

**SOUTHEASTERN CONNECTICUT  
COUNCIL OF GOVERNMENTS**

**AUDITED FINANCIAL STATEMENTS  
TOGETHER WITH SUPPLEMENTAL  
REPORTS AND SCHEDULES**

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

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS  
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YEAR ENDED JUNE 30, 2015**

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# ALBERT J. RUSILOWICZ

Certified Public Accountant, LLC

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
Southeastern Connecticut Council of Governments  
Norwich, Connecticut

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

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeastern Connecticut Council of Governments, Norwich, Connecticut, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Southeastern Connecticut Council of Government's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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 control. Accordingly I express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeastern Connecticut Council of Governments as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 24 through 25 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures did not provide me with sufficient evidence to express an opinion or provide any assurance.

### Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southeastern Connecticut Council of Government's basic financial statements. The combining and individual nonmajor fund financial statements and supplemental schedules, the schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the schedule of state financial assistance as required by the State of Connecticut Single Audit Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and supplemental schedules, the schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the schedule of state financial assistance as required by the State of Connecticut Single Audit Act 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 my opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the schedule of state financial assistance as required by the State of Connecticut Single Audit Act 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*, I have also issued my report dated November 4, 2015, on my consideration of the Southeastern Connecticut Council of Government's internal control over financial reporting and on my 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 my 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 Southeastern Connecticut Council of Government's internal control over financial reporting and compliance.



Albert J. Rusilowicz  
Certified Public Accountant, LLC  
Killingworth, Connecticut  
November 4, 2015

**Southeastern Connecticut Council of Governments  
Management's Discussion and Analysis  
For the year ended June 30, 2015**

As management of the Southeastern Connecticut Council of Governments (the "SCCOG") we offer readers of the financial statements this narrative overview and analysis of the financial activities of the SCCOG for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here along with the SCCOG's basic financial statements.

**Financial Highlights**

On a government-wide basis, the assets of the SCCOG exceeded its liabilities resulting in total net position of \$831,676. The total unrestricted net position at June 30, 2015 was \$515,303.

On a government-wide basis, during the year, the SCCOG's net position increased by \$128,310, from \$703,366 to \$831,676.

Governmental activities expenses were \$1,816,190.

At the end of the fiscal year the general fund had a balance of \$561,009.

**Overview of the Financial Statements**

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

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the SCCOG's finances, in a manner similar to a private-sector business. These statements include all assets and liabilities on the accrual basis of accounting. All of the SCCOG's revenues and expenses are recorded regardless of when received or paid.

The statement of net position presents information on all of the SCCOG's assets and liabilities, with the difference reported as net position. Increases or decreases in net position may serve as an indicator that the SCCOG's financial position is either improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the current fiscal year. Revenues and expenses are reported regardless of when received or paid and thus might be a future source or use of cash.

The statement of net position and statement of activities can be found at Exhibit I and II.

(Continued)

**Southeastern Connecticut Council of Governments  
Management's Discussion and Analysis, Continued  
For the year ended June 30, 2015**

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control and accountability over resources. The SCCOG has only governmental type funds.

**Governmental Funds**

Governmental funds are used to account for basically the same functions reported as governmental activities in the government-wide financial statements. Governmental funds, unlike governmental-wide financial statements, focus on the short-term inflows and outflows of expendable resources, as well as on balances of expendable resources at the end of the year. These funds are reported on the modified accrual basis. The differences between governmental activities and governmental funds is reflected on the bottom of the fund financial statements.

The governmental fund financial statements are reflected at Exhibit III and IV.

**Fiduciary Funds**

The SCCOG holds funds for the Southeastern Connecticut Housing Alliance in a custodial capacity. Receipts and expenditures of that fund are entirely for the benefit of that entity.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a complete understanding of the data contained in the government-wide and fund financial statements.

**Other Information**

Required supplementary information and supplemental schedules are presented after the notes to the financial statements.

**Government-wide Financial Analysis**

The analysis below reflects net position and changes in net position.

<b>Net Assets</b>	June 30, 2015 Governmental Activities **	June 30, 2014 Governmental Activities
Current and other assets	\$ 787,103	\$ 611,008
Capital assets	316,373	295,784
Total Assets	\$ 1,103,476	\$ 906,792
Current liabilities	226,094	161,298
Long-term liabilities	45,706	42,128
Total Liabilities	271,800	203,426
Net position:		
Invested in capital assets, net of debt	316,373	295,784
Restricted	-	-
Unrestricted	515,303	407,582
Total Net Position	\$ 831,676	\$ 703,366

\*\* Amounts do not include DEMHS Direct Service Programs.

(Continued)

**Southeastern Connecticut Council of Governments  
Management's Discussion and Analysis, Continued  
For the year ended June 30, 2015**

Net position of the SCCOG's governmental activities increased by \$128,310. Unrestricted net position of \$515,303 may be used to meet the SCCOG's ongoing obligations.

**Changes in Net Position**

	<u>June 30, 2015 Governmental Activities **</u>	<u>June 30, 2014 Governmental Activities</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 156,564	\$ 132,183
Operating grants and contributions	1,131,249	564,031
Capital grants and contributions	22,616	-
General Revenues:		
Municipal assessments	157,688	141,204
SECHA Reimbursements	3,688	-
Grants and contributions not restricted to specific programs	-	-
Unrestricted investment earnings	456	418
Miscellaneous	29,148	10,750
Total revenues	<u>1,501,409</u>	<u>848,586</u>
Program Expenses:		
Regional Planning	<u>1,373,099</u>	<u>780,465</u>
Total program expenses	<u>1,373,099</u>	<u>780,465</u>
Increase (decrease) in net position	<u>\$ 128,310</u>	<u>\$ 68,121</u>

\*\* Amounts do not include DEMHS Direct Service Programs.

The SCCOG's total revenues were \$1,501,409. The total cost of all programs was \$1,373,099.

**Governmental Activities**

For governmental activities, approximately 87% of the revenues were derived from program revenues, with 11% coming from municipal assessments and 2% from investment earnings and other sources. 100% of the SCCOG's expenditures related to regional planning.

**Fund Financial Analysis**

**Governmental Funds**

At the end of the year the governmental funds reported a fund balance of \$561,009. This was an increase of \$111,299 from last years total of \$449,710. Less than 1% of the ending fund balance has been reported as nonspendable. The remaining amount is unassigned. The general fund is the chief operating fund of the SCCOG.

**General Fund Budgetary Highlights**

The final budget for revenues was \$1,588,022. This was an increase of \$236,068 from the original budget of \$1,351,954. The final budget for expenditures was \$1,430,522. This was an increase of \$211,410 from the original budget of \$1,219,112. During the current fiscal year, actual revenues were \$1,501,409 which were less than budgetary estimates by \$86,613. Actual expenditures on a budgetary basis totaled \$1,376,467, which were less than budgetary estimates by \$54,055 and were less than actual revenues on a budgetary basis by \$124,942.

(Continued)



**Southeastern Connecticut Council of Governments  
Management's Discussion and Analysis, Continued  
For the year ended June 30, 2015**

**Capital Assets and Debt Administration**

The SCCOG's investment in capital assets for its governmental activities as of June 30, 2015, amount to \$316,373, net of accumulated depreciation. This investment in capital assets includes land, buildings, roads, and machinery and equipment. This represents a net increase of \$20,589 during the year.

<b>Capital Assets</b> (net of depreciation)	June 30, 2015 Governmental Activities	June 30, 2014 Governmental Activities
Land & Land Improvements	\$ 71,353	\$ 72,705
Building & Improvements	191,060	182,818
Equipment & Furnishings	53,960	40,261
	<u>\$ 316,373</u>	<u>\$ 295,784</u>

**Long-Term Debt**

At June 30, 2015 the SCCOG had no long-term debt other than accrued compensated absences.

<b>Long-Term Liabilities</b>	June 30, 2015 Governmental Activities	June 30, 2014 Governmental Activities
Compensated Absences	\$ 45,706	\$ 42,128
Total Long-Term Liabilities	<u>\$ 45,706</u>	<u>\$ 42,128</u>

**Fiduciary Funds**

<b>Net Assets</b>	June 30, 2015 Fiduciary Funds	June 30, 2014 Fiduciary Funds
Current & Total Assets	<u>\$ 41,404</u>	<u>\$ 44,693</u>
Current & Total Liabilities	\$ 41,404	\$ 44,693
Net Position	-	-
Total Liabilities & Net Position	<u>\$ 41,404</u>	<u>\$ 44,693</u>

**Changes In Net Position**

Decrease in Assets	\$ (3,289)	\$ (3,568)
Decrease in Liabilities	3,289	3,568
Increase in Net Position	<u>\$ -</u>	<u>\$ -</u>

**Economic Factors and Next Year's Budgets and Rates**

With continued improvement in the region's and state's economy during the fiscal year, the SCCOG's funding picture remained stable, due in large part to the previous year's increase in the OPM State-Grant-In-Aid (SGIA) for regional planning. The SCCOG has not had to budget funds from its Reserve (fund balance) to supplement its operating budget for the past two years.

In FY 2016, the SCCOG adopted a budget that anticipates continuing this steady funding stream, including \$253,369 in the OPM planning grant and \$157,688 in municipal dues. This budget and the proposed FY 2017 budget will retain a per capita dues rate of \$0.55 for SCCOG member municipalities.

**Requests for Information**

The financial report is designed to provide an overview of the SCCOG's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Southeastern Connecticut Council of Governments, Executive Director, 5 Connecticut Avenue, Norwich, Connecticut 06360.

## SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

## STATEMENT OF NET POSITION

June 30, 2015

	<b>Governmental Activities</b>	<b>Total</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 668,048	668,048
Receivables, net	161,614	161,614
Capital assets, net	316,373	316,373
Prepaid expenses	1,486	1,486
<b>Total Assets</b>	<u>1,147,521</u>	<u>1,147,521</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension contributions after the measurement date	59,747	59,747
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	99,090	99,090
Long-term liabilities:		
Due within one year	45,706	45,706
Due in more than one year	180,392	180,392
<b>Total Liabilities</b>	<u>325,188</u>	<u>325,188</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Unavailable revenue	171,049	171,049
Net difference between projected and actual investment earnings on pension plan investments	57,759	57,759
<b>Total Deferred Inflows of Resources</b>	<u>228,808</u>	<u>228,808</u>
<b>NET POSITION</b>		
Invested in capital assets	316,373	316,373
Unrestricted	336,899	336,899
<b>Total Net Position</b>	<u>\$ 653,272</u>	<u>653,272</u>

The accompanying notes to the financial statements are an integral part of this statement.

## SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

## STATEMENT OF ACTIVITIES

For the year ended June 30, 2015

<u>Function/Program</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>	<u>Total</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		
Governmental activities:						
Regional planning	\$ 1,790,351	156,564	1,574,340	22,616	(36,831)	(36,831)
Total governmental activities	<u>1,790,351</u>	<u>156,564</u>	<u>1,574,340</u>	<u>22,616</u>	<u>(36,831)</u>	<u>(36,831)</u>
Total government	<u>\$ 1,790,351</u>	<u>156,564</u>	<u>1,574,340</u>	<u>22,616</u>		
General revenues:						
Municipal assessments					157,688	157,688
Grants and contributions not restricted to specific programs					-	-
Unrestricted investment earnings					456	456
Miscellaneous					32,836	32,836
Total general revenues and transfers					<u>190,980</u>	<u>190,980</u>
Change in net position					154,149	154,149
Net position-beginning, restated					499,123	499,123
Net position-ending					<u>\$ 653,272</u>	<u>653,272</u>

The accompanying notes to the financial statements are an integral part of this statement.

## SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

## GOVERNMENTAL FUNDS

## BALANCE SHEET

June 30, 2015

	Major Programs						Total Governmental Funds
	General Fund	U.S. Department of Transportation Regional Transportation Planning Agreement Number 4.21-18(14)	U.S. Department of Transportation SEAT Comprehensive Operational Analysis	U.S. Department of Homeland Security DEMHS Direct Service Programs	State of Connecticut OPM State Grant In Aid	Other Governmental Funds	
<b>ASSETS</b>							
Cash and equivalents	\$ 471,076	-	11,257	44,045	41,320	100,350	668,048
Grants receivable:							
Federal	-	18,932	33,344	-	-	16,740	69,016
State	-	2,367	8,336	-	-	38,404	49,107
Municipal and technical assistance fees receivable	-	-	-	-	-	43,057	43,057
Other receivables	-	-	-	-	-	434	434
Due from other funds	161,614	-	-	-	-	-	161,614
Prepaid expenses	1,486	-	-	-	-	-	1,486
<b>Total Assets</b>	<b>\$ 634,176</b>	<b>21,299</b>	<b>52,937</b>	<b>44,045</b>	<b>41,320</b>	<b>198,985</b>	<b>992,762</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable and accrued expenses	\$ 73,167	-	11,257	14,666	-	-	99,090
Due to other funds	-	21,299	41,680	-	-	98,635	161,614
<b>Total Liabilities</b>	<b>73,167</b>	<b>21,299</b>	<b>52,937</b>	<b>14,666</b>	<b>-</b>	<b>98,635</b>	<b>260,704</b>
<b>Deferred Inflows of Resources:</b>							
Unavailable revenue	-	-	-	29,379	41,320	100,350	171,049
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,379</b>	<b>41,320</b>	<b>100,350</b>	<b>171,049</b>
<b>Fund Balances:</b>							
Nonspendable	1,486	-	-	-	-	-	1,486
Assigned	-	-	-	-	-	-	-
Unassigned	559,523	-	-	-	-	-	559,523
<b>Total Fund Balances</b>	<b>561,009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>561,009</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 634,176</b>	<b>21,299</b>	<b>52,937</b>	<b>44,045</b>	<b>41,320</b>	<b>198,985</b>	<b>992,762</b>

The accompanying notes to the financial statements are an integral part of this statement.

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION-GOVERNMENTAL ACTIVITIES**

**June 30, 2015**

<b>Fund Balances-Government Funds</b>	<b>\$ 561,009</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Difference Because:</b>	
Capital assest used in governmental activities are not financial resources and, therefore, are not reported in the funds	316,373
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Deferred outflows-pension contributions after the measurement date	59,747
Deferred inflows-net difference between projected and actual investment earnings on pension plan investments	(57,759)
Net pension liability	(180,392)
Compensated absences	(45,706)
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ 653,272</u></u></b>

The accompanying notes to the financial statements are an integral part of this statement.

## SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

## GOVERNMENTAL FUNDS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2015

	Major Programs					Other Governmental Funds	Total Governmental Funds
	U.S. Department of Transportation Regional Transportation Planning Agreement Number 4.21-18(14)	U.S. Department of Transportation SEAT Comprehensive Operational Analysis	U.S. Department of Homeland Security DEMHS Direct Service Programs	State of Connecticut OPM State Grant In Aid	General Fund		
<b>Revenues:</b>							
Municipal assessments	\$ 157,688	-	-	-	-	-	157,688
Intergovernmental:							
Federal grants	-	373,012	180,116	443,091	-	34,740	1,030,959
State grants	-	46,627	45,029	-	227,035	247,306	565,997
Municipal and technical assistance contracts	-	-	-	-	-	156,564	156,564
Other	14,558	-	-	-	-	18,734	33,292
<b>Total Revenues</b>	<b>172,246</b>	<b>419,639</b>	<b>225,145</b>	<b>443,091</b>	<b>227,035</b>	<b>457,344</b>	<b>1,944,500</b>
<b>Expenditures:</b>							
Direct salaries	-	227,180	-	-	109,123	112,238	448,541
Indirect at 104.183%	-	236,683	-	-	113,687	116,932	467,302
Direct charges	13,951	2,402	225,145	443,091	4,225	228,544	917,358
<b>Total Expenditures</b>	<b>13,951</b>	<b>466,265</b>	<b>225,145</b>	<b>443,091</b>	<b>227,035</b>	<b>457,714</b>	<b>1,833,201</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>158,295</b>	<b>(46,626)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(370)</b>	<b>111,299</b>
<b>Other Financing Sources (Uses):</b>							
Operating transfers in	7,543	46,626	-	-	-	7,913	62,082
Operating transfers out	(54,539)	-	-	-	-	(7,543)	(62,082)
<b>Total Other Financing Sources (Uses):</b>	<b>(46,996)</b>	<b>46,626</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>370</b>	<b>-</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>111,299</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>111,299</b>
<b>Fund Balance (Deficit) June 30, 2014</b>	<b>449,710</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>449,710</b>
<b>Fund Balance (Deficit) June 30, 2015</b>	<b>\$ 561,009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>561,009</b>

The accompanying notes to the financial statements are an integral part of this statement.

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2015**

**Amounts Reported for Governmental Activities in the Statement of  
Activities are Different Because:**

<b>Net Change in Fund Balances-Total Government Funds (Exhibit IV)</b>	<b>\$ 111,299</b>
--	-------------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Plus capital outlays treated as expenditures on Exhibit IV	36,567
Less depreciation expense in Exhibit II but not in Exhibit IV	(15,978)

Some expenses reported in the statement of activities do not required the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, including the change in:

Pension liability and related deferred inflows and outflows	25,839
Compensated absences	(3,578)

<b>Change in Net Assets of Governmental Activities (Exhibit II)</b>	<b><u>\$ 154,149</u></b>
---	--------------------------

The accompanying notes to the financial statements are an integral part of this statement.

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

FIDUCIARY FUNDS

STATEMENT OF NET POSITION

June 30, 2015

	<b><u>Agency Funds</u></b>
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 41,404
Total Assets	<u>\$ 41,404</u>
<b><u>Liabilities</u></b>	
Due to other organizations	\$ 41,404
Total Liabilities	<u>\$ 41,404</u>

The accompanying notes to the financial statements are an integral part of this statement.



# SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

## Notes to Financial Statements

June 30, 2015

### Note 1 - Summary of Significant Accounting Policies

The financial statements of the Southeastern Connecticut Council of Governments (SCCOG) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the SCCOG are described below:

#### A. Reporting entity

The Southeastern Connecticut Council of Governments (SCCOG) is a regional council of governments established under Chapter 50, Section 4-124i through 4-124p of the General Statutes of the State of Connecticut. Membership in the SCCOG is open to any municipality within the Southeastern Connecticut planning region. Each member municipality is entitled to one voting representative on the SCCOG who shall be the chief elected official. These representatives serve as the policy making Board of the SCCOG. The day-to-day affairs of the SCCOG are managed by the Executive Director and his staff.

The SCCOG provides comprehensive land use and transportation planning services in the southeastern Connecticut region. SCCOG is funded primarily by assessments of area municipalities and federal and state grants. As required by accounting principles generally accepted in the United States of America, the basic financial statements of the reporting entity include only those funds of the SCCOG (the primary government) as no component units exist based upon operational or financial relationships with the SCCOG.

#### B. Basis of Presentation

The SCCOG is considered a single-program governmental organization for financial reporting purposes. Governmental Accounting Standards Board (GASB) Statement Number 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*" requires the presentation of government-wide financial statements and fund financial statements. The government-wide financial statements consist of a statement of net assets and a statement of activities. The governmental fund financial statements consist of the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The SCCOG has no business type activities.

**Government-wide financial statements** – consist of a statement of net assets and a statement of activities, which are prepared on the accrual basis of accounting. These statements report on all of the nonfiduciary activities of the SCCOG. For the most part, the effect of interfund activity has been removed from these statements. Capital assets, net of accumulated depreciation, are included along with long-term obligations. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided by a given function or segment and (2) grants and contributions (intergovernmental revenues) that are restricted to meeting the operational or capital requirements of a particular function or segment. Municipal assessments and other items not properly included among program revenues are reported instead as general revenues. Information presented in the government-wide statement of activities demonstrates the degree to which SCCOG's expenses are offset by revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. For SCCOG's purposes, all revenue and expenses are related to a single program, regional planning.

**Fund financial statements** – provide information about the SCCOG's governmental and fiduciary funds. These statements emphasize major fund activity and, depending on the fund type, utilize different basis of accounting. Governmental funds focus on sources, uses, and balances of current financial resources and often have budgetary orientation, and therefore use a modified accrual basis of accounting. Fiduciary funds focus on net assets and changes in net assets, and include assets held in a trustee or agency capacity and utilize the accrual basis of accounting. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each being displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

(Continued)

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Notes to Financial Statements, Continued**

**June 30, 2015**

**Note 1 - Summary of Significant Accounting Policies, Continued**

**B. Basis of Presentation, Continued**

The SCCOG reports the following major governmental funds:

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

**U.S. Department of Transportation-Agreement Number 4.21-18(14) - Regional Transportation Planning** - This fund is used to account for revenues and expenditures relating to rural transportation planning in the southeastern Connecticut planning region.

**U.S. Department of Transportation-SEAT Comprehensive Operational Analysis** - This fund is used to account for revenues and expenditures relating to a comprehensive operational analysis for the Southeast Area Transit District.

**U.S. Department of Homeland Security Direct Services Programs** - This fund is used to account for revenues and expenditures relating to the state homeland security grant programs and the emergency management performance grant programs administered by the SCCOG to establish, enhance and equip emergency preparedness programs in the southeastern Connecticut planning region.

**State of Connecticut Office of Policy and Management-State Grant in Aid for Regional Planning** – This fund is to be used to account for the revenue and expenditures related to regional planning activities conducted in the southeastern Connecticut planning region.

In addition, the SCCOG reports the following fiduciary fund type:

**Agency Funds** – This fund is used to account for resources held by the SCCOG in a purely custodial capacity. The SCCOG utilizes this fund to account for assets held on behalf of the Southeastern Connecticut Housing Alliance.

**Required supplementary information** – in addition to the government-wide and governmental fund financial statements, budgetary comparison schedules are presented for the SCCOG as a whole. The SCCOG does not adopt an annual budget by governmental fund but rather adopts an annual budget for the organization as a whole. The original budget for revenues and expenditures and the final adjusted budget are presented in comparison with the actual final budgetary revenues and expenditures.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments from member towns are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

(Continued)

## SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

### Notes to Financial Statements, Continued

June 30, 2015

#### Note 1 - Summary of Significant Accounting Policies, Continued

##### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the SCCOG considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Charges for services, rental income, and interest associated with the current fiscal period are all considered to be susceptible to accrual and as such, have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The SCCOG has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include (1) charges to municipalities or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include municipal assessments.

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

##### D. Deposits and Investments

The SCCOG's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the SCCOG to invest in obligations of the United States Treasury, commercial paper, corporate bonds, repurchase agreements, and certain other investments as more fully described in Note 4.

##### E. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts being owed between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/due from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/due from other funds." Interfund receivables and payables within governmental activities are eliminated in the Statement of Net Position.

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Notes to Financial Statements, Continued**

**June 30, 2015**

**Note 1 - Summary of Significant Accounting Policies, Continued**

**F. Inventories and Prepaid Expenses**

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. At June 30, 2015, the SCCOG had no inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. At June 30, 2015, prepaid items totaled \$1,486.

**G. Capital Assets**

Capital assets, which include land and related improvements, buildings and related improvements, and equipment and furnishings, are reported in the applicable governmental columns in the government-wide financial statements.

Fixed assets used in governmental fund operations are accounted for as capital outlays in the fund financial statements upon acquisition.

Capital assets are defined by the SCCOG as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as acquisitions are made or projects are constructed.

Buildings and related improvements, land improvements, equipment and furnishings are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	39
Land improvements	15
Equipment and furnishings	5-20

**H. Compensated Absences**

Under the terms of the SCCOG's personnel policies, SCCOG employees are granted vacation and sick leave in varying amounts. Certain employees may carry over a limited number of unused vacation and sick days to subsequent years and, in the event of termination, are reimbursed for unused vacation days. Accumulated unused vacation time is recognized as a liability of the SCCOG in the government-wide financial statements.

**I. Pension**

The SCCOG is a participating municipality in the Connecticut Municipal Employees Retirement System (CMERS) which is the public pension plan offered by the State of Connecticut for municipal employees in participating municipalities. The CMERS was established in 1947 and is governed by Connecticut General Statute Title 7, Chapter 113.

(Continued)

## SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

### Notes to Financial Statements, Continued

June 30, 2015

#### Note 1 - Summary of Significant Accounting Policies, Continued

##### I. Pension, Continued

The CMERS is a multiemployer pension plan administered by the Connecticut State Retirement Commission. The State Retirement Commission is responsible for the administration of the CMERS. The State Treasurer is responsible for investing CMERS funds for the exclusive benefit of CMERS members.

The net pension liability represents the SCCOG's proportionate share of the net pension liability of the CMERS. The financial reporting of these amounts is presented in accordance with the provisions of GASB Statements No. 68 *Accounting and Financial Reporting for Pensions* and No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

##### J. Long-Term Obligations

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide financial statements. The long-term debt consists of accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and the payment of principal and interest are reported as expenditures.

##### K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

##### L. Fund Equity

The SCCOG has adopted GASB Statement Number 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement establishes criteria for classifying governmental fund balances into specifically defined categories. Classifications are hierarchical and are based primarily on the extent to which the SCCOG is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of this Statement requires the SCCOG to classify and report amounts in the appropriate fund balance classification. The SCCOG's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned or unassigned.

The SCCOG reports the following classifications:

**Nonspendable Fund Balance** - Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form-such as inventory or prepaid items or (b) legally or contractually required to be maintained intact-such as a trust that must be maintained in perpetuity.

**Assigned Fund Balance** – Assigned fund balances are amounts that are constrained by the SCCOG's intent to be used for a specific purpose, but are neither restricted or committed. Intent is expressed by SCCOG Board of Directors which has the authority to assign, modify, or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as spendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose.

(Continued)

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Notes to Financial Statements, Continued**

**June 30, 2015**

**Note 1 - Summary of Significant Accounting Policies, Continued**

**L. Fund Equity, Continued**

Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the SCCOG itself.

Appropriated Assigned Fund Balance is an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues.

**Unassigned Fund Balance** – Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

**2. Stewardship, Compliance and Accountability**

**A. Budget Basis**

The SCCOG establishes an organization-wide budget in accordance with provisions of its bylaws. A preliminary annual budget is prepared on or before January 1 and is presented to the Council for adoption prior to March 1 of each year. The operating budget includes proposed expenditures and the means of financing them.

The Council, as necessary, may amend the budget during the fiscal year.

Formal budgetary integration is employed as a management control device during the year for the SCCOG. There was a \$211,410 net increase in appropriations approved during the year.

All unencumbered appropriations lapse at year-end, except those for certain special revenue funds.

**B. Application of Accounting Standards**

For the year ended June 30, 2015, the SCCOG implemented the following standards:

- GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*. The statement, and GASB Statement No. 67 applicable to pensions, improves accounting and financial reporting by state and local governments for pensions. The Statement intends to provide for better decision making, accountability, interperiod equity, and creating additional transparency.
- GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this Statement is to improve financial and reporting by addressing an issue in GASB Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans.

(Continued)

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

Notes to Financial Statements, Continued

June 30, 2015

2. Stewardship, Compliance and Accountability, Continued

C. Cumulative Effect of Change in Accounting Principle

For the year ended June 30, 2015, the SCCOG implemented GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements seek to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred inflows/outflows of resources and expenses/expenditures. As a result of adopting these standards, the government-wide financial statements reflect a cumulative effect for the change in accounting principle of \$204,243 (a reduction in net position).

3. Cash, Cash Equivalents and Investments

The deposit of public funds is controlled by Connecticut General Statutes (Section 7-402). Deposits may be invested in any “qualified public depository” as defined by State Statute, or, in amounts not exceeding the Federal Deposit Insurance Corporation (FDIC) insurance limit, in an “out of state bank”, as defined by the State Statutes, which is not a “qualified public depository”.

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (a) obligations of the United States and its agencies; (b) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (c) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net assets values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds does not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The State Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at June 30, 2015:

Deposits:	
Demand accounts	\$ 406,373
Cash equivalents:	
State Short-Term Investment Fund (STIF)	303,079
Total cash and equivalents	<u>\$ 709,452</u>
Governmental Funds	\$ 668,048
Agency Funds	41,404
Total cash and equivalents	<u>\$ 709,452</u>

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Notes to Financial Statements, Continued**

**June 30, 2015**

**3. Cash, Cash Equivalents and Investments, Continued**

**Deposits**

At June 30, 2015, the carrying amount of the SCCOG's deposits with financial institutions was \$406,373 and the bank balance was \$404,681.

*Custodial Credit Risk* is the risk that, in the event of a bank failure, the SCCOG would not be able to recover its deposits or would not be able to recover collateral securities that are in possession of an outside party. The SCCOG does not have a policy for custodial credit risk. As of June 30, 2015, \$250,000 of the bank balance was covered by Federal Depository Insurance. Additional protection is provided under Connecticut General Statutes which require that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the depository's risk based capital ratio. \$42,532 was collateralized under this statutory provision. At June 30, 2015, \$112,149 of the bank balance was uninsured and uncollateralized.

**Cash equivalents**

Cash equivalents are defined as those highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2015, the SCCOG's cash equivalents represented amounts held in the State Short-Term Investment Fund (STIF). The STIF is an investment pool managed by the Treasurer of the State of Connecticut. The pool is rated AAAM by Standard & Pools.

**Investments**

At June 30, 2015, the SCCOG had no investments.

**4. Receivables and Deferred Outflows/Inflows of Resources**

Receivables as of year-end for the SCCOG's major funds and nonmajor funds are as follows:

	<u>Receivables:</u>	
Major Governmental Funds:		
U.S. Department of Transportation-Agreement Number		
4.21-18(14)-Regional Transportation Planning	\$	21,299
SEAT Comprehensive Operational Analysis		41,680
Nonmajor Governmental Funds:		
DEMHS Homeland Security Regional Collaboration '12		5,000
DEMHS Homeland Security Regional Collaboration '13		11,740
OPM Regional Online Property Survey Index		38,404
Municipal and Technical Assistance		43,057
Southeastern Connecticut Housing Alliance		434
Net total receivables	<u>\$</u>	<u>161,614</u>

(Continued)



**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Notes to Financial Statements, Continued**

**June 30, 2015**

**4. Receivables and Deferred Outflows/Inflows of Resources, Continued**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The SCCOG recognized \$59,747 of deferred outflows of resources related to pension contributions made after the measurement date.

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

The SCCOG has two items that qualify for reporting in this category. Accordingly, the item, "unavailable revenue" which is attributable to unearned grant funds of \$171,049, is deferred and recognized as an inflow in the period that the grant funds are earned and the item "net difference between projected and actual investment earnings on pension plan investments" which totaled \$57,759 is being amortized and recognized in future periods.

**5. Capital Assets**

Capital asset activity for the year ended June 30, 2015 is as follows:

	<u>Balance</u>				<u>Balance</u>
	<u>June 30, 2014</u>	<u>Reclass</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>
<b>Governmental activities:</b>					
Capital assets, not being depreciated					
Land	\$ 63,758	-	-	-	63,758
Capital assets, being depreciated					
Land improvements	20,350	-	-	-	20,350
Buildings and related improvements	280,664	2,961	13,951	-	297,576
Equipment and furnishings	116,245	(2,961)	22,616	-	135,900
Total assets being depreciated	417,259	-	36,567	-	453,826
Less: accumulated depreciation for:					
Land improvements	11,403	-	1,352	-	12,755
Buildings and related improvements	97,846	969	7,701	-	106,516
Equipment and furnishings	75,984	(969)	6,925	-	81,940
Total accumulated depreciation	185,233	-	15,978	-	201,211
<b>Total Governmental activities capital assets being depreciated, net</b>	232,026	-	20,589	-	252,615
<b>Total Government-Wide Capital Assets, Net</b>	\$ 295,784	-	20,589	-	316,373

(Continued)

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Notes to Financial Statements, Continued**

**June 30, 2015**

**5. Capital Assets, Continued**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		
Regional planning	\$	15,978
Total depreciation expense-governmental activities	<u>\$</u>	<u>15,978</u>

**6. Interfund Accounts**

At June 30, 2015, amounts due from and to other funds were as follows:

	<u>Due From</u> <u>Other Funds</u>	<u>Due To</u> <u>Other Funds</u>
<b>General Fund</b>	\$ 161,614	-
<b>Other Major Funds:</b>		
U.S. Department of Transportation-Agreement Number:		
4.21-18(14)-Regional Transportation Planning	-	21,299
SEAT Comprehensive Operational Analysis	-	41,680
<b>Other Governmental Funds:</b>		
Federal Emergency Management Agency-		
DEMS Homeland Security Regional Collaboration '12	-	5,000
DEMS Homeland Security Regional Collaboration '13	-	11,740
OPM Regional Online Property Survey Index	-	38,404
Municipal and Technical Assistance	-	43,057
Southeastern Connecticut Housing Alliance	-	434
	<u>\$ 161,614</u>	<u>161,614</u>

All interfund receivables and payables represent routine recurring transactions that are temporary in nature.

Interfund transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>General Fund</b>	\$ 7,543	54,539
<b>Other Major Funds:</b>		
U.S. Department of Transportation-Agreement Number		
4.21-18(14)-Regional Transportation Planning	46,626	-
<b>Other Governmental Funds:</b>		
Federal Emergency Management Agency-		
DEMHS Homeland Security Regional Collaboration '11	4,175	-
Regional GIS System Project	-	724
Municipal and Technical Assistance	-	6,819
Southeastern Connecticut Housing Alliance	3,738	-
	<u>\$ 62,082</u>	<u>62,082</u>

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Notes to Financial Statements, Continued**

**June 30, 2015**

**6. Interfund Accounts, Continued**

All interfund transfers represent routine recurring transactions to move resources from one fund to another.

**7. Changes in Long-term Liabilities**

Long-term liabilities of the SCCOG consists of accumulated unpaid vacation benefits (compensated absences) and the SCCOG's proportional share of the Connecticut Municipal Employees Retirement System net pension liability. Long-term liability activity for the year ended June 30, 2015, was as follows:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions/ Maturities</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Compensated absences	\$ 42,128	3,578	-	45,706	45,706
Net pension liability	252,291	-	71,899	180,392	-
Total Governmental Activities long-term liabilities	<u>\$ 294,419</u>	<u>3,578</u>	<u>71,899</u>	<u>226,098</u>	<u>45,706</u>

**8. Fund Balances**

The following is a summary of the Governmental Fund fund balances of the SCCOG at June 30, 2015:

General Fund:

Nonspendable:	
Prepaid items	\$ 1,486
Assigned:	
Appropriation of fund balance	-
Unassigned	559,523
Total General Fund Balance	<u>\$ 561,009</u>

**9. Risk Management**

The SCCOG is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers compensation and natural disasters for which the SCCOG carries commercial insurance. During the year ended June 30, 2015, there were no deductibles paid by the SCCOG. Settled claims, for all types of commercial coverage, have not exceeded commercial insurance coverage during any of the past three fiscal years.

## SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

### Notes to Financial Statements, Continued

June 30, 2015

#### 10. Pension Plan

##### Plan Description

The SCCOG participates in the State of Connecticut Municipal Employee Retirement System (CMERS) which was established by the State of Connecticut and is administered by the State retirement system to provide for a cost sharing multiple employer public employee retirement system to provide pension benefits for the employees of participating municipalities. Plan provisions are set by statute of the State of Connecticut.

##### Plan Membership

Any local government authority in the State of Connecticut, including towns, cities, boroughs, regional school districts, housing authorities, and other special districts may elect to participate in the plan. Only teachers who are covered under the Connecticut State Teachers' Retirement System are ineligible for participation.

##### Benefit Provisions

Plan provisions are established by State statute. The CMERS provides retirement benefits, as well as death and disability benefits. General employees (employees of the SCCOG) are eligible to retire at age 55 with 5 years of continuous service, or 15 years of active aggregate service, or 25 years of aggregate service.

Normal retirement: For members not covered by Social Security: the benefit is 2% of the average final compensation times years of service.

For members covered by Social Security, the benefit is 1.5% of the average final compensation not in excess of the year's breakpoint, plus 2% of the average final compensation in excess of the year's breakpoint, times years of service.

The maximum benefit is 100% of average final compensation and the minimum benefit is \$1,000 annually. Both the minimum and the maximum include workers' compensation and social security benefits.

If any member covered by social security retires before age 62, the benefit until age 62 is reached or a social security disability award is received, is computed as if the member is not under social security.

Early retirement: Employees are eligible after 5 years of continuous service or 15 years of active aggregate service. The benefit is calculated on the basis of average final compensation and service to date of termination. Deferred to normal retirement age, or an actuarially reduced allowance may begin at the time of separation.

Disability retirement: Employees are eligible for service-related disability benefits from being permanently or totally disabled from engaging in the service of the municipality provided such disability has arisen out of and in the course of employment with the municipality. Disability due to hypertension or heart disease, in the case of firemen and policemen, is presumed to have been suffered in the line of duty. Disability benefits are calculated based on compensation and service to the date of the disability with a minimum benefit (including workers' compensation benefits) of 50% of compensation at the time of disability.

Employees are eligible for non-service-related disability benefits with 10 years of service and being permanently or totally disabled from engaging in gainful employment in the service of the municipality. Disability benefits are calculated based on compensation and service to the date of the disability.

Pre-retirement death benefit: The plan also offers a lump sum return of contributions with interest or surviving spouse benefit depending on length of service.

Additional information and disclosures regarding benefit provisions can be found in Schedule RSI-3 accompanying this report.

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Notes to Financial Statements, Continued**

**June 30, 2015**

**10. Pension Plan, Continued**

**Contributions**

**Employer:**

Each covered municipality is required by State Statute to pay an actuarially determined percentage of covered payroll to provide for benefits based on current service. This percentage varies by police and fire versus general employees and within those two groups, for populations covered by social security versus those not covered by social security. Participating municipalities make annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment which covers the liabilities of the system not met by member contributions.

The total amount contributed by the SCCOG for the year ended June 30, 2015 was \$59,747.

**Employees:**

For employees not covered by social security, each person is required to contribute 5% of compensation.

For employees covered by social security, each person is required to contribute 2.25% of compensation up to the social security taxable wage base plus 5% of compensation, if any, in excess of such base.

**Relationship to Financial Statements:**

The components associated with pension expense and deferred outflows and inflows of resources, as presented in Schedule RSI-3 of this report, have been determined based upon fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2014. The audited amounts as presented in the State of Connecticut Comprehensive Annual Financial Report have been adjusted by the Auditors of Public Accounts to be in accordance with GASB Statements No. 67 and 68. The CMERS is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State of Connecticut Comprehensive Annual Financial Report which is available to the public online at "<http://www.osc.ct.gov/2014/cafr>".

**Additional/Required Supplementary Information:**

Additional information and disclosures regarding the SCCOG pension plan and its' relationship to the CMERS can be found in Schedule RSI-3 of this report.

**11. Economic Dependence**

A large concentration of revenue is comprised of Federal and State grants received from, or passed through the State of Connecticut. Any loss or significant reduction of these grants could have a significant impact on the SCCOG's financial position and program services.

**12. Subsequent Events**

Subsequent events were evaluated through November 4, 2015, which is the date that the financial statements were available to be issued.

## SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

For the year ended June 30, 2015

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Municipal Assessments	\$ 141,204	157,688	157,688	-
OPM State Grant in Aid	253,369	268,355	227,035	(41,320)
ConnDOT Planning Grant	440,261	450,609	419,639	(30,970)
ConnDOT LOTCIP Admin. Grant	-	30,000	53,570	23,570
ConnDOT SEAT COA Grant	-	220,000	225,145	5,145
Technical Assistance Contracts	120,000	155,000	156,564	1,564
DEMHS (FY 2010) Regional Collaborative Agreement	-	1,000	-	(1,000)
DEMHS (FY 2011) Regional Collaborative Agreement	-	950	-	(950)
DEMHS (FY2012) Regional Collaborative Agreement	1,000	6,400	14,000	7,600
DEMHS (FY2013) Regional Collaborative Agreement	8,000	12,250	20,740	8,490
DEMHS (FY2014) Regional Collaborative Agreement	-	12,995	-	(12,995)
SECHA	-	3,375	3,688	313
OPM-Regional GIS System Project	10,120	5,000	4,992	(8)
RPI Grant-Regional Online Property Survey Index	378,000	200,000	172,766	(27,234)
OPM-RPIP Nutmeg Network Grant	-	43,400	15,978	(27,422)
DEEP Regional Hazard Mitigation Plan (WINCOG)	-	21,000	15,046	(5,954)
Other	-	-	14,102	14,102
Investment Income	-	-	456	456
Fund Balance/Prior Year Surplus (Council Reserve)	-	-	-	-
<b>Total Revenues</b>	<u>\$ 1,351,954</u>	<u>1,588,022</u>	<u>1,501,409</u>	<u>(86,613)</u>

Budgetary revenues are different from GAAP revenues because:

Operating transfers are not budgeted as revenues	62,082
DEMHS direct service programs are not budgeted as revenues	443,091

Total revenues and other financing sources as reported on the statement of revenues,  
expenditures and changes in fund balances-governmental funds (Exhibit IV)\$ 2,006,582

## SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Staff:</b>				
Salaries	\$ 586,103	582,000	598,114	(16,114)
Fica, Insurance, Retirement	240,489	244,000	222,937	21,063
	<u>826,592</u>	<u>826,000</u>	<u>821,051</u>	<u>4,949</u>
<b>Subcontractors/Contributions:</b>				
Computer Services	750	500	368	132
Professional Services (General)	2,000	30,000	29,650	350
DEEP Regional Hazard Mitigation Plan (WINCOG)	-	20,000	15,046	4,954
Web GIS Hosting	10,120	5,000	4,268	732
Property Survey Index Consultant	304,100	200,000	153,634	46,366
SEAT COA Consultant	-	220,000	225,145	(5,145)
	<u>316,970</u>	<u>475,500</u>	<u>428,111</u>	<u>47,389</u>
<b>Other:</b>				
Office Maintenance/Utilities	16,000	21,000	21,595	(595)
Supplies	5,500	6,000	6,045	(45)
Equipment Rental/Maintenance	6,000	7,000	6,994	6
Equipment, Miscellaneous	500	-	-	-
Equipment, Capital (Including Computers)	5,000	44,000	41,567	2,433
Phone/Mail	5,500	8,600	8,075	525
Insurance, Bond	8,000	10,723	12,209	(1,486)
Printing	500	-	-	-
Travel	6,500	9,100	8,623	477
Conference Expenses	750	1,200	877	323
Staff Expenses	500	250	364	(114)
Books, Subscriptions, Dues	1,500	1,750	1,557	193
Audit, Accounting, Legal	19,000	19,042	19,042	-
Advertising	300	357	357	-
Other	-	-	-	-
	<u>75,550</u>	<u>129,022</u>	<u>127,305</u>	<u>1,717</u>
Total Expenditures	<u>\$ 1,219,112</u>	<u>1,430,522</u>	<u>1,376,467</u>	<u>54,055</u>
Operating transfers are not budgeted as expenditures			62,082	
DEMHS direct service programs are not budgeted as expenditures			443,091	
Indirect Depreciation Is Not Budgeted as an Expenditure			13,643	
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds (Exhibit IV)			<u>\$ 1,895,283</u>	

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS  
MUNICIPAL EMPLOYEES RETIREMENT SYSTEM  
DEFINED BENEFIT PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015

**Basis of Presentation and Allocation Methodology:****Basis of Presentation:**

The schedule of employer allocations, the schedule of pension amounts, and the schedule of sensitivity and remaining deferred inflows and outflows as presented below are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. These schedules present amounts that are elements of the financial statements of the CMERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the net position of the CMERS or its participating employers.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, requires participating employers to recognize their proportional share of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense. The Schedules have been prepared to provide employers with their proportional share of these amounts. Contributions from employers are recognized when legally due, based upon statutory requirements.

The preparation of the Schedules requires management to make a number of estimates and assumptions relating to reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences could be material.

**Allocation Methodology:**

The schedule of employer allocations was calculated based upon the 2014 actuarial (expected) payroll amounts reported by participating employers. Expected payroll adjusts actual payroll for known changes in the status of employees, annualized salaries for partial year employees and anticipated salary increases. The employer allocations were then applied to the net pension liability, pension expense, deferred inflows, sensitivity analysis and the deferred inflow amounts to be recognized in the fiscal years subsequent to the reporting date to determine the amount applicable to each employer.

The schedule of employer allocations reflect actuarial employer payroll for the fiscal year ended June 30, 2014. Based upon the employer's payroll as compared to the total, an employer allocation percentage is calculated to six decimal places and is used to allocate the elements noted above.

**I. Schedule of Employer Allocations as of June 30, 2014**

2014 Reported Payroll	\$389,141
Employer Allocation Percentage	0.175363%

**II. Schedule of Pension Amounts as of June 30, 2014**

Net Pension Liability <u>June 30, 2013</u>	Allocation <u>Percentage</u>	Net Pension Liability <u>June 30, 2014</u>	Total Deferred Outflows of <u>Resources</u>	Deferred Inflows of Resources		Total Deferred Inflows of <u>Resources</u>	Total Employer Pension <u>Expense</u>
				Differences Between Expected and Actual <u>Experience</u>	Net Difference Between Projected and Actual Investment Earnings on Pension Plan <u>Investments</u>		
\$ 252,291	0.175363%	\$ 180,392	\$ -	\$ -	\$ 57,759	\$ 57,759	\$ 32,578

**III. Schedule of Sensitivity Analysis and Deferred Inflows Amounts as of June 30, 2014**

Allocation <u>Percentage</u>	Discount Rate Sensitivity		Deferred Inflow Amounts to be Recognized in Subsequent in Subsequent Fiscal Years			
	Net Pension Liability 1% Decrease Discount Rate <u>(7.00%)</u>	Net Pension Liability 1% Increase Discount Rate <u>(9.00%)</u>	Year 1	Year 2	Year 3	Year 4
	0.175363%	\$ 366,322				

(Continued)



**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS  
MUNICIPAL EMPLOYEE RETIREMENT SYSTEM  
DEFINED BENEFIT PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2015**

**IV. Statement of Actuarial Assumptions and Methods:**

**Valuation date:** June 30, 2014  
**Valuation interest rate:** 8.00% per annum, compounded annually, net of investment expenses.  
**Salary increases:**

<u>Age</u>	<u>Annual Rates of</u>		
	<u>Merit &amp; Seniority General Employees</u>	<u>Base (Economy)</u>	<u>Increase Next Year General Employees</u>
20	7.50%	3.50%	11.00%
25	5.50%	3.50%	9.00%
30	4.50%	3.50%	8.00%
35	3.50%	3.50%	7.00%
40	2.50%	3.50%	6.00%
45	2.50%	3.50%	6.00%
50	2.00%	3.50%	5.50%
55	1.00%	3.50%	4.50%
60	0.75%	3.50%	4.25%
65	0.75%	3.50%	4.25%
70	0.75%	3.50%	4.25%

**Cost of living adjustments:** Annually compounded increases are applied to disabled and non-disabled retirement benefits and vary based upon member age and date of retirement. For members that retired prior to January 1, 2002, increases of 3.25% are assumed for those who have reached age 65 and (effective January 1, 2002) increases of 2.50% are assumed for those who have not yet reached age 65. For members that retire after December 1, 2001, increases of 2.50% are assumed, regardless of age.

**Social security wage base increases:**

**Separation from active service:**

3.50% per annum.  
 Representative values of the assumed annual rates of separation before service retirement are as follows:

<u>Age</u>	<u>Withdrawal and Vesting- Male</u>	<u>Withdrawal and Vesting- Female</u>	<u>Non-Service Related Disability*</u>	<u>Death</u>	<u>Service Retirement</u>
20	18.00%	20.00%	0.02%	0.01%	
25	18.00%	20.00%	0.02%	0.01%	
30	12.00%	15.00%	0.03%	0.01%	
35	10.00%	12.00%	0.04%	0.02%	
40	7.50%	10.00%	0.05%	0.02%	
45	5.00%	7.50%	0.07%	0.03%	15.00%
50	5.00%	5.00%	0.12%	0.05%	15.00%
55	5.00%	5.00%	0.44%	0.08%	7.00%
60	5.00%	5.00%	0.86%	0.12%	10.00%
65	5.00%	5.00%	1.84%	0.20%	20.00%
70	5.00%	5.00%	2.99%	0.31%	15.00%
75					100.00%

\* Service related disability rates for General Employees are assumed to be zero at all ages.

(Continued)

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS  
MUNICIPAL EMPLOYEE RETIREMENT SYSTEM  
DEFINED BENEFIT PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2015**

**IV. Statement of Actuarial Assumptions and Methods Continued:**

**Deaths after retirement:** The RP2000 Mortality Table for Annuitants and Non-Annuitants (set forward one year for males and set back one year for females) is used for the period after retirement and for dependent beneficiaries. Representative values of the assumed annual rates of mortality are as follows:

<u>Age</u>	<u>Men</u>	<u>Women</u>	<u>Age</u>	<u>Men</u>	<u>Women</u>
40	0.114%	0.065%	65	1.441%	0.862%
45	0.162%	0.103%	70	2.457%	1.486%
50	0.245%	0.155%	75	4.217%	2.546%
55	0.420%	0.242%	80	7.204%	4.151%
60	0.768%	0.444%	85	12.280%	6.952%

For disabled retirees, the same table is used, adjusted with the male table set forward five years and the female table set forward one year.

**Asset method:**  
**Valuation method:**  
**Spouses:**  
**Percent married:**  
**Load:**

Market value.  
Entry age normal cost  
For members who have elected spouse coverage, husbands are assumed to be three years older than their wives.  
80% of active members are assumed to be married.  
For those members who have retired under and joint & survivor option and have no reported information for a prospective beneficiary, a probabilistic factor was applied to the reversionary portion of the liability. The factor measures the survivorship of the assumed spouse (with men three years older than women) from the date of retirement to the valuation date, based on the assumptions for death after retirement.

**Long-term rate of return:**

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis 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 plan's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap U.S. equities	16.00%	5.80%
Developed non-U.S. equities	14.00%	6.60%
Emerging markets (non-U.S.)	7.00%	8.30%
Core fixed income	8.00%	1.30%
Inflation linked bond fund	5.00%	1.00%
Emerging market bond	8.00%	3.70%
High yield bonds	14.00%	3.90%
Real estate	7.00%	5.10%
Private equity	10.00%	7.60%
Alternative investments	8.00%	4.10%
Liquidity fund	3.00%	0.40%
	100.00%	

(Continued)

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS  
MUNICIPAL EMPLOYEE RETIREMENT SYSTEM  
DEFINED BENEFIT PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2015

**V. Other Information**

**Net Pension Liability for the Full Plan:**

Total pension liability	\$ 2,500,840,000
Plan fiduciary net position	2,262,724,000
Net pension liability (asset)	<u>\$ 238,116,000</u>
Plan fiduciary net position as a percentage of total pension liability	90.48%

**Southeastern Connecticut Council of Governments Proportionate Share:**

Net pension liability	\$ 180,392
Net pension liability percentage of total	0.175363%
Deferred outflows of resources	
Pension contributions made subsequent to measurement date	\$ 59,747
Deferred inflows of resources	
Net difference between projected and actual earnings on pension investments	\$ 57,759
Pension expense	\$ 32,578
Proportion basis	Reported payroll
Change in proportion since prior measurement date	None for 2015

The contributions subsequent to the measurement date, shown above as deferred inflows of resources, will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred inflows of resources will be recognized in pension expense as follows:

2015	\$ 14,440
2016	14,440
2017	14,440
2018	<u>14,439</u>
	<u>\$ 57,759</u>

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

	<u>FEDERAL PROGRAMS</u>			<u>STATE PROGRAMS</u>				<u>OTHER</u>				<u>Total Nonmajor Programs</u>	
	<u>Federal Emergency Management Agency</u>			<u>Office of Policy and Management</u>				<u>Department of Transportation</u>					
	<u>DEMHS Homeland Security Regional Collaboration '11</u>	<u>DEMHS Homeland Security Regional Collaboration '12</u>	<u>DEMHS Homeland Security Regional Collaboration '13</u>	<u>Regional GIS System Project</u>	<u>Nutmeg Network</u>	<u>Regional Shared Services Study</u>	<u>Regional Online Property Survey Index</u>	<u>Local Transportation Capital Improvement</u>	<u>Water Taxi Program</u>	<u>Municipal and Technical Assistance</u>	<u>Southeastern Connecticut Housing Alliance</u>		<u>WINCOG Regional Hazard Mitigation</u>
<u>Assets</u>													
Cash	\$ -	-	-	-	27,422	25,000	-	26,474	15,500	-	-	5,954	100,350
Grants receivable:													
Federal government	-	5,000	11,740	-	-	-	-	-	-	-	-	-	16,740
State of Connecticut	-	-	-	-	-	-	38,404	-	-	-	-	-	38,404
Total grants receivable	-	5,000	11,740	-	-	-	38,404	-	-	-	-	-	55,144
Contract service fees receivable	-	-	-	-	-	-	-	-	-	43,057	-	-	43,057
Other receivables	-	-	-	-	-	-	-	-	-	-	434	-	434
<b>Total assets</b>	<b>\$ -</b>	<b>5,000</b>	<b>11,740</b>	<b>-</b>	<b>27,422</b>	<b>25,000</b>	<b>38,404</b>	<b>26,474</b>	<b>15,500</b>	<b>43,057</b>	<b>434</b>	<b>5,954</b>	<b>198,985</b>
<u>Liabilities and Fund Balances</u>													
Liabilities:													
Due to other funds	\$ -	5,000	11,740	-	-	-	38,404	-	-	43,057	434	-	98,635
<b>Total liabilities</b>	<b>-</b>	<b>5,000</b>	<b>11,740</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,404</b>	<b>-</b>	<b>-</b>	<b>43,057</b>	<b>434</b>	<b>-</b>	<b>98,635</b>
Deferred Inflows of Resources:													
Unavailable revenue	-	-	-	-	27,422	25,000	-	26,474	15,500	-	-	5,954	100,350
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,422</b>	<b>25,000</b>	<b>-</b>	<b>26,474</b>	<b>15,500</b>	<b>-</b>	<b>-</b>	<b>5,954</b>	<b>100,350</b>
Fund Equity:													
Fund balance	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ -</b>	<b>5,000</b>	<b>11,740</b>	<b>-</b>	<b>27,422</b>	<b>25,000</b>	<b>38,404</b>	<b>26,474</b>	<b>15,500</b>	<b>43,057</b>	<b>434</b>	<b>5,954</b>	<b>198,985</b>

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2015

	FEDERAL PROGRAMS			STATE PROGRAMS				OTHER				Total Non-major Programs	
	Federal Emergency Management Agency			Office of Policy and Management				Department of Transportation	Water Taxi Program	Municipal and Technical Assistance	Southeastern Connecticut Housing Alliance		WINCOG Regional Hazard Mitigation
	DEMHS	DEMHS	DEMHS	Regional GIS System Project	Nutmeg Network	Regional Shared Services Study	Regional Online Property Survey Index	Local Transportation Capital Improvement					
	Homeland Security Regional Collaboration '11	Homeland Security Regional Collaboration '12	Homeland Security Regional Collaboration '13										
Revenues:													
Federal government	\$ -	14,000	20,740	-	-	-	-	-	-	-	-	34,740	
State of Connecticut	-	-	-	4,992	15,978	-	172,766	53,570	-	-	-	247,306	
Other	-	-	-	-	-	-	-	-	-	156,564	3,688	15,046	175,298
Total revenues	-	14,000	20,740	4,992	15,978	-	172,766	53,570	-	156,564	3,688	15,046	457,344
Expenditures:													
Direct salaries	2,016	3,286	470	-	-	-	5,368	26,228	-	71,282	3,588	-	112,238
Indirect at 104.183%	2,101	3,424	490	-	-	-	5,593	27,325	-	74,261	3,738	-	116,932
Direct charges	58	7,290	19,780	4,268	15,978	-	161,805	17	-	4,202	100	15,046	228,544
Total expenditures	4,175	14,000	20,740	4,268	15,978	-	172,766	53,570	-	149,745	7,426	15,046	457,714
Excess of revenues over (under) expenditures	(4,175)	-	-	724	-	-	-	-	-	6,819	(3,738)	-	(370)
Other financing sources (uses):													
Operating transfers in	4,175	-	-	-	-	-	-	-	-	-	3,738	-	7,913
Operating transfers out	-	-	-	(724)	-	-	-	-	-	(6,819)	-	-	(7,543)
Total other financing sources (uses)	4,175	-	-	(724)	-	-	-	-	-	(6,819)	3,738	-	370
Excess of revenues and other sources over (under) expenditures and other uses	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund balance, beginning of year	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund balance, end of year	\$ -	-	-	-	-	-	-	-	-	-	-	-	-

## SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

## Statement of Changes in Assets and Liabilities-Agency Funds

For the Year Ended June 30, 2015

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Southeastern Connecticut Housing Alliance</b>				
Cash	\$ 44,693	380	(3,669)	41,404
Due to other organizations	\$ 44,693	380	(3,669)	41,404
<b>Total</b>				
Cash	\$ 44,693	380	(3,669)	41,404
Due to other organizations	\$ 44,693	380	(3,669)	41,404

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**  
**Financial Summary for the**  
**Southeastern Connecticut Housing Alliance**  
**For the Year Ended June 30, 2015**

Cash, beginning of year	\$ 44,693
Cash receipts:	
Reimbursement for bus tour	858
Other	380
Total cash receipts	<u>1,238</u>
Cash disbursements:	
Wages	3,131
Workshops	1,082
Professional development	150
Travel	124
Professional services	40
Total cash disbursements	<u>4,527</u>
Excess (deficiency) of cash receipts over cash disbursements	(3,289)
Cash, end of year	<u>\$ 41,404</u>

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**  
**Financial Summary for the State of Connecticut**  
**Department of Transportation**  
**For the Year Ended June 30, 2015**

	U.S. Department of Transportation <hr/> Agreement Number 4.21-18(14) State Project Number DOT07159996PL <hr/> Regional Transportation Planning	U.S. Department of Transportation <hr/> Agreement Number 5.06-02(14) State Project Number DOT01720430PL Comprehensive Operational Analysis for the Southeast Area Transit District <hr/>
<b>Maximum funds authorized:</b>		
U.S. Department of Transportation	\$ 387,576	\$ 200,000
ConnDOT matching funds	48,447	50,000
Local required match	48,447	-
Total	<hr/> <u>\$ 484,470</u>	<hr/> <u>\$ 250,000</u>
<b>Audited Expenditures:</b>		
Direct salaries	\$ 227,180	\$ -
Indirect at 104.183%	236,683	-
Direct charges	2,402	225,145
Total expenditures	<hr/> <u>\$ 466,265</u>	<hr/> <u>\$ 225,145</u>
<b>Distribution of audited expenditures:</b>		
U.S. Department of Transportation	\$ 373,012	\$ 180,116
ConnDOT matching funds	46,627	45,029
Local	46,627	-
Total	<hr/> <u>\$ 466,265</u>	<hr/> <u>\$ 225,145</u>
<b>ConnDOT responsibility:</b>		
U.S. Department of Transportation	\$ 373,012	\$ 180,116
ConnDOT matching funds	46,627	45,029
Total ConnDOT responsibility	<hr/> <u>419,639</u>	<hr/> <u>225,145</u>
Less: payments received through June 30	398,340	183,465
Balance due June 30	<hr/> <u>\$ 21,299</u>	<hr/> <u>\$ 41,680</u>



# ALBERT J. RUSILOWICZ

Certified Public Accountant, LLC

## INDEPENDENT AUDITOR'S REPORT- SCHEDULE OF INDIRECT COSTS AND OVERHEAD RATE CALCULATION

To the Board of Directors of the  
Southeastern Connecticut Council of Governments  
Norwich, Connecticut

I have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeastern Connecticut Council of Governments, Norwich, Connecticut, as of and for the year ended June 30, 2015, which collectively comprise the Southeastern Connecticut Council of Government's basic financial statements, and have issued my report thereon dated November 4, 2015. I have also audited the accompanying schedule of indirect costs and overhead rate calculation of the Southeastern Connecticut Council of Governments for the year ended June 30, 2015. This accompanying schedule is the responsibility of the Southeastern Connecticut Council of Government's management. My responsibility is to express an opinion on this schedule based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the accompanying schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accompanying schedule. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall schedule presentation. I believe that my audit provides a reasonable basis for my opinion.

The accompanying schedule was prepared on the basis of accounting practices prescribed by the Office of Management and Budget ("OMB") Circular A-87 "*Cost Principles for State, Local and Indian Tribal Governments*" (2 CFR Part 225) and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the schedule referred to above presents fairly, in all material respects, the calculation of fringe, burden and overhead rate of the Southeastern Connecticut Council of Governments as of June 30, 2015, on the basis as provided by the Office of Management and Budget ("OMB") Circular A-87 "*Cost Principles for State, Local and Indian Tribal Governments*" (2 CFR Part 225), as described in Note 1 to the accompanying schedule.

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



Albert J. Rusilowicz  
Certified Public Accountant, LLC  
Killingworth, Connecticut  
November 4, 2015

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**  
**Schedule of Indirect Costs and**  
**Overhead Rate Calculation**  
**For the Year Ended June 30, 2015**

**Indirect Costs:**

Indirect salaries	\$ 149,573
Fringe benefits	222,937
Advertising	-
Professional services	-
Computer services	368
Office maintenance	21,595
Supplies	6,045
Equipment rental and maintenance	6,994
Equipment purchases	5,000
Telephone and postage	6,623
Bond and insurance	12,209
Travel	519
Conferences	877
Staff expenses	320
Dues, books and subscriptions	1,557
Audit/Accounting/Legal	19,042
Training	-
Depreciation	13,643
 Total indirect costs	 <u><u>\$ 467,302</u></u>

**Overhead rate calculation:**

Total payroll	\$ 598,114
Less: indirect and unassigned payroll	149,573
 Payroll base	 <u><u>448,541</u></u>
 Total allowable indirect costs	 <u><u>467,302</u></u>
 Indirect cost rate	 <u><u>104.183%</u></u>

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Note to the Schedule of Indirect Costs and Overhead Rate Calculation**

**June 30, 2015**

**Note 1 - Basis of Presentation**

The accompanying schedule of "Indirect Costs and Overhead Rate Calculation" includes the allowable fringe, burden and overhead expenses of the Southeastern Connecticut Council of Governments and has been prepared in accordance with accounting principles generally accepted in the United States of America.

The information in this schedule is prepared on the basis for establishing indirect cost rates and reimbursing indirect costs as provided by the Office of Management and Budget (OMB) Circular A-87 "*Cost Principles For State, Local and Indian Tribal Governments*" (2 CFR Part 225). In accordance with these regulations, unallowable costs have been excluded from the indirect cost rate calculation. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements of the Southeastern Connecticut Council of Governments.

# ALBERT J. RUSILOWICZ

Certified Public Accountant, LLC

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

To the Board of Directors of the  
Southeastern Connecticut Council of Governments  
Norwich, Connecticut

I 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 governmental activities, each major fund, and the aggregate remaining fund information of the Southeastern Connecticut Council of Governments, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Southeastern Connecticut Council of Governments basic financial statements and have issued my report thereon dated November 4, 2015.

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

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

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

**Compliance and Other Matters**

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

**Purpose of This Report**

The purpose of this report is solely to describe the scope of my 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.

A handwritten signature in dark ink, appearing to read "Albert J. Rusilowicz". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Albert J. Rusilowicz  
Certified Public Accountant, LLC  
Killingworth, Connecticut  
November 4, 2015

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

To the Board of Directors of the  
Southeastern Connecticut Council of Governments:

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

I have audited the Southeastern Connecticut Council of Government's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Southeastern Connecticut Council of Government's major federal programs for the year ended June 30, 2015. The Southeastern Connecticut 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of the Southeastern Connecticut Council of Government's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Southeastern Connecticut Council of Government's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Southeastern Connecticut Council of Government's compliance.

**Opinion on Each Major Federal Program**

In my opinion, the Southeastern Connecticut Council of Governments complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

(Continued)

## Report on Internal Control Over Compliance

Management of the Southeastern Connecticut 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 my audit of compliance, I considered the Southeastern Connecticut 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Southeastern Connecticut 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 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.

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

A handwritten signature in dark ink, appearing to read "Albert J. Rusilowicz". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Albert J. Rusilowicz  
Certified Public Accountant, LLC  
Killingworth, Connecticut  
November 4, 2015

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2015**

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number/ Project Number</u>	<u>Expenditures</u>
<b>U.S. Department of Transportation:</b>			
Passed through the State of Connecticut Department of Transportation:			
Regional Transportation Planning			
FHWA Funds	20.205	4.21-18(14)	\$ 296,078
FTA Funds	20.505	4.21-18(14)	76,934
Southeast Area Transit Comprehensive Operational Analysis	20.505	14DOT0328AA	180,116
<b>Total U.S. Department of Transportation</b>			<u>553,128</u>
<b>U.S. Department of Homeland Security:</b>			
Passed through the State of Connecticut Department of Emergency Services and Public Protection			
Homeland Security Grant Program:			
FFY 2012 Region 4 Regional Collaboration	97.067	012ASECA	154,969
FFY 2013 Region 4 Regional Collaboration	97.067	013ASECA	213,266
FFY 2014 Region 4 Regional Collaboration	97.067	014ASECA	79,188
			<u>447,423</u>
Emergency Management Performance Grants:			
FFY 2012 EMPG Regional Haz Mat Funding	97.042	012ESECA	26,069
FFY 2013 EMPG Regional Haz Mat Funding	97.042	013ESECA	23,430
			<u>49,499</u>
<b>Total U.S. Department of Homeland Security</b>			<u>496,922</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,050,050</u>

The accompanying notes are an integral part of this schedule.



**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Notes to the Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2015**

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Southeastern Connecticut Council of Governments and is presented in accordance with the requirements of OMB Circular A-133, "Audits of State, Local Governments, and Non-Profit Organizations". Therefore, some amounts presented in his schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Schedule of Federal Findings and Questioned Costs**

**For the Year Ended June 30, 2015**

**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   none reported

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   none reported

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 Circular A-133, Section 510 (a)      \_\_\_\_\_ yes        X   no

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

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.205	U.S Department of Transportation- Regional Transportation Planning
97.067	U.S Department of Homeland Security- Homeland Security Grant Program

(Continued)

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Schedule of Federal Findings and Questioned Costs, Continued**

**For the Year Ended June 30, 2015**

**I. Summary of Auditor's Results, Continued**

The dollar threshold for determining Types A and B programs was \$300,000.

Auditee qualified as low-risk auditee?                     yes             no

**II. Financial Statement Findings**

No findings are reported.

**III. Federal Award Program Findings**

No findings are reported.

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

To the Honorable Members of the  
Board of Directors of the  
Southeastern Connecticut Council of Governments  
Norwich, Connecticut:

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

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

**Management's Responsibility**

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

**Auditors' Responsibility**

My responsibility is to express an opinion on compliance for each of the SCCOG's major state programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the SCCOG's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major state program. However, my audit does not provide a legal determination on the SCCOG's compliance.

**Opinion on Each Major State Program**

In my opinion, the Southeastern Connecticut Council of Governments complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

(Continued)

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

Management of the SCCOG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the SCCOG's internal control over compliance with the requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the SCCOG's internal control over compliance.

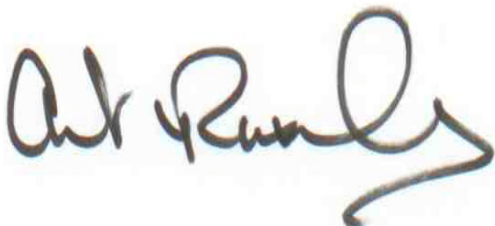
A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

My 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 weakness or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

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

I have audited the financial statements of the SCCOG as of and for the year ended June 30, 2015, and have issued my report thereon dated November 4, 2015, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Expenditures of State Financial Assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.



Albert J. Rusilowicz  
Certified Public Accountant, LLC  
Killingworth, Connecticut  
November 4, 2015

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**  
**Schedule of Expenditures of State Financial Assistance**  
**For the Year Ended June 30, 2015**

<b>State Grantor; Pass Through Grantor; Program Title</b>	<b><u>CORE-CT Number</u></b>	<b><u>Grant Number</u></b>	<b><u>Expenditures</u></b>
<b>Office of Policy and Management:</b>			
State Grant in Aid for Regional Councils of Governments	12060-OPM20600-35457-13046	SGIA-014-07	\$ 227,035
RPI Grant: Regional Online Property Survey Index	12060-OPM20600-35457-13046	RPI-12-17	172,766
Grant to Connect to Nutmeg Network	12060-OPM20600-35457-13046	Nutmeg Network 14-57	15,978
Regional GIS System	N/A	RPI-08-20	4,992
<b>Total Office of Policy and Management</b>			420,771
<b>Department of Transportation:</b>			
Local Transportation Capital Improvement Program (LOTICIP)	14DOT0279AA	DOT10703281GR	53,570
Regional Transportation Planning	14DOT0313AA	DOT07159996PL	46,627
Southeast Area Transit Comprehensive Operational Analysis	14DOT0328AA	DOT01720430PL	45,029
<b>Total Department of Transportation</b>			145,226
<b>Total State Financial Assistance</b>			\$ 565,997

The accompanying notes are an integral part of this schedule.

**SOUTHEASTERN CONNECTICUT COINCUL OF GOVERNMENTS**  
**Notes to the Schedule of Expenditures of**  
**State Financial Assistance**

**For the Year Ended June 30, 2015**

The accompanying Schedule of Expenditures of State Financial Assistance includes state grant activity of the Southeastern Connecticut Council of Governments for the fiscal year ended June 30, 2015. Various departments and agencies of the State of Connecticut have provided financial assistance to the Southeastern Connecticut Council of Governments through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including:

Regional planning  
Home land security

**1. Summary of Significant Accounting Policies**

The accounting policies of the Southeastern Connecticut Council of Governments conform to generally accepted accounting principles accepted in the United States of America as applicable to governments.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

**Basis of Accounting**

The financial statements contained in the Southeastern Connecticut Council of Government's annual audit report are generally prepared on the modified accrual basis of accounting. The following is a summary of such basis:

Revenues are generally recognized when susceptible to accrual (i.e., when they become both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are generally recorded when goods or services are received and actual liabilities are incurred.

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the modified accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS  
State Financial Assistance Programs  
Schedule of Findings and Questioned Costs**

**For the Year Ended June 30, 2015**

**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             no
- Significant deficiency(ies)?                             yes             none reported
- Noncompliance material to financial  
statements noted?     yes             no

***State Financial Assistance***

Internal control over major programs:

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

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

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

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

<b><u>State Grantor and Program</u></b>	<b><u>State Core-CT Number</u></b>	<b><u>Expenditures</u></b>
<b>Office of Policy and Management:</b>		
State Grant in Aid for Regional Councils of Governments	12060-OPM20600-35457-13046	\$ 227,035
RPI Grant: Regional Online Property Survey Index	12060-OPM20600-35457-13046	\$ 172,766

(Continued)



**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**State Financial Assistance Programs  
Schedule of Findings and Questioned Costs, Continued**

**For the Year Ended June 30, 2015**

**I. Summary of Auditor's Results, Continued**

***State Financial Assistance, Continued***

- Dollar threshold used to distinguish between Type A and Type B programs:  
\$100,000

**II. Financial Statement Findings**

- I have issued reports dated November 4, 2015 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*.
- My report on compliance and other matters indicated no reportable instances of noncompliance.
- My report on internal control over financial reporting indicated no significant deficiencies.

**III. State Financial Assistance Findings and Questioned Costs**

No findings or questioned costs are reported relating to State financial assistance programs.