

**LOWER CONNECTICUT RIVER
VALLEY COUNCIL OF
GOVERNMENTS**

**AUDITED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
FEDERAL AND STATE SINGLE AUDIT REPORT**

FOR THE YEAR ENDED JUNE 30, 2018

LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
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INDEPENDENT AUDITOR'S REPORT

Board of Directors

Lower Connecticut River Valley Council of Governments 145 Dennison Road
Essex, CT 06426

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lower Connecticut River Valley Council of Governments, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Council'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 fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, we express no such opinion.

An audit also includes evaluating 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Lower Connecticut River Valley Council of Governments, as of June 30, 2018, 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.

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 7-13 and 31-32 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. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lower Connecticut River Valley Council of Governments' basic financial statements. The combining and individual non-major fund financial statements, the Statement of Direct Labor, Fringe Benefits, and General Overhead and the Financial Summary for the State of Connecticut Department of Transportation are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual other fund financial statements, the Statement of Direct Labor, Fringe Benefits, and General Overhead, the Financial Summary for the State of Connecticut Department of Transportation and the Schedule of Expenditures of Federal and State Awards 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 our opinion, combining and individual other fund financial statements, the Statement of Direct Labor, Fringe Benefits, and General Overhead, the Financial Summary for the State of Connecticut Department of Transportation and the Schedule of Expenditures of Federal and State Awards 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*, we have also issued our report dated November 6, 2018, on our consideration of the Lower Connecticut River Valley Council of Governments' 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 Lower Connecticut River Valley Council of Governments' internal control over financial reporting and compliance.

Henry, Raymond & Thompson, LLC

Henry, Raymond & Thompson, LLC
South Windsor, CT
November 6, 2018

LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

As management of the Lower Connecticut River Valley Council of Governments ("RiverCOG"), we offer readers of RiverCOG's financial statements this narrative overview and analysis of the financial activities of RiverCOG for the fiscal year ended June 30, 2018.

RiverCOG ended its sixth fiscal year in good financial health. This report for the Fiscal Year 2018 Audit shows an agency that has been able to absorb unexpected cuts in state funding, due to a conservative financial approach. At the end of the 2017 fiscal year, the Connecticut Office of Policy and Management (OPM) informed the state's COGs not to expect their final quarter payment of \$74,251 on their 2017 regional services grant (RSG). An offset in the 2017 RSG contract year meant that the final payment would have been made in the first quarter of fiscal year 2018. RiverCOG, in its Fiscal Year 2018 budget, expected a similar three-quarters payment of 2018 RSG. Instead of a 25% less funding than what was promised in 2017, RiverCOG received a cut of 50.5% in 2018 RSG. This further reduction was due to the late state budget, state budget line item budget cuts, and further OPM holdbacks.

RiverCOG was able to absorb the RSG funding cut through a few strategies. First, a vacant planner position was left unfilled and two consultant contracts for the regional economic strategic plan and regional plan of conservation and development were canceled. It was decided that the consultant work would be done in-house instead. During Fiscal Year 2018 three employees left RiverCOG voluntarily, two via retirement and one via finding employment elsewhere. Two of the vacated positions were left vacant. Two corridor studies, funded by town and state grants, also provided new revenue to RiverCOG. Also the lower rent negotiated for 145 Dennison Road helped with the funding deficit. The Executive Director negotiated a further 36-month extension of the lease at this lower rent, with no increases, and a reduction of building maintenance and repair responsibilities.

The Fiscal Years 2017-19 Biennium State Budget cut funding for COGs in Fiscal Year 2018, but promised greatly increased RSG for COGs in Fiscal Year 2019. During the 2018 legislative session the General Assembly followed through with an increased RSG appropriation, but unfortunately OPM decided to again hold back a significant portion of budgeted RSG funding. This was compounded by a new RSG formula that removed the hold-harmless base payment that RiverCOG has previously received. This increased 2019 RSG funding for the most populous COGs, while reducing funding for less populous COGs, particularly ones that were the result of a merger, such as RiverCOG. The vacant positions accompanied by the continuing corridor studies, as well as a new grant for a Regional Transit Integration Study, will supplement RSG cuts in Fiscal Year 2019.

Fiscal Year 2018 brought some staffing changes to RiverCOG. RiverCOG Office Manager Judy Snyder retired after nearly 40 years of service with Midstate RPA & RiverCOG, and Transportation Planner Richard Grant retired after twelve years of service to RiverCOG and Midstate RPA. Planning Intern Nate Hougrand left for a Planner II position with the city of New Haven. Eliza LoPresti was hired from the town of East Hampton, for a new Administrative / Financial Assistant position at RiverCOG, created after Judy Snyder's retirement. Also, one RiverCOG staff member went on medical leave in March 2018, and is expected to return in December 2018.

In March 2018 RiverCOG received an invoice from the IRS for a civilian penalty and interest of \$40,695.47 dating back to the pre-merger Connecticut River Estuary RPA (CRERPA) tax year 2010. Upon investigation, RiverCOG staff discovered that the Social Security Administration never received CRERPA's 2010 W-2's and W-3. Recreated W-2's and W-3 were sent to the Social Security Administration in the fall of 2012. These recreated forms were not input into the Social Security Administration's system until 2014. In 2013, the Social Security Administration turned this case over to the IRS for the assessment of a civilian penalty. Notice of that penalty was sent to the former CRERPA address, after mail forwarding had ceased. Notices were repeatedly sent to the former CRERPA address for the last five years. After many days of work with the IRS and Social Security Administration, and pro-bono legal representation from Attorney Ray Muratori, the matter was eventually

resolved and the civilian penalty and interest were completely abated in August 2018. Since June of 2014, new procedures, such as keeping scans and hard copies of W-2's and W-3's, etc., and sending correspondence via certified mail, were established which would prevent a similar situation from happening to RiverCOG.

The financial statements provide detailed information about the significant funds attributable to agency operations and workload. The Agency develops a budget to establish an appropriate base plus per capita contribution from its member towns. The adopted budget is a best estimate at the time; however, program, projects, and cash flow will vary based on workload deadlines, pending grant applications, or funds receivable. Given the nature of the work within the agency, RiverCOG does not typically amend the budget during the fiscal year.

FINANCIAL HIGHLIGHTS

- The assets of RiverCOG exceeded its liabilities at the close of the most recent fiscal year by \$814,431 (net assets) of this amount, \$654,063 (unrestricted net assets) may be used to meet RiverCOG's ongoing obligations.
- RiverCOG's total net assets increased by \$78,469
- As of the close of the current fiscal year, RiverCOG's governmental funds reported combined ending fund balances of \$797,935, an increase of \$75,469 in comparison with the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to RiverCOG's basic financial statements. RiverCOG'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

RiverCOG is considered a single-program governmental organization for financial reporting purposes. Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments* require the presentation of government-wide financial statements and fund financial statements. The government-wide financial statements consist of the statement of net assets 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. RiverCOG has no business-type activities. Rather than presenting government-wide financial statements along with separate governmental fund financial statements, RiverCOG has chosen to combine the two types of financial statements as permitted by GASB Statement No. 34. Accordingly, the accompanying financial statements of RiverCOG 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 RiverCOG's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how RiverCOG's net assets 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 RiverCOG's governmental activities, which consists of regional planning. RiverCOG does not have any business-type activities.

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

The government-wide financial statements can be found on pages 16 and 17 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. RiverCOG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 RiverCOG'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 RiverCOG's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

RiverCOG maintains 14 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Department of Transportation, Household Hazardous Waste and Recycling, Domestic Preparedness, RPIP Wetlands, and Regional Services Grants, all of which are considered to be major funds. Data from the seven other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 16 and 17 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 starting on page 20 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 starting on page 31 of this report. Combining schedules and other supplementary information can be found starting on page 34 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

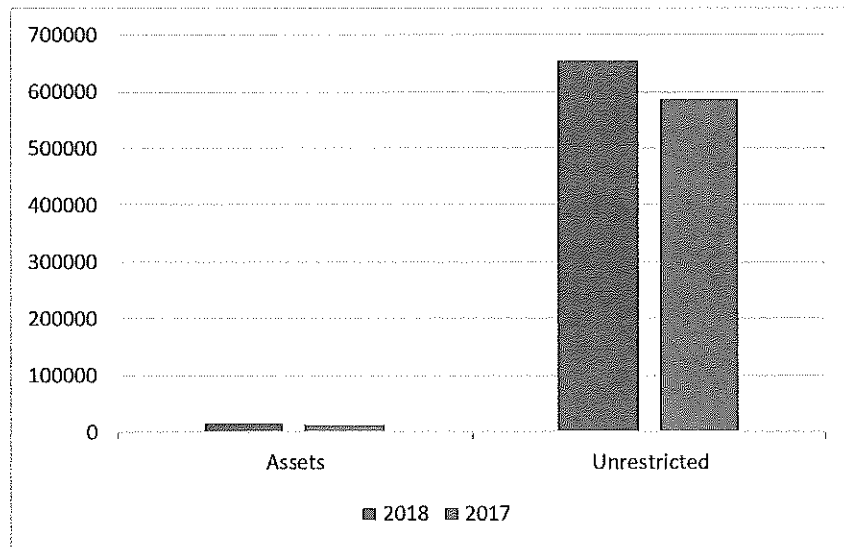
Over time, net position may serve as one measure of a government's financial position. Total net position of RiverCOG totaled \$814,431 and \$735,962, as previously reported, as of June 30, 2018 and 2017, respectively, and is summarized as follows:

	Gov't Wide	
	2018	2017
Current and other assets	\$ 1,195,243	\$ 1,118,497
Capital assets, net	16,496	13,496
Total assets	<u>1,211,739</u>	<u>1,131,993</u>
Liabilities		
Deferred inflow of resources	150,005	162,549
Other liabilities	247,303	233,482
Total liabilities	<u>397,308</u>	<u>396,031</u>
Net position:		
Invested in capital assets, net	16,496	13,496
Unrestricted	654,063	587,535
Restricted	143,872	134,931
Total net position	<u>\$ 814,431</u>	<u>\$ 735,962</u>

As of June 30, 2018, 2% of RiverCOG's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. RiverCOG uses these capital assets to provide services and regional planning for member towns; consequently, these assets are not available for future spending.

Of the remainder of RiverCOG's net assets, \$654,063 is unrestricted and may be used to meet RiverCOG's ongoing obligations. The remaining \$143,872 is restricted to specific fund use for the Household Hazardous Waste & Recycling Program.

Overall, net position increased by \$78,469 or 11% in comparison to the prior year. This increase is attributable to timing of member town services for various projects, and grants requiring varying matching contributions.

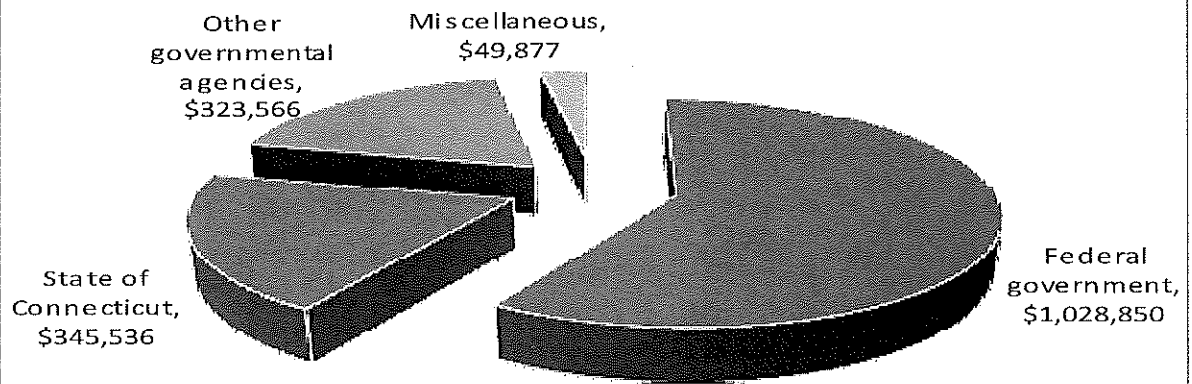


Changes in Net Position

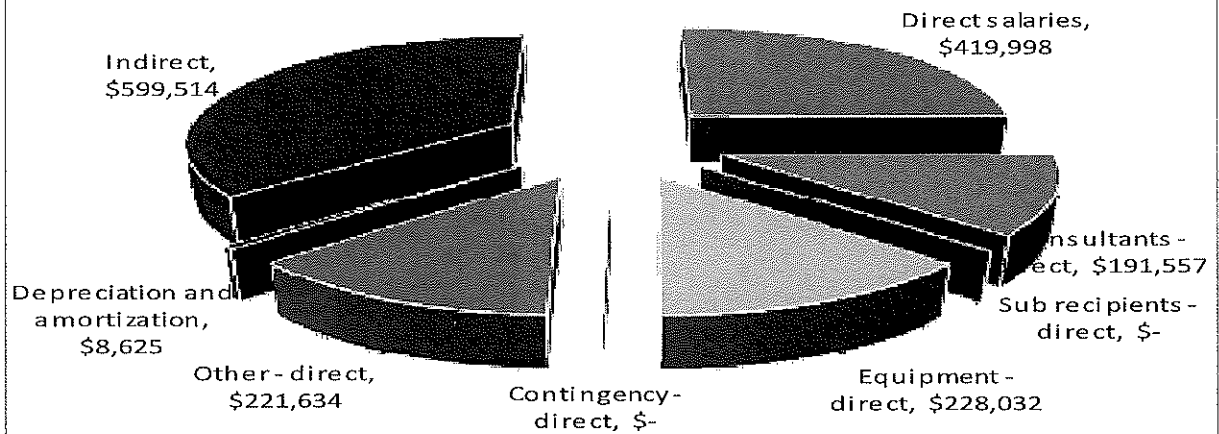
Changes in net position for the years ended June 30, 2018 and 2017 are as follows:

	Gov't Wide Activities	
	2018	2017
Revenues:		
Federal government	\$ 1,028,850	\$ 831,963
State of Connecticut	345,536	395,793
Other governmental agencies	323,566	310,232
Miscellaneous	49,877	51,061
Total Revenues	1,747,829	1,589,049
Expenditures:		
Direct salaries	419,998	460,176
Consultants - direct	191,557	119,681
Sub recipients - direct	-	-
Equipment - direct	228,032	77,436
Contingency - direct	-	-
Other - direct	221,634	167,901
Depreciation and amortization	8,625	17,582
Indirect	599,514	645,169
Total expenses	1,669,360	1,487,945
Increase (Decrease) in net position	78,469	101,104
Net position - beginning	735,962	634,858
Net position - end of year	<u>\$ 814,431</u>	<u>\$ 735,962</u>

2018 Revenues by Source - Governmental Activities



2018 Expenses - Governmental Activities



Governmental Activities

Governmental activities increased RiverCOG's net assets by \$78,469 thereby accounting for the entire increase of RiverCOG's net assets.

FINANCIAL ANALYSIS OF RIVERCOG's FUNDS

As noted earlier, RiverCOG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of RiverCOG's governmental funds is to provide information on near-term, inflows, outflows, and balances of spendable resources. Such information is useful in assessing RiverCOG's financing requirements. In particular, unassigned fund balance may serve as a useful measure of RiverCOG's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, RiverCOG's governmental funds reported combined ending fund balances of \$797,935, an increase of \$75,469 in comparison with the prior year.

General Fund

The General Fund is the chief operating fund of RiverCOG. The entire governmental funds ending fund balances is recorded in the General Fund.

Other Major Funds

The other major funds include the Department of Transportation, Household Hazardous Waste and Recycling, Domestic Preparedness, RPIP Wetlands, and Regional Services Grants (RSG). These funds provide various transportation or other planning services to the Lower Connecticut River Valley Council of Governments region. The Department of Transportation, Domestic Preparedness, and RPIP Wetlands funds are operated on a cost-reimbursement basis, thus, there are no ending fund balances. The COG Regional Plan and the SGIA/RSG Regional Planning funds are advanced, and funds remaining at year end are recorded as deferred revenue. Any profit or loss recognized in the Household Hazardous Waste and Recycling fund affects its restricted fund balance.

BUDGETARY HIGHLIGHTS

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

The budget was not amended during the year.

CAPITAL ASSETS

RiverCOG's investment in capital assets for its governmental activities as of June 30, 2018 totaled \$16,496 (net of accumulated depreciation). This investment in capital assets includes furniture and equipment. The total increase in RiverCOG's investment in capital assets for the current fiscal year was \$3,000, or 22%. The increase is primarily attributable to the purchase of a new IT server less depreciation.

The following table is a two-year comparison of the investment in capital assets presented for governmental activities:

	Governmental Activities	
	2018	2017
Furniture and equipment	\$ 16,496	\$ 13,496
Totals	<u>\$ 16,496</u>	<u>\$ 13,496</u>

Additional information on RiverCOG's capital assets can be found in Note 3 on page 26 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

RiverCOG 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. Any loss or significant reduction of these revenues could have a significant adverse impact on RiverCOG's financial position and program services.

This was considered in preparing RiverCOG's budget for fiscal year 2018.

During the current fiscal year, unassigned fund balance of the General Fund was \$654,063. RiverCOG has not appropriated any of this unassigned fund balance for spending in the 2019 fiscal year budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of RiverCOG's finances for all those with an interest in RiverCOG's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Financial Administrator or Executive Director at Lower Connecticut River Valley Council of Governments, 145 Dennison Road, Essex, CT 06426.

BASIC FINANCIAL STATEMENTS

LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2018

Governmental Funds Balance Sheets

	General Fund	Department of Transportation Fed Proj #UR18(001)	Household Hazardous Waste and Recycling	Total Domestic Preparedness	Department of Transportation Fed Proj #0081111	RIP Wetlands	Regional Services Grants	Non Major Gov't Funds	Total	Adjustments (Note 8)	Gov't wide stmt of Net position
ASSETS											
Cash and cash equivalents	\$ 763,194	\$ -	\$ -	\$ -	0	\$ -	\$ -	\$ -	763,194	\$ -	\$ 763,194
Receivables:											
Due from Federal Govt.	-	-	-	-	-	-	-	1,426	1,426	-	1,426
Due from State of Connecticut	-	99,179	-	141,916	94,306	29,499	-	-	364,900	-	364,900
Due from other funds	46,464	-	147,061	-	1,733	-	497	44,329	240,084	(240,084)	-
Other receivables	7,248	-	-	-	-	-	-	44,232	51,480	-	51,480
Security Deposit	8,667	-	-	-	-	-	-	-	8,667	-	8,667
Capital assets, net of accumulated depreciation	-	-	-	-	-	-	-	-	-	16,496	-
Total current assets	\$ 825,573	\$ 99,179	\$ 147,061	\$ 141,916	\$ 96,039	\$ 29,499	\$ 497	\$ 89,987	\$ 1,429,751	\$ (223,588)	\$ 1,206,163
DEFERRED OUTFLOW OF RESOURCES											
Prepaid expenses	5,576	-	-	-	-	-	-	-	5,576	-	5,576
Total deferred outflows of resources	5,576	-	-	-	0	-	-	-	5,576	-	5,576
Total assets	831,149	99,179	147,061	141,916	96,039	29,499	497	89,987	1,435,327	(223,588)	1,211,739
LIABILITIES											
Current liabilities:											
Accounts payable	\$ 5,655	\$ 404	\$ 2,425	\$ 51,032	\$ 94,699	\$ 11,924	\$ 419	\$ 53	\$ 166,631	\$ -	\$ 166,631
Due to State of Connecticut	18,264	-	-	-	-	-	-	-	18,264	-	18,264
Accrued payroll & taxes	9,826	10,646	764	568	1,340	155	78	1,451	24,828	-	24,828
Accrued compensated absences	37,580	-	-	-	-	-	-	-	37,580	-	37,580
Non current liabilities											
Obligations under capital lease	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	88,129	-	90,296	-	17,420	-	44,239	240,084	(240,084)	-
Total Liabilities	71,325	99,179	3,189	141,916	96,039	29,499	497	45,743	487,387	(240,084)	247,303
DEFERRED INFLOW OF RESOURCES											
Deferred revenue	105,761	-	-	-	-	-	-	44,244	150,005	-	150,005
total deferred inflows of resources	105,761	-	-	-	-	-	-	44,244	150,005	-	150,005
FUND BALANCE/NET ASSETS											
Fund balances:											
Unassigned	654,063	-	-	-	-	-	-	-	654,063	-	654,063
Restricted	-	-	143,872	-	-	-	-	-	143,872	-	143,872
Total fund balances	654,063	-	143,872	-	-	-	-	-	797,935	-	797,935
Total liabilities and fund balances	\$ 831,149	\$ 99,179	\$ 147,061	\$ 141,916	\$ 96,039	\$ 29,499	\$ 497	\$ 89,987	\$ 1,435,327		
NET POSITION											
Invested in capital assets, net of related debt											16,496
Restricted											143,872
Unrestricted											654,063
											\$ 814,431

The accompanying notes are an integral part of these financial statements

LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances

	General Fund	Department of Transportation #UR18(001)	Household Hazardous Waste and Recycling	Total Domestic Preparedness	Department of Transportation #0081111	Wetlands	Regional Services Grants	Non Major Gov't Funds	Total	Adjustments (Note 8)	Gov't wide stmt of Net position
REVENUES											
Federal government	\$ -	\$ 486,680	\$ -	\$ 431,781	\$ 96,495	\$ -	\$ -	\$ 13,894	\$ 1,028,850	\$ -	\$ 1,028,850
State of Connecticut	-	46,235	-	-	12,062	56,760	216,777	13,702	345,536	-	345,536
Other governmental agencies	98,331	75,436	78,914	5,285	12,062	-	1,372	52,166	323,566	-	323,566
Miscellaneous	10,873	-	-	-	-	-	-	39,004	49,877	-	49,877
Total revenues	109,204	608,351	78,914	437,066	120,619	56,760	218,149	118,766	1,747,829	-	1,747,829
EXPENDITURES/EXPENSES											
Current:											
Direct Costs:											
Salaries	14,705	244,721	17,359	23,270	4,185	7,053	75,759	32,946	419,998	-	419,998
Consultants	-	2,872	-	11,380	110,179	39,445	21,320	6,361	191,557	-	191,557
Sub recipients	-	-	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	228,032	-	-	-	-	228,032	-	228,032
Contingency	-	-	-	-	-	-	-	-	-	-	-
Other	6,574	4,665	27,355	140,523	165	-	10,833	31,519	221,634	-	221,634
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-
Indirect	21,397	356,093	25,259	33,861	6,090	10,262	110,237	47,940	611,139	8,625	8,625
Total Expenditures/expenses	42,676	608,351	69,973	437,066	120,619	56,760	218,149	118,766	1,672,360	(11,625)	599,514
Excess (deficiency) of revenues over expenditures	66,528	-	8,941	-	-	-	-	-	75,469	3,000	78,469
OTHER FINANCING SOURCES (USES)											
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-
Excess of revenues and other financing sources over expenditures and other financing uses	66,528	-	8,941	-	-	-	-	-	75,469	-	-
Change in net assets	-	-	-	-	-	-	-	-	-	-	78,469
Fund balance/net assets - beginning of year	587,535	-	134,931	-	-	-	-	-	722,466	-	735,962
Fund balance/net assets - end of year	\$ 654,063	\$ -	\$ 143,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 797,935	\$ (3,000)	\$ 814,431

The accompanying notes are an integral part of these financial statements

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION – FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Pension Trust Fund</u>
Assets:	
Investments:	
Equity mutual funds	<u>\$ 464,068</u>
 Total assets	 <u><u>\$ 464,068</u></u>
 Net Position:	
Restricted for Pension Benefits	<u><u>\$ 464,068</u></u>

The accompanying notes are an integral part of these financial statements

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES – FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Pension Trust Fund</u>
Additions:	
Employer contributions	\$ 36,285
Investment income (loss):	
Net increase in the fair value of investments	<u>28,069</u>
Total additions	64,354
Distributions	<u>24,526</u>
Change in Net Position	39,828
Net Position at the beginning of year	<u>424,240</u>
Net Position at the end of year	<u><u>\$ 464,068</u></u>

The accompanying notes are an integral part of these financial statements

LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lower Connecticut River Valley Council of Governments ("RiverCOG") was established on July 16, 2012 by the merger of the Connecticut River Estuary and Midstate Regional Planning Agencies. The RiverCOG provides local planning, technical and administrative services to its seventeen member towns. These are the towns of Chester, Clinton, Cromwell, Deep River, Durham, East Haddam, East Hampton, Essex, Haddam, Killingworth, Lyme, Middlefield, Middletown, Old Lyme, Old Saybrook, Portland and Westbrook. Funding is received from local towns based on a flat rate plus per capita assessments, and technical assistance contracts.

RiverCOG also receives federal financial assistance and funding from the State of Connecticut and other local agencies in the form of restricted and unrestricted grants and technical assistance contracts.

The accounting policies of the RiverCOG conform to accounting principles generally accepted in the United States of America, as applicable to governmental organizations. The following is a summary of significant accounting policies:

BASIS OF PRESENTATION

RiverCOG is considered a single-program governmental organization for financial reporting purposes. Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments* require 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. The fund financial statements consist of the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. RiverCOG has no business-type activities. Rather than presenting government-wide financial statements along with separate governmental funds financial statements, RiverCOG has chosen to combine the two types of financial statements as permitted by GASB Statement No. 34. Accordingly, the accompanying financial statements of RiverCOG 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

Information presented in the government-wide statement of net assets column and in the government-wide statement of activities column of the accompanying financial statements includes all financial activities of RiverCOG. RiverCOG's activities are financed through member municipality assessments, inter-governmental revenues, and other non-exchange transactions.

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

LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Fund Financial Statements

Information presented in the fund financial statement columns provides information about RiverCOG's governmental funds. The emphasis of fund financial statements is on major governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

RiverCOG reports the following major governmental funds:

General Fund - This fund is RiverCOG's primary operating fund. It accounts for all financial resources of RiverCOG, except those accounted for and reported in another fund.

Department of Transportation Fund #UR18(001) - This fund is used for regional transportation planning services.

Household Hazardous Waste and Recycling Fund - This fund is used to staff and operate a Permanent Household Hazardous Waste Facility for the Region.

Domestic Preparedness Fund - This fund is used to support staffing, reporting and record keeping for Emergency Management funding. It is also used for pass-through implementation of Emergency Management budgeting and funding for the 30 towns comprising DEMHS Region 2.

Department of Transportation Fund #0081111 - This fund is used for regional transportation corridor studies.

RPIP Wetlands - This fund is used for the development of a regional wetlands data set.

Regional Services Fund - This fund represents Regional Services Grant funding from the state of Connecticut to support various planning activities and regional sharing planning/activities.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide and Fiduciary Fund 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. Assessments from member municipalities 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.

LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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 susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, RiverCOG considers revenues pertaining to member municipality assessments, grants and contracts, and interest associated with the current period to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the cash is received by RiverCOG. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital projects are reported as other financing sources.

ASSETS, LIABILITIES AND FUND EQUITY

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less when purchased. Cash equivalents also include investments in the State Treasurer's Short-Term Investment Fund ("STIF") which totaled \$567,199 as of June 30, 2018.

Investments

In accordance with *GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, RiverCOG presents all investments at fair value.

The fair value of investments traded on public markets is determined using quoted market prices. RiverCOG invests in the STIF, which is an investment pool managed by the State Treasurer's Office. The fair value of RiverCOG's position in this pool is the same as the value of the pool shares.

Capital Assets

Capital assets, which are comprised of furniture and equipment, are reported in the government-wide financial statements. A capital asset is defined by RiverCOG as an asset with an initial individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Depreciation is computed over the estimated useful life of the asset, ranging from three to ten years, using the straight-line method and is added to accumulated depreciation each year. All depreciation is included as unallocated indirect cost.

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.

Unearned/Deferred Revenue

In the government-wide and fund financial statements, this liability represents resources that have been received but not yet earned. In the fund financial statements, this liability also represents revenues considered measurable but not available during the current period.

LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Compensated Absences

All compensated absences are accrued when incurred in the government-wide statement of net assets. 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.

RiverCOG allows vacation time to be accrued to a maximum of 175 hours, which may be paid out upon termination of employment. RiverCOG's sick leave policy permits the accumulation of up to a maximum of 210 hours. Employees are not paid for unused sick days upon termination of employment, accordingly, sick pay is charged to expenditures when taken. No provision has been made in the financial statements for unused sick leave.

Deferred Outflows/Inflows of Resources – 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 represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. 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 represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. As of June 30, 2018, the governmental funds report unavailable revenues from one source, grant funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts are used for expenditures.

Net Position – Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by RiverCOG or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes net investments in capital assets, restricted for debt service and special revenue funds. The balance is classified as unassigned and restricted based on criteria above.

Fund Balance

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

Invested in capital assets, net of related debt - This category consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets. RiverCOG had no capital related debt as of June 30, 2018.

Restricted net position - This category consists of net assets 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. For the year ended June 30, 2018, RiverCOG had \$143,872 of restricted net assets.

Unrestricted net position - This category consists of net assets, which do not meet the definition of the two preceding categories. For the year ended June 30, 2018, unrestricted net position was \$654,063.

LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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 AND INVESTMENTS

CASH DEPOSITS - CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event of a bank failure, RiverCOG 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. RiverCOG has a policy to invest all cash in such bank accounts where the funds will be insured by federal depository insurance and in Connecticut Short-Term Investment Fund, which is not insured by federal deposit insurance. RiverCOG is authorized to place funds in checking, savings, certificates of deposit, or money market accounts. Due to the timing of collections and payments, there may be times when cash balances at banks are in excess of the insurance limits. Management monitors the balance to keep risk at an acceptable level. As of June 30, 2018, RiverCOG's bank reported a balance of \$195,995, which was fully insured against loss.

All of the RiverCOG'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.

RiverCOG's cash and cash equivalents as of June 30, 2018 consisted of cash deposits of \$195,995 and investments in STIF totaling \$567,199. Although investments in STIF are included in cash and cash equivalents in the accompanying financial statements, such amounts are considered investments for purposes of disclosure under GASB No. 40 and are included in the investment disclosures that follow.

LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

INVESTMENTS

As of June 30, 2018, RiverCOG's investments consisted of the following:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Debt Securities					
Short Term Investment Fund (STIF)	\$ 567,199	\$567,199	\$ -	\$ -	\$ -

Because STIF has a weighted average maturity of less than 90 days, it is considered an investment with a maturity of less than one year.

The investment in equity mutual funds is maintained in the Pension Trust Fund in the statement of fiduciary net assets.

Interest Rate Risk

RiverCOG does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

RiverCOG has no investment policy that would further limit its investment choices beyond those limited by Connecticut state statutes. Connecticut state statutes permit RiverCOG to invest in obligations of the United States, including its instrumentalities and agencies; in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service. Pension trust funds may also invest in certain real estate mortgages, in certain savings banks or savings and loan associations, or in stocks or bonds or other securities selected by the trustee, with the care of a prudent investor.

As of June 30, 2018, RiverCOG's investments in STIF were rated AAA by Standard & Poor's.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of counterparty, RiverCOG will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. RiverCOG does not have a policy for custodial credit risk. In accordance with GASB No. 40, RiverCOG's investments in STIF do not require custodial credit risk disclosures because investments in STIF are not evidenced by securities that exist in physical or book entry form.

LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, being depreciated:				
Furniture & Equipment	\$ 126,852	\$ 11,625	\$ (7,179)	\$ 131,298
Less accumulated depreciation and amortization for:				
Furniture & Equipment	<u>(113,356)</u>	<u>(8,625)</u>	<u>7,179</u>	<u>(114,802)</u>
Total capital assets, being depreciated, net	<u>13,496</u>	<u>3,000</u>	<u>-</u>	<u>16,496</u>
Governmental activities capital assets, net	<u>\$ 13,496</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 16,496</u>

Depreciation expense was charged to the functions of the primary government as follows:

General government activities	<u>\$8,625</u>
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NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2018 were as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
<u>Receivable Fund</u>		
Governmental Funds		
General Fund	\$ 46,464	\$ -
Department of Transportation (UR18(001)	-	88,129
Department of Transportation (0081111)	1,733	-
Domestic Preparedness	-	90,296
U.S. Fish and Wildlife	-	1,012
RPIP Wetlands	-	17,420
CT River Gateway	-	1,780
CT RC&D	-	41,447
Household Hazardous Waste	147,061	-
Regional Services Grant	497	-
LOT/CIP	39,572	-
Elections Monitor	<u>4,757</u>	<u>-</u>
	<u>\$240,084</u>	<u>\$240,084</u>

The above balances resulted from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - INTERFUND TRANSFERS

There were no Interfund transfers for the year ended June 30, 2018.

NOTE 6 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities					
Compensated absences	\$ 40,347	\$41,247	\$(44,014)	\$ 37,580	\$ 37,580

NOTE 7 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND FINANCIAL STATEMENTS AND THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS

Adjustments to convert from the governmental funds balance sheet to the government-wide statement of net assets consisted of the following as of June 30, 2018:

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

Furniture & Equipment	\$ 131,298
Less: accumulated depreciation and amortization	(114,802)
	<u>\$ 16,496</u>

Long-term liabilities applicable to RiverCOG'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 assets. RiverCOG's long-term liability consists of 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, 2018:

Depreciation and amortization expense	8,625
Capital Expenditure	\$ (11,625)
	<u>(3,000)</u>

LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation and amortization expense. Therefore, an adjustment is made for the amount by which depreciation and amortization exceeded capital outlays during the current year.

Repayments on long-term liabilities consume the current financial resources of governmental funds whereas such repayments serve to reduce the long-term liability balance of governmental activities. Therefore, an adjustment is made to account for the difference in how repayments made during the current year are treated.

NOTE 8 - PENSION PLAN

Investments of the RiverCOG's retirement plans are managed by the plan trustees under one of various pools of investment options offered by International City Manager Association Retirement Corporation (ICMA). All pension costs are fully funded each year. The plans have been adopted under the authority of the RiverCOG Board of Directors and may be amended in the future.

The RiverCOG maintains a Section 401(a) retirement plan, which covers all full time employees with over one year of service. The plan calls for the employer to contribute six percent of each participant's earnings for the plan year. Total payroll expense for the year ended June 30, 2018 was \$619,447, of which \$604,750 was covered by the plan. The total contribution made by RiverCOG was \$36,285.

At June 30, 2018, the participants had a balance of \$464,068 in ICMA pool plans for the 401(a) plan.

RiverCOG also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full time RiverCOG employees, permits them to defer a portion of their salary until future years.

Deferrals of \$31,671 were made during the year. Participation in the plan is optional and participants elect how their salary deferrals are invested. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

At June 30, 2018, the participants had a balance of \$500,719 in ICMA pool plans for the 457 plan.

Funds in these accounts are invested in mutual funds whose value is subject to market fluctuations.

NOTE 9 - ECONOMIC DEPENDENCY

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

LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - RISK MANAGEMENT

The Agency is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies, which was formed for the purpose of establishing and administering an interlocal risk management program.

The Agency is also a member of CIRMA's Workers' Compensation Pool, a risk-sharing pool providing statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. The Agency pays an annual premium to the pool for its coverage. Premiums are assessed or determined based on the ultimate cost of the experience to date of a group of entities. The Agency does not accrue for any possible additional loss contingencies as it cannot estimate them from current information about reported and unreported claims. The coverage is subject to an incurred loss retrospective rating plan, and losses incurred will be evaluated at various specified periods after effective date of coverage. The contribution (premium) is also subject to payroll audit at the close of the coverage period.

The agreement for formation of CIRMA provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance companies. For the 2017-2018 policy year, reinsurance covered all claims in excess of \$1,000,000 per occurrence without limitation on the excess.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Agency cannot estimate the amount of such additional assessments and has not been notified that any assessments are forthcoming.

The Agency continues to carry commercial insurance coverage for all other risks of loss, including commercial liability and automobile and employee dishonesty coverage. The Agency does not receive any noncash insurance benefits from the federal government as part of any grant program.

NOTE 11 - OPERATING LEASE COMMITMENT

RiverCOG leases its premises from an unrelated party. The original lease ran from August 1, 2012 through July 31, 2017 and called for a total rent for the five-year period of \$268,424. A lease extension was signed, extending the lease through July 31, 2018, calling for an additional \$48,100. A second lease extension was executed extending the lease through July 31, 2021. Minimum rent for the three year period ending July 31, 2021 is \$144,300. The rent is payable in monthly installments of \$4,008 for the remainder of the lease. Minimum annual payments are as follows:

<u>For the year ending June 30</u>	
2019	\$ 48,100
2020	48,100
2021	48,100
2022	4,008
	<u>\$ 148,308</u>

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events were evaluated through November 6, 2018, the date of the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
BUDGETARY COMPARISON SCHEDULE
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Revenue	Original Budget	Final Budget	Actual	Variance with Final Budget Over(Under)
Town Dues	\$ 185,092	\$ 185,092	\$ 185,092	\$ -
POCD	25,000	25,000	-	(25,000)
Connecticut River Gateway Commission	18,000	18,000	21,054	3,054
General Fund	8,500	8,500	47,944	39,444
Recycling & HHW Operations	78,914	78,914	78,914	-
Department of Transportation	1,265,014	1,265,014	641,471	(623,543)
Domestic Preparedness	43,750	43,750	431,781	388,031
RPIP Wetlands	95,000	95,000	56,760	(38,240)
Agriculture Grant	3,500	3,500	17,950	14,450
SGIA Regional Planning (& RSG-17-3)	287,783	287,783	216,777	(71,006)
Other Grants/Programs	29,499	29,499	50,085	20,586
Total Revenues	2,040,052	2,040,052	1,747,828	(292,224)
Expenditures				
Salaries	715,000	715,000	619,447	(95,553)
Payroll taxes	58,630	58,630	50,223	(8,407)
Employee benefits	237,249	237,249	209,835	(27,414)
DOT Transportation Planning	12,000	12,000	7,537	(4,463)
DOT Route 66 Corridor Study	296,100	296,100	59,221	(236,879)
DOT Route 81 Corridor Study	121,500	121,500	51,122	(70,378)
Regional Transit Study	270,000	270,000	-	(270,000)
LOTICIP	800	800	37	(763)
RPIP Wetlands	70,000	70,000	39,445	(30,555)
POCD	4,500	4,500	-	(4,500)
DEMHS	1,000	1,000	379,935	378,935
Regional Planning-SGIA & RSG	-	-	32,153	32,153
Agriculture Grant	-	-	9,925	9,925
Recycling & HHW expenses	41,214	41,214	27,355	(13,859)
Other direct project cost	22,786	22,786	33,082	10,296
Maintenance & improvements	593	593	1,077	484
Dues, books & subscriptions	4,949	4,949	2,708	(2,241)
Service contracts/fees	9,000	9,000	7,016	(1,984)
Insurance	13,090	13,090	12,152	(938)
Bank charges/misc.	100	100	134	34
Office rent	44,000	44,000	48,780	4,780
Pension Administration	1,000	1,000	1,000	-
Postage	800	800	700	(100)
Audit & legal	35,000	35,000	21,481	(13,519)
Reproduction & printing	2,500	2,500	2,075	(425)
Equipment, software	7,500	7,500	15,198	7,698
Supplies	7,000	7,000	3,739	(3,261)
I.T. Services/Licenses	18,000	18,000	18,423	423
Travel	2,500	2,500	2,385	(115)
Utilities	18,000	18,000	15,675	(2,325)
Moving Expenses	20,000	20,000	500	(19,500)
Total Expenditures	2,034,811	2,034,811	1,672,360	(362,451)
Excess (Deficiency) of Revenue over Expenditures	5,241	5,241	75,469	70,227
Net Position July 1, 2017			722,466	
Net Position June 30, 2018			\$ 797,935	

The accompanying notes are an integral part of this schedule of required supplemental information

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 - BUDGETARY INFORMATION

Budgets are adopted by the Board of Directors on a modified accrual basis. The adopted annual budget covers the General Fund and the Special Revenue Funds on a combined basis. Because of RiverCOG's dependency on federal, state and local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding.

RiverCOG does not employ encumbrance accounting since at present it is not considered necessary to assure budgetary control. Any excess of expenditures over revenues will be funded by either future revenue or the respective fund balances.

RiverCOG has not amended its originally adopted budget. Excess expenditures do not represent a violation of any regulatory or statutory provisions.

NOTE 2 – COMPLIANCE – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2018, expenditures exceeded appropriations for the following objects:

DEHMS	378,935
Regional Planning - SGIA & RSG	32,153
Agriculture grant	9,925
Other direct project costs	10,296
Maintenance & Improvement	484
Bank charges/misc	34
Office rent	4,780
Equipment/software	7,698
IT Services/licenses	423

Over expenditures of SGIA and RSG, Domestic Preparedness, Agricultural Grant, and other direct project costs were due to additional consultant work, training, equipment, etc., purchased in FY2018 with available, multi-year, grant funding. The remaining over expenditures were for RiverCOG's primary operating fund. Office rent exceeded the budget due to a change in rental negotiations, and equipment/software exceeded the budget due to purchasing a more expensive, multi-faceted, IT server.

Other Supplementary Information

LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Connecticut River Gateway Commission	CT West IMT	LOT/CIP	Elections Monitor	CDBG Resiliency/ CIRCA	CT RC&D	U.S. Fish & Wildlife	Total
ASSETS								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid expenses	-	-	-	-	-	-	-	-
Receivables:								
Due from Federal government	-	-	-	-	-	-	1,426	1,426
Due from State of Connecticut	-	-	-	-	-	-	-	-
Due from other funds	-	-	39,572	4,757	-	-	-	44,329
Other receivables	-	-	-	-	-	42,050	-	44,232
Security deposit	2,182	-	-	-	-	-	-	-
Capital assets, net of accumulated depreciation	-	-	-	-	-	-	-	-
Total assets	<u>2,182</u>	<u>-</u>	<u>39,572</u>	<u>4,757</u>	<u>-</u>	<u>42,050</u>	<u>1,426</u>	<u>89,987</u>
LIABILITIES								
Current liabilities								
Accounts payable	16	-	37	-	-	-	-	53
Accrued payroll & taxes	386	-	48	-	-	603	414	1,451
Accrued compensated absences	-	-	-	-	-	-	-	-
Non current liabilities								
Obligation under capital lease	-	-	-	-	-	-	-	-
Due to other funds	1,780	-	-	-	-	41,447	1,012	44,239
Total liabilities	<u>2,182</u>	<u>-</u>	<u>85</u>	<u>-</u>	<u>-</u>	<u>42,050</u>	<u>1,426</u>	<u>45,743</u>
DEFERRED INFLOW OF RESOURCES								
Deferred revenue	-	-	39,487	4,757	-	-	-	44,244
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>39,487</u>	<u>4,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,244</u>
FUND BALANCES/NET ASSETS								
Fund Balances:								
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 2,182</u>	<u>\$ -</u>	<u>\$ 39,572</u>	<u>\$ 4,757</u>	<u>\$ -</u>	<u>\$ 42,050</u>	<u>\$ 1,426</u>	<u>\$ 89,987</u>

LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Connecticut River		CT		LOT/CIP		Elections Monitor		CDBG Resiliency/ CIRCA		CT RC & D		US Fish & Wildlife		Total
REVENUES	Gateway Commission	\$	West	IMT	\$		\$		\$		\$		\$		\$
Federal government	-	-	-	-	-	-	-	-	9,968	-	-	-	3,926	-	\$ 13,894
State of Connecticut	-	-	-	-	-	8,148	5,554	-	-	-	-	-	-	-	13,702
Other governmental agencies	459	19,289	19,289	-	-	-	-	3,608	28,211	599	52,166	-	-	-	52,166
Miscellaneous	21,054	-	-	-	-	-	-	-	17,950	-	39,004	-	-	-	39,004
Total revenues	21,513	19,289	19,289	8,148	5,554	13,576	46,161	4,525	118,766						
EXPENDITURES/EXPENSES															
Current:															
Direct Costs:															
Salaries	8,504	-	-	-	3,304	70	4,975	14,759	1,334	32,946					
Consultants	-	5,000	-	-	-	-	1,361	-	-	6,361					
Sub recipients	-	-	-	-	-	-	-	-	-	-					
Equipment	-	-	-	-	-	-	-	-	-	-					
Contingency	-	-	-	-	-	-	-	-	-	-					
Other	635	14,289	14,289	37	5,382	-	9,926	1,250	31,519						
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-					
Indirect	12,374	-	-	-	4,807	102	7,240	21,476	1,941	47,940					
Total Expenditures/expenses	21,513	19,289	19,289	8,148	5,554	13,576	46,161	4,525	118,766						
Excess (deficiency) of revenues over expenditures															
OTHER FINANCING SOURCES (USES)															
Transfers in	-	-	-	-	-	-	-	-	-	-					
Transfers out	-	-	-	-	-	-	-	-	-	-					
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-					
Excess of revenues and other financing sources over expenditures and other financing uses	-	-	-	-	-	-	-	-	-	-					
Change in net assets	-	-	-	-	-	-	-	-	-	-					
Fund balance/net assets - beginning of year	-	-	-	-	-	-	-	-	-	-					
Fund balance/net assets - end of year	-	-	-	-	-	-	-	-	-	-					

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
STATE OF CONNECTICUT DEPARTMENT OF TRANSPORTATION
FOR THE YEAR ENDED JUNE 30, 2018**

Maximum Funds Authorized	State Project# DOT07189996PL *			State Project# 0112-1016			State Project# 0027-0123		
	FHWA	FTA	Total	FHWA	FTA	Total	FHWA	FTA	Total
FHWA \$	\$ 382,356	\$ -	\$ 382,356	\$ 52,259	\$ -	\$ 52,259	\$ 44,235	\$ -	\$ 44,235
ConnDOT - FHWA	36,324	-	36,324	6,532	-	6,532	5,529	-	5,529
FTA	-	75,191	75,191	-	-	-	-	-	-
ConnDOT - FTA	-	7,143	7,143	-	-	-	-	-	-
Local	59,265	11,655	70,920	6,532	-	6,532	5,529	-	5,529
TOTAL	\$ 477,945	\$ 93,989	\$ 571,934	\$ 65,324	\$ -	\$ 65,324	\$ 55,294	\$ -	\$ 55,294

Audited Expenditures

Direct Salaries	\$ 204,505	\$ 40,216	\$ 244,721	\$ 2,486	\$ -	\$ 2,486	\$ 1,699	\$ -	\$ 1,699
Indirect Costs @ 145.51%	297,575	58,518	356,093	3,617	-	3,617	2,473	-	2,473
Direct Charges	6,298	1,239	7,537	59,221	-	59,221	51,122	-	51,122
TOTAL	\$ 508,378	\$ 99,973	\$ 608,351	\$ 65,324	\$ -	\$ 65,324	\$ 55,294	\$ -	\$ 55,294

Distribution of Audited Costs

FHWA	\$ 406,702	\$ -	\$ 406,702	\$ 52,259	\$ -	\$ 52,259	\$ 44,235	\$ -	\$ 44,235
ConnDOT - FHWA	38,637	-	38,637	6,532	-	6,532	5,529	-	5,529
FTA	-	79,979	79,979	-	-	-	-	-	-
ConnDOT - FTA	-	7,598	7,598	-	-	-	-	-	-
Local	63,039	12,397	75,436	6,532	-	6,532	5,529	-	5,529
TOTAL	\$ 508,378	\$ 99,973	\$ 608,351	\$ 65,324	\$ -	\$ 65,324	\$ 55,294	\$ -	\$ 55,294

ConnDOT Responsibility

FHWA	\$ 406,702	\$ -	\$ 406,702	\$ 52,259	\$ -	\$ 52,259	\$ 44,235	\$ -	\$ 44,235
ConnDOT - FHWA	38,637	-	38,637	6,532	-	6,532	5,529	-	5,529
FTA	-	79,979	79,979	-	-	-	-	-	-
ConnDOT - FTA	-	7,598	7,598	-	-	-	-	-	-
TOTAL	\$ 445,339	\$ 87,577	\$ 532,915	\$ 58,792	\$ -	\$ 58,792	\$ 49,765	\$ -	\$ 49,765

Payments Received to June 30, 2018	\$ 362,458	\$ 71,278	\$ 433,736	\$ 131	\$ -	\$ 131	\$ 14,119	\$ -	\$ 14,119
Payments Received after June 30, 201:	81,966	16,119	98,085	56,666	-	56,666	33,350	-	33,350
TOTAL PAYMENTS RECEIVED	444,424	87,397	531,821	56,798	-	56,798	47,469	-	47,469

Due From/(To) ConnDOT	\$ 914	\$ 180	\$ 1,094	\$ 1,994	\$ -	\$ 1,994	\$ 2,296	\$ -	\$ 2,296
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*This agreement spans two years. The Maximum Funds Authorized are estimates only.

Federal Single Audit



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**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
Lower Connecticut River Valley Council of Governments

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 Lower Connecticut River Valley Council of Governments, ("RiverCOG") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Council of Governments basic financial statements and have issued our report thereon dated November 6, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the RiverCOG's internal control over financial reporting (internal control) to determine the 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 RiverCOG'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 RiverCOG'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 determination of financial statement amounts. 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.

Henry, Raymond & Thompson, LLC

South Windsor, CT
November 6, 2018



**HENRY, RAYMOND
& THOMPSON, LLC**

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Certified Public Accountants

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

To the Board of Directors of the
Lower Connecticut River Valley Council of Governments

Report on Compliance for Each Major Federal Program

We have audited Lower Connecticut River Valley Council of Governments ("RiverCOG") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each RiverCOG's major federal programs for the year ended June 30, 2018. RiverCOG'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of RiverCOG's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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 we 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 RiverCOG's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of RiverCOG's compliance.

Opinion on Each Major Federal Program

In our opinion, Lower Connecticut River Valley 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, 2018.

Report on Internal Control over Compliance

Management of RiverCOG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered RiverCOG'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, we do not express an opinion on the effectiveness of RiverCOG'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.

Our 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. We did not identify any deficiencies in internal control over compliance that we 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 our 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lower Connecticut River Valley Council of Governments, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Lower Connecticut River Valley Council of Governments basic financial statements. We issued our report thereon dated November 6, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic 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 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, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Henry, Raymond & Thompson, LLC

South Windsor, CT
November 6, 2018

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Homeland Security:			
Passed through the State of Connecticut Department of Emergency Services & Public Protection			
DEMHS HSGP 2015	97.067	12060-DPS32160-21877	\$ 187,402
DEMHS EMPG 2015	97.042	12060-DPS32160-21881	4,512
DEMHS HSGP 2016	97.067	12060-DPS32160-21877	70,239
DEMHS EMPG 2016	97.042	12060-DPS32160-21881	44,974
DEMHS HSGP 2017	97.067	12060-DPS32160-21877	120,654
DEMHS HSGP CCP Cat. C FY2018	97.067	12060-DPS32160-21877	4,000
Total Department of Homeland Security			<u>431,781</u>
Department of Transportation:			
Passed through the State of Connecticut Department of Transportation:			
Regional Transportation Planning Agreement# DOT07189996	20.205	12062-DOT57184-22108	486,680
Regional Transportation Planning Agreement# 0112-0116	20.205	12062-DOT57551-22108	52,259
Regional Transportation Planning Agreement# 0027-0123	20.205	12062-DOT57551-22108	44,236
Total Department of Transportation			<u>583,175</u>
Department of Housing and Urban Development:			
Passed through the State of Connecticut Department of Housing:			
Community Development Block Grant-Disaster Recovery	14.218	12060-DOH46961-29516	9,968
Total Department of Housing and Urban Development			<u>9,968</u>
U.S. Fish & Wildlife			
Silvio O. Conte Fish & Wildlife Refuge	15.630		3,926
Total U.S. Fish & Wildlife			<u>3,926</u>
Total expenditures of federal awards			<u>\$ 1,028,850</u>

Notes to the schedule of expenditures of federal awards are an integral part of this schedule of
supplementary information

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Organization under programs of the federal government for the year ended June 30, 2018. The information in the 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 Organization, it is not intended to and does not present the consolidated financial position, changes in net assets or cash flows of the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. For cost-reimbursement awards, 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. For performance-based awards, expenditures reported represent amounts earned.

NOTE 3 - INDIRECT COST RECOVERY

Lower Connecticut River Valley Council of Governments has elected not to use the 10% de minimis indirect cost rate provided under section 200.414 of the Uniform Guidance.

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant Deficiencies identified? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified? ☐ Yes ☒ None reported

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

Any audit finding disclosed that are required to be Reported in accordance with Uniform Guidance 2 CFR 200.516 ☐ Yes ☒ No

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

<u>CFDA Number</u>	<u>Name of Federal Program</u>	<u>Expenditures</u>
97.067	Homeland Security Grant Program	\$ 431,781

The dollar threshold for determining Type A and B programs is \$750,000.

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

SECTION II.-FINANCIAL STATEMENTS FINDINGS

No matters were reported.

SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SUMMARY SCHEDULE OF THE STATUS OR PRIOR AUDIT FINDINGS

There were no findings or questioned costs reported in RiverCOG's prior year-end federal single audit.

State Single Audit



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

To the Board of Directors of the
Lower Connecticut River Valley Council of Governments

Report on Compliance for Each Major State Program

We have audited the Lower Connecticut River Valley Council of Governments ("RiverCOG") compliance with the types of compliance requirements described in the State of Connecticut, Office of Policy and Management *Compliance Supplement to the State Single Audit Act* that could have a direct and material effect on each of the RiverCOG's major state programs for the year ended June 30, 2018. The RiverCOG's major state programs are identified in the summary of auditor's results section of the accompanying schedule of state 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the RiverCOG's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our 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 we 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 RiverCOG's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the RiverCOG's compliance.

Opinion on Each Major State Program

In our opinion, the Lower Connecticut River Valley 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, 2018.

Report on Internal Control Over Compliance

Management of RiverCOG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered RiverCOG'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 our 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, we do not express an opinion on the effectiveness of RiverCOG'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 a 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.

Our 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. We did not identify any deficiencies in internal control over compliance that we 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 our 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

We have audited the financial statements of Lower Connecticut River Valley Council of Governments as of and for the year ended June 30, 2018 and have issued our report thereon dated November 6, 2018, which contained an unmodified opinion on those financial statements. Our 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 our 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.

Henry, Raymond & Thompson, LLC

South Windsor, CT
November 6, 2018

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2018**

<u>State Grantor/Pass-through Grantor/Program Title</u>	<u>State Grant Program Core - CT Number</u>	<u>Expenditures</u>
Department of Transportation		
Regional Transportation Planning Agreement# DOT0718999	12062-DOT57184-22108	\$ 46,235
LOTICIP Grant# DOT01703280GR	13033-DOT57000-43584	8,148
Regional Transportation Planning Agreement# 0112-0116	12062-DOT57551-22108	6,532
Regional Transportation Planning Agreement# 0027-0123	12062-DOT57551-22108	5,529
Total Department of Transportation		<u>66,444</u>
Office of Policy and Management		
Regional Services Grant - RSG 018-3	11000-OPM 20600-12594	147,005
Regional Performance Incentive Grant - RPI 16-2 Wetlands Data	12060-OPM 20600-35457	56,760
Total Office of Policy & Management		<u>203,765</u>
Office of the Secretary of the State		
Regional Election Monitor	11000-SOS12500-10020	5,554
Total Office of the Secretary of the State		<u>5,554</u>
Total State Financial Assistance before exempt programs		<u>275,763</u>
EXEMPT PROGRAMS		
Office of Policy and Management		
Regional Services Grant - RSG 017-3	12060-OPM 20870-35457	69,773
Total Office of Policy and Management		<u>69,773</u>
Total Exempt Programs		<u>69,773</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 345,536</u>

The accompanying notes are an integral part of this schedule of require supplemental information

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE SCHEDULE OF EXPENDITURES
OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the RiverCOG conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations. The following is a summary of the more significant policies relating to the aforementioned grant programs.

BASIS OF ACCOUNTING

The accompanying schedule of expenditures of state financial assistance has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of state financial assistance is presented in accordance with regulations established by the State of Connecticut, Office of Policy and Management.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance-based awards, revenues are recognized to the extent of performance achieved during the grant period.

The schedule of expenditures of state financial assistance contained in this report is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain financial assistance is not dependent on expenditure activity or the achievement of performance goals and, accordingly, is considered expended in the fiscal year of receipt. These financial assistance program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ 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 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:

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Regional Services Grant - RSG 018-3	11000-OPM 20600-12594	\$ 147,005
Regional Performance Incentive Grant - RPI 16-2 Wetland	12060-OPM 20600-35457	\$ 56,760

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

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

II. FINANCIAL STATEMENT FINDINGS

No findings were reported.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No findings were reported.



**HENRY, RAYMOND
& THOMPSON, LLC**

Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON THE STATEMENT OF DIRECT LABOR,
FRINGE BENEFITS, AND GENERAL OVERHEAD**

Board of Directors of the
Lower Connecticut River Valley Council of
Governments Essex, CT 06426

Report on the Statement of Direct Labor, Fringe Benefits, and General Overhead

We have audited the schedule of indirect costs of the Lower Connecticut River Valley Council of Governments for the year ended June 30, 2018.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of the Schedule 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 the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the Schedule based on our audit. 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, 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 Schedule 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, we express no such opinion. An audit also includes evaluating 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the Schedule referred to above presents fairly, in all material respects, the direct labor, fringe benefits, and general overhead of the Lower Connecticut River Valley Council of Governments, as of June 30, 2018 for the year then ended in accordance with the basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the Schedule, which describes the basis of accounting. The Schedule is prepared on the basis of the financial reporting provisions of 2 CFR Part 200 (the Uniform Guidance) Cost Principles for State, Local and Indian Tribal Governments, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of 2 CFR Part 200 (the Uniform Guidance) Cost Principles for State, Local and Indian Tribal Governments. Our opinion is not modified with respect to that matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with the *Government Auditing Standards*, we have also issued our report dated November 6, 2018, on our consideration of the Lower Connecticut River Valley Council of Governments' 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 Lower Connecticut River Valley Council of Governments' internal control over financial reporting and compliance.

Henry, Raymond & Thompson, LLC

South Windsor, CT
November 6, 2018

LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
STATEMENT OF DIRECT LABOR, FRINGE BENEFITS, AND GENERAL OVERHEAD
FOR THE YEAR ENDED June 30, 2018

Description	General Ledger Balance	Portion Unallowable	2 CFR Ref.	Total Proposed Allocations
Direct Labor	\$ 419,998	\$ -		\$ 419,998
Fringe Benefits				
Indirect labor	97,567	\$ -		\$ 97,567
Vacation/Holiday/Paid Leave	101,882	-		101,882
Payroll Taxes	50,223	-		50,223
Group Insurance	173,550	-		173,550
Pension	36,285	-		36,285
Total Fringe Benefits	\$ 459,507	\$ -		\$ 459,507
General Overhead				
Administrative				
Consultants	191,558	(191,558)	(a)	\$ -
Training	77,863	(77,863)	(b)	-
IT Equipment and software	27,477	(24,269)	(b)	3,208
IT Service/License contracts	60,319	(41,896)	(b)	18,423
Accounting & legal	23,138	(657)	(b)	22,481
Planning	2,500	(2,500)	(b)	-
Rent	48,780	-	(b)	48,780
Office	22,157	(4,919)	(b)	17,238
Repairs and Maintenance	1,117	(40)	(b)	1,077
Travel/mileage/parking	10,907	(8,522)	(b)	2,385
Dues & subscriptions	6,173	(3,650)	(b)	2,523
Bond & insurance	17,775	(5,623)	(b)	12,152
Equipment - non-asset	228,397	(228,032)	(b)	365
Utilities	18,030	(2,356)	(b)	15,674
Meetings/seminars	2,377	(2,192)	(b)	185
Service Agreements	52,168	(45,152)	(b)	7,016
Food and supplies for meetings	1,400	(1,400)	(b), (c)	-
Miscellaneous	720	(585)	(b), (c)	135
Total General Overhead	\$ 792,856	\$ (641,214)		\$ 151,642
Total Indirect Costs				\$ 611,149
Percentage of Direct Labor				145.51%

2 CFR Part 225 References

- (a) Appendix A, E.1 - Consultants are considered to be direct labor and removed from indirect labor costs.
(b) Appendix A, E.1 - Direct costs segregated and removed from indirect cost pool.
(c) Appendix A, B.1 - Cost not allowable under terms of award

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

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE STATEMENT OF DIRECT LABOR, FRINGE BENEFITS,
AND GENERAL OVERHEAD
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 - DESCRIPTION OF ENTITY

Lower Connecticut River Valley Council of Governments was established on July 16, 2012, by the merger of the Connecticut River Estuary and Midstate Regional Planning Agencies, and organized under the laws of the State of Connecticut in accordance with General Statutes Sections 4-124i through 4-124p and Special Act No. 73-79 of the Connecticut General Assembly.

Lower Connecticut River Valley Council of Governments is considered to be a legally separate organization under a joint venture agreement with the member municipalities. Lower Connecticut River Valley Council of Governments has the right to enter into legal contracts and incur its own debt. Lower Connecticut River Valley Council of Governments mission, as a regional council of governments, is to provide a centralized agency responsible for coordinating regional planning activities that benefit its members. Lower Connecticut River Valley Council of Governments has the authority to apply for federal and state funds to further the activities and purpose of the agency.

Each member community appoints representatives to sit on the Lower Connecticut River Valley Council of Governments Board of Directors. The Board is responsible for establishing and approving policies, resolutions and the annual budget. Member assessments are charged on a flat rate plus a per capita basis and approved by the Board.

NOTE 2 - BASIS OF ACCOUNTING AND DESCRIPTION OF ACCOUNTING SYSTEMS

Lower Connecticut River Valley Council of Governments policy is to prepare its Statement of Direct Labor, Fringe Benefits, and General Overhead (the Schedule) on the basis of accounting practices prescribed in 2 CFR Part 200 (The Uniform Guidance) Cost Principals for State, Local and Indian Tribal Governments. Accordingly, the Schedule is not intended to present the results of operations of the Lower Connecticut River Valley Council of Governments in conformity with accounting principles generally accepted in the United States of America.

NOTE 3 – Description of Accounting Policies

The agency-wide financial statements use 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 the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The job cost accounting system is based on job order costing, whereby the Agency tracks costs by “job” or “project” and applies them to that project. Project costs are accumulated through the accounting system by project and costs are assigned to projects based on actual costs incurred under the project.

Direct and indirect costs are recorded in the accounting system in accordance with accounting principles generally accepted in the United States of America. A direct cost is any cost that can be identified specifically with a particular contract or project. Costs identified specifically with a contract or project are direct costs and must be charged directly to the contract or project. All costs specifically identified with a project are direct costs of that project and are not charged to another project, either directly or indirectly. Indirect costs are accumulated by logical cost groupings with due consideration of the reasons for incurring such costs.

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE STATEMENT OF DIRECT LABOR, FRINGE BENEFITS,
AND GENERAL OVERHEAD
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 4 - Description of Overhead Rate Structure

All costs are allocated based on Direct Labor costs. Direct Labor costs are computed by multiplying all direct project labor hours by labor rates, as summarized for all employees within the Agency. Labor rates are based on actual employee wages incurred.

The Agency does not have related business entities and therefore does not allocate costs between any entities.