

**NORTHEASTERN CONNECTICUT
COUNCIL OF GOVERNMENTS**

**FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
INDIRECT COST AND OVERHEAD
RATE CALCULATION**

**AS OF AND FOR THE YEAR ENDED
JUNE 30, 2022**

NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

TABLE OF CONTENTS

FOR THE YEAR ENDED JUNE 30, 2022

	Page
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)	4
BASIC FINANCIAL STATEMENTS:	
Government-wide and Governmental Funds Financial Statements:	
Governmental Funds Balance Sheet/Statement of Net Position	13
Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities	14
Notes to the Financial Statements	15
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited):	
Budgetary Comparison Schedule - General and Special Revenue Funds - Combined	26
Notes to Required Supplementary Information	27
OTHER SUPPLEMENTARY INFORMATION:	
Financial Summary for the State of Connecticut Department of Transportation	28
REPORTING REQUIRED BY THE STATE OF CONNECTICUT DEPARTMENT OF TRANSPORTATION:	
Independent Auditor’s Report on the Schedule of Indirect Costs and Overhead Rate Calculation	29
Schedule of Indirect Costs and Overhead Rate Calculation	31
Notes to Schedule of Indirect Costs and Overhead Rate Calculation	32
SUPPLEMENTAL REPORT:	
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 <i>Government Auditing Standards</i>	33

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Northeastern Connecticut Council of Governments
Dayville, Connecticut

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northeastern Connecticut Council of Governments (the Council) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

In our 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 Northeastern Connecticut Council of Governments as of June 30, 2022, 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.

Basis for Opinions

We conducted our 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 and budgetary comparison information on pages 26 through 27 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

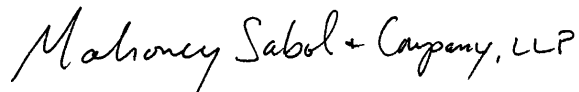
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The Financial Summary for the State of Connecticut Department of Transportation on page 28 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Financial Summary for the State of Connecticut Department of Transportation is the responsibility of management and was derived from and relates 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 our opinion, such information is 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*, we have also issued our report dated May 12, 2023 on our consideration of the Council's internal control over financial reporting and on our 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 our 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 Council's internal control over financial reporting and compliance.



Certified Public Accountants
Glastonbury, Connecticut
May 12, 2023

Management's Discussion and Analysis

NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

As management of the Northeastern Connecticut Council of Governments, (the Council), we offer readers of the Council's financial statements this narrative overview and analysis of the financial activities of the Council for the fiscal year ended June 30, 2022.

FINANCIAL HIGHLIGHTS

- The assets of the Council exceeded its liabilities at the close of the most recent fiscal year by \$297,045 (net position). Of this amount, \$110,590 (unrestricted net position) may be used to meet the Council's ongoing obligations.
- The Council's total net position decreased by \$155,881.
- As of the close of the current fiscal year, the Council's governmental funds reported a combined ending fund balance of \$200,557, a decrease of \$182,397 in comparison with the prior year. The entire fund balance is included in the General Fund and is available for spending at the Council's discretion (unassigned fund balance).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's 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 in addition to the basic financial statements themselves.

Basis of Presentation

The Council is considered a single-program governmental organization for financial reporting purposes. Accounting guidance issued by the Governmental Accounting Standards Board (GASB) requires the presentation of government-wide financial statements and fund financial statements. The government-wide financial statements consist of the statement of net position and the statement of activities, while the governmental funds financial statements consist of the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Council has no business-type activities. Rather than presenting government-wide financial statements along with separate governmental fund financial statements, the Council has chosen to combine the two types of financial statements. Accordingly, the accompanying financial statements of the Council consist of the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures and changes in fund balances/statement of activities.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Council's finances, in a manner similar to a private-sector business.

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Government-wide Financial Statements *(Continued)*

The statement of net position presents information on all of the Council's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Council is improving or deteriorating.

The statement of activities presents information showing how the Council's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements display information about the Council's governmental activities, which consists of regional planning. The Council does not have any business-type activities.

The government-wide financial statements include only the Council because there are no legally separate organizations for which the Council is legally accountable.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Council uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Council are classified as governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Council's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of Council's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Fund Financial Statements *(Continued)*

Governmental Funds (Continued)

The Council maintains a number of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the State Grant-in-Aid Program Fund, the Animal Control Fund, the Paramedic Intercept Services Fund, the Regional Revaluation Program Fund, the WINCOG Homeland Security Fund, and the SPR Transportation Planning Fund, all of which are considered to be major funds. Data from the remaining governmental fund is reported as a nonmajor governmental fund.

The basic governmental fund financial statements can be found on pages 13 and 14 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 25 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information other than this management's discussion and analysis that can be found on pages 26 and 27 of this report.

Other supplementary information can be found on page 28 of this report.

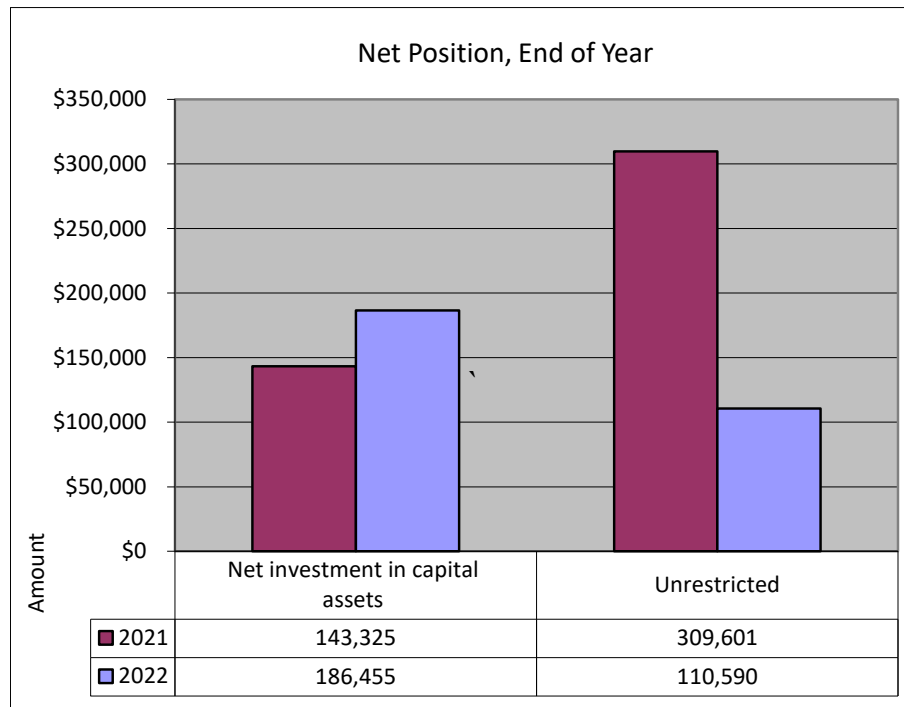
NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Over time, net position may serve as one measure of a government's financial position. The net position of the Council totaled \$297,045 and \$452,926 as of June 30, 2022 and 2021, respectively, and are summarized as follows:

	Governmental Activities		\$ Variance	% Variance
	2022	2021		
Assets:				
Current and other assets	\$ 348,840	\$ 549,425	\$ (200,585)	-36.5%
Capital assets, net	459,442	352,917	106,525	30.2%
Total assets	808,282	902,342	(94,060)	-10.4%
Liabilities:				
Long-term liabilities	362,954	282,945	80,009	28.3%
Other liabilities	148,283	166,471	(18,188)	-10.9%
Total liabilities	511,237	449,416	61,821	13.8%
Net position:				
Net investment in capital assets	186,455	143,325	43,130	30.1%
Unrestricted	110,590	309,601	(199,011)	-64.3%
Total net position	\$ 297,045	\$ 452,926	\$ (155,881)	-34.4%



NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)

Approximately 62.8% of the Council's net position reflects its net investment in capital assets. The Council uses these capital assets to provide services to its member towns; consequently, these assets are not available for future spending.

The remainder of the Council's net position is considered unrestricted and may be used to meet the Council's ongoing obligations.

Changes in Net Position

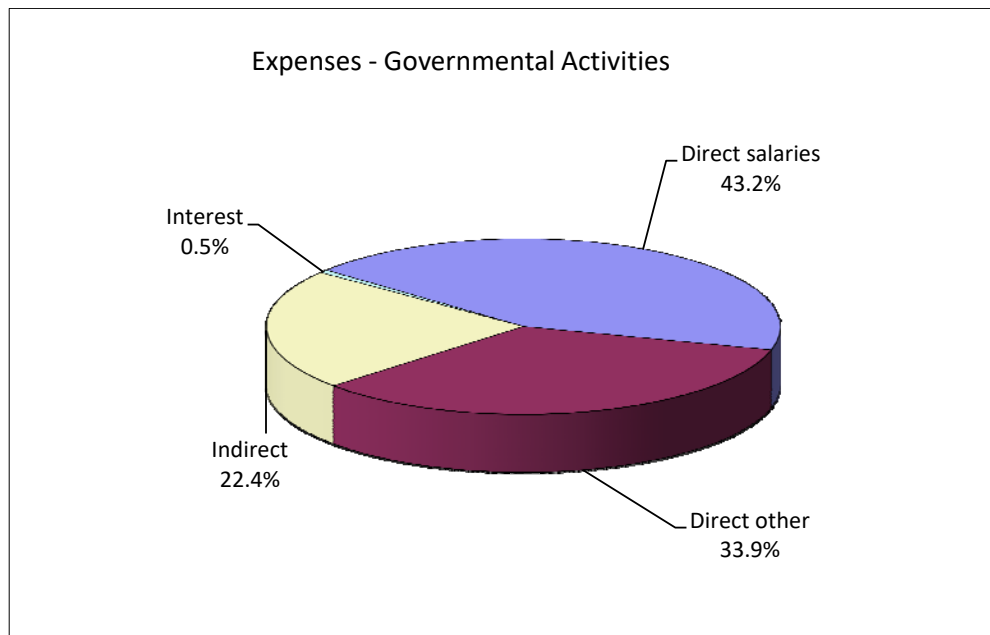
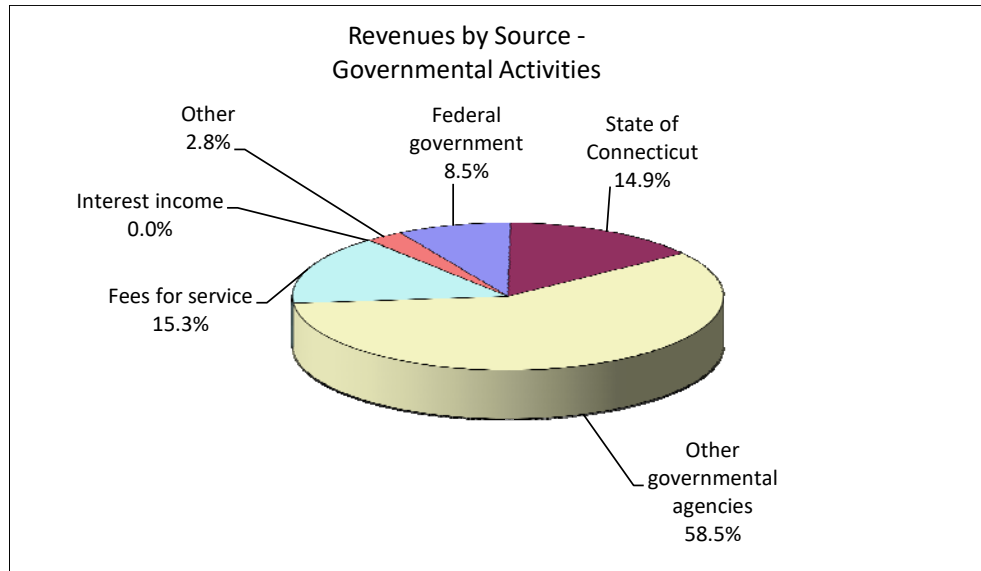
Changes in net position for the years ended June 30, 2022 and 2021 are as follows:

	Governmental Activities			
	2022	2021	\$ Variance	% Variance
Revenues:				
Federal government	\$ 160,379	\$ 182,315	\$ (21,936)	-12.0%
State of Connecticut	279,453	233,746	45,707	19.6%
Other governmental agencies	1,099,080	882,976	216,104	24.5%
Fees for service	287,455	235,416	52,039	22.1%
Interest income	934	1,519	(585)	-38.5%
Other	53,283	48,507	4,776	9.8%
Total revenues	<u>1,880,584</u>	<u>1,584,479</u>	<u>296,105</u>	18.7%
Expenses:				
Direct salaries	879,637	697,326	182,311	26.1%
Direct other	690,229	469,596	220,633	47.0%
Indirect	455,398	396,465	58,933	14.9%
Interest	11,201	5,673	5,528	97.4%
Total expenses	<u>2,036,465</u>	<u>1,569,060</u>	<u>467,405</u>	29.8%
Change in net position	(155,881)	15,419	<u>\$ (171,300)</u>	-1111.0%
Net position - beginning	<u>452,926</u>	<u>437,507</u>		
Net position - ending	<u>\$ 297,045</u>	<u>\$ 452,926</u>		

NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Changes in Net Position *(Continued)*



Governmental activities decreased the Council's net position by \$155,881. The decrease in net position and the increase in expenses were primarily driven by an increase in animal control wages, benefits and direct costs associated with the expansion of services, including the operation of the Norwich facility. The Council assumed the operations of the Norwich facility in September 2021.

NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

FINANCIAL ANALYSIS OF THE COUNCIL'S FUNDS

The Council uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds

The focus of the Council's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Council's financing requirements.

General Fund

As of the end of the current fiscal year, the General Fund reported an ending fund balance of \$200,557, a decrease of \$182,397 in comparison with the prior year. The entire fund balance constitutes unassigned fund balance, which is available for spending at the Council's discretion.

Other Major Funds

The other major funds of the Council are comprised of the State Grant-in-Aid Program Fund, the Animal Control Fund, the Paramedic Intercept Services Fund, the Regional Revaluation Program Fund, the WINCOG Homeland Security Fund, and the SPR Transportation Planning Fund. All of these funds provide various transportation or other planning services in the northeastern region and are operated on a cost reimbursement basis.

BUDGETARY HIGHLIGHTS

Budgets are adopted by the Board of Directors on a modified accrual basis of accounting. The adopted annual budget covers the General Fund and all Special Revenue Funds on a combined basis.

There were no additional appropriations for the annual budget for the year ended June 30, 2022.

The Paramedic program expenditures are budgeted based on the number of calls for paramedic services, which can change from year to year and are often difficult to predict.

The Regional Revaluation expenditures are budgeted based on the estimated number of revaluations to be performed annually. Revenues are determined by contract over the contract period. Expenditures are incurred when the revaluation work services are performed.

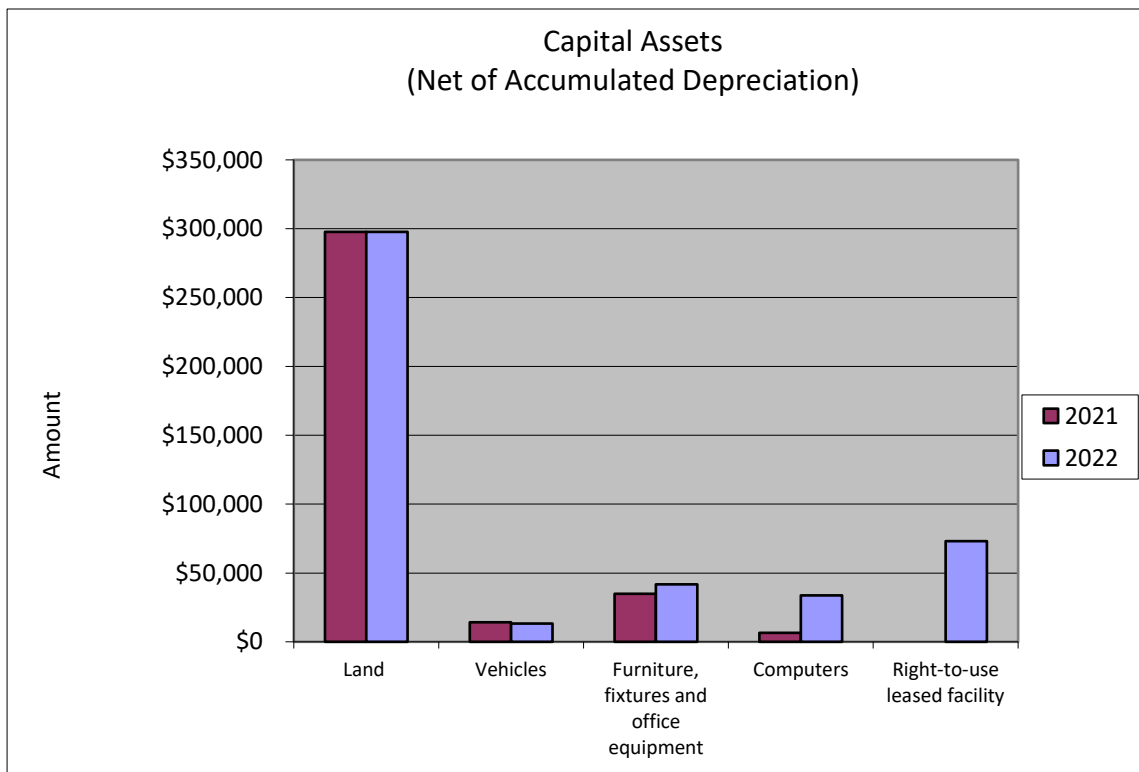
NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

CAPITAL ASSETS

The Council's net investment in capital assets totaled \$459,442 as of June 30, 2022. This investment in capital assets includes land, vehicles, furniture, fixtures and office equipment and computers. The total increase in the Council's investment in capital assets for the current fiscal year was \$106,525.

The following table is a two-year comparison of the Council's investment in capital assets, net of accumulated depreciation and amortization:

	Governmental Activities	
	2022	2021
Land	\$ 297,621	\$ 297,621
Vehicles	13,255	14,183
Furniture, fixtures and office equipment	41,730	34,750
Computers	33,664	6,363
Right-to-use leased facility	73,172	-
Totals	<u>\$ 459,442</u>	<u>\$ 352,917</u>



Additional information on the Council's capital assets can be found in Note 3 to the basic financial statements.

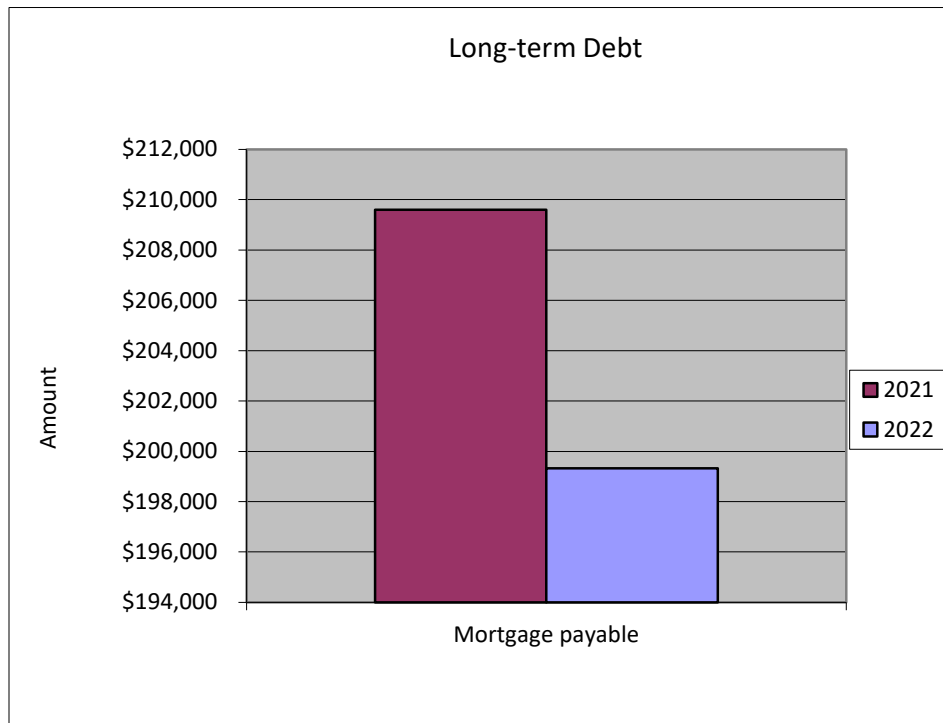
NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

LONG-TERM DEBT

The Council's long-term debt totaled \$199,322 as of June 30, 2022 and consisted of a mortgage note payable. The Council's total long-term debt decreased during the current fiscal year due to scheduled principal repayments.

The following table is a two-year comparison of the Council's long-term debt:

	Governmental Activities	
	2022	2021
	<u>\$ 199,322</u>	<u>\$ 209,592</u>
Mortgage payable		



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Council receives intergovernmental revenues from the State of Connecticut and the federal government. Connecticut's economy moves in the same general cycle as the national economy, which may affect the amount of intergovernmental revenues the Council will receive in fiscal year 2023 and thereafter.

This was considered in preparing the Council's budget for fiscal year 2023.

During the current fiscal year, unassigned fund balance of the General Fund totaled \$200,557. The Council has not appropriated any of this unassigned fund balance amount for spending in the 2023 fiscal year budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Council's finances for all those with an interest in the Council's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Northeastern Connecticut Council of Governments, P.O. Box 759, 125 Putnam Pike, Dayville, CT 06241.

Basic Financial Statements

NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
GOVERNMENTAL FUNDS BALANCE SHEET / STATEMENT OF NET POSITION
AS OF JUNE 30, 2022

	Governmental Funds Balance Sheets									Adjustments (See Note 8)	Government- Wide Statement of Net Position
	General Fund	State Grant-in-Aid Program Fund	Animal Control Fund	Paramedic Intercept Services Fund	Regional Revaluation Program Fund	WINCOG Homeland Security Fund	SPR Transportation Planning Fund	Nonmajor Federal Transit Administration Fund	Total		
ASSETS											
Cash and cash equivalents	\$ 110,403	\$ -	\$ 10,452	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,855	\$ -	\$ 120,855
Receivables:											
State of Connecticut	-	-	-	-	-	-	44,763	13,208	57,971	-	57,971
Other governmental agencies	27,589	-	30,085	25,478	24,511	-	-	-	107,663	-	107,663
Due from affiliate	11,667	-	-	-	-	-	-	-	11,667	-	11,667
Other	-	-	-	33,484	-	-	-	-	33,484	-	33,484
Due from other funds	128,314	-	-	-	7,570	45,475	-	-	181,359	(181,359)	-
Other assets	12,200	-	5,000	-	-	-	-	-	17,200	-	17,200
Capital assets, net	-	-	-	-	-	-	-	-	-	459,442	459,442
Total assets	<u>\$ 290,173</u>	<u>\$ -</u>	<u>\$ 45,537</u>	<u>\$ 58,962</u>	<u>\$ 32,081</u>	<u>\$ 45,475</u>	<u>\$ 44,763</u>	<u>\$ 13,208</u>	<u>\$ 530,199</u>	<u>278,083</u>	<u>808,282</u>
LIABILITIES											
Current liabilities:											
Accounts payable	\$ 35,246	\$ -	\$ 12,736	\$ 21,420	\$ 15,063	\$ -	\$ -	\$ -	\$ 84,465	-	84,465
Accrued liabilities	1,325	-	-	-	-	-	-	-	1,325	-	1,325
Due to other funds	53,045	-	32,801	37,542	-	-	44,763	13,208	181,359	(181,359)	-
Unearned revenues	-	-	-	-	17,018	45,475	-	-	62,493	-	62,493
Noncurrent liabilities:											
Due within one year	-	-	-	-	-	-	-	-	-	46,810	46,810
Due in more than one year	-	-	-	-	-	-	-	-	-	316,144	316,144
Total liabilities	<u>89,616</u>	<u>-</u>	<u>45,537</u>	<u>58,962</u>	<u>32,081</u>	<u>45,475</u>	<u>44,763</u>	<u>13,208</u>	<u>329,642</u>	<u>181,595</u>	<u>511,237</u>
FUND BALANCES / NET POSITION											
Fund balances:											
Unassigned	200,557	-	-	-	-	-	-	-	200,557	(200,557)	-
Total liabilities and fund balances	<u>\$ 290,173</u>	<u>\$ -</u>	<u>\$ 45,537</u>	<u>\$ 58,962</u>	<u>\$ 32,081</u>	<u>\$ 45,475</u>	<u>\$ 44,763</u>	<u>\$ 13,208</u>	<u>\$ 530,199</u>		
Net position:											
Net investment in capital assets										186,455	186,455
Unrestricted										110,590	110,590
Total net position										<u>\$ 297,045</u>	<u>\$ 297,045</u>

The accompanying notes are an integral part of these financial statements.

NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES / STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances									Adjustments (See Note 8)	Government- Wide Statement of Activities
	General Fund	State Grant-in-Aid Program Fund	Animal Control Fund	Paramedic Intercept Services Fund	Regional Revaluation Program Fund	WINCOG Homeland Security Fund	SPR Transportation Planning Fund	Nonmajor Federal Transit Administration Fund	Total		
REVENUES											
Federal government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 139,234	\$ 21,145	\$ 160,379	\$ -	\$ 160,379
State of Connecticut	8,206	251,200	-	-	-	-	17,404	2,643	279,453	-	279,453
Other governmental agencies	402,045	-	468,274	-	151,093	42,397	30,584	4,687	1,099,080	-	1,099,080
Fees for services	-	-	18,049	269,406	-	-	-	-	287,455	-	287,455
Interest income	332	-	602	-	-	-	-	-	934	-	934
Other	41,950	-	8,333	-	-	-	-	-	50,283	3,000	53,283
Total revenues	<u>452,533</u>	<u>251,200</u>	<u>495,258</u>	<u>269,406</u>	<u>151,093</u>	<u>42,397</u>	<u>187,222</u>	<u>28,475</u>	<u>1,877,584</u>	<u>3,000</u>	<u>1,880,584</u>
EXPENDITURES/EXPENSES											
Current:											
Direct costs:											
Salaries	203,844	212,081	316,229	-	-	25,507	104,845	17,131	879,637	-	879,637
Other	6,878	9,552	249,471	269,010	151,093	-	4,225	-	690,229	-	690,229
Indirect costs	134,978	140,432	35,540	-	-	16,890	69,424	11,344	408,608	46,790	455,398
Debt service:											
Principal	10,270	-	14,764	-	-	-	-	-	25,034	(25,034)	-
Interest	9,298	-	1,903	-	-	-	-	-	11,201	-	11,201
Capital outlays	-	21,981	102,992	-	-	-	8,728	-	133,701	(133,701)	-
Total expenditures/expenses	<u>365,268</u>	<u>384,046</u>	<u>720,899</u>	<u>269,010</u>	<u>151,093</u>	<u>42,397</u>	<u>187,222</u>	<u>28,475</u>	<u>2,148,410</u>	<u>(111,945)</u>	<u>2,036,465</u>
Excess (deficiency) of revenues over expenditures	87,265	(132,846)	(225,641)	396	-	-	-	-	(270,826)	114,945	(155,881)
OTHER FINANCING SOURCES (USES)											
Lease (as lessee)	-	-	88,429	-	-	-	-	-	88,429	(88,429)	-
Transfers in	396	132,846	137,212	-	-	-	-	-	270,454	(270,454)	-
Transfers out	(270,058)	-	-	(396)	-	-	-	-	(270,454)	270,454	-
Total other financing sources (uses)	<u>(269,662)</u>	<u>132,846</u>	<u>225,641</u>	<u>(396)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,429</u>	<u>(88,429)</u>	<u>-</u>
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	(182,397)	-	-	-	-	-	-	-	(182,397)	182,397	-
Change in net position										<u>\$ (155,881)</u>	(155,881)
Fund balances/net position - beginning	<u>382,954</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>382,954</u>		<u>452,926</u>
Fund balances/net position - ending	<u>\$ 200,557</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,557</u>		<u>\$ 297,045</u>

The accompanying notes are an integral part of these financial statements.

NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Northeastern Connecticut Council of Governments (the Council) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Council's significant accounting policies are described below.

FINANCIAL REPORTING ENTITY

The Northeastern Connecticut Council of Governments was organized in 1987. The Council consists of the following member towns: Ashford, Brooklyn, Canterbury, Chaplin, Eastford, Hampton, Killingly, Plainfield, Pomfret, Putnam, Scotland, Sterling, Thompson, Union, Voluntown and Woodstock. The chief elected official of each member town comprises the Council's Board of Directors. The Council provides regional planning services for its member towns and is primarily funded by assessments to member towns 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 the funds of the Council (the primary government) as no other component units exist based on operational or financial relationships with the Council.

BASIS OF PRESENTATION

The Council is considered a single-program governmental organization for financial reporting purposes. Accounting guidance issued by the Governmental Accounting Standards Board (GASB) requires the presentation of government-wide financial statements and fund financial statements. The government-wide financial statements consist of the statement of net position and the statement of activities, while 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 Council has no business-type activities. Rather than presenting government-wide financial statements along with separate governmental fund financial statements, the Council has chosen to combine the two types of financial statements. Accordingly, the accompanying financial statements of the Council consist of the governmental funds balance sheet/government-wide statement of net position and the governmental funds statement of revenues, expenditures and changes in fund balances/government-wide statement of activities.

Government-wide Financial Statements

Information presented in the government-wide statement of net position column and in the government-wide statement of activities column of the accompanying financial statements includes all financial activities of the Council. Eliminations have been made to minimize the double-counting of internal activities. The Council's activities are financed through member town assessments, intergovernmental revenues, and other nonexchange transactions.

Information presented in the government-wide statement of activities column demonstrates the degree to which the Council's expenses are offset by revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. For the Council's purposes, all revenue and expenses are related to a single program, regional planning.

Fund Financial Statements

The fund financial statements provide information about the Council's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BASIS OF PRESENTATION *(Continued)*

Fund Financial Statements *(Continued)*

The Council reports the following major governmental funds:

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

State Grant-in-Aid Program Fund - This fund is used to account for the annual state grant-in-aid to support the Council's various planning activities.

Animal Control Fund - This fund accounts for revenues and expenditures incurred in providing animal placement, animal law enforcement, and animal rescue services for certain member towns served by the Council.

Paramedic Intercept Services - This fund accounts for revenues and expenditures incurred in providing emergency response paramedic personnel for certain member towns served by the Council.

Regional Revaluation Program Fund - This fund accounts for revenues and expenditures incurred in providing revaluation services to certain member towns served by the Council.

WINCOG Homeland Security Fund - This fund accounts for revenues and expenditures incurred in developing and improving a plan for critical incident management and responses through the use of the National Incident Management System to the member towns served by the Council.

SPR Transportation Planning Fund - This fund is used to account for revenues and expenditures relating to urban and rural transportation planning in the northeastern planning region.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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. Revenues from member towns are recognized as revenues in the year for which they are collected. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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 Council considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Expenditures in the governmental fund financial statements 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less when purchased.

Capital Assets

Capital assets include vehicles, computer equipment, office furniture and equipment, and right-to-use leased assets and are reported in the statement of net position column of the accompanying financial statements. Capital assets are defined by the Council as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of 3 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend assets lives are not capitalized.

Capital assets of the Council are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Vehicles	5
Computers	3
Furniture, fixtures and office equipment	7
Right-to-use leased asset	5

Unearned Revenue

Unearned revenue consists of grant proceeds received before eligibility and/or performance criteria have been met.

NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE *(Continued)*

Long-term Obligations

Long-term Debt

The applicable accounting standards define debt as a liability that arises from a contractual obligation to pay cash, or other assets that may be used in lieu of cash, in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. For disclosure purposes, debt does not include accounts payable or leases, except for contracts reported as financed purchase of the underlying assets.

In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position.

Lease (as lessee)

The Council recognizes a lease liability and an intangible right-to-use lease asset (lease asset) for a noncancellable lease in the government-wide financial statements. The Council recognizes lease liabilities with an initial, individual value of \$20,000 or more. At the commencement of a lease, the Council initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Council determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The Council uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Council generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Council reasonably certain to exercise. The Council monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt and other long-term obligations on the statement of net position.

Compensated Absences

All compensated absences are accrued when incurred in the government-wide financial statements. Expenditures for compensated absences are recognized in the governmental fund financial statements in the current year to the extent they are paid during the year, or the vested amount is expected to be paid with available resources.

NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE *(Continued)*

Net Position and Fund Balances

Information presented in the government-wide statement of net position column includes the Council's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets - This category consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that is attributed to the acquisition, construction or improvement of those assets.

Restricted net position - This category consists of the portion of net position whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This category consists of the portion of net position that does not meet the definition of the two preceding categories.

The Council's governmental funds report the following fund balance categories:

Nonspendable - This category consists of amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact.

Restricted - This category consists of amounts for which constraints are placed on the use of the amounts that are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through enabling legislation.

Committed - This category consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board (the highest level of decision making authority of the Council) and cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same formal action.

Assigned - This category consists of amounts that are constrained by the Council's intent to be used for specific purposes, but are not restricted or committed. The Board of Directors is the body authorized to assign fund balance via a majority vote of the Board of Directors.

Unassigned - This category consists of the residual classification for the General Fund or amounts necessary in other governmental funds to eliminate otherwise negative fund balance amounts in the other four categories.

The Council does not have a formal policy over the use of fund balance. In accordance with the applicable accounting guidance, the Council uses restricted resources first, then unrestricted resources as needed. Unrestricted resources are used in the following order: committed; assigned; then unassigned.

NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

INTERFUND ACTIVITIES

Interfund activities are reported as follows:

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Interfund Transfers

Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. Transfers are reported as other financing uses in the funds making transfers and other financing sources in the funds receiving transfers.

Interfund Reimbursements

Interfund reimbursements represent repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

USE OF ESTIMATES

The preparation of the 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.

NOTE 2 - CASH DEPOSITS - CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event of a bank failure, the Council will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Council does not have a deposit policy for custodial credit risk. As of June 30, 2022, the Council's bank balance of \$268,739 was fully insured.

All of the Council's deposits were in qualified public institutions as defined by state statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$ 297,621	\$ -	\$ -	\$ 297,621
Capital Assets, being depreciated:				
Vehicles	65,958	3,000	-	68,958
Furniture, fixtures and office equipment	268,217	12,799	(66,350)	214,666
Computers	51,630	32,472	(13,190)	70,912
Right-to-use leased facility	-	88,429	-	88,429
Total capital assets, being depreciated	<u>385,805</u>	<u>136,700</u>	<u>(79,540)</u>	<u>442,965</u>
Less accumulated depreciation and amortization for:				
Vehicles	(51,775)	(3,928)	-	(55,703)
Furniture, fixtures and office equipment	(233,467)	(5,819)	66,350	(172,936)
Computers	(45,267)	(5,171)	13,190	(37,248)
Right-to-use leased facility	-	(15,257)	-	(15,257)
Total accumulated depreciation and amortization	<u>(330,509)</u>	<u>(30,175)</u>	<u>79,540</u>	<u>(281,144)</u>
Total capital assets, being depreciated, net	<u>55,296</u>	<u>106,525</u>	<u>-</u>	<u>161,821</u>
Governmental activities capital assets, net	<u>\$ 352,917</u>	<u>\$ 106,525</u>	<u>\$ -</u>	<u>\$ 459,442</u>

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2022 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds		
General Fund	Animal Control Fund	\$ 32,801
	Paramedic Intercept Services Fund	37,542
	SPR Transportation Planning Fund	44,763
	Nonmajor Governmental Fund	<u>13,208</u>
		<u>128,314</u>
WINCOG Homeland Security Fund	General Fund	<u>45,475</u>
Regional Revaluation Program	General Fund	<u>7,570</u>
		<u>\$ 181,359</u>

The above balance resulted from the time lag between the dates that (1) transactions are recorded in the accounting system and (2) payments between funds are made.

NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2022 consisted of the following:

Transfers In	Transfers Out	Amount
Governmental Funds		
General Fund	Paramedic Intercept Services	\$ 396
State Grant in Aid Program Fund	General Fund	132,846
Animal Control Fund	General Fund	137,212
		<u>\$ 270,454</u>

NOTE 6 - RELATED PARTY TRANSACTIONS

The Council is party to an annual agreement with the Northeastern Connecticut Transit District (the District), an affiliated governmental organization. Pursuant to the agreement, the Council provides management and administrative services for the District. The Council recognized revenues for these services in the amount of \$140,000 for the year ended June 30, 2022. Amounts due from the District for these services totaled \$11,667 as of June 30, 2022.

In addition, the District's transit facility resides on land owned by the Council for which the District pays the Council an annual rent. The Council recognized \$18,900 in rental income for the year ended June 30, 2022, which included \$9,450 in retroactive rent relating to the year ended June 30, 2021.

NOTE 7 - LONG-TERM LIABILITIES

Changes in Long-term Liabilities

Changes in the Council's long-term liabilities for the year ended June 30, 2022, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balances	Due Within One Year
Governmental Activities					
Mortgage payable	\$ 209,592	\$ -	\$ (10,270)	\$ 199,322	\$ 11,472
Leases	-	88,429	(14,764)	73,665	17,345
Compensated absences	73,353	53,917	(37,303)	89,967	17,993
Total long-term liabilities	<u>\$ 282,945</u>	<u>\$ 142,346</u>	<u>\$ (62,337)</u>	<u>\$ 362,954</u>	<u>\$ 46,810</u>

Long-term liabilities are typically liquidated in the General Fund.

Mortgage Payable

In June 2021, the Council issued a mortgage note in the amount of \$216,750. Payments of principal and interest in the amount of \$1,604 are due monthly, at an interest rate of 3.95%, through November 1, 2035, the maturity date.

NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 7 - LONG-TERM LIABILITIES *(Continued)*

Long-term Debt Service Requirements

Future debt service requirements for the Council's mortgage note are as follows:

Year ending June 30:	Principal	Interest	Total
2023	\$ 11,472	\$ 7,774	\$ 19,246
2024	11,921	7,328	19,249
2025	12,427	6,820	19,247
2026	12,934	6,313	19,247
2027	13,462	5,785	19,247
2028-2032	75,985	20,251	96,236
2033-2036	61,121	4,363	65,484
	<u>\$ 199,322</u>	<u>\$ 58,634</u>	<u>\$ 257,956</u>

Lease (as lessee)

The Council is a lessee of an animal control facility located in Norwich, Connecticut. The Council makes fixed quarterly payments with an implicit interest rate of 3.95% through June 30, 2026, the maturity date. The value of the right-to-use asset as of the end of June 30, 2022 was \$73,172 and had accumulated amortization of \$15,257. As of June 30, 2022, the value of the lease liability was \$73,665.

Future principal and interest lease payments as of June 30, 2022, are as follows:

Year ending June 30:	Principal	Interest	Total
2023	\$ 17,345	\$ 2,655	\$ 20,000
2024	18,040	1,960	20,000
2025	18,764	1,236	20,000
2026	19,516	484	20,000
	<u>\$ 73,665</u>	<u>\$ 6,335</u>	<u>\$ 80,000</u>

NOTE 8 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND FINANCIAL STATEMENTS AND THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

Adjustments to convert from the governmental funds balance sheet to the government-wide statement of net position consisted of the following as of June 30, 2022:

Capital assets, net used in governmental activities	\$ 459,442
Compensated absences - current portion	(17,993)
Leases - current portion	(17,345)
Mortgage payable - current portion	<u>(11,472)</u>
	(46,810)
Compensated absences - long-term portion	(71,974)
Leases - long-term portion	(56,320)
Mortgage payable - long-term portion	<u>(187,850)</u>
	<u>(316,144)</u>
	<u>\$ 96,488</u>

NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND FINANCIAL STATEMENTS AND THE GOVERNMENT-WIDE FINANCIAL STATEMENTS *(Continued)*

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION *(Continued)*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Land	\$ 297,621
Vehicles	68,958
Furniture, fixtures and office equipment	214,666
Computers	70,912
Right-to-use leased facilities	88,429
Less: accumulated depreciation	(281,144)
	<u>\$ 459,442</u>

Long-term liabilities applicable to the Council's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of net position. The Council's long-term liabilities consists of a mortgage note payable, leases and compensated absences.

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES

Adjustments to convert from the governmental funds statement of revenues, expenditures and changes in fund balances to the government-wide statement of activities consisted of the following for the year ended June 30, 2022:

Depreciation and amortization expense	\$ 30,175
Expenditures for capital assets	(136,701)
Expenditures for compensated absences	16,615
Principal payments on mortgage	(25,034)
Proceeds from lease	88,429
	<u>\$ (26,516)</u>

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. Therefore, an adjustment is made for the amount by which depreciation exceeded capital outlays during the current year.

Proceeds from and repayments of long-term liabilities provide or consume current financial resources of governmental funds. Whereas the proceeds and repayments serve to increase and decrease the long-term liabilities balance of governmental activities. Therefore, an adjustment is made to account for the difference in how proceeds and repayments during the current year are treated.

NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 - RETIREMENT PLAN

Deferred Compensation Plan

All regularly employed employees of the Council are offered a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The Council does not provide matching benefits. Deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

NOTE 10 - ECONOMIC DEPENDENCY

A large concentration of revenue is comprised of federal and state grants received from the State of Connecticut. Any loss or significant reduction of these grants could have a significant adverse impact on the Council's financial position and program services.

NOTE 11 - RISK MANAGEMENT

The Council is exposed to various risks of loss related to public official liability, theft or impairment of assets, injury to employees, and errors and omissions. The Council has conveyed the aforementioned risks of loss, with the exception of vehicle liability and property damage, to various insurance underwriters through the purchase of insurance policies. Losses incurred from insured risks have not exceeded insurance coverage for any of the past three fiscal years.

The Council currently is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established under the provision of Connecticut General Statutes section 7-479a et. seq. for worker's compensation. The Council is liable only for contributions to the pool. A separate agreement limits the Council's obligation to pay indemnification obligations and expenses should CIRMA be unable to do so.

**Required
Supplementary
Information**

NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
BUDGETARY COMPARISON SCHEDULE
GENERAL AND SPECIAL REVENUE FUNDS - COMBINED
FOR THE YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
REVENUES				
Animal control	\$ 479,594	\$ 479,594	\$ 508,780	\$ 29,186
Regional services grant	251,199	251,199	251,200	1
Paramedic intercept program	225,000	225,000	269,406	44,406
Regional revaluation	222,500	222,500	151,093	(71,407)
EDA special grant	187,500	187,500	-	(187,500)
Transportation planning	158,750	158,750	215,697	56,947
Regional Human Services/Veteran	151,206	151,206	8,206	(143,000)
Transit management	140,000	140,000	158,900	18,900
Other governmental agencies	105,127	105,127	225,316	120,189
Professional fee for services	94,000	94,000	-	(94,000)
Engineering program	69,477	69,477	-	(69,477)
GIS basic services	19,358	19,358	17,829	(1,529)
Emergency management planning	-	-	42,397	42,397
ARPA administration	-	-	28,417	28,417
Interest income	-	-	332	332
Other	-	-	11	11
Total revenues	<u>2,103,711</u>	<u>2,103,711</u>	<u>1,877,584</u>	<u>(226,127)</u>
EXPENDITURES				
Current:				
Personnel, taxes and benefits	1,053,500	1,053,500	1,140,448	86,948
Animal control expenses	250,000	250,000	275,246	25,246
Paramedic program	225,000	225,000	269,010	44,010
Regional revaluation program	222,500	222,500	151,093	(71,407)
Veteran's transportation	143,000	143,000	-	(143,000)
Professional fees	35,000	35,000	42,682	7,682
GIS license and maintenance	35,000	35,000	-	(35,000)
Insurance	25,000	25,000	22,671	(2,329)
Mortgage	19,250	19,250	19,707	457
Lease	18,200	18,200	16,667	(1,533)
Office supplies	15,000	15,000	75,098	60,098
Project and meeting expenses	15,000	15,000	3,606	(11,394)
Books, publications and software	13,000	13,000	22,676	9,676
Travel and conferences	10,000	10,000	1,771	(8,229)
Telephone and internet	4,500	4,500	4,135	(365)
Advertising	4,500	4,500	3,010	(1,490)
Membership fees	3,500	3,500	1,198	(2,302)
Postage	3,500	3,500	1,932	(1,568)
Website maintenance	8,000	8,000	9,031	1,031
Total expenditures	<u>2,103,450</u>	<u>2,103,450</u>	<u>2,059,981</u>	<u>(43,469)</u>
Excess of revenues over expenditures	<u>\$ 261</u>	<u>\$ 261</u>	(182,397)	<u>\$ (182,658)</u>
Fund balances - beginning			382,954	
Fund balances - ending			<u>\$ 200,557</u>	

See independent auditor's report and notes to required supplementary information.

NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - BUDGETARY INFORMATION

The Council establishes an organization-wide budget in accordance with the provisions of its bylaws. A preliminary annual budget is prepared on or before the first week in February each year and presented to the Board for adoption prior to July 1 of each year. The Board, as necessary, may amend the budget during the fiscal year. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. Any excess of expenditures over revenues will be funded by either future revenue or the respective fund balances. The adopted annual budget covers the General Fund and all of the Special Revenue Funds.

NOTE 2 - COMPLIANCE - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2022, expenditures exceeded appropriations in certain objects. These excess expenditures were funded using unbudgeted revenue sources or unassigned fund balance and do not represent a violation of any regulatory or statutory provisions.

**Other
Supplementary
Information**

NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
FINANCIAL SUMMARY FOR THE STATE OF CONNECTICUT
DEPARTMENT OF TRANSPORTATION
FOR THE PERIOD ENDED JUNE 30, 2022

	FHWA* 5.09-09(17)	FTA** 5.09-09(17)	Total
Maximum Funds Authorized:			
FHWA	\$ 120,000	\$ -	\$ 120,000
ConnDOT - FHWA	15,000	-	15,000
FTA	-	21,000	21,000
ConnDOT - FTA	-	2,625	2,625
Local	15,000	2,625	17,625
	<u>\$ 150,000</u>	<u>\$ 26,250</u>	<u>\$ 176,250</u>
Expenditures:			
Direct costs:			
Salaries	\$ 104,845	\$ 17,131	\$ 121,976
Other	4,225	-	4,225
Indirect costs	69,424	11,344	80,768
Capital outlays	8,728	-	8,728
	<u>\$ 187,222</u>	<u>\$ 28,475</u>	<u>\$ 215,697</u>
Distribution of Costs:			
FHWA	\$ 139,234	\$ -	\$ 139,234
ConnDOT - FHWA	17,404	-	17,404
FTA	-	21,145	21,145
ConnDOT - FTA	-	2,643	2,643
Local	30,584	4,687	35,271
	<u>\$ 187,222</u>	<u>\$ 28,475</u>	<u>\$ 215,697</u>
ConnDOT Responsibility:			
FHWA	\$ 139,234	\$ -	\$ 139,234
ConnDOT - FHWA	17,404	-	17,404
FTA	-	21,145	21,145
ConnDOT - FTA	-	2,643	2,643
	<u>156,638</u>	<u>23,788</u>	<u>180,426</u>
Payments received through June 30, 2022	<u>111,875</u>	<u>10,580</u>	<u>122,455</u>
Due from ConnDOT, June 30, 2022	44,763	13,208	57,971
Payments received July 1, 2022 - December 31, 2022	<u>44,763</u>	<u>13,208</u>	<u>57,971</u>
Due from ConnDOT, December 31, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

* FHWA - Federal Highway Administration

** FTA - Federal Transit Administration

See independent auditor's report.

**Reporting Required By
The State of Connecticut
Department of Transportation**

**INDEPENDENT AUDITOR'S REPORT ON THE
SCHEDULE OF INDIRECT COSTS AND OVERHEAD RATE CALCULATION**

To the Board of Directors of the
Northeastern Connecticut Council of Governments
Dayville, Connecticut

We have audited the accompanying schedule of indirect costs and overhead rate calculation of the Northeastern Connecticut Council of Governments (the Council) as of and for the year ended June 30, 2022, and the related notes to the schedule.

In our opinion, the schedule referred to above presents fairly, in all material respects, the Schedule of Indirect Costs and Overhead Rate Calculation (the Schedule) of the Northeastern Connecticut Council of Governments as of and for the year ended June 30, 2022 in accordance with the provisions prescribed by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Basis for Opinion

We conducted our 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 of the Schedule, which describes the basis of accounting, which describes the basis of accounting to meet the requirements of the Council's Transportation Planning Agreement with the State of Connecticut Department of Transportation. The Schedule is prepared on the basis of the provisions prescribed by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), which is a basis of accounting other than accounting principles generally accepted in the United States of America. As a result, the schedule may not be suitable for another purpose. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Information

Management is responsible for the preparation and fair presentation of the Schedule in accordance with the provisions prescribed by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedule.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedule.
- Obtain an understanding of internal control relevant to the audit 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 Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Restriction on Use

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



Certified Public Accountants
Glastonbury, Connecticut
May 12, 2023

NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
SCHEDULE OF INDIRECT COSTS AND OVERHEAD RATE CALCULATION
FOR THE YEAR ENDED JUNE 30, 2022

	Animal Control	All Other Functions	Entity-Wide
INDIRECT COSTS			
Compensated absences	\$ 3,793	\$ 96,576	\$ 100,369
Payroll and related taxes	11,651	69,643	81,294
Fringe benefits	1,989	92,917	94,906
Insurance	7,504	23,010	30,514
Professional services	10,603	48,996	59,599
Depreciation	-	30,175	30,175
Licenses and permits	-	22,570	22,570
Supplies	-	9,516	9,516
Other	-	16,776	16,776
Repairs	-	2,198	2,198
Telephone	-	4,135	4,135
Membership fees	-	1,198	1,198
Postage	-	1,932	1,932
Equipment rental	-	216	216
Total indirect costs	<u>\$ 35,540</u>	<u>\$ 419,858</u>	<u>\$ 455,398</u>
TOTAL PAYROLL	\$ 330,634	\$ 681,434	\$ 1,012,068
LESS: Indirect payroll	10,612	21,450	32,062
LESS: Compensated absences	<u>3,793</u>	<u>96,576</u>	<u>100,369</u>
Payroll base	<u>\$ 316,229</u>	<u>\$ 563,408</u>	<u>\$ 879,637</u>
Overhead rate	<u>11.24%</u>	<u>74.52%</u>	<u>51.77%</u>

The accompanying notes are an integral part of this schedule.

NORTHEASTERN CONNECTICUT COUNCIL OF GOVERNMENTS
NOTES TO THE SCHEDULE OF INDIRECT COSTS AND
OVERHEAD RATE CALCULATION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

The Northeastern Connecticut Council of Governments was organized in 1987. The Council consists of the following member towns: Ashford, Brooklyn, Canterbury, Chaplin, Eastford, Hampton, Killingly, Plainfield, Pomfret, Putnam, Scotland, Sterling, Thompson, Union, Voluntown and Woodstock. The chief elected official of each member town comprises the Council's Board of Directors. The Council provides planning services for its member towns and is primarily funded by assessments to member towns and federal and state grants.

BASIS OF PRESENTATION

The accompanying schedule of indirect costs and overhead rate calculation includes the allowable fringe, burden and overhead expenses of the Northeastern Connecticut Council of Governments (the Council) and has been prepared in accordance with the provisions prescribed by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The information in the schedule excludes certain unallowable costs and, therefore, amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the Council's basic financial statements.

OVERHEAD RATE STRUCTURE

The reporting unit for overhead rate structure has historically been presented on an entity-wide basis using the simplified method. In the current year, the overhead rate structure has also been presented for the Council using the multiple allocation base method as the Council's indirect costs benefit its major functions in varying degrees.

NOTE 2 - COST ALLOCATION

Costs are distributed to projects and activities in accordance with the requirements and cost principles prescribed by the Uniform Guidance. Allocation of indirect costs are based on direct labor charges associated with each program. Direct costs incurred by a particular project are charged to that project whether the expense is reimbursable or not.

NOTE 3 - SUBSEQUENT EVENTS

Subsequent events were evaluated by management through May 12, 2023.

Supplemental Report

**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
Northeastern Connecticut Council of Governments
Dayville, Connecticut

We have audited, in accordance with the 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 Northeastern Connecticut Council of Governments (the Council), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated May 12, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 a 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.


Our consideration of internal control 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council'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 Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mahoney Sabol & Company, LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants
Glastonbury, Connecticut
May 12, 2023