

**SOUTHEASTERN CONNECTICUT
COUNCIL OF GOVERNMENTS**

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

FOR THE YEAR ENDED JUNE 30, 2013

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
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SUPPLEMENTAL REPORTS AND SCHEDULES
YEAR ENDED JUNE 30, 2013**

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SUPPLEMENTAL REPORTS AND SCHEDULES
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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, 2013, 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, 2013, 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.

(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 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.

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 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 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 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 October 4, 2013, 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
October 4, 2013

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

**Southeastern Connecticut Council of Governments
Management's Discussion and Analysis
For the year ended June 30, 2013**

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, 2013. 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 \$635,243. The total unrestricted net assets at June 30, 2013 were \$364,897.

On a government-wide basis, during the year, the SCCOG's net assets decreased by \$95,474, from \$730,717 to \$635,243.

Governmental activities expenses were \$976,979.

At the end of the fiscal year the general fund had a balance of \$419,253.

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, 2013**

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 assets and changes in net assets.

Net Assets	June 30, 2013 Governmental Activities	June 30, 2012 Governmental Activities
Current and other assets	\$ 506,279	\$ 570,488
Capital assets	270,346	283,040
Total Assets	<u>\$ 776,625</u>	<u>\$ 853,528</u>
Current liabilities	87,026	74,429
Long-term liabilities	54,356	48,382
Total Liabilities	<u>141,382</u>	<u>122,811</u>
Net assets:		
Invested in capital assets, net of debt	270,346	283,040
Restricted	-	-
Unrestricted	364,897	447,677
Total Net Assets	<u>\$ 635,243</u>	<u>\$ 730,717</u>

(Continued)

**Southeastern Connecticut Council of Governments
Management's Discussion and Analysis, Continued
For the year ended June 30, 2013**

Net assets of the SCCOG's governmental activities decreased by \$95,474. Unrestricted net assets of \$364,897 may be used to meet the SCCOG's ongoing obligations.

Changes in Net Assets

	June 30, 2013 Governmental Activities	June 30, 2012 Governmental Activities
Revenues:		
Program Revenues:		
Charges for services	\$ 141,920	\$ 126,068
Operating grants and contributions	550,005	539,960
Capital grants and contributions	-	-
General Revenues:		
Municipal assessments	141,204	121,394
SECHA Reimbursements	39,555	84,540
Grants and contributions not restricted to specific programs	-	-
Unrestricted investment earnings	560	692
Miscellaneous	8,261	19,432
Total revenues	881,505	892,086
Program Expenses:		
Regional Planning	976,979	1,014,767
Total program expenses	976,979	1,014,767
Increase (decrease) in net assets	\$ (95,474)	\$ (122,681)

The SCCOG's total revenues were \$881,505. The total cost of all programs was \$976,979.

Governmental Activities

For governmental activities, approximately 78% of the revenues were derived from program revenues, with 16% coming from municipal assessments and 6% 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 \$419,253. This was a decrease of \$76,806 from last years total of \$496,059. Approximately 1% of the ending fund balance has been reported as nonspendable. The remaining 99% is unreserved. The general fund is the chief operating fund of the SCCOG.

General Fund Budgetary Highlights

The final budget for revenues was \$931,170. This was a decrease of \$44,718 from the original budget of \$975,888. The final budget for expenditures was \$931,170. This was a decrease of \$44,718 from the original budget of \$975,888. During the current fiscal year, actual revenues were \$958,311 which were more than budgetary estimates by \$27,141. Actual expenditures on a budgetary basis totaled \$950,174, which was more than budgetary estimates by \$19,004 and were less than actual revenues on a budgetary basis by \$8,137.

(Continued)

**Southeastern Connecticut Council of Governments
Management's Discussion and Analysis, Continued
For the year ended June 30, 2013**

Capital Assets and Debt Administration

The SCCOG's investment in capital assets for its governmental activities as of June 30, 2013, amount to \$270,346, net of accumulated depreciation. This investment in capital assets includes land, buildings, roads, and machinery and equipment. This represents a net decrease of \$12,694 during the year.

Capital Assets (net of depreciation)	June 30, 2013 Governmental Activities	June 30, 2012 Governmental Activities
Land & Land Improvements	\$ 74,062	\$ 75,419
Building & Improvements	190,164	197,510
Equipment & Furnishings	6,120	10,111
	<u>\$ 270,346</u>	<u>\$ 283,040</u>

Long-Term Debt

At June 30, 2013 the SCCOG had no long-term debt other than accrued compensated absences.

Long-Term Liabilities	June 30, 2013 Governmental Activities	June 30, 2012 Governmental Activities
Compensated Absences	\$ 54,356	\$ 48,382
Total Long-Term Liabilities	<u>\$ 54,356</u>	<u>\$ 48,382</u>

Fiduciary Funds

Net Assets	June 30, 2013 Fiduciary Funds	June 30, 2012 Fiduciary Funds
Current & Total Assets	<u>\$ 48,261</u>	<u>\$ 12,669</u>
Current & Total Liabilities	\$ 48,261	\$ 12,669
Net Assets	-	-
Total Liabilities & Net Assets	<u>\$ 48,261</u>	<u>\$ 12,669</u>

Changes In Net Assets

Increase in Assets	\$ 35,592	\$ (23,641)
Increase in Liabilities	(35,592)	23,641
Increase in Net Assets	<u>\$ -</u>	<u>\$ -</u>

Economic Factors and Next Year's Budgets and Rates

The region's and state's economy remains stagnant. Due to decreased revenues the SCCOG has had to apply funds from its Reserve(fund balance) to its operating budget the past three years. To reduce/eliminate the need for this to happen in future budgets, the SCCOG had two of its most senior employees retire, and has retained them as half-time employees, saving on their salaries and fringe benefits. In addition, under Public Act 13-247, OPM's Grant-In-Aid(SGIA) to the SCCOG will increase from this year's \$13,344 to \$125,000 in FY 2014, and to \$125,000 plus \$.50 per capita in FY 2015. SCCOG plans to use the savings accrued from the two retirements, along with increased revenue, to hire additional staff in FY 2014.

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.

FINANCIAL STATEMENTS

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

STATEMENT OF NET ASSETS

June 30, 2013

ASSETS:	Governmental Activities	Total
Cash and cash equivalents	\$ 340,870	340,870
Receivables, net	163,648	163,648
Capital assets, net	270,346	270,346
Prepaid expenses	1,761	1,761
Total Assets	<u>776,625</u>	<u>776,625</u>
 LIABILITIES:		
Accounts payable and accrued expenses	26,841	26,841
Deferred revenue	60,185	60,185
Long-term liabilities:		
Due within one year	54,356	54,356
Total Liabilities	<u>141,382</u>	<u>141,382</u>
 NET ASSETS:		
Invested in capital assets	270,346	270,346
Unrestricted	364,897	364,897
Total Net Assets	<u>\$ 635,243</u>	<u>635,243</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, 2013

Function/Program	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	Total
	Expenses	Charges for Services	Operating Grants and Contributions		
Governmental activities:					
Regional planning	\$ 976,979	141,920	550,005	(285,054)	(285,054)
Total governmental activities	<u>976,979</u>	<u>141,920</u>	<u>550,005</u>	<u>(285,054)</u>	<u>(285,054)</u>
Total government	\$ <u>976,979</u>	<u>141,920</u>	<u>550,005</u>		
General revenues:					
Municipal assessments				141,204	141,204
SECHA Reimbursements				39,555	39,555
Grants and contributions not restricted to specific programs				-	-
Unrestricted investment earnings				560	560
Miscellaneous				8,261	8,261
Total general revenues and transfers				<u>189,580</u>	<u>189,580</u>
Change in net assets				(95,474)	(95,474)
Net assets-beginning				730,717	730,717
Net assets-ending				<u>\$ 635,243</u>	<u>635,243</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, 2013

General Fund	Major Federal Programs		Major State Programs		Municipal and Technical Assistance	Other Governmental Funds	Total Governmental Funds
	U.S. Department of Transportation Regional Planning Agreement Number 5.24-03(12)	Federal Emergency Management Agency Regional Hazard Mitigation Plan	State of Connecticut Office of Policy and Management	RPI Grant-Regional Online Property Survey Index			
\$ 280,685	-	-	-	43,700	-	16,485	340,870
-	73,911	29,432	-	-	-	11,518	114,861
-	9,239	-	-	-	-	-	9,239
163,648	-	-	-	-	39,548	-	39,548
-	-	-	-	-	-	-	163,648
1,761	-	-	-	-	-	-	1,761
<u>\$ 446,094</u>	<u>83,150</u>	<u>29,432</u>	<u>-</u>	<u>43,700</u>	<u>39,548</u>	<u>28,003</u>	<u>669,927</u>

ASSETS

Cash and equivalents	
Grants receivable:	
Federal	
State	
Municipal and technical assistance fees receivable	
Due from other funds	
Other receivables	
Prepaid expenses	
Total Assets	\$ 446,094

LIABILITIES AND FUND BALANCES

Accounts payable and accrued expenses	\$ 26,841
Deferred revenue	-
Due to other funds	-
Due to funding sources	-
Total Liabilities	\$ 26,841
Fund Balances:	
Nonspendable	1,761
Assigned	-
Unassigned	417,492
Total Fund Balances	419,253
Total Liabilities and Fund Balances	\$ 446,094

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.

Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.

Net assets of governmental activities

\$ 635,243

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, 2013

	State of Connecticut										Total Governmental Funds	
	Federal Programs					Office of Policy and Management						
	General Fund	U.S. Department of Transportation Regional Planning Agreement Number 5.24-03(12)	Federal Emergency Management Agency Regional Hazard Mitigation Plan	State Grant In Aid	RPI Grant- Regional Online Property Survey Index	Municipal and Technical Assistance	Other Governmental Funds					
Revenues:												
Municipal assessments	\$ 141,204	-	-	-	-	-	-	-	-	-	-	141,204
Intergovernmental:												
Federal grants	-	416,284	25,254	-	-	-	-	-	-	-	26,518	468,056
State grants	-	52,035	-	13,344	6,300	-	-	-	-	-	10,270	81,949
Municipal and technical assistance contracts	-	-	-	-	-	141,920	-	-	-	-	-	141,920
SECHA Reimbursements	39,555	-	-	-	-	-	-	-	-	-	-	39,555
Other	8,821	-	-	-	-	-	-	-	-	-	-	8,821
Total Revenues	189,580	468,319	25,254	13,344	6,300	141,920	-	-	-	36,788	-	881,505
Expenditures:												
Direct salaries	-	242,203	4,776	61,358	-	72,973	-	-	-	15,342	-	396,652
Indirect at 114.186%	-	276,561	5,453	70,063	-	83,326	-	-	-	17,519	-	452,922
Direct charges	4,994	1,590	30,093	1,000	6,300	2,955	-	-	-	22,250	-	69,182
SECHA expenses	39,555	-	-	-	-	-	-	-	-	-	-	39,555
Total Expenditures	44,549	520,354	40,322	132,421	6,300	159,254	-	-	-	55,111	-	958,311
Excess of Revenues Over (Under) Expenditures	145,031	(52,035)	(15,068)	(119,077)	-	(17,334)	-	-	-	(18,323)	-	(76,806)
Other Financing Sources (Uses):												
Operating transfers in	-	52,035	15,068	119,077	-	17,334	-	-	-	18,323	-	221,837
Operating transfers out	(221,837)	-	-	-	-	-	-	-	-	-	-	(221,837)
Total Other Financing Sources (Uses):	(221,837)	52,035	15,068	119,077	-	17,334	-	-	-	18,323	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(76,806)	-	-	-	-	-	-	-	-	-	-	(76,806)
Fund Balance (Deficit) June 30, 2012	496,059	-	-	-	-	-	-	-	-	-	-	(12,694)
Fund Balance (Deficit) June 30, 2013	\$ 419,253	-	-	-	-	-	-	-	-	-	-	(5,974)

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.

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

\$ (95,474)

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

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

FIDUCIARY FUNDS

BALANCE SHEET

June 30, 2013

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 48,261
Total Assets	<u>\$ 48,261</u>
<u>Liabilities</u>	
Due to other organizations	\$ 48,261
Total Liabilities	<u>\$ 48,261</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, 2013

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, 2013

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 5.24-03(12) - Regional Transportation Planning - This fund is used to account for revenues and expenditures relating to rural transportation planning in the southeastern Connecticut planning region.

Federal Emergency Management Agency-Regional Hazard Mitigation Plan – This fund is used to account for the revenue and expenditures related to a regional hazard mitigation plan update program.

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 Online Property Survey Index – This fund is to be used to account for the revenue and expenditures related to creating an online property survey index and retrieval system for the SCCOG's member towns.

Municipal and Technical Assistance - This fund is used to account for revenues and expenditures relating to technical assistance provided to various municipalities and other entities 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.

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

Notes to Financial Statements, Continued

June 30, 2013

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.

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

Notes to Financial Statements, Continued

June 30, 2013

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, 2013, 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, 2013, prepaid items totaled \$1,761.

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, 2013

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". 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.

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

Notes to Financial Statements, Continued

June 30, 2013

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 (\$54,356) are as follows:

Compensated absences	\$ (54,356)
Net adjustment to reduce fund balance - total government funds to arrive at net assets-governmental activities	<u>\$ (54,356)</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 (\$12,694) are as follows:

Depreciation expense	\$ (12,694)
Fixed asset acquisitions	-
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net assets- governmental activities	<u>\$ (12,694)</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 (\$5,974) difference are as follows:

Change in compensated absences	\$ (5,974)
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net assets- governmental activities	<u>\$ (5,974)</u>

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

Notes to Financial Statements, Continued

June 30, 2013

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 was a \$44,718 net reduction in 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 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, 2013:

Deposits:	
Demand accounts	\$ 86,927
Cash equivalents:	
State Short-Term Investment Fund (STIF)	302,204
Total cash and equivalents	<u>\$ 389,131</u>
Governmental Funds	\$ 340,870
Agency Funds	48,261
Total cash and equivalents	<u>\$ 389,131</u>

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

Notes to Financial Statements, Continued

June 30, 2013

Deposits

At June 30, 2013, the carrying amount of the SCCOG's deposits with financial institutions was \$86,927 and the bank balance was \$67,801.

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, 2013, 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, 2013, 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, 2013, 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:	
U.S. Department of Transportation-Agreement Number 5.24-03(12)-Regional Transportation Planning	\$ 83,150
Municipal Assistance	39,548
Federal Emergency Management Agency-Regional Hazard Mitigation Plan	29,432
Nonmajor Governmental Funds:	
DEMHS Homeland Security Regional Collaboration '10	9,438
HUD Sustainable Communities Regional Planning	2,080
Net total receivables	<u>\$ 163,648</u>

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

Notes to Financial Statements, Continued

June 30, 2013

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, 2013, the SCCOG had \$60,185 of unearned/deferred revenue relating to various grant programs.

6. Capital Assets

Capital asset activity for the year ended June 30, 2013 is as follows:

	Balance			Balance
	<u>June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2013</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	141,593	-	-	141,593
Total assets being depreciated	<u>442,607</u>	-	-	<u>442,607</u>
Less: accumulated depreciation for:				
Land improvements	8,689	1,357	-	10,046
Buildings and related improvements	83,154	7,346	-	90,500
Equipment and furnishings	131,482	3,991	-	135,473
Total accumulated depreciation	<u>223,325</u>	<u>12,694</u>	-	<u>236,019</u>
Total Governmental activities capital assets				
being depreciated, net	<u>219,282</u>	<u>(12,694)</u>	-	<u>206,588</u>
Total Government-Wide Capital Assets, Net	<u>\$ 283,040</u>	<u>(12,694)</u>	-	<u>270,346</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Regional planning	\$ 12,694
Total depreciation expense-governmental activities	<u>\$ 12,694</u>

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

Notes to Financial Statements, Continued

June 30, 2013

7. Interfund Accounts

At June 30, 2013, amounts due from and to other funds were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 163,648	-
Other Major Funds:		
U.S. Department of Transportation-Agreement Number: 5.24-03(12)-Regional Transportation Planning	-	83,150
Federal Emergency Management Agency-Regional Hazard Mitigation Plan	-	29,432
Municipal and Technical Assistance	-	39,548
Other Governmental Funds:		
Federal Emergency Management Agency- DEMS Homeland Security Regional Collaboration '10	-	9,438
Department of Housing and Urban Development- Sustainable Communities Regional Planning	-	2,080
	<u>\$ 163,648</u>	<u>163,648</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	\$ -	221,837
Other Major Funds:		
U.S. Department of Transportation-Agreement Number 5.24-03(12)-Regional Transportation Planning	52,035	-
Federal Emergency Management Agency-Regional Hazard Mitigation Plan	15,068	-
State of Connecticut Office of Policy and Management- State Grant In Aid	119,077	-
Municipal Assistance	17,334	-
Other Governmental Funds:		
Federal Emergency Management Agency- DEMHS Homeland Security Regional Collaboration '09	1,206	-
U.S. Department of Housing and Urban Development- Sustainable Communities Regional Planning	5,195	-
Regional Excess Water Project	11,922	-
	<u>\$ 221,837</u>	<u>221,837</u>

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

Notes to Financial Statements, Continued

June 30, 2013

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, 2013, was as follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions/ Maturities</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Compensated absences	\$ 48,382	5,974	-	54,356	54,356
Total Governmental Activities					
long-term liabilities	<u>\$ 48,382</u>	<u>5,974</u>	<u>-</u>	<u>54,356</u>	<u>54,356</u>

9. Fund Balances

The following is a summary of the Governmental Fund fund balances of the SCCOG at June 30, 2013:

General Fund:

 Nonspendable:

 Prepaid items

\$ 1,761

 Assigned:

 Appropriation of fund balance

-

 Unassigned

417,492

 Total General Fund Balance

\$ 419,253

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, 2013, 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.

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

Notes to Financial Statements, Continued

June 30, 2013

11. Pension Plan, Continued

Plan Description, Continued

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:

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, 2013 was 11.79% of covered payroll. The contribution requirements of plan members are established by State statute. The SCCOG contributions to the MERS for the years ended June 30, 2013, 2012 and 2011 were \$ 67,698, \$67,622, and \$53,596 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.

12. Subsequent Events

Subsequent events were evaluated through October 4, 2013, which is the date that the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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, 2013

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Municipal Assessments	\$ 141,206	141,206	141,204	(2)
OPM State Grant in Aid	6,000	13,344	13,344	-
ConnDOT Planning Grant FY 2012-2013	442,000	462,000	468,319	6,319
Technical Assistance Contracts	130,000	110,000	129,920	19,920
DEMHS (FY 2009) Regional Collaborative Agreement	-	-	-	-
DEMHS (FY 2010) Regional Collaborative Agreement	17,500	17,500	11,972	(5,528)
DEMHS (FY 2011) Regional Collaborative Agreement	-	-	6,509	6,509
OPM-Regional GIS System Project	10,120	10,120	10,270	150
Southeastern Connecticut Housing Alliance	84,000	52,600	39,555	(13,045)
HUD Sustainable Communities Regional Planning	10,000	10,000	8,037	(1,963)
DEEP Regional Hazard Mitigation Plan	45,000	45,000	25,254	(19,746)
RPI Grant-Regional Online Property Survey Index	-	-	6,300	6,300
seCTer	-	12,000	12,000	-
Other	2,000	2,000	8,261	6,261
Investment Income	1,000	1,000	560	(440)
Fund Balance/Prior Year Surplus	87,062	54,400	76,806	22,406
Total Revenues	<u>\$ 975,888</u>	<u>931,170</u>	<u>958,311</u>	<u>27,141</u>

Budgetary revenues are different from GAAP revenues because:

Operating transfers are not budgeted as revenues	221,837
The use of prior year surplus is not recognized for GAAP purposes	(76,806)

Total revenues and other financing sources as reported on the statement of revenues,
expenditures and changes in fund balances-governmental funds (Exhibit IV)\$ 1,103,342

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, 2013

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Staff:				
Salaries-Southeastern Connecticut Council of Governments **	\$ 602,168	563,051	570,497	(7,446)
FICA, Insurance, Retirement **	252,900	250,000	256,166	(6,166)
	<u>855,068</u>	<u>813,051</u>	<u>826,663</u>	<u>(13,612)</u>
Subcontractors/Contributions:				
Computer Services	1,000	330	329	1
Professional Services (General)	1,000	15,000	11,922	3,078
RPI Grant-Regional Online Property Survey Index	-	-	6,300	(6,300)
Regional Hazard Mitigation Plan Consultant	45,000	25,986	30,093	(4,107)
Web GIS Hosting	10,120	10,270	10,270	-
	<u>57,120</u>	<u>51,586</u>	<u>58,914</u>	<u>(7,328)</u>
Other:				
Office Maintenance/Utilities	16,500	15,000	14,918	82
Supplies	4,600	5,165	4,824	341
Equipment Rental/Maintenance	5,000	6,250	5,930	320
Equipment, Capital	-	-	718	(718)
Phone/Mail	4,500	4,760	4,635	125
Insurance, Bond	8,500	8,500	7,040	1,460
Printing	-	-	-	-
Travel	7,000	6,000	5,931	69
Conference Expenses	500	600	607	(7)
Staff Expenses	500	250	236	14
Books, Magazines, Dues	1,300	1,300	1,080	220
Audit, Accounting, Legal	15,000	18,708	18,678	30
Advertising	300	-	-	-
	<u>63,700</u>	<u>66,533</u>	<u>64,597</u>	<u>1,936</u>
Total Expenditures	<u>\$ 975,888</u>	<u>931,170</u>	<u>950,174</u>	<u>(19,004)</u>
Operating Transfers Out Are Not Budgeted as Expenditures			221,837	
Indirect Depreciation Is Not Budgeted as an Expenditure			8,137	
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds (Exhibit IV)			<u>\$ 1,180,148</u>	

** Includes SECHA

SUPPLEMENTAL SCHEDULES

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	FEDERAL PROGRAMS				STATE PROGRAM	OTHER	Total Nonmajor Programs
	Federal Emergency Management Agency		Department of Housing and Urban Development		Office of Policy and Management	Inter-regional Water Supply Plan	
	DEMHS Regional Collaboration '09	DEMHS Homeland Security Regional Collaboration '10	DEMHS Homeland Security Regional Collaboration '11	Sustainable Communities Regional Planning			
Assets							
Cash	-	-	321	-	16,164	-	16,485
Grants receivable:							
Federal government	-	9,438	-	2,080	-	-	11,518
Total grants receivable	-	9,438	-	2,080	-	-	11,518
Contract service fees receivable	-	-	-	-	-	-	-
Total assets	\$ -	9,438	321	2,080	16,164	-	28,003
Liabilities and Fund Balances							
Liabilities:							
Due to other funds	-	9,438	-	2,080	-	-	11,518
Deferred Revenue	-	-	321	-	16,164	-	16,485
Total liabilities	\$ -	9,438	321	2,080	16,164	-	28,003
Fund Equity:							
Fund balance	-	-	-	-	-	-	-
Total liabilities and fund balance	\$ -	9,438	321	2,080	16,164	-	28,003

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	FEDERAL PROGRAMS				STATE PROGRAM		OTHER	Total Non-major Programs
	Federal Emergency Management Agency		Department of Housing and Urban Development		Office of Policy and Management			
	DEMHS Regional Collaboration '09	DEMHS Homeland Security Regional Collaboration '10	DEMHS Homeland Security Regional Collaboration '11	Sustainable Communities Regional Planning	Regional GIS System Project	Inter-regional Water Supply Plan		
Revenues:								
Federal government	-	11,972	6,509	8,037	-	-	26,518	
State of Connecticut	-	-	-	-	10,270	-	10,270	
Other	-	-	-	-	-	-	-	
Total revenues	-	11,972	6,509	8,037	10,270	-	36,788	
Expenditures:								
Direct salaries	563	5,569	3,039	6,171	-	-	15,342	
Indirect at 114.186%	643	6,359	3,470	7,047	-	-	17,519	
Direct charges	-	44	-	14	10,270	11,922	22,250	
Total expenditures	1,206	11,972	6,509	13,232	10,270	11,922	55,111	
Excess of revenues over (under) expenditures	(1,206)	-	-	(5,195)	-	(11,922)	(18,323)	
Other financing sources (uses):								
Operating transfers in	1,206	-	-	5,195	-	11,922	18,323	
Operating transfers out	-	-	-	-	-	-	-	
Total other financing sources (uses)	1,206	-	-	5,195	-	11,922	18,323	
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, 2013

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
Southeastern Connecticut Housing Alliance				
Cash	\$ 12,669	93,321	(57,729)	48,261
Due to other organizations	\$ 12,669	93,321	(57,729)	48,261
Total				
Cash	\$ 12,669	93,321	(57,729)	48,261
Due to other organizations	\$ 12,669	93,321	(57,729)	48,261

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
Financial Summary for the
Southeastern Connecticut Housing Alliance
For the Year Ended June 30, 2013

Cash, beginning of year	\$	12,669
Cash receipts:		
U.S. Department of Housing and Urban Development		74,321
Connecticut Housing Finance Authority		10,000
Eastern Connecticut Association of Realtors		8,000
Dime Bank		500
Other		500
Total cash receipts		<u>93,321</u>
Cash disbursements:		
Salaries, taxes and benefits reimbursed to the SCCOG		47,540
Professional fees		6,551
Telephone		981
Travel		683
Website		505
Accounting		480
Advertising		400
Supplies		367
Workshops		120
Dues		100
Postage		2
Total cash disbursements		<u>57,729</u>
Excess (deficiency) of cash receipts over cash disbursements		35,592
Cash, end of year	\$	<u>48,261</u>

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
Financial Summary for the State of Connecticut
Department of Transportation
For the Year Ended June 30, 2013

	U.S. Department of Transportation
	<u>Agreement Number</u>
	5.24-03(12)
	State Project Number
	<u>DOT07139996PL</u>
	Regional Transportation Planning
Maximum funds authorized:	
U.S. Department of Transportation FYE June 30, 2013	\$ 433,109
ConnDOT matching funds FYE June 30, 2013	54,139
Local required match	54,139
Total	<u>\$ 541,387</u>
Audited Expenditures:	
Direct salaries	\$ 242,203
Indirect at 114.186%	276,561
Direct charges	1,590
Total expenditures	<u>\$ 520,354</u>
Distribution of audited expenditures:	
U.S. Department of Transportation FYE June 30, 2013	\$ 416,284
ConnDOT matching funds FYE June 30, 2013	52,035
Local	52,035
Total	<u>\$ 520,354</u>
ConnDOT responsibility:	
U.S. Department of Transportation FYE June 30, 2013	\$ 416,284
ConnDOT matching funds FYE June 30, 2013	52,035
Total ConnDOT responsibility	<u>468,319</u>
Less: payments received during FYE June 30, 2013	385,169
Balance due June 30, 2013	<u>\$ 83,150</u>
Payments received subsequent to June 30, 2013 through the date of this report	<u>\$ 68,564</u>

**REPORT ON THE SCHEDULE
OF INDIRECT COSTS AND
OVERHEAD RATE CALCULATION**

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, 2013, which collectively comprise the Southeastern Connecticut Council of Government's basic financial statements, and have issued my report thereon dated October 4, 2013. 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, 2013. 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, 2013, 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
October 4, 2013

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
Schedule of Indirect Costs and
Overhead Rate Calculation
For the Year Ended June 30, 2013

Indirect Costs:

Indirect salaries	\$ 137,070
Fringe benefits	249,111
Professional services-computer services	329
Office maintenance	14,918
Supplies	4,824
Equipment rental and maintenance	5,930
Telephone and postage	4,635
Bond and insurance	7,040
Travel	411
Conferences	532
Staff expenses	227
Dues, books and subscriptions	1,080
Audit/Accounting/Legal	18,678
Depreciation	8,137
 Total indirect costs	 <u>\$ 452,922</u>

Overhead rate calculation:

Total payroll	\$ 533,722
Less: indirect and unassigned payroll	137,070
 Payroll base	 <u>396,652</u>
 Total allowable indirect costs	 <u>452,922</u>
 Indirect cost rate	 <u>114.186%</u>

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

Note to the Schedule of Indirect Costs and Overhead Rate Calculation

June 30, 2013

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.

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

**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, 2013, 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 October 4, 2013.

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 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 black ink, appearing to read "Albert J. Rusilowicz". The signature is fluid and cursive, with a long, sweeping tail at the end.

Albert J. Rusilowicz
Certified Public Accountant, LLC
Killingworth, Connecticut
October 4, 2013