

**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, 2020

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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, 2020, 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.

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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, 2020, 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 7–14 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 December 11, 2020, 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
December 11, 2020

LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

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, 2020.

RiverCOG ended its eighth fiscal year in good financial health. This report for the Fiscal Year 2020 Audit shows an agency that has been able to adapt to unpredictable state funding by conservative staffing and diversifying work and funding streams. The FY20 Regional Services Grant (RSG) was unexpectedly restored to previous levels not seen since FY16. This unexpected funding has allowed RiverCOG to hire a consultant to help finish its first Regional Plan of Conservation and Development, a project long stalled due to funding and personnel issues. A new senior planner joined RiverCOG in February 2020 and has been successful in getting this project well on its way to completion. However, RiverCOG lost its GIS Coordinator to a member town, and the position was not immediately filled due to COVID-19. A variety of special projects, funded directly by grants, helped significantly lower RiverCOG's indirect costs. These projects include the Regional Transit Study, Route 66 Study, Regional Natural Hazard Mitigation Plan, COVID-19 Recovery, and Computer Hacking Recovery.

RiverCOG faced some unique challenges in the second half of FY20. On January 10, 2020, RiverCOG fell victim to a ransomware attack originating outside of the country. Upon discovery of the hacking, RiverCOG staff followed state cybercrime protocols to disconnect our computer network from the internet and to inform the state police, our members municipalities, and other partners. RiverCOG's insurer brought in a team of forensic IT specialists and legal counsel to investigate and support our recovery. No evidence of data exfiltration was found and the network was rebuilt with decrypted data.

Soon after the restoration of the RiverCOG computer network, the country was struck with the COVID-19 pandemic. The experience of the computer network hacking had in some ways left us well prepared for disasters and staff adjusted well to remote work. The state also made new requests of COGs to assist with COVID-19 response and assistance. The state provided reimbursement to RiverCOG for COVID-19 related work and expenses.

RiverCOG continues to support new and existing shared municipal and regional services. In FY20, Executive Director Samuel Gold continued to serve on the state Advisory Commission on Intergovernmental Relations, helping to guide state policy on regionalism. He also served on an Office of Policy and Management workgroup on regional tax assessment. Mr. Gold also continued to serve as the chair of the Connecticut Association of Councils of Governments for calendar year 2020 and advocating for sufficient and predictable annual funding, organizing joint COG funding applications for COVID-19 recovery work, and working on U.S. Census recognition of COGs as county equivalents for federal purposes in Connecticut.

RiverCOG continued hosting the Lower Connecticut River Land Trust, Connecticut River Gateway Commission, and Shore Line Basic Needs Taskforce.

FINANCIAL HIGHLIGHTS

- The assets of RiverCOG exceeded its liabilities at the close of the most recent fiscal year by \$1,222,643 (net assets) of this amount, \$1,065,685 (unrestricted net assets) may be used to meet RiverCOG's ongoing obligations.

- RiverCOG’s total net assets increased by \$138,450
- As of the close of the current fiscal year, RiverCOG’s governmental funds reported combined ending fund balances of \$1,211,909, an increase of \$143,485 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, (4) Department of Transportation, Household Hazardous Waste and Recycling, (2) Domestic Preparedness, and Regional Services Grants, all of which are considered to be major funds. Data from the four 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

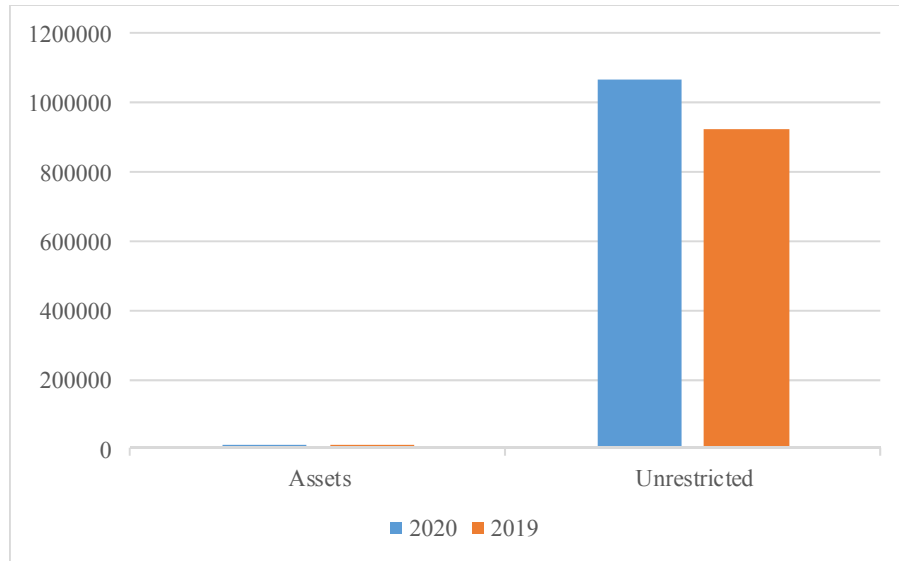
Over time, net position may serve as one measure of a government's financial position. Total net position of RiverCOG totaled \$1,222,644 and \$1,084,193, as previously reported, as of June 30, 2020 and 2019, respectively, and is summarized as follows:

	Gov't Wide	
	2020	2019
Current and other assets	\$ 1,636,193	\$ 1,331,176
Capital assets, net	10,735	15,770
Total assets	<u>\$ 1,646,928</u>	<u>\$ 1,346,946</u>
Liabilities		
Deferred inflow of resources	\$ 129,773	\$ 51,671
Other liabilities	294,511	211,082
Total liabilities	<u>424,284</u>	<u>262,753</u>
Net position:		
Invested in capital assets, net	10,735	15,770
Unrestricted	1,065,686	925,473
Restricted	146,223	142,950
Total net position	<u>\$ 1,222,644</u>	<u>\$ 1,084,193</u>

As of June 30, 2020, less than 1% of RiverCOG's net position reflects its investment in capital assets, less any related debt used to acquire those assets that are 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, \$1,065,686 is unrestricted and may be used to meet RiverCOG's ongoing obligations. The remaining \$146,223 is restricted to specific fund use for the Household Hazardous Waste & Recycling Program.

Overall, net position increased by \$138,451 or 13% 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.

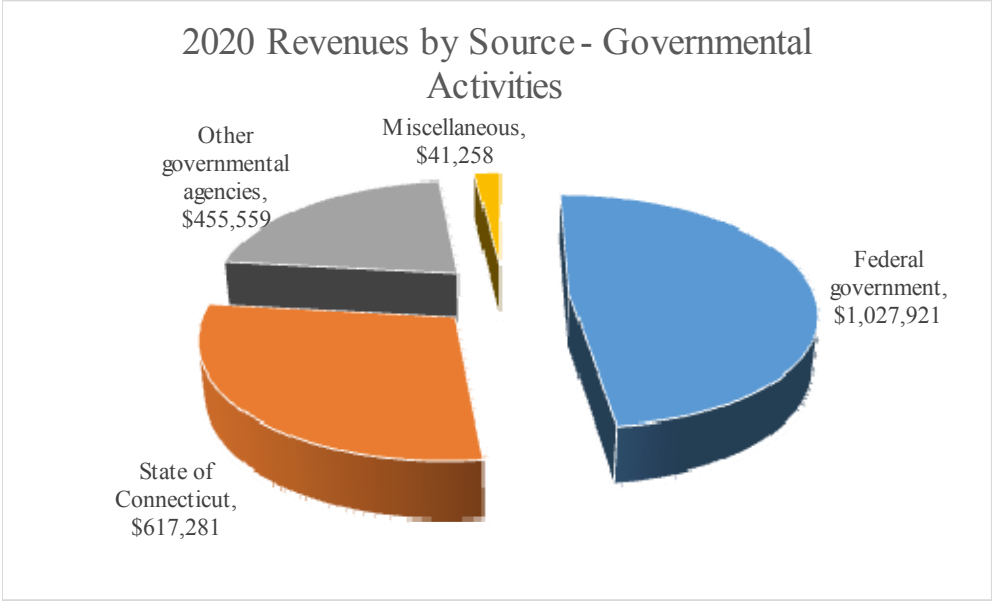


Changes in Net Position

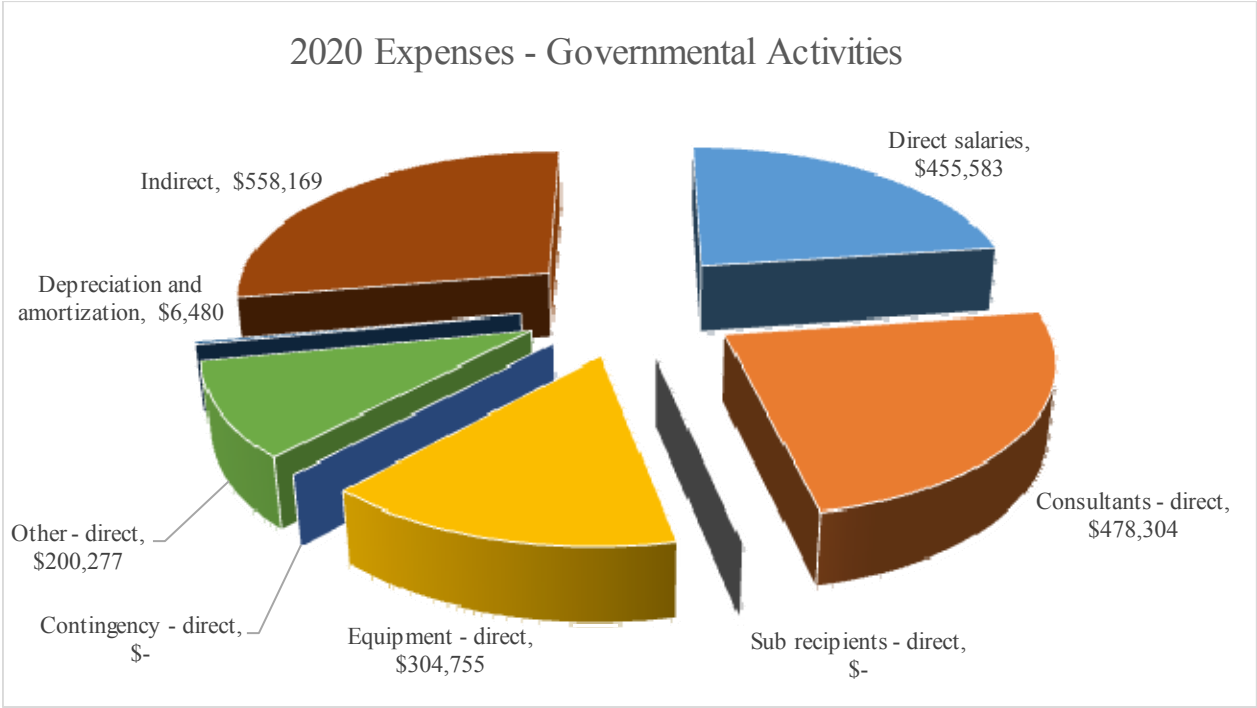
Changes in net position for the years ended June 30, 2020 and 2019 are as follows:

	Gov't Wide Activities	
	2020	2019
Revenues:		
Federal government	\$ 1,027,921	\$ 1,020,763
State of Connecticut	617,281	535,085
Other governmental agencies	455,559	349,362
Miscellaneous	41,258	49,774
Total Revenues	<u>2,142,019</u>	<u>1,954,984</u>
Expenditures:		
Direct salaries	455,583	405,082
Consultants - direct	478,304	323,403
Sub recipients - direct	-	-
Equipment - direct	304,755	341,627
Contingency - direct	-	-
Other - direct	200,277	147,526
Depreciation and amortization	6,480	6,129
Indirect	558,169	567,216
Total expenses	<u>2,003,568</u>	<u>1,790,983</u>
Increase (Decrease) in net position	138,451	164,001
Net position - beginning	1,084,193	920,192
Net position - end of year	<u>\$ 1,222,644</u>	<u>\$ 1,084,193</u>

2020 Revenues by Source - Governmental Activities



2020 Expenses - Governmental Activities



Governmental Activities

Governmental activities increased RiverCOG's net assets by \$138,450 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 \$1,211,909, an increase of \$143,486 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 four Department of Transportation, Household Hazardous Waste and Recycling, (2) Domestic Preparedness, 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 four Department of Transportation and Domestic Preparedness, funds are operated on a cost-reimbursement basis, thus, there are no ending fund balances. The 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, 2020 totaled \$10,735 (net of accumulated depreciation). This investment in capital assets includes furniture and equipment. The total decrease in RiverCOG's investment in capital assets for the current fiscal year was \$5,035, or 32%. The decrease is primarily attributable to depreciation exceeding new purchases.

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

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Furniture and equipment	<u>\$ 10,735</u>	<u>\$ 15,770</u>
Totals	<u>\$ 10,735</u>	<u>\$ 15,770</u>

Additional information on RiverCOG’s capital assets can be found in Note 3 on page 25 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 2020.

During the current fiscal year, unrestricted fund balance of the General Fund was \$1,065,685. RiverCOG has not appropriated any of this unrestricted fund balance for spending in the 2020 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, 2020

Governmental Funds Balance Sheets

	General Fund	Department of Transportation Fed Proj #UR20(001)	Household Hazardous Waste and Recycling	Total Domestic Preparedness	Department of Transportation Fed Proj #0081111	Regional Services Grant	Department of Transportation State Project #DOT01703502PL	DHS/FEMA Federal Project #EMB-2019-PC-0005	Non Major Gov't Funds	Total	Adjustments (Note 8)	Gov't wide stmt of Net position
ASSETS												
Cash and cash equivalents	\$ 1,189,873	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,189,873	\$ -	\$ 1,189,873
Receivables:												
Due from Federal Govt.	-	-	-	-	-	-	-	-	45,853	45,853	-	45,853
Due from State of Connecticut	-	96,385	-	68,187	20,997	-	72,272	87,677	-	345,518	-	345,518
Due from other funds	-	-	154,594	-	8,405	84,173	-	-	-	247,172	(247,172)	-
Other receivables	5,732	-	27,754	-	-	-	-	-	6,726	40,212	-	40,212
Security Deposit	8,667	-	-	-	-	-	-	-	-	8,667	-	8,667
Capital assets, net of accumulated depreciation	-	-	-	-	-	-	-	-	-	-	10,735	10,735
Total current assets	1,204,272	96,385	182,348	68,187	29,402	84,173	72,272	87,677	52,579	1,877,295	(236,437)	1,640,858
DEFERRED OUTFLOW OF RESOURCES												
Prepaid expenses	6,070	-	-	-	-	-	-	-	-	6,070	-	6,070
Total deferred outflows of resources	6,070	-	-	-	0	-	-	-	-	6,070	-	6,070
Total assets	\$ 1,210,342	\$ 96,385	\$ 182,348	\$ 68,187	\$ 29,402	\$ 84,173	\$ 72,272	\$ 87,677	\$ 52,579	\$ 1,883,365	\$ (236,437)	\$ 1,646,928
LIABILITIES												
Current liabilities:												
Accounts payable	\$ 8,900	\$ 135	\$ 34,747	\$ 17,920	\$ 23,478	\$ 2,427	\$ 64,993	\$ 44,520	\$ 1,929	\$ 199,049	\$ -	\$ 199,049
Due to State of Connecticut	6,820	-	-	-	171	-	-	-	\$ 3,827	10,818	-	10,818
Accrued payroll & taxes	9,086	13,302	1,378	1,434	41	2,339	493	330	2,593	30,996	-	30,996
Accrued compensated absences	46,304	-	-	-	-	-	-	-	-	46,304	-	46,304
Non current liabilities												
Short-term loans	7,344	-	-	-	-	-	-	-	-	7,344	-	7,344
Due to other funds	66,202	82,948	-	48,833	-	-	6,786	21,077	21,326	247,172	(247,172)	-
Total Liabilities	144,656	96,385	36,125	68,187	23,690	4,766	72,272	65,927	29,675	541,683	(247,172)	294,511
DEFERRED INFLOW OF RESOURCES												
Deferred revenue	-	-	-	-	5,712	79,407	-	21,750	22,904	129,773	-	129,773
total deferred inflows of resources	-	-	-	-	5,712	79,407	-	21,750	22,904	129,773	-	129,773
FUND BALANCE/NET ASSETS												
Fund balances:												
Unassigned	959,924	-	-	-	-	-	-	-	-	959,924		
Assigned	105,762	-	-	-	-	-	-	-	-	105,762		
Restricted	-	-	146,223	-	-	-	-	-	-	146,223		
Total fund balances	1,065,686	-	146,223	-	-	-	-	-	-	1,211,909		
Total liabilities and fund balances	\$ 1,210,342	\$ 96,385	\$ 182,348	\$ 68,187	\$ 29,402	\$ 84,173	\$ 72,272	\$ 87,677	\$ 52,579	\$ 1,883,365		
NET POSITION												
Invested in capital assets, net of related debt												10,735
Restricted												146,223
Unrestricted												1,065,686
												<u>\$ 1,222,644</u>

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, 2020

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

	General Fund	Department of Transportation Fed Proj #UR20(001)	Household Hazardous Waste and Recycling	Total Domestic Preparedness	Department of Transportation Fed Proj #0081111	Regional Services Grants	Department of Transportation State Project #DOT01703502PL	DHS/FEMA Federal Project #EMB-2019-PC- 0005	Non Major Gov't Funds	Total	Adjustments (Note 8)	Gov't wide stmt of Net position
REVENUES												
Federal government	\$ -	\$ 322,787	\$ -	\$ 389,265	\$ 119,058	\$ -	\$ -	\$ 110,530	\$ 86,281	\$ 1,027,921	\$ -	\$ 1,027,921
State of Connecticut	-	40,348	-	-	14,882	327,172	226,739	-	8,140	617,281	-	617,281
Other governmental agencies	235,757	40,348	117,622	-	14,882	-	-	36,843	10,107	455,559	-	455,559
Miscellaneous	16,570	-	-	-	-	-	-	-	24,688	41,258	-	41,258
Total revenues	<u>252,327</u>	<u>403,483</u>	<u>117,622</u>	<u>389,265</u>	<u>148,822</u>	<u>327,172</u>	<u>226,739</u>	<u>147,373</u>	<u>129,216</u>	<u>2,142,019</u>	<u>-</u>	<u>2,142,019</u>
EXPENDITURES/EXPENSES												
Current:												
Direct Costs:												
Salaries	27,963	179,495	24,648	26,177	6,213	110,020	23,757	12,602	44,708	455,583	-	455,583
Consultants	-	-	-	3,880	134,712	47,563	173,202	118,947	-	478,304	-	478,304
Sub recipients	-	-	-	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	304,755	-	-	-	-	-	304,755	-	304,755
Contingency	-	-	-	-	-	-	-	-	-	-	-	-
Other	24,902	3,507	59,423	48,965	264	34,447	598	344	27,827	200,277	-	200,277
Depreciation and amortization											6,480	6,480
Indirect	34,348	220,481	30,277	32,155	7,632	135,142	29,182	15,480	54,917	559,614	(1,445)	558,169
Total Expenditures/expenses	<u>87,213</u>	<u>403,483</u>	<u>114,348</u>	<u>415,932</u>	<u>148,821</u>	<u>327,172</u>	<u>226,739</u>	<u>147,373</u>	<u>127,452</u>	<u>1,998,533</u>	<u>5,035</u>	<u>2,003,568</u>
Excess (deficiency) of revenues over expenditures	165,114	-	3,274	(26,667)	-	-	-	-	1,764	143,486	(5,035)	138,451
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	-	26,667	-	-	-	-	-	26,667	(26,667)	-
Transfers out	(24,903)	-	-	-	-	-	-	-	(1,764)	(26,667)	26,667	-
Total other financing sources (uses)	<u>(24,903)</u>	<u>-</u>	<u>-</u>	<u>26,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,764)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses	140,211	-	3,274	-	-	-	-	-	-	143,486	-	-
Change in net assets	-	-	-	-	-	-	-	-	-	-	-	138,451
Fund balance/net assets - beginning of year	925,475	-	142,949	-	-	-	-	-	-	1,068,423	-	1,084,193
Fund balance/net assets - end of year	<u>\$ 1,065,686</u>	<u>\$ -</u>	<u>\$ 146,223</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,211,909</u>	<u>\$ -</u>	<u>\$ 1,222,644</u>

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, 2020**

	<u>Pension Trust Fund</u>
Assets:	
Investments:	
Equity mutual funds	<u>\$ 913,187</u>
 Total assets	 <u><u>\$ 913,187</u></u>
 Net Position:	
Restricted for Pension Benefits	<u><u>\$ 913,187</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, 2020**

	<u>Pension Trust Fund</u>
Additions:	
Employer contributions	\$ 34,380
Employee Contributions	34,886
Investment income (loss):	
Dividends and net increase in the fair value of investments	<u>19,816</u>
Total additions	89,082
Distributions	<u>1,526</u>
Change in Net Position	87,556
Net Position at the beginning of year	<u>825,631</u>
Net Position at the end of year	<u><u>\$ 913,187</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, 2020

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, 2020

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 #UR20(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 2 regional transportation corridor studies.

Department of Transportation Fund #DOT01703502PL - This fund is used for a bus transit integration study.

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.

DHS/FEMA Fund - This fund is used for updating the region's Natural Hazard Mitigation Plan.

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, 2020

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 \$1,149,625 as of June 30, 2020.

Investments

In accordance with *GASB Statement No. 31, Accounting and Financial Reporting/or 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, 2020

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, 2020, 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, 2020.

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, 2020, RiverCOG had \$146,223 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, 2020, unrestricted net position was \$1,065,685.

LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020, RiverCOG's bank reported a balance of \$40,248, 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, 2020 consisted of cash deposits of \$40,248 and investments in STIF totaling \$1,149,625. 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, 2020

INVESTMENTS

As of June 30, 2020, 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)	\$ 1,149,625	\$1,149,625	\$ -	\$ -	\$ -

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, 2020, RiverCOG’s investments in STIF were rated AAA by Standard & Poor’s.

LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 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	\$ 104,123	\$ 1,445	\$ -	\$ 105,568
Less accumulated depreciation and amortization for:				
Furniture & Equipment	<u>(88,353)</u>	<u>(6,480)</u>	<u>-</u>	<u>(94,833)</u>
Total capital assets, being depreciated, net	<u>15,770</u>	<u>(5,035)</u>	<u>-</u>	<u>10,735</u>
Governmental activities capital assets, net	<u>\$ 15,770</u>	<u>\$ (5,035)</u>	<u>\$ -</u>	<u>\$ 10,735</u>

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

General government activities	<u>\$6,480</u>
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LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2020 were as follows:

	Due from other funds	Due to other funds
<u>Receivable Fund</u>		
Governmental Funds		
General Fund	\$ -	\$ 66,203
Department of Transportation (UR18(001))	-	82,948
Department of Transportation (0081111)	8,405	-
Department of Transportation State Project	-	6,786
Domestic Preparedness	-	48,833
US EDA CARES Act	-	42,292
CT River Gateway	-	5,845
DHS/FEMA Federal Project #EMB-2019-PC-	-	21,076
Household Hazardous Waste	154,594	-
Regional Services Grant	84,173	-
LOTICIP	22,984	-
Department of Transportation (UR20(002))	3,827	-
	\$273,983	\$273,983

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.

NOTE 5 - INTERFUND TRANSFERS

There were no Interfund transfers for the year ended June 30, 2020.

NOTE 6 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Governmental Activities					
Eversource Loan	\$ 9,935	\$ -	\$ (2,591)	\$ 7,344	\$ 2,592
Compensated Absences	36,923	39,863	(30,482)	46,304	46,304
Total	\$ 46,858	\$ 39,863	\$ (33,073)	\$ 53,648	\$ 48,896

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020:

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	\$ 105,568
Less: accumulated depreciation and amortization	<u>(94,833)</u>
	<u><u>\$ 10,735</u></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, 2020:

Depreciation and amortization expense	\$ 6,480
Capital Expenditure	<u>(1,445)</u>
	<u><u>\$ 5,035</u></u>

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

LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020 was \$621,622, of which \$573,017 was covered by the plan. The total contribution made by RiverCOG was \$34,381.

At June 30, 2020, the participants had a balance of \$536,937 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 \$34,887 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, 2020, the participants had a balance of \$376,250 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.

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; however the audits do not result in additional premium.

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 2019-2020 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.

LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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 remainder of the lease ending July 31, 2021 is \$52,108. The rent is payable in monthly installments of \$4,008. Minimum annual payments are as follows:

<u>For the year ending June 30</u>	
2021	\$ 48,100
2022	<u>4,008</u>
	<u>\$ 52,108</u>

NOTE 12 – Risks and Uncertainties: Effects of Covid-19 on the organization

Beginning in March 2020, the country was struck with the COVID-19 pandemic. Based on prior experience, RiverCog was well prepared for disaster situations, and staff adjusted well to remote work. The state also made new requests of COGs to assist with COVID-19 response and assistance. The state provided reimbursement to RiverCOG for COVID-19 related work and expenses.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events were evaluated through December 11, 2020, 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, 2020**

Revenue	Original Budget	Final Budget	Actual	Variance with Final Budget Over(Under)
Town Dues	\$ 213,310	\$ 213,310	\$ 213,310	\$ -
Connecticut River Gateway Commission	21,000	21,000	24,688	3,688
General Fund	8,500	8,500	89,472	80,972
Recycling & HHW Operations	84,465	84,465	117,622	33,157
DOT Transportation Planning	550,000	550,000	403,563	(146,437)
DOT Rt 66 Corridor Study	157,000	157,000	145,170	(11,830)
DOT Route 81 Corridor Study		-	3,652	3,652
Regional Transit Study	277,888	277,888	226,740	(51,148)
DEMHS	400,000	400,000	389,265	(10,735)
LOTICIP	50,000	50,000	8,140	(41,860)
MNHMPU	-	-	147,373	147,373
US EDA CARES Act	-	-	45,853	45,853
Regional Planning - RSG	406,579	406,579	327,171	(79,408)
Other Grants/Programs	20,535	20,535	-	(20,535)
Total Revenues	2,189,277	2,189,277	2,142,019	(47,258)
Expenditures				
Salaries	725,000	725,000	621,623	(103,377)
Payroll taxes	59,450	59,450	47,908	(11,542)
Employee benefits	248,000	248,000	211,281	(36,719)
DOT Transportation Planning	30,000	30,000	3,796	(26,204)
DOT Route 66 Corridor Study	178,000	178,000	133,195	(44,805)
DOT Route 81 Corridor Study	-	-	1,781	1,781
Regional Transit Study	232,500	232,500	173,800	(58,700)
LOTICIP	120	120	102	(18)
DEMHS	354,000	354,000	357,601	3,601
Regional Planning - RSG	118,736	118,736	82,009	(36,727)
MNHMPU	-	-	119,292	119,292
US EDA CARES Act	-	-	45,853	45,853
Recycling & HHW expenses	50,040	50,040	59,423	9,383
Other direct project cost	32,252	32,252	5,865	(26,387)
Maintenance & improvements	1,500	1,500	119	(1,381)
Dues, books & subscriptions	4,949	4,949	1,439	(3,510)
Service contracts/fees	9,000	9,000	5,983	(3,017)
Insurance	13,090	13,090	11,773	(1,317)
Bank charges/misc.	200	200	434	234
Office rent	48,100	48,100	48,100	-
Pension Administration	1,000	1,000	1,000	-
Postage	800	800	481	(319)
Audit & legal	25,000	25,000	18,209	(6,791)
Reproduction & printing	2,500	2,500	1,007	(1,493)
Equipment, software	5,000	5,000	2,782	(2,218)
Supplies	6,000	6,000	3,350	(2,650)
I.T. Services/Licenses	23,000	23,000	24,181	1,181
Travel	2,500	2,500	1,454	(1,046)
Utilities	18,540	18,540	14,693	(3,847)
Total Expenditures	2,189,277	2,189,277	1,998,534	(190,743)
Excess (Deficiency) of Revenue over Expenditures	-	-	143,486	143,485
Net Position July 1, 2019			1,068,423	
Net Position June 30, 2020			<u>\$ 1,211,909</u>	

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020, expenditures exceeded appropriations for the following objects:

US EDA CARES Act	\$ 45,853
MNHMPU	\$ 119,292
Recycling & HHW Expense	\$ 9,383
DEMHS	\$ 3,601
IT Services/License	\$ 1,181
DOT Route 81 Corridor Study	\$ 1,781
Bank charges/misc	\$ 234

Expenditures in excess of the US EDA CARES Act were due to the unexpected strike of the COVID 19 pandemic, and, therefore, did not have a budget. RiverCOG does not amend their budget during the year. Expenditures in excess of the MNHMPU were due to the fact that the grant was applied for, and approved, after the budget was adopted. Expenditures in excess of Recycling & HHW were primarily due to a change in procedures during the year, after a new hazardous waste vendor contract was issued with a new vendor. Expenditures in excess of DMHS were due to additional training, equipment, IT services, etc., purchased in FY 2020 with available, multi-year, grant funding. The Route 81 Corridor Study was over-expended, because the project was expected to have completed in FY 2019, and therefore, did not have a budget. The remaining expenditures were for RiverCOG’s primary operating fund. IT Services/Licenses exceeded the budget due to additional services added, and Bank charges/misc increased due to RiverCOG adding an additional layer of protection to its bank service for check processing, after the ransomware attack in January.

Other Supplementary Information

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Connecticut River Gateway Commission	LOT CIP	US EDA CARES Act	Department of Transportation Federal Project #UR20 (002)	Total
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid expenses	-	-	-	-	-
Receivables:					-
Due from Federal government	-	-	45,853	-	45,853
Due from State of Connecticut	-	-	-	-	-
Due from other funds	-	22,984	-	3,827	26,811
Other receivables	6,726	-	-	-	6,726
Security deposit	-	-	-	-	-
Capital assets, net of accumulated depreciation	-	-	-	-	-
Total assets	<u>\$ 6,726</u>	<u>\$ 22,984</u>	<u>\$ 45,853</u>	<u>\$ 3,827</u>	<u>\$ 79,390</u>
LIABILITIES					
Current liabilities					
Accounts payable	\$ 17	\$ -	\$ 1,913	\$ -	\$ 1,930
Due to state of Connecticut	-	-	-	3,827	3,827
Accrued payroll & taxes	864	81	1,648	-	2,593
Accrued compensated absences	-	-	-	-	-
Non current liabilities					
Obligation under capital lease	-	-	-	-	-
Due to other funds	5,845	-	42,292	-	48,137
Total liabilities	<u>6,726</u>	<u>81</u>	<u>45,853</u>	<u>3,827</u>	<u>56,487</u>
DEFERRED INFLOW OF RESOURCES					
Deferred revenue	-	22,903	-	-	22,903
Total deferred inflows of resources	<u>-</u>	<u>22,903</u>	<u>-</u>	<u>-</u>	<u>22,903</u>
FUND BALANCES/NET ASSETS					
Fund Balances:					
Unassigned	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 6,726</u>	<u>\$ 22,984</u>	<u>\$ 45,853</u>	<u>\$ 3,827</u>	<u>\$ 79,390</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, 2020**

	Connecticut River Gateway Commission	LOT CIP	US EDA CARES Act	Department of Transportation Federal Project #UR20 (002)	Total
REVENUES					
Federal government	\$ -	\$ -	\$ 45,853	\$ 40,428	\$ 86,281
State of Connecticut	-	8,140	-	-	8,140
Other governmental agencies	-	-	-	10,107	10,107
Miscellaneous	24,688	-	-	-	24,688
Total revenues	<u>24,688</u>	<u>8,140</u>	<u>45,853</u>	<u>50,535</u>	<u>129,216</u>
EXPENDITURES/EXPENSES					
Current:					
Direct Costs:					
Salaries	10,140	3,607	8,412	22,549	44,708
Consultants	-	-	26,208	-	26,208
Sub recipients	-	-	-	-	-
Equipment	-	-	-	-	-
Contingency	-	-	-	-	-
Other	328	102	900	289	1,619
Depreciation and amortization	-	-	-	-	-
Indirect	12,456	4,431	10,333	27,697	54,917
Total Expenditures/expenses	<u>22,924</u>	<u>8,140</u>	<u>45,853</u>	<u>50,535</u>	<u>127,452</u>
Excess (deficiency) of revenues over expenditures	1,764	-	-	-	1,764
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	(1,764)	-	-	-	(1,764)
Total other financing sources (uses)	<u>(1,764)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,764)</u>
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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
STATE OF CONNECTICUT DEPARTMENT OF TRANSPORTATION
FOR THE YEAR ENDED JUNE 30, 2020**

	FHWA/FTA PL DOT07209996PL *	FHWA/FTA PL Carryover Funds DOT07209997PL	FHWA/STPH DOT01120116PL	FHWA/STPO. DOT00270123PL	
State Project Number	UR20 (001)	UR20 (002)	0081111	0081111	
Federal Project Number	5.09-03(17)	5.09-03(17)	5.09-03(17)	5.09-03(17)	
Master Agreement Number	20.505	20.505	20.205	20.205	Total
CFDA Number					
<u>Maximum Funds Authorized</u>					
FHWA/FTA	\$ 471,712	\$ 44,255	\$ 292,000	\$ 120,000	\$ 927,967
ConnDOT - FHWA/FTA	58,964	-	36,500	15,000	110,464
Local	58,964	11,064	36,500	15,000	121,528
TOTAL	\$ 589,640	\$ 55,319	\$ 365,000	\$ 150,000	\$ 1,159,959
<u>Audited Expenditures</u>					
Direct Salaries	\$ 179,495	\$ 22,549	\$ 5,374	\$ 839	\$ 208,257
Indirect Costs @ 122.83%	220,481	27,697	6,601	1,031	255,810
Direct Charges	3,507	289	133,195	1,781	138,772
TOTAL	\$ 403,484	\$ 50,535	\$ 145,170	\$ 3,651	\$ 602,839
<u>Distribution of Audited Costs</u>					
FHWA/FTA	\$ 322,787	\$ 40,428	\$ 116,136	\$ 2,921	\$ 482,272
ConnDOT - FHWA/FTA	40,348	-	14,517	365	55,230
Local	40,348	10,107	14,517	365	65,337
TOTAL	\$ 403,483	\$ 50,535	\$ 145,170	\$ 3,651	\$ 602,839
<u>ConnDOT Responsibility</u>					
FHWA/FTA	\$ 322,787	\$ 40,428	\$ 116,136	\$ 2,921	\$ 482,272
ConnDOT - FHWA/FTA	40,348	-	14,517	365	55,230
TOTAL	\$ 363,135	\$ 40,428	\$ 130,653	\$ 3,286	\$ 537,502
Payments Received to June 30, 2020	\$ 266,750	\$ 44,255	\$ 112,054	\$ 6,742	\$ 429,801
Payments Received after June 30, 2020	129,645	-	14,531	-	144,176
TOTAL PAYMENTS RECEIVED	396,395	44,255	126,585	6,742	573,977
Due From/(To) ConnDOT	\$ (33,260)	\$ (3,827)	\$ 4,068	\$ (3,456)	\$ (36,475)

* This agreement spanned two years, FY 2020 & FY 2021. The Maximum Funds Authorized were contract estimates.

Federal Single Audit



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Certified Public Accountants

**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, 2020, 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 December 11, 2020.

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
December 11, 2020



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**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, 2020. 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, 2020.

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, 2020, 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 December 11, 2020, 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 December 11, 2020

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

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 EMPG 2018	97.042	12060-DPS32160-21881	\$ 40,914
DEMHS PDMG Natural Hazard Mitigation Plan Update	97.047	12060-DPS32983-22756	110,530
DEMHS HSGP 2017	97.067	12060-DPS32160-21877	151,573
DEMHS HSGP 2018	97.067	12060-DPS32160-21877	149,845
DEHMS HSGP 2019	97.067	12060-DPS32160-21877	42,934
DEMHS HSGP CCP Cat. C FY 2020	97.067	12060-DPS32160-21877	4,000
Total Department of Homeland Security			<u>499,796</u>
Economic Development Administration			
US EDA CARES Act	21.019		45,853
Total US EDA			<u>45,853</u>
Department of Transportation: Passed through the State of Connecticut Department of Transportation:			
Regional Transportation Planning Agreement # DOT07209996PL	20.505	12062-DOT57551-22108	322,787
Regional Transportation Planning Agreement # DOT07209997PL	20.505	12062-DOT57551-22108	40,428
Regional Transportation Planning Agreement# 0112-0116	20.205	12062-DOT57551-22108	116,136
Regional Transportation Planning Agreement# 0027-0123	20.205	12062-DOT57551-22108	2,921
Total Department of Transportation			<u>482,272</u>
Total expenditures of federal awards			<u><u>\$ 1,027,921</u></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, 2020**

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, 2020. 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, 2020**

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 Expenditures</u>	
20.205	Highway Planning	\$119,057
20.505	Metropolitan Transportation Planning	\$ 363,215

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, 2020. 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, 2020.

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, 2020 and have issued our report thereon dated December 11, 2020, 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
December 11, 2020

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2020**

State Grantor/Pass-through Grantor/Program Title	State Grant Program Core - CT Number	Expenditures
Department of Transportation		
Regional Transportation Planning Agreement# DOT07209996PL	12062-DOT57551-22108	\$ 40,348
LOTICIP Grant# DOT01703280GR	13033-DOT57000-43584	8,140
Regional Transportation Planning Agreement# 0112-0116	12062-DOT57551-22108	14,517
Regional Transportation Planning Agreement# 0027-0123	12062-DOT57551-22108	365
Regional Transportation Planning Agreement# DOT01703502PL	13033-DOT57931-41390	226,740
Total Department of Transportation		<u>290,110</u>
Office of Policy and Management		
Regional Performance Incentive - RSG 020-03	12060-OPM20600-35457	<u>327,171</u>
Total Office of Policy & Management		<u>327,171</u>
Total State Financial Assistance		<u>\$ 617,281</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, 2020**

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, 2020**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(ies) identified? ___ yes X 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 X 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 Transportation Planning Agreement# DOT07209996PL	12062-DOT57551-22108	\$ 40,348
Regional Performance Incentive - RSG 020-03	12060-OPM20600-35457	\$ 327,171
Regional Transportation Planning Agreement# DOT01703502PL	13033-DOT57931-41390	\$ 226,740

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, 2020**

II. FINANCIAL STATEMENT FINDINGS

No findings were reported.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No findings were reported.



**HENRY, RAYMOND
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Certified Public Accountants

**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

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, 2020.

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, 2020 for the year then ended in accordance with the basis of accounting described in Note 2.

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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 December 11, 2020, 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
December 11, 2020

**LOWER CONNECTICUT RIVER VALLEY COUNCIL OF GOVERNMENTS
STATEMENT OF DIRECT LABOR, FRINGE BENEFITS, AND GENERAL OVERHEAD
FOR THE YEAR ENDED June 30, 2020**

Description	General Ledger Balance	Portion Unallowable	2 CFR Ref.	Total Proposed Allocations
Direct Labor	\$ 455,584	\$ -		\$ 455,584
Fringe Benefits				
Indirect labor	\$ 87,043	\$ -		\$ 87,043
Vacation/Holiday/Paid Leave	78,995	-		78,995
Payroll Taxes	47,908	-		47,908
Group Insurance	171,901	-		171,901
Pension	34,381	-		34,381
Other Fringe benefits	5,000	-		5,000
Total Fringe Benefits	<u>\$ 425,228</u>	<u>\$ -</u>		<u>\$ 425,228</u>
General Overhead				
Administrative				
Consultants	478,304	(478,304)	(a)	-
Training	23,532	(23,532)	(b)	-
IT Equipment and software	5,751	(4,413)	(b)	1,338
IT Service/License contracts	72,808	(48,627)	(b)	24,181
Accounting & legal	50,127	(31,917)	(b)	18,210
Planning	-	-		-
Rent	48,100	-		48,100
Office	7,304	(3,085)	(b)	4,219
Repairs and Maintenance	1,350	(1,231)	(b)	119
Travel/mileage/parking	10,785	(9,331)	(b)	1,454
Dues & subscriptions	6,414	(4,975)	(b)	1,439
Bond & insurance	22,773	(11,000)	(b)	11,773
Equipment - non-asset	306,200	(304,755)	(b)	1,445
Utilities	17,510	(2,817)	(b)	14,693
Meetings/seminars	2,080	(2,080)	(b)	-
Service Agreements	62,471	(55,488)	(b)	6,983
Food and supplies for meetings	1,729	(1,729)	(b), (c)	-
Miscellaneous	484	(50)	(b), (c)	434
Total General Overhead	<u>\$ 1,117,722</u>	<u>\$ (983,334)</u>		<u>\$ 134,388</u>
Total Indirect Costs				<u>\$ 559,616</u>
Percentage of Direct Labor				<u>122.83%</u>

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, 2020**

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, 2020**

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.