funds will be insured by federal depository insurance and in Connecticut Short-Term Investment Fund, which is not insured by federal deposit insurance. RiverCOG is authorized to place funds in checking, savings, certificates of deposit, or money market accounts. Due to the timing of collections and payments, there may be times when cash balances at banks are in excess of the insurance limits. Management monitors the balance to keep risk at an acceptable level. As of June 30, 2015, RiverCOG's bank balance of \$167,703 was fully insured against loss.

All of the RiverCOG'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.

RiverCOG's cash and cash equivalents as of June 30, 2015 consisted of cash deposits of \$129,239 and investments in STIF totaling \$696,335. Although investments in STIF are included in cash and cash equivalents in the accompanying financial statements, such amounts are considered investments for purposes of disclosure under GASB No. 40 and are included in the investment disclosures that follow.

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

**INVESTMENTS**

As of June 30, 2015, RiverCOG’s investments consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More Than 10</u>
<b>Debt Securities:</b>					
Short Term Investment Fund (STIF)	<u>\$ 696,335</u>	<u>\$ 696,335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Because STIF has a weighted average maturity of less than 90 days, it is considered an investment with a maturity of less than one year.

The investment in equity mutual funds is maintained in the Pension Trust Fund in the statement of fiduciary net assets.

**Interest Rate Risk**

RiverCOG does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

RiverCOG has no investment policy that would further limit its investment choices beyond those limited by Connecticut state statutes. Connecticut state statutes permit RiverCOG 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.

As of June 30, 2015, RiverCOG’s investments in STIF were rated AAA by Standard & Poor’s.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of counterparty, RiverCOG will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. RiverCOG does not have a policy for custodial credit risk. In accordance with GASB No. 40, RiverCOG’s investments in STIF do not require custodial credit risk disclosures because investments in STIF are not evidenced by securities that exist in physical or book entry form.

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

**NOTE 3 - CAPITAL ASSETS**

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

	<u>Beginning</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 & Equipment	\$ 142,116	\$ 1,867	\$ (1,402)	\$ 142,581
Less accumulated depreciation and amortization for:				
Furniture & Equipment	<u>(79,676)</u>	<u>(21,868)</u>	<u>1,402</u>	<u>(100,142)</u>
Total capital assets, being depreciated, net	<u>62,440</u>	<u>(20,001)</u>	<u>-</u>	<u>42,439</u>
Governmental activities capital assets, net	<u>\$ 62,440</u>	<u>\$ (20,001)</u>	<u>\$ -</u>	<u>\$ 42,439</u>

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

General government activities	<u>\$ 21,868</u>
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**NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivable and payable balances at June 30, 2015 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Governmental Funds</b>		
SGIA Regional Plan	General Fund	\$ 187,188
COG Regional Plan	General Fund	119,318
Household Hazardous Waste & Recycling	General Fund	100,511
Regional Performance Incentive Program	General Fund	57,223
Domestic Preparedness	General Fund	7,500
Route 1 Corridor Study	General Fund	<u>227</u>
Total due from/to other funds		<u>\$ 471,967</u>

The above balances resulted from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

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

**NOTE 5 - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2015 consisted of the following:

<b>Transfers In</b>	<b>Transfers Out</b>	<b>Amount</b>
<b>Governmental Funds</b>		
General Fund	Domestic Preparedness	\$ 56,101
General Fund	Connecticut River Gateway Commission	<u>551</u>
		<u>\$ 56,652</u>

**NOTE 6 - CAPITAL LEASE**

RiverCOG has a leased copier that has been capitalized. The following is a summary of changes in the obligation under capital lease for the period:

Beginning balance - 06/30/2014	\$ 6,713
Payment made	<u>5,707</u>
Ending balance - 06/30/2015	<u>\$ 1,006</u>

The leased equipment included in RiverCOG's capital assets and consists of the following:

Copier	\$ 24,105
Accumulated depreciation	<u>21,696</u>
Net book value	<u>\$ 2,409</u>

Amortization of this equipment is included with depreciation expense and totaled \$4,821 for the year ended June 30, 2015. Future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2015 are as follows:

<b>Year Ending June 30,</b>	
2016	\$ <u>1,018</u>
Total payments	1,018
Amount representing interest	<u>(12)</u>
Present value of minimum lease payments	<u>\$ 1,006</u>

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

**NOTE 7 - 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	\$ 44,724	\$ 44,821	\$ 38,954	\$ 50,591	\$ 50,591

**NOTE 8 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND FINANCIAL STATEMENTS AND THE GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS**

Adjustments to convert from the governmental funds balance sheet to the government-wide statement of net assets consisted of the following as of June 30, 2015:

Capital assets, net used in governmental activities                   \$       41,433

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Furniture & equipment	\$       142,581
Less: accumulated depreciation and amortization	<u>(100,142)</u>
	<u>\$       42,439</u>

Long-term liabilities applicable to RiverCOG's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of net assets. RiverCOG's long-term liability consists of compensated absences.

**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	\$       21,868
Capital expenditure/lease	<u>(7,574)</u>
	<u>\$       14,294</u>

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

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.

Repayments on long-term liabilities consume the current financial resources of governmental funds whereas such repayments serve to reduce the long-term liability balance of governmental activities. Therefore, an adjustment is made to account for the difference in how repayments made during the current year are treated.

**NOTE 9 - PENSION PLAN**

Investments of the RiverCOG's retirement plans are managed by the plan trustees under one of various pools of investment options offered by International City Manager Association Retirement Corporation (ICMA). All pension costs are fully funded each year. The plans have been adopted under the authority of the RiverCOG Board of Directors and may be amended in the future.

The RiverCOG maintains a Section 401 retirement plan, which covers all full time employees with over one year of service. The plan calls for the employer to contribute six percent of each participant's earnings for the plan year. Total payroll expense for the year ended June 30, 2015 was \$696,474, of which \$635,914 was covered by the plan. The total contribution made by RiverCOG was \$32,526.

At June 30, 2015, the participants had a balance of \$419,986 in ICMA pool plans for the 401 plan.

RiverCOG also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full time RiverCOG employees, permits them to defer a portion of their salary until future years.

Deferrals of \$44,210 were made during the year. Participation in the plan is optional and participants elect how their salary deferrals are invested. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

At June 30, 2015, the participants had a balance of \$475,575 in ICMA pool plans for the 457 plan.

Funds in these accounts are invested in mutual funds whose value is subject to market fluctuations.

**NOTE 10 - 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 RiverCOG's financial position and program services.

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

**NOTE 11 - RISK MANAGEMENT**

RiverCOG 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 12 - OPERATING LEASE COMMITMENT**

RiverCOG leases its premises from an unrelated party. The lease runs from August 1, 2012 through July 31, 2017 and calls for a total rent for the five-year period of \$268,424. The rent is payable in monthly installments of \$4,333 for the first two years, \$4,507 for the next two years and \$4,688 for the final year. Minimum annual payments are as follows:

<u>For the year ending June 30,</u>	
2016	\$ 54,080
2017	56,079
2018	<u>4,688</u>
	<u>\$ 114,847</u>

**NOTE 13 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through October 15, 2015, the date of the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS  
BUDGETARY COMPARISON SCHEDULE  
GENERAL AND SPECIAL REVENUE FUNDS  
YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>REVENUES</b>				
Town Dues	\$ 146,953	\$ 146,953	\$ 146,953	\$ -
General Fund	5,000	5,000	19,452	14,452
Recycling & HHW Operations	-	-	77,949	77,949
Connecticut River Gateway Commission	20,000	20,000	19,877	(123)
Departement of Transportation	665,600	665,600	547,220	(118,380)
Regional Performance Incentive Program	406,000	406,000	267,738	(138,262)
Total Domestic Preparedness	65,000	65,000	643,525	578,525
Hazard Mitigation Planning	-	-	7,546	7,546
Middletown Brownsfield	-	-	28,979	28,979
Department Agriculture	-	-	25,630	25,630
SGIA Reginal Plan	250,000	250,000	300,654	50,654
Route 1 Corridor Study	100,000	100,000	70,013	(29,987)
COG Regional Planning	125,000	125,000	2,340	(122,660)
Total revenues	<u>1,783,553</u>	<u>1,783,553</u>	<u>2,157,876</u>	<u>374,323</u>
<b>EXPENDITURES</b>				
Current:				
Salaries	680,000	680,000	696,474	16,474
Payroll taxes	54,400	54,400	57,008	2,608
Employee benefits	200,800	200,800	186,366	(14,434)
Transportation Planning	178,560	178,560	60,422	(118,138)
Route 1 Study	85,000	85,000	69,944	(15,056)
Recycling & HHW expenses	-	-	25,005	25,005
RPIP expense	276,000	276,000	208,857	(67,143)
Middletown Brownsfield	-	-	28,979	28,979
COG Regional Plan	90,000	90,000	-	(90,000)
Domestic Preparedness	-	-	503,197	503,197
SGIA Regional Plan	-	-	32,258	32,258
Other direct project cost	5,000	5,000	2,159	(2,841)
Maintenance & improvements	600	600	180	(420)
Consultants	-	-	5,475	5,475
Dues, books & subscriptions	8,000	8,000	2,522	(5,478)
Equipment rental & maintainance contracts	8,000	8,000	14,669	6,669
Insurance	15,000	15,000	11,235	(3,765)
Interest exp	450	450	404	(46)
Office rent	53,907	53,907	53,907	-
Pension administration	1,000	1,000	1,000	-
Postage	2,500	2,500	940	(1,560)
Audit & legal	30,000	30,000	12,595	(17,405)
Reproduction & printing	5,000	5,000	2,568	(2,432)
Small equipent, software	6,000	6,000	12,610	6,610
Staff expense	2,500	2,500	3,001	501
Supplies	4,000	4,000	4,016	16
Technical consultants	3,000	3,000	10,137	7,137
Travel	1,500	1,500	2,525	1,025
Utilities	18,000	18,000	18,125	125
Contingency	54,336	54,336	-	(54,336)
Total expenditures	<u>1,783,553</u>	<u>1,783,553</u>	<u>2,026,578</u>	<u>243,025</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>131,298</u>	<u>\$ 131,298</u>
Fund balances - beginning			<u>370,436</u>	
Fund balances - ending			<u>\$ 501,734</u>	

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

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2015**

**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. Because of RiverCOG's dependency on federal, state and local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding.

RiverCOG 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.

The RiverCOG has not amended its originally adopted budget. Excess expenditures do not represent a violation of any regulatory or statutory provisions.

**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):

Domestic Preparedness	\$ 503,197
SGIA Regional Plan	\$ 32,258
Middletown Brownsfield	\$ 28,979
Recycling & HHW expenses	\$ 25,005
Salaries	\$ 16,474
Technical consultants	\$ 7,137
Equipment rental & maintainance contracts	\$ 6,669
Small equipent, software	\$ 6,610
Consultants	\$ 5,475
Payroll taxes	\$ 2,608
Travel	\$ 1,025
Other	\$ 642

The majority of over expenditure in the expense categories listed above were directly related to the overall increase of grants received over budgeted amounts. These excess expenditures were funded temporarily using available funds. Salary related, equipment and consultant expenditures exceeded budgeted amounts mainly due to the hiring of a new Executive Director and computer replacements. The excess expenditures do not represent a violation of any regulatory or statutory provisions.

## **Other Supplementary Information**

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Connecticut River Gateway Commission</b>	<b>Middletown Brownsfield</b>	<b>Natural Hazards Mitigation</b>	<b>Dept Agriculture</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid expenses	-	-	-	-	-
Receivables:					
Due from State of Connecticut	-	-	-	4,185	4,185
Due from other funds	-	-	-	-	-
Other receivables	2,102	-	-	-	2,102
Security deposit	-	-	-	-	-
Capital assets, net of accumulated depreciation	-	-	-	-	-
<b>Total assets</b>	<b>\$ 2,102</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,185</b>	<b>\$ 6,287</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll & taxes	-	-	-	-	-
Accrued compensated absences	-	-	-	-	-
Non current liabilities					
Obligation under capital lease	-	-	-	-	-
Due to other funds	2,102	-	-	4,185	6,287
<b>Total liabilities</b>	<b>2,102</b>	<b>-</b>	<b>-</b>	<b>4,185</b>	<b>6,287</b>
<b>DEFERRED INFLOW OF RESOURCES</b>					
Deferred revenue	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES/NET ASSETS</b>					
Fund balances:					
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,102</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,185</b>	<b>\$ 6,287</b>

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015**

	Connecticut				
	River		Natural	Dept	
	Gateway	Middletown	Hazards	Agriculture	Total
<b>REVENUES</b>	<b>Commission</b>	<b>Brownsfield</b>	<b>Mitigation</b>		
Federal government	\$ -	\$ -	\$ 7,546	\$ -	\$ 7,546
State of Connecticut	-	28,979	-	25,185	54,164
Other governmental agencies	-	-	10,801	9,629	20,430
Miscellaneous	19,877	-	-	445	20,322
Total revenues	<u>19,877</u>	<u>28,979</u>	<u>18,347</u>	<u>35,259</u>	<u>102,462</u>
<b>EXPENDITURES/EXPENSES</b>					
Current:					
Direct costs:					
Salaries	7,923	-	7,635	14,110	29,668
Consultants	-	-	-	-	-
Subrecipients	-	28,979	-	-	28,979
Equipment	-	-	-	-	-
Contingency	-	-	-	-	-
Other	900	-	587	826	2,313
Depreciation and amortization	-	-	-	-	-
Indirect	10,503	-	10,125	20,323	40,951
Total expenditures/expenses	<u>19,326</u>	<u>28,979</u>	<u>18,347</u>	<u>35,259</u>	<u>101,911</u>
Excess (deficiency) of revenues over expenditures	551	-	-	-	551
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	(551)	-	-	-	(551)
Total other financing sources (uses)	<u>(551)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(551)</u>
Excess of revenues and other financing sources over expenditures and other financing uses					
Change in net assets	-	-	-	-	-
Fund balances/net assets - beginning of year	-	-	-	-	-
Fund balances/net assets - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

<b>Federal Grantor:</b>	Department of Transportation
<b>Pass-Through Grantor:</b>	Connecticut Department of Transportation
<b>Federal CFDA Number:</b>	20.205
<b>Program Title:</b>	Highway Planning and Construction
<b>CORE ID No.</b>	13 DOT0001AB
<b>Transportation Agreement No.</b>	1.31-0 5(13)
<b>State Project No.</b>	DOT07159996PL
<b>Federal Project No</b>	UR13(001)

I.	Maximum Funds Authorized:	
	FHWA	\$ 411,946
	ConnDOT - FHWA	51,494
	FTA	74,471
	ConnDOT - FTA	9,309
	Local	<u>60,803</u>
		<u>\$ 608,023</u>
II.	Authorized Expenditures	
	Direct costs:	
	Salaries	\$ 230,250
	Other	78,448
	Indirect costs:	<u>317,814</u>
		<u>\$ 626,512</u>
III.	Distribution of Audited Costs	
	Federal	\$ 486,417
	State	60,803
	Local	<u>60,803</u>
		<u>\$ 608,023</u>
IV.	ConnDOT responsibility:	
	Allowable costs	\$ 547,220
	Payments received to June 30, 2015	(482,684)
	Payments received after June 30, 2015	<u>(64,536)</u>
	Due to Connecticut DOT, June 30, 2015	<u>\$ -</u>

## **Federal Single Audit**



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Dominic L. Cusano MBA CPA  
Darin L. Offerdahl MBA CPA

**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**

To the Board of Directors of the  
Lower Connecticut River 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 Lower Connecticut River Valley Council of Governments, ("RiverCOG") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Council of Governments basic financial statements and have issued our report thereon dated October 15, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the RiverCOG'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 RiverCOG'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 RiverCOG'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 Council'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  
October 15, 2015



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors of the  
Lower Connecticut River Valley Council of Governments

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

We have audited Lower Connecticut River Valley Council of Governments ("RiverCOG") 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 RiverCOG's major federal programs for the year ended June 30, 2015. RiverCOG'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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of RiverCOG'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 RiverCOG'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 RiverCOG's compliance.

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

In our opinion, Lower Connecticut River 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 RiverCOG 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 RiverCOG'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 RiverCOG'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.

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lower Connecticut River 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 Lower Connecticut River Valley Council of Governments basic financial statements. We issued our report thereon dated October 15, 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  
October 15, 2015

**LOWER CONNECTICUT RIVER 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 Homeland Security:			
Passed through the State of Connecticut Department of Emergency Management & Homeland Security:			
Homeland Security Regional Collaboration Program	97.067	010 ACNVA	\$ 643,525
Pre Disaster Mitigation Competitive Grant	97.017		<u>7,546</u>
Total Regional Collaboration Grant Program			651,071
Total Department of Homeland Security			651,071
Department of Transportation:			
Passed through the State of Connecticut Department of Transportation:			
Highway Planning and Construction (FHWA)	20.205	2.16-09(10)	<u>486,417</u>
Total Department of Transportation			<u>486,417</u>
			<u>Total expenditures of federal awards \$ 1,137,488</u>

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

**LOWER CONNECTICUT RIVER 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 Lower Connecticut River 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.

**LOWER CONNECTICUT RIVER 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   X   No
- Significant Deficiencies identified? \_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_ Yes   X   No

Federal Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? \_\_\_ Yes   X   No
- Significant deficiencies identified? \_\_\_ Yes   X   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   X   No

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

<u>CFDA Number</u>	<u>Name of Federal Program</u>	<u>Expenditures</u>
97.067	Homeland Security Regional Collaboration Program	\$643,526
20.205	Highway Planning and Construction (FHWA)	486,417

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

Auditee qualified as low-risk auditee? \_\_\_ Yes   X   No

**SECTION II.-FINANCIAL STATEMENTS FINDINGS**

No maters were reported.

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

No maters were reported.

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

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

## **State Single Audit**



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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONNECTICUT STATE SINGLE AUDIT ACT, AND ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

To the Board of Directors of the  
Lower Connecticut River Valley Council of Governments

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

We have audited the Lower Connecticut River Valley Council of Governments ("RiverCOG") 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 RiverCOG's major state programs for the year ended June 30, 2015. The RiverCOG'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 RiverCOG'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 RiverCOG'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 RiverCOG's compliance.

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

In our opinion, the Lower Connecticut River 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 RiverCOG 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 RiverCOG'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 our 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 RiverCOG'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.

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 Lower Connecticut River Valley Council of Governments as of and for the year ended June 30, 2015 and have issued our report thereon dated October 15, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

*Michaud Accavallo Woodbridge & Cusano, LLC*

Killingworth, Connecticut  
October 15, 2015

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

State Grantor/Pass-through Grantor/Program Title	State Grant Program Core - CT Number	Expenditures
Office of Policy and Management		
Regional Performance Incentive Program Grant	12060-OPM26000-35457	\$ 267,738
SGIA Regional Planning	12060-OPM26000-35457	300,654
Regional Plan of Conservation and Development	12060-OPM26000-35457	<u>2,340</u>
Total Office of Policy and Management		570,732
Department of Transportation		
Regional Transportation Planning Agreement #2.10-01(12)	13DOT0001AB	60,803
Boston Post Road Corridor Plan	12DOT0190AA	<u>63,008</u>
Total Department of Transportation		123,811
Department of Economic and Community Development		
Special Contaminated Property Remediation and Insurance Fund	12058-ECD46000-40564-090	<u>28,979</u>
Total Department of Economic and Community Development		<u>28,979</u>
Total expenditures of state financial assistance		<u>\$ 723,522</u>

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

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

The accounting policies of the RiverCOG 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.

**LOWER CONNECTICUT RIVER 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:

<u>State Grantor and Program State</u>	<u>Core-CT Number</u>	<u>Expenditures</u>
Regional Performance Incentive Program Grant	12060-OPM26000-35457	\$ 267,738
SGIA Regional Planning	12060-OPM26000-35457	\$ 300,654

Dollar threshold used to distinguish between type A and type B programs: \$200,000

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS  
SCHEDULE OF 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.**



Guiding Successful People

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Darin L. Offerdahl MBA CPA

## Independent Auditors' Report

Board of Directors of  
Lower Connecticut River Valley Council of Governments  
Essex, CT 06426

We have audited the schedule of indirect costs of the Lower Connecticut River Valley Council of Governments for the year ended June 30, 2015. This schedule is the responsibility of the Lower Connecticut River 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 Lower Connecticut River 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 19, 2014 on our consideration of the Lower Connecticut River 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 Lower Connecticut River 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 19, 2014

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

**INDIRECT COSTS**

Salaries	\$ 241,492
Payroll taxes	57,008
Audit/legal	12,595
Consultants	5,475
Dues, books and subscriptions	1,721
Service contract/fees	7,095
Insurance	166,075
Miscellaneous expense	1,013
Office rent	53,907
Employee benefits	32,526
Office expense	14,704
Repairs & maintenance	180
Interest expense	404
I.T. service/license contracts	13,461
Travel	2,365
Utilities	17,975
Total indirect costs	<u>\$ 627,996</u>
<b>TOTAL PAYROLL</b>	<b>\$ 696,474</b>
LESS: Indirect payroll	<u>241,492</u>
Payroll base	<u><u>\$ 454,982</u></u>
Overhead rate	<u><u>138.03%</u></u>

See notes to financial statements.

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS  
NOTES TO SCHEDULE OF INDIRECT COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 1 - DESCRIPTION OF ENTITY**

Lower Connecticut River Valley Council of Governments was established on July 16, 2012, by the merger of the Connecticut River Estuary and Midstate Regional Planning Agencies, 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.

Lower Connecticut River Valley Council of Governments is considered to be a legally separate organization under a joint venture agreement with the member municipalities. Lower Connecticut River Valley Council of Governments has the right to enter into legal contracts and incur its own debt. Lower Connecticut River 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. Lower Connecticut River 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 Lower Connecticut River 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**

Lower Connecticut River Valley Council of Governments policy is to prepare its schedule of 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 Lower Connecticut River 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 Lower Connecticut River 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).