

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS

State Compliance Audit

For the Years Ended

September 30, 2016 and 2015



Proven Expertise and Integrity

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Annual Financial Report
For the Years Ended September 30, 2016 and 2015

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Proven Expertise and Integrity

Independent Auditor's Report

Executive Committee
Androscoggin Valley Council of Governments
Auburn, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the Androscoggin Valley Council of Governments as of and for the years ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents. The financial statements as of September 30, 2015 were audited by a predecessor auditor for comparative purposes who expressed an unqualified opinion dated on December 15, 2015.

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 audits. We conducted our audits 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 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 controls. 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Androscoggin Valley Council of Governments as of September 30, 2016, and the respective changes in financial position and cash flows thereof for the years 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, the schedule of Council's proportionate share of the net pension liability, and the schedule of council contributions 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Androscoggin Valley Council of Governments' basic financial statements. The supplemental schedules, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules, as listed in the table of contents, 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 a report dated November 29, 2016 on our consideration of Androscoggin 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 the Androscoggin Valley Council of Governments' internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
November 29, 2016

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Management's Discussion and Analysis
September 30, 2016

The Androscoggin Valley Council of Governments (AVCOG) is a not for profit, quasi-governmental organization providing technical assistance to municipalities and businesses in Androscoggin, Oxford, and Franklin Counties. As management of AVCOG, we offer readers of the Council's financial statements this narrative overview and analysis of the financial activities of AVCOG for the fiscal year ended September 30, 2016.

This Management's Discussion and Analysis (MD&A) serves as an introduction to the audited financial statements and notes. The MD&A is AVCOG Management's analysis of its financial condition and performance. It is presented to give the reader more insight on AVCOG's finances.

AVCOG's basic financial statements include the following:

- Statements of Net Position
- Statements of Revenues, Expenses, and Changes in Net Position
- Statements of Cash Flows
- Notes to the Financial Statements
- Supplemental Schedules

Financial Highlights

In 2014, AVCOG became a Direct Recipient of funds provided by the Federal Transit Administration (FTA) as a result of a 2012 directive from Governor LePage. This means that rather than receiving FTA Section 5307 funds through a sub-recipient agreement with the Maine Department of Transportation, these funds are now received directly from the FTA. Section 5307 funds are used for transit planning and transit operations in Lewiston and Auburn. The majority of the funds are expended by the Lewiston Auburn Transit Committee (LATC) which is responsible for the operation of the citylink bus system. Because of this action, the LATC financial statements have been amalgamated with AVCOG's. However, a separate Statement of Net Position (Schedule 7) and a Schedule of Revenues and Expenses (Schedule 8) for the LATC is included in the audited financial statements. In 2016 the LATC substantially completed the construction of a bus transfer facility in downtown Auburn. The facility was funded by a combination of Federal, City of Auburn, and LATC reserve funds.

AVCOG's 2016 financial statements comply with GASB 68 *Accounting and Financial Reporting for Pensions* (Net Pension Liability). Employees of AVCOG are provided with pensions through the Maine Public Employees Retirement System (MPERS) Consolidated Plan for Local Participating Districts (PLDs). This is a cost-sharing multiple employer defined benefit pension plan. Under GASB 68 AVCOG is required to state its net pension liability along with deferred outflows and inflows related to pensions. It should be noted that the net pension liability is a theoretical liability and would only have to be paid if MPERS were to default. As of June 30, 2015, the MPERS PLD Net Plan Position was approximately 88% of the collective total pension liability. This compares favorably with other State pension plans throughout the country which average 60% to 70%. In addition, over the past several years MPERS has been increasing both the employer and employee contribution rates in order to stabilize the pension fund. More detailed information on MPERS and GASB 68 can be found in the notes to the financial statements.

AVCOG's net position of \$3,350,447 showed a \$422,688 increase from 2015 as a result of the funding for the Auburn bus station.

Net investment in capital assets increased by \$503,185 as a result of the construction of the Auburn bus station.

Restricted net position (loan funds) increased by \$191,369 as a result of additional funds received from the Finance Authority of Maine (FAME).

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Management's Discussion and Analysis, Continued
September 30, 2016

Unrestricted net position decreased by \$271,866 as a result of an operating deficit and an increase in Net Pension Liability associated with GASB 68.

Cash and investments increased by \$424,814 primarily as a result of a decrease in unbilled receivables due from the Federal Transit Administration to fund the LATC citylink system.

In 2013, AVCOG entered into a contract with the Lewiston Auburn Economic Growth Council (LAEGC) to deliver services under the USDA Rural Microentrepreneur Assistance Program (RMAP). These services include the provision of technical assistance and loans to small businesses. In fiscal year 2016 this contract expired and AVCOG assumed the full responsibilities and related assets and liabilities associated with this program. This transaction resulted in a decrease in Due to outside agencies and an increase in notes payable.

Total operating revenues increased by \$728,405 primarily as a result of funding for the Auburn bus station. Total expenses increased by 353,970 primarily as a result of pension expenses associated with GASB 68 and contract service expenses associated with the Brownfields program (see schedule 2).

Comparison of Financial Statements for Current and Prior Years

**Condensed Statement of Net Position
(000 omitted)**

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Current assets	\$ 4,698	4,448	250
Notes receivable	1,920	1,583	337
Net capital assets	1,871	1,396	475
Total assets	8,489	7,427	1,062
Deferred outflows related to pensions	378	123	255
Current liabilities	2,296	2,027	269
Accrued leave	61	58	3
Net Pension Liability	604	295	309
Long-term debt	2,233	1,999	234
Total liabilities	5,194	4,379	815
Deferred inflows related to pensions	323	243	80
Net investment in capital assets	1,498	995	503
Restricted net position	1,977	1,786	191
LATC unrestricted net position	239	312	(73)
Unrestricted net position	(364)	(165)	(199)
Total net position	\$ 3,350	2,928	422

The increase in Current Assets is a result of an increase in cash and equivalents.

Notes receivables (non-current portion) increased as a result of new loans granted during the year.

Net capital assets increased as a result of the construction of the bus station in Auburn.

Deferred outflows related to pensions increased in accordance with GASB 68 requirements.

Current liabilities increased as a result of an increase in payables associated with the Auburn bus station.

Accrued leave payable showed little change from 2015.

Net Pension Liability is now being reported as a result of GASB 68. The liability increased from 2015 to 2016 as a result of weaker investment earnings reported by MPERS.

The increase in Long-Term Debt is the result of loan funds borrowed from USDA Rural Development and the Small Business Administration.

Deferred inflows related to pensions increased as required by GASB 68.

Net Investment in Capital Assets increased as a result of the construction of the Auburn bus station.

The increase in Restricted Net Position (loan funds) is a result of funds received from FAME.

The LATC unrestricted net position decreased as a result of funds expended on the Auburn bus station.

The decrease in Unrestricted Net Position is a result of an operating deficit. Much of the operating deficit was caused by non-cash fringe benefit expenses associated with GASB 68.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Management's Discussion and Analysis, Continued
September 30, 2016

**Condensed Statement of Revenues, Expenses
and Changes in Net Position
(000 omitted)**

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Federal grants	\$ 2,242	1,574	668
State grants	444	209	235
Member contributions	231	230	1
Contract services	401	512	(111)
Fare Box Revenues	257	238	19
LATC local subsidy	418	527	(109)
Capital Match	112	214	(102)
Interest and other	356	230	126
Total revenues	4,461	3,734	727
Salaries and fringes	1,264	998	266
Contract services	1,680	1,489	191
Fuel	148	206	(58)
Depreciation	191	252	(61)
Bad debt expense	58	93	(35)
Indirect costs	464	454	10
Other costs	235	195	40
Total expenses	4,040	3,687	353
Operating income (loss)	421	47	374
Nonoperating revenues	1	1	-
Amalgamation of LATC	-	1,337	(1,337)
Change in net position	422	1,385	(963)
Beginning net position	2,928	1,543	1,385
Ending net position	\$ 3,350	2,928	422

Federal Grants continue to be AVCOG's largest funding source at 50% of total revenues. Federal Grants increased in 2016 because of funding for the bus station in Auburn and a Brownfields grant funded by the Environmental Protection Agency. FTA funds which support the LATC remain the largest source of federal funding. Other major programs funded by Federal Grants include the SBA Microloan Technical Assistance Program; Rural Microentrepreneur Assistance Program; Androscoggin Transportation Resource Center (ATRC); Rural Transportation Program; USDA Rural Utilities Services Solid Waste program; and the Economic Development Administration planning grant.

State Grants increased as a result of loan funds provided by the Finance Authority of Maine. Other major programs funded through State Grants include the LATC, the DACF Land Use Technical Assistance program, the Department of Transportation Rural Transportation Program, and the ATRC.

Member Contributions show little change from a year ago.

Contract service revenue showed decreased from a year ago primarily as a result of the completion of the Mobilize Maine project and a reduction in Household Hazardous Waste Collections. Major sources of contract revenue include the Manufacturers Extension Partnership (MEP), area municipalities for planning programs, the household hazardous waste (HHW) program, and the Small Business Development Center (SBDC) which partially funds two full time positions at AVCOG to provide business counseling in the region.

Fare Box Revenues and LATC local subsidy are associated with the citylink bus service operated by the Lewiston Auburn Transit Committee. Local subsidy showed a decrease because of an increase in fares and a decrease in fuel expenses.

Capital Match is funds provided by the cities of Lewiston Auburn to fund capital purchases by the LATC. Capital match declined because fewer used buses were purchased in 2016.

Interest & other revenues increased as a result of an increase in loan activity and funds transferred to support the EDA Planning program and the Manufacturers Extension Partnership (MEP).

Direct salaries and fringe benefits increased by \$266,000 as a result of an increase in fringe benefits caused by GASB 68 reporting.

Contract Service expense increased by \$191,000 as a result of the ATRC program and the Brownfields program.

LATC fuel expenses declined by \$58,000 as a result of lower oil prices.

LATC depreciation expense totaled \$191,000 for the year.

Bad debt expense decreased by \$35,000 as a result of fewer loan charge offs. Bad debt includes \$32,500 charged off in the MEP program.

Total indirect costs showed little change from 2015. The indirect cost rate was 41.05% in both 2015 and 2016. A detailed breakdown of Indirect Costs can be seen in Schedule 9.

Other costs increased as a result of activity in the MEP and LATC programs.

The amalgamation of the LATC increased the net position by \$1,336,865 in 2015.

A departmental breakdown of the \$422,000 change in net position (operating surplus) is as follows:

- Loan Programs; \$190,500 surplus as a result of funding from FAME.
- Unrestricted operating funds; \$76,000 loss as a result of charge-offs and fewer contracts in the Manufacturers Extension Partnership Program, and a delay in funding from the Franklin County TIF.
- Lewiston Auburn Transit Committee; \$441,000 surplus as a result of funding for the Auburn bus station.
- Increase in fringe benefits as a result of GASB 68; \$133,500 (non-cash expenditure).

Overall Financial Position

AVCOG's financial position remains stable because of several factors. First, funding sources are quite diversified, with the major revenue sources being comprised of Federal & State Grants, Interest Income, and Contract Services. A minor overall funding source is Town and County Contributions (member dues) at only 5.2% of overall revenues. However, this funding source is important as it provides necessary local match for Federal and State funds. This is probably one of our more vulnerable funding sources given the current pressures being placed on all municipal budgets. Despite the municipal budget concerns in the region, AVCOG's membership remains strong with 53 towns and 2 counties. Other major funding sources for the LATC include fare box revenues, advertising, and local subsidy from the cities of Lewiston and Auburn.

Secondly, AVCOG's net position of \$3.3 million remains strong. If stated in terms of corporate accounting, AVCOG's debt-to-equity ratio is less than 1.6 which is very positive. If GASB 68 adjustments are eliminated, AVCOG's net position would be \$3.9 million and the debt-to equity ratio would be less than 1.2.

Finally, AVCOG's current ratio of 2.05 demonstrates strong liquidity and the ability to meet both short term and long term obligations.

Fund Analysis

AVCOG's net position is comprised of Net investment in Capital Assets, Restricted (loan) funds, Designated Unrestricted funds, and Undesignated Unrestricted funds.

Restricted loan funds include 15 different loan programs funded by various sources including the Economic Development Administration, Small Business Administration, USDA Rural Development, and the Finance Authority of Maine. In 2016 the restricted loan fund balance increased by \$191,000 to nearly \$2 million.

Unrestricted funds decreased by \$272,000 from 2015 as a result of LATC funds to support the construction of the Auburn bus station, an operating deficit, and adjustments caused by GASB 68 reporting.

There are currently no Designated Unrestricted funds.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Management's Discussion and Analysis, Continued
September 30, 2016

Significant Budget Variances
(000 omitted)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Federal grants	\$ 1,904	2,242	338
State grants	330	444	114
Member contributions	230	231	1
Contract services	443	401	(42)
Fare Box Revenues	246	257	11
Local Subsidy	418	418	-
Capital Match	-	112	112
Interest and other	402	357	(45)
Total revenues	3,973	4,462	489
Salaries and fringes	1,168	1,264	96
Contract services	1,961	1,680	(281)
Fuel	188	148	(40)
Depreciation	-	191	191
Bad debt expense	-	58	58
Indirect costs	467	464	(3)
Other costs	189	235	46
Total expenses	3,973	4,040	67
Change in net position	\$ -	422	422

Federal Grants are higher than budgeted due to funding for the bus station in Auburn.

State Grants are higher than budgeted as a result of loan funding from the Finance Authority of Maine.

Member contributions showed little variance from budget.

Contract Service revenue is lower than budgeted because of less activity than anticipated in the MEP program and a delay in funding from the Franklin County TIF.

Fare Box revenues here higher than budgeted because of sales of passes to brokers and an increase in ridership on the ADA paratransit service.

Local Subsidy revenues (which help fund the LATC) showed little variance from budget.

Capital Match revenues were higher than budgeted because local funds were received to fund the construction of the bus station in Auburn.

Interest and other revenues are higher than budgeted because the budget included some fiscal service activity.

Salaries & fringe benefits are higher than budgeted because of a GASB 68 adjustment to fringe benefits.

Contract Service Expense was lower than budgeted because less activity in the Brownfields project than anticipated and because some fiscal service activity was included in the budget.

Fuel expenses were lower than budgeted because of lower oil prices and the fact that fuel is purchased from the City of Lewiston. The City of Lewiston was able to lock in fuel prices at very favorable rates.

Depreciation was higher than budgeted because this non-cash expense is generally not reflected in the budget.

Bad debt expenses are higher than budgeted because, although a reserve for loan losses has been established, actual losses are not budgeted in any given year. The reserve for loan losses is based on historical experience and current loan balances. The nature of subordinated, gap financing leads to a higher default rate than would be acceptable at a bank. However, AVCOG's historical default rate is within normal ranges for similar agencies in the state. In addition, \$32,500 in bad debts associated with the MEP program were recognized in 2016.

Indirect costs are slightly lower than budgeted as a result of an overall effort to control overhead. Savings were realized in utilities, computer maintenance, and administrative expenses. In addition some of the indirect costs are recorded in Fiscal Services (Schedule 6).

Other Expenses are higher than budgeted because of increased activity in the LATC and loan programs.

Capital Asset and Long Term Debt Activity

During 2016 the LATC invested approximately \$700,000 in a new bus station in downtown Auburn. The facility was substantially completed as of 9/30/16 and officially opened in October. Funding for the facility included federal grants, local funds from the City of Auburn, and LATC reserve funds.

During 2005 AVCOG constructed a permanent Household Hazardous Waste (HHW) facility in the City of Lewiston. The HHW facility is recorded as equipment on the Statements of Net Assets. As of 9/30/2012 these assets were fully depreciated.

Other Significant Events

AVCOG provides Fiscal Services to several non-related nonprofit agencies as itemized in Schedule 5. The total amount due to these agencies is approximately \$518,000. In 2016 this amount decreased by approximately \$334,000 as a result of assumption of the LAEGC RMAP loan program.

Contacting the Council's Financial Management

This financial report is designed to provide the readers with a general overview of the Council's finances and to show the Council's accountability for the money it receives. If you have any questions about this report or need additional information, contact Greg Whitney at 207-783-9186 or at Gwhitney@avcog.org.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Statements of Net Position
September 30, 2016 and 2015

	2016	2015
ASSETS		
Current assets:		
Cash and equivalents	\$ 2,595,965	2,171,151
Receivables:		
Grants and contracts	849,514	342,618
Dues	11,434	37,376
Other	-	74,197
Unbilled	368,963	818,840
Accrued interest	33,911	44,785
Prepaid expenses	46,985	40,809
Notes receivable - current portion	791,800	918,923
Total current assets	4,698,572	4,448,699
Notes receivable - non-current portion (net of allowance)	1,919,919	1,582,502
Land, building, and equipment:		
Land	74,000	74,000
Construction in progress	-	49,768
Buildings	2,295,089	1,538,689
Equipment	2,755,344	2,760,306
Less accumulated depreciation	(3,263,934)	(3,037,116)
Net land, building, and equipment	1,860,499	1,385,647
Other real estate owned	10,302	9,974
Total other real estate owned	10,302	9,974
Total assets	8,489,292	7,426,822
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	378,082	123,153
Total deferred outflows of resources	378,082	123,153
LIABILITIES		
Current liabilities:		
Accounts payable	846,739	400,269
Accrued salaries	4,092	35,227
Accrued interest	9,956	10,945
Unearned revenue	590,383	435,737
Unearned indirect reimbursement	10,529	2,007
Due to outside agencies	517,830	852,070
Capital lease - current portion	-	3,333
Notes payable - current portion	316,689	287,197
Total current liabilities	2,296,218	2,026,785
Non-current liabilities:		
Accrued compensated absences	61,352	58,144
Net pension liability	603,627	295,041
Notes payable - non-current portion	2,232,776	1,999,132
Total non-current liabilities	2,897,755	2,352,317
Total liabilities	5,193,973	4,379,102
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	322,954	243,114
Total deferred inflows of resources	322,954	243,114
NET POSITION		
Net investment in capital assets	1,497,999	994,814
Restricted - loan funds	1,977,444	1,786,075
Unrestricted	(124,996)	146,870
Total net position	\$ 3,350,447	2,927,759

See accompanying notes to financial statements.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Statements of Revenues, Expenses, and Changes in Net Position
For Years Ended September 30, 2016 and 2015

	2016	2015
Operating revenues:		
Federal grants	\$ 2,242,649	1,574,500
State grants	443,856	208,582
Member contributions	230,629	230,302
Contract services	400,950	511,403
Rental Income	12,144	13,156
Advertising	29,749	26,436
Fare Box	257,110	238,029
Local Subsidy	418,177	527,378
Capital Match	111,512	214,383
In Kind	12,647	16,222
Interest revenue	155,882	155,022
Other revenue	146,989	18,476
Total operating revenues	4,462,294	3,733,889
Operating expenses:		
Direct expenses:		
Salaries and wages	862,689	854,880
Fringe benefits	401,932	143,192
Travel	17,133	19,285
Registrations and conferences	24,561	14,212
Printing and postage	2,450	3,192
Membership dues	2,449	2,874
Interest expense	43,616	36,570
Contract services	1,679,731	1,489,039
Meetings	2,014	5,618
Advertising	3,878	3,856
Accounting and legal	13,682	17,038
Bad debt expense	58,559	93,447
Office and computer supplies	5,253	9,608
Other expenses	86,265	52,731
Equipment	22,761	2,865
Fuel	147,748	205,593
Depreciation Expense	190,606	251,808
Capital Expenditures	10,724	26,688
Indirect costs	464,327	453,912
Total operating expenses	4,040,378	3,686,408
Operating income (loss)	421,916	47,481
Nonoperating revenues:		
Interest income	772	934
Total nonoperating revenues	772	934
Special Item:		
Amalgamation of Lewiston-Auburn Transit Committee	-	1,336,865
Change in net position	422,688	1,385,280
Net position - beginning	2,927,759	1,542,479
Net position - ending	\$ 3,350,447	2,927,759

See accompanying notes to financial statements.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS

Statements of Cash Flows

For Years Ended September 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Receipts from members and other governments	\$ 4,178,460	3,281,513
Receipts from loan repayments (interest)	166,756	151,638
Payments to employees	(1,292,548)	(991,736)
Payments to others	(1,917,578)	(2,383,092)
Net cash provided by operating activities	1,135,090	58,324
Cash flows from noncapital financing activities:		
Transfer of cash reserves from LATC	-	302,791
Net cash provided by noncapital financing activities	-	302,791
Cash flows from capital and related financing activities:		
Repayment of capital lease	(3,333)	(4,812)
Repayment of long-term debt	(375,065)	(304,303)
Purchase of capital assets	(701,670)	(203,909)
Net cash used by capital and related financing activities	(1,080,068)	(513,024)
Cash flows from investing activities:		
Purchase of real estate	(328)	(494)
Loan repayments	(210,294)	691,403
New loans issued	579,642	(511,700)
Interest on investments	772	934
Net cash provided by investing activities	369,792	180,143
Net increase in cash and cash equivalents	424,814	28,234
Cash and equivalents, beginning of year	2,171,151	2,142,917
Cash and equivalents, end of year	\$ 2,595,965	2,171,151
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 421,916	47,481
Depreciation	226,818	293,105
Bad debt	58,559	93,447
Loss on disposal of capital assets	-	-
Change in net pension liability	133,497	(311,703)
(Increase) decrease in operating assets:		
Grants and contracts receivable	(506,896)	219,973
Dues receivable	25,942	(35,636)
Unbilled receivables	449,877	(793,774)
Accounts receivable - other	74,197	(55,904)
Accrued interest	10,874	(3,384)
Prepaid expenses	(6,176)	(2,992)
Increase (decrease) in operating liabilities:		
Accounts payable	446,470	234,485
Accrued salaries	(31,135)	4,985
Accrued interest	(989)	(1,098)
Unearned revenue	163,168	127,266
Accrued compensated absences	3,208	1,351
Due to outside agencies	(334,240)	240,721
Net cash provided by operating activities	\$ 1,135,090	58,323
Supplemental disclosures:		
Cash paid during the year for interest	\$ 42,627	35,472

See accompanying notes to financial statements.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS

Notes to the Financial Statements

September 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Androscoggin Valley Council of Governments (AVCOG) is a Not-For-Profit voluntary association of towns, cities, and counties within Franklin, Oxford, and Androscoggin Counties. Its resources consist of Federal grants, state grants, and local contributions. It is organized as a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code, and therefore, is exempt from federal income tax.

Measurement Focus, Basis of Accounting and Financial Statement Presentation - The Council's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met. The Council follows the governmental model as defined by Governmental Accounting Standards Board (GASB) for accounting and financial reporting.

The Council distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations of the Council. The principal operating revenues of the Council are member dues, grants, and interest on loan fund repayments. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this determination are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents - Cash and cash equivalents consist of cash on hand, demand deposits, and time deposits.

Receivables - The Council provides credit under contracts for services rendered to various member municipalities who are primarily located in the tri-county region. Additionally, under the Council's loan programs, the Council provides credit in the form of loans to qualifying businesses in the tri-county region. Annually, the Council estimates an allowance based on historical bad debt trends. Amounts are charged against the allowance, as they are deemed uncollectible.

Capital Assets - Capital assets are recorded at cost and depreciated over the estimated useful lives (2 to 20 years) of the assets using the straight-line method. Depreciation expense at September 30, 2016 and 2015 was \$226,818 and \$293,105, respectively.

Deferred Inflows and Outflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The deferred outflows relate to the net pension liability, which include the Council's contributions subsequent to the measurement date, which is recognized as a reduction of the net pension liability in the subsequent year. They also include differences between expected and actual experience, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS

Notes to the Financial Statements, Continued

September 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The deferred inflows relate to the net pension liability, which include the changes in proportion and differences between employer contributions and proportionate share of contributions and is deferred and amortized over the average expected remaining service lives of active and inactive members in the plan. Deferred inflows of resources also include the net difference between projected and actual earnings on pension plan investments, which is deferred and amortized over a five-year period.

Compensated Absences - Under terms of personnel policies, vacation leave is granted in varying amounts according to length of service. In some cases, employees are entitled to payment for unused vacation upon termination or retirement. Compensated absences are accrued when incurred.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (PLD Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Member Contributions - All member governments are required to pay dues to AVCOG. Dues are determined annually and are recognized for the period which they were assessed. The contributions are reported in the General Operations Fund, unless specifically required to meet matching requirements of the grants, and transferred to various projects as needed to cover fund-operating deficits.

Indirect Cost Allocations - The Council's indirect cost rate is approved by the U.S. Department of Transportation Federal Transit Administration. The calculation is based on a percentage of direct salaries plus direct fringe benefits. The approved indirect cost rates for fiscal years 2016 and 2015 were 41.05% and 41.05%, respectively.

DESCRIPTION OF SIGNIFICANT COUNCIL PROGRAMS

Operations - General operations of the Council are funded primarily by local dues.

Other Programs

Transportation Programs- the Council performs transportation planning activities for the tri-county region including market research, technical assistance, financial planning for area transit operations, and ongoing analysis of transportation needs, as well as direct program support and grant administration. The two largest of the transportation programs are described below:

Lewiston-Auburn Transit Committee - The Lewiston-Auburn Transit Committee (LATC) was created through an interlocal agreement between the Cities of Auburn and Lewiston pursuant to Chapter 203 of Title 30 of the Maine State Statutes. The Committee was created to establish, maintain, and implement a mass transit system for the Lewiston-Auburn Area. Funding comes primarily from Federal Transit Administration grants and other grants from the Maine Department of Transportation. Grant funds for transit programs are matched in part by a combination of fare box revenues and local contributions from the Cities of Lewiston and Auburn.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS

Notes to the Financial Statements, Continued

September 30, 2016

DESCRIPTION OF SIGNIFICANT COUNCIL PROGRAMS, CONTINUED

Androscoggin Transportation Resource Center - The Androscoggin Transportation Resource Center (ATRC) is responsible for transportation planning in the Lewiston-Auburn area. Funding is provided by Federal Highway Administration funds which are passed through the Maine Department of Transportation. Activities to be performed are outlined in the ATRC two year planning work statement. Activities are broken down by task, setting forth the task objective, financial responsibility, and functional responsibility.

Physical Planning Programs - The Physical Planning Division provides regional and local planning as well as technical assistance to municipalities in the tri-county area. Funding comes from the State Planning Office as well as from municipal dues and "fee for service" contracts.

Economic Development Programs - The Economic Development Division provides planning and technical assistance to municipalities in the tri-county region for economic development. Funding is provided by federal grants from the Economic Development Administration (EDA) with matching local contributions. In addition, this Division provides area businesses with counseling services through the Small Business Development Center, Manufacturers Extension Partnership, Procurement Technical Assistance Center (PTAC), Small Business Administration (SBA) Technical Assistance (TA) and AVCOG's internal funds.

Loan Programs - The loan programs consist of eight loan funds:

The Revolving Loan Fund was established in 1980 with \$880,000 from EDA and \$186,667 in local matching funds.

The Defense Revolving Loan Fund was established in 1996 with a \$3.9 million fund available to all regional councils within the State on a drawdown basis from the EDA.

The Intermediary Relending Program was established in 1991 with \$2,000,000 available for lending on a drawdown basis from the United States Department of Agriculture (USDA) and an equity contribution from AVCOG totaling \$160,000. The AVCOG contribution consisted of assigning \$122,043 of existing loans from the Development Opportunity Fund and \$37,957 cash from AVCOG. In 1995, an additional \$1,000,000 was made available on a drawdown basis from the USDA. Loans are made to qualifying local businesses in the tri-county region for working capital and fixed asset purchases. In 2001, an additional \$500,000 was made available, matched by \$200,000 from DECD Regional Assistance Fund and \$50,000 transferred from the Rural Business Enterprise Grant Loan Program.

The Sudden and Severe Economic Dislocation Revolving Loan Fund was established in 1991 with \$808,767 available for lending on a drawdown basis from EDA with a \$200,000 match from the State of Maine.

The FAME Revolving Loan Fund was established in 1996 with \$676,000 available on a drawdown basis from the State of Maine. In 2003, an additional \$694,000 was made available on a drawdown basis. Also, in 2008, an additional \$120,000 was made available on a drawdown basis. In 2013, the Council partnered with the River Valley Growth Council (RVGC) and agreed to administer the FAME Revolving Loan Fund on behalf of the RVGC. This agreement made an additional \$121,427 in State Funding available for lending. In 2015, an additional \$500,000 was made available.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS

Notes to the Financial Statements, Continued

September 30, 2016

DESCRIPTION OF SIGNIFICANT COUNCIL PROGRAMS, CONTINUED

The Rural Business Enterprise Grant was established in 1995 with \$425,000 available for lending on a drawdown basis from the Rural Business and Community Development Service (RBCDS) and \$75,000 available for technical assistance. In 2003, an additional \$99,900 was made available for lending.

The SBA Microloan Fund was established in 2001 with \$250,000 available for lending on a drawdown basis from the SBA. In 2004, an additional \$400,000 was made available for lending. In 2005, an additional \$300,000 was made available. In 2008, an additional \$300,000 was made available for lending. Also, in fiscal year 2010 AVCOG was granted an additional \$400,000 through American Recovery and Reinvestment Act funding. During fiscal year 2012, the Council was awarded another \$250,000 from the SBA. In 2016, the Council was awarded another \$250,000.

The Rural Microentrepreneur Assistance Program (RMAP) was established in 2011 with \$250,000 available for lending on a drawdown basis from the United States Department of Agriculture. In 2013, the Council entered into an agreement to assume administrative responsibilities of the RMAP funds previously granted to the Lewiston Auburn Economic Growth Council (LAEGC). Through this agreement, \$40,000 was made available for lending during fiscal year 2013 and an additional \$170,000 was made available for lending in fiscal year 2014. In 2016, the \$500,000 LAEGC RMAP fund was formally transferred to AVCOG.

Interest and fees earned by these funds are transferred as allowed by each loan program to support loan servicing.

Fiscal Services - AVCOG provides fiscal services to several outside agencies. These services include collection of revenues, maintenance of funds on deposit, disbursement of funds, and reporting to the various agencies. No fee was charged for this service in fiscal years 2016 and 2015. Agencies served include the Maine Transit Association, Androscoggin River Watershed Council, Maine Lakes & Mountains Tourism Council, Auburn Business Development Corp., the Maine Woods Consortium, Farmington Downtown Association, Mt. Blue High School, Maine Organic Milling, Maine Sports Commission, Maine Pellet Fuels, the Kingfield Artwalk, the Celtic Festival, Farmington Grange, Good Foods Council of LA, Farm Energy Innovation, Fred Hardy Sustainable Agriculture, Heart & Soul of the Mahoosucs, and Independent Retailers COOP.

Implementation of New Accounting Standards

During the year ended September 30, 2016, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 72, "*Fair Value Measurement and Application*". The objective of the Statement is to expand comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will improve fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 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*". The objective of the Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related information reported by state and local governments. Management has determined that this Statement is not applicable.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS

Notes to the Financial Statements, Continued

September 30, 2016

DESCRIPTION OF SIGNIFICANT COUNCIL PROGRAMS, CONTINUED

Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*". The objective of this Statement is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 79, "*Certain External Investment Pools and Pool Participants*". This Statement establishes specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

This Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. Management has determined the impact of this Statement is not material to the financial statements.

DEPOSITS

The Council's policy is to invest all available funds at the highest possible rates, in conformance with legal and administrative guidelines, while avoiding unreasonable risk. The funds are invested in liquid investments with maturities planned to coincide with the Council's cash needs during the year. The Council has no investments as of September 30, 2016.

Custodial Credit Risk-Council Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Council's deposits may not be returned to it. The Council does not have a policy with respect to custodial credit risk for deposit accounts. As of September 30, 2016 the Council's deposits were represented by checking accounts and money market accounts. A portion of the Council's bank balances, which totaled \$2,634,740 and \$2,193,342 at September 30, 2016 and 2015, respectively, were exposed to custodial credit risk as follows:

	<u>2016</u>	<u>2015</u>
Deposits collateralized with securities not held in the Council's name	\$1,000,000	562,832

As of September 30, 2016 and 2015, \$1,466,048 and \$1,397,969 of deposits, respectively, were restricted in accordance with grantor restrictions.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Notes to the Financial Statements, Continued
September 30, 2016

GRANTS RECEIVABLE AND UNEARNED REVENUE

Grants receivable consist of federal and state administered receivables for reimbursement of expenses under various programs and grants. All amounts are expected to be collected within the next year.

Unearned revenue totaling \$600,912 and \$437,744 for the years ended September 30, 2016 and 2015, respectively, consisted of the following:

	2016	2015
Unearned municipal dues	\$ 229,028	\$ 230,628
Unearned grant and contract services	361,355	205,109
Unearned indirect cost reimbursement	10,529	2,007
Total unearned revenue	\$ 600,912	\$ 437,744

The following is a summary of notes receivable and accrued interest receivable recorded in the loan programs:

As of September 30, 2016	Notes receivable			Accrued Interest
	Current	Non-current	Total	
Revolving Loan Fund	\$ 43,660	\$ 161,203	\$ 204,863	\$ 1,823
Defense Revolving Loan Fund	49,797	175,518	225,315	2,468
Intermediary Relending Program I	120,874	81,196	202,070	250
Intermediary Relending Program II	24,815	251,143	275,958	383
Intermediary Relending Program III	36,664	234,013	270,677	8,821
Sudden and Severe Economic Dislocation				
Revolving Loan Fund	48,093	241,479	289,572	957
FAME Revolving Loan Fund - AVCOG	126,722	393,856	520,578	11,159
FAME Revolving Loan Fund - RVGC	94,486	102,750	197,236	1,122
Rural Business Enterprise Grant I	8,273	19,320	27,593	2
SBA Micro Loan I	28,606	-	28,606	44
SBA Micro Loan II	39,119	88,976	128,095	866
SBA Micro Loan III	19,554	75,964	95,518	517
SBA Micro Loan- ARRA	62,669	74,882	137,551	3,155
RMAP - AVCOG	30,650	78,121	108,771	761
RMAP - 2	57,818	290,190	348,008	1,583
Allowance for doubtful loans	-	(348,692)	(348,692)	-
Totals	\$ 791,800	\$ 1,919,919	\$ 2,711,719	\$ 33,911

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Notes to the Financial Statements, Continued
September 30, 2016

GRANTS RECEIVABLE AND UNEARNED REVENUE, CONTINUED

As of September 30, 2015	Notes receivable			Accrued Interest
	Current	Non-current	Total	
Revolving Loan Fund	\$ 57,567	\$ 147,781	\$ 205,348	\$ 4,539
Defense Revolving Loan Fund	18,379	113,652	132,031	1,751
Intermediary Relending Program I	107,791	113,366	221,157	312
Intermediary Relending Program II	168,219	184,131	352,350	4,117
Intermediary Relending Program III	34,761	270,127	304,888	9,118
Sudden and Severe Economic Dislocation				
Revolving Loan Fund	53,856	213,271	267,127	2,041
FAME Revolving Loan Fund - AVCOG	166,404	314,626	481,030	13,979
FAME Revolving Loan Fund - RVGC	48,885	43,370	92,255	1,388
Rural Business Enterprise Grant I	12,491	20,991	33,482	80
SBA Micro Loan I	37,069	11,116	48,185	73
SBA Micro Loan II	40,463	128,107	168,570	574
SBA Micro Loan- ARRA	87,818	87,309	175,127	5,614
RMAP - AVCOG	52,433	76,529	128,962	925
RMAP - 2 assumed from LAEGC	32,787	192,783	225,570	274
Allowance for doubtful loans	-	(334,657)	(334,657)	-
Totals	\$ 918,923	\$ 1,582,502	\$ 2,501,425	\$ 44,785

OTHER REAL ESTATE OWNED

Boralax Property- Other real estate owned includes the Boralax property. The cost of the property was \$10,302 and \$9,974 for the years ended September 30, 2016 and 2015, respectively.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Notes to the Financial Statements, Continued
September 30, 2016

CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016 was as follows:

	Balance September 30,		Balance September 30,	
	2015	Increases	Decreases	2016
Capital assets, not being depreciated:				
Construction in progress	\$ 49,768	\$ -	\$ (49,768)	\$ -
Land	74,000	-	-	74,000
Total capital assets, not being depreciated	123,768	-	(49,768)	74,000
Capital assets, being depreciated:				
Buildings	1,538,689	756,400	-	2,295,089
Equipment	2,760,306	-	(4,962)	2,755,344
Total capital assets, being depreciated	4,298,995	756,400	(4,962)	5,050,433
Less accumulated depreciation for:				
Buildings	(1,156,165)	(51,694)	-	(1,207,859)
Equipment	(1,880,951)	(175,124)	-	(2,056,075)
Total accumulated depreciation	(3,037,116)	(226,818)	-	(3,263,934)
Total capital assets being depreciated, net	1,261,879	529,582	(4,962)	1,786,499
Capital assets, net	\$ 1,385,647	\$ 529,582	\$ (54,730)	\$ 1,860,499

In previous years, a significant portion of the depreciation expense was attributable to the Household Hazardous Waste (HHW) facility. This facility was fully depreciated as of September 30, 2012. A large portion of the remaining assets are related to the LATC program. LATC's assets were assumed by the Council in fiscal year 2015. Depreciation expense during the year ended September 30, 2016 relating to LATC assets was charged directly to that program in the amount of \$190,606. The remaining assets are general assets, which are not specifically related to any one program. As such, the depreciation expense for the year ended September 30, 2016 related to these general assets was allocated to other programs as part of indirect costs in the amount of \$36,212. Depreciation expense for the year ended September 30, 2015 of \$41,297 was also allocated to other programs, in its entirety, as part of indirect costs.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Notes to the Financial Statements, Continued
September 30, 2016

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2016, was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Accrued compensated absences	\$ 58,144	\$ 3,208	\$ -	\$ 61,352	\$ -
Net pension liability	295,041	308,586	-	603,627	-
Capital leases	3,333	-	(3,333)	-	-
Notes payable	2,286,329	579,642	(316,506)	2,549,465	316,689
Total activity					
Long-Term liabilities	\$ 2,642,847	\$ 891,436	\$ (319,839)	\$3,214,444	\$ 316,689

NOTES PAYABLE

Notes payable as of September 30, 2016 and 2015 are as follows:

	2016	2015
<u>General operations:</u>		
General obligation note of \$500,000 for building renovation and loan refinance. Interest rate 3.55%, secured by mortgage on building, Matures 11/17/2020	\$ 362,500	\$ 387,500
Total general operations	362,500	387,500
<u>Loan programs:</u>		
Promissory note to SBA, drawn as needed up to \$300,000, variable interest rate - currently 3.6% variable payments- currently \$3,642 per month. Matured 7/7/17	35,437	77,071
Promissory note to SBA, drawn as needed up to \$400,000, variable interest rate - currently 1.4% variable payments- currently \$3,941 per month. Matures 4/7/2020	164,601	209,254
Promissory note to SBA, drawn as needed up to \$250,000, variable interest rate - currently .84% variable payments- currently \$2,320 per month. Matures 8/7/2022	159,079	186,919
Promissory note to Rural Development, Originally drawn as needed up to \$2,000,000, Interest accruing at 1% per annum, annual payments of \$84,900. Matures 8/13/2021	412,079	492,058
Promissory note to Rural Development, Originally drawn as needed up to \$1,000,000, Interest accruing at 1% per annum, annual payments of \$42,450. Matures 10/28/2024	363,015	401,456

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Notes to the Financial Statements, Continued
September 30, 2016

NOTES PAYABLE CONTINUED

Promissory note to Rural Development, Originally drawn as needed up to \$500,000, Interest accruing at 1% per annum, annual payments of \$21,225. Matures 5/17/2031	294,215	312,316
Promissory note to Rural Development, Originally drawn as needed up to \$250,000, Interest accruing at 2% per annum, annual payments of \$17,178. Matures 6/23/2030	206,279	219,755
Promissory note to Rural Development, Originally drawn as needed up to \$500,000, Interest accruing at 2% per annum, annual payments of \$42,450. Matures 10/28/2024	452,260	-
Promissory note to SBA, drawn as needed up to \$250,000, variable interest rate - currently 0% variable payments- currently \$2,315 per month. Matured 6/28/2026	100,000	-
Total loan programs	2,186,965	1,898,829
Totals	\$ 2,549,465	\$ 2,286,329

	<u>2016</u>	<u>2015</u>	
Current portion	316,689	287,197	
Noncurrent portion	2,232,776	1,999,132	
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 316,689	\$ 40,662	\$ 357,351
2018	297,966	37,372	335,338
2019	301,132	33,319	334,451
2020	547,163	29,490	576,653
2021	234,967	16,562	251,529
2022-2026	665,946	51,217	717,163
2027-2031	179,850	14,649	194,499
2032-2036	5,752	14	5,766
Total	\$ 2,549,465	\$ 223,271	\$ 2,766,984

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Notes to the Financial Statements, Continued
September 30, 2016

NET POSITION- NET INVESTMENT IN CAPITAL ASSETS

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of related notes payable. The Council's net investment in capital assets was calculated as follows:

	September 30, 2016	September 30, 2015
Capital assets	\$ 5,124,433	\$ 4,422,763
Accumulated depreciation	(3,263,934)	(3,037,116)
Note payable	(362,500)	(387,500)
Capital lease	-	(3,333)
Net Investment in Capital Assets	\$ 1,497,999	\$ 994,814

NET POSITION - RESTRICTED

Net Position has been restricted for loan programs as required by grant regulations. At September 30, 2016 and 2015, the restricted net position consisted of the following:

<u>Loan programs:</u>	2016	2015
Revolving Loan Fund	\$ 303,917	\$ 306,600
Defense Revolving Loan Fund	289,985	289,864
Intermediary Relending Program I	(120,700)	(120,745)
Intermediary Relending Program II	(21,872)	(18,516)
Intermediary Relending Program III	93,175	93,030
Sudden and Severe Economic Dislocation Revolving Loan Fund	346,951	347,807
FAME Revolving Loan Fund - AVCOG	826,654	730,947
FAME Revolving Loan Fund - RVGC	283,433	166,977
Rural Business Enterprise Grant I	99,624	115,427
SBA Micro Loan I	41,754	54,507
SBA Micro Loan II	50,272	51,372
SBA Micro Loan III	18,241	-
SBA Micro Loan- ARRA	49,897	57,200
RMAP - AVCOG	54,956	46,262
RMAP - 2	9,850	-
Less unallocated allowance for doubtful loans	(348,693)	(334,657)
	\$ 1,977,444	\$ 1,786,075

ECONOMIC DEPENDENCY

The Council is economically dependent upon grants and contracts with the Maine Department of Transportation, Federal Highway Administration, and USDA Rural Development.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Notes to the Financial Statements, Continued
September 30, 2016

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 for which the Council either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. Currently, the Council participates in one public entity and self-insured risk pool sponsored by the Maine Municipal Association.

Based on the coverage provided by this pool, as well as coverage provided by commercial insurance purchased, the Council is not aware of any material actual or potential claim liabilities which should be recorded at September 30, 2016 and 2015.

CONTINGENCIES

Grantor Claims - Grantor agencies reserve the right to perform certain audit work in addition to the work performed by the Council's independent auditors. Disallowed costs, if any, resulting from such additional work, would have to be absorbed by the Council. Management does not believe that any significant costs will be incurred by the Council if such additional work should occur. The amount, if any, of liabilities arising from the disallowance of expenses or ineligibility of grant revenues cannot be determined at this time.

RETIREMENT PLANS

Tax Sheltered Annuity Plan (403b) - The Council has a contributory tax sheltered annuity plan for which all employees are eligible after twelve months of employment. During 2015 and 2016, the employer match of 5% was suspended and not offered to employees. For the years ended September 30, 2016 and 2015, \$75,426 and \$71,005, respectively, were contributed by employees.

Additionally, the Council participates in the Social Security retirement program for Medicare contributions only. Employer contributions to this program were \$14,640 and \$14,186 for the years ended September 30, 2016 and 2015, respectively.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Notes to the Financial Statements, Continued
September 30, 2016

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

General Information about the Pension Plan

Plan Description - Employees of the Council are provided with pensions through the Maine Public Employees Retirement System Consolidated Plan for Local Participating Districts (PLD Plan) a cost-sharing multiple-employer defined benefit pension plan, administered by the Maine Public Employees Retirement System (MPERS). Benefit terms are established in Maine statute. MPERS issues a publicly available financial report that can be obtained at www.mainebers.org.

Benefits Provided - The PLD plan provides defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e. eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 (65 for new members to the PLD Plan on or after July 1, 2014). The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. MPERS also provides disability and death benefits, which are established by contract under applicable statutory provisions (PLD Plan).

Contributions - Employee contribution rates are defined by law or Board rule and depend on the terms of the plan under which an employee is covered. Employer contributions are determined by actuarial valuations. The contractually required contribution rates are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees are required to contribute 7.5% to 8.0% of their annual pay. The Council's contractually required contribution rate for the year ended September 30, 2016 was 8.9% to 9.5% of annual payroll. Contributions to the pension plan from the Council were \$93,720 for the year ended September 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of that date. The Council's proportion of the net pension liabilities were based on projections of the Council's long-term share of contributions to the pension plan relative to the projected contributions of all participating local districts (PLD Plan), actuarially determined.

At September 30, 2016, the Council reported a liability of \$603,627 for its proportionate share of the net pension liability. At June 30, 2015, the Council's proportion of the PLD Plan was 0.189197%.

For the year ended September 30, 2016, the Council recognized pension expense of \$63,054 for the PLD Plan. At September 30, 2016, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Notes to the Financial Statements, Continued
September 30, 2016

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

	PLD Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,372	\$ 77,526
Changes of assumptions	53,344	-
Net difference between projected and actual earnings on pension plan investments	186,301	231,906
Changes in proportion and differences between contributions and proportionate share of contributions	-	13,522
Contributions subsequent to the measurement date	114,065	-
Total	\$ 378,082	\$ 322,954

An amount of \$114,065 is reported as deferred outflows of resources related to pensions resulting from Council contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liabilities in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (32,417)
2018	(32,417)
2019	(40,676)
2020	46,575

Actuarial Assumptions -The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	PLD Plan
Inflation	3.5%
Salary Increases, per year	3.5%to 9.5%
Investment return, per annum, compounded annually	7.125%
Cost of living benefit increases, per annum	2.55%

Mortality rates were based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Notes to the Financial Statements, Continued
September 30, 2016

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 are summarized in the following table:

	PLD Plan	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US equities	20%	5.2%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real assets:		
Real estate	10%	3.7%
Infrastructure	10%	4.0%
Hard assets	5%	4.8%
Fixed income	25%	0.7%

Discount Rate - The discount rate used to measure the total pension liability was 7.125%. The projection of cash flows used to determine the discount rates assumed that employee contributions will be made at the current contribution rate and that contributions from participating local districts will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liabilities.

Sensitivity of the Council's Proportionate Share of the Net Pension Liabilities to Changes in the Discount Rate - The following presents the Council's proportionate share of the net pension liability calculated using the discount rate of 7.125%, as well as what the Council's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.125%) or percentage-point higher (8.125%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	6.125%	7.125%	8.125%
Council's proportionate share of the net pension liability	\$ 1,202,603	\$ 603,627	\$ 35,760

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Notes to the Financial Statements, Continued
September 30, 2016

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS financial report.

Payables to the Pension Plan - None as of September 30, 2016.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Required Supplementary Information

SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

LAST 10 FISCAL YEARS*

<u>PLD Plan:</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.19%	0.19%
Proportionate share of the net pension liability (asset)	\$ 603,627	\$ 295,041
Covered-employee payroll	\$ 1,057,900	\$ 996,229
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	57.06%	29.62%
Plan fiduciary net position as a percentage of the total pension liability	88.30%	94.10%

* The amounts presented for each fiscal year were determined as of June 30, and are for those years for which information is available.

See accompanying notes to financial statements.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Required Supplementary Information, Continued

SCHEDULE OF CONTRIBUTIONS

LAST 10 FISCAL YEARS*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>PLD Plan:</u>			
Contractually required contribution	\$ 88,397	\$ 77,337	\$ 66,467
Contributions in relation to the contractually required contribution	<u>(88,397)</u>	<u>(77,337)</u>	<u>(66,467)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,057,900	\$ 996,229	\$ 990,556
Contributions as a percentage of covered- employee payroll	8.36%	7.76%	6.71%

* The amounts presented for each fiscal year were determined as of June 30,
and are for those years for which information is available.

See accompanying notes to financial statements.

Changes of Assumptions

There was a change in the investment rate of return assumption this year from 7.25% to 7.125%. This change was made in the other MainePERS Programs with the 2014 valuation, but is first being recognized in the PLD Consolidated Plan in 2015. In addition to this change, the cost of living benefit increase assumption was changed from 3.12% to 2.55%. Further, those PLDs who had an IUUAL Surplus account received a refund of that account. As a result, there will be no more IUUAL surplus payments reflected beginning with the 2015 valuation. Finally, the amortization methodology for the Pooled Unfunded Actuarial Liability (PUAL) was changed from a fifteen-year open level dollar method to a method where a separate twenty-year closed period is established annually for the gain or loss in that year with these amortizations being developed as a level percentage of payroll and amortizing the existing PUAL at the time of this change, July 1, 2015, over a closed fifteen-year period beginning on this date.

See accompanying notes to financial statements.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Combining Statement of Revenues, Expenses, and Changes in Net Position
Transportation Programs
Year ended September 30, 2016

	FTA Grants	Rural Transportation	Rural Transportation 14-15	Rural Transportation 15-16	ATRC 14-15	ATRC 16-17	Scenic Byways - Route 27	Lewiston Auburn Railroad	STIC Project	LATC (Sch. 7)	Total
Operating revenues:											
Federal grants	\$ 148,201	-	4,750	9,554	91,155	204,331	-	-	-	1,363,344	1,821,335
State grants	-	121	1,188	3,018	17,095	34,415	6,077	-	-	98,503	160,417
Member contributions	19,211	-	999	1,296	-	-	-	-	128	-	21,634
Contract services	-	-	5,776	-	5,376	11,214	19,043	224	181	-	41,814
Rental income	-	-	-	-	-	-	-	-	-	12,144	12,144
Advertising	-	-	-	-	-	-	-	-	-	29,749	29,749
Fare box	-	-	-	-	-	-	-	-	-	257,110	257,110
Local subsidy	-	-	-	-	-	-	-	-	-	418,177	418,177
Capital match	-	-	-	-	-	-	-	-	-	111,512	111,512
In Kind	10,572	-	-	-	-	-	2,075	-	-	-	12,647
Other income	7,268	-	-	-	-	-	-	-	-	(5,408)	1,860
Total operating revenues	185,252	121	12,713	13,868	113,626	249,960	27,195	224	309	2,285,131	2,888,399
Operating expenses:											
Salaries and wages	81,444	-	6,721	7,301	53,056	104,638	3,246	121	167	55,051	311,745
Fringe benefits	25,342	-	2,091	2,272	16,509	32,559	1,010	38	52	17,130	97,003
Travel	539	-	135	289	261	1,013	-	-	-	404	2,641
Registrations and conferences	65	121	-	2	300	3,387	-	-	-	-	3,875
Printing and postage	153	-	2	-	38	3	-	-	-	1,280	1,476
Membership dues	1,425	-	-	-	356	-	-	-	-	-	1,781
Contract services	18,822	-	-	-	3,587	49,109	18,842	-	-	1,355,700	1,446,060
Meetings	3	-	140	75	419	200	-	-	-	4	841
Advertising	83	-	-	-	-	-	-	-	-	305	388
Accounting and legal	-	-	-	-	-	-	-	-	-	3,120	3,120
Computer & software maintenance	2,495	-	-	-	-	1,800	75	-	-	-	4,370
Other expenses	11,045	-	7	-	739	312	2,275	-	-	20,067	34,445
Equipment	-	-	-	-	9,805	620	-	-	-	12,336	22,761
Fuel	-	-	-	-	-	-	-	-	-	147,748	147,748
Depreciation expense	-	-	-	-	-	-	-	-	-	190,606	190,606
Capital Expenditures	-	-	-	-	-	-	-	-	-	10,724	10,724
Indirect costs	43,836	-	3,617	3,929	28,556	56,319	1,747	65	90	29,630	167,789
Total operating expenses	185,252	121	12,713	13,868	113,626	249,960	27,195	224	309	1,844,105	2,447,373
Operating income	-	-	-	-	-	-	-	-	-	441,026	441,026
Nonoperating revenues:											
Interest income	-	-	-	-	-	-	-	-	-	-	-
Change in net position	\$ -	-	-	-	-	-	-	-	-	441,026	441,026

See accompanying notes to financial statements.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Combining Statement of Revenues, Expenses, and Changes in Net Position
Physical Planning Programs
Year ended September 30, 2016

	FmHA Solid Waste FY2016	OCRR	HHW Collection	HHW Facility	SPO FY2016	SPO FY2017	Brownfields Hazardous	Brownfields Petroleum	Contract Services	Total
Operating revenues:										
Federal grants	\$ 80,000	-	-	-	-	-	91,875	12,974	-	184,849
State grants	-	-	-	-	30,869	7,746	-	-	1,480	40,095
Member contributions	10,596	90	-	-	(3,711)	-	4,140	1,081	117,354	129,550
Contract services	-	3,986	46,206	(1,028)	535	-	-	-	11,192	60,891
Other income	1,439	-	2,338	1,049	2,335	-	-	-	574	7,735
Total operating revenues	92,035	4,076	48,544	21	30,028	7,746	96,015	14,055	130,600	423,120
Operating expenses:										
Salaries and wages	41,448	2,110	638	-	14,895	4,189	6,462	1,562	67,883	139,187
Fringe benefits	12,897	657	199	-	4,635	1,303	2,011	486	21,122	43,310
Travel	393	173	-	-	319	-	55	-	1,386	2,326
Registrations and conferences	544	-	-	-	1,491	-	-	-	1,789	3,824
Printing and postage	190	-	46	-	171	-	-	-	71	478
Membership dues	55	-	-	-	-	-	-	-	538	593
Contract services	12,200	-	45,714	-	-	-	83,791	11,059	726	153,490
Meetings	1,066	-	-	-	-	-	-	107	-	1,173
Advertising	933	-	-	-	-	-	218	-	159	1,310
Other expenses	-	-	1,604	21	500	-	-	-	389	2,514
Indirect costs	22,309	1,136	343	-	8,017	2,254	3,478	841	36,537	74,915
Total operating expenses	92,035	4,076	48,544	21	30,028	7,746	96,015	14,055	130,600	423,120
Change in net position	\$ -	-	-	-	-	-	-	-	-	-

See accompanying notes to financial statements.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Combining Statement of Revenues, Expenses, and Changes in Net Position
Economic Development Programs
Year ended September 30, 2016

	EDA Planning Grant	SBDC	CDBG	Contracted services	Loan Servicing (Sch. 3a)	Manu- facturers Ext. Partnership	McFalls Development Commission	Sub Total
Operating revenues:								
Federal grants	\$ 84,521	-	-	-	150,444	-	-	234,965
State grants	-	-	10,044	-	-	-	-	10,044
Member contributions	17,279	61,167	1,510	(17)	-	81,911	(2,404)	159,446
Contract services	-	154,979	-	930	-	129,802	7,272	292,983
Other revenue	25,000	18,533	-	-	27,674	25,385	-	96,592
Total operating revenues	126,800	234,679	11,554	913	178,118	237,098	4,868	794,030
Operating expenses:								
Salaries and wages	66,844	120,192	6,247	372	126,455	86,055	2,485	408,650
Fringe benefits	20,799	37,399	1,944	116	39,348	26,777	773	127,156
Travel	1,167	5,389	-	-	1,903	3,253	191	11,903
Registrations and conferences	1,964	4,421	-	-	2,235	8,242	-	16,862
Printing and postage	48	28	-	2	391	2	9	480
Membership dues	-	-	-	-	75	-	-	75
Contract services	-	-	-	-	42,144	32,537	-	74,681
Meetings	-	-	-	-	-	-	-	-
Advertising	-	825	-	-	1,355	-	-	2,180
Accounting and legal	-	-	-	190	10,597	-	-	10,787
Computer & software maintenance	-	-	-	-	883	-	-	883
Equipment Expenses	-	-	-	-	-	-	-	-
Other expenses	-	1,734	-	32	3,722	1,415	72	6,975
Bad debts	-	-	-	-	-	32,500	-	32,500
Indirect costs	35,978	64,691	3,363	201	68,063	46,317	1,338	219,951
Total operating expenses	126,800	234,679	11,554	913	297,171	237,098	4,868	913,083
Deficiency of operating revenues under operating expenses	-	-	-	-	(119,053)	-	-	(119,053)
Transfer among programs	-	-	-	-	119,053	-	-	119,053
Change in net position after transfers	\$ -	-	-	-	-	-	-	-

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Combining Statement of Revenues, Expenses, and Changes in Net Position
Economic Development Programs
Year ended September 30, 2016

	Mid Coast Council of Governments	MDOT Rest Areas	Mobilize Maine	LAEGC Marketing	EDCM	Total
Operating revenues:						
Federal grants	\$ -	-	-	-	-	234,965
State grants	-	8,300	-	-	-	18,344
Member contributions	(49)	(1,395)	-	4	(36)	157,970
Contract services	3,600	-	-	-	1,662	298,245
Other revenue	-	-	-	-	-	96,592
Total operating revenues	3,551	6,905	-	4	1,626	806,116
Operating expenses:						
Salaries and wages	1,656	577	-	-	874	411,757
Fringe benefits	515	179	-	-	272	128,122
Travel	244	19	-	-	-	12,166
Registrations and conferences	-	-	-	-	-	16,862
Printing and postage	1	1	-	4	10	496
Membership dues	-	-	-	-	-	75
Contract services	-	5,500	-	-	-	80,181
Meetings	-	-	-	-	-	-
Advertising	-	-	-	-	-	2,180
Accounting and legal	-	-	-	-	-	10,787
Computer & software maintenance	-	-	-	-	-	883
Equipment Expenses	-	-	-	-	-	-
Other expenses	243	319	-	-	-	7,537
Bad debts	-	-	-	-	-	32,500
Indirect costs	892	310	-	-	470	221,623
Total operating expenses	3,551	6,905	-	4	1,626	925,169
Deficiency of operating revenues under operating expenses	-	-	-	-	-	-
Transfer among programs	-	-	-	-	-	119,053
Change in net position after transfers	\$ -	-	-	-	-	-

See accompanying notes to financial statements.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Combining Statement of Revenues, Expenses, and Changes in Net Position
Economic Development Programs (Loan Servicing)
Year ended September 30, 2016

	Loan servicing										Total
	Small Business Adminis- tration Microloan	EDA Revolving Loan Fund	Intermediary Relending Program	Sudden and Severe Economic Dislocation	Rural Microentrepreneur Assistance Program		Rural Business Enterprise Grant	FAME Revolving Loan Fund	Defense Revolving Loan Fund	RVGC FAME	
					AVCOG	2					
Operating revenues:											
Federal grants	\$ 85,666	-	-	-	23,726	41,052	-	-	-	-	150,444
Member contributions	-	-	-	-	-	-	-	-	-	-	-
Contract services	-	-	-	-	-	-	-	-	-	-	-
Other revenue	27,674	-	-	-	-	-	-	-	-	-	27,674
Total operating revenues	113,340	-	-	-	23,726	41,052	-	-	-	-	178,118
Operating expenses:											
Salaries and wages	58,358	7,855	18,628	5,766	10,058	2,124	-	17,990	4,893	783	126,455
Fringe benefits	18,159	2,444	5,796	1,794	3,130	661	-	5,598	1,522	244	39,348
Travel	141	-	1,541	-	46	9	166	-	-	-	1,903
Registrations and conferences	959	871	405	-	-	-	-	-	-	-	2,235
Printing and postage	76	240	53	-	4	-	13	2	2	1	391
Membership dues	-	75	-	-	-	-	-	-	-	-	75
Contract services	-	-	-	-	5,052	37,092	-	-	-	-	42,144
Meetings	-	-	-	-	-	-	-	-	-	-	-
Advertising	375	-	-	-	-	-	980	-	-	-	1,355
Accounting and legal	3,840	517	522	220	-	-	1,448	3,126	-	924	10,597
Computer & Software Maintenance	-	673	-	35	-	-	-	35	-	140	883
Other expenses	22	3,333	115	22	22	22	16	122	48	-	3,722
Indirect costs	31,410	4,228	10,026	3,104	5,414	1,144	-	9,683	2,633	421	68,063
Total operating expenses	113,340	20,236	37,086	10,941	23,726	41,052	2,623	36,556	9,098	2,513	297,171
Deficiency of operating revenues under operating expenses	-	(20,236)	(37,086)	(10,941)	-	-	(2,623)	(36,556)	(9,098)	(2,513)	(119,053)
Transfer among programs	-	20,236	37,086	10,941	-	-	2,623	36,556	9,098	2,513	119,053
Change in net position after transfers	\$ -	-	-	-	-	-	-	-	-	-	-

See accompanying notes to financial statements.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Combining Statement of Revenues, Expenses, and Changes in Restricted Net Position
Loan Programs
Year ended September 30, 2016

	EDA Revolving Loan Fund	Defense Revolving Loan Fund	Intermediary Relending			Sudden and Severe Economic Dislocation Revolving Loan Fund	FAME Revolving Loan Fund		Sub Total
			Program I	Program II	Program III		AVCOG	RVGC	
Operating revenues:									
Federal grants	\$ -	-	-	-	-	-	-	-	-
State grants	-	-	-	-	-	-	112,000	113,000	225,000
Interest and fees	11,722	9,044	16,066	5,407	18,491	10,757	29,861	7,559	108,907
Contract services	-	-	-	-	-	-	-	-	-
Other revenue	375	-	-	-	-	-	-	-	375
Loan fees	2,578	805	58	2,173	529	2,008	1,436	1,599	11,186
Total operating revenues	14,675	9,849	16,124	7,580	19,020	12,765	143,297	122,158	345,468
Operating expenses:									
Interest expense	-	1,570	4,816	3,660	3,056	-	11,106	1,042	25,250
Accounting and legal	(153)	-	-	-	-	-	(72)	-	(225)
Bad debt expense	-	-	-	-	-	-	-	(675)	(675)
Other expense	(835)	(150)	-	-	-	-	-	95	(890)
Total operating expenses	(988)	1,420	4,816	3,660	3,056	-	11,034	462	23,460
Operating income (loss)	15,663	8,429	11,308	3,920	15,964	12,765	132,263	121,696	322,008
Transfer among programs	(18,346)	(8,308)	(11,263)	(7,276)	(15,819)	(13,621)	(36,556)	(5,240)	(116,429)
Net change in restricted net position for the year	(2,683)	121	45	(3,356)	145	(856)	95,707	116,456	205,579
Restricted net position (deficit) beginning of year	306,600	289,864	(120,745)	(18,516)	93,030	347,807	730,947	166,977	1,795,964
Restricted net position (deficit) end of year	\$ 303,917	289,985	(120,700)	(21,872)	93,175	346,951	826,654	283,433	2,001,543

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Combining Statement of Revenues, Expenses, and Changes in Restricted Net Position
Loan Programs
Year ended September 30, 2016

	Rural Business Enterprise Grant	Small Business Administration				Rural Microentrepreneur Assistance Program	Unallocated allowance for doubtful loans	Total
		Microloan I	Microloan II	Microloan III	ARRA			
Operating revenues:								
Federal grants	\$ -	-	-	-	-	-	-	-
State grants	-	-	-	-	-	-	-	225,000
Interest and fees	2,522	2,345	8,694	729	9,777	22,908	-	155,882
Contract services	-	-	-	-	-	-	-	-
Other revenue	-	-	-	17,550	-	9,850	-	27,775
Loan fees	391	32	244	-	518	579	-	12,950
Total operating revenues	2,913	2,377	8,938	18,279	10,295	33,337	-	421,607
Operating expenses:								
Interest expense	-	1,975	-	-	2,598	13,793	-	43,616
Accounting and legal	-	-	-	-	-	-	-	(225)
Bad debt expense	(457)	13,155	-	-	-	-	14,036	26,059
Other expense	16,550	-	10,038	38	15,000	1,000	-	41,736
Indirect costs	-	-	-	-	-	-	-	-
Total operating expenses	16,093	15,130	10,038	38	17,598	14,793	14,036	111,186
Operating income (loss)	(13,180)	(12,753)	(1,100)	18,241	(7,303)	18,544	(14,036)	310,421
Transfer among programs	(2,623)	-	-	-	-	-	-	(119,052)
Net change in restricted net position for the year	(15,803)	(12,753)	(1,100)	18,241	(7,303)	18,544	(14,036)	191,369
Restricted net position (deficit) beginning of year	115,427	54,507	51,372	-	57,200	46,262	(334,657)	1,786,075
Restricted net position (deficit) end of year	\$ 99,624	41,754	50,272	18,241	49,897	64,806	(348,693)	1,977,444

See accompanying notes to financial statements.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Combining Statement of Increases and Decreases in Due to Outside Agencies
Fiscal Services
Year ended September 30, 2016

	Maine Transit Association	Androscoggin River Watershed Co.	Maine Lakes & Mountains Tourism Co.	Maine Woods Consortium	Farmington Downtown Association	Mt. Blue High School	Maine Organic Milling	ABDC	Fred Hardy Sustainable Agriculture	Sub Total
Increases in due to outside agencies:										
Federal grants	\$ 5,846	-	-	-	-	-	-	-	-	5,846
State grants	-	-	113,802	4,000	-	-	-	-	-	117,802
Donations	-	-	-	-	-	-	-	-	-	-
Foundation Grants	-	-	-	-	-	-	-	-	-	-
Contract services	-	9,577	3,650	-	-	-	-	-	-	13,227
Interest and fees	-	-	-	-	-	8	-	-	-	8
Capital Match	-	-	-	-	-	-	-	-	-	-
Advertising Revenues	-	-	5,810	-	-	-	-	-	-	5,810
Other revenue	16,575	53,192	1,051	52,027	-	-	-	-	25,000	147,845
Total increases in due to outside agencies	22,421	62,769	124,313	56,027	-	8	-	-	25,000	290,538
Decreases in due to outside agencies:										
Salaries and wages	-	67,147	13,259	-	-	-	-	-	-	80,406
Fringe benefits	-	-	4,126	-	-	-	-	-	-	4,126
Travel	-	-	645	-	-	-	-	-	-	645
Registrations and conferences	7,221	2,659	9,828	2,175	-	-	-	-	-	21,883
Printing and postage	-	49	18,579	-	-	-	-	-	-	18,628
Memberships and dues	-	220	525	-	-	-	-	-	-	745
Contract services	21,112	2,584	45,278	85,660	-	-	15,931	-	-	170,565
Advertising	-	-	10,512	1,800	-	-	-	-	-	12,312
Computer & Software Maintenance	-	1,599	2,632	507	-	-	-	-	-	4,738
Other expenses	1,672	10,232	11,231	30	2,074	-	-	11,499	-	36,738
Meetings	2,242	830	34	-	-	-	-	-	-	3,106
Equipment	-	-	-	-	-	-	27,956	-	-	27,956
Legal services	185	-	-	-	-	-	-	-	-	185
Capital Expenditures	-	-	-	-	-	-	-	-	-	-
Indirect costs	-	-	7,136	-	-	-	-	-	-	7,136
Total decreases in due to outside agencies	32,432	85,320	123,785	90,172	2,074	-	43,887	11,499	-	389,169
Net increase (decrease) in due to outside agencies	(10,011)	(22,551)	528	(34,145)	(2,074)	8	(43,887)	(11,499)	25,000	(98,631)
Due to (from) outside agencies, beginning of year	3,675	31,896	25,978	136,238	2,074	5,516	44,387	11,499	-	261,263
Due to (from) outside agencies, end of year	\$ (6,336)	9,345	26,506	102,093	-	5,524	500	-	25,000	162,632

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Combining Statement of Increases and Decreases in Due to Outside Agencies
Fiscal Services
Year ended September 30, 2016

	Maine Sports Commission	Heart & Soul of the Mahoosucs	Kingfield Artwalk	Celtic Festival	Farmington Grange	LAEGC Rural Microentrepreneur Assistance Program	Independent Retailers COOP	Good Foods Council of LA	Farm Energy Innovation	Total
Increases in due to outside agencies:										
Federal grants	\$ -	-	-	-	-	-	-	-	-	5,846
State grants	70,000	-	-	-	-	-	-	-	-	187,802
Donations	-	-	-	-	-	-	-	-	-	-
Foundation grants	-	-	-	-	-	-	-	-	-	-
Contract services	29,000	-	-	-	-	-	-	-	-	42,227
Interest and fees	-	-	-	-	-	-	-	-	-	8
Capital Match	-	-	-	-	-	-	-	-	-	-
Advertising revenue	-	-	-	-	-	-	-	-	-	5,810
Other revenue	12,500	35,000	-	-	-	-	25,000	4,600	-	224,945
Total increases in due to outside agencies	111,500	35,000	-	-	-	-	25,000	4,600	-	466,638
Decreases in due to outside agencies:										
Salaries and wages	47,245	-	-	-	-	-	-	-	776	128,427
Fringe benefits	-	-	-	-	-	-	-	-	241	4,367
Travel	1,077	-	-	-	-	-	-	-	-	1,722
Registrations and conferences	14,392	-	-	-	-	-	-	50	-	36,325
Printing and postage	79	-	-	-	-	-	-	-	-	18,707
Memberships and dues	795	-	-	-	-	-	-	-	-	1,540
Contract services	19,492	-	-	-	-	-	-	5,039	-	195,096
Advertising	441	-	-	-	-	-	-	-	-	12,753
Computer & Software Maintenance	2,437	167	-	-	-	-	-	-	-	7,342
Other expenses	8,228	1,000	-	-	642	300,010	-	411	-	347,029
Meetings	3,507	-	-	-	-	-	-	-	-	6,613
Equipment	926	-	-	-	-	-	-	-	4,015	32,897
Legal services	322	-	-	-	-	-	-	-	-	507
Capital expenditures	-	-	-	-	-	-	-	-	-	-
Indirect costs	-	-	-	-	-	-	-	-	417	7,553
Total decreases in due to outside agencies	98,941	1,167	-	-	642	300,010	-	5,500	5,449	800,878
Net increase (decrease) in due to outside agencies	12,559	33,833	-	-	(642)	(300,010)	25,000	(900)	(5,449)	(334,240)
Due to (from) outside agencies, beginning of year	159,585	-	768	3,977	642	300,010	-	5,500	120,325	852,070
Due to (from) outside agencies, end of year	\$ 172,144	33,833	768	3,977	-	-	25,000	4,600	114,876	517,830

See accompanying notes to financial statements.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Schedule of Revenues and Expenses by Task
ATRC
Year ended September 30, 2016

	Budget	Expenses prior to October 1, 2015	Expenses to September 30, 2016	Total	Balance
Program #33415					
Grant term 01/01/14 - 12/31/15:					
Program Administration	\$ 187,500	186,042	1,602	187,644	(144)
Planning Support/Coordination Assistance	135,867	54,511	60,622	115,133	20,734
Public Education/Outreach	40,000	34,027	5,847	39,874	126
6 Year Plan/MDOT Work Plan	45,000	28,071	4,141	32,212	12,788
Transportation Planning Tool	25,000	1,600	634	2,234	22,766
Traffic Data Collection	37,500	25,834	11,195	37,029	471
Traffic Reviews/Technical Assistance	45,000	39,813	5,061	44,874	126
GIS	25,000	22,319	2,535	24,854	146
Congestion Management	110,000	62,480	15,645	78,125	31,875
Long Range Transportation Plan	40,000	38,675	373	39,048	952
Complete Streets Ordinance/BMP Manual	72,600	27,083	5,970	33,053	39,547
New Auburn Village Traffic Study	20,900	20,889	-	20,889	11
Main St. Lewiston Bike Ped study	25,000	1,963	-	1,963	23,037
Totals	\$ 809,367	543,307	113,625	656,932	152,435

	Budget	Expenses prior to October 1, 2015	Expenses to September 30, 2016	Total	Balance
Program #33417					
Grant term 01/01/15 - 12/31/17:					
Program Administration	\$ 192,000	-	60,146	60,146	131,854
Planning Support/Coordination Assistance	125,000	-	38,395	38,395	86,605
Public Education/Outreach	56,250	-	11,629	11,629	44,621
6 Year Plan/MDOT Work Plan	45,000	-	6,818	6,818	38,182
Transportation Planning Tool	22,500	-	3,355	3,355	19,145
Traffic Data Collection	40,625	-	6,259	6,259	34,366
Traffic Reviews/Technical Assistance	62,500	-	29,459	29,459	33,041
GIS	25,000	-	11,045	11,045	13,955
Congestion Management	110,000	-	22,205	22,205	87,795
Long Range Transportation Plan	31,250	-	-	-	31,250
Route 4	15,000	-	-	-	15,000
Bike/Ped Access VVMB	5,743	-	-	-	5,743
ITS Upgrade Plan	40,000	-	866	866	39,134
Complete Streets Ordinance	67,263	-	59,782	59,782	7,481
Totals	\$ 838,131	-	249,959	249,959	588,172

See accompanying notes to financial statements.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Statements of Net Position
Lewiston-Auburn Transit Committee
September 30, 2016 and 2015

	2016	2015
ASSETS		
Current assets:		
Cash and equivalents	\$ 512,831	44,281
Cash held by others	-	-
Receivables:		
Grants and contracts	785,516	742,040
Other	-	10,236
Total current assets	1,298,347	796,557
Land, buildings, and equipment:		
Buildings	1,144,781	440,842
Buses and equipment	2,376,635	2,376,635
Less accumulated depreciation	(1,949,185)	(1,758,579)
Net capital assets	1,572,231	1,058,898
Total assets	\$ 2,870,578	1,855,455
LIABILITIES		
Current liabilities:		
Accounts payable	746,042	327,945
Unearned revenue	312,933	156,933
Total liabilities	1,058,975	484,878
NET POSITION		
Net investment in capital assets	1,572,231	1,058,898
Unrestricted	239,372	311,679
Total net position	\$ 1,811,603	1,370,577

See accompanying notes to financial statements.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Schedule of Revenue and Expense by Task
LATC
Year ended September 30, 2016

	LATC Operations	LATC Capital	Total
Operating revenues:			
Federal revenue	\$ 822,424	540,920	1,363,344
State grants	98,503	-	98,503
Rental income	12,144	-	12,144
Advertising revenues	29,749	-	29,749
Fare box revenues	257,110	-	257,110
Local subsidy	418,177	-	418,177
Capital match	21,006	90,506	111,512
Other income	(5,408)	-	(5,408)
Total operating revenues	1,653,705	631,426	2,285,131
Operating expenses:			
Salaries	55,051	-	55,051
Fringe benefits	17,130	-	17,130
Contract services	1,355,700	-	1,355,700
Local Travel	404	-	404
Project supplies	-	-	-
Janitorial supplies	1,367	-	1,367
Janitorial services	9,672	-	9,672
Utilities	5,453	-	5,453
Telephone	3	-	3
Web page maintenance	-	-	-
Fuel	147,748	-	147,748
Equipment repairs and maintenance	6,567	-	6,567
Equipment rental	1,260	-	1,260
Small equipment	4,509	-	4,509
Building repairs and maintenance	913	-	913
Postage	68	-	68
Printing and publications	1,212	-	1,212
Advertising	305	-	305
Accounting	1,200	-	1,200
Meetings - internal	4	-	4
Legal services	1,920	-	1,920
Liability insurance	806	-	806
Administrative and other	1,853	-	1,853
Depreciation expense	190,606	-	190,606
Capital expenditure	10,724	-	10,724
Indirect costs	29,630	-	29,630
Total operating expenses	1,844,105	-	1,844,105
Operating income (loss)	(190,400)	631,426	441,026
Nonoperating revenues:			
Interest income	-	-	-
Change in net position	\$ (190,400)	631,426	441,026

See accompanying notes to financial statements.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
Fiscal Year 2016
Indirect Costs
(with comparative actual for fiscal year 2015)

	Budget FY 2016	Actual FY 2016	Variance	Actual FY 2015
Salaries and wages	\$ 195,581	199,046	(3,465)	196,853
Fringe benefits	61,850	61,936	(86)	57,768
Contract services	500	-	500	-
Travel	5,500	4,995	505	5,482
Project Supplies	-	-	-	-
Office supplies	2,500	3,026	(526)	2,897
Drafting supplies	1,000	968	32	910
Computer supplies	500	-	500	-
Janitorial supplies	1,000	923	77	974
Computer software maintenance	14,000	9,702	4,298	12,522
Computer software	-	-	-	246
Telephone	10,000	8,887	1,113	8,932
Web page maintenance	2,000	108	1,892	1,393
Utilities	15,000	8,593	6,407	12,983
Maintenance agreement	2,500	803	1,697	1,715
Equipment repairs & maintenance	200	4,490	(4,290)	-
Equipment rental	11,000	12,116	(1,116)	11,022
Postage	1,500	1,001	499	1,291
Registrations & meetings - external	2,000	985	1,015	1,523
Memberships & dues	8,500	5,390	3,110	5,340
Subscriptions	-	1,313	(1,313)	1,258
Conference expense	500	871	(371)	293
Small equipment	500	-	500	-
Printing & publications	500	575	(75)	946
Janitorial services	6,000	6,224	(224)	6,544
Advertising	500	399	101	43
Accounting	13,000	12,850	150	12,500
Meetings - internal	-	1,671	(1,671)	2,080
Legal services	500	1,262	(762)	155
Training	500	59	441	-
Interest expense	13,300	13,436	(136)	14,312
Building repairs & maintenance	15,000	14,190	810	14,445
Real estate taxes	21,000	20,516	484	19,976
Liability insurance	13,000	12,934	66	12,515
Administrative expense	6,500	2,764	3,736	3,114
Depreciation	41,000	43,036	(2,036)	41,297
Rent	8,600	8,289	311	8,263
Subtotal	475,531	463,358	12,173	459,592
Indirect costs charged to other agencies	-	(7,553)	7,553	(7,687)
Totals	\$ 475,531	455,805	19,726	451,905

Indirect costs are those costs which are not readily assignable to specific programs. They are, therefore, aggregated and placed into an indirect cost pool. Each year, an indirect cost rate is calculated and this rate is applied to the direct salaries and fringe of the Council's grants and programs.

See accompanying notes to financial statements.

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass Thru Grantor Number	Funding Term	Grant Award Amount	Revenue Recognized			Federal Expenditures	Other Expenditures	Expended to Subrecipients
					Federal	State	Local Match			
U.S. Department of Agriculture, Rural Development Administration:										
Solid Waste Management Grant	10.762	-	10/1/15-9/30/16	\$ 80,000	\$ 80,000	\$ -	\$ 48,543	\$ 80,000	\$ 48,543	\$ -
Rural Microentrepreneur Assistance Program	10.870	-	10/1/15-9/30/16	64,778	64,778	-	34,598	64,778	34,598	-
Total Department of Agriculture				144,778	144,778	-	83,141	144,778	83,141	-
U.S. Department of Commerce, Economic Development Administration										
Planning Grant FY '16	11.302	-	04/1/15-03/31/16	70,000	23,744	-	42,967	23,744	42,967	-
Planning Grant FY '17	11.302	-	04/01/16-03/31/17	70,000	60,777	-	60,839	60,777	60,839	-
Total Department of Commerce				140,000	84,521	-	103,806	84,521	103,806	-
Small Business Administration:										
Microloan Technical Assistance	59.046	-	8/1/15-6/30/16	86,968	55,454	-	13,341	55,454	13,341	-
Microloan Technical Assistance	59.046	-	7/1/16-6/30/17	68,351	30,212	-	8,823	30,212	8,823	-
Total Small Business Administration				155,319	85,666	-	22,164	85,666	22,164	-
Federal Transit Cluster										
U.S. Department Transportation, Federal Transit Administration:										
Federal transit Formula Grant	20.507	-	10/1/13-9/30/16	1,097,470	198,085	47,784	150,301	198,085	198,085	-
Federal transit Formula Grant	20.507	-	10/1/14-9/30/17	953,555	210,576	29,117	79,863	210,576	108,980	-
Federal transit Formula Grant	20.507	-	10/1/15-9/3.1/18	1,051,691	461,610	21,602	201,369	461,610	222,971	-
U.S. Department Transportation, Federal Transit Administration, passed through the Maine Department of Transportation:										
FTA 5309 funds (Auburn Bus Transfer Facility)	20.500	32677	10/1/14-01/31/18	593,152	540,920	-	163,018	540,920	163,018	-
Total Federal Transit Cluster				3,695,868	1,411,191	98,503	594,551	1,411,191	693,054	-
U.S. Department Transportation, Federal Transit Administration, passed through the Maine Department of Transportation:										
FTA 5303 Funds (pass through ARTC)	20.505	35404	1/1/16-12/31/16	144,696	100,354	-	80,283	100,354	80,283	-
Rural Transit Assistance Program - Maine Transit Association	20.509	34454	1/1/15-12/31/16	29,500	7,346	-	-	7,346	-	-
Rural Transit Assistance Program - Maine Transit Association	20.509	36381		1,600	1,600	-	-	1,600	-	-
Total Department of Transportation/FTA				1,600	1,600	-	-	109,300	80,283	-
U.S. Department Transportation, Federal Highway Administration, passed through the Maine Department of Transportation:										
Rural Transportation Program	20.505	35296	1/1/16-12/31/16	10,000	9,554	3,018	1,296	9,554	4,314	-
Rural Transportation Program	20.505	33941	1/1/15-12/31/15	40,000	4,750	1,188	999	4,750	2,187	-
ATRC 2014-2015 UPWP	20.505	32579	1/1/14-1/31/16	647,494	91,155	17,095	5,376	91,155	22,471	-
ATRC 2015-2017 UPWP	20.505	35404	2/1/16-12/31/17	670,504	204,331	34,415	11,214	204,331	45,629	-
Rural Transit Assistance Program - Scenic Byways	20.205	28217	3/31/11-12/31/15	16,000	6,077	-	21,118	6,077	21,118	-
Total Department of Transportation/FTA				686,504	210,408	34,415	32,332	315,867	95,719	-
U.S. Environmental Protection Agency, Office of Solid Waste: and Emergency Response:										
Brownfields Assessment and Cleanup	66.818	-	10/1/15-9/30/28	400,000	104,849	-	5,220	104,849	5,220	-
Total U.S. Environmental Protection Agency				400,000	104,849	-	5,220	104,849	5,220	-
TOTAL FEDERAL ASSISTANCE								\$ 2,256,172	\$ 1,083,387	\$ -

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

PURPOSE OF THE SCHEDULE

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Androscoggin Valley Council of Governments under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Androscoggin Valley Council of Governments, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Androscoggin Valley Council of Governments.

SIGNIFICANT ACCOUNTING POLICIES

- A. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- B. The Androscoggin Valley Council of Governments has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.



Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Executive Committee
Androscoggin Valley Council of Governments
Auburn, Maine

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 statements of the business-type activities of Androscoggin Valley Council of Governments, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Androscoggin Valley Council of Governments basic financial statements, and have issued our report thereon dated November 29, 2016.

Internal Control Over Financial Reporting

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

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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 the Report

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

RHR Smith & Company

Buxton, Maine
November 29, 2016



Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Executive Committee
Androscoggin Valley Council of Governments
Auburn, Maine

Report on Compliance for Each Major Federal Program

We have audited the Androscoggin Valley Council of Government's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Androscoggin Valley Council of Government's major federal programs for the year ended September 30, 2016. The Androscoggin Valley Council of Government'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Androscoggin Valley Council of Government'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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 Androscoggin Valley Council of Government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Androscoggin 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 September 30, 2016.

Report on Internal Control Over Compliance

Management of the Androscoggin Valley Council of Governments is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Androscoggin Valley Council of Government'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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Androscoggin Valley Council of Government's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Androscoggin Valley Council of Government'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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.

This 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
November 29, 2016

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
 SCHEDULE OF FINDING AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

Section I - Summary of Auditor's Results

• *Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___yes X no
- Significant deficiency(ies) identified? ___yes X no
- Noncompliance material to financial statements noted? ___yes X no

• *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? ___yes X no
- Significant deficiency(ies) identified? ___yes X no

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

Any audit findings disclosed that are required to be reported
 In accordance with 2 CFR section 200.516(a)? ___yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.507/20.500	Federal Transit Cluster

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

Auditee qualified as low-risk auditee? ___yes X no

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None



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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH MAINE UNIFORM ACCOUNTING AND AUDITING PRACTICES FOR COMMUNITY AGENCIES

Executive Committee
Androscoggin Valley Council of Governments
Auburn, Maine

Compliance

We have audited Androscoggin Valley Council of Government's compliance with the types of compliance requirements described in *Maine Uniform Accounting and Auditing Practices for Community Agencies* (MAAP), and with the requirement in the Contract Compliance Rider(s) of the Agency's agreements with the Maine Department of Health and Human Services and the Maine Department of Transportation (the department) that could have a direct and material effect on each of Androscoggin Valley Council of Government's major Department agreements for the year ended September 30, 2016. Androscoggin Valley Council of Government's major Department programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of law, regulation, contract and grants applicable to each of its major Department programs is the responsibility of Androscoggin Valley Council of Government's management. Our responsibility is to express and opinion on Androscoggin Valley Council of Government's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the MAAP. Those standards and the MAAP 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 Department agreement occurred. An audit includes examining, on a test basis, evidence about Androscoggin Valley Council of Government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. Our audit does not provide a legal determination of Androscoggin Valley Council of Government's compliance with those requirements.

In our opinion, Androscoggin Valley Council of Governments complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Department agreements for the year ended September 30, 2016.

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Internal Control over Compliance

Management of Androscoggin Valley Council of Governments is responsible for establishing and maintaining effective internal controls over compliance with the requirements of laws, regulation, contracts, and grants applicable to Department agreements. In planning and performing our audit, we consider Androscoggin Valley Council of Government's internal control over compliance with the requirements that could have a direct and material effect on a major Department agreement to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with MAAP, 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 Androscoggin Valley Council of Government'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 Department agreement 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 Department agreement will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies or material weakness. We did not identify any deficiencies in internal over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, State of Maine, Department of Health and Human Services, State of Maine Department of Transportation, other within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

RHR Smith & Company

Buxton, Maine
November 29, 2016

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
 SCHEDULE OF EXPENDITURES OF DEPARTMENT AGREEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

Department Office	Agreement Number	Agreement Amount	Agreement Period	Agreement Service	Agreement Status	Federal Expenses	State Expenses	Total Department Expenses	Local Share Expenses	Total Agreement/Match Expenses
DOT:										
OPT	CSN 35404	\$ 144,696	2/1/16-12/31/17	Administration/Planning	Interim	\$ 100,354	\$ -	\$ 100,354	\$ 80,283	\$ 180,637
	CSN 35404	\$ 670,504	2/1/16-12/31/17	Administration/Planning	Interim	204,331	34,415	238,746	11,214	249,960
	CSN 34454	\$ 29,500	1/1/15-12/31/16	RTAP	Interim	7,346	-	7,346	-	7,346
	CSN 32677	\$ 593,152	10/1/14-1/31/18	Administration/Planning	Interim	540,920	-	540,920	163,018	703,938 *
	CSN 35296	\$ 12,500	1/1/16-12/31/16	Operating	Interim	10,000	2,500	12,500	1,368	13,868
	CSN 33941	\$ 40,000	1/1/15-12/31/15	Operating	Final	4,750	1,188	5,938	999	6,937
	CSN 32579	\$ 647,494	1/1/14-1/31/16	Administration/Planning	Interim	91,155	17,095	108,250	5,376	113,626
	CSN 28217	\$ 16,000	3/31/11-12/31/15	Administration/Planning	Final	6,077	-	6,077	21,118	27,195
	CSN 36381	\$ 1,600	7/1/16-6/30/17	RTAP	Interim	1,600	-	1,600	-	1,600
	CSN 34710	\$ 98,115	7/1/15-6/30/16	Administration/Planning	Final	-	98,115	98,115	-	98,115
TOTAL						<u>\$ 966,533</u>	<u>\$ 153,313</u>	<u>\$ 1,119,846</u>	<u>\$ 283,376</u>	<u>\$ 1,403,222</u>

NOTES:

* CSN 32677 was billed in FY 2017.
 CSN 35404 and CSN 32677 were tested and accounted for 79% of total expenses.

Disclosures:

Is your Agency required to have a Federal Uniform Guidance Audit? YES X NO .

ANDROSCOGGIN VALLEY COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued : Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___yes __X__no
- Significant deficiency(ies) identified? ___yes __X__no
- Noncompliance material to financial statements noted? ___yes __X__no

State Agreements

Internal control over programs tested:

- Material weakness(es) identified? ___yes __X__no
- Significant deficiency(ies) identified not considered
to be material weaknesses? ___yes __X__no

Type of auditor's report issued on compliance for programs tested: Unqualified

Any audit findings disclosed that are required to be reported
In accordance with MAAP? ___yes __X__no

Identification of major programs:

CSN 35404
CSN 32677