

CAPITOL REGION COUNCIL OF GOVERNMENTS

BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

CAPITOL REGION COUNCIL OF GOVERNMENTS

TABLE OF CONTENTS

		<u>Page</u>
	Independent Auditors' Report	1-2
	Management's Discussion and Analysis	3-11
	BASIC FINANCIAL STATEMENTS	
<u>Exhibit</u>	Government-Wide Financial Statements:	
I	Statement of Net Assets	12
II	Statement of Activities	13
	Fund Financial Statements:	
III	Balance Sheet - Governmental Funds	14-15
IV	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16-17
V	Statement of Fiduciary Net Assets - Fiduciary Funds	18
VI	Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	19
	Notes to Financial Statements	20-30
	REQUIRED SUPPLEMENTARY INFORMATION	
A	Budgetary Comparison Schedule - General and Special Revenue Funds	31-32
	OTHER SUPPLEMENTARY INFORMATION	
	Combining and Individual Fund Statements and Schedules	
	Nonmajor Governmental Funds:	
B-1	Combining Balance Sheet	33-34
B-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	35-36
	Fiduciary Funds:	
C	Statement of Changes in Assets and Liabilities - Agency Fund	37
D	Indirect Rate Calculation	38
E	Financial Summary for the State of Connecticut Department of Transportation	39



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Independent Auditors' Report

To the Audit Committee of the
Capitol Region Council of Governments
Hartford, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Capitol Region Council of Governments (CRCOG) as of and for the year ended June 30, 2010, which collectively comprise CRCOG's basic financial statements as listed in the table of contents. These financial statements are the responsibility of CRCOG's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CRCOG's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Capitol Region Council of Governments as of June 30, 2010 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2010 on our consideration of CRCOG's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 11 and the budgetary comparison information on pages 31 through 32 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CRCOG's basic financial statements. The other supplementary information on pages 33 through 39 is presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Blum, Shapiro & Company, P.C.

December 13, 2010

CAPITOL REGION COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Capitol Region Council of Governments (CRCOG), we offer readers of CRCOG's financial statements this narrative overview and analysis of the financial activities of CRCOG for the fiscal year ended June 30, 2010.

FINANCIAL HIGHLIGHTS

- The assets of CRCOG exceeded its liabilities at the close of the most recent fiscal year by \$1,475,294 (net assets). Of this amount, \$1,426,846 (unrestricted net assets) may be used to meet CRCOG's ongoing obligations.
- CRCOG's total net assets decreased by \$1,237,613 due to decreases in revenue primarily from state and other governmental agency programs.
- As of the close of the current fiscal year, CRCOG's governmental funds reported combined ending fund balances of \$1,578,281 a decrease of \$1,217,046 in comparison with the prior year. The entire fund balance is available for spending at CRCOG's discretion (unreserved fund balance).
- As of June 30, 2010, unreserved fund balance for the General Fund was \$725,425, a decrease of \$19,133.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basis of Presentation

CRCOG is considered a single-program governmental organization for financial reporting purposes. Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, requires the presentation of government-wide financial statements and fund financial statements. The government-wide financial statements consist of the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. CRCOG has no business-type activities.

Government-Wide Financial Statements

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

CAPITOL REGION COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)

OVERVIEW OF THE FINANCIAL STATEMENTS (*Continued*)

Government-Wide Financial Statements (*Continued*)

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

The statement of activities presents information showing how CRCOG's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected member town assessments and earned but unused vacation leave).

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

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

The government-wide financial statements can be found on Exhibits I and II of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. CRCOG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of CRCOG can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

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

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

CAPITOL REGION COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)

OVERVIEW OF THE FINANCIAL STATEMENTS (*Continued*)

Fund Financial Statements (*Continued*)

Governmental Funds (Continued)

CRCOG maintains 21 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, the Homeland Security Program Fund, the Service Sharing Fund, the Public Safety Programs Fund, the Work Access Programs Fund, the FHWA Fund and the UASI Fund. All 7 are considered to be major funds. Data from the other 14 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on Exhibits III and IV of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of CRCOG. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to CRCOG's own programs. The accounting used for fiduciary funds is much like that used for proprietary (business-type function) funds. CRCOG has three fiduciary funds it reports upon: Pension Trust, Private Purpose Trust and one Agency Fund.

The basic fiduciary fund financial statements can be found on Exhibits V and VI of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages of 20-30 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information other than this management's discussion and analysis that can be found on pages 31-32 of this report.

Combining and individual fund statements and schedules and other supplementary information can be found on pages 33-39 of this report.

**CAPITOL REGION COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

(Presented in 000's)

Over time, net assets may serve as one measure of a government's financial position. Total net assets of CRCOG totaled \$1,475,294 and \$2,712,907 as of June 30, 2010 and 2009, respectively, and are summarized as follows:

	Governmental Activities	
	2010	2009
Current and other assets	\$ 7,757	\$ 9,481
Capital assets, net	48	77
Total assets	<u>7,805</u>	<u>9,558</u>
Long-term liabilities	89	86
Other liabilities	6,241	6,759
Total liabilities	<u>6,330</u>	<u>6,845</u>
Net assets:		
Invested in capital assets, net	48	77
Unrestricted	<u>1,427</u>	<u>2,636</u>
Total net assets	<u>\$ 1,475</u>	<u>\$ 2,713</u>

At June 30, 2010, \$48,448 or 3.3 % of CRCOG's net assets reflect its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. CRCOG uses these capital assets to provide services to member towns; consequently, these assets are not available for future spending.

The remainder of CRCOG's net assets of \$1,426,846 is considered unrestricted and may be used to meet CRCOG's ongoing obligations. Overall, net assets decreased by \$1,237,613 in comparison to the prior year. The primary reason for this is a decrease in intergovernmental revenue from the State of Connecticut and other governmental agencies.

**CAPITOL REGION COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Net Assets (Continued)

Changes in Net Assets

Changes in net assets for the years ended June 30, 2010 and 2009 are as follows:

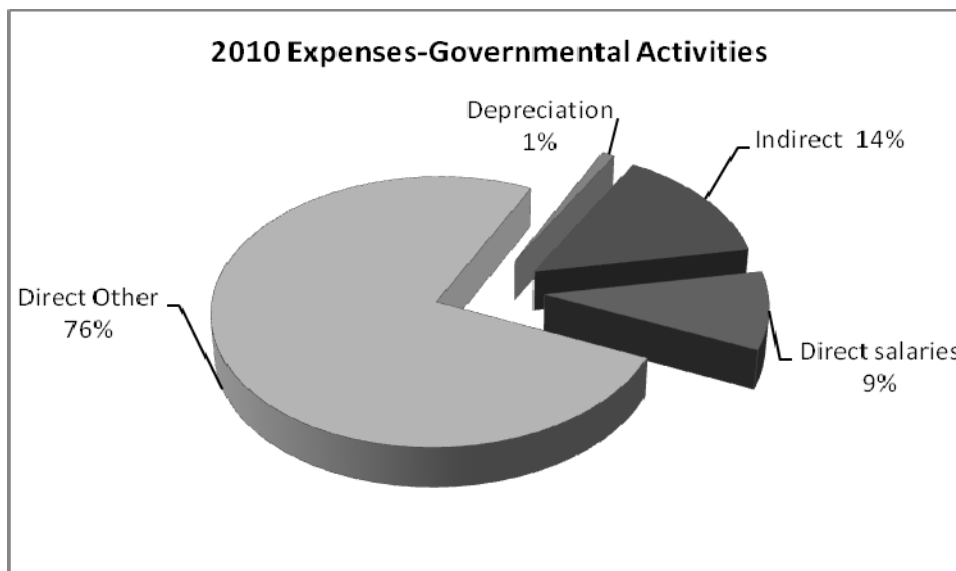
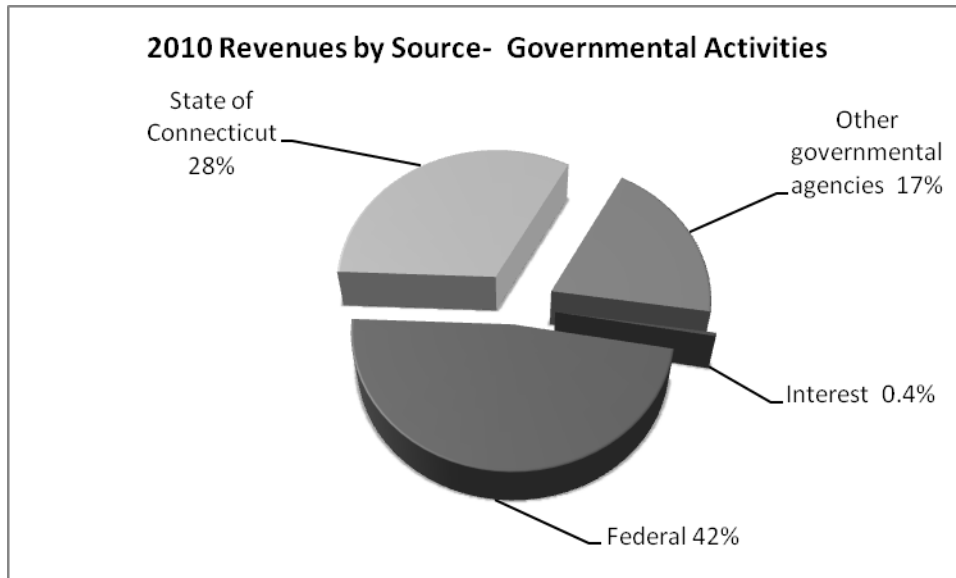
(Presented in 000's)

	Governmental Activities	
	2010	2009
Revenues		
Federal government	\$ 4,472	\$ 4,217
State of Connecticut	2,334	2,629
Other governmental agencies	1,412	2,916
Interest	29	96
Total assets	8,247	9,858
Expenses:		
Direct salaries	901	1,013
Direct other	7,222	6,559
Depreciation	15	20
Indirect	1,347	1,387
Total expenses	9,485	8,979
Changes in net assets	(1,238)	879
Net assets - beginning	2,713	1,834
Net assets - ending	\$ 1,475	\$ 2,713

**CAPITOL REGION COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Assets (Continued)



Governmental Activities

Governmental activities decreased CRCOG's net assets by \$1,237,613 due to a decrease in intergovernmental grant revenue, primarily state grants and from other governmental agencies.

CAPITOL REGION COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)

FINANCIAL ANALYSIS OF THE ENTITY'S FUNDS

Governmental Funds

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

As of the end of the current fiscal year, CRCOG's governmental funds reported combined ending fund balances of \$1,578,281 a decrease of \$1,217,046 in comparison with the prior year. The entire amount constitutes unreserved fund balance, which is available for spending at CRCOG's discretion.

General Fund

The General Fund is the chief operating fund of CRCOG. At the end of the current fiscal year, the fund balance of the General Fund was \$725,425 which was entirely classified as unreserved. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total General Fund expenditures. Total expenditures during the year were \$65,676. Unreserved fund balance is 11.3 times larger than General Fund expenditures.

The fund balance of CRCOG's General Fund decreased by \$19,133 during the current fiscal year. The key factor for this decrease was due to, consulting services for solid waste alternatives for member towns.

Homeland Security Program Fund

The Homeland Security Program Fund accounts for revenues and expenditures related to the Homeland Security Programs funded by the U.S. Department of Homeland Security and passed through to the State of Connecticut on a cost-reimbursement basis. CRCOG serves as the administrator and fiscal agent on behalf of 41 municipalities. There were expenditures of \$1,499,006 during 2009-10.

Urban Area Security Initiative (UASI) Fund

The UASI Fund, a \$1.9 million grant through the Department of Homeland Security, was established during the year to account for revenue and expenditures to strengthen protection and prevention capabilities in the Hartford Metropolitan Statistical Area (MSA). There were program expenditures of \$807,755 in 2009-10.

Service Sharing Program Fund

The Service Sharing Program Fund was established in 2007-08 to account for revenue and expenditures for 10 projects that involve shared services among member towns. It is funded in its entirety by a grant of \$5.2 million from the State of Connecticut. Expenditures totaled \$1,430,582 in FY 09-10

FHWA Fund

The FHWA Fund is used to account for revenues and expenditures related to urban and rural transportation planning on a cost-reimbursement basis. Expenditures during the year totaled \$1,389,346.

**CAPITOL REGION COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Expenditures exceeded revenues by \$28,891. A transfer was made from the General Fund to fund the grant expenditures in excess of proceeds.

Public Safety Programs Fund

The Public Safety Programs Fund accounts for revenues and expenditures incurred in providing various public safety projects to the CRCOG member municipalities. Expenditures during the year totaled \$1,900,274. At the end of the current fiscal year, the fund balance was \$777,911, which was entirely classified as unreserved. The fund balance decreased by \$969,322 during the current fiscal year.

Work Access Program Fund

The Work Access Program Fund accounts for revenues and expenditures incurred in providing eligible client transportation services to job and training opportunities not provided by existing transit systems. Expenditures totaled \$932,601. At the end of the current fiscal year, the fund balance was \$ 94,935 which was entirely classified as unreserved and was a decrease of \$214,495 from fiscal year 2009.

BUDGETARY HIGHLIGHTS

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

There were additional appropriations during the year in the General Fund in the amount of \$78,389 for one-time expenditures for solid waste consulting and legal services

CAPITAL ASSETS

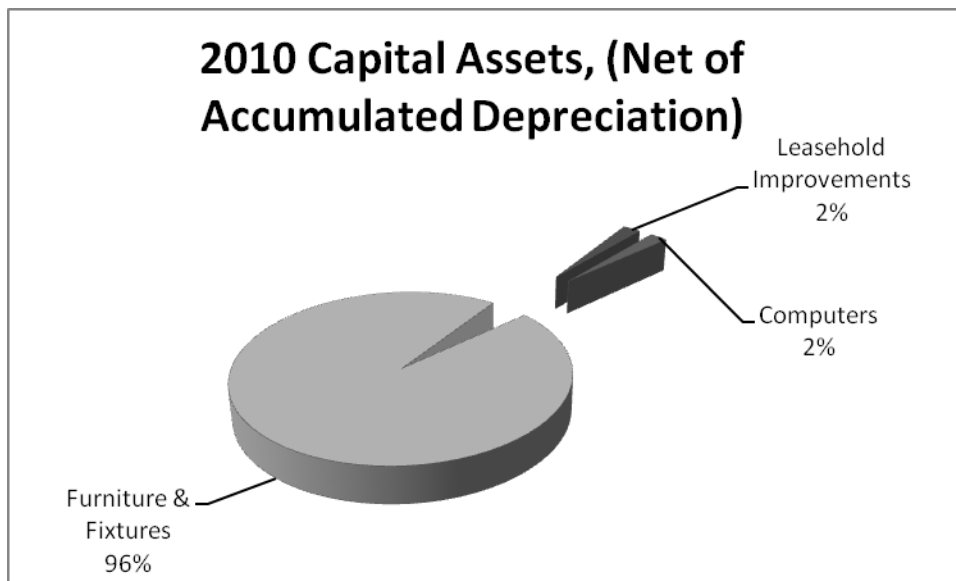
CRCOG's investment in capital assets for its governmental activities as of June 30, 2010 totaled \$48,448 (net of accumulated depreciation). This investment in capital assets includes computers, furniture and fixtures, equipment and leasehold improvements.

The following table is a two-year comparison of the investment in capital assets presented for governmental activities (presented in 000's):

	Governmental Activities	
	2010	2009
Computers	\$ 1	\$ 4
Furniture and equipment	46	70
Equipment		
Leasehold improvements	1	2
Totals	\$ 48	\$ 76

CAPITOL REGION COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)

CAPITAL ASSETS (*Continued*)



Additional information on CRCOG's capital assets can be found in Note 5 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

CRCOG is highly dependent on intergovernmental revenue from the State of Connecticut and the federal government. With the national economy and state economy in a severe recessionary cycle and economic indicators showing little signs of a quick turnaround, CRCOG is very concerned how this will affect its revenue stream in fiscal year 2011 and thereafter. This was considered in preparing CRCOG's budget for fiscal year 2010-2011. The State Grant in Aid (SGIA) grant, a major revenue source for regional planning agencies, was again reduced to \$9,759 for FY 11 from \$128,000 in FY 09, a 92% decrease in State funding over the past two fiscal years. To offset this loss, an across the board wage freeze was implemented for a second year. Additionally, a less expensive health care program including a Health Savings Account for employees was put in place. In recognition of the fiscal problems of its 30-member towns, local assessments remained at 2008-09 levels.

Of the General Fund unreserved fund balance, which totaled \$725,425 on June 30, 2010, CRCOG did not appropriate any of this amount in the 2010-2011 fiscal year budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of CRCOG's finances for all those with an interest in CRCOG's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Ms. Winsome Barnaby, Finance Director, CRCOG, 241 Main Street, Hartford, CT 06106-5310.

CAPITOL REGION COUNCIL OF GOVERNMENTS

STATEMENT OF NET ASSETS

JUNE 30, 2010

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 4,892,198
Due from State of Connecticut	1,348,940
Other governmental grants receivable	853,951
Other receivables	17,661
Due from fiduciary funds	395,512
Other assets	248,592
Capital assets, net of accumulated depreciation	48,448
Total assets	<u>7,805,302</u>
Liabilities:	
Accounts and other payables	1,175,081
Unearned revenue	5,003,492
Noncurrent liabilities:	
Due within one year	62,322
Due in more than one year	89,113
Total liabilities	<u>6,330,008</u>
Net Assets:	
Invested in capital assets, net of related debt	48,448
Unrestricted	<u>1,426,846</u>
Total Net Assets	<u>\$ 1,475,294</u>

The accompanying notes are an integral part of the financial statements

CAPITOL REGION COUNCIL OF GOVERNMENTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Net Assets	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
				Governmental Activities	
Governmental activities:					
Regional Planning	\$ 9,485,225	\$ 1,585,280	\$ 6,632,662	\$ -	\$ (1,267,283)
General revenues:					
Unrestricted investment earnings					29,670
Change in net assets					(1,237,613)
Net Assets at Beginning of Year					2,712,907
Net Assets at End of Year					\$ 1,475,294

The accompanying notes are an integral part of the financial statements

CAPITOL REGION COUNCIL OF GOVERNMENTS

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2010

	General Fund	Homeland Security Program	Service Sharing Program	Public Safety Programs	Work Access Program	FHWA	UASI	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 588,081	\$	\$ 3,380,348	\$ 923,769	\$	\$	\$	\$	\$ 4,892,198
Due from State of Connecticut		486,149				240,576	355,305	266,910	1,348,940
Other governmental grants receivable			169,764	537,553				146,634	853,951
Other receivables	17,661								17,661
Due from other funds				1,071,300	493,368			361,778	1,926,446
Other assets	248,592								248,592
Total Assets	<u>\$ 854,334</u>	<u>\$ 486,149</u>	<u>\$ 3,550,112</u>	<u>\$ 2,532,622</u>	<u>\$ 493,368</u>	<u>\$ 240,576</u>	<u>\$ 355,305</u>	<u>\$ 775,322</u>	<u>\$ 9,287,788</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 5,807	\$ 75,969	\$ 100,074	\$ 438,910	\$ 106,476	\$ 388	\$ 89,243	\$ 337,808	\$ 1,154,675
Accrued payroll and other liabilities	20,406								20,406
Deferred revenue		19,617	3,127,311	1,315,801	291,957		2,521	246,285	5,003,492
Due to other funds	102,696	378,641	322,727			239,570	263,441	223,859	1,530,934
Total liabilities	<u>128,909</u>	<u>474,227</u>	<u>3,550,112</u>	<u>1,754,711</u>	<u>398,433</u>	<u>239,958</u>	<u>355,205</u>	<u>807,952</u>	<u>7,709,507</u>
Fund Balances:									
Unreserved	<u>725,425</u>	<u>11,922</u>		<u>777,911</u>	<u>94,935</u>	<u>618</u>	<u>100</u>	<u>(32,630)</u>	<u>1,578,281</u>
Total Liabilities and Fund Balances	<u>\$ 854,334</u>	<u>\$ 486,149</u>	<u>\$ 3,550,112</u>	<u>\$ 2,532,622</u>	<u>\$ 493,368</u>	<u>\$ 240,576</u>	<u>\$ 355,305</u>	<u>\$ 775,322</u>	<u>\$ 9,287,788</u>

(Continued on next page)

CAPITOL REGION COUNCIL OF GOVERNMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2010

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets:

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

Fund balances - total governmental funds (Exhibit III)	\$	1,578,281
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental capital assets	\$	360,225
Less accumulated depreciation		<u>(311,777)</u>
Net capital assets		48,448
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated absences		<u>(151,435)</u>
Net Assets of Governmental Activities (Exhibit I)	\$	<u><u>1,475,294</u></u>

The accompanying notes are an integral part of the financial statements

CAPITOL REGION COUNCIL OF GOVERNMENTS

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

FOR THE YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>Homeland Security Program</u>	<u>Service Sharing Program</u>	<u>Public Safety Programs</u>	<u>Work Access Program</u>	<u>FHWA</u>	<u>UASI</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:									
Federal Government	\$	\$ 1,480,099	\$	\$ 206,151	\$	\$ 1,088,859	\$ 808,118	\$ 888,617	\$ 4,471,844
State of Connecticut			1,416,211		718,106	136,107		63,376	2,333,800
Other governmental agencies	95,241			748,565		136,107		432,385	1,412,298
Interest income	515		14,371	14,784					29,670
Total revenues	<u>95,756</u>	<u>1,480,099</u>	<u>1,430,582</u>	<u>969,500</u>	<u>718,106</u>	<u>1,361,073</u>	<u>808,118</u>	<u>1,384,378</u>	<u>8,247,612</u>
Expenditures:									
Current:									
Direct costs:									
Salaries		55,524	31,472	51,532	28,005	535,326		199,036	900,895
Other	65,676	1,357,734	1,350,504	1,786,908	861,348	27,305	805,645	967,002	7,222,122
Indirect		85,748	48,606	61,834	43,248	826,715	2,110	273,380	1,341,641
Total expenditures	<u>65,676</u>	<u>1,499,006</u>	<u>1,430,582</u>	<u>1,900,274</u>	<u>932,601</u>	<u>1,389,346</u>	<u>807,755</u>	<u>1,439,418</u>	<u>9,464,658</u>
Excess (Deficiency) of Revenues over Expenditures	<u>30,080</u>	<u>(18,907)</u>	<u>-</u>	<u>(930,774)</u>	<u>(214,495)</u>	<u>(28,273)</u>	<u>363</u>	<u>(55,040)</u>	<u>(1,217,046)</u>
Other Financing Sources (Uses):									
Transfers in		37,772				28,891		21,098	87,761
Transfers out	(49,213)			(38,548)					(87,761)
Total other financing sources (uses)	<u>(49,213)</u>	<u>37,772</u>	<u>-</u>	<u>(38,548)</u>	<u>-</u>	<u>28,891</u>	<u>-</u>	<u>21,098</u>	<u>-</u>
Excess (Deficiency) of Revenues and Transfers in over Expenditures and Transfers out	<u>(19,133)</u>	<u>18,865</u>	<u>-</u>	<u>(969,322)</u>	<u>(214,495)</u>	<u>618</u>	<u>363</u>	<u>(33,942)</u>	<u>(1,217,046)</u>
Fund Balances at Beginning of Year	<u>744,558</u>	<u>(6,943)</u>	<u>-</u>	<u>1,747,233</u>	<u>309,430</u>	<u>-</u>	<u>(263)</u>	<u>1,312</u>	<u>2,795,327</u>
Fund Balances at End of Year	<u>\$ 725,425</u>	<u>\$ 11,922</u>	<u>\$ -</u>	<u>\$ 777,911</u>	<u>\$ 94,935</u>	<u>\$ 618</u>	<u>\$ 100</u>	<u>\$ (32,630)</u>	<u>\$ 1,578,281</u>

(Continued on next page)

CAPITOL REGION COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities:

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ (1,217,046)
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	2,154
Depreciation expense	(15,470)

The statement of activities reports losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets.	(14,756)
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Some expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated absences	<u>7,505</u>
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Change in Net Assets of Governmental Activities (Exhibit II)	<u><u>\$ (1,237,613)</u></u>
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The accompanying notes are an integral part of the financial statements

CAPITOL REGION COUNCIL OF GOVERNMENTS

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2010

	<u>Pension Trust Fund</u>	<u>Private Purpose Trust - Water Filter Program</u>	<u>Agency Fund</u>
Assets:			
Cash and cash equivalents	\$	\$ 659,277	\$ 27,015
Investments:			
Equity mutual funds	1,739,828		
Due from other governments			17,748
Due from other funds			9,052
Contributions receivable	<u>9,537</u>		
Total assets	<u>1,749,365</u>	<u>659,277</u>	<u>\$ 53,815</u>
Liabilities:			
Accounts payable		3,281	\$
Due to others			53,815
Due to other funds		<u>404,564</u>	
Total liabilities	<u>-</u>	<u>407,845</u>	<u>\$ 53,815</u>
Net Assets:			
Held in Trust for Pension Benefits and Other Purposes	<u>\$ 1,749,365</u>	<u>\$ 251,432</u>	

The accompanying notes are an integral part of the financial statements

CAPITOL REGION COUNCIL OF GOVERNMENTS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Pension Trust Fund</u>	<u>Private Purpose Trust - Water Filter Program</u>
Additions:		
Employer contributions	\$ 135,992	\$
Investment earnings:		
Interest and dividends		2,205
Net increase in the fair value of investments	231,561	
Total investment income	<u>231,561</u>	<u>2,205</u>
Total additions	367,553	2,205
Deductions:		
Benefits	<u>400,502</u>	<u>101,492</u>
Change in Net Assets	(32,949)	(99,287)
Net Assets at Beginning of Year	<u>1,782,314</u>	<u>350,719</u>
Net Assets at End of Year	<u>\$ 1,749,365</u>	<u>\$ 251,432</u>

The accompanying notes are an integral part of the financial statements

CAPITOL REGION OF COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Capitol Region of Council of Governments (CRCOG) 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 CRCOG are described below.

A. Reporting Entity

CRCOG was established January 28, 1976 and organized under the laws of the State of Connecticut in accordance with General Statutes Sections 4-124i through 4-124p and Special Act No. 73-79 of the Connecticut General Assembly.

The Capitol Region Council of Governments is considered to be a legally separate organization under a joint venture agreement with the member municipalities. CRCOG has the right to enter into legal contracts and incur its own debt. CRCOG's mission, as a regional planning agency, is to provide a centralized agency responsible for coordinating regional planning activities that benefit its members. CRCOG has the authority to apply for Federal and State funds to further the activities and purpose of the agency.

Each member community appoints representatives to sit on CRCOG's Policy Board. The Policy Board is responsible for establishing and approving CRCOG policies, resolutions and its annual budget. Member assessments are charged on a per-capita basis and approved by the Policy Board.

B. Government-Wide and Fund Financial Statements

CRCOG is considered a single-program government for financial reporting purposes. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of CRCOG. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported primarily through member town assessments and intergovernmental revenues. CRCOG has no business-type activities.

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 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues. For CRCOG's purposes, all revenues and expenses are primarily related to a single function, regional planning.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments from member towns are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, CRCOG considers revenues pertaining to member town assessments, grants and contracts, and interest associated with the current period to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received. 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 in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

CRCOG reports the following major governmental funds:

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

Homeland Security Program - This fund is used to account for revenues and expenditures relating to Homeland Security planning and implementation in the CRCOG planning region.

Service Sharing Program - This fund is used to account for revenues and expenditures in encouraging cooperation among municipalities in the provision of municipal services, in an effort to provide better, more efficient services while controlling costs.

Public Safety Programs - This fund is used to account for revenues and expenditures incurred in providing various public safety projects to the member municipalities served by CRCOG.

Work Access Program - This fund is used to account for revenues and expenditures incurred in providing eligible client transportation services as well as job and training opportunities not currently offered by the existing transit system.

FHWA - This fund is used to account for revenues and expenditures relating to urban and rural transportation planning in the CRCOG planning region.

Urban Area Security Initiative Program (UASI) - This fund is used to account for revenues and expenditures to strengthen protection and prevention capabilities in the Hartford Metropolitan Statistical Area.

In addition, CRCOG reports the following fund types:

The Pension Trust Fund - This fund is used to account for resources held in trust for the members and beneficiaries of the Capitol Region Council of Governments Employee Money Purchase Pension Plan, which is a defined contribution plan. This plan is discussed more fully in Note 10.

Private Purpose Trust Fund - This fund is used to account for a trust arrangement under which principal and income benefit individuals, private organizations or other governments. CRCOG utilizes this fund to account for amounts contributed to pay for soil decontamination projects.

Agency Fund - This fund is used to account for resources held by CRCOG in a purely custodial capacity. CRCOG utilizes this fund to account for assets held for the Capitol Region Partnership.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. CRCOG does not have business-type activities to report.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between certain CRCOG's functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

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

D. Deposits and Investments

CRCOG's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize CRCOG to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments as described in Note 3.

Investments are reported at fair value.

E. Receivables and Payables

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

F. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Capital Assets

Capital assets, which include furniture and fixtures, computers, equipment and leasehold improvements, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of three years. 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Computers	3
Leasehold improvements	5
Office equipment	5
Furniture and fixtures	7

H. Compensated Absences

CRCOG allows employees to accrue vacation and sick leave up to certain limits. Vacation leave accruals are based on length of service. Any vacation leave time carried over to a succeeding year is lost if not used by the end of that year. Sick leave can be accrued to a maximum of 60 days. Upon termination, the employee is entitled to a maximum benefit of 50% of the sick leave accrual or less depending on the length of service. Vacation and sick leave expenditures are recognized in the governmental fund financial statements in the current year when expended, or if the vested amount is expected to be paid with current available resources.

The liability is recorded in the government-wide statement of net assets. The General Fund is used to liquidate compensated absence liabilities.

I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

J. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

CRCOG's annual budget is a management tool that assists its users in analyzing financial activity for CRCOG's fiscal year ended June 30, 2010. CRCOG's budget includes the General Fund and all special revenue funds.

CRCOG's primary funding sources are member government assessments and federal, state and local grants with grant periods that may or may not coincide with CRCOG's fiscal year. These grants normally are for a 12-month period; however, they can be awarded for periods shorter or longer than 12 months.

Because of CRCOG's dependency on federal, state and local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. CRCOG's annual budget differs from that of a local government in two respects: (1) the uncertain nature of grant awards from other governmental entities and (2) the conversion of grant budgets to a fiscal year basis.

The resultant final budget is subject to constant change within the fiscal year due to:

- Increases/decreases in actual grant awards from those estimated;
- Changes in grant periods;
- Unanticipated grant awards not included in the budget; and
- Expected grant awards that fail to materialize.

The Policy Board formally approves CRCOG's annual budget but greater emphasis is placed on complying with grant 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 grant restrictions and allowances.

Overexpended Appropriations

For the year ended June 30, 2010, expenditures exceeded appropriation for the following objects (the legal level of control):

Equipment maintenance - GIS	\$	405
Legal		27,029
Conferences and workshops		5,019

These excess expenditures were funded using available fund balance and do not represent a violation of any regulatory or statutory provisions.

Fund Deficits

Fund balance deficit existed as of June 30, 2010 in the following funds:

Nonmajor Governmental Funds:		
Bike Education	\$	662
Brownfields Assessment Program		58,808

These fund balance deficits will be funded by future grants and transfers from the General Fund.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

The Connecticut General Statutes (Section 7-400) permits CRCOG to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

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

Deposits

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, CRCOG’s deposit will not be returned. CRCOG does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository’s risk-based capital ratio.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$856,854 of CRCOG’s bank balance of \$1,136,526 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	746,169
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name		<u>110,685</u>
Total Amount Subject to Custodial Credit Risk	\$	<u><u>856,854</u></u>

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2010, CRCOG's cash equivalents amounted to \$4,825,007. The entire balance consisted of investments in the State Treasurer's Short-Term Investment Fund (STIF). As of June 30, 2010, CRCOG's investments in STIF were rated AAA by Standard & Poor's.

B. Investments

As of June 30, 2010, CRCOG had \$1,739,828 invested in the equity mutual funds. These investments are maintained in the pension trust fund in the statement of fiduciary net assets.

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

Credit Risk - Investments - As indicated above, State Statutes limit the investment options of cities and towns. CRCOG has an investment policy that allows the same type of investments as State Statutes.

Concentration of Credit Risk - CRCOG has no policy limiting an investment in any one issuer that is in excess of 5% of CRCOG's total investments.

Custodial Credit Risk - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to CRCOG or that sells investments to or buys them for CRCOG), CRCOG will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. CRCOG does not have a policy for custodial credit risk. At June 30, 2010, CRCOG did not have any uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in CRCOG's name.

4. DEFERRED REVENUES

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the amount of unearned revenues is \$5,003,492.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Furniture and fixtures	\$ 229,287	\$ 2,154	\$ 39,155	\$ 192,286
Computers	199,240		34,991	164,249
Leasehold improvements	4,085		395	3,690
Total capital assets being depreciated	<u>432,612</u>	<u>2,154</u>	<u>74,541</u>	<u>360,225</u>
Less accumulated depreciation for:				
Furniture and fixtures	(158,782)	(12,301)	24,950	(146,133)
Computers	(195,219)	(2,877)	34,830	(163,266)
Leasehold improvements	(2,091)	(292)	5	(2,378)
Total accumulated depreciation	<u>(356,092)</u>	<u>(15,470)</u>	<u>59,785</u>	<u>(311,777)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 76,520</u>	<u>\$ (13,316)</u>	<u>\$ 14,756</u>	<u>\$ 48,448</u>

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The interfund receivables and payables balance at June 30, 210 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Work Access Program	Private Purpose Trust Fund	\$ 404,564
	Nonmajor Governmental Funds	88,804
Public Safety Program	Homeland Security Program	378,641
	Service Sharing Program	322,727
	FHWA	239,570
	General Fund	63,808
	Nonmajor Governmental Funds	66,554
Nonmajor Governmental Funds	General Fund	29,836
	UASI	263,441
	Nonmajor Governmental Funds	68,501
Agency Fund	General Fund	<u>9,052</u>
Total		<u>\$ 1,935,498</u>

Interfund receivables and payables generally represent temporary balances arising from reimbursement type transactions.

Interfund transfers for the year ended June 30, 2010 consisted of the following:

	Transfers In			
	Homeland Security Program	FHWA	Nonmajor Governmental	Total
Transfers out:				
General Fund	\$	\$ 28,891	\$ 20,322	\$ 49,213
Public Safety Program	<u>37,772</u>	<u> </u>	<u>776</u>	<u>38,548</u>
Total Transfers Out	<u>\$ 37,772</u>	<u>\$ 28,891</u>	<u>\$ 21,098</u>	<u>\$ 87,761</u>

Transfers are for regularly recurring operational transfers.

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated absences	\$ <u>158,940</u>	\$ <u>37,140</u>	\$ <u>(44,645)</u>	\$ <u>151,435</u>	\$ <u>62,322</u>

8. LEASE COMMITMENTS

CRCOG leases approximately 6,800 sq. ft. of floor space located on the fourth floor of a building situated at 241 Main Street, Hartford, Connecticut. The original lease commenced on January 1, 2003 and terminated on December 31, 2007. On June 11, 2007, the lease was renewed through August 2008. On August 8, 2008, the lease was renewed through August 2013. Minimum lease payments under this lease are as follows:

Year Ending June 30:

2011	\$ 119,875
2012	121,302
2013	123,015
2014	<u>20,550</u>
Total	<u>\$ 384,742</u>

Rent expense totaled \$119,875 for the year ended June 30, 2010.

9. RISK MANAGEMENT

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

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

The agreement for formation of CIRMA provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance companies. For the 2008-2009 policy year, reinsurance covered all claims in excess of \$1,000,000 per occurrence without limitation on the excess. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining, CRCOG cannot estimate the amount of such additional assessments and has not been notified that any assessments are forthcoming.

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

10. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Pension Trust Fund

A. Plan Description

CRCOG maintains a defined contribution money purchase plan (the Plan) that covers all employees who have completed 6 months of service and have attained age 21. Plan provisions are established and may be amended by the Plan Trustees. At age 65, participants are entitled to a lump-sum payment as a retirement benefit. Employer contributions are vested at 20% per year until completion of 5 years of service, at which time an employee is fully vested. The Plan is noncontributory for employees and provides for employer contributions of 10% of the participant's salary.

The Plan does not issue stand-alone financial statements and is part of CRCOG's financial reporting entity since CRCOG has trustee responsibilities related to the participant accounts that contain employer contributions. As such, the Plan is accounted for in the fiduciary fund financial statements as a pension trust fund.

There were 28 plan members as of June 30, 2010. Employer contributions totaled \$135,992 for the year ended June 30, 2010.

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: The Plan is accounted for using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments: Plan assets are reported at fair value. Securities traded on national exchanges are valued at the last reported sales price.

Investments are recorded at fair value. Short-term investments are reported at cost, which approximates fair value. Fair value of other securities is determined by the mean of the most recent bid and asked prices as obtained from dealers that make markets in such securities. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of CRCOG, with the assistance of a valuation service. Securities traded on national exchanges are valued at the last reported sales price. Investment income is recognized when earned, and gains and losses on sales or exchanges are recognized on the transaction date.

The following investments in mutual funds represent 5% or more of Plan assets as of June 30, 2010:

Investments:		
Allianceberstein International Growth Fund	\$	92,010
American Growth Fund		184,802
Vanguard Equity Income Admiral		231,171
Vanguard GNMA Admiral		554,274
Vanguard Short Term Investment Grade Admiral		263,564

11. ECONOMIC DEPENDENCY

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

12. CONTINGENT LIABILITIES

In the opinion of CRCOG Counsel, there are no unpaid or pending judgments against CRCOG and no legal proceedings that would adversely affect the financial position of CRCOG.

**CAPITOL REGION COUNCIL OF GOVERNMENTS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal Government	\$ 5,335,520	\$ 6,246,640	\$ 4,471,844	\$ (1,774,796)
State of Connecticut	5,711,983	5,887,429	2,333,800	(3,553,629)
Other governmental agencies	2,658,925	2,823,882	1,412,298	(1,411,584)
Interest income			29,670	29,670
Total revenues	<u>13,706,428</u>	<u>14,957,951</u>	<u>8,247,612</u>	<u>(6,710,339)</u>
Expenditures:				
Direct:				
Salaries	1,518,634	1,518,634	1,403,375	115,259
Fringe Benefits and Payroll Taxes	612,302	612,302	532,014	80,288
Merit		250	250	-
Telephone	600	44,850	44,850	-
Insurance		4,415	4,415	-
Publication, dues and advertising	20,268	19,493	16,493	3,000
Reproduction and printing	5,000	5,000	622	4,378
Recruitment	3,500	2,326		2,326
Supplies, postage and other	4,800	59,283	55,483	3,800
Computer, software and upgrades	250	1,000	564	436
Equipment maintenance - GIS	8,400	11,900	12,305	(405)
Legal	8,500	8,500	35,529	(27,029)
Legislative liaison	22,000	22,000	21,996	4
Consultants	4,500	331,124	307,137	23,987
Equipment	7,900	1,661,720	1,621,374	40,346
Furniture and Furnishings	1,000	1,600	1,516	84
Leasehold Improvements	500	500		500
Food	13,040	11,025	7,689	3,336
Mileage and parking	7,050	9,025	7,932	1,093
Training and tuition reimbursement	12,080	11,085	3,744	7,341
Conferences and workshops	38,280	33,980	38,999	(5,019)
Rentals	4,000	3,850	3,740	110
Workshops for local governments	4,000	2,800	2,800	-
Annual meetings	2,000	2,624	2,624	-
Legislative reception	500	500		500
Contingency	5,000	5,000		5,000
Training		282,205	110,317	171,888
Training - Homeland Security		207,100	207,092	8
Contractual	11,046,213	9,727,749	4,701,115	5,026,634

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**CAPITOL REGION COUNCIL OF GOVERNMENTS
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Indirect:				
Rent, maintenance and utilities	\$ 145,683	\$ 139,683	\$ 132,845	\$ 6,838
Telephone	11,897	14,397	14,169	228
Postage	2,500	5,200	5,117	83
Equipment maintenance	9,412	9,412	4,590	4,822
Insurance	30,756	31,556	31,498	58
Office supplies	17,500	17,500	16,738	762
Reproduction and printing	12,439	12,439	10,922	1,517
Dues - NARC	5,000	5,000	4,300	700
Pension administration	4,600	4,600	4,500	100
Section 125 admin.	1,374	1,374	(90)	1,464
Computer services	11,500	11,500	3,994	7,506
Payroll processing fees	5,000	5,000	4,668	332
Accounting	86,750	86,750	83,126	3,624
Computer software and upgrades	6,200	6,200	3,531	2,669
Legal	5,500	5,500	776	4,725
Total expenditures	<u>13,706,428</u>	<u>14,957,951</u>	<u>9,468,408</u>	<u>5,489,543</u>
Deficiency of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>(1,220,796)</u>	<u>(1,220,796)</u>
Other Financing Sources (Uses):				
Transfers in			87,761	87,761
Transfers out			<u>(87,761)</u>	<u>(87,761)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deficiency of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>(1,220,796)</u>	<u>\$ (1,220,796)</u>
Fund Balances - Beginning			<u>2,795,327</u>	
Fund Balances - Ending			<u>\$ 1,574,531</u>	

**CAPITOL REGION COUNCIL OF GOVERNMENTS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Special Revenue							
	FHWA Corridor Studies	Route 6 Study	Route 305 Study	Bike Education	Route 195 Study	New Britain Hartford Busway	Travel Model Improvement	State Grant in Aid
ASSETS								
Due from State of Connecticut	\$ 157,488	\$ 55,980	\$ 622	\$ 11,859	\$ 8,495	\$ -	\$ 32,466	\$ -
Other governmental grants receivable	18,526							
Due from other funds	<u>75,265</u>		<u>5,209</u>		<u>3,354</u>			
Total Assets	<u>\$ 251,279</u>	<u>\$ 55,980</u>	<u>\$ 5,831</u>	<u>\$ 11,859</u>	<u>\$ 11,849</u>	<u>\$ -</u>	<u>\$ 32,466</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 251,279	\$ -	\$ 5,831	\$ -	\$ 11,849	\$ -	\$ 16,678	\$ -
Deferred revenue								
Due to other funds		55,980		12,521			15,788	
Total liabilities	<u>251,279</u>	<u>55,980</u>	<u>5,831</u>	<u>12,521</u>	<u>11,849</u>	<u>-</u>	<u>32,466</u>	<u>-</u>
Fund balances:								
Unreserved	<u>-</u>	<u>-</u>	<u>-</u>	<u>(662)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 251,279</u>	<u>\$ 55,980</u>	<u>\$ 5,831</u>	<u>\$ 11,859</u>	<u>\$ 11,849</u>	<u>\$ -</u>	<u>\$ 32,466</u>	<u>\$ -</u>

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**CAPITOL REGION COUNCIL OF GOVERNMENTS
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Special Revenue						Total Nonmajor Governmental Funds	
	Local Government Programs	Brownfields Assessment Program	Special Projects	Regional Permitting Project	Capital and Nonrecurring Fund	Regional Solid Waste Management		
ASSETS								
Due from State of Connecticut	\$		\$		\$		\$	266,910
Other governmental grants receivable	77,647	42,317	4,744	3,400				146,634
Due from other funds				242,885	26,840	8,225		361,778
Total Assets	<u>\$ 77,647</u>	<u>\$ 42,317</u>	<u>\$ 4,744</u>	<u>\$ 246,285</u>	<u>\$ 26,840</u>	<u>\$ 8,225</u>		<u>\$ 775,322</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 1,359	\$ 42,587	\$	\$		\$ 8,225		\$ 337,808
Deferred revenue				246,285				246,285
Due to other funds	76,288	58,538	4,744					223,859
Total liabilities	<u>77,647</u>	<u>101,125</u>	<u>4,744</u>	<u>246,285</u>	<u>-</u>	<u>8,225</u>		<u>807,952</u>
Fund balances:								
Unreserved	-	(58,808)	-	-	26,840	-		(32,630)
Total Liabilities and Fund Balances	<u>\$ 77,647</u>	<u>\$ 42,317</u>	<u>\$ 4,744</u>	<u>\$ 246,285</u>	<u>\$ 26,840</u>	<u>\$ 8,225</u>		<u>\$ 775,322</u>

**CAPITOL REGION COUNCIL OF GOVERNMENTS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010**

35

	<u>Special Revenue</u>							
	<u>FHWA Corridor Studies</u>	<u>Route 6 Study</u>	<u>Route 305 Study</u>	<u>Bike Education</u>	<u>Route 195 Study</u>	<u>New Britain Hartford Busway</u>	<u>Travel Model Improvement</u>	<u>State Grant in Aid</u>
Revenues:								
Federal government	\$ 288,406	\$ 55,980	\$ 30,168	\$	\$ 49,490	\$ 17,258	\$ 105,589	\$
State of Connecticut			7,542	11,859	12,249	2,157	13,180	16,389
Other governmental agencies	18,526					2,157	13,180	
Total revenues	<u>306,932</u>	<u>55,980</u>	<u>37,710</u>	<u>11,859</u>	<u>61,739</u>	<u>21,572</u>	<u>131,949</u>	<u>16,389</u>
Expenditures:								
Current:								
Direct costs:								
Salaries								6,519
Other	306,932	55,980	37,710	12,521	61,739	21,572	131,949	
Indirect costs:								10,068
Total expenditures	<u>306,932</u>	<u>55,980</u>	<u>37,710</u>	<u>12,521</u>	<u>61,739</u>	<u>21,572</u>	<u>131,949</u>	<u>16,587</u>
Deficiency of Revenues over Expenditures	-	-	-	(662)	-	-	-	(198)
Other Financing Sources:								
Transfers in								198
Deficiency of Revenues over Expenditures	-	-	-	(662)	-	-	-	-
Fund Balances - Beginning of Year								
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (662)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**CAPITOL REGION COUNCIL OF GOVERNMENTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Special Revenue						Total Nonmajor Governmental Funds
	Local Government Programs	Brownfields Assessment Program	Special Projects	Regional Permitting Project	Capital and Nonrecurring Fund	Regional Solid Waste Management	
Revenues:							
Federal government	\$	\$ 251,640	\$	\$ 70,086	\$	\$ 20,000	\$ 888,617
State of Connecticut							63,376
Other governmental agencies	392,771		5,751				432,385
Total revenues	<u>392,771</u>	<u>251,640</u>	<u>5,751</u>	<u>70,086</u>	<u>-</u>	<u>20,000</u>	<u>1,384,378</u>
Expenditures:							
Current:							
Direct costs:							
Salaries	158,125	31,499	2,893				199,036
Other	20,657	207,669		70,086		40,187	967,002
Indirect costs:	213,989	45,752	3,571				273,380
Total expenditures	<u>392,771</u>	<u>284,920</u>	<u>6,464</u>	<u>70,086</u>	<u>-</u>	<u>40,187</u>	<u>1,439,418</u>
Deficiency of Revenues over Expenditures	-	(33,280)	(713)	-	-	(20,187)	(55,040)
Other Financing Sources:							
Transfers in			713			20,187	21,098
Deficiency of Revenues over Expenditures	-	(33,280)	-	-	-	-	(33,942)
Fund Balances - Beginning of Year		(25,528)			26,840		1,312
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ (58,808)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,840</u>	<u>\$ -</u>	<u>\$ (32,630)</u>

**CAPITOL REGION OF GOVERNMENTS
STATEMENT OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
ASSETS				
Cash	\$ 33,915	\$ -	\$ 6,900	\$ 27,015
Receivables	-	17,748	-	17,748
Due from other funds		9,052		9,052
Total	<u>\$ 33,915</u>	<u>\$ 26,800</u>	<u>\$ 6,900</u>	<u>\$ 53,815</u>
LIABILITIES				
Due to others	<u>\$ 33,915</u>	<u>\$ 26,800</u>	<u>\$ 6,900</u>	<u>\$ 53,815</u>

**CAPITOL REGION COUNCIL OF GOVERNMENTS
INDIRECT RATE CALCULATION
FOR THE YEAR ENDED JUNE 30, 2010**

Indirect Costs:

Management support salaries	\$ 284,342
Fringe benefits and payroll taxes	542,971
Compensated absences	217,048
Rent, maintenance and utilities	132,845
Accounting, audit and pension services	83,126
Insurance	31,498
Employee merit program	250
Office supplies and expense	16,738
Postage	5,117
Reproduction and printing	10,922
Payroll processing	4,668
Equipment maintenance	4,590
Computer software and data communications	3,531
Computer services	3,994
Telephone	14,169
Publication and dues	4,300
Legal services	776
Pension administration	4,500
Equipment	
Section 125 Admin	<u>(90)</u>
 Total Indirect Costs	 1,365,295
 Depreciation and Amortization Expenses Allocation	 <u>15,471</u>
 Total	 <u>\$ 1,380,766</u>
 Total payroll	 \$ 1,419,368
Less: indirect payroll	284,342
Less: compensated absences	<u>217,048</u>
 Payroll Base	 <u>\$ 917,978</u>
 Indirect Cost Rate	 <u>150.41%</u>

**CAPITOL REGION COUNCIL OF GOVERNMENTS
FINANCIAL SUMMARY FOR THE STATE OF CONNECTICUT
DEPARTMENT OF TRANSPORTATION
FOR THE YEAR ENDED JUNE 30, 2010**

	FHWA 11.6-01 (07)	(Cumulative) Route 195 Study 8.24-05 (06)	Route 6	Bike Education	(Cumulative) Route 305 Study 8.24-06 (06)	(Cumulative) Travel Model Improvement 10.13-02 (05)	(Cumulative) Northwest Corridor Studies 8.21-04 (06)	(Cumulative) New Britain Hartford Busway 8.21-04 (06)	Total
Maximum Funds Authorized									
FHWA	\$ 1,483,441	\$ 184,000	\$ 336,000	\$ 22,260	\$ 256,000	\$	\$	\$ 2,349,701	
Conn-DOT - FHWA	185,430	46,000	84,000		64,000			387,930	
FTA						180,000	586,422	766,422	
Conn-DOT - FTA						22,500	132,606	155,106	
Local	185,430			1,665		22,500	18,744	236,839	
	<u>\$ 1,854,301</u>	<u>\$ 230,000</u>	<u>\$ 420,000</u>	<u>\$ 23,925</u>	<u>\$ 320,000</u>	<u>\$ 225,000</u>	<u>\$ 737,772</u>	<u>\$ 3,895,998</u>	
Authorized Expenditures									
Direct Costs:									
Salaries	\$ 535,326	\$ 2,334	\$	\$	\$ 8,139	\$	\$ 18,758	\$ 564,557	
Other	22,759	215,423	55,980	12,521	281,925	228,491	697,876	1,553,346	
Indirect Costs	802,989	3,018			12,420		25,686	844,113	
	<u>\$ 1,361,074</u>	<u>\$ 220,775</u>	<u>\$ 55,980</u>	<u>\$ 12,521</u>	<u>\$ 302,484</u>	<u>\$ 228,491</u>	<u>\$ 742,320</u>	<u>\$ 2,962,016</u>	
Distribution of Audited Costs									
FHWA	\$ 1,088,859	\$ 176,620	\$ 44,784	\$ 12,521	\$ 241,986	\$	\$	\$ 1,595,467	
Conn-DOT - FHWA	136,107	44,155	11,196		60,497			255,792	
FTA						182,793	593,856	776,649	
Conn-DOT - FTA						22,849	144,020	166,869	
Local	136,107					22,849	4,444	167,237	
	<u>\$ 1,361,073</u>	<u>\$ 220,775</u>	<u>\$ 55,980</u>	<u>\$ 12,521</u>	<u>\$ 302,483</u>	<u>\$ 228,491</u>	<u>\$ 742,320</u>	<u>\$ 2,962,014</u>	
ConnDOT Responsibility									
FHWA	\$ 1,088,859	\$ 176,620	\$ 44,784	\$ 12,521	\$ 241,986	\$	\$	\$ 1,595,467	
Conn-DOT - FHWA	136,107	44,155	11,196		60,497			255,792	
FTA						182,793	593,856	776,649	
Conn-DOT - FTA						22,849	144,020	166,869	
Local							4,444	8,281	
	<u>1,224,966</u>	<u>220,775</u>	<u>55,980</u>	<u>12,521</u>	<u>302,483</u>	<u>205,642</u>	<u>742,320</u>	<u>2,803,058</u>	
Payments Received Through June 30, 2010	<u>986,649</u>	<u>208,927</u>			<u>296,088</u>	<u>190,632</u>	<u>675,022</u>	<u>2,395,689</u>	
Due from ConnDOT, June 30, 2010	<u>238,317</u>	<u>11,848</u>	<u>55,980</u>	<u>12,521</u>	<u>6,395</u>	<u>15,010</u>	<u>67,298</u>	<u>407,369</u>	
Payments Received July 1 - September 30, 2010	<u>195,172</u>	<u>1,500</u>	<u>55,980</u>	<u>11,859</u>	<u>622</u>	<u>6,379</u>	<u>31,800</u>	<u>303,312</u>	
Due from ConnDOT	<u>\$ 43,145</u>	<u>\$ 10,348</u>	<u>\$ -</u>	<u>\$ 662</u>	<u>\$ 5,773</u>	<u>\$ 8,631</u>	<u>\$ 35,498</u>	<u>\$ 104,057</u>	