

**SOUTHEASTERN CONNECTICUT  
COUNCIL OF GOVERNMENTS**

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

**FOR THE YEAR ENDED JUNE 30, 2016**

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS  
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SUPPLEMENTAL REPORTS AND SCHEDULES  
YEAR ENDED JUNE 30, 2016**

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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, 2016, 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, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

## Other Matters

### Required Supplementary Information

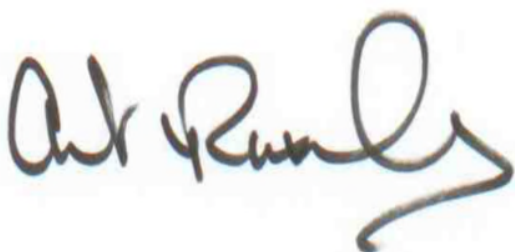
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 28 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures did not provide me with sufficient evidence to express an opinion or provide any assurance.

### Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southeastern Connecticut Council of Government's basic financial statements. The combining and individual nonmajor fund financial statements and supplemental schedules, the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Programs* (Uniform Guidance) and the schedule of state financial assistance as required by the State of Connecticut Single Audit Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and supplemental schedules, the schedule of expenditures of federal awards, as required by the Uniform Guidance and the schedule of state financial assistance as required by the State of Connecticut Single Audit Act are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, as required by the Uniform Guidance and the schedule of state financial assistance as required by the State of Connecticut Single Audit Act are fairly stated in all material respects in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 5, 2016, 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  
December 5, 2016

**Southeastern Connecticut Council of Governments  
Management's Discussion and Analysis  
For the year ended June 30, 2016**

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, 2016. We encourage readers to consider the information presented here along with the SCCOG's basic financial statements.

**Financial Highlights**

On a government-wide basis, the assets of the SCCOG exceeded its liabilities resulting in total net position of \$828,492. The total unrestricted net position at June 30, 2016 was \$529,161.

On a government-wide basis, during the year, the SCCOG's net position increased by \$165,035, from \$663,457 to \$828,492.

Governmental activities expenses were \$1,713,644.

At the end of the fiscal year the general fund had a balance of \$736,417.

**Overview of the Financial Statements**

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

**Government-wide Financial Statements**

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

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

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

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

(Continued)

**Southeastern Connecticut Council of Governments  
Management's Discussion and Analysis, Continued  
For the year ended June 30, 2016**

**Fund Financial Statements**

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

**Governmental Funds**

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

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

**Fiduciary Funds**

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

**Notes to the Financial Statements**

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

**Other Information**

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

**Government-wide Financial Analysis**

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

<b>Net Assets</b>	June 30, 2016 Governmental Activities **	June 30, 2015 Governmental Activities **
Current and other assets	\$ 1,028,495	\$ 787,103
Capital assets	299,331	316,373
Deferred outflows of resources	76,967	59,747
Total Assets	\$ 1,404,793	\$ 1,163,223
Current liabilities	\$ 94,988	\$ 84,424
Long-term liabilities	284,223	226,098
Deferred inflows of resources	197,090	199,429
Total Liabilities	576,301	509,951
Net position:		
Invested in capital assets, net of debt	299,331	316,373
Unrestricted	529,161	336,899
Total Net Position	\$ 828,492	\$ 653,272

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

(Continued)

**Southeastern Connecticut Council of Governments  
Management's Discussion and Analysis, Continued  
For the year ended June 30, 2016**

Net position of the SCCOG's governmental activities increased by \$165,035. Unrestricted net position of \$529,161 may be used to meet the SCCOG's ongoing obligations.

**Changes in Net Position**

	June 30, 2016 Governmental Activities **	June 30, 2015 Governmental Activities **
Revenues:		
Program Revenues:		
Charges for services	\$ 181,845	\$ 156,564
Operating grants and contributions	1,089,362	1,131,249
Capital grants and contributions	-	22,616
General Revenues:		
Municipal assessments	157,688	157,688
SECHA Reimbursements	5,343	3,688
Grants and contributions not restricted to specific programs	-	-
Unrestricted investment earnings	879	456
Miscellaneous	45,669	29,148
Total revenues	1,480,786	1,501,409
Program Expenses:		
Regional Planning	1,315,751	1,373,099
Total program expenses	1,315,751	1,373,099
Increase (decrease) in net position	\$ 165,035	\$ 128,310

The SCCOG's total revenues were \$1,480,786. The total cost of all programs was \$1,315,751.\*\*

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

**Governmental Activities**

For governmental activities, approximately 86% of the revenues were derived from program revenues, with 11% coming from municipal assessments and 3% 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 \$736,417. This was an increase of \$175,408 from last years total of \$561,009. Less than 1% of the ending fund balance has been reported as nonspendable. The remaining amount is unassigned. The general fund is the chief operating fund of the SCCOG.

**General Fund Budgetary Highlights**

The final budget for revenues was \$1,224,512. This was a decrease of \$91,810 from the original budget of \$1,316,322. The final budget for expenditures was \$1,156,742. This was a decrease of \$47,166 from the original budget of \$1,203,908. During the current fiscal year, actual revenues were \$1,377,493 which were more than budgetary estimates by \$152,981. Actual expenditures on a budgetary basis totaled \$1,189,028, which were more than budgetary estimates by \$32,286 and were less than actual revenues on a budgetary basis by \$188,465.

(Continued)



**Southeastern Connecticut Council of Governments  
Management's Discussion and Analysis, Continued  
For the year ended June 30, 2016**

**Capital Assets and Debt Administration**

The SCCOG's investment in capital assets for its governmental activities as of June 30, 2016, amounts to \$299,331, net of accumulated depreciation. This investment in capital assets includes land, buildings, roads, and machinery and equipment. This represents a net increase of \$17,042 during the year.

<b>Capital Assets</b> (net of depreciation)	June 30, 2016 Governmental Activities	June 30, 2015 Governmental Activities
Land & Land Improvements	\$ 70,423	\$ 71,353
Building & Improvements	183,523	191,060
Equipment & Furnishings	45,385	53,960
	<u>\$ 299,331</u>	<u>\$ 316,373</u>

**Long-Term Debt**

At June 30, 2016 the SCCOG had no long-term debt other than accrued compensated absences and a net pension obligation.

<b>Long-Term Liabilities</b>	June 30, 2016 Governmental Activities	June 30, 2015 Governmental Activities
Compensated Absences	\$ 44,132	\$ 45,706
Net Pension Liability	240,091	170,207 **
Total Long-Term Liabilities	<u>\$ 284,223</u>	<u>\$ 215,913</u>

\*\* Restated

**Fiduciary Funds**

<b>Net Assets</b>	June 30, 2016 Fiduciary Funds	June 30, 2015 Fiduciary Funds
Current & Total Assets	\$ 38,344	\$ 41,404
Current & Total Liabilities	\$ 38,344	\$ 41,404
Net Position	-	-
Total Liabilities & Net Position	<u>\$ 38,344</u>	<u>\$ 41,404</u>

**Changes In Net Position**

Decrease in Assets	\$ (3,060)	\$ (3,289)
Decrease in Liabilities	3,060	3,289
Increase in Net Position	<u>\$ -</u>	<u>\$ -</u>

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

In recent years, the SCCOG's funding picture has been robust, allowing the SCCOG to return funds to its Reserve (fund balance) each of the last three fiscal years. This trend is expected to continue in FY 2017 and FY 2018.

In FY 2017, the SCCOG adopted a budget that anticipates continuation of a steady funding stream, including \$268,355 in the OPM planning grant (state-gant-in-aid) and \$157,688 in municipal dues. This budget and the proposed FY 2018 budget will retain a per capita dues rate of \$0.55 for SCCOG member municipalities.

**Requests for Information**

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

## SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

## STATEMENT OF NET POSITION

June 30, 2016

	<b>Governmental Activities</b>	<b>Total</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 806,014	806,014
Receivables, net	226,059	226,059
Capital assets, net	299,331	299,331
Prepaid expenses	33,295	33,295
<b>Total Assets</b>	<b>1,364,699</b>	<b>1,364,699</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension contributions after the measurement date	58,744	58,744
Net difference between projected and actual investment earnings on pension plan investments	18,223	18,223
<b>Total Deferred Outflows of Resources</b>	<b>76,967</b>	<b>76,967</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	115,477	115,477
Due to funding source	16,384	16,384
Long-term liabilities:		
Due within one year	44,132	44,132
Due in more than one year	240,091	240,091
<b>Total Liabilities</b>	<b>416,084</b>	<b>416,084</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Unavailable revenue	197,090	197,090
<b>Total Deferred Inflows of Resources</b>	<b>197,090</b>	<b>197,090</b>
<b>NET POSITION</b>		
Invested in capital assets	299,331	299,331
Unrestricted	529,161	529,161
<b>Total Net Position</b>	<b>\$ 828,492</b>	<b>828,492</b>

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, 2016

<u>Function/Program</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>	<u>Total</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		
Governmental activities:						
Regional planning	\$ 1,713,644	181,845	1,487,255	-	(44,544)	(44,544)
Total governmental activities	<u>1,713,644</u>	<u>181,845</u>	<u>1,487,255</u>	<u>-</u>	<u>(44,544)</u>	<u>(44,544)</u>
Total government	<u>\$ 1,713,644</u>	<u>181,845</u>	<u>1,487,255</u>	<u>-</u>		
General revenues:						
Municipal assessments					157,688	157,688
Grants and contributions not restricted to specific programs					-	-
Unrestricted investment earnings					879	879
Miscellaneous					51,012	51,012
Total general revenues and transfers					<u>209,579</u>	<u>209,579</u>
Change in net position					165,035	165,035
Net position-beginning, restated					663,457	663,457
Net position-ending					<u>\$ 828,492</u>	<u>828,492</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, 2016

	Major Programs									
	General Fund	U.S. Department of Transportation		U.S. Department of Homeland Security	State of Connecticut			Other Governmental Funds	Total Governmental Funds	
		Regional Transportation Planning Agreement Number 4.21-18(14)	Regional Transportation Planning Agreement Number 5.15-08(15)	DEMHS Direct Service Programs	OPM State Grant In-Aid Grant Number SGIA-015-08	OPM State Grant In-Aid Grant Number SGIA-014-07	Local Transportation Capital Improvement Program			Department of Transportation Thames River Water Taxi Grant
<b>ASSETS</b>										
Cash and equivalents	\$ 619,566	16,384	-	-	41,853	-	33,206	38,324	56,681	806,014
Grants receivable:										
Federal	-	-	10,123	36,873	-	-	-	-	27,490	74,486
State	-	-	1,265	-	-	-	-	27,026	79,543	107,834
Other	-	-	-	-	-	-	-	-	385	385
Municipal and technical assistance fees receivable	-	-	-	-	-	-	-	-	40,850	40,850
Other receivables	-	-	-	-	-	-	-	-	2,504	2,504
Due from other funds	199,033	-	-	-	-	-	-	-	-	199,033
Prepaid expenses	33,295	-	-	-	-	-	-	-	-	33,295
<b>Total Assets</b>	<b>\$ 851,894</b>	<b>16,384</b>	<b>11,388</b>	<b>36,873</b>	<b>41,853</b>	<b>-</b>	<b>33,206</b>	<b>65,350</b>	<b>207,453</b>	<b>1,264,401</b>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>Liabilities:</b>										
Accounts payable and accrued expenses	\$ 115,477	-	-	-	-	-	-	-	-	115,477
Due to other funds	-	-	11,388	36,873	-	-	-	-	150,772	199,033
Due to funding source	-	16,384	-	-	-	-	-	-	-	16,384
<b>Total Liabilities</b>	<b>115,477</b>	<b>16,384</b>	<b>11,388</b>	<b>36,873</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>150,772</b>	<b>330,894</b>
<b>Deferred Inflows of Resources:</b>										
Unavailable revenue	-	-	-	-	41,853	-	33,206	65,350	56,681	197,090
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,853</b>	<b>-</b>	<b>33,206</b>	<b>65,350</b>	<b>56,681</b>	<b>197,090</b>
<b>Fund Balances:</b>										
Nonspendable	33,295	-	-	-	-	-	-	-	-	33,295
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	703,122	-	-	-	-	-	-	-	-	703,122
<b>Total Fund Balances</b>	<b>736,417</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>736,417</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 851,894</b>	<b>16,384</b>	<b>11,388</b>	<b>36,873</b>	<b>41,853</b>	<b>-</b>	<b>33,206</b>	<b>65,350</b>	<b>207,453</b>	<b>1,264,401</b>

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

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

**June 30, 2016**

<b>Fund Balances-Government Funds</b>	<b>\$ 736,417</b>
 <b>Amounts Reported for Governmental Activities in the Statement of Net Position are Difference Because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	299,331
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Deferred outflows-pension contributions after the measurement date	58,744
Deferred inflows-net difference between projected and actual investment earnings on pension plan investments	18,223
Net pension liability	(240,091)
Compensated absences	(44,132)
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ 828,492</u></u></b>

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

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS  
 GOVERNMENTAL FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2016

	Major Programs								Other Governmental Funds	Total Governmental Funds
	General Fund	U.S. Department of Transportation		U.S. Department of Homeland Security	State of Connecticut			Department of Transportation Thames River Water Taxi Grant		
		Regional Transportation Planning Agreement Number 4.21-18(14)	Regional Transportation Planning Agreement Number 5.15-08(15)	DEMHS Direct Service Programs	OPM State Grant In-Aid Grant Number SGIA-015-08	OPM State Grant In-Aid Grant Number SGIA-014-07	Local Transportation Capital Improvement Program			
<b>Revenues:</b>										
Municipal assessments	\$ 157,688	-	-	-	-	-	-	-	157,688	
Intergovernmental:										
Federal grants	-	-	354,367	395,393	-	-	-	74,587	824,347	
State grants	-	-	44,296	-	226,502	41,320	87,767	100,793	660,023	
Municipal and technical assistance contracts	-	-	-	-	-	-	-	-	182,230	
Other	51,891	-	-	2,500	-	-	-	-	54,391	
<b>Total Revenues</b>	<b>209,579</b>	<b>-</b>	<b>398,663</b>	<b>397,893</b>	<b>226,502</b>	<b>41,320</b>	<b>87,767</b>	<b>100,793</b>	<b>1,878,679</b>	
<b>Expenditures:</b>										
Direct salaries	-	-	217,962	-	111,659	19,420	43,445	-	78,848	
Indirect at 101.695%	-	-	221,657	-	113,550	19,750	44,182	-	80,182	
Direct charges	10,000	-	3,340	397,893	1,293	2,150	140	100,793	237,007	
<b>Total Expenditures</b>	<b>10,000</b>	<b>-</b>	<b>442,959</b>	<b>397,893</b>	<b>226,502</b>	<b>41,320</b>	<b>87,767</b>	<b>100,793</b>	<b>1,703,271</b>	
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>199,579</b>	<b>-</b>	<b>(44,296)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,125</b>	
<b>Other Financing Sources (Uses):</b>										
Operating transfers in	25,385	-	44,296	-	-	-	-	-	5,260	
Operating transfers out	(49,556)	-	-	-	-	-	-	-	(25,385)	
<b>Total Other Financing Sources (Uses):</b>	<b>(24,171)</b>	<b>-</b>	<b>44,296</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20,125)</b>	
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>175,408</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>175,408</b>	
<b>Fund Balance (Deficit) June 30, 2015</b>	<b>561,009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>561,009</b>	
<b>Fund Balance (Deficit) June 30, 2016</b>	<b>\$ 736,417</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>736,417</b>	

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

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

**For the Year Ended June 30, 2016**

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

<b>Net Change in Fund Balances-Total Government Funds (Exhibit IV)</b>	<b>\$ 175,408</b>
--	-------------------

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

Plus capital outlays treated as expenditures on Exhibit IV	-
Less depreciation expense in Exhibit II but not in Exhibit IV	(17,042)

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

Pension liability and related deferred inflows and outflows	5,095
Compensated absences	1,574

<b>Change in Net Position of Governmental Activities (Exhibit II)</b>	<b><u>\$ 165,035</u></b>
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The accompanying notes to the financial statements are an integral part of this statement.

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

FIDUCIARY FUNDS

STATEMENT OF NET POSITION

June 30, 2016

	<b><u>Agency Funds</u></b>
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 38,344
Total Assets	<u>\$ 38,344</u>
<b><u>Liabilities</u></b>	
Due to other organizations	\$ 38,344
Total Liabilities	<u>\$ 38,344</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, 2016

### 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, 2016**

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

**B. Basis of Presentation, Continued**

The SCCOG reports the following major governmental funds:

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

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

**U.S. Department of Transportation-Agreement Number 5.15-06(15) - Regional Transportation Planning** - This fund is used to account for revenues and expenditures relating to rural transportation planning in the southeastern Connecticut planning region.

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

**State of Connecticut Office of Policy and Management-State Grants in Aid for Regional Planning** – These funds are used to account for the revenue and expenditures related to regional planning activities conducted in the southeastern Connecticut planning region.

**State of Connecticut Department of Transportation – Local Transportation Capital Improvement Program (LOTICIP)** – This fund is used to account for revenues and expenditures relating to general LOTICIP program administration, LOTICIP application review and prioritization, and design reviews of approved municipal LOTICIP projects.

**State of Connecticut Department of Transportation – Thames River Water Taxi Grant** – This fund is used to account for revenues and expenditures directly related to the establishment and operation of a water taxi connecting various historic attractions on the Thames River.

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.

(Continued)

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Notes to Financial Statements, Continued**

**June 30, 2016**

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

**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.

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.

(Continued)

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Notes to Financial Statements, Continued**

**June 30, 2016**

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

**E. Receivables and Payables**

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

**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, 2016, 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, 2016, prepaid items totaled \$33,295.

**G. Capital Assets**

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

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

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

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

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

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

**H. Compensated Absences**

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

(Continued)

## SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

### Notes to Financial Statements, Continued

June 30, 2016

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

##### I. Pension

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

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

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

##### J. Long-Term Obligations

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

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

##### K. Estimates

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

##### L. Fund Equity

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

The SCCOG reports the following classifications:

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

(Continued)

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Notes to Financial Statements, Continued**

**June 30, 2016**

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

**L. Fund Equity, Continued**

**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.

**2. Stewardship, Compliance and Accountability**

**A. Budget Basis**

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

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

Formal budgetary integration is employed as a management control device during the year for the SCCOG. There was a \$47,166 net decrease in budgeted appropriations approved during the year.

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

## SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

### Notes to Financial Statements, Continued

June 30, 2016

#### 3. Cash, Cash Equivalents and Investments

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

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

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

#### Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at June 30, 2016:

Deposits:	
Demand accounts	\$ 540,401
Cash equivalents:	
State Short-Term Investment Fund (STIF)	303,957
Total cash and equivalents	<u>\$ 844,358</u>
Governmental Funds	\$ 806,014
Agency Funds	38,344
Total cash and equivalents	<u>\$ 844,358</u>

(Continued)

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Notes to Financial Statements, Continued**

**June 30, 2016**

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

**Deposits**

At June 30, 2016, the carrying amount of the SCCOG's deposits with financial institutions was \$540,401 and the bank balance was \$555,440

*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, 2016, \$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. \$59,099 was collateralized under this statutory provision. At June 30, 2016, \$246,341 of the bank balance was uninsured and uncollateralized.

**Cash equivalents**

Cash equivalents are defined as those highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2016, 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, 2016, the SCCOG had no investments.

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

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

	<u>Receivables:</u>	
Major Governmental Funds:		
U.S. Department of Transportation-Agreement Number 5.15-06(15)-Regional Transportation Planning	\$	11,388
U.S. Department of Homeland Security- DEMHS Direct Service Programs		36,873
U.S. Department of Transportation-Thames River Water Taxi Grant		27,026
Nonmajor Governmental Funds:		
DEMHS Homeland Security Regional Collaboration '14		16,000
DEMHS Homeland Security EMPG Program		1,500
ConnDOT-SEAT Comprehensive Operational Analysis		12,487
OPM-Regional Online Property Survey Index		77,046
DEEP-CIRCA Municipal Resilience Grant Program		385
Municipal and Technical Assistance Programs		40,850
Southeastern Connecticut Housing Alliance		2,504
Net total receivables	\$	<u>226,059</u>

(Continued)



**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Notes to Financial Statements, Continued**

**June 30, 2016**

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The SCCOG recognized \$76,967 of deferred outflows which included the following: 1.) Resources related to pension contributions made after the measurement date totaling \$58,744 and; 2.) Amounts representing the net difference between projected and actual investment earnings on pension plan investments totaling \$18,223.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. The SCCOG has one item included in this category. The item, "unavailable revenue" which is attributable to unearned grant funds of \$197,090, is deferred and recognized as an inflow in the period that the grant funds are earned.

**5. Capital Assets**

Capital asset activity for the year ended June 30, 2016 is as follows:

	Balance			Balance
	<u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</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	297,576	-	-	297,576
Equipment and furnishings	135,900	-	-	135,900
Total assets being depreciated	<u>453,826</u>	-	-	<u>453,826</u>
Less: accumulated depreciation for:				
Land improvements	12,755	930	-	13,685
Buildings and related improvements	106,516	7,537	-	114,053
Equipment and furnishings	81,940	8,575	-	90,515
Total accumulated depreciation	<u>201,211</u>	<u>17,042</u>	-	<u>218,253</u>
<b>Total Governmental activities capital assets being depreciated, net</b>	<u>252,615</u>	<u>(17,042)</u>	-	<u>235,573</u>
<b>Total Government-Wide Capital Assets, Net</b>	<u>\$ 316,373</u>	<u>(17,042)</u>	-	<u>299,331</u>

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Notes to Financial Statements, Continued**

**June 30, 2016**

**5. Capital Assets, Continued**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Regional planning	\$ 17,042
Total depreciation expense-governmental activities	\$ 17,042

**6. Interfund Accounts**

At June 30, 2016, 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>	\$ 199,033	-
<b>Other Major Funds:</b>		
U.S. Department of Transportation-Agreement Number: 5.15-06(15)-Regional Transportation Planning	-	11,388
U.S. Department of Homeland Security-DEMHS Direct Service Programs	-	36,873
<b>Other Governmental Funds:</b>		
U.S. Department of Homeland Security- DEMHS Homeland Security Regional Collaboration '14	-	16,000
DEMHS Homeland Security EMPG Programs	-	1,500
U.S. Department of Transportation-SEAT Comprehensive Operational Analysis	-	12,487
OPM Regional Online Property Survey Index	-	77,046
DEEP-CIRCA Municipal Resilience Grant Program	-	385
Municipal and Technical Assistance	-	40,850
Southeastern Connecticut Housing Alliance	-	2,504
	\$ 199,033	199,033

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

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Notes to Financial Statements, Continued**

**June 30, 2016**

**6. Interfund Accounts, Continued**

Interfund transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>General Fund</b>	\$ 25,385	49,556
<b>Other Major Funds:</b>		
U.S. Department of Transportation-Agreement Number 5.15-06(15)-Regional Transportation Planning	44,296	-
<b>Other Governmental Funds:</b>		
U.S. Department of Homeland Security-		
DEMHS Homeland Security Regional Collaboration '13	-	18
DEMHS Homeland Security Regional Collaboration '14	-	17,751
Municipal and Technical Assistance	-	4,326
Southeastern Connecticut Housing Alliance	5,260	-
WINCOG Regional Hazard Mitigation	-	3,290
	<u>\$ 74,941</u>	<u>74,941</u>

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

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

Long-term liabilities of the SCCOG consists of accumulated unpaid vacation benefits (compensated absences) and the SCCOG's proportional share of the Connecticut Municipal Employees Retirement System net pension liability. Long-term liability activity for the year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions/</u> <u>Maturities</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Compensated absences	\$ 45,706	-	1,574	44,132	44,132
Net pension liability **	170,207	69,884	-	240,091	-
Total Governmental Activities long-term liabilities	<u>\$ 215,913</u>	<u>69,884</u>	<u>1,574</u>	<u>284,223</u>	<u>44,132</u>

\*\* Restated

**8. 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, 2016, there were no deductibles paid by the SCCOG. Settled claims, for all types of commercial coverage, have not exceeded commercial insurance coverage during any of the past three fiscal years.

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Notes to Financial Statements, Continued**

**June 30, 2016**

**9. Fund Balances**

The following is a summary of the Governmental Fund fund balances of the SCCOG at June 30, 2016:

General Fund:

Nonspendable:		
Prepaid items	\$	33,295
Assigned:		
Appropriation of fund balance		-
Unassigned		703,122
Total General Fund Balance	<u>\$</u>	<u>736,417</u>

**10. Pension Plan**

**Plan Description**

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

**Plan Membership**

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

**Benefit Provisions**

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

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

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

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

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

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Notes to Financial Statements, Continued**

**June 30, 2016**

**10. Pension Plan, Continued**

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

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

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

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

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

**Contributions**

**Employer:**

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

The total amount contributed by the SCCOG for the year ended June 30, 2016 was \$59,136.

**Employees:**

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

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

**Relationship to Financial Statements:**

The components associated with pension expense and deferred outflows and inflows of resources, as presented in Schedule RSI-3 of this report, have been determined based upon fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2015. The audited amounts as presented in the State of Connecticut Comprehensive Annual Financial Report have been adjusted by the Auditors of Public Accounts to be in accordance with GASB Statements No. 67 and 68. The CMERS is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State of Connecticut Comprehensive Annual Financial Report.

## SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

### Notes to Financial Statements, Continued

June 30, 2016

#### 10. Pension Plan, Continued

##### **Additional/Required Supplementary Information:**

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

#### 11. Restatement of Net Position

The SCCOG obtains and relies on information received from the State of Connecticut relating to the SCCOG's participation in the Connecticut Municipal Employees Retirement System (CMERS). The information provided to the SCCOG for its' year ended June 30, 2016 financial statements disclosed a restatement of the SCCOG's proportionate share of the CMERS net pension liability. As a result of this restatement of the CMERS net pension liability, the SCCOG has restated its' net position for the effects of these changes. The SCCOG's net position as of June 30, 2015 has been increased by \$10,185 from \$653,272 to \$663,457 in the government-wide financial statements.

#### 12. 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.

#### 13. Subsequent Events

Subsequent events were evaluated through December 5, 2016, which is the date that the financial statements were approved by the Executive Committee of the SCCOG.

## 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, 2016

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Municipal Assessments	\$ 157,688	157,688	157,688	-
OPM State Grant in Aid	268,355	242,000	267,822	25,822
ConnDOT Planning Grant	436,023	450,408	398,663	(51,745)
ConnDOT SEAT COA Grant	-	35,883	24,626	(11,257)
ConnDOT LOTCIP	25,000	70,577	87,767	17,190
Technical Assistance Contracts	120,000	155,000	168,049	13,049
DEMHS (FY2013) Regional Collaborative Agreement	3,000	2,700	3,060	360
DEMHS (FY2014) Regional Collaborative Agreement	17,000	18,000	42,000	24,000
DEMHS (FY2015) Regional Collaborative Agreement	14,000	4,000	8,326	4,326
DEMHS (FY2014) EMPG HazMat Grant	1,500	500	1,500	1,000
RPI Grant-Regional Online Property Survey Index	186,000	75,000	138,642	63,642
OPM-RPIP Nutmeg Network Grant	4,356	4,356	4,356	-
OPM-RPIP Shared Services Study Grant	75,000	4,000	9,894	5,894
SECHA	8,000	4,000	5,342	1,342
OPM Regional Election Monitors Grant	-	-	1,528	1,528
Regional Hazard Mitigation Plan	-	-	5,954	5,954
CIRCA	-	-	385	385
Other	-	-	51,012	51,012
Investment Income	400	400	879	479
Fund Balance/Prior Year Surplus (Council Reserve)	-	-	-	-
<b>Total Revenues</b>	<u>\$ 1,316,322</u>	<u>1,224,512</u>	<u>1,377,493</u>	<u>152,981</u>

Budgetary revenues are different from GAAP revenues because:

Operating transfers are not budgeted as revenues	74,941
DEMHS direct service programs are not budgeted as revenues	397,893
CRCOG Regional Purchasing Council fees are not budgeted as revenues	2,500
The Water Taxi program is not budgeted as revenue	100,793

Total revenues and other financing sources as reported on the statement of revenues,  
expenditures and changes in fund balances-governmental funds (Exhibit IV)\$ 1,953,620

## 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, 2016

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Staff:</b>				
Salaries	\$ 595,631	620,433	623,598	(3,165)
Fica, Insurance, Retirement	244,277	230,000	229,808	192
	<u>839,908</u>	<u>850,433</u>	<u>853,406</u>	<u>(2,973)</u>
<b>Subcontractors/Contributions:</b>				
Computer Services	1,000	-	-	-
Professional Services (General)	2,000	4,000	2,681	1,319
SEAT COA Consultant	-	35,883	24,626	11,257
WINGOG NHMP Consultant	-	3,791	1,696	2,095
Planning Consultant-New London	-	19,178	17,854	1,324
Planning Consultant-Lisbon	-	40,000	35,582	4,418
Property Survey Index Consultant	176,000	60,000	119,745	(59,745)
Shared Services Study Consultant	75,000	-	-	-
DEMHS Financial Consultant	24,000	31,000	24,150	6,850
	<u>278,000</u>	<u>193,852</u>	<u>226,334</u>	<u>(32,482)</u>
<b>Other:</b>				
Office Maintenance/Utilities	21,500	23,500	23,556	(56)
Supplies	6,000	6,000	5,168	832
Equipment Rental/Maintenance	7,000	12,000	12,284	(284)
Equipment, Miscellaneous	500	500	-	500
Equipment, Capital (Including Computers)	5,000	5,000	2,256	2,744
Phone/Mail/Internet	5,500	11,000	10,951	49
Insurance, Bond	10,500	12,276	12,276	-
Printing	500	-	-	-
Travel	7,000	7,000	6,552	448
Conference Expenses	750	500	598	(98)
Staff Expenses	500	200	589	(389)
Books, Subscriptions, Dues	1,750	2,886	2,219	667
Audit, Accounting, Legal	19,000	19,900	19,900	-
Advertising	500	695	1,864	(1,169)
Relocation Reimbursement	-	1,000	1,000	-
Contribution (SecTer-CEDS)	-	10,000	10,000	-
Other	-	-	75	(75)
	<u>86,000</u>	<u>112,457</u>	<u>109,288</u>	<u>3,169</u>
Total Expenditures	<u>\$ 1,203,908</u>	<u>1,156,742</u>	<u>1,189,028</u>	<u>(32,286)</u>
Operating transfers are not budgeted as expenditures			74,941	
DEMHS direct service programs are not budgeted as expenditures			397,893	
CRCOG Regional Purchasing Council expenses are not budgeted as expenditures			2,500	
Water Tax program costs are not budgeted as expenditures			100,793	
Indirect Depreciation Is Not Budgeted as an Expenditure			13,057	
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds (Exhibit IV)			<u>\$ 1,778,212</u>	



**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS  
MUNICIPAL EMPLOYEES RETIREMENT SYSTEM  
DEFINED BENEFIT PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

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

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

**Allocation Methodology:**

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

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

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

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

**II. Schedule of Pension Amounts as of June 30, 2015**

Fiscal Year Ended June 30.	Net Pension Liability Beginning	Allocation Percentage	Net Pension Liability Ending	Deferred Inflows of Resources-2014	Deferred Outflows of Resources-2015	Net Investment Earnings Deferred Outflows of Resources	Total Employer Pension Expense
				Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		
2014	\$ 252,291	0.175363%	\$ 180,392	\$ -	\$ -	\$ 57,759	\$ 32,578
2015**	\$ 170,207	0.175363%	\$ 240,091	\$ 43,319	\$ 61,542	\$ 18,223	\$ 44,385

\*\* Restated

**III. Schedule of Sensitivity Analysis and Deferred Inflows Amounts as of June 30, 2015**

Fiscal Year Ended June 30.	Allocation Percentage	Discount Rate Sensitivity		Deferred (Inflow) Outflow Amounts to be Recognized in Subsequent Fiscal Years			
		Net Pension Liability	Net Pension Liability	Year 1	Year 2	Year 3	Year 4
		1% Decrease Discount Rate (7.00%)	1% Increase Discount Rate (9.00%)				
2014	0.175363%	\$ 366,322	\$ 22,987	\$ (14,440)	\$ (14,440)	\$ (14,440)	\$ (14,439)
2015	0.175363%	\$ 432,237	\$ 77,296	\$ 946	\$ 946	\$ 946	\$ 15,385

(Continued)

SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS  
MUNICIPAL EMPLOYEE RETIREMENT SYSTEM  
DEFINED BENEFIT PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2016

IV. Statement of Actuarial Assumptions and Methods:

Valuation date:	June 30, 2014
Inflation:	3.25%
Valuation interest rate:	8.00%, net of pension plan investment expense, including inflation.
Salary increases:	

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

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

**Social security wage base increases:** 3.50% per annum.

**Separation from active service:** Representative values of the assumed annual rates of separation before service retirement are as follows:

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

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

(Continued)

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS  
MUNICIPAL EMPLOYEE RETIREMENT SYSTEM  
DEFINED BENEFIT PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

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

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

**Asset method:**

Market value.

**Valuation method:**

Entry age normal cost

**Spouses:**

For members who have elected spouse coverage, husbands are assumed to be three years older than their wives.

**Percent married:**

80% of active members are assumed to be married.

**Load:**

For those members who have retired under and joint &amp; survivor option and have no reported information for a prospective beneficiary, a probabilistic factor was applied to the reversionary portion of the liability. The factor measures the survivorship of the assumed spouse (with men three years older than women) from the date of retirement to the valuation date, based on the assumptions for death after retirement.

**Long-term rate of return:**

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2014 are summarized in the following table:

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

(Continued)

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS  
MUNICIPAL EMPLOYEE RETIREMENT SYSTEM  
DEFINED BENEFIT PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2016**

**V. Other Information**

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

Total pension liability	\$ 2,647,915,982
Plan fiduciary net position	2,455,178,000
Net pension liability (asset)	<u>\$ 192,737,982</u>
Plan fiduciary net position as a percentage of total pension liability	92.72%

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

Net pension liability	\$ 240,091
Net pension liability percentage of total	0.175363%
Deferred outflows of resources	
Pension contributions made subsequent to measurement date	\$ 59,136
Net difference between projected and actual earnings on pension investments	\$ 18,223
Deferred inflows of resources	
Pension expense	\$ 44,385
Proportion basis	Reported payroll
Change in proportion since prior measurement date	None

The contributions subsequent to the measurement date, shown above as deferred inflows of resources, will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

2016	\$ 946
2017	946
2018	946
2019	15,385
	<u>\$ 18,223</u>

**Restatement of beginning Net Pension Liability:**

The Net Pension Liability/Net Position as of June 30, 2015 was restated by the State of Connecticut Auditors of Public Accounts to include the gross amount of contributions receivable as of July 1, 2014. As a result of this restatement, the net pension liability of the SCCOG decreased from \$180,392 to \$170,207 resulting in an increase in net position of \$10,185.

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2016**

	FEDERAL PROGRAMS				STATE PROGRAMS					OTHER PROGRAMS					
	U.S. Department of Homeland Security				U.S. Department of Transportation	Office of Policy and Management				University Connecticut					
	DEMHS Homeland Security Regional Collaboration '13	DEMHS Homeland Security Regional Collaboration '14	DEMHS Homeland Security Regional Collaboration '15	DEMHS Homeland Security EMPG Programs	SEAT Comprehensive Operational Analysis	Regional Election Monitors	Nutmeg Network	Regional Shared Services Study	Regional Online Property Survey Index	CIRCA Municipal Resilience Grant Program	Municipal and Technical Assistance	Southeastern Connecticut Housing Alliance	CRCOG Regional Purchasing Council	WINCOG Regional Hazard Mitigation	Total Nonmajor Programs
<u>Assets</u>															
Cash	\$ -	-	8,924	-	-	9,585	23,066	15,106	-	-	-	-	-	-	56,681
Grants receivable:															
Federal government	-	16,000	-	1,500	9,990	-	-	-	-	-	-	-	-	-	27,490
State of Connecticut	-	-	-	-	2,497	-	-	-	77,046	-	-	-	-	-	79,543
Other	-	-	-	-	-	-	-	-	-	385	-	-	-	-	385
Total grants receivable	-	16,000	-	1,500	12,487	-	-	-	77,046	385	-	-	-	-	107,418
Contract service fees receivable	-	-	-	-	-	-	-	-	-	-	40,850	-	-	-	40,850
Other receivables	-	-	-	-	-	-	-	-	-	-	2,504	-	-	-	2,504
<b>Total assets</b>	<b>\$ -</b>	<b>16,000</b>	<b>8,924</b>	<b>1,500</b>	<b>12,487</b>	<b>9,585</b>	<b>23,066</b>	<b>15,106</b>	<b>77,046</b>	<b>385</b>	<b>40,850</b>	<b>2,504</b>	<b>-</b>	<b>-</b>	<b>207,453</b>
<u>Liabilities and Fund Balances</u>															
<u>Liabilities:</u>															
Due to other funds	\$ -	16,000	-	1,500	12,487	-	-	-	77,046	385	40,850	2,504	-	-	150,772
<b>Total liabilities</b>	<b>-</b>	<b>16,000</b>	<b>-</b>	<b>1,500</b>	<b>12,487</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>77,046</b>	<b>385</b>	<b>40,850</b>	<b>2,504</b>	<b>-</b>	<b>-</b>	<b>150,772</b>
<u>Deferred Inflows of Resources:</u>															
Unavailable revenue	-	-	8,924	-	-	9,585	23,066	15,106	-	-	-	-	-	-	56,681
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>8,924</b>	<b>-</b>	<b>-</b>	<b>9,585</b>	<b>23,066</b>	<b>15,106</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56,681</b>
<u>Fund Equity:</u>															
Fund balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ -</b>	<b>16,000</b>	<b>8,924</b>	<b>1,500</b>	<b>12,487</b>	<b>9,585</b>	<b>23,066</b>	<b>15,106</b>	<b>77,046</b>	<b>385</b>	<b>40,850</b>	<b>2,504</b>	<b>-</b>	<b>-</b>	<b>207,453</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, 2016**

	FEDERAL PROGRAMS					STATE PROGRAMS				OTHER PROGRAMS					Total Non-major Programs
	U.S. Department of Homeland Security				U.S. Department of Transportation	Office of Policy and Management				University of Connecticut					
	DEMHS Homeland Security Regional Collaboration '13	DEMHS Homeland Security Regional Collaboration '14	DEMHS Homeland Security Regional Collaboration '15	DEMHS Homeland Security EMPG Programs	SEAT Comprehensive Operational Analysis	Regional Election Monitors	Nutmeg Network	Regional Shared Services Study	Regional Online Property Survey Index	CIRCA Municipal Resilience Grant Program	Municipal and Technical Assistance	Southeastern Connecticut Housing Alliance	CRCOG Regional Purchasing Council	WINCOG Regional Hazard Mitigation	
Revenues:															
Federal government	\$ 3,060	42,000	8,326	1,500	19,701	-	-	-	-	-	-	-	-	-	74,587
State of Connecticut	-	-	-	-	4,925	1,528	4,356	9,894	138,642	-	-	-	-	-	159,345
Other	-	-	-	-	-	-	-	-	-	385	168,049	5,342	2,500	5,954	182,230
<b>Total revenues</b>	<b>3,060</b>	<b>42,000</b>	<b>8,326</b>	<b>1,500</b>	<b>24,626</b>	<b>1,528</b>	<b>4,356</b>	<b>9,894</b>	<b>138,642</b>	<b>385</b>	<b>168,049</b>	<b>5,342</b>	<b>2,500</b>	<b>5,954</b>	<b>416,162</b>
Expenditures:															
Direct salaries	343	3,157	1,922	-	-	-	-	4,905	9,316	191	53,360	5,174	-	480	78,848
Indirect at 101.695%	349	3,210	1,954	-	-	-	-	4,989	9,474	194	54,264	5,260	-	488	80,182
Direct charges	2,350	17,882	4,450	1,500	24,626	1,528	4,356	-	119,852	-	56,099	168	2,500	1,696	237,007
<b>Total expenditures</b>	<b>3,042</b>	<b>24,249</b>	<b>8,326</b>	<b>1,500</b>	<b>24,626</b>	<b>1,528</b>	<b>4,356</b>	<b>9,894</b>	<b>138,642</b>	<b>385</b>	<b>163,723</b>	<b>10,602</b>	<b>2,500</b>	<b>2,664</b>	<b>396,037</b>
Excess of revenues over (under) expenditures	18	17,751	-	-	-	-	-	-	-	-	4,326	(5,260)	-	3,290	20,125
Other financing sources (uses):															
Operating transfers in	-	-	-	-	-	-	-	-	-	-	-	5,260	-	-	5,260
Operating transfers out	(18)	(17,751)	-	-	-	-	-	-	-	-	(4,326)	-	-	(3,290)	(25,385)
<b>Total other financing sources (uses)</b>	<b>(18)</b>	<b>(17,751)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,326)</b>	<b>5,260</b>	<b>-</b>	<b>(3,290)</b>	<b>(20,125)</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>	<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, 2016

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>Southeastern Connecticut Housing Alliance</b>				
Cash	\$ 41,404	1,725	(4,785)	38,344
Due to other organizations	\$ 41,404	1,725	(4,785)	38,344
<b>Total</b>				
Cash	\$ 41,404	1,725	(4,785)	38,344
Due to other organizations	\$ 41,404	1,725	(4,785)	38,344

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**  
**Financial Summary for the**  
**Southeastern Connecticut Housing Alliance**  
**For the Year Ended June 30, 2016**

Cash, beginning of year	\$ 41,404
Cash receipts:	
Bus tour donation-Liberty Bank	900
Donation-Dime Bank	500
Dime Bank employee fundraiser	325
Total cash receipts	<u>1,725</u>
Cash disbursements:	
Wages	3,272
Supplies	124
Other	118
Bus tour expenses	1,271
Total cash disbursements	<u>4,785</u>
Excess (deficiency) of cash receipts over cash disbursements	(3,060)
Cash, end of year	<u><u>\$ 38,344</u></u>



**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**  
**Financial Summary for the State of Connecticut**  
**Department of Transportation**  
**For the Year Ended June 30, 2016**

	U.S. Department of Transportation	U.S. Department of Transportation	U.S. Department of Transportation	State of Connecticut Department of Transportation
	Agreement Number 5.15-06(15)	Agreement Number 4.21-18(14)	Agreement Number 5.06-02(14)	
	State Project Number DOT07169996PL	State Project Number DOT07159996PL	State Project Number DOT01720430PL	State Agency Code DOT57000
	Regional Transportation Planning	Regional Transportation Planning	Comprehensive Operational Analysis for the Southeast Area Transit District	Thames River Water Taxi Grant
	###	###	###	###
<b>Maximum funds authorized:</b>				
U.S. Department of Transportation	\$ 400,362	\$ 387,576	\$ 200,000	\$ -
State of Connecticut	50,046	48,447	50,000	200,000
Local required match	50,046	48,447	-	-
Total	<u>\$ 500,454</u>	<u>\$ 484,470</u>	<u>\$ 250,000</u>	<u>\$ 200,000</u>
<b>Audited Expenditures:</b>				
Direct salaries	\$ 217,962	\$ 227,180	\$ -	\$ -
Indirect	221,657	236,683	-	-
Direct charges	3,340	2,402	249,770	100,793
Total expenditures	<u>\$ 442,959</u>	<u>\$ 466,265</u>	<u>\$ 249,770</u>	<u>\$ 100,793</u>
<b>Distribution of audited expenditures:</b>				
U.S. Department of Transportation	\$ 354,367	\$ 373,012	\$ 199,816	\$ -
State of Connecticut	44,296	46,627	49,954	100,793
Local	44,296	46,627	-	-
Total	<u>\$ 442,959</u>	<u>\$ 466,265</u>	<u>\$ 249,770</u>	<u>\$ 100,793</u>
<b>ConnDOT responsibility:</b>				
U.S. Department of Transportation	\$ 354,367	\$ 373,012	\$ 199,816	\$ -
State of Connecticut	44,296	46,627	49,954	100,793
Total ConnDOT responsibility	<u>398,663</u>	<u>419,639</u>	<u>249,770</u>	<u>100,793</u>
Less: payments received through June 30, 2016	387,275	436,022	237,283	73,767
Balance due from (to) ConnDOT at June 30, 2016	<u>\$ 11,388</u>	<u>\$ (16,384)</u>	<u>\$ 12,487</u>	<u>\$ 27,026</u>

### Note: All amounts are cumulative through June 30, 2016 and reflect actual indirect cost rates in effect during the year the funds were expended.

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**  
**Schedule of Indirect Costs and**  
**Overhead Rate Calculation**  
**For the Year Ended June 30, 2016**

**Indirect Costs:**

Indirect salaries	\$ 152,264
Fringe benefits	229,808
Office maintenance	23,556
Supplies	5,167
Equipment rental and maintenance	12,284
Equipment purchases	2,256
Telephone and postage	6,595
Bond and insurance	12,276
Travel	64
Conferences	598
Staff expenses	502
Dues, books and subscriptions	1,919
Audit/Accounting/Legal	17,900
Relocation reimbursement	1,000
Depreciation	13,057
Other	75
 Total indirect costs	 <u>\$ 479,321</u>

**Overhead rate calculation:**

Total payroll	\$ 623,598
Less: indirect and unassigned payroll	152,264
 Payroll base	 <u>471,334</u>
 Total allowable indirect costs	 <u>479,321</u>
 Indirect cost rate	 <u>101.695%</u>

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

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

**June 30, 2016**

**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 and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). In accordance with these regulations, unallowable costs have been excluded from the indirect cost rate calculation. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements of the Southeastern Connecticut Council of Governments.

# ALBERT J. RUSILOWICZ

Certified Public Accountant, LLC

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

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

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeastern Connecticut Council of Governments, as of and for the year ended June 30, 2016, 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 December 5, 2016.

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

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

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

**Compliance and Other Matters**

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

**Purpose of This Report**

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

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

Albert J. Rusilowicz  
Certified Public Accountant, LLC  
Killingworth, Connecticut  
December 5, 2016

# ALBERT J. RUSILOWICZ

Certified Public Accountant, LLC

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

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

### Report on Compliance for Each Major Federal Program

I have audited the Southeastern Connecticut Council of Government's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Southeastern Connecticut Council of Government's major federal programs for the year ended June 30, 2016. The Southeastern Connecticut Council of Government's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Southeastern Connecticut Council of Government's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Southeastern Connecticut Council of Government's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

### Opinion on Each Major Federal Program

In my opinion, the Southeastern Connecticut Council of Governments complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

(Continued)

## Report on Internal Control Over Compliance

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

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

Albert J. Rusilowicz  
Certified Public Accountant, LLC  
Killingworth, Connecticut  
December 5, 2016

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2016**

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>U.S. Department of Transportation:</b>				
Passed through the State of Connecticut Department of Transportation:				
Regional Transportation Planning				
FHWA Funds	20.205	5.15-08(15)	\$ -	\$ 280,556
FTA Funds	20.505	5.15-08(15)	-	73,811
Southeast Area Transit Comprehensive Operational Analysis	20.505	14DOT0328AA	-	19,701
<b>Total U.S. Department of Transportation</b>			<b>-</b>	<b>374,068</b>
<b>U.S. Department of Homeland Security:</b>				
Passed through the State of Connecticut Department of Emergency Services and Public Protection				
Homeland Security Grant Program:				
FFY 2013 Region 4 Regional Collaboration	97.067	013ASECA	-	15,060
FFY 2014 Region 4 Regional Collaboration	97.067	014ASECA	-	329,526
FFY 2015 Region 4 Regional Collaboration	97.067	015ASECA	-	94,208
			<b>-</b>	<b>438,794</b>
Emergency Management Performance Grants:				
FFY 2014 EMPG Regional Haz Mat Funding	97.042	014ESECA	-	11,485
			<b>-</b>	<b>11,485</b>
<b>Total U.S. Department of Homeland Security</b>			<b>-</b>	<b>450,279</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ -</b>	<b>\$ 824,347</b>

The accompanying notes are an integral part of this schedule.



**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

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

**For the Year Ended June 30, 2016**

**1. Basis of Presentation**

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

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are generally reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

**Schedule of Federal Findings and Questioned Costs**

**For the Year Ended June 30, 2016**

**I. Summary of Auditor's Results:**

***Financial Statements:***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?      \_\_\_\_\_ yes        X   no

***Federal Awards:***

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516a      \_\_\_\_\_ yes        X   no

Identification of major federal programs:

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

(Continued)

**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

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

**For the Year Ended June 30, 2016**

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

The dollar threshold for determining Types A and B programs was \$750,000.

Auditee qualified as low-risk auditee?                      X   yes             no

**II. Financial Statement Findings**

No findings are reported.

**III. Federal Award Program Findings**

No findings are reported.

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

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

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

I have audited the Southeastern Connecticut Council of Government's (SCCOG) compliance with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that could have a direct and material effect on each of the SCCOG's major state programs for the year ended June 30, 2016. The SCCOG's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

**Opinion on Each Major State Program**

In my opinion, the Southeastern Connecticut Council of Governments complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

(Continued)

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

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

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

I have audited the financial statements of the SCCOG as of and for the year ended June 30, 2016, and have issued my report thereon dated December 5, 2016, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Expenditures of State Financial Assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.



Albert J. Rusilowicz  
Certified Public Accountant, LLC  
Killingworth, Connecticut  
December 5, 2016

## SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

## Schedule of Expenditures of State Financial Assistance

For the Year Ended June 30, 2016

<b>State Grantor; Pass Through Grantor; Program Title</b>	<b>CORE-CT Number</b>	<b>Grant Number</b>	<b>Expenditures</b>
<b>Department of Transportation:</b>			
Local Transportation Capital Improvement Program (LOTICIP)	14DOT0279AA	DOT10703281GR	\$ 87,767
Regional Transportation Planning	16DOT0042AA	DOT07169996PL	44,296
Thames River Water Taxi Grant	12001-DOT57801-32002-52033	DOT-NONPROJECT	100,793
Southeast Area Transit Comprehensive Operational Analysis	14DOT0328AA	DOT01720430PL	4,925
<b>Total Department of Transportation</b>			<u>237,781</u>
<b>Office of Policy and Management:</b>			
Regional Shared Services Study	12060-OPM20600-35457-13046	RPI-14-7	9,894
RPI Grant: Regional Online Property Survey Index	12060-OPM20600-35457-13046	RPI-12-17	138,642
Grant to Connect to Nutmeg Network	12060-OPM20600-35457-13046	Nutmeg Network 14-57	4,356
<b>Total Office of Policy and Management</b>			<u>152,892</u>
<b>Office of the Secretary of the State:</b>			
Regional Election Monitors	11000-SOS12500-10020-29202	N/A	1,528
<b>Total Office of the Secretary of the State</b>			<u>1,528</u>
<b>Total State Financial Assistance Before Exempt Programs</b>			<u>392,201</u>
<b>Exempt Programs:</b>			
<b>Office of Policy and Management:</b>			
State Grant in Aid for Regional Councils of Governments	12060-OPM20600-35457-13046	SGIA-015-08	226,502
State Grant in Aid for Regional Councils of Governments	12060-OPM20600-35457-13046	SGIA-014-07	41,320
<b>Total Exempt Programs</b>			<u>267,822</u>
<b>Total State Financial Assistance</b>			<u>\$ 660,023</u>

The accompanying notes are an integral part of this schedule.

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

**For the Year Ended June 30, 2016**

The accompanying Schedule of Expenditures of State Financial Assistance includes state grant activity of the Southeastern Connecticut Council of Governments for the fiscal year ended June 30, 2016. Various departments and agencies of the State of Connecticut have provided financial assistance to the Southeastern Connecticut Council of Governments through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including:

Regional planning  
Home land security

**1. Summary of Significant Accounting Policies**

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

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

**Basis of Accounting**

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

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

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

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

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

**For the Year Ended June 30, 2016**

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

***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                     yes             no
- Significant deficiency(ies)?                             yes             none reported
- Noncompliance material to financial  
statements noted?     yes             no

***State Financial Assistance***

Internal control over major programs:

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

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

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

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

<b><u>State Grantor and Program</u></b>	<b><u>State Core-CT Number</u></b>	<b><u>Expenditures</u></b>
<b>Office of Policy and Management:</b>		
RPI Grant: Regional Online Property Survey Index	12060-OPM20600-35457-13046	\$ 138,642
<b>Department of Transportation:</b>		
Thames River Water Taxi Grant	12001-DOT57801-32002-52033	\$ 100,793

(Continued)



**SOUTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS**

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

**For the Year Ended June 30, 2016**

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

***State Financial Assistance, Continued***

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

**II. Financial Statement Findings**

- I have issued reports dated December 5, 2016 on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- My report on compliance and other matters indicated no reportable instances of noncompliance.
- My report on internal control over financial reporting indicated no significant deficiencies.

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

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