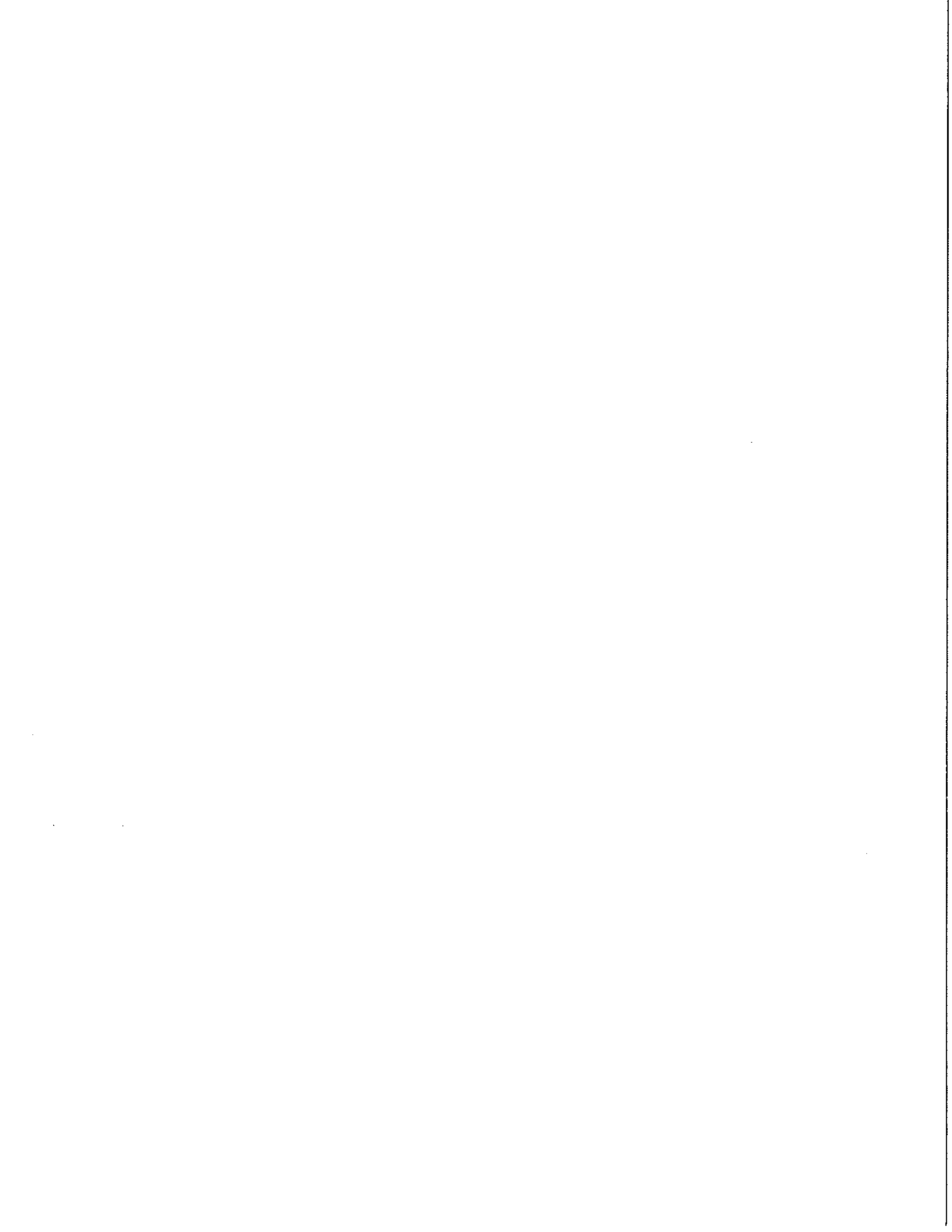


**SOUTHEASTERN CONNECTICUT  
COUNCIL OF GOVERNMENTS**

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

**FOR THE YEAR ENDED JUNE 30, 2014**



**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS  
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YEAR ENDED JUNE 30, 2014**

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# ALBERT J. RUSILOWICZ

Certified Public Accountant, LLC

## INDEPENDENT AUDITOR'S REPORT

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

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

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeastern Connecticut Council of Governments, Norwich, Connecticut, as of and for the year ended June 30, 2014, 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, 2014, 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 November 24, 2014, on my consideration of the Southeastern Connecticut Council of Government's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Southeastern Connecticut Council of Government's internal control over financial reporting and compliance.



Albert J. Rusilowicz  
Certified Public Accountant, LLC  
Killingworth, Connecticut  
November 24, 2014

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

**Southeastern Connecticut Council of Governments  
Management's Discussion and Analysis  
For the year ended June 30, 2014**

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, 2014. 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 \$703,366. The total unrestricted net assets at June 30, 2014 were \$407,582.

On a government-wide basis, during the year, the SCCOG's net assets increased by \$68,123, from \$635,245 to \$703,368.

Governmental activities expenses were \$780,463.

At the end of the fiscal year the general fund had a balance of \$449,710.

**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, 2014**

**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 government-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, 2014 Governmental Activities	June 30, 2013 Governmental Activities
Current and other assets	\$ 611,008	\$ 506,279
Capital assets	295,784	270,346
Total Assets	\$ 906,792	\$ 776,625
Current liabilities	161,298	87,024
Long-term liabilities	42,128	54,356
Total Liabilities	203,426	141,380
Net assets:		
Invested in capital assets, net of debt	295,784	270,346
Restricted	-	-
Unrestricted	407,582	364,899
Total Net Assets	\$ 703,366	\$ 635,245

(Continued)

**Southeastern Connecticut Council of Governments  
Management's Discussion and Analysis, Continued  
For the year ended June 30, 2014**

Net assets of the SCCOG's governmental activities increased by \$68,123. Unrestricted net assets of \$407,582 may be used to meet the SCCOG's ongoing obligations.

**Changes in Net Assets**

	June 30, 2014 Governmental Activities	June 30, 2013 Governmental Activities
Revenues:		
Program Revenues:		
Charges for services	\$ 132,183	\$ 141,920
Operating grants and contributions	564,031	550,005
Capital grants and contributions	-	-
General Revenues:		
Municipal assessments	141,204	141,204
SECHA Reimbursements	-	39,555
Grants and contributions not restricted to specific programs	-	-
Unrestricted investment earnings	418	560
Miscellaneous	10,750	8,261
Total revenues	848,586	881,505
Program Expenses:		
Regional Planning	780,463	976,979
Total program expenses	780,463	976,979
Increase (decrease) in net assets	\$ 68,123	\$ (95,474)

The SCCOG's total revenues were \$848,586. The total cost of all programs was \$780,463.

**Governmental Activities**

For governmental activities, approximately 82% of the revenues were derived from program revenues, with 16% coming from municipal assessments and 2% from investment earnings and other sources. 100% of the SCCOG's expenditures related to regional planning.

**Fund Financial Analysis**

**Governmental Funds**

At the end of the year the governmental funds reported a fund balance of \$449,710. This was an increase of \$30,457 from last years total of \$419,253. Approximately 2% of the ending fund balance has been reported as nonspendable. The remaining 98% is unreserved. The general fund is the chief operating fund of the SCCOG.

**General Fund Budgetary Highlights**

The final budget for revenues was \$888,080. This was a decrease of \$33,228 from the original budget of \$921,308. The final budget for expenditures was \$840,130. This was a decrease of \$81,178 from the original budget of \$921,308. During the current fiscal year, actual revenues were \$848,586 which were less than budgetary estimates by \$39,494. Actual expenditures on a budgetary basis totaled \$809,556, which was less than budgetary estimates by \$30,574 and were less than actual revenues on a budgetary basis by \$39,030.

(Continued)

**Southeastern Connecticut Council of Governments  
Management's Discussion and Analysis, Continued  
For the year ended June 30, 2014**

**Capital Assets and Debt Administration**

The SCCOG's investment in capital assets for its governmental activities as of June 30, 2014, amount to \$295,784, net of accumulated depreciation. This investment in capital assets includes land, buildings, roads, and machinery and equipment. This represents a net increase of \$25,438 during the year.

Capital Assets (net of depreciation)	June 30, 2014 Governmental Activities	June 30, 2013 Governmental Activities
Land & Land Improvements	\$ 72,705	\$ 74,062
Building & Improvements	182,818	190,164
Equipment & Furnishings	40,261	6,120
	<u>\$ 295,784</u>	<u>\$ 270,346</u>

**Long-Term Debt**

At June 30, 2014 the SCCOG had no long-term debt other than accrued compensated absences.

Long-Term Liabilities	June 30, 2014 Governmental Activities	June 30, 2013 Governmental Activities
Compensated Absences	\$ 42,128	\$ 54,356
Total Long-Term Liabilities	<u>\$ 42,128</u>	<u>\$ 54,356</u>

**Fiduciary Funds**

Net Assets	June 30, 2014 Fiduciary Funds	June 30, 2013 Fiduciary Funds
Current & Total Assets	\$ 44,693	\$ 48,261
Current & Total Liabilities	\$ 44,693	\$ 48,261
Net Assets	-	-
Total Liabilities & Net Assets	<u>\$ 44,693</u>	<u>\$ 48,261</u>

**Changes in Net Assets**

Decrease in Assets	\$ (3,568)	\$ (23,641)
Decrease in Liabilities	3,568	23,641
Increase in Net Assets	<u>\$ -</u>	<u>\$ -</u>

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

With an improvement in the region's and state's economy during the fiscal year, the SCCOG's funding picture improved as well, primarily due to an increase in the OPM State-Grant-In-Aid(SGIA) for regional planning. Although it had budgeted funds from its Reserve(fund balance) to its operating budget in FY 2014 as it had done the previous three years, the SCCOG did not have to apply this funding and actually returned \$30,547 to the fund balance. At the end of FY 2013, SCCOG had two senior employees retire(who now work half-time for the SCCOG) and in FY 2014, hired two new full-time employees dues to the savings realized from the retirements and the increased state funding. In FY 2015, the SCCOG adopted budget anticipates continuing this steady funding stream, including \$253,369 in the OPM planning grant and \$157,688 in municipal dues. This budget and the proposed FY 2016 budget will retain a per capita dues rate of \$0.55 for SCCOG member municipalities.

**Requests for Information**

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

# FINANCIAL STATEMENTS

## SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

## STATEMENT OF NET ASSETS

June 30, 2014

<b>ASSETS:</b>	<u>Governmental Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 508,168	508,168
Receivables, net	93,346	93,346
Capital assets, net	295,784	295,784
Prepaid expenses	9,494	9,494
<b>Total Assets</b>	<u>906,792</u>	<u>906,792</u>
 <b>LIABILITIES:</b>		
Accounts payable and accrued expenses	36,501	36,501
Deferred revenue	124,797	124,797
Long-term liabilities:		
Due within one year	42,128	42,128
<b>Total Liabilities</b>	<u>203,426</u>	<u>203,426</u>
 <b>NET ASSETS:</b>		
Invested in capital assets	295,784	295,784
Unrestricted	407,582	407,582
<b>Total Net Assets</b>	<u>\$ 703,366</u>	<u>703,366</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, 2014

Function/Program	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental activities:					
Regional planning	\$ 780,463	132,183	564,031	(84,249)	(84,249)
Total governmental activities	<u>780,463</u>	<u>132,183</u>	<u>564,031</u>	<u>(84,249)</u>	<u>(84,249)</u>
Total government	\$ <u>780,463</u>	<u>132,183</u>	<u>564,031</u>		
General revenues:					
Municipal assessments				141,204	141,204
Grants and contributions not restricted to specific programs				-	-
Unrestricted investment earnings				418	418
Miscellaneous				10,750	10,750
Total general revenues and transfers				<u>152,372</u>	<u>152,372</u>
Change in net assets				68,123	68,123
Net assets-beginning				635,245	635,245
Net assets-ending				<u>\$ 703,368</u>	<u>703,368</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, 2014

	Major Federal Programs		Major State Programs		Total Governmental Funds
	U.S. Department of Transportation Regional Planning Agreement Number 5.24-03(12)	U.S. Department of Transportation Regional Planning Agreement Number 5.24-03(12)	State of Connecticut Office of Policy and Management	RPI Grant-Regional Online Property Survey Index	
Cash and equivalents	\$ 383,371	-	-	34,362	508,168
Grants receivable:					
Federal	-	-	-	-	-
State	47,924	12,965	-	-	62,839
Municipal and technical assistance fees receivable	5,991	1,621	-	-	7,612
Due from other funds	-	-	-	22,895	22,895
Prepaid expenses	93,346	-	-	-	93,346
9,494	-	-	-	-	9,494
<b>Total Assets</b>	<b>\$ 486,211</b>	<b>53,915</b>	<b>14,596</b>	<b>34,362</b>	<b>703,366</b>

LIABILITIES AND FUND BALANCES

Liabilities:					
Accounts payable and accrued expenses	\$ 36,501	-	-	-	36,501
Deferred revenue	-	-	-	-	-
Due to other funds	-	53,915	14,596	-	68,411
Due to funding sources	-	-	-	-	-
<b>Total Liabilities</b>	<b>\$ 36,501</b>	<b>53,915</b>	<b>14,596</b>	<b>34,362</b>	<b>139,374</b>
Fund Balances:					
Nonspendable	9,494	-	-	-	9,494
Assigned	-	-	-	-	-
Unassigned	440,216	-	-	-	440,216
<b>Total Fund Balances</b>	<b>\$ 449,710</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>449,710</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 486,211</b>	<b>53,915</b>	<b>14,596</b>	<b>34,362</b>	<b>703,366</b>

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

295,784

(42,128)

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, 2014**

	State of Connecticut						
	Federal Programs		State of Connecticut				
	U.S. Department of Transportation	Regional Transportation Planning Agreement Number 5-24-03(12)	State Grant In Aid	RPI Grant-Regional Online Property Survey Index	Municipal and Technical Assistance	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Municipal assessments Intergovernmental:							
Federal grants	\$ 141,204	-	-	-	-	-	141,204
State grants	-	336,443	-	9,338	-	26,903	382,689
Municipal and technical assistance contracts	-	42,055	125,000	-	-	14,287	181,342
Other	-	-	-	-	132,183	-	132,183
Other	-	-	-	-	-	-	11,168
<b>Total Revenues</b>	<u>152,372</u>	<u>378,498</u>	<u>125,000</u>	<u>9,338</u>	<u>132,183</u>	<u>51,195</u>	<u>848,586</u>
<b>Expenditures:</b>							
Direct salaries	2,521	193,097	56,734	1,657	61,633	19,812	345,454
Indirect at 116.832%	2,945	225,539	77,866	1,937	72,007	23,146	403,600
Direct charges	36,929	1,857	1,548	5,744	3,309	19,668	69,075
<b>Total Expenditures</b>	<u>42,395</u>	<u>420,553</u>	<u>146,248</u>	<u>9,338</u>	<u>136,949</u>	<u>62,646</u>	<u>818,229</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	109,977	(42,055)	(21,248)	-	(4,766)	(11,451)	30,457
<b>Other Financing Sources (Uses):</b>							
Operating transfers in	16,146	-	21,248	-	4,766	27,597	111,812
Operating transfers out	(95,666)	-	-	-	-	(16,146)	(111,812)
<b>Total Other Financing Sources (Uses):</b>	<u>(79,520)</u>	<u>42,055</u>	<u>21,248</u>	<u>42,055</u>	<u>4,766</u>	<u>11,451</u>	<u>-</u>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	30,457	-	-	-	-	-	30,457
<b>Fund Balance (Deficit) June 30, 2013</b>	419,253	-	-	-	-	-	419,253
<b>Fund Balance (Deficit) June 30, 2014</b>	<u>\$ 448,710</u>	<u>42,055</u>	<u>21,248</u>	<u>42,055</u>	<u>4,766</u>	<u>11,451</u>	<u>\$ 529,275</u>

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 these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current 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.

\$ 68,123

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, 2014

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 44,693
Total Assets	<u>\$ 44,693</u>
<u>Liabilities</u>	
Due to other organizations	\$ 44,693
Total Liabilities	<u>\$ 44,693</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, 2014

### 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, 2014

### 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.

**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, 2014

### 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, 2014

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, 2014, 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, 2014, prepaid items totaled \$9,494.

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, 2014

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, 2014

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 (\$42,128) are as follows:

Compensated absences	\$ (42,128)
Net adjustment to reduce fund balance - total government funds to arrive at net assets-governmental activities	<u>\$ (42,128)</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 \$25,438 are as follows:

Depreciation expense	\$ (11,186)
Fixed asset acquisitions	36,624
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets-governmental activities	<u>\$ 25,438</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 \$12,228 difference are as follows:

Change in compensated absences	\$ 12,228
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets-governmental activities	<u>\$ 12,228</u>

(Continued)

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

Notes to Financial Statements, Continued

June 30, 2014

**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 an \$88,178 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, 2014:

Deposits:	
Demand accounts	\$ 250,238
Cash equivalents:	
State Short-Term Investment Fund (STIF)	302,623
Total cash and equivalents	<u>\$ 552,861</u>
Governmental Funds	\$ 508,168
Agency Funds	44,693
Total cash and equivalents	<u>\$ 552,861</u>



**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Notes to Financial Statements, Continued**

**June 30, 2014**

**Deposits**

At June 30, 2014, the carrying amount of the SCCOG's deposits with financial institutions was \$250,238 and the bank balance was \$265,154.

*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, 2014, \$250,000 of the bank balance was covered by Federal Depository Insurance. Additional protection is provided under Connecticut General Statutes which require that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the depository's risk based capital ratio. \$29,379 was collateralized under this statutory provision.

**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, 2014, 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 & Pooors.

**Investments**

At June 30, 2014, 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	\$	68,501
Municipal Assistance		22,895
Nonmajor Governmental Funds:		
DEMHS Homeland Security Regional Collaboration '10		1,000
DEMHS Homeland Security Regional Collaboration '11		950
Net total receivables	\$	<u>93,346</u>

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Notes to Financial Statements, Continued**

**June 30, 2014**

**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, 2014, the SCCOG had \$124,797 of unearned/deferred revenue relating to various grant programs.

**6. Capital Assets**

Capital asset activity for the year ended June 30, 2014 is as follows:

	Balance <u>June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2014</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 63,758	-	-	63,758
Capital assets, being depreciated				
Land improvements	20,350	-	-	20,350
Buildings and related improvements	280,664	-	-	280,664
Equipment and furnishings	141,592	36,624	61,971	116,245
Total assets being depreciated	<u>442,606</u>	<u>36,624</u>	<u>61,971</u>	<u>417,259</u>
Less: accumulated depreciation for:				
Land improvements	10,046	1,357	-	11,403
Buildings and related improvements	90,500	7,346	-	97,846
Equipment and furnishings	135,472	2,483	61,971	75,984
Total accumulated depreciation	<u>236,018</u>	<u>11,186</u>	<u>61,971</u>	<u>185,233</u>
<b>Total Governmental activities capital assets being depreciated, net</b>	<u>206,588</u>	<u>25,438</u>	<u>-</u>	<u>232,026</u>
<b>Total Government-Wide Capital Assets, Net</b>	<u>\$ 270,346</u>	<u>25,438</u>	<u>-</u>	<u>295,784</u>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental activities:</b>	
Regional planning	\$ 11,186
<b>Total depreciation expense-governmental activities</b>	<u>\$ 11,186</u>

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Notes to Financial Statements, Continued**

June 30, 2014

**7. Interfund Accounts**

At June 30, 2014, amounts due from and to other funds were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<b>General Fund</b>	\$ 93,346	-
<b>Other Major Funds:</b>		
U.S. Department of Transportation-Agreement Number: 5.24-03(12)-Regional Transportation Planning	-	68,501
Municipal and Technical Assistance	-	22,895
<b>Other Governmental Funds:</b>		
Federal Emergency Management Agency- DEMS Homeland Security Regional Collaboration '10	-	1,000
DEMS Homeland Security Regional Collaboration '11	-	950
	<u>\$ 93,346</u>	<u>93,346</u>

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

Interfund transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>General Fund</b>	\$ 16,146	95,666
<b>Other Major Funds:</b>		
U.S. Department of Transportation-Agreement Number 5.24-03(12)-Regional Transportation Planning	42,055	-
State of Connecticut Office of Policy and Management- State Grant In Aid	21,248	-
Municipal Assistance	4,766	-
<b>Other Governmental Funds:</b>		
Federal Emergency Management Agency- DEMHS Homeland Security Regional Collaboration '10	-	16,146
DEMHS Homeland Security Regional Collaboration '11	16,962	-
U.S. Department of Housing and Urban Development- Sustainable Communities Regional Planning	2,210	-
Regional Excess Water Project	8,425	-
	<u>\$ 111,812</u>	<u>111,812</u>

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Notes to Financial Statements, Continued**

**June 30, 2014**

**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, 2014, was as follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions/ Maturities</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Compensated absences	\$ 54,356	-	12,228	42,128	42,128
Total Governmental Activities					
long-term liabilities	\$ 54,356	-	12,228	42,128	42,128

**9. Fund Balances**

The following is a summary of the Governmental Fund fund balances of the SCCOG at June 30, 2014:

General Fund:

Nonspendable:	
Prepaid items	\$ 9,494
Assigned:	
Appropriation of fund balance	-
Unassigned	440,216
 Total General Fund Balance	 <u>\$ 449,710</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, 2014, 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, 2014

#### 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, 2014 was 11.98% 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, 2014, 2013 and 2012 were \$ 48,048, \$67,698, and \$67,622 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 November 24, 2014, 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, 2014

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Municipal Assessments	\$ 141,204	141,204	141,204	-
OPM State Grant in Aid	13,344	125,000	125,000	-
ConnDOT Planning Grant	486,026	360,000	378,498	18,498
LOT/CIP	-	83,160	3,116	(80,044)
Technical Assistance Contracts	120,000	134,000	132,183	(1,817)
DEMHS (FY 2010) Regional Collaborative Agreement	1,000	9,750	21,562	11,812
DEMHS (FY 2011) Regional Collaborative Agreement	4,750	11,850	14,071	2,221
DEMHS (FY2012) Regional Collaborative Agreement	-	5,400	-	(5,400)
OPM-Regional GIS System Project	10,120	10,120	11,171	1,051
RPI Grant-Regional Online Property Survey Index	50,000	4,241	9,338	5,097
HUD Sustainable Communities Regional Planning	10,000	3,355	1,275	(2,080)
DEEP Regional Hazard Mitigation Plan	-	-	-	-
seCTer	-	-	2,000	2,000
Other	2,000	-	8,750	8,750
Investment Income	500	-	418	418
Fund Balance/Prior Year Surplus	82,364	-	-	-
<b>Total Revenues</b>	<b>\$ 921,308</b>	<b>888,080</b>	<b>848,586</b>	<b>(39,494)</b>

Budgetary revenues are different from GAAP revenues because:

Operating transfers are not budgeted as revenues

111,812

The use of prior year surplus is not recognized for GAAP purposes

-

Total revenues and other financing sources as reported on the statement of revenues,  
expenditures and changes in fund balances-governmental funds (Exhibit IV)\$ 960,398

## 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, 2014

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Staff:</b>				
Salaries	\$ 535,161	512,054	471,716	40,338
Fica, Insurance, Retirement	258,327	195,020	189,220	5,800
	<u>793,488</u>	<u>707,074</u>	<u>660,936</u>	<u>46,138</u>
<b>Subcontractors/Contributions:</b>				
Computer Services	500	1,018	1,017	1
Professional Services (General)	-	4,275	4,275	-
Water Supply Resp. Plan Consultant	-	1,440	8,425	(6,985)
Property Survey Index Consultant	50,000	4,241	5,744	(1,503)
Web GIS Hosting	10,120	10,849	11,171	(322)
	<u>60,620</u>	<u>21,823</u>	<u>30,632</u>	<u>(8,809)</u>
<b>Other:</b>				
Office Maintenance/Utilities	15,000	23,450	22,988	462
Supplies	5,000	4,800	5,626	(826)
Equipment Rental/Maintenance	5,500	6,900	6,684	216
Equipment, Miscellaneous	-	-	-	-
Equipment, Capital (Including Computers)	4,500	5,600	12,610	(7,010)
Phone/Mail	5,000	5,300	5,048	252
Insurance, Bond	7,500	10,016	10,016	-
Printing	-	-	-	-
Travel	6,000	6,800	6,960	(160)
Conference Expenses	600	700	560	140
Staff Expenses	500	100	135	(35)
Books, Subscriptions, Dues	1,300	1,600	1,539	61
Audit, Accounting, Legal	16,000	15,000	14,520	480
Advertising	300	1,441	1,441	-
Capital Non-Recurring Account	-	29,526	29,526	-
Other	-	-	335	(335)
	<u>67,200</u>	<u>111,233</u>	<u>117,988</u>	<u>(6,755)</u>
<b>Total Expenditures</b>	<u>\$ 921,308</u>	<u>840,130</u>	<u>809,556</u>	<u>30,574</u>
Operating Transfers Out Are Not Budgeted as Expenditures			111,812	
Indirect Depreciation Is Not Budgeted as an Expenditure			8,573	
<b>Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds (Exhibit IV)</b>			<u>\$ 929,941</u>	



# SUPPLEMENTAL SCHEDULES

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2014

	FEDERAL PROGRAMS				STATE PROGRAMS			OTHER	Total Nonmajor Programs
	Federal Emergency Management Agency		Department of Housing and Urban Development	Office of Policy and Management	Department of Transportation	Inter-regional Water Supply Plan			
	DEMHS Regional Collaboration '10	DEMHS Regional Collaboration '11	DEMHS Regional Collaboration '12	Sustainable Communities Regional Planning	Regional GIS System Project			Local Transportation Capital Improvement	
<b>Assets</b>									
Cash	-	-	5,400	-	4,992	80,043	-	90,435	
Grants receivable:									
Federal government	1,000	950	-	-	-	-	-	1,950	
State of Connecticut	-	-	-	-	-	-	-	-	
Total grants receivable	1,000	950	-	-	-	-	-	1,950	
Contract service fees receivable	-	-	-	-	-	-	-	-	
<b>Total assets</b>	<b>1,000</b>	<b>950</b>	<b>5,400</b>	<b>-</b>	<b>4,992</b>	<b>80,043</b>	<b>-</b>	<b>92,385</b>	
<b>Liabilities and Fund Balances</b>									
<b>Liabilities:</b>									
Due to other funds	1,000	950	-	-	4,992	80,043	-	1,950	
Deferred Revenue	-	-	5,400	-	-	-	-	90,435	
<b>Total liabilities</b>	<b>1,000</b>	<b>950</b>	<b>5,400</b>	<b>-</b>	<b>4,992</b>	<b>80,043</b>	<b>-</b>	<b>92,385</b>	
<b>Fund Equity:</b>									
Fund balance	-	-	-	-	-	-	-	-	
<b>Total liabilities and fund balance</b>	<b>1,000</b>	<b>950</b>	<b>5,400</b>	<b>-</b>	<b>4,992</b>	<b>80,043</b>	<b>-</b>	<b>92,385</b>	

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2014

	FEDERAL PROGRAMS				STATE PROGRAMS			OTHER	Total Non-major Programs
	Federal Emergency Management Agency DEMHS Homeland Security Regional Collaboration '10	DEMHS Homeland Security Regional Collaboration '11	DEMHS Homeland Security Regional Collaboration '12	Department of Housing and Urban Development Sustainable Communities Regional Planning	Office of Policy and Management Regional GIS System Project	Department of Transportation Local Transportation Capital Improvement	Inter-regional Water Supply Plan		
Revenues:									
Federal government									
State of Connecticut	\$ 21,562	14,071	-	1,275	-	11,171	-	-	36,908
Other	-	-	-	-	-	-	-	-	14,287
<b>Total revenues</b>	<b>21,562</b>	<b>14,071</b>	<b>-</b>	<b>1,275</b>	<b>11,171</b>	<b>3,116</b>	<b>-</b>	<b>-</b>	<b>51,195</b>
Expenditures:									
Direct salaries	2,498	14,271	-	1,607	-	1,436	-	-	19,812
Indirect at 116.832%	2,918	16,673	-	1,878	-	1,677	-	-	23,146
Direct charges	-	89	-	-	11,471	3	-	-	19,688
<b>Total expenditures</b>	<b>5,416</b>	<b>31,033</b>	<b>-</b>	<b>3,485</b>	<b>11,471</b>	<b>3,116</b>	<b>8,425</b>	<b>8,425</b>	<b>62,646</b>
Excess of revenues over (under) expenditures	16,146	(16,962)	-	(2,210)	-	-	(8,425)	-	(11,451)
Other financing sources (uses):									
Operating transfers in	-	16,962	-	2,210	-	-	8,425	-	27,597
Operating transfers out	(16,146)	-	-	-	-	-	-	-	(16,146)
<b>Total other financing sources (uses)</b>	<b>(16,146)</b>	<b>16,962</b>	<b>-</b>	<b>2,210</b>	<b>-</b>	<b>-</b>	<b>8,425</b>	<b>-</b>	<b>11,451</b>
Excess of revenues and other sources over (under) expenditures and other uses	-	-	-	-	-	-	-	-	-
Fund balance, beginning of year	-	-	-	-	-	-	-	-	-
<b>Fund balance, end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

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

For the Year Ended June 30, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
<b>Southeastern Connecticut Housing Alliance</b>				
Cash	\$ 48,261	-	(3,568)	44,693
Due to other organizations	\$ 48,261	-	(3,568)	44,693
<b>Total</b>				
Cash	\$ 48,261	-	(3,568)	44,693
Due to other organizations	\$ 48,261	-	(3,568)	44,693

Schedule 4

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**  
**Financial Summary for the**  
**Southeastern Connecticut Housing Alliance**  
**For the Year Ended June 30, 2014**

Cash, beginning of year	\$	48,261
Cash disbursements:		
Professional fees		1,826
Website		121
Accounting		1,480
Supplies		16
Workshops		125
Total cash disbursements		<u>3,568</u>
Excess (deficiency) of cash receipts over cash disbursements		(3,568)
Cash, end of year	\$	<u>44,693</u>

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**  
**Financial Summary for the State of Connecticut**  
**Department of Transportation**  
**For the Year Ended June 30, 2014**

	<u>U.S. Department of Transportation</u>	<u>U.S. Department of Transportation</u>
	Agreement Number 5.24-03(12)	Agreement Number 5.24-03(12)
	State Project Number DOT07139996PL	State Project Number DOT07139996PL
	Regional Transportation Planning	Regional Transportation Planning
	FYE June 30, 2014	FYE June 30, 2013
<b>Maximum funds authorized:</b>		
U.S. Department of Transportation	\$ 432,023	\$ 433,109
ConnDOT matching funds	54,003	54,139
Local required match	54,003	54,139
Total	<u>\$ 540,029</u>	<u>\$ 541,387</u>
<b>Audited Expenditures:</b>		
Direct salaries	\$ 193,097	\$ -
Indirect at 116.832%	225,599	-
Direct charges	1,857	-
Total expenditures	<u>\$ 420,553</u>	<u>\$ -</u>
<b>Distribution of audited expenditures:</b>		
U.S. Department of Transportation	\$ 336,443	\$ -
ConnDOT matching funds	42,055	-
Local	42,055	-
Total	<u>\$ 420,553</u>	<u>\$ -</u>
<b>ConnDOT responsibility:</b>		
U.S. Department of Transportation	\$ 336,443	\$ 12,965
ConnDOT matching funds	42,055	1,621
Total ConnDOT responsibility	<u>378,498</u>	<u>14,586</u>
Less: payments received through June 30	324,583	-
Balance due June 30	<u>\$ 53,915</u>	<u>\$ 14,586</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

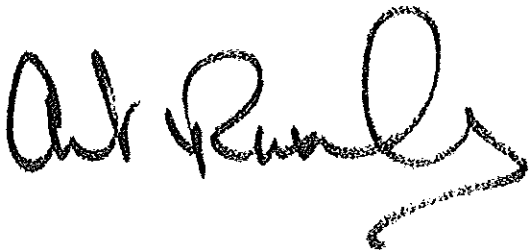
I have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeastern Connecticut Council of Governments, Norwich, Connecticut, as of and for the year ended June 30, 2014, which collectively comprise the Southeastern Connecticut Council of Government's basic financial statements, and have issued my report thereon dated November 24, 2014. 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, 2014. 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, 2014, on the basis as provided by the Office of Management and Budget ("OMB") Circular A-87 "*Cost Principles for State, Local and Indian Tribal Governments*" (2 CFR Part 225), as described in Note 1 to the accompanying schedule.

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



Albert J. Rusilowicz  
Certified Public Accountant, LLC  
Killingworth, Connecticut  
November 24, 2014



**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**  
**Schedule of Indirect Costs and**  
**Overhead Rate Calculation**  
**For the Year Ended June 30, 2014**

**Indirect Costs:**

Indirect salaries	\$ 126,262
Fringe benefits	189,220
Advertising	1,328
Professional services	4,275
Computer services	1,017
Office maintenance	22,988
Supplies	5,626
Equipment rental and maintenance	6,684
Equipment purchases	5,512
Telephone and postage	5,048
Bond and insurance	10,016
Travel	267
Conferences	440
Staff expenses	135
Dues, books and subscriptions	1,659
Audit/Accounting/Legal	14,520
Training	30
Depreciation	8,573
 Total indirect costs	 <u>\$ 403,600</u>

**Overhead rate calculation:**

Total payroll	\$ 471,716
Less: indirect and unassigned payroll	126,262
 Payroll base	 <u>345,454</u>
 Total allowable indirect costs	 <u>403,600</u>
 Indirect cost rate	 <u>116.832%</u>

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

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

**June 30, 2014**

**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**

# ALBERT J. RUSILOWICZ

Certified Public Accountant, LLC

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

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

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeastern Connecticut Council of Governments, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Southeastern Connecticut Council of Governments basic financial statements and have issued my report thereon dated November 24, 2014.

### 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 that extends to the right.

Albert J. Rusilowicz  
Certified Public Accountant, LLC  
Killingworth, Connecticut  
November 24, 2014