

**SOUTHEASTERN CONNECTICUT
COUNCIL OF GOVERNMENTS**

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

FOR THE YEAR ENDED JUNE 30, 2011

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
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 SUPPLEMENTAL REPORTS AND SCHEDULES
 YEAR ENDED JUNE 30, 2011

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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

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, 2011, which collectively comprise the Southeastern Connecticut Council of Government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Southeastern Connecticut Council of Government's management. 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my 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, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 principally 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.

(Continued)

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southeastern Connecticut Council of Government's financial statements as a whole. The combining and individual nonmajor fund financial statements and supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

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
September 26, 2011

**Southeastern Connecticut Council of Governments
Management's Discussion and Analysis
For the year ended June 30, 2011**

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, 2011. 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 assets of \$853,398. The total unrestricted net assets at June 30, 2011 were \$561,893.

On a government-wide basis, during the year, the SCCOG's net assets decreased by \$22,132, from \$875,530 to \$853,398.

Governmental activities expenses were \$888,092.

At the end of the fiscal year the general fund had a balance of \$606,423.

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 assets presents information on all of the SCCOG's assets and liabilities, with the difference reported as net assets. Increases or decreases in net assets 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 assets 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 assets 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, 2011**

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 is 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 assets and changes in net assets.

Net Assets	June 30, 2011 Governmental Activities	June 30, 2010 Governmental Activities
Current and other assets	\$ 656,890	\$ 681,015
Capital assets	291,505	306,195
Total Assets	\$ 948,395	\$ 987,210
Current liabilities	50,467	65,880
Long-term liabilities	44,530	45,800
Total Liabilities	94,997	111,680
Net assets:		
Invested in capital assets, net of debt	291,505	306,195
Restricted	-	-
Unrestricted	561,893	569,335
Total Net Assets	\$ 853,398	\$ 875,530

(Continued)

**Southeastern Connecticut Council of Governments
Management's Discussion and Analysis, Continued
For the year ended June 30, 2011**

Net assets of the SCCOG's governmental activities decreased by \$22,132. Unrestricted net assets of \$561,893 may be used to meet the SCCOG's ongoing obligations.

Changes in Net Assets	June 30, 2011 Governmental Activities	June 30, 2010 Governmental Activities
Revenues:		
Program Revenues:		
Charges for services	\$ 131,148	\$ 136,386
Operating grants and contributions	570,224	760,986
Capital grants and contributions	-	-
General Revenues:		
Municipal assessments	121,394	121,394
SECHA Reimbursements	41,022	50,503
Grants and contributions not restricted to specific programs	-	-
Unrestricted investment earnings	1,019	1,799
Miscellaneous	153	222
Total revenues	864,960	1,071,290
Program Expenses:		
Regional Planning	887,092	1,077,144
Total program expenses	887,092	1,077,144
Increase (decrease) in net assets	\$ (22,132)	\$ (5,854)

The SCCOG's total revenues were \$864,960. The total cost of all programs was \$887,092.

Governmental Activities

For governmental activities, approximately 81% of the revenues were derived from program revenues, with 14% coming from municipal assessments and 5% 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 \$606,423. This was a decrease of \$8,712 from last years total of \$615,135. Approximately 13% of the ending fund balance has been reported as assigned and 1% as nonspendable. The remaining 86% is unreserved. The general fund is the chief operating fund of the SCCOG.

General Fund Budgetary Highlights

The final budget for revenues was \$869,764. This was an increase of \$602 from the original budget of \$869,162. The final budget for expenditures was \$869,764. This was an increase of \$602 from the original budget of \$869,162. During the current fiscal year, actual revenues were \$882,405 which were more than budgetary estimates by \$12,641. Actual expenditures on a budgetary basis totaled \$873,630, which were more than budgetary estimates by \$3,866 and were less than actual revenues on a budgetary basis by \$8,775.

(Continued)

**Southeastern Connecticut Council of Governments
Management's Discussion and Analysis, Continued
For the year ended June 30, 2011**

Capital Assets and Debt Administration

The SCCOG's investment in capital assets for its governmental activities as of June 30, 2011, amount to \$291,505, net of accumulated depreciation. This investment in capital assets includes land, buildings, roads, and machinery and equipment. This represents a net decrease of \$14,690 during the year.

Capital Assets (net of depreciation)	June 30, 2011 Governmental Activities	June 30, 2010 Governmental Activities
Land & Land Improvements	\$ 76,776	\$ 78,133
Building & Improvements	204,856	212,202
Equipment & Furnishings	9,873	15,860
	<u>\$ 291,505</u>	<u>\$ 306,195</u>

Long-Term Debt

At June 30, 2011 the SCCOG had no long-term debt other than accrued compensated absences.

Long-Term Liabilities	June 30, 2011 Governmental Activities	June 30, 2010 Governmental Activities
Compensated Absences	\$ 44,530	\$ 45,800
Total Long-Term Liabilities	<u>\$ 44,530</u>	<u>\$ 45,800</u>

Fiduciary Funds

Net Assets	June 30, 2011 Fiduciary Funds	June 30, 2010 Fiduciary Funds
Current & Total Assets	\$ 36,310	\$ 43,148
Current & Total Liabilities	\$ 36,310	\$ 43,148
Net Assets	-	-
Total Liabilities & Net Assets	<u>\$ 36,310</u>	<u>\$ 43,148</u>

Changes In Net Assets

Decrease in Assets	\$ (6,838)	\$ (55,620)
Decrease in Liabilities	6,838	55,620
Decrease in Net Assets	<u>\$ -</u>	<u>\$ -</u>

Economic Factors and Next Year's Budgets and Rates

The region's economy remains stagnant and the unemployment rate continues to rise. The SCCOG has not permanently reduced employment levels, but has left a vacant Regional Planner position unfilled in its last few budgets and has taken other budget cutting measures to address the past several years' reduction in OPM's State Grant In Aid (SGIA) for regional planning.

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 ASSETS

June 30, 2011

	<u>Governmental Activities</u>	<u>Total</u>
ASSETS:		
Cash and cash equivalents	\$ 525,221	525,221
Receivables, net	123,880	123,880
Capital assets, net	291,505	291,505
Prepaid expenses	7,789	7,789
Total Assets	<u>948,395</u>	<u>948,395</u>
LIABILITIES:		
Accounts payable and accrued expenses	12,596	12,596
Deferred revenue	36,871	36,871
Due to funding source	1,000	1,000
Long-term liabilities:		
Due within one year	44,530	44,530
Total Liabilities	<u>94,997</u>	<u>94,997</u>
NET ASSETS:		
Invested in capital assets	291,505	291,505
Unrestricted	561,893	561,893
Total Net Assets	<u>\$ 853,398</u>	<u>853,398</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, 2011

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Assets Governmental Activities	Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental activities:						
Regional planning	\$ 887,092	131,148	570,224	-	(185,720)	(185,720)
Total governmental activities	<u>887,092</u>	<u>131,148</u>	<u>570,224</u>	<u>-</u>	<u>(185,720)</u>	<u>(185,720)</u>
Total government	<u>\$ 887,092</u>	<u>131,148</u>	<u>570,224</u>	<u>-</u>		
General revenues:						
Municipal assessments					121,394	121,394
SECHA Reimbursements					41,022	41,022
Grants and contributions not restricted to specific programs					-	-
Unrestricted investment earnings					1,019	1,019
Miscellaneous					153	153
Total general revenues and transfers					<u>163,588</u>	<u>163,588</u>
Change in net assets					(22,132)	(22,132)
Net assets-beginning					875,530	875,530
Net assets-ending					<u>\$ 853,398</u>	<u>853,398</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, 2011

	General Fund	U.S. Department of Transportation	State of Connecticut			Other Governmental Funds	Total Governmental Funds
		Regional Transportation Planning Agreement Number 2.16-15(10)	Office of Policy and Management	State Grant In Aid	Regional GIS System Project		
ASSETS							
Cash and equivalents	\$ 487,350	-	-	36,871	1,000	-	525,221
Grants receivable:							
Federal	-	62,524	-	-	-	17,860	80,384
State	-	7,816	-	-	-	1,558	9,374
Municipal assistance fees receivable	-	-	-	-	27,768	-	27,768
Due from other funds	117,526	-	-	-	-	-	117,526
Other receivables	6,354	-	-	-	-	-	6,354
Prepaid expenses	7,789	-	-	-	-	-	7,789
Total Assets	\$ 519,019	70,340	-	36,871	28,768	19,418	774,416
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued expenses	\$ 12,596	-	-	-	-	-	12,596
Deferred revenue	-	-	-	36,871	-	-	36,871
Due to other funds	-	70,340	-	-	27,768	19,418	117,526
Due to funding source	-	-	-	-	1,000	-	1,000
Total Liabilities	12,596	70,340	-	36,871	28,768	19,418	167,893
Fund Balances:							
Nonspendable	7,789	-	-	-	-	-	7,789
Assigned	80,702	-	-	-	-	-	80,702
Unassigned	517,932	-	-	-	-	-	517,932
Total Fund Balances	606,423	-	-	-	-	-	606,423
Total Liabilities and Fund Balances	\$ 319,019	70,340	-	36,871	28,768	19,418	
Amounts reported for governmental activities in the statement of net assets (Exhibit I) are different because:							
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.							291,505
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.							(44,530)
Net assets of governmental activities							\$ 853,398

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, 2011

	General Fund	U.S. Department of Transportation	State of Connecticut		Municipal Assistance	Other Governmental Funds	Total Governmental Funds
		Regional Transportation Planning Agreement Number 2-16-15(10)	Office of Policy and Management				
			State Grant In Aid	Regional GIS System Project			
Revenues:							
Municipal assessments	\$ 121,394	-	-	-	-	-	121,394
Intergovernmental	-	-	-	-	-	-	-
Federal grants	-	450,159	-	-	-	32,471	482,630
State grants	-	56,270	6,037	10,287	-	15,000	87,594
Municipal assistance contracts	-	-	-	-	131,148	-	131,148
SECHA Reimbursements	41,022	-	-	-	-	-	41,022
Other	9,905	-	-	-	-	-	9,905
Total Revenues	172,321	506,429	6,037	10,287	131,148	47,471	873,693
Expenditures:							
Direct salaries	-	273,165	42,179	-	59,301	11,502	386,147
Indirect at 107.499%	-	293,649	45,342	-	63,748	12,354	415,103
Direct charges	46,019	1,844	767	10,287	7,052	15,186	81,155
Total Expenditures	46,019	568,658	88,288	10,287	130,101	39,052	882,405
Excess of Revenues Over (Under) Expenditures	126,302	(62,229)	(82,251)	-	1,047	8,419	(8,712)
Other Financing Sources (Uses):							
Operating transfers in	9,466	62,229	82,251	-	-	-	153,946
Operating transfers out	(144,480)	-	-	-	(1,047)	(8,419)	(153,946)
Total Other Financing Sources (Uses):	(135,014)	62,229	82,251	-	(1,047)	(8,419)	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(8,712)	-	-	-	-	-	(8,712)
Fund Balance (Deficit) June 30, 2010	615,135	-	-	-	-	-	-
Fund Balance (Deficit) June 30, 2011	\$ 606,423	-	-	-	-	-	-

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:

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 depreciation expense exceeded capital outlays during the current year. (14,690)

Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 1,270

\$ (22,132)

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

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

Exhibit V

FIDUCIARY FUNDS

BALANCE SHEET

June 30, 2011

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 36,310
Total Assets	<u>\$ 36,310</u>
<u>Liabilities</u>	
Due to other organizations	\$ 36,310
Total Liabilities	<u>\$ 36,310</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, 2011

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.

(Continued)

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

Notes to Financial Statements, Continued

June 30, 2011

Note 1 - Summary of Significant Accounting Policies, Continued

B. Basis of Presentation, Continued

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.

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 2.16-15(10)-Regional Transportation Planning - This fund is used to account for revenues and expenditures relating to rural transportation planning 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.

State of Connecticut Office of Policy and Management-Regional GIS System Project – This fund is to be used to account for the revenue and expenditures related to the development, updating and ongoing maintenance of a regional geographic information system (GIS).

Municipal Assistance - This fund is used to account for revenues and expenditures relating to technical assistance provided to various municipalities 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 and the Tri-Town Trail Project.

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, 2011

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 Assets.

(Continued)

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

Notes to Financial Statements, Continued

June 30, 2011

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, 2011, 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, 2011, prepaid items totaled \$7,789.

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	5-7

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. 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.

(Continued)

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

Notes to Financial Statements, Continued

June 30, 2011

Note 1 - Summary of Significant Accounting Policies, Continued

J. 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.

K. Fund Equity

The SCCOG has adopted GASB Statement Number 54 "Fund Balance Reporting and Governmental Fund Type Definitions" which had a required implementation date of June 2011. 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. 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.

(Continued)

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

Notes to Financial Statements, Continued

June 30, 2011

2. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore not reported in the funds.” The details of this (\$44,530) are as follows:

Compensated absences	\$ (44,530)
Net adjustment to reduce fund balance - total government funds to arrive at net assets-governmental activities	<u>\$ (44,530)</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this (\$14,690) are as follows:

Depreciation expense	\$ (14,690)
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net assets- governmental activities	<u>\$ (14,690)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$1,270 difference are as follows:

Change in compensated absences	\$ 1,270
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets- governmental activities	<u>\$ 1,270</u>

(Continued)

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

Notes to Financial Statements, Continued

June 30, 2011

3. Stewardship, Compliance and Accountability

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 were \$602 in net additional appropriations approved during the year.

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

4. 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 Sate 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, 2011:

Deposits:	
Demand accounts	\$ 120,576
Cash equivalents:	
State Short-Term Investment Fund (STIF)	<u>440,955</u>
Total cash and equivalents	<u>\$ 561,531</u>
Governmental Funds	\$ 525,221
Agency Funds	<u>36,310</u>
Total cash and equivalents	<u>\$ 561,531</u>

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

Notes to Financial Statements, Continued

June 30, 2011

Deposits

At June 30, 2011, the carrying amount of the SCCOG's deposits with financial institutions was \$120,576 and the bank balance was \$142,915.

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, 2011, all 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.

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, 2011, 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 & Poors.

Investments

At June 30, 2011, the SCCOG had no investments.

5. Receivables and Deferred Revenue

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

	<u>Receivables:</u>
Major Governmental Funds:	
Southeast Connecticut Housing Alliance	\$ 6,354
U.S. Department of Transportation-Agreement Number 2.16-15(10)-Regional Transportation Planning	70,340
Municipal Assistance	27,768
Nonmajor Governmental Funds:	
U.S. Department of Transportation-Agreement Number Route 11 Greenway Authority Commission	1,558
DEMHS Homeland Security Regional Collaboration '09	14,505
HUD Sustainable Communities Regional Planning	3,355
Net total receivables	<u>\$ 123,880</u>

(Continued)

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

Notes to Financial Statements, Continued

June 30, 2011

5. Receivables and Deferred Revenue, Continued

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for which funds have been received and which have not been earned at year-end. At June 30, 2011, the SCCOG had \$36,871 of unearned/deferred revenue relating to its State of Connecticut-Office of Policy Regional GIS System Project.

6. Capital Assets

Capital asset activity for the year ended June 30, 2011 is as follows:

	Balance <u>June 30, 2010</u>	Increases	Decreases	Balance <u>June 30, 2011</u>
Governmental activities:				
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	-	-	280,664
Equipment and furnishings	144,980	-	-	144,980
Total assets being depreciated	445,994	-	-	445,994
Less: accumulated depreciation for:				
Land improvements	5,975	1,357	-	7,332
Buildings and related improvements	68,462	7,346	-	75,808
Equipment and furnishings	129,120	5,987	-	135,107
Total accumulated depreciation	203,557	14,690	-	218,247
Total Governmental activities capital assets being depreciated, net	242,437	(14,690)	-	227,747
Total Government-Wide Capital Assets, Net	\$ 306,195	(14,690)	-	291,505

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Regional planning	\$ 14,690
Total depreciation expense-governmental activities	\$ 14,690

(Continued)

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

Notes to Financial Statements, Continued

June 30, 2011

7. Interfund Accounts

At June 30, 2011, amounts due from and to other funds were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 117,526	-
Other Major Funds:		
U.S. Department of Transportation-Agreement Number: 2.16-15(10)-Regional Transportation Planning	-	70,340
Municipal Assistance	-	27,768
Other Governmental Funds:		
Federal Emergency Management Agency- DEMS Homeland Security Regional Collaboration '09	-	14,505
Department of Housing and Urban Development- Sustainable Communities Regional Planning	-	3,355
State of Connecticut Office of Policy and Management- Route 11 Greenway Authority Commission	-	1,558
	<u>\$ 117,526</u>	<u>117,526</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>
General Fund	\$ 9,466	144,480
Other Major Funds:		
U.S. Department of Transportation-Agreement Number 2.16-15(10)-Regional Transportation Planning	62,229	-
State of Connecticut Office of Policy and Management- State Grant In Aid	82,251	-
Municipal Assistance	-	1,047
Other Governmental Funds:		
Federal Emergency Management Agency- DEMHS Homeland Security Regional Collaboration '08	-	8,419
	<u>\$ 153,946</u>	<u>153,946</u>

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

Notes to Financial Statements, Continued

June 30, 2011

7. Interfund Accounts, Continued

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

8. Changes in Long-term Debt

Long-term debt of the SCCOG consists of accumulated unpaid vacation benefits. Long-term liability activity for the year ended June 30, 2011, was as follows:

	<u>Balance</u>		<u>Reductions/</u>		<u>Balance</u>	<u>Due Within</u>
	<u>June 30, 2010</u>	<u>Additions</u>	<u>Maturities</u>		<u>June 30, 2011</u>	<u>One Year</u>
Governmental Activities:						
Compensated absences	\$ 45,800	-	1,270		44,530	44,530
Total Governmental Activities						
long-term liabilities	<u>\$ 45,800</u>	<u>-</u>	<u>1,270</u>		<u>44,530</u>	<u>44,530</u>

9. Fund Balances

The following is a summary of the Governmental Fund fund balances of the SCCOG at June 30, 2011:

General Fund:

Nonspendable:		
Prepaid items	\$	7,789
Assigned:		
Appropriation of fund balance		80,702
Unassigned		517,932
 Total General Fund Balance		<u>\$ 606,423</u>

10. 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, 2011, 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.

11. Pension Plan

Plan Description

The SCCOG participates in the State of Connecticut Municipal Employee Retirement System (MERS) 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. MERS provides retirement benefits as well as death and disability benefits. Annual cost of living increases between 3% and 5% are paid to disabled members and non-disabled retired members who have reached age 65. All benefits vest after 10 years of continuous service. Members who retire after age 55 with 10 years of service or after 25 years of service, irrespective of age, are entitled to an annual retirement benefit, payable monthly for life, in an amount for each year of service equal to:

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

Notes to Financial Statements, Continued

June 30, 2011

11. Pension Plan, Continued

Plan Description, Continued

If not covered by Social Security: 2% of the average of earnings for the 3 highest paid years of service.

If covered by Social Security: 1-1/6% of the average of earnings not in excess of the taxable wage base for the 10 highest paid years, plus 2% of the average of earnings for the average of earnings for the three highest paid years of service which is in excess of the average of earnings not in excess of the taxable wage base for the 10 highest paid years.

The MERS is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State of Connecticut's financial statements as a pension trust fund.

Funding Policy

Covered employees are required by State statute to contribute 2.25% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. The SCCOG is required to contribute the amounts necessary to finance the remaining costs of the plan which have actuarially determined. The SCCOG contribution rate as of June 30, 2011 was 9.5% of cover payroll. The contribution requirements of plan members are established by State statute. The SCCOG contributions to the MERS for the years ended June 30, 2011, 2010 and 2009 were \$ 53,596; \$36,886, and \$35,349 respectively and were equal to the required contributions for each year.

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.

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, 2011

	Original <u>Budget</u>	Revised <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Municipal Assessments	\$ 121,394	121,394	121,394	-
OPM State Grant in Aid	10,055	6,037	6,037	-
ConnDOT Planning Grant FY 2010-2011	434,145	453,773	453,773	-
Advance-ConnDOT Planning Grant FY 2011-2012	-	52,656	52,656	-
Technical Assistance Contracts	125,000	109,500	127,610	18,110
East Lyme IHC Technical Assistance	-	3,538	3,538	-
DEMHS (FY 2008) Regional Collaborative Agreement	5,000	10,000	11,611	1,611
DEMHS (FY 2009) Regional Collaborative Agreement	-	-	17,505	17,505
OPM-Regional GIS System Project	10,120	10,120	10,287	167
ConnDOT Regional Intermodal Transportation Center	-	15,000	15,000	-
Southeastern Connecticut Housing Alliance	67,000	48,000	41,022	(6,978)
HUD Sustainable Communities Regional Planning	-	-	3,355	3,355
Other	20,000	12,344	9,905	(2,439)
Fund Balance/Prior Year Surplus	76,448	27,402	8,712	(18,690)
Total Revenues	<u>\$ 869,162</u>	<u>869,764</u>	<u>882,405</u>	<u>12,641</u>

Budgetary revenues are different from GAAP revenues because:

Operating transfers are not budgeted as revenues	153,946
The use of prior year surplus is not recognized for GAAP purposes	(8,712)

Total revenues and other financing sources as reported on the statement of revenues,
expenditures and changes in fund balances-governmental funds (Exhibit IV)\$ 1,027,639

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, 2011

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Staff:				
Salaries **	\$ 577,000	562,176	554,134	8,042
FICA, Insurance, Retirement **	205,342	210,260	224,193	(13,933)
	<u>782,342</u>	<u>772,436</u>	<u>778,327</u>	<u>(5,891)</u>
Subcontractors/Contributions:				
Computer Services	3,000	387	388	(1)
Professional Services (General)	1,000	3,538	3,538	-
RITC Study Consultant	-	15,000	15,000	-
Web GIS Hosting	10,120	10,286	10,287	(1)
	<u>14,120</u>	<u>29,211</u>	<u>29,213</u>	<u>(2)</u>
Other:				
Office Maintenance	23,000	20,500	18,923	1,577
Supplies	6,000	4,500	5,374	(874)
Equipment Rental/Maintenance	3,200	4,310	4,972	(662)
Equipment, Miscellaneous	300	-	-	-
Equipment, Capital	2,000	1,000	-	1,000
Phone/Mail	5,700	4,600	4,091	509
Insurance, Bond	8,000	8,457	8,457	-
Printing	500	823	750	73
Travel	8,000	6,700	6,443	257
Conference Expenses	1,000	1,500	1,355	145
Staff Expenses	200	400	419	(19)
Books, Magazines, Dues	1,300	1,300	1,279	21
Audit, Accounting, Legal	13,000	13,830	13,830	-
Advertising	500	197	197	-
	<u>72,700</u>	<u>68,117</u>	<u>66,090</u>	<u>2,027</u>
Total Expenditures	<u>\$ 869,162</u>	<u>869,764</u>	<u>873,630</u>	<u>(3,866)</u>

Budgetary Expenditures are Different Than GAAP Expenditures Because:

Operating Transfers Out Are Not Budgeted as Expenditures	153,946
Indirect Depreciation Is Not Budgeted as an Expenditure	8,775

Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues,
 Expenditures and Changes in Fund Balances-Governmental Funds (Exhibit IV)

\$ 1,036,351

** Includes SECHA

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	<u>FEDERAL PROGRAMS</u>			<u>STATE PROGRAMS</u>		<u>Total Nonmajor Programs</u>
	<u>Federal Emergency Management Agency DEMHS Homeland Security Regional Collaboration '08</u>	<u>DEMHS Homeland Security Regional Collaboration '09</u>	<u>Department of Housing and Urban Development Sustainable Communities Regional Planning</u>	<u>Office of Policy and Management Route 11 Greenway Authority Commission</u>	<u>Department of Transportation Regional Intermodal Transportation Center</u>	
<u>Assets</u>						
Cash	\$ -	-	-	-	-	-
Grants receivable:						
Federal government	-	14,505	3,355	-	-	17,860
State of Connecticut	-	-	-	1,558	-	1,558
Total grants receivable	<u>-</u>	<u>14,505</u>	<u>3,355</u>	<u>1,558</u>	<u>-</u>	<u>19,418</u>
Contract service fees receivable	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>14,505</u>	<u>3,355</u>	<u>1,558</u>	<u>-</u>	<u>19,418</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Due to other funds	\$ -	14,505	3,355	1,558	-	19,418
Deferred revenue	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>14,505</u>	<u>3,355</u>	<u>1,558</u>	<u>-</u>	<u>19,418</u>
Fund Equity:						
Fund balance	-	-	-	-	-	-
Total liabilities and fund balance	<u>\$ -</u>	<u>14,505</u>	<u>3,355</u>	<u>1,558</u>	<u>-</u>	<u>19,418</u>

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

	<u>FEDERAL PROGRAMS</u>			<u>STATE PROGRAMS</u>		Total Non-major Programs	
	<u>Federal Emergency Management Agency</u>	<u>DEMHS</u>	<u>DEMHS</u>	<u>Department of Housing and Urban Development</u>	<u>Office of Policy and Management</u>		<u>Department of Transportation</u>
	<u>DEMHS</u>	<u>DEMHS</u>	<u>DEMHS</u>	<u>Sustainable Communities</u>	<u>Route 11 Greenway Authority Commission</u>	<u>Regional Intermodal Transportation Center</u>	
	<u>Homeland Security Regional Collaboration '08</u>	<u>Homeland Security Regional Collaboration '09</u>	<u>Homeland Security Regional Collaboration '09</u>	<u>Regional Planning</u>	<u>Regional Planning</u>	<u>Regional Planning</u>	<u>Regional Planning</u>
Revenues:							
Federal government	\$ 11,611	17,505	17,505	3,355	-	-	32,471
State of Connecticut	-	-	-	-	-	15,000	15,000
Other	-	-	-	-	-	-	-
Total revenues	<u>11,611</u>	<u>17,505</u>	<u>17,505</u>	<u>3,355</u>	<u>-</u>	<u>15,000</u>	<u>47,471</u>
Expenditures:							
Direct salaries	1,489	8,396	8,396	1,617	-	-	11,502
Indirect at 107.499%	1,601	9,025	9,025	1,738	-	-	12,364
Direct charges	102	84	84	-	-	15,000	15,186
Total expenditures	<u>3,192</u>	<u>17,505</u>	<u>17,505</u>	<u>3,355</u>	<u>-</u>	<u>15,000</u>	<u>39,052</u>
Excess of revenues over (under) expenditures	<u>8,419</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,419</u>
Other financing sources (uses):							
Operating transfers in	-	-	-	-	-	-	-
Operating transfers out	(8,419)	-	-	-	-	-	(8,419)
Total other financing sources (uses)	<u>(8,419)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,419)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	-	-	-	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

Statement of Changes in Assets and Liabilities-Agency Funds

For the Year Ended June 30, 2011

	Balance <u>June 30, 2010</u>	Additions	Deductions	Balance <u>June 30, 2011</u>
Southeastern Connecticut Housing Alliance				
Cash	\$ 40,896	58,041	(62,627)	36,310
Due to other organizations	\$ 40,896	58,041	(62,627)	36,310
Tri-Town Trail Project				
Due from other funds	\$ 2,252	-	(2,252)	-
Due to other organizations	\$ 2,252	-	(2,252)	-
Total				
Cash	\$ 40,896	58,041	(62,627)	36,310
Due from other funds	2,252	-	(2,252)	-
	\$ 43,148	58,041	(64,879)	36,310
Due to other organizations	\$ 43,148	58,041	(64,879)	36,310

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
Financial Summary for the
Southeastern Connecticut Housing Alliance
For the Year Ended June 30, 2011

Cash, beginning of year	\$ 40,896
Cash receipts:	
ECAR/NAR Gribis Grant	28,000
U.S. Department of Housing and Urban Development	24,599
City of New London	4,342
ECAR/Builders Association of Eastern Connecticut	1,000
Other	100
Total cash receipts	<u>58,041</u>
Cash disbursements:	
Salaries, taxes and benefits reimbursed to the SCCOG	41,022
Printing	117
Advertising	1,155
Professional fees	14,920
Professional fees reimbursed to SCCOG	1,000
Workshops	310
Professional development	25
Memberships	50
Travel and meals	1,232
Meeting expenses	-
Computer services	64
Supplies	401
Telephone	618
Equipment	1,190
Postage	24
Dues	50
Other	449
Total cash disbursements	<u>62,627</u>
Excess (deficiency) of cash receipts over cash disbursements	(4,586)
Cash, end of year	<u>\$ 36,310</u>

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
Financial Summary for the State of Connecticut
Department of Transportation
For the Year Ended June 30, 2011

	<u>U.S. Department of Transportation</u>	<u>State of Connecticut Department of Transportation</u>
	Agreement Number <u>2.16-15(10)</u>	Agreement Number <u>1.04-01(08)</u>
	State Project Number <u>DOT07119996PL</u>	State Project Number <u>414-051</u>
	<u>Regional Transportation Planning</u>	<u>Regional Intermodal Transportation Center</u>
Maximum funds authorized:		
U.S. Department of Transportation FYE 6/30/2011	\$ 385,906	\$ -
ConnDOT matching funds FYE 6/30/2011	48,239	-
ConnDOT	-	750,000
Local required match	52,327	-
Total	<u>\$ 486,472</u>	<u>\$ 750,000</u>
Audited Expenditures:		
Direct salaries	\$ 273,165	\$ -
Indirect at 107.499%	293,649	-
Direct charges	1,844	15,000
Total expenditures	<u>\$ 568,658</u>	<u>\$ 15,000</u>
Distribution of audited expenditures:		
U.S. Department of Transportation FYE 6/30/2011	\$ 450,159	\$ -
ConnDOT matching funds FYE 6/30/2011	56,270	-
ConnDOT	-	15,000
Local	62,229	-
Total	<u>\$ 568,658</u>	<u>\$ 15,000</u>
ConnDOT responsibility:		
U.S. Department of Transportation FYE 6/30/2011	\$ 450,159	\$ -
ConnDOT matching funds FYE 6/30/2011	56,270	-
ConnDOT	-	15,000
Total ConnDOT responsibility	<u>506,429</u>	<u>15,000</u>
Less: payments received during 6/30/2011	436,089	15,000
Balance due June 30, 2011	<u>\$ 70,340</u>	<u>\$ -</u>
Payments received subsequent to June 30, 2011	<u>\$ 70,340</u>	<u>\$ -</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, 2011, which collectively comprise the Southeastern Connecticut Council of Government's basic financial statements, and have issued my report thereon dated September 26, 2011. 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, 2011. 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. 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*" 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, 2011, 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*", 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
September 26, 2011

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
Schedule of Indirect Costs and
Overhead Rate Calculation
For the Year Ended June 30, 2011

Indirect Costs:

Indirect salaries	\$ 127,746
Fringe benefits	218,415
Professional services-computer services	388
Office maintenance	18,923
Supplies	5,301
Equipment rental and maintenance	4,972
Telephone and postage	4,091
Bond and insurance	8,457
Travel	430
Conferences	1,355
Staff expenses	391
Dues, books and subscriptions	1,279
Audit/Accounting/Legal	13,830
Depreciation	8,775
Printing	750
Total indirect costs	<u>\$ 415,103</u>

Overhead rate calculation:

Total payroll	\$ 513,893
Less: indirect and unassigned payroll	127,746
Payroll base	<u>386,147</u>
Total allowable indirect costs	<u>415,103</u>
Indirect cost rate	<u>107.499%</u>

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
Note to the Schedule of Indirect Costs and Overhead Rate Calculation

June 30, 2011

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*". 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.