

**SOUTH CENTRAL REGIONAL COUNCIL
OF GOVERNMENTS**
*Audit of Financial Statements and
Supplemental Schedules
For the Year Ended June 30, 2023*

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS

TABLE OF CONTENTS

Independent Auditor's Reports:

| | |
|--|----|
| • Independent Auditor's Report | 1 |
| • Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 4 |
| • Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance | 6 |
| • Independent Auditor's Report on Compliance for Each Major State Program; Report on Internal Control over Compliance and Report on the Schedule of Expenditures of State Financial Assistance Required the State Single Audit Act | 9 |
| • Independent Auditor's Report on the Schedule of Indirect Costs | 12 |

| | |
|---|----|
| Management's Discussion and Analysis | 14 |
|---|----|

Financial Statements:

| | | |
|-----------|---|----|
| Exhibit A | Statement of Net Position | 20 |
| Exhibit B | Statement of Activities | 21 |
| Exhibit C | Balance Sheet – Governmental Funds | 22 |
| Exhibit D | Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 23 |
| | Notes to the Financial Statements | 24 |

Required Supplementary Information:

| | | |
|------------|---|----|
| Schedule 1 | Schedule of Revenues and Other Financing Sources – Budget and Actual | 35 |
| Schedule 2 | Schedule of Expenditures and Other Financing Uses – Budget and Actual | 36 |

Supporting Financial Statements and Supplementary Schedules:

| | | |
|------------|---|----|
| Schedule 3 | Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds | 38 |
| Schedule 4 | Financial Summary – Transportation Grants | 39 |

Schedules for Indirect Cost Rate:

| | | |
|------------|---|----|
| Schedule 5 | Schedule of Indirect Costs and Overhead Calculation | 41 |
| | Notes to the Schedule of Indirect Costs and Overhead Rate Calculation | 42 |
| Schedule 6 | Cost Analysis | 43 |

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS
TABLE OF CONTENTS

Schedules Required by the Federal Single Audit Act:

| | | |
|------------|--|----|
| Schedule 7 | Schedule of Expenditures of Federal Awards | 45 |
| Schedule 8 | Notes to the Schedule of Expenditures of Federal Awards | 46 |
| Schedule 9 | Schedule of Findings and Questioned Costs-Federal Awards | 47 |

Schedules Required by the State Single Audit Act:

| | | |
|-------------|---|----|
| Schedule 10 | Schedule of Expenditures of State Financial Assistance | 49 |
| Schedule 11 | Notes to the Schedule of Expenditures of State Financial Assistance | 50 |
| Schedule 12 | Schedule of Findings and Questioned Costs - State Awards | 51 |



An independent member of BKR International, an association of accounting and business advisory firms

Independent Auditor's Report

To the Executive Committee of
South Central Regional Council of Governments
North Haven, Connecticut

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Central Regional Council of Governments (SCRCOG) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the South Central Regional Council of Governments' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the South Central Regional Council of Governments, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the SCRCOG and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SCRCOG's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the SCRCOG's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 14–19 and 35–36 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the

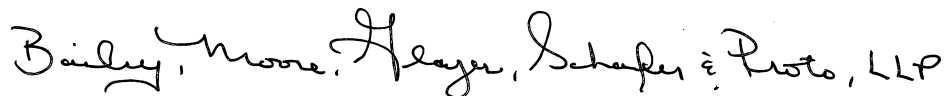
United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the SCRCOG's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 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, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal 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 27, 2023, on our consideration of SCRCOG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Central Regional Council of Governments' internal control over financial reporting and compliance.



Woodbridge, Connecticut
December 27, 2023



An independent member of BKR International, an association of accounting and business advisory firms

**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 Executive Committee of
South Central Regional Council of Governments
North Haven, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Central Regional Council of Governments (SCRCOG), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the SCRCOG's basic financial statements, and have issued our report thereon dated December 27, 2023.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements, on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the SCRCOG'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 over financial reporting 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 and significant deficiencies may exist that have not been identified.

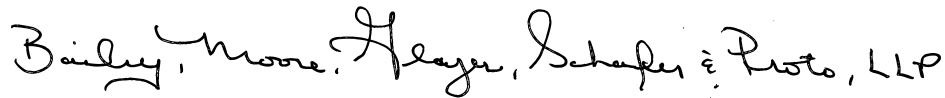
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SCRCOG's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of

laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this report

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

A handwritten signature in cursive script that reads "Bailey, Moore, Hayer, Schaffer & Piro, LLP".

Woodbridge, Connecticut
December 27, 2023



An independent member of BKR International, an association of accounting and business advisory firms

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Executive Committee of
South Central Regional Council of Governments
North Haven, Connecticut

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Central Regional Council of Governments' (SCRCOG) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the South Central Regional Council of Governments' major federal program for the year ended June 30, 2023. SCRCOG's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, South Central Regional 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 its major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of South Central Regional Council of Governments and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of South Central Regional Council of Governments' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to SCRCOG's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on SCRCOG's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about SCRCOG's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding SCRCOG's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of SCRCOG's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 SCRCOG's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bailey, Moore, Hayer, Schaffer & Piro, LLP

Woodbridge, Connecticut
December 27, 2023



An independent member of BKR International, an association of accounting and business advisory firms

**Independent Auditor's Report on Compliance for Each Major State Program and
Report on Internal Control over Compliance; Report on the Schedule of
Expenditures of State Financial Assistance Required the State Single Audit Act**

To the Executive Committee of
South Central Regional Council of Governments
North Haven, Connecticut

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited South Central Regional Council of Governments' (SCRCOG) compliance with the types of compliance requirements identified as subject to audit in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the South Central Regional Council of Governments' major state programs for the year ended June 30, 2023. SCRCOG's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, South Central Regional 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, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of South Central Regional Council of Governments and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of South Central Regional Council of Governments' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to SCRCOG's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and

express an opinion on SCRCOG's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State Single Audit Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about SCRCOG's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding SCRCOG's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of SCRCOG's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 SCRCOG's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses

or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the governmental activities, each major program, and the aggregate remaining fund information of the South Central Regional Council of Governments, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements. We have issued our report thereon dated December 27, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. 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 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 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, the schedule of expenditure of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Bailey, Moore, Heger, Schaffer & Piro, LLP

Woodbridge, Connecticut
December 27, 2023



An independent member of BKR International, an association of accounting and business advisory firms

Independent Auditor's Report on the Schedule of Indirect Costs

To the Executive Committee of
South Central Regional Council of Governments
North Haven, Connecticut

Report on the Schedule of Indirect Costs and Overhead Calculation

We have audited the accompanying schedule of indirect costs and overhead calculation of the South Central Regional Council of Governments (SCRCOG) for the year ended June 30, 2023.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of the schedule 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). Management is also responsible for the design, implementation and maintenance of internal controls 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 an opinion 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 financial audit standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free of 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 controls relevant to the SCRCOG's preparation 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 SCRCOG's internal controls. 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.

Opinion

In our opinion, the schedule referred to above presents fairly, in all material respects, the indirect cost rate of the South Central Regional Council of Governments for the year ended June 30, 2023 on the basis of accounting described in Note B to the Schedule of Expenditures of Federal

Awards.

Basis of Accounting

We draw attention to Note A to the Schedule of Expenditures of Federal Awards, which describes the basis of accounting. As described in Note A, the schedule is prepared by the SCRCOG on the basis of 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), which is the basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and the use of the South Central Regional Council of Governments and government agencies or other customers related to contracts employing the Uniform Guidance cost principles and is not intended and should not be used by anyone other than these specified parties.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued a report dated December 27, 2023, on our consideration of the SCRCOG's internal controls over financial reporting as it relates to the schedule and on our tests of its compliance with certain provisions of laws, regulations and contracts, including 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). The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of the testing, and not to provide an opinion on internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the South Central Regional Council of Governments' internal control over financial reporting and compliance.

Bailey, Moore, Heger, Schaefer & Piro, LLP

Woodbridge, Connecticut
December 27, 2023

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS

Management Discussion and Analysis

For the Year Ended June 30, 2023

This discussion and analysis of the South Central Regional Council of Governments (“SCRCOG”) financial performance is provided by management as an overview of the SCRCOG’s financial activities for the fiscal year ended June 30, 2023. This reporting is in accordance with Statement No. 34 of the Governmental Accounting Standards Board. Please read this MD&A in conjunction with the SCRCOG’s financial statements.

FINANCIAL HIGHLIGHTS

- Net assets of our governmental activities decreased by \$26,222.
- During the year, the SCRCOG had revenue that was \$26,394 less than expenses.
- Total cost of all of the SCRCOG’s programs was \$2,462,827.
- The Total Funds reported a fund balance this year of \$1,003,879.
- The resources available for appropriation were \$3,414,656. All expenditures are within authorized limits.
- Revenue is diversified through receipt of grant funds and funding from federal transportation sources. Transportation revenue had run at 80% of SCRCOG revenues only several years in the past. In FY 2022-23 funding from federal transportation sources was reduced to approximately 50% of total SCRCOG revenue.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (Exhibits A and B, respectively) provide information about the activities of the SCRCOG as a whole and present a longer-term view of the SCRCOG’s finances. Fund financial statements are presented in Exhibit C and D. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the SCRCOG’s operations in more detail than the government-wide statements by providing information about the SCRCOG’s most significant funds.

Government-Wide Financial Statements

The analysis of the SCRCOG as a whole begins on Exhibit A and B. The statement of net position and the statement of activities report information about the SCRCOG as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the SCRCOG’s net assets and changes in them. The SCRCOG’s net assets, the difference between assets and liabilities, are one way to measure the SCRCOG’s

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS

Management Discussion and Analysis

For the Year Ended June 30, 2023

financial health, or financial position. Over time, increases or decreases in the SCRCOG's net assets are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other non-financial factors, however, such as changes in the SCRCOG's funding sources.

In the statement of net position and the statement of activities, the SCRCOG reports its activities:

Governmental activities – The SCRCOG's basic planning programs are reported here, including land use, transportation, transit, environmental, and inter-municipal shared services for the region. Federal and State grants fund most activities supplemented by local municipal dues.

Fund Financial Statements

The fund financial statements begin with Exhibit C and provide detailed information about the most significant funds. The SCRCOG has established other funds over recent years to help control and manage financial activities for particular purposes – Regional Services Grant (formally known as State Grant-in-Aid), Hazard Mitigation, OPM Regional Performance Incentive grants, Local Transportation Capital Improvement Program, FTA and CTDOT funding to show that it is meeting legal responsibilities required by the grants. Of the three prescribed categories of funds the SCRCOG utilizes only Governmental Funds; there are no Proprietary or Fiduciary Funds

Governmental funds (Exhibits C and D) – These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the SCRCOG's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the SCRCOG's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS
Management Discussion and Analysis
For the Year Ended June 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The SCRCOG's combined net assets decreased from a year ago from \$1,000,314 to \$974,092. The analysis below focuses on the net assets (Table 1) of the SCRCOG's governmental activities.

Table 1
Net Assets

| | Governmental Activities | |
|---|--------------------------------|-----------------------|
| | <u>FY 2023</u> | <u>FY 2022</u> |
| ASSETS | | |
| Cash and cash equivalents | \$ 307,633 | \$ 949,352 |
| Certificates of deposit | 108,499 | 108,336 |
| Due from federal and state governments .. | 850,936 | 340,046 |
| Prepaid expenses | 29,277 | 23,288 |
| Right-of-use-assets..... | 863,576 | 985,265 |
| Fixed assets, net of depreciation | 21,062 | 10,574 |
| Other assets | <u>11,663</u> | <u>11,663</u> |
| Total Assets..... | <u>\$ 2,192,646</u> | <u>\$ 2,428,524</u> |
| LIABILITIES | | |
| Accounts payable | \$ 125,375 | \$ 192,275 |
| Accrued expenses..... | 691 | 775 |
| Deferred revenue..... | 178,754 | 210,137 |
| Non-current liabilities | <u>913,734</u> | <u>1,025,023</u> |
| Total liabilities | <u>\$ 1,218,554</u> | <u>\$ 1,428,210</u> |
| NET ASSETS | | |
| Investment in capital assets..... | \$ 21,062 | \$ 10,574 |
| General fund..... | <u>953,030</u> | <u>989,740</u> |
| Total net assets | <u>\$ 974,092</u> | <u>\$ 1,000,314</u> |

The SCRCOG experienced a decrease in net assets of its governmental activities of 2.62% as opposed to a 6.43% decrease in the prior year. The SCRCOG's total revenues were \$2,436,433. The total cost of all programs and services was \$2,462,827. See Exhibit D in the financial report.

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS

Management Discussion and Analysis

For the Year Ended June 30, 2023

Governmental Activities

Overall revenues were \$978,223 lower than budgeted. Expenditures were \$951,829 less than budgeted. The SCRCOG revenue figures in the budget reflect grantors' requests that the SCRCOG should budget 100% of grants, even though the SCRCOG may not have intended to use the entire grant in a particular year. Almost all revenue generated from FHWA, FTA, and CT Department of Transportation funds are on a reimbursement basis with a 10-20% local match required.

There are two types of FHWA and FTA funds made available to the SCRCOG -- current-year and carryover. Current-year funds require a 20% local match, half of which is provided by the CT Department of Transportation. At the end of the two-year Unified Planning Work Program (UPWP), any unused current-year funds are made available to the SCRCOG in future fiscal years ("carryover funds"). In recent years, the carryover funds were not matched by the CT Department of Transportation, therefore, the SCRCOG was required to provide the full 20% local match to access the funds. In the current UPWP, which covers the fiscal year ending June 30, 2024 and June 30, 2025, the CT Department of Transportation will be matching the carryover funds in the same fashion as the current-year funds. It is unknown whether the CT Department of Transportation will be matching carryover funds in future UPWPs. During FY 2022-23, SCRCOG was awarded additional federal transportation funds due to the Infrastructure Investment and Jobs Act (IIJA). In order to utilize this funding, the SCRCOG was required to provide the full 20% match.

The state transportation program called the Local Transportation Capital Improvement Program (LOTICIP) provides 100% reimbursement for construction services. However, under LOTICIP, the local municipalities are 100% responsible for the funding of the design of local transportation projects. The SCRCOG received a grant from CTDOT for administering the LOTICIP Program in FY 2014-2015 and continued to use that grant for administration during FY 2022-23.

The SCRCOG has received significant funding from the award of grants in recent years and this trend continued during FY 2022-23. The Office of Policy and Management continued the funding of the Regional Services Grant in FY 2022-23 at \$573,101. The RSG is awarded to the SCRCOG on a 100% reimbursement basis. The CT Department of Energy and Environmental Protection (DEEP) awarded the SCRCOG a Solid Materials Management Grant. The SCRCOG also received two federal grants – a Federal Emergency Management Agency (FEMA) grant to update the Regional Hazard Mitigation Plan and an Economic Development Agency CARES Act Grant for COVID-19 pandemic economic recovery activities. The FEMA grant required a 25% local match, which was funded by the amount remaining in the special assessment levied for the last update of the Plan and the committed fund balance.

Maximum overhead rate allowance set by our federal transportation grantors is 1.50. Our rate in this fiscal year was 1.4321 compared to 1.3574 in the prior year. (See Schedule 7 in the financial statements).

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS

Management Discussion and Analysis

For the Year Ended June 30, 2023

SCRCOG FUNDS FINANCIAL ANALYSIS

Governmental Funds

As the SCRCOG completed the year, its governmental funds (as presented in the balance sheet – Exhibit C) reported a combined fund balance of \$1,003,879 which is a decrease of about 2.56% from last year's total of \$1,030,273.

General Fund Budgetary Highlights

The SCRCOG's budget continues to rely heavily on FHWA, FTA and CT Department of Transportation (CTDOT), which fund approximately 50% of the SCRCOG total revenue for FY 2022-23. The receipt of non-transportation grants in recent years has reduced this percentage from a long-standing benchmark of 80%. Municipal dues make up 8% of the total revenue. The LOTCIP grant, FEMA Grant, EDA CARES Act Grant, CT DEEP SMM Grant, and the Regional Services Grant complete the funding sources for this fiscal year. The municipal dues are assessed at \$.34/per capita based on each municipality's population. In general, the fund balance has been held to meet cash flow needs since the majority of our funding is on a reimbursable basis. In January 2023, the SCRCOG Board recognized that the fund balance will likely be needed to cover the 20% local match required to utilize carryover FHWA and FTA funds in future fiscal years by committing \$300,000 of the fund balance for the FY 2024 and FY 2025 Unified Planning Work Program contract. This committed fund balance was also planned to be used for a portion of the 25% match for the Regional Hazard Mitigation Plan. This year's decrease in the fund balance can be largely attributed to the match for the Regional Hazard Mitigation Plan and the match for the previously mentioned IIA funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, the SCRCOG had \$152,886 of capital assets, the same as in the previous year, consisting of basically office and computer equipment located in the SCRCOG's leased office space. (See Note 6 in the financial statements).

Debt Administration

The SCRCOG has no authority to issue bonds or other types of debt instruments.

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS

Management Discussion and Analysis

For the Year Ended June 30, 2023

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The SCRCOG's elected officials considered many factors when adopting the fiscal year 2023-24 budget. As a result of these efforts and adherence to federal guidelines, the SCRCOG adopted a budget of \$7,469,350 for 2023-24. The SCRCOG municipal dues were increased to \$.42/per capita in order to cover the local match for the increased federal transportation funding as a result of the Infrastructure Investment and Jobs Act.

The FY 2023-24 budget contains the Regional Services Grant at \$948,502, which is a \$375,401 increase over the previous fiscal year. This grant will be used to fund the SCRCOG's Regional Planning activities, and Inter-Municipal Shared Services Initiatives focused on creating cost-savings for the SCRCOG's member municipalities.

In the fall of 2018, the SCRCOG established nine Working Groups pertaining to a variety of municipal operations in an effort to promote efficiencies and cost-saving initiatives. As of FY 2023-24, five Working Groups remain active (see list below). This focusing has resulted in the gradual concentration of programs most helpful to the member municipalities within the limited funds available under the Regional Services Grant. The goal of these Working Groups was, and still is, to facilitate greater collaboration amongst the 15 SCRCOG municipalities. Each group consists of municipal employees and citizen commission members based on the involvement of their role in a department or function in each municipality. Working Groups meet to discuss topics/issues pertinent to operations, regional opportunities and projects, and best practices within the focus area of the group. The Working Groups facilitate the voluntary and coordinated implementation of programs and projects among some or all of the SCRCOG municipalities.

- Affordable Housing
- Grant Writing and Administration
- Information Technology (focusing on Cybersecurity)
- Purchasing
- Solid Waste and Recycling

The SCRCOG also applied for two grants that were awarded in the new fiscal year – a CT OPM Regional Performance Incentive Program Grant for a Municipal Cybersecurity Program, and a CTDOT Highway Safety Program Grant. SCRCOG as lead agency of the New Haven-Milford MSA was also awarded a non-competitive US EPA Climate Pollution Reduction Grant,

CONTACTING THE SCRCOG'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, creditors and state and federal funders with a general overview of the SCRCOG's finances and to show the SCRCOG's accountability for the money it receives. If you have questions about this report or need additional financial information, contact, Carl Amento, Executive Director, SCRCOG, 127 Washington Ave., 4th Floor West, North Haven, CT 06473.

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS**Statement of Net Position****June 30, 2023**

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 307,633 |
| Certificates of deposit | 108,499 |
| Due from Federal and State Governments | 850,936 |
| Prepaid expenses | 29,277 |
| Right-of-use operating assets | 863,576 |
| Fixed assets, net of depreciation | 21,062 |
| Other assets | 11,663 |
| Total assets | <u>\$ 2,192,646</u> |
| LIABILITIES | |
| Accounts payable | \$ 125,375 |
| Accrued interest | 691 |
| Deferred revenue | 178,754 |
| Lease obligations-operating | 900,580 |
| Accrued vacation | 13,154 |
| Total liabilities | <u>\$ 1,218,554</u> |
| NET ASSETS | |
| Investment in capital assets | \$ 21,062 |
| Unrestricted | 953,030 |
| Total net assets | <u><u>\$ 974,092</u></u> |

The accompanying notes are an integral part of the financial statements

Exhibit A

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS

Statement of Activities

For the Year Ended June 30, 2023

| | <u>Expenses</u> | <u>Program Revenues Operating Grants & Contributions</u> | <u>Net (Expense) Revenue & Changes in Net Assets</u> |
|---------------------------------|---------------------|--|--|
| Governmental Activities: | | | |
| Salaries | \$ 586,192 | \$ 522,642 | \$ (63,550) |
| Employee benefits | 256,507 | 152,908 | (103,599) |
| Rent | 115,181 | 68,176 | (47,005) |
| Internet and telephone | 6,017 | 3,561 | (2,456) |
| Office supplies | 2,147 | 1,271 | (876) |
| Equipment maintenance | 22,497 | 13,316 | (9,181) |
| Insurance | 9,122 | 5,399 | (3,723) |
| Printing and reproduction | 34 | 34 | - |
| Travel | 5,180 | 5,180 | - |
| Data processing | 24,744 | 18,902 | (5,842) |
| Dues and publications | 2,663 | 2,532 | (131) |
| Meetings | 5,523 | 5,523 | - |
| Advertising | 9,396 | 9,359 | (37) |
| Consulting | 1,358,028 | 1,358,028 | - |
| Professional services | 41,277 | 25,803 | (15,474) |
| Miscellaneous | 1,082 | 705 | (377) |
| Interest expense | 8,761 | 5,186 | (3,575) |
| Depreciation | 8,304 | 8,304 | - |
| Total expenditures | <u>\$ 2,462,655</u> | <u>\$ 2,206,829</u> | <u>\$ (255,826)</u> |
| General Revenues: | | | |
| Municipal dues | | | \$ 196,482 |
| Miscellaneous revenue | | | 3,185 |
| Unrestricted investment income | | | 29,937 |
| Total general revenues | | | <u>\$ 229,604</u> |
| Change in net assets | | | <u>\$ (26,222)</u> |
| Net assets, July 1, 2022 | | | 1,000,314 |
| Net assets, June 30, 2023 | | | <u><u>\$ 974,092</u></u> |

The accompanying notes are an integral part of the financial statements

Exhibit B

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS

Governmental Funds

Balance Sheet

June 30, 2023

| ASSETS | General Fund | Transportation Planning | Transportation Carryover | Regional Services | Hazard Mitigation | EDA | Nonmajor Governmental Funds | Total Governmental Activities |
|--|---------------------|-------------------------|--------------------------|-------------------|-------------------|-------------|-----------------------------|-------------------------------|
| Cash and cash equivalents | \$ 307,633 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 307,633 |
| Certificates of deposit | 108,499 | - | - | - | - | - | - | 108,499 |
| Due from Federal and State Governments | - | 424,046 | 190,698 | - | 131,321 | 54,442 | 50,429 | 850,936 |
| Due from other funds | 850,936 | (424,046) | (190,698) | - | (131,321) | (54,442) | (50,429) | - |
| Prepaid expenses | 29,277 | - | - | - | - | - | - | 29,277 |
| Other assets | 11,663 | - | - | - | - | - | - | 11,663 |
| Total assets | <u>\$ 1,308,008</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,308,008</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ 125,375 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 125,375 |
| Deferred revenue | - | - | - | - | - | - | 178,754 | 178,754 |
| Due to other funds | 178,754 | - | - | - | - | - | (178,754) | - |
| Total liabilities | <u>\$ 304,129</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 304,129</u> |
| Fund Balances: | | | | | | | | |
| Nonspendable | \$ 40,940 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 40,940 |
| Restricted | - | - | - | - | - | - | - | - |
| Committed | 270,406 | - | - | - | - | - | - | 270,406 |
| Assigned | - | - | - | - | - | - | - | - |
| Unassigned | 692,533 | - | - | - | - | - | - | 692,533 |
| Total fund balances | <u>\$ 1,003,879</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,003,879</u> |
| Total liabilities and fund balances | <u>\$ 1,308,008</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,308,008</u> |

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds

21,062

Lease accounting is not used in the governmental activities and are not reported in the funds

(37,695)

Long-term liabilities, including accrued vacation leave are not due and payable in the current period and are not reported in the funds

(13,154)

\$ 974,092

The accompanying notes are an integral part of the financial statements

Exhibit C

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year ended June 30, 2023

| | General Fund | Transportation Planning | Transportation Carryover | Regional Services | Hazard Mitigation | EDA | Nonmajor Governmental Funds | Total Governmental Activities |
|---|---------------------|----------------------------|-----------------------------|----------------------|----------------------|--------------------|-----------------------------------|-------------------------------------|
| Revenues: | | | | | | | | |
| Municipal dues | \$ 196,482 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 196,482 |
| Federal and State governments | - | 965,282 | 300,609 | 573,431 | 102,874 | 134,579 | 130,054 | 2,206,829 |
| Other income | 3,185 | - | - | - | - | - | - | 3,185 |
| Interest income | 29,937 | - | - | - | - | - | - | 29,937 |
| Total revenue | <u>\$ 229,604</u> | <u>\$ 965,282</u> | <u>\$ 300,609</u> | <u>\$ 573,431</u> | <u>\$ 102,874</u> | <u>\$ 134,579</u> | <u>\$ 130,054</u> | <u>\$ 2,436,433</u> |
| Expenditures: | | | | | | | | |
| Salaries | \$ 176,318 | \$ 263,614 | \$ - | \$ 134,634 | \$ 2,815 | \$ 1,840 | \$ 6,021 | \$ 585,242 |
| Employee benefits | 256,508 | - | - | - | - | - | - | 256,508 |
| Rent | 114,514 | - | - | - | - | - | - | 114,514 |
| Telephone | 6,017 | - | - | - | - | - | - | 6,017 |
| Office supplies | 2,147 | - | - | - | - | - | - | 2,147 |
| Equipment maintenance | 22,558 | - | - | - | - | - | - | 22,558 |
| Insurance | 9,122 | - | - | - | - | - | - | 9,122 |
| Printing and reproduction | - | - | - | 34 | - | - | - | 34 |
| Travel | 315 | 905 | - | 3,960 | - | - | - | 5,180 |
| Data processing | 14,314 | 1,500 | - | 8,930 | - | - | - | 24,744 |
| Dues and publications | 417 | - | - | 2,246 | - | - | - | 2,663 |
| Meetings | 3,477 | - | - | 2,045 | - | - | - | 5,522 |
| Advertising | 4,270 | 2,049 | - | 1,774 | 1,303 | - | - | 9,396 |
| Consulting | 12,715 | 426,949 | 334,010 | 227,194 | 127,400 | 119,600 | 110,160 | 1,358,028 |
| Professional services | 41,277 | - | - | - | - | - | - | 41,277 |
| Miscellaneous | 1,083 | - | - | - | - | - | - | 1,083 |
| Indirect costs allocated | (585,620) | 377,522 | - | 192,809 | 4,031 | 2,635 | 8,623 | - |
| Capital outlay | - | - | - | - | - | - | 18,792 | 18,792 |
| | <u>\$ 79,432</u> | <u>\$ 1,072,539</u> | <u>\$ 334,010</u> | <u>\$ 573,626</u> | <u>\$ 135,549</u> | <u>\$ 124,075</u> | <u>\$ 143,596</u> | <u>\$ 2,462,827</u> |
| Excess (deficiency) of revenues over expenditures | <u>\$ 150,172</u> | <u>\$ (107,257)</u> | <u>\$ (33,401)</u> | <u>\$ (195)</u> | <u>\$ (32,675)</u> | <u>\$ 10,504</u> | <u>\$ (13,542)</u> | <u>\$ (26,394)</u> |
| Other financing sources (uses): | | | | | | | | |
| Local match/over spending | (176,566) | 107,257 | 33,401 | 195 | 32,675 | (10,504) | 13,542 | - |
| Total other financing sources (uses) | <u>\$ (176,566)</u> | <u>\$ 107,257</u> | <u>\$ 33,401</u> | <u>\$ 195</u> | <u>\$ 32,675</u> | <u>\$ (10,504)</u> | <u>\$ 13,542</u> | <u>\$ -</u> |
| Change in fund balance | \$ (26,394) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (26,394) |
| Fund balance, July 1, 2022 | 1,030,273 | - | - | - | - | - | - | - |
| Fund balance, June 30, 2023 | <u>\$ 1,003,879</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

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

10,488

Expenses on the statement of activities for interest expense do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds

(8,761)

Expenses on the statement of activities for lease amortization expense do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds

(605)

Expenses on the statement of activities for accumulated vacation pay do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds

(950)

Change in net assets of governmental activities (Exhibit B)

\$ (26,222)

The accompanying notes are an integral part of the financial statements

Exhibit D

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS

Notes to the Financial Statements

June 30, 2023

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the South Central Regional Council of Government (SCRCOG) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the SCRCOG are described below.

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The statement established a new reporting model for governments that is substantially different from prior reporting standards and includes the following segments:

Management's Discussion & Analysis – provides introductory information on basic financial statements and an analytical overview of the SCRCOG's financial activities.

Government-wide financial statements – consist of a statement of net position and a statement of activities, which are prepared on the accrual basis of accounting. These statements distinguish between governmental activities and business-type activities and exclude fiduciary (employee retirement system and agency funds). Capital assets and long-term obligations (compensated absences, etc.) are included along with current assets and liabilities.

Required supplementary information – in addition to the MD&A, budgetary comparison schedules are presented for the Governmental funds, which include the General Fund and all Special Revenue funds as this is the basis on which the SCRCOG prepares its annual budget. The final adjusted budget is presented in comparison with the actual final budgetary revenues and expenditures (including encumbrances).

The Reporting Entity: The SCRCOG is an association established under the provisions of the Statutes of the State of Connecticut Sections 4-124i through 4-124p. The Council is made up of the municipalities of Bethany, Branford, East Haven, Guilford, Hamden, Madison, Meriden, Milford, New Haven, North Branford, North Haven, Orange, Wallingford, West Haven and Woodbridge.

The purpose of the SCRCOG is to serve as a continuing forum to promote cooperative arrangements between its members to initiate and implement programs and to coordinate actions on a voluntary basis determined to be of benefit to the South Central Connecticut Region and to serve as a regular forum for contact and discussion of items of mutual interest among town and city officials. The Council considers such matters of a public nature common to two or more member communities as it deems appropriate, including matters affecting health, safety, welfare, education and economic conditions of the area comprised by its members.

Government-Wide and Fund Financial Statements: The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the SCRCOG. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include grants and

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS

Notes to the Financial Statements

June 30, 2023

contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

The only funds presented in the financial statements are governmental funds as the SCRCOG has no activities which would be included in Proprietary Funds or Fiduciary Funds. The funds which are included in the financial statements are described below.

Governmental Funds: Are those through which most governmental functions typically are financed.

General Fund - the primary operating fund of the SCRCOG. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from municipal dues, state and federal grants, and interest income.

Special Revenue Funds – these funds account for revenue derived from specific sources, generally federal and state grants that are restricted by legal and regulatory provisions to finance specific activities.

Measurement focus, Basis of Accounting and Financial Statement Presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

SCRCOG reports deferred revenue on its financial statements. Deferred revenues arise when resources are received by SCRCOG before it has legal claim to them as when grant money is received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met or when the SCRCOG has legal claim to the resources by meeting all eligibility requirements, the liability for deferred revenue is removed from the financial statements and revenue is recognized.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures on governmental funds.

The SCRCOG reports the following major governmental funds:

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS

Notes to the Financial Statements

June 30, 2023

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

The Transportation Planning and Carryover Special Revenue Funds: represents the SCRCOG's main source of grant funding and source of funds for direct salaries to carry out the regional planning function of the SCRCOG.

The Regional Services Special Revenue Fund: represents money to be used for regional planning purposes and to achieve efficiencies in the delivery of municipal services as determined by the SCRCOG.

Hazard Mitigation Grant: Collection of data related to the multi-jurisdiction hazard mitigation plan.

EDA: Regional long-term recovery coordination and resiliency planning.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues, as such, general revenues include municipal dues. There are no Program Revenues associated with the "Charges for Services" or "Capital Grants and Contributions" categories.

When both restricted and unrestricted resources are available for use, it is the SCRCOG's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents: The SCRCOG considers all highly liquid investments and those with a maturity of three months or less when purchased to be cash equivalents.

Capital Assets: Capital assets, which include property and equipment are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives, generally 3 to 7 years.

Compensated absences: During the first five years of employment, an employee accrues 5 and 3/4 hours per month up to a maximum of ten days of vacation leave per year. During the second five years of employment, an employee accrues 1 and 1/4 days per month up to a maximum of 15 days per year. After ten full years of employment, an employee accrues 1 and 2/3 days per month up to a maximum of 20 days per year. Employees may carryover a maximum of 10 vacation days to the next fiscal year after approval of the Executive Director. The carryover days

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS

Notes to the Financial Statements

June 30, 2023

must be used within the first quarter of the subsequent fiscal year. The employee, upon termination of employment from SCRCOG, is paid for accrued vacation leave based on the accrual limits specified above. The liability for accumulated vacation \$13,154 at June 30, 2023, which represents normal accumulations, has been recorded in the government-wide statement of net position. The council's sick leave policy permits the accumulation of 15 sick days per year up to a maximum of 75 days. Employees are not paid for unused sick days upon termination of employment and, accordingly, sick pay is charged to expenditures when taken. No provision has been made in the financial statements for unused sick leave.

Allocation of Employee Benefits and Indirect Costs: SCRCOG employee benefits and indirect costs are allocated based upon actual direct labor expenditures to all grants in accordance with the Uniform Guidance. SCRCOG employee benefits and indirect costs necessary to sustain overall operations are allocated to grant projects as a percentage of SCRCOG labor costs. The indirect cost factor for the year ended June 30, 2023, was . The maximum allowed indirect cost rate by ConnDOT is 1.5.

Annual budget and budgetary accounting: SCRCOG's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ending June 30th.

SCRCOG's primary funding source are federal and state grants which have grant periods that generally coincide with SCRCOG's fiscal year. These grants normally are for a twelve-month period; however, they can be awarded for periods shorter or longer than twelve months.

Because of SCRCOG's dependency on federal and state budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding.

The Executive Committee reviews and the full council formally approves the annual budget but emphasis must also be placed on complying with the grant budget, terms and conditions on a grant-by-grant basis. These terms and conditions usually specify the period during which costs may be incurred and outline budget restrictions or allowances.

Fund Equity: Equity in the government-wide financial statements is defined as “net assets” and is classified in the following categories:

Invested in Capital Assets, Net of Related Debt - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Unrestricted Net Assets - This component consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Prior year statements incorrectly reflected board restricted net assets separately from unrestricted net assets. Numbers have been combined in the current year presentation.

The equity of the fund financial statements is defined as “fund balance” and is classified in the following categories:

Nonspendable Fund Balance - This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance - This represents amounts constrained for a specific purpose by

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS

Notes to the Financial Statements

June 30, 2023

external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

Committed Fund Balance - This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Board).

Assigned Fund Balance - For all governmental funds other than the General Fund, this represents any remaining positive amounts not classified as restricted or committed. For the General Fund, this includes amounts constrained for the intent to be used for a specific purpose by the executive committee.

Unassigned Fund Balance - This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

NOTE 2 — RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position: The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including accrued vacation days are not due and payable in the current period and are not reported in the funds". The details of this \$(13,154) difference are as follows:

| | |
|-----------------------|-------------|
| Accrued vacation days | \$ (13,154) |
|-----------------------|-------------|

Another element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds". The details of this \$21,062 difference are as follows:

| | |
|--------------------------------|-----------|
| Net book value of fixed assets | \$ 21,062 |
|--------------------------------|-----------|

Another element of that reconciliation explains that "lease accounting is not used in the governmental activities and are not reported in the funds". The details of this \$(37,695) difference are as follows:

| | |
|---------------------------------|--------------------|
| Accumulated interest on leases | \$ (29,222) |
| Amortization vs. lease payments | (8,473) |
| Total | <u>\$ (37,695)</u> |

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities: The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays for equipment as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense". The details of this \$10,488 difference are as follows:

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS
Notes to the Financial Statements
June 30, 2023

| | |
|------------------------------|------------------|
| Capital outlay | \$ 18,792 |
| Depreciation expense | <u>(8,304)</u> |
| Net adjustment per Exhibit D | <u>\$ 10,488</u> |

Another element of the reconciliation states that “Expenses on the statement of activities for accumulated vacation pay do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds”. The details of this \$(950) difference are as follows:

| | |
|-----------------------------------|-----------------|
| Accumulated vacation pay, July 1 | \$ 12,204 |
| Accumulated vacation pay, June 30 | <u>13,154</u> |
| Difference | <u>\$ (950)</u> |

Another element of the reconciliation states that “Expenses on the statement of activities for interest expense do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds”. The details of this \$(8,761) difference are as follows:

| | |
|-------------------------------------|-------------------|
| Accumulated lease interest, July 1 | \$ 20,461 |
| Accumulated lease interest, June 30 | <u>29,222</u> |
| Difference | <u>\$ (8,761)</u> |

Another element of the reconciliation states that “Expenses on the statement of activities for lease amortization expense do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds”. The details of this \$(605) difference are as follows:

| | |
|--|-----------------|
| Accumulated net lease amortization, July 1 | \$ 7,868 |
| Accumulated net lease amortization, June 30 | <u>8,473</u> |
| Difference | <u>\$ (605)</u> |

NOTE 3 — CASH, REPURCHASE AGREEMENTS, AND INVESTMENTS:

Statutes authorize the SCRCOG to invest in repurchase agreements, certificates of deposit, tax exempt funds, and direct and indirect obligations of the United States Government, which is interpreted to include repurchase agreements and the State Short-term Investment Fund. In conformity with these statutes the SCRCOG adopted an investment policy August 25, 1999, which allows for investment in the following instruments:

- U.S. Treasury Bills
- Treasury Notes or Bonds maturing within two years
- Bank savings accounts and certificates of deposit of banks and savings and loan institutions maturing within two years
- The State Treasurer’s Short Term Investment Fund (STIF)

Assets of the employee pension fund, tax shelter fund and deferred compensation fund are not subject to the guidelines in State Statutes or the SCRCOG investment policy.

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS
Notes to the Financial Statements
June 30, 2023

Cash and Cash Equivalents:

The following is a summary of cash and cash equivalents at June 30, 2023:

Deposits:

| | |
|-----------------|-----------|
| Demand accounts | \$ 26,830 |
|-----------------|-----------|

Other Cash Equivalents*

| | |
|----------------------------------|-------------------|
| State Short-Term Investment Fund | <u>280,803</u> |
| Total cash and cash equivalents | <u>\$ 307,633</u> |

* Short-term, highly liquid investments readily convertible into known amounts of cash. The STIF fund is rated AAAm by S&P.

Deposits:

At June 30, 2023, the carrying amount of the SCRCOG's deposits and certificates of deposit was \$135,166, and the bank balance was \$338,276. Of these deposits \$338,276 was covered by federal depository insurance and \$0 was collateralized as required by State statute. All such deposit were in institutions considered to be "qualified public depositories" as defined in Section 36a-333 of the Connecticut General Statutes.

Investments:

The SCRCOG will periodically invest in certificates of deposit with a maturity greater than 90 days. At year end there were \$108,499 in certificates of deposit bearing an interest rate of 0.15% and an initial maturity of 1 year.

NOTE 4 — ACCOUNTS RECEIVABLE:

Accounts receivable consist of federal and state administered grant receivables for reimbursement of expenditures under various programs and grants. All amounts are expected to be collected within the next year.

NOTE 5 — LEASES:

The SCRCOG is a party to two (2) lease arrangements:

Lease one: The SCRCOG leases its office space under a lease with available options through November of 2030. An initial lease liability was recorded in the amount of \$1,193,827. As of June 30, 2023, the value of the lease liability was \$886,939. The SCRCOG is required to make payments ranging from \$9,021 to \$10,997 over the life of the lease. The lease is discounted using the risk-free rate of return of 0.93%. The value of the right-of-use asset at June 30, 2023, of \$1,193,827 with accumulated amortization of \$343,823 is included in the table below.

Lease two: The SCRCOG leases a copier under a sixty-three-month lease running through May 2025. An initial lease liability was recorded in the amount of \$34,814. As of June 30, 2023, the value of the lease liability was \$13,641. The SCRCOG is required to make payments of \$595 over the life of the lease. The lease is discounted using the risk-free rate of return of 0.36%. The value of the right-of-use asset at June 30, 2023, of \$34,814 with accumulated amortization of \$21,242 is included in the table below.

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS
Notes to the Financial Statements
June 30, 2023

Operating lease expense:

Amortization expense by class of underlying asset:

| | |
|-------------------------------|-------------------|
| Copier | \$ 7,081 |
| Office space | <u>114,608</u> |
| | \$ 121,689 |
| Interest on lease liabilities | <u>8,761</u> |
| Total amortization expense | <u>\$ 130,450</u> |

Lease activity for the year ended June 30, 2023, is summarized as follows:

| | <u>Beginning</u> | <u>Additions</u> | <u>Subtractions</u> | <u>Ended</u> |
|------------------|---------------------|------------------|---------------------|---------------------|
| Assets: | | | | |
| Office space | \$ 1,193,827 | \$ - | \$ - | \$ 1,193,827 |
| Copier equipment | <u>34,814</u> | <u>-</u> | <u>-</u> | <u>34,814</u> |
| | <u>\$ 1,228,641</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,228,641</u> |

Accumulated depreciation and amortization:

| | | | | |
|-------------------------|---------------------|-------------------|-------------------|-------------------|
| Office space | \$ 229,215 | \$ 114,608 | \$ - | \$ 343,823 |
| Copier equipment | <u>14,161</u> | <u>7,081</u> | <u>-</u> | <u>21,242</u> |
| | <u>\$ 243,376</u> | <u>\$ 121,689</u> | <u>\$ -</u> | <u>\$ 365,065</u> |
| Total lease assets, net | <u>\$ 985,265</u> | <u>\$ 121,689</u> | <u>\$ -</u> | <u>\$ 863,576</u> |
| Lease liabilities | <u>\$ 1,012,819</u> | <u>\$ -</u> | <u>\$ 112,239</u> | <u>\$ 900,580</u> |

Weighted-average discount rate-operating leases 0.913845%

Maturity analysis:

| Year Ending June | Principal | Interest | Total |
|-----------------------|-------------------|------------------|-------------------|
| 2024 | \$ 115,535 | 7,827 | 123,362 |
| 2025 | 118,313 | 6,779 | 125,092 |
| 2026 | 115,202 | 5,713 | 120,915 |
| 2027 | 118,706 | 4,627 | 123,333 |
| 2028 | 122,292 | 3,508 | 125,800 |
| Thereafter | <u>310,532</u> | <u>3,649</u> | <u>314,181</u> |
| Total future payments | <u>\$ 900,580</u> | <u>\$ 32,103</u> | <u>\$ 932,683</u> |

Standard also provides practical expedients for an entity's ongoing accounting. SCRCOG has elected the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, we will not recognize RoU assets or lease liabilities, and this includes not recognizing RoU assets or lease liabilities for existing short-term leases of those assets in transition. We elected the practical expedient to separate lease and non-lease components for leases of office equipment.

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS
Notes to the Financial Statements
June 30, 2023

NOTE 6 — FIXED ASSETS:

Capital assets activity for the year ended June 30, 2023, is summarized as follows:

| | <u>Beginning</u> | <u>Additions</u> | <u>Disposals</u> | <u>Ended</u> |
|---|-------------------|------------------|------------------|-------------------|
| Assets: | | | | |
| Furniture and fixtures | \$ 32,672 | \$ - | \$ - | \$ 32,672 |
| Equipment | 3,191 | - | - | 3,191 |
| Computer equipment | <u>98,231</u> | <u>18,792</u> | <u>-</u> | <u>117,023</u> |
| | <u>\$ 134,094</u> | <u>\$ 18,792</u> | <u>\$ -</u> | <u>\$ 152,886</u> |
| Accumulated depreciation and amortization: | | | | |
| Furniture and fixtures | \$ 32,672 | \$ - | \$ - | \$ 32,672 |
| Equipment | 3,191 | - | - | 3,191 |
| Computer equipment | <u>87,657</u> | <u>8,304</u> | <u>-</u> | <u>95,961</u> |
| | <u>\$ 123,520</u> | <u>\$ 8,304</u> | <u>\$ -</u> | <u>\$ 131,824</u> |
| Book Value | <u>\$ 10,574</u> | | | <u>\$ 21,062</u> |

Depreciation in the amount of \$0 was charged to general operations as an indirect expense with the balance charged as a direct expense against local dues.

NOTE 7 — COMMITTED FUND BALANCE:

The SCRCOG has committed fund balances of \$270,406 for future use during the fiscal years ended June 30, 2024 and 2025. It is anticipated that significant transportation planning funds not used in prior year UPWP contracts will be available for the two-year UPWP contract starting July 1, 2023.

NOTE 8 — RETIREMENT PLAN:

SCRCOG sponsors a defined contribution money purchase pension plan titled the *South Central Regional Council of Governments Money Purchase Plan*, (the “Plan”) which provides retirement benefits for all full-time permanent employees. The assets are administered by the Principal Financial Group and held in trust by Principal Trust Company and invested in mutual funds as directed by participants. SCRCOG contributes an amount equal to five percent (5%) of eligible employees' gross salaries. For the year ended June 30, 2023, the contribution totaled \$25,063 of which \$2,415 was offset by forfeitures. Employees become 20 percent (20%) vested after one year of employment. An additional 20 percent (20%) is vested for each additional full year of employment, becoming fully vested after 5 years of employment. The Plan has been established by the governing board of the SCRCOG and may be amended by the board.

Forfeitures are used to reduce the plan sponsor's contribution under the Plan. As of June 30, 2023, forfeitures totaling \$0 were available to reduce future contributions.

NOTE 9 — DEFERRED COMPENSATION PLAN:

SCRCOG employees may elect to defer a portion of their compensation under the provisions of Internal Revenue Code section 457 in the *South Central Regional Council of Governments Deferred Comp Plan*. Pursuant to Internal Revenue Code Section 457, such deferred income is only taxable in the year in which it is paid or otherwise made available to the employee or his/her

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS
Notes to the Financial Statements
June 30, 2023

beneficiary.

The assets of the deferred compensation plan are administered by the Principal Financial Group and held in trust by Principal Trust Company and invested in mutual funds as directed by participants. Pursuant to the provisions of GASB Statement No. 32 Accounting and Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, a determination was made that there was not a fiduciary relationship between SCRCOG and the existing I.R.C. Section 457 plan that would require SCRCOG to report balances and transactions related to the plan. Employee contributions totaled \$20,132 during the year.

NOTE 10 — FEDERAL INCOME TAXES:

The SCRCOG is exempt from Federal taxation under Section §115 of the Internal Revenue Code as a political subdivision of the State of Connecticut.

NOTE 11 — RELATED PARTY ACTIVITY:

"Due from Special Revenue Fund" and "Due to General Fund" represent the amount due from the Special Revenue Fund to the General Fund for expenditures paid by one fund on behalf of the other fund.

NOTE 12 — ECONOMIC DEPENDENCY:

The SCRCOG derives substantial portions of its revenue from grants obtained from the U.S. Department of Transportation through the Connecticut Department of Transportation. Should the relationship with either of these departments be jeopardized or these departments lose their own funding sources, it is possible the SCRCOG would be unable to continue in its current form and function.

NOTE 13 — SUBSEQUENT EVENTS:

Subsequent events have been evaluated by management through December 27, 2023. The financial statements were available for issue on December 27, 2023.

Required Supplementary Information

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS
Schedule of Revenues and Other Financing Sources
Budget and Actual (Non-GAAP Budgetary Basis) General and Special Revenue Funds
For the Year Ended June 30, 2023

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|----------------------|----------------------|--|
| Revenues: | | | |
| U.S. Department of Transportation | \$ 1,519,633 | \$ 1,179,398 | \$ (340,235) |
| U.S. Department of Commerce | 341,226 | 128,005 | (213,221) |
| U.S. Department of Homeland Security | 108,000 | 102,874 | (5,126) |
| U.S. Department of Housing and Urban Development | 15,139 | - | (15,139) |
| Connecticut Department of Transportation | 383,565 | 166,118 | (217,447) |
| Connecticut Office of Policy and Management | 573,101 | 573,431 | 330 |
| Connecticut Secretary of the State | 3,691 | - | (3,691) |
| Connecticut Department of Economic and Community Development | 16,780 | 6,574 | (10,206) |
| Connecticut Department of Energy and Environmental Protection | 139,000 | 50,429 | (88,571) |
| Municipal dues | 196,727 | 196,482 | (245) |
| Interest income | 2,000 | 29,937 | 27,937 |
| Other income | 6,600 | 3,185 | (3,415) |
| Fund Balance | 109,194 | - | (109,194) |
| Total revenue | <u>\$ 3,414,656</u> | <u>\$ 2,436,433</u> | <u>\$ (978,223)</u> |

Budgetary revenues are different from GAAP revenues because:

There are no differences between budgetary and GAAP revenues -

Total revenues as reported in Exhibit D \$ 2,436,433

See independent auditor's report

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS
Schedule of Expenditures and Other Financing Uses
Budget and Actual (Non-GAAP Budgetary Basis) General and Special Revenue Funds
For the Year Ended June 30, 2023

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|----------------------|----------------------------|----------------------------|--|
| Expenditures: | | | |
| Labor | \$ 914,643 | \$ 841,750 | \$ 72,893 |
| Travel | 7,900 | 5,180 | 2,720 |
| Data processing | 22,600 | 24,744 | (2,144) |
| General operations | 194,202 | 214,333 | (20,131) |
| Consultant services | 1,622,300 | 1,358,028 | 264,272 |
| Contingencies | 633,011 | - | 633,011 |
| Capital expenditures | 20,000 | 18,792 | 1,208 |
| | <u><u>\$ 3,414,656</u></u> | <u><u>\$ 2,462,827</u></u> | <u><u>\$ 951,829</u></u> |

Budgetary expenditures are different from GAAP expenditures because:

Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes but in the year received for financial reporting -

Total expenditures as reported in Exhibit D \$ 2,462,827

Supporting Financial Statements and Supplementary Schedules

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS
Nonmajor Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2023

| | <u>Total</u> | <u>LOTICIP</u> | <u>SMM Grant</u> | <u>Transportation Additional</u> |
|--|---------------------|-----------------------|-------------------------|---|
| Revenues: | | | | |
| Federal Government | \$ 54,160 | \$ - | \$ - | \$ 54,160 |
| Connecticut Department of Energy and Environmental Protection | 50,430 | - | 50,430 | - |
| Connecticut Department of Transportation | 25,464 | 25,464 | 0 | - |
| Total revenue | <u>\$ 130,054</u> | <u>\$ 25,464</u> | <u>\$ 50,430</u> | <u>\$ 54,160</u> |
| Expenditures: | | | | |
| Salaries | \$ 6,021 | \$ 5,947 | \$ 74 | \$ - |
| Travel | - | - | - | - |
| Consulting | 110,160 | 11,000 | 50,250 | 48,910 |
| Capital outlay | 18,792 | - | - | 18,792 |
| Indirect cost allocation | 8,623 | 8,517 | 106 | - |
| | <u>\$ 143,596</u> | <u>\$ 25,464</u> | <u>\$ 50,430</u> | <u>\$ 67,702</u> |
| Other Financing Sources (Uses): | | | | |
| Operating transfers in and local match | 13,542 | - | - | 13,542 |
| Total expenditures | <u>\$ 130,054</u> | <u>\$ 25,464</u> | <u>\$ 50,430</u> | <u>\$ 54,160</u> |
| Excess (deficiency) of Revenues over Expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund balance, July 1 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance, June 30 | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

See independent auditor's report

Schedule 3

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS
Financial Summary for State of Connecticut Dept. of Transportation
For the Year Ended June 30, 2023

| | State Project No. Federal Project No. Master Agreement No. CFDA No. | FHWA/FTA-PL DOT07209996PL UR22(001) 5.09-05(17) <u>20.505</u> | FHWA/FTA-PL Carryover DOT07209996PL UR22(001) 5.09-05(17) <u>20.505</u> | FHWA/FTA-PL Additional DOT07209997PL UR23(001) 5.09-05(17) <u>20.205</u> | <u>Total</u> |
|---|--|---|--|---|---------------------|
| I. Maximum Funds Authorized | | | | | |
| FHW/FTA | | \$ 1,022,354 | \$ 272,792 | \$ 80,000 | \$ 1,375,146 |
| ConnDOT | | 127,794 | 34,099 | - | 161,893 |
| Local | | 127,794 | 34,099 | 20,000 | 181,893 |
| | | <u>\$ 1,277,942</u> | <u>\$ 340,990</u> | <u>\$ 100,000</u> | <u>\$ 1,718,932</u> |
| II. Audited Expenditures | | | | | |
| Direct salaries | | \$ 263,613 | \$ - | \$ - | \$ 263,613 |
| Indirect costs @ 143.21% | | 377,520 | - | - | 377,520 |
| Direct costs | | 431,403 | 334,010 | 67,701 | 833,114 |
| | | <u>\$ 1,072,536</u> | <u>\$ 334,010</u> | <u>\$ 67,701</u> | <u>\$ 1,474,247</u> |
| III. Distribution of Audited Costs | | | | | |
| FHWA/FTA | | \$ 858,028 | \$ 267,208 | \$ 54,161 | \$ 1,179,397 |
| ConnDOT | | 107,254 | 33,401 | - | 140,655 |
| Local | | 107,254 | 33,401 | 13,540 | 154,195 |
| | | <u>\$ 1,072,536</u> | <u>\$ 334,010</u> | <u>\$ 67,701</u> | <u>\$ 1,474,247</u> |
| IV. ConnDOT Responsibility | | | | | |
| FHWA/FTA | | \$ 858,028 | \$ 267,208 | \$ 54,161 | \$ 1,179,397 |
| ConnDOT | | 107,254 | 33,401 | - | 140,655 |
| | | <u>\$ 965,282</u> | <u>\$ 300,609</u> | <u>\$ 54,161</u> | <u>\$ 1,320,052</u> |
| Submissions received to June 30 | | \$ 623,725 | \$ 109,911 | \$ - | \$ 733,636 |
| Submissions received after June 30 | | 301,672 | 97,717 | - | 399,389 |
| Total payments received | | <u>\$ 925,397</u> | <u>\$ 207,628</u> | <u>\$ -</u> | <u>\$ 1,133,025</u> |
| Amount due from (to) ConnDOT | | <u>\$ 39,885</u> | <u>\$ 92,981</u> | <u>\$ 54,161</u> | <u>\$ 187,027</u> |

See independent auditor's report

Schedules for Indirect Cost Rate

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS
Schedule of Indirect Costs and Overhead Calculation
For the Year Ended June 30, 2023

| | | <u>Percentage</u> |
|----------------------------|-------------------|--------------------------|
| Total payroll for the year | \$ 585,242 | |
| Less | | |
| Non-assignable salaries | 154,731 | |
| Base Payroll | <u>\$ 430,511</u> | <u>100.0000%</u> |
| Total indirect costs | <u>\$ 616,515</u> | <u>143.2054%</u> |
| Summary of indirect costs | | |
| , | | |
| Non-assignable salaries | \$ 154,731 | 25.0977% |
| Fringe benefits | 253,857 | 41.1761% |
| Non-personnel | 207,927 | 33.7262% |
| Total indirect costs | <u>\$ 616,515</u> | <u>100.0000%</u> |

See independent auditor's report and notes to the schedule
Schedule 5

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS

Notes to the Schedule of Indirect Costs and

Overhead Rate Calculation

For the Year Ended June 30, 2023

Note A — Basis of Presentation:

The accompanying schedule of indirect costs and overhead calculation includes the allowable fringe, burden and overhead expenses of South Central Regional Council of Governments (SCRCOG), and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule presents only a selected portion of the operations of SCRCOG. It is not intended to, and does not present, the financial position or changes in net assets of SCRCOG.

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

Note B — Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C — Indirect Cost Rate:

The SCRCOG uses an indirect cost rate as required under their Unified Planning Work Program agreement (UPWP) with the Connecticut Department of Transportation, the Federal Highway Administration and the Federal Transit Administration. The UPWP provides for a provisional indirect cost rate for reimbursements during the year with a recalculation at the end of the year to an actual amount and retroactive application to all requests during the year. The indirect cost rate for the year ended June 30, 2023, was 143.21%.

Expenditures are recognized following the cost principles prescribed by Uniform Guidance wherein certain types of expenditures are not allowed or are limited as to reimbursement.

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS

Cost Analysis

For the Year Ended June 30, 2023

| | <u>Direct</u> | <u>Indirect</u> | <u>Total</u> |
|---|---------------|-----------------|--------------|
| Salaries | \$ 430,511 | \$ 154,731 | \$ 585,242 |
| Employee Benefits | \$ 2,650 | \$ 253,858 | \$ 256,508 |
| Non-personnel | | | |
| Rent | \$ - | \$ 114,514 | \$ 114,514 |
| Telephone | - | 6,017 | 6,017 |
| Office supplies | - | 2,147 | 2,147 |
| Equipment maintenance | - | 22,559 | 22,559 |
| Insurance | - | 9,122 | 9,122 |
| Printing and reproduction | 34 | - | 34 |
| Travel | 5,180 | - | 5,180 |
| Data processing | 10,430 | 14,314 | 24,744 |
| Dues and publications | 2,341 | 322 | 2,663 |
| Meetings | 5,522 | - | 5,522 |
| Advertising | 9,306 | 90 | 9,396 |
| Consulting | 1,358,028 | - | 1,358,028 |
| Professional services | 3,360 | 37,917 | 41,277 |
| Miscellaneous | 157 | 925 | 1,082 |
| Equipment use assessment | 8,304 | - | 8,304 |
| Capital purchases | - | - | - |
| Total non-personnel | \$ 1,402,662 | \$ 207,927 | \$ 1,610,589 |
| Total costs | \$ 1,835,823 | \$ 616,516 | \$ 2,452,339 |
| Total indirect costs absorbed by agency | | \$ - | |
| Total allowable indirect costs | | \$ 616,516 | |
| Indirect cost rate | | 1.4321 | |

See independent auditor's report

Schedule 6

Schedules Required
By the Federal Single Audit Act

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

| <u>Federal Grantor/Pass-Through Grantor/Program</u> | <u>Assistance Listing Number</u> | <u>Pass-Through Agreement/Project Number</u> | <u>Federal Expenditures</u> |
|--|---|---|--|
| <u>U.S. Department of Transportation:</u> | | | |
| Pass-Through Programs From State of Connecticut Department of Transportation: | | | |
| Metropolitan Transportation Planning | 20.505 | 5.09-05(17)/DOT07209996PL | \$ 1,125,236 |
| Highway Planning & Construction | 20.205 | 5.09-05(17)/DOT07209997PL | 54,161 |
| <i>Total U.S. Department of Transportation</i> | | | <u>\$ 1,179,397</u> |
| <u>U.S. Department of Homeland Security:</u> | | | |
| Pass-Through Programs From State of Connecticut Department of Emergency Services and Public Protection: | | | |
| Building Resilient Infrastructure and Communities | 97.047 | EMB-2020-BR-001-0020 | \$ 102,874 |
| <i>Total U.S. Department of Homeland Security</i> | | | <u>\$ 102,874</u> |
| <u>U.S. Department of Commerce:</u> | | | |
| Pass-Through Programs From State of Connecticut Department of Economic and Community Development | | | |
| Economic Adjustment Assistance | 11.307 | 01-69-15142 | \$ 128,005 |
| <i>Total U.S. Department of Commerce</i> | | | <u>\$ 128,005</u> |
| <i>Total Expenditures of Federal Awards</i> | | | <u>\$ 1,410,276</u> |

See independent auditor's report and notes to the schedule

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Note A — Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of South Central Regional Council of Governments, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The schedule presents only a selected portion of the operations of South Central Regional Council of Governments. It is not intended to, and does not present, the financial position or changes in net assets of South Central Regional Council of Governments.

Note B — Summary of Significant Accounting Policies:

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C — Indirect Cost Rate:

The South Central Regional Council of Governments uses an indirect cost rate as required under their Unified Planning Work Program agreement (UPWP) with the Connecticut Department of Transportation, the Federal Highway Administration and the Federal Transit Administration. The UPWP provides for a provisional indirect cost rate for reimbursements during the year with a recalculation at the end of the year to an actual amount and retroactive application to all requests during the year. The indirect cost rate for the year ended June 30, 2023, was 143.21%.

The Economic Adjustment Assistance, CFDA 11.307, utilizes the 10 percent de minimis indirect cost rate.

Expenditures are recognized following the cost principles prescribed by Uniform Guidance wherein certain types of expenditures are not allowed or are limited as to reimbursement.

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS
Schedule of Findings and Questioned Costs - Federal Awards
For the Year Ended June 30, 2023

Section I — Summary of Auditor's Results:

Financial Statements:

Type of auditor's report issued: *Unmodified*

| | <u>Yes</u> | <u>No/None Reported</u> |
|---|-------------------|------------------------------------|
| Internal control over financial reporting: | | |
| • Material weaknesses identified? | | ✓ |
| • Significant deficiencies identified? | | ✓ |
| Noncompliance material to financial statements noted? | | ✓ |

Federal Awards:

| | |
|--|---|
| Internal control over major programs: | |
| • Material weaknesses identified? | ✓ |
| • Significant deficiencies identified? | ✓ |

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

| | |
|--|---|
| Any audit findings disclosed that are required to be reported in accordance with §200.516 of the OMB Uniform Guidance? | ✓ |
|--|---|

Major programs:
 20.505 Metropolitan Transportation Planning

Dollar threshold used to distinguish between type A and B programs: \$750,000

| | |
|--------------------------------|---|
| Auditee qualified as low risk? | ✓ |
|--------------------------------|---|

Section II — Financial Statement Findings:

No findings or questioned costs are reported relating to the financial statements.

Section III — Federal Awards Findings and Questioned Costs:

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

Schedules Required
By the State Single Audit Act

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS
Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2023

| <u>Grantor/Program</u> | | <u>State Grant Program Core-CT Number</u> | <u>State Expenditures</u> |
|---|-----|---|-------------------------------|
| <u>Department of Transportation:</u> | | | |
| Regional Transportation Planning - State match | (a) | 17DOT0175AA 12062-DOT57551-22108 | \$ 140,655 |
| Local Transportation Capital Improvement Program | | 13033-DOT57000-43584 | 25,463 |
| <i>Total Department of Transportation</i> | | | <u>\$ 166,118</u> |
| <u>Office of Policy and Management:</u> | | | |
| Regional Services Grant | | 12060-OPM20600-35457 | \$ 573,431 |
| <i>Total Office of Policy and Management</i> | | | <u>\$ 573,431</u> |
| <u>Department of Economic and Community Development:</u> | | | |
| Statewide Long-Term Recovery Coordination - 4CT | | 12060-ECD46200-23104 | \$ 6,574 |
| <i>Total Department of Economic and Community Development</i> | | | <u>\$ 6,574</u> |
| <u>Department of Energy and Environmental Protection:</u> | | | |
| Municipal Unit-Based Pricing and Food Scrap Programs | | 11000-DEP44920-12488 | \$ 50,429 |
| <i>Total Department of Energy and Environmental Protection</i> | | | <u>\$ 50,429</u> |
| <i>Total Expenditures of State Awards</i> | | | <u><u>\$ 796,552</u></u> |

(a) State share of U.S. Department of Transportation pass-through grant.

See independent auditor's report and notes to the schedule

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS
Notes to the Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2023

Various departments and agencies of the State of Connecticut have provided financial assistance to the South Central Regional Council of Governments through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including regional transportation projects and SCRCOG operations.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the South Central Regional Council of Governments conform to accounting principles generally accepted in the United States as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting: The financial statements contained in the South Central Regional Council of Governments annual audit report are prepared on the modified accrual basis of accounting. The following is a summary of such basis:

- Revenues are recognized when they have become measurable and available.
- Expenditures are recorded when the related liability is incurred.

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 grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

SOUTH CENTRAL REGIONAL COUNCIL OF GOVERNMENTS
Schedule of Findings and Questioned Costs - State Awards
For the Year Ended June 30, 2023

Section I — Summary of Auditor's Results:

Financial Statements:

Type of auditor's report issued: *Unmodified*

| | <u>Yes</u> | <u>No/None Reported</u> |
|---|-------------------|------------------------------------|
| Internal control over financial reporting: | | |
| • Material weaknesses identified? | | ✓ |
| • Significant deficiencies identified? | | ✓ |
| Noncompliance material to financial statements noted? | | ✓ |

State Financial Assistance:

Internal control over major programs:

- | | |
|--|---|
| • Material weaknesses identified? | ✓ |
| • Significant deficiencies identified? | ✓ |

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

| | |
|---|---|
| Any audit findings disclosed that are required to be reported in accordance with section 4-236-24 of the Regulations to the State Single Audit Act? | ✓ |
|---|---|

The following schedule reflects major programs included in the audit:

| | | |
|--|----------------------|-----------|
| Office of Policy and Management | | |
| Regional Services Grant | 12060-OPM20600-35457 | \$573,431 |
| Department of Transportation | | |
| Regional Transportation Planning | 12062-DOT57551-22108 | \$140,655 |
| Department of Energy and Environmental Protection | | |
| Municipal Unit-Based Pricing and Food Scrap Collection Programs | 11000-DEP44920-12488 | \$50,429 |

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

Section II — Financial Statement Findings:

No findings or questioned costs are reported relating to the financial statements.

Section III — State Awards Findings and Questioned Costs:

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