

QUAKER VALLEY COUNCIL OF GOVERNMENTS

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

December 31, 2015

THIS PAGE IS INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor's Report.....	4
Management's Discussion and Analysis.....	7
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	17
Reconciliation of Governmental Fund Balances to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities	20
Notes to Basic Financial Statements	21
Other Supplemental Information	
Other Reports of Independent Certified Public Accountants	35
Schedule of Findings and Responses	38
Summary Schedule of Prior Audit Findings	39



CASE | SABATINI

PROFESSIONAL ACCOUNTING,
CONSULTING & BUSINESS
ADVISORY SERVICES

May 5, 2016

The Executive Board
Quaker Valley Council of Governments
Pittsburgh, Pennsylvania

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

P.O. BOX 10885
WHITEHALL TOWERS
470 STREETS' RUN ROAD
PITTSBURGH, PA 15236-2023

TELEPHONE: (412) 881-4411
FAX: (412) 881-4421
WEB: WWW.CASESABATINI.COM

We have audited the accompanying financial statements of the governmental activities and each major fund of the Quaker Valley Council of Governments, (the "Council"), as of and for the year then ended December 31, 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

The Council's 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 of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the basic 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 principles 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 reasonable basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Council as of December 31, 2015, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a required 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquires, 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 evidence sufficient to express an opinion or provide any assurance.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report, dated May 5, 2016, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion

on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Certified Public Accountants
Pittsburgh, PA

CASE | SABATINI ▶ P.O. BOX 10885 ▶ WHITEHALL TOWERS ▶ 470 STREETS RUN ROAD ▶ PITTSBURGH, PA 15236-2023
TELEPHONE: (412) 881-4411 ▶ FAX: (412) 881-4421 ▶ WEB: WWW.CASESABATINI.COM

PITTSBURGH ▶ WEXFORD ▶ GREENSBURG

Members of the American and Pennsylvania Institute of Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Quaker Valley Council of Governments (the "Council"), we offer readers of the Council's financial statements this narrative overview and analysis of the financial activities of the Council for the fiscal year ended December 31, 2015.

Financial Highlights

- The Council continues to administer federal funding for development projects within its member's communities. Expenditures for these projects during 2015 were approximately \$100,000 funded by federal Community Development Block Grants¹ and local matching contributions.
- The Council's unrestricted net position as of December 31, 2015 was approximately \$148,000
- The Council terminated their Executive Director during the year ended 2015. The Council is actively searching for a new executive director.

¹ The majority of federally funded projects were contracted through Allegheny County DOED.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net position* provides information showing how the Council's assets have changed during the current year. It reports the availability of assets for future use and is an important management tool in financial planning. The statement distinguishes those assets used exclusively with regards to government operation versus those assets committed to the business operation of government.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as accrued payroll and intergovernmental receivables.

Both of the government-wide financial statements distinguish functions of the Council that are principally supported by membership dues and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a

significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Council include general government, public works, recycling, and the annual dinner.

The government-wide financial statements can be found on pages 15-16 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. The Council, like other state and local governmental units, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Council can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. This fund grouping is used to account for essentially the same functions reported as government 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 a government'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 the government's near-term financing decisions. Immediately after both the governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures, and changes in fund balances, a statement provides a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Council maintains two 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 balance for the General Fund and the Community Development Block Grant Fund (CDBG) are considered to be major funds.

The basic governmental funds financial statements can be found on pages 17-20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-35 of this report.

Government-wide Financial Analysis

Analysis of Net Position

Net position is a useful indicator of a government's financial position. For the Council, total assets exceeded liabilities by \$147,803 at December 31, 2015 and \$169,253 at December 31, 2014.

Quaker Valley Council of Governments' Statement of Net Position

The following is a summary of the Council's Statement of Net Position as of December 31, 2015 and 2014:

	Governmental Activities	
	2014	2015
<i>Assets:</i>		
Current and	\$ 442,951	\$ 203,373
Other Assets		
Capital Assets	<u>1,170</u>	<u>910</u>
	444,121	204,283
<i>Liabilities:</i>		
Current Liabilities	<u>274,868</u>	<u>56,480</u>
	274,868	56,480
<i>Net Position:</i>		
Invested in Capital Assets,		
Net of related debt	1,170	910
Unrestricted	<u>168,083</u>	<u>146,893</u>
	<u>\$ 169,253</u>	<u>\$ 147,803</u>

The Council continues to maintain significant balances of net position. Unrestricted net position in the governmental activities represent assets available to fund general activities of the Council. The Council is well positioned to fulfill its mission without incurring significant liabilities.

Changes in Net Position

The Council's net position decreased by \$(21,450) for the year ended December 31, 2015 and decreased by \$(38,544) for the year ended December 31, 2014. The Council expends community development block grant funds on behalf of member governments. The Council is subcontracted by the grantee, the Allegheny County Department of Economic Development, to administer the programs. HUD is the grantor for all CDBG funds. When the amounts expended for member governments

projects are removed from revenue, the remainder is derived of 11% from fees and charges, 25% from membership dues, 10% from the RAD Tax contributions, 53% from grant administration, and 1% from other sources.

Quaker Valley Council of Governments' Statement of Activities

The following summarizes the Council's Statement of Activities for the years ended December 31, 2015 and 2014.

	Governmental Activities	
	<u>2014</u>	<u>2015</u>
<i>Program Revenues:</i>		
Charges for Services	\$ 15,001	\$ 10,092
Operating Grants and Contributions	35,812	47,598
Capital Grants and Contributions	612,803	100,564
<i>General Revenues:</i>		
Membership Dues	22,550	22,550
RAD Tax	11,553	8,842
Investment Income	97	35
Miscellaneous Income	<u>181</u>	<u>238</u>
Total Revenues	697,997	189,919
<i>Program Expenses:</i>		
General Government	73,704	54,252
Public Works	648,615	148,162
Recycling	9,415	8,955
Annual Dinner	<u>4,807</u>	<u>-</u>
Total Expenses	736,541	211,369
Excess/(Deficiency) Before Other Items	(38,544)	(21,450)
Loss of Disposal Transfers	<u>-</u>	<u>-</u>
Change in Net Position	(38,544)	(21,450)
Net Position – Beginning	<u>207,797</u>	<u>169,253</u>
Net Position – Ending	<u>\$ 169,253</u>	<u>\$ 147,803</u>

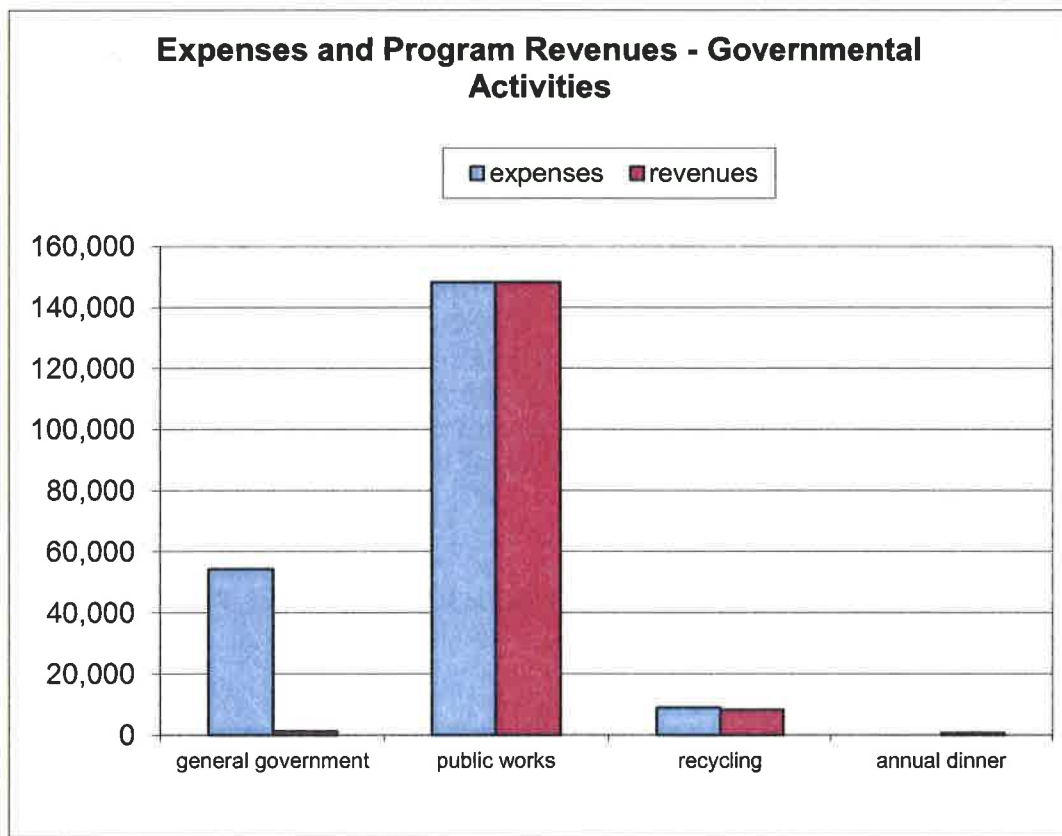
The Council's expenses cover a range of services, the largest being development projects within its members' jurisdictions.

Analysis of Changes in Net Position

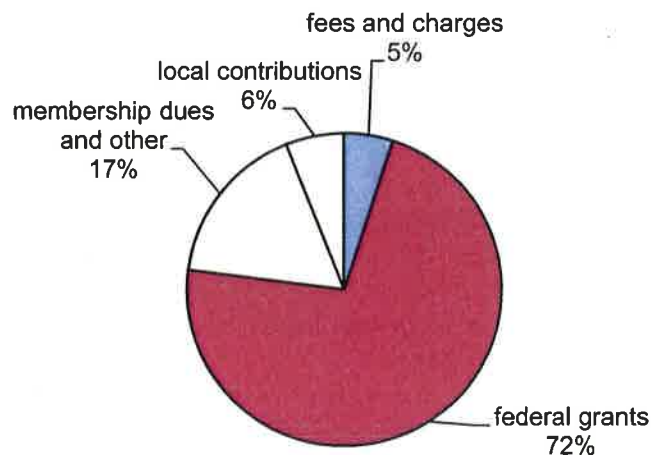
The Council's net position decreased by \$(21,450) for the year ended December 31, 2015 and increased by \$(38,544) for the year ended December 31, 2014. This decrease is explained in the governmental and business-type discussion below.

Governmental Activities

Governmental Activities decreased the Council's net position by \$(21,450) for the year ended December 31, 2015. The following chart shows the extent to which each function of the Council is self-financing. The Council also raises general revenues in the form of membership dues which are help to cover the difference between the revenues and expenses disclosed below.



Revenues by Source - Government Activities



The Council maintains a substantial fund balance in the Savings account. Transfers from the savings account to the Checking account are made each year to compensate for the shortfall in revenues received by the Council and to balance the budget. The main sources of revenue for the Council are CDBG and Allegheny County General Funds for administration and dues and RAD monies collected from member municipalities. The membership dues that municipalities pay to the Council have not been increased in over twenty one years. Council members will have to take a serious look at a dues increase in the future, especially if less funds administration are from CDBG and Allegheny County.

Financial Analysis of the Council's Individual Funds

Governmental Funds

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

At December 31, 2015, the Council's Governmental Funds reported a combined ending fund balance of \$125,486, an increase of \$163,987 in comparison to the previous year.

The General Fund reported an ending fund balance of \$146,893, a decrease of \$(21,190) from the previous year. This decrease was explained in the discussion above for governmental activities

The CDBG Fund reported an ending fund balance of \$(21,407), an increase of \$185,177 from the previous year. This increase occurred because amounts accrued for CDBG admin revenue in the previous year were not received until the current period when they would be considered available for current period expenditures.

Quaker Valley Council of Governments' Capital Assets (net of depreciation)

What follows is a summary of the Council's capital assets as of December 31, 2015 and 2014.

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2015</u>
Machinery and Equipment	\$ 1,170	\$ 910
	<u>-</u>	<u>-</u>
Total	<u>\$ 1,170</u>	<u>\$ 910</u>

Additional information on the Council's capital assets can be found in Note E on pages 33-34 of this report.

Economic Factors

The Council has a mixture of affluent municipalities that have no trouble collecting an adequate level of revenues that are sufficient to offset expenditures and other members that struggle to collect the necessary revenues to offset expenditures. CDBG funds are allocated to municipalities with no requirement of a local match if possible, especially for those with revenue problems.

Requests for Information

This financial report is designed to provide a general overview of the Council's finances for all those with an interest in the government's finances. Additional information about the Council can be obtained on its website, www.qvcog.net. Questions concerning any of the information provided in this report or requests for additional financial information can be sent to the Council via its website or should be addressed to:

Quaker Valley Council of Governments
8306 Ohio River Boulevard
Pittsburgh, PA 15202

THIS PAGE IS INTENTIONALLY LEFT BLANK

Quaker Valley Council of Governments

**STATEMENT OF NET POSITION
December 31, 2015**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,354
Investments	130,632
Due from other governments	70,827
Security Deposits	560
Capital assets, net of depreciation	
Machinery and equipment	910
Total Capital Assets	910
Total Assets	<u>\$ 204,283</u>
LIABILITIES	
Accounts payable	\$ 55,855
Accrued wages	625
Total Liabilities	<u>56,480</u>
NET POSITION	
Invested in capital assets, net of related debt	910
Unrestricted	146,893
Total Net Position	<u>\$ 147,803</u>

The accompanying notes are an integral part of this financial statement

Quaker Valley Council of Governments

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2015

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities				
General Government	\$ 54,252	\$ 1,268	\$ -	\$ (52,984)
Public Works	148,162	-	47,598	100,564
Recycling	8,955	8,224	-	(731)
Annual Dinner	-	600	-	600
Total governmental activities	\$ 211,369	\$ 10,092	\$ 47,598	\$ (53,115)
General revenues:				
Membership Dues				22,550
RAD Tax				8,842
Investment income				35
Miscellaneous income				238
Total general revenues				31,665
Change in net position				(21,450)
Net position - beginning				169,253
Net position - ending				\$ 147,803

Quaker Valley Council of Governments

**BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015**

	<u>General Fund</u>	<u>CDBG Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,354	\$ -	\$ 1,354
Investments	130,632	-	130,632
Due from other funds	19,007	-	19,007
Due from other governments	196	70,631	70,827
Security Deposit	560	-	560
Total assets	<u>\$ 151,749</u>	<u>\$ 70,631</u>	<u>\$ 222,380</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,231	\$ 51,624	\$ 55,855
Due to other funds	-	19,007	19,007
Accrued wages	625	-	625
Total liabilities	<u>4,856</u>	<u>70,631</u>	<u>75,487</u>
 Deferred Inflows of Resources:			
Deferred revenue	-	21,407	21,407
Total deferred inflows of resources	<u>-</u>	<u>21,407</u>	<u>21,407</u>
Fund balances:			
Unassigned	146,893	(21,407)	125,486
Total fund balances	<u>146,893</u>	<u>(21,407)</u>	<u>125,486</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 151,749</u>	<u>\$ 70,631</u>	<u>\$ 222,380</u>

The accompanying notes are an integral part of this financial statement

Quaker Valley Council of Governments

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
December 31, 2015**

Total Fund Balance, Governmental Funds	\$	125,486
--	----	---------

Receivables for the following revenues are not available to pay for current period expenditures, and therefore, are reported as a deferred inflow of resources in the funds financial statements.

CDBG Federal Revenue	21,407
----------------------	--------

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

910

Net Position of Governmental Activities	\$	<u>147,803</u>
---	----	----------------

Quaker Valley Council of Governments

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended December 31, 2015

	<u>General Fund</u>	<u>CDBG Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Intergovernmental Revenue			
Federal	\$ -	\$ 291,618	\$ 291,618
Local	-	41,720	41,720
Membership dues, municipal members	22,550	-	22,550
RAD Tax	8,842	-	8,842
Annual dinner	600	-	600
Sales of Spec Books	900	-	900
Advertising Reimbursement	368	-	368
Recycling	8,224	-	8,224
Interest income	35	-	35
Miscellaneous	238	-	238
Total revenues	<u>41,757</u>	<u>333,338</u>	<u>375,095</u>
EXPENDITURES			
CDBG project expense	-	100,564	100,564
Wages	19,956	33,437	53,393
Payroll taxes	738	3,455	4,193
Employee benefits	3,549	3,449	6,998
Rent	4,417	1,548	5,965
Utilities	1,859	496	2,355
Insurance	1,310	681	1,991
Professional services	11,200	2,666	13,866
Travel	267	74	341
Advertising	664	33	697
Office Expense	4,216	948	5,164
Telephone	3,051	675	3,726
Recycling	8,955	-	8,955
Repairs and maintenance	475	135	610
Miscellaneous	2,290	-	2,290
Total expenditures	<u>62,947</u>	<u>148,161</u>	<u>211,108</u>
Net change in fund balances	(21,190)	185,177	163,987
Fund balances - beginning	<u>168,083</u>	<u>(206,584)</u>	<u>(38,501)</u>
Fund balances - ending	<u>\$ 146,893</u>	<u>\$ (21,407)</u>	<u>\$ 125,486</u>

The accompanying notes are an integral part of this financial statement

Quaker Valley Council of Governments

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2015

Net change in fund balances - total governmental funds: \$ 163,987

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays \$-0- exceeded depreciation \$260 in the current period. (260)

Governmental funds do not recognize revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. (185,177)

Change in net position of governmental activities \$ (21,450)

Quaker Valley Council of Governments

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Quaker Valley Council of Governments, Pennsylvania (the "Council"), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The significant accounting policies are described below.

1. **Organization and Reporting Entity**

The organization of the Council and the basis of the reporting entity are presented below to assist the reader in evaluating the financial statements and the accompanying notes.

The Council was incorporated in 1981 under the Nonprofit Corporation Law of the Commonwealth of Pennsylvania. The Council is a voluntary organization of local governments formed to foster a cooperative effort to study and resolve problems, determine policies, and formulate plans that are common and regional in nature. The Council is defined as an "intergovernmental cooperative" in the Intergovernmental Cooperative Act contained in Title LIII of the Pennsylvania Consolidated Statutes and it may perform certain municipal functions which are described in the Act. As such, the Council is classified as a special purpose government engaged in both governmental and business-type activities under GAAP and prepares the same financial statements as general purpose governments.

The Council operates under a Board of Directors. The Board appoints an Executive Director to manage its operations in the following areas: general government, public works, recycling, annual dinner, and other areas as approved by the Board.

As of December 31, 2015, the Council consists of the following fourteen municipal members:

Township of Aleppo
Township of Kilbuck
Township of Leet
Borough of Avalon
Borough of Bell Acres
Borough of Bellevue
Borough of Ben Avon
Borough of Edgeworth
Borough of Emsworth
Borough of Glen Osborne
Borough of Glenfield

Quaker Valley Council of Governments

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1. **Organization and Reporting Entity** - Continued

Borough of Haysville
Borough of Leetsdale
Borough of Sewickley

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", as amended, the Council has evaluated all related entities (authorities, commissions, tax exempt organizations and affiliates) for the possible inclusion in the financial reporting entity.

In evaluating how to define the Council, for financial reporting purposes, all potential component units were considered. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only criterion for including a potential component unit within the reporting entity, is the Council's ability to exercise oversight responsibility. The most significant part of this ability is financial interdependency. Other parts of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion is the scope of public service. Application of this criterion involves considering whether the activity benefits the Council and/or its members, or whether the activity is conducted within the authority of the Council and is generally available to its members. A third criterion is the existence of special financing relationships, regardless of the Council's ability to exercise oversight responsibility. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Council's reporting entity.

There were no potential component units for consideration of inclusion within the reporting unit. Included within the reporting entity are: General Fund (mainly reported under the General Government function on the Statement of Activities) and Community Development Block Grant (CDBG) (reported as Public Works). All of the funds listed meet the above criteria and comprise the Council's reporting entity.

Quaker Valley Council of Governments

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Government-Wide Financial Statements and Fund Financial Statements

Government-wide Statements: The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by non-exchange and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Fiduciary funds are also excluded from the governmental-wide financial statements.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Council and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Council.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes result from special revenue funds and the restrictions on their net position use.

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

Fund Financial Statements: The fund financial statements provide information about the Council's funds. Separate financial statements are provided for governmental funds and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Quaker Valley Council of Governments

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. **Government-Wide Financial Statements and Fund Financial Statements**
- Continued

The Council reports the following major governmental funds:

General Fund. This is the Council's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CDBG. This fund accounts for the various projects subject to the compliance requirements of the United States Housing and Urban Development program "Community Development Block Grants". In all contracts, Allegheny County is referred to as the grantor and the Council is referred to as the grantee. These funds are passed through the Allegheny County Department of Economic Development. As such, the County has certain compliance responsibilities for these grants.

3. **Fund Types**

In accordance with generally accepted accounting principles applicable to governmental units, the accounts of the Council are organized and operated on the basis of individual funds. The operations of each fund are accounted for by providing a separate set of self-balancing accounts comprised by its assets, liabilities, fund equity, revenues, and expenditures or expenses. A description of the purpose and function of each type presented in the accompanying financial statements follows.

GOVERNMENTAL FUND TYPES

The General Fund is used to account for all financial transactions not accounted for in the fund types listed below.

Special Revenue Funds are used to account for the proceeds from specific revenue sources or to finance special activities in accordance with statutory or administrative requirements. This includes designated revenues not included within other fund categories. The CDBG Fund is reported as a special revenue fund.

Quaker Valley Council of Governments

NOTES TO FINANCIAL STATEMENTS December 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

4. **Basis of Accounting and Measurement Focus**

Basis of accounting refers to when revenues, expenditures, expenses and transfers, and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This method is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available to finance expenditures of the fiscal period. Available means expected to be collected within sixty days of year-end. Expenditures and transfers out are generally recognized under the accrual basis of accounting when the related liability is incurred.

5. **Revenues**

- a. Federal and state grants are recognized as revenues in the period the related expenditures are incurred, if applicable, or when the Council is entitled to the grants. However, these grants are subject to compliance audit and adjustment by grantor agencies. Grant revenues received for expenses, which are disallowed, are repayable to the grantor.
- b. The receivable balances presented in the accompanying combined balance sheet are recorded at net realizable value.

6. **Expenditures**

Capital asset purchases are included in current year expenditures in governmental funds and are capitalized in the government-wide statement of net assets.

Quaker Valley Council of Governments

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

7. **Cash, Cash Equivalents, Restricted Cash, and Investments**

The Council maintains several checking accounts for depositing receipts and disbursing expenditures for all governmental fund types.

8. **Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets that have been acquired for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized in the government-wide statement of net assets. All capital assets are recorded at cost, if known, or estimated historical cost. Donated capital assets are recorded at their fair market value on the date of donation. The Council does not maintain a specific capitalization dollar threshold. Routine repair and maintenance costs that do not add to the value of an asset or extend its useful life are charged as an expense in the government-wide statement of activities. Depreciation on capital assets recorded in the government-wide statement of net assets is computed using the straight-line method over the estimated useful lives of the related assets.

Estimated useful lives for the Council's classes of reported capital assets are as follows:

Machinery and Equipment	10 years
-------------------------	----------

Public domain (infrastructure) general capital assets (e.g. roads, bridges, sidewalks and other assets that are immovable and of value only to the government) that were placed in service prior to 2004 are not required to be capitalized by governments that are the size of the Council. The Council has no such assets.

Quaker Valley Council of Governments

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

8. **Capital Assets** - Continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized in the government-wide statement of net assets or the proprietary funds. Major renewals or betterments are capitalized as additions.

9. **Prepaid Expenses**

In both the government-wide and fund financial statements, prepaid expenses are recorded as assets in the activity/fund in which future benefits will be derived.

10. **Deferred Inflows of Resources**

In addition to liabilities, the governmental funds balance sheets report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that is applicable to a future reporting period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The Council has only one type of item, Deferred Revenues, that qualifies for reporting in this category.

11. **Budgets**

The Council is not required to prepare an annual budget under the State Intergovernmental Cooperative Act. As such, a budgetary comparison schedule is not presented as required supplemental information. For internal purposes, the Council does adopt a budget for all funds.

12. **Net Position**

Net position in the government-wide financial statements is disclosed in one of the three following components:

Quaker Valley Council of Governments

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

12. **Net Position** - Continued

Invested in Capital Assets, Net of Related Debt – consists of capital assets net of accumulated depreciation reduced by the outstanding balance of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, or contributors, or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – consists of all other net position that does not meet the two definitions above.

13. **Fund Balance**

Fund balance in the governmental fund are disclosed in one of the five following components:

Nonspendable – consists of amounts that cannot be spent because they are either (1) not in spendable form, or (2) legally or contractually required to be maintained intact. The Council did not report any nonspendable balance as of December 31, 2015.

Restricted – consists of amounts with constraints placed on the use either by (1) external groups such as creditors, grantors, or contributors, or (2) law through constitutional provisions or enabling legislation. The Council did not report any restricted fund balance as of December 31, 2015.

Committed – consists of amounts that can only be used for specific purposes pursuant to constraints imposed by a resolution enacted by the Council's governing board. Once committed, a resolution by the Board is required to lift the commitment. The Council did not report committed fund balance as of December 31, 2015.

Assigned – consists of amounts that are constrained by the Council's intent to be used for specific purposes. The Council and Executive Director have authorization to assign fund balance. The Council did not report assigned fund balance as of December 31, 2015.

Quaker Valley Council of Governments

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

13. **Fund Balance** - Continued

Unassigned – represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Other governmental funds report unassigned fund balance when they have a deficit fund balance. As of December 31, 2015, the CDBG fund reports a deficit fund balance.

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

When committed, assigned, and unassigned resources are available for use, it is the Council's policy to use committed resources first, assigned resources second, and then unassigned resources as they are needed.

14. **Pending Governmental Accounting Standards Board Pronouncements**

In June 2015, the Governmental Accounting Standards Board adopted Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement extends the approach to accounting and financial reporting established in Statement 68 to defined benefit and contributions plans that were not within the scope of those statements. This statement also clarifies certain provisions of GASB 67 and 68 regarding required supplementary information and nonemployer contributing entities. This statement is required for financial statements of periods beginning after June 15, 2015 with certain provisions required for periods beginning after June 15, 2016. The Council has not determined the impact, if any, that GASB 73 will have on the financial statements.

In June 2015, the Governmental Accounting Standards Board adopted Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement establishes new accounting and financial reporting requirements for other postemployment benefit (OPEB) plans administered through trusts and OPEB plans not administered through trusts that meet specified criteria. This statement is required for financial statements of periods beginning after June 15, 2016. The Council has not determined the impact, if any, that GASB 74 will have on the financial statements.

Quaker Valley Council of Governments

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

14. Pending Governmental Accounting Standards Board Pronouncements -
Continued

In June 2015, the Governmental Accounting Standards Board adopted Statement 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement addresses new accounting and financial reporting requirements for other postemployment benefit (OPEB) that is provided to employees of state and local governmental employees. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement is required for financial statements of periods beginning after June 15, 2017. The Council has not determined the impact, if any, that GASB 75 will have on the financial statements.

In June 2015, the Governmental Accounting Standards Board adopted Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement identifies the hierarchy of generally accepted accounting principles (GAAP). This GAAP hierarchy consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement is required for financial statements of periods beginning after June 15, 2015. The Council has not determined the impact, if any, that GASB 76 will have on the financial statements.

In August 2015, the Governmental Accounting Standards Board adopted Statement 77, *Tax Abatement Disclosures*. This statement requires the disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments that reduce the reporting government's tax revenues. This statement is required for financial statements of periods beginning after December 15, 2015. The Council has not determined the impact, if any, that GASB 77 will have on the financial statements.

Quaker Valley Council of Governments

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

15. Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – CASH DEPOSITS AND INVESTMENTS

Statutes allow the Council to invest in United States Treasury bills, short-term obligations of the United States Government or the Commonwealth of Pennsylvania, deposits in savings accounts or time deposits of institutions having a place of business in the Commonwealth of Pennsylvania and insured or collateralized in accordance with Act 72, and certificates of deposit limited to twenty per centum of capital and surplus if purchased from a commercial bank and limited to twenty per centum of assets minus liabilities if purchased from a savings and loan association, or other investments, collateralized by the aforementioned federal government securities.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Council does not have a deposit policy for custodial credit risk. As of December 31, 2015, the Council did not have deposits exposed to this risk.

NOTE C – RECEIVABLES AND PAYABLES

Receivables at December 31, 2015 were as follows:

	<u>Accounts</u>	<u>Due from Other Governments</u>	<u>Total Receivables</u>
Governmental activities			
General	\$ -	\$ 196	\$ 196
Public Works	-	70,631	70,631
	<u>-</u>	<u>-</u>	<u>-</u>
Total – governmental Activities	<u>\$ -</u>	<u>\$ 70,827</u>	<u>\$ 70,827</u>

Quaker Valley Council of Governments

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE C – RECEIVABLES AND PAYABLES – (Continued)

The amounts due from other governments for public works in governmental activities consist of \$68,231 due from the Allegheny County Department of Economic Development and \$2,400 due from members to fund the local share of the various projects associated with the CDBG fund

The Council considers all outstanding accounts to be collectible.

Payables at December 31, 2015, consisted primarily of amounts due to contractors for work performed on the various projects funded with CDBG money and amounts due to other governments for funding of projects that will ultimately be reimbursed by the Allegheny County Department of Economic Development.

NOTE D – INTERFUND BALANCES AND TRANSFERS

The General Fund was due \$19,007 from the CDBG Fund at December 31, 2015 for administrative charges.

NOTE E – LAND, BUILDINGS, IMPROVEMENTS AND EQUIPMENT

The following is a summary of changes in capital assets for governmental activities during 2015:

	Balance at January 1, 2015	Additions	Disposals	Balance at December 31, 2015
Machinery and Equipment	\$ 6,262	\$ -	\$ -	\$ 6,262
	6,262	-	-	6,262
Accumulated Depreciation:				
Machinery and Equipment	(5,092)	(260)	-	(5,352)
	(5,092)	(260)	-	(5,352)
Net capital assets	\$ 1,170	\$ (260)	\$ -	\$ 910

Quaker Valley Council of Governments

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE E – LAND, BUILDINGS, IMPROVEMENTS AND EQUIPMENT – (Continued)

Depreciation and amortization was charged to functions as follows:

Governmental activities:	
General Government	\$ 260
Total	<u>\$ 260</u>

NOTE F – EMPLOYEE RETIREMENT PLANS

The Council contributes to a simplified employee pension plan for its eligible employees. Employees working on a full-time basis are eligible for the participation in the plan. The employee may also choose to contribute to the plan. The employer contribution for the year was \$4,684.

NOTE G – OPERATING LEASES

The Council leases office space. During the current year, the Council moved offices, reducing its rent expense from \$500 per month to \$350. The lease runs through March 31, 2017 and automatically renews for three years unless written notice to vacate is presented by the lessor. During the current year, the total rent expense was \$5,965.

Future rent payments under the lease are as follows:

Year	Rent
2016	\$ 4,710
2017	1,185
Total	<u>\$ 5,895</u>

NOTE H – CONTINGENCIES

The Council participates in federal and state assisted grant programs. These grants are generally subject to program compliance audits by the grantors. Such audits could result in expenditures being disallowed and funds being due back to the grantor agencies. The amount of expenditures that may be disallowed in the future, if any, cannot be determined at this time.

Quaker Valley Council of Governments

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE I – RISK MANAGEMENT

The Council is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters, as well as from workers' compensation and health care programs. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant changes in coverage in the past three years; and settled claims have not exceeded coverage in those years.

NOTE J – CONCENTRATION

The Council is heavily dependent upon Community Development Block Grant (CDBG) administrative funding passed through the Allegheny County Department of Economic Development for the purpose of administering the CDBG projects.

NOTE K – SUBSEQUENT EVENTS

During the year ended December 31, 2015, the Council terminated the Executive Director. The Council anticipates hiring a new executive director during 2016.

OTHER REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS



CASE | SABATINI May 5, 2016

PROFESSIONAL ACCOUNTING,
CONSULTING & BUSINESS
ADVISORY SERVICES

The Executive Board
Quaker Valley Council of Governments
Pittsburgh, Pennsylvania

**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**

P.O. BOX 10885
WHITEHALL TOWERS
470 STREETS RUN ROAD
PITTSBURGH, PA 15236-2023

TELEPHONE: (412) 881-4411
FAX: (412) 881-4421
WEB: WWW.CASESABATINI.COM

Independent Auditor's Report

We have audited 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, the financial statement of the governmental activities and each major fund of Quaker Valley Council of Governments as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Quaker Valley Council of Governments basic financial statements, and have issued our report thereon dated May 6, 2016.

Internal Control Over Financial Reporting

Management of the Quaker Valley Council of Governments is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Quaker Valley Council of Governments' internal control over financial reporting 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 Quaker Valley Council of Governments' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Quaker Valley Council of Governments' internal control over financial reporting.

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 combination of deficiencies, in internal control such 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to 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 Quaker Valley Council of Governments' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-1, 2015-2 and 2015-3.

The Council's Response to Findings and Questioned Costs

The Council's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Council's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Restricted Use

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



Certified Public Accountants
Pittsburgh, PA

Quaker Valley Council of Governments

SCHEDULE OF FINDINGS AND RESPONSES Year Ended December 31, 2015

2015-1: Internal Controls Over Compliance

Criteria: Grantees are required to monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements (24 CFR Section 85.40)

Condition: The Council does not have adequate internal controls over compliance with Federal grants. Generally the Council relies on their knowledge of the program and prompting for documentation from the grantor, Allegheny County Economic Development ("the County"). This condition helped contribute to the numerous delays in the various funded projects due to failure to file documentation with the County in a timely fashion. Most projects required extensions. This condition also led to inconsistencies in reporting to the County. For example, the Year 39-7.7 project to install ADA ramps in one municipality initially called for 28 ramps but was revised to 16 ramps. While the Council sent the County the revision they continued to refer to the project as calling for 28 ramps on their requests for payment under this contract.

Cause: The Council does not have the tools, i.e. checklists, etc. to assure they are in compliance.

Effect: Failure to comply with all laws and regulations applicable to the CDBG shall constitute a Default and could lead to loss of funding.

Recommendation: The Council should utilize checklists, etc. to ensure they are in compliance with the particular requirements of the grantor.

Quaker Valley Council of Governments

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
Year Ended December 31, 2015**

2015-2: Late Payments

Criteria: The County incorporates the guidance in the HUD publication, *Playing by the Rules: A Handbook for CDBG Subrecipients on Administrative Systems*, into the Contract with the Council and follows the general guidance that the subrecipient must disburse funds for CDBG program costs within 3 business day of the receipt of those funds from the grantee.

Condition: The Council received funding for a demolition on June 23, 2015 but did not disburse the funds until July 8, 2015.

Cause: See finding 2015-1.

Effect: Failure to comply with all laws and regulations applicable to the CDBG shall constitute a Default and could lead to loss of funding.

Recommendation: The Council should utilize checklists, etc. to ensure they are in compliance with the particular requirements of the grantor.

2015-3: Demolitions

Criteria: Subrecipients are required to obtain satisfactory evidence from the appropriate municipality that all requirements set forth in applicable local ordinance relating to the declaration of a structure as a public nuisance and/or as being in a hazardous or dangerous condition have been followed (Scope of Services 4)

Condition: The Council did not obtain the required documentation for any of the demolitions under this contract until after the demolitions were completed.

Cause: See finding 2015-1.

Effect: Failure to comply with all laws and regulations applicable to the CDBG shall constitute a Default and could lead to loss of funding.

Recommendation: The Council should utilize checklists, etc. to ensure they are in compliance with the particular requirements of the grantor.

Quaker Valley Council of Governments

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended December 31, 2015

2014-1: Internal Controls Over Compliance

Summary: The Council does not have adequate internal controls over compliance with Federal grants. Generally the Council relies on their knowledge of the program and prompting for documentation from the grantor, Allegheny County Economic Development ("the County").

Status: Unresolved. Current year finding 2015-1.

2014-2: Late Payments

Summary: The Council received funding for a demolition on June 23, 2015 but did not disburse the funds until July 8, 2015.

Status: Unresolved. Current year finding 2015-2.

2014-3: Demolitions

Summary: The Council did not obtain the required documentation for any of the demolitions under this contract until after the demolitions were completed.

Status: Unresolved. Current year finding 2015-3.

2014-4: Held Funds

Summary: The Subrecipient shall transfer if any to the County any CDBG funds on hand at the time of expiration, cancellation, or termination (Section 7, E,1). The Council held \$2,875 received from the County for this project since September 2003.

Status: Resolved. The Council returned the funds during the current year.

QUAKER VALLEY COUNCIL OF GOVERNMENTS

8306 Ohio River Boulevard, Pittsburgh, Pa. 15202
412-766-7458 Fax: 412-766-1066 Email: qvcog@verizon.net



May 5, 2016

Re: Response to audit for the year ended December 31, 2015 conducted by Case | Sabatini & Company.

Mr. George Jurcevich,

The Quaker Valley Council of Governments would like to thank Case Sabatini for the thorough audit report for fiscal year 2015. Careful review of the findings highlighted some serious deficiencies in our management of important Community Development (CD) funds. Members of the Board suspect that the situation was the result of a lack of rigorous tracking and management by COG personnel at the time.

In order to address past issues, the QVCOG is reviewing its procedures and creating a committee to oversee all CD projects. The updated procedures will detail best practices to ensure compliance in managing future projects. We will mirror the process adopted by other COGs to avoid problems and omissions. Specifically, our new measures intend to address the following points from your audit:

1. Keep track of administrative and delivery expenditures for all project phases using modern time tracking and accounting tools,
2. Have internal oversight for handling project funds, including bank account access and check signatures,
3. Complete document retention, including classification and organization criteria,
4. Process to secure all proper legal clearances, and other necessary documents such as environmental, lien or reuse,
5. Process for determining project eligibility using ACS data and cross-checking with latest LMA requirements and surveys,
6. Process to review contracts and monitor performance based on scope,
7. Establish timelines to ensure that the award and execution of contracts and reporting is done in as timely manner, and follows accepted time periods.

Very truly yours,



Jean-Sebastien Valois
President

Quaker Valley Council of Governments

cc: QVCOG Board

Aleppo Township, Avalon Borough, Bell Acres Borough, Bellevue Borough, Ben Avon Borough, Edgeworth Borough, Emsworth Borough, Glenfield Borough, Glen Osborne Borough, Haysville Borough, Kilbuck Township, Leet Township, Leetsdale Borough, Sewickley Borough

THIS PAGE IS INTENTIONALLY LEFT BLANK