

**SOUTHEASTERN  
CONNECTICUT ENTERPRISE  
REGION CORPORATION**

**FINANCIAL STATEMENTS  
AS OF JUNE 30, 2016**

**TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT,  
FEDERAL SINGLE AUDIT REPORTS  
AND  
STATE SINGLE AUDIT REPORTS**

**SOUTHEASTERN CONNECTICUT ENTERPRISE  
REGION CORPORATION  
TABLE OF CONTENTS  
JUNE 30, 2016**

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6
<b>FEDERAL SINGLE AUDIT REPORTS</b>	
<b>Federal Internal Control and Compliance Reports</b>	
Independent Auditors' 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>	13
Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	15
<b>Schedule of Expenditures of Federal Awards</b>	
Schedule of Expenditures of Federal Awards	18
Notes to Schedule of Expenditures of Federal Awards	19
<b>Schedule of Federal Findings and Questioned Costs</b>	22
<b>Summary Schedule of the Status of Prior Federal Audit Findings</b>	24

**SOUTHEASTERN CONNECTICUT ENTERPRISE  
REGION CORPORATION  
TABLE OF CONTENTS  
JUNE 30, 2016**

**STATE SINGLE AUDIT REPORTS**

**State Internal Control and Compliance Reports**

Independent Auditors' 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* 25

Independent Auditors' 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 by the State Single Audit Act 27

**Schedule of Expenditures of State Financial Assistance**

Schedule of Expenditures of State Financial Assistance 30

Note to Schedule of Expenditures of State Financial Assistance 31

**Schedule of State Findings and Questioned Costs 32**

**INDEPENDENT AUDITORS' REPORT  
ON THE FINANCIAL STATEMENTS**

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Southeastern Connecticut Enterprise Region Corporation  
Groton, Connecticut

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Southeastern Connecticut Enterprise Region Corporation (seCTer), which comprise the statement of financial position as of June 30, 2016, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

### **AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **OPINION**

In our opinion, the financial statements, referred to above present fairly, in all material respects, the financial position of seCTer as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **REPORT ON SUMMARIZED COMPARATIVE INFORMATION**

We have previously audited seCTer's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 2, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **OTHER MATTERS**

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and schedule of expenditures of state financial assistance, as required by Office Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Act, respectively, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2016, on our consideration of seCTer'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 seCTer's internal control over financial reporting and compliance.

*Hoyt, Filippetti & Malachuk, LLC*

Groton, Connecticut  
October 28, 2016

# **FINANCIAL STATEMENTS**

**SOUTHEASTERN CONNECTICUT ENTERPRISE  
REGION CORPORATION  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2016  
(With Summarized Financial Information for 2015)**

**ASSETS**

	2016	2015
Cash	\$ 6,610	\$ 90,441
Investments	346,688	414,898
Grants receivable	29,329	42,171
Accounts receivable	120,786	92,318
Prepaid expenses	17,559	13,976
Restricted cash and investments	2,638,968	1,693,675
Loans receivable, less allowance for doubtful loans, net	4,324,387	4,421,047
Property and equipment, net	6,130	9,846
Total assets	\$ 7,490,457	\$ 6,778,372

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 7,526	\$ 28,278
Accrued expenses	60,285	49,031
Due to Connecticut - small business lending partner program	36,082	46,586
Due to Connecticut - small business express program	24,282	22,141
Due to funding source - small business express program	806,500	-
Deferred grant revenue	45,804	53,459
Total liabilities	980,479	199,495

**NET ASSETS**

Unrestricted	353,079	464,155
Temporarily restricted	6,156,899	6,114,722
Total net assets	6,509,978	6,578,877
Total liabilities and net assets	\$ 7,490,457	\$ 6,778,372

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

**SOUTHEASTERN CONNECTICUT ENTERPRISE  
REGION CORPORATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016  
(With Summarized Financial Information for 2015)**

	2016			2015 Total
	Unrestricted	Temporarily Restricted	Total	
<b>SUPPORT AND REVENUE</b>				
Grant revenue	\$ 729,421	\$ -	\$ 729,421	\$ 734,866
Contributions	96,488	60,971	157,459	84,675
Interest income	138,572	70,541	209,113	281,493
Program fees	20,792	741	21,533	68,238
Investment income	33,133	-	33,133	47,060
Unrealized (loss) gain on investments	(40,785)	-	(40,785)	(30,409)
Loan write-offs and allowances	-	(24,500)	(24,500)	(73,993)
Loan recoveries	575	-	575	-
Net assets released from restrictions:				
Satisfaction of purpose restrictions	65,576	(65,576)	-	-
Total support and revenue	<u>1,043,772</u>	<u>42,177</u>	<u>1,085,949</u>	<u>1,111,930</u>
<b>EXPENSES</b>				
Program services				
Regional revolving loan fund	41,675	-	41,675	38,506
Small business loan fund	39,411	-	39,411	39,906
Southeast regional development fund	68,400	-	68,400	51,569
Connecticut small business lending partner program	5,855	-	5,855	12,714
Connecticut small business express fund	22,817	-	22,817	21,650
Comprehensive economic development strategy	73,479	-	73,479	70,000
Procurement technical assistance center	646,966	-	646,966	672,464
Total program services	<u>898,603</u>	<u>-</u>	<u>898,603</u>	<u>906,809</u>
Supporting services				
Management and general	256,245	-	256,245	317,254
Total expenses	<u>1,154,848</u>	<u>-</u>	<u>1,154,848</u>	<u>1,224,063</u>
Change in net assets	(111,076)	42,177	(68,899)	(112,133)
NET ASSETS, beginning of year	464,155	6,114,722	6,578,877	6,691,010
NET ASSETS, end of year	<u>\$ 353,079</u>	<u>\$ 6,156,899</u>	<u>\$ 6,509,978</u>	<u>\$ 6,578,877</u>

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

**SOUTHEASTERN CONNECTICUT ENTERPRISE  
REGION CORPORATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016  
(With Summarized Financial Information for 2015)**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (68,899)	\$ (112,133)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Unrealized loss on investments	40,785	30,409
Depreciation and amortization	3,716	4,049
Bad debt expense	24,500	73,993
Changes in operating assets and liabilities:		
Grants receivable	12,842	(14,174)
Accounts receivable	(28,468)	5,540
Prepaid expenses	(3,583)	(1,426)
Loans receivable	72,160	(280,193)
Accounts payable	(20,752)	20,516
Accrued expenses	11,254	3,149
Due to Connecticut small business lending partner program	(10,504)	(6,621)
Due to Connecticut small business express program	2,141	(20,646)
Due to funding source	806,500	-
Deferred grant revenue	(7,655)	2,117
Rent security deposit	-	(615)
Net cash provided by (used in) operating activities	834,037	(296,035)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	819,539	691,000
(Increase) decrease in restricted cash and investments	(945,293)	339,325
Purchase of investments	(792,114)	(721,859)
Net cash (used in) provided by investing activities	(917,868)	308,466
<b>NET (DECREASE) INCREASE IN CASH</b>	(83,831)	12,431
<b>CASH, beginning of year</b>	90,441	78,010
<b>CASH, end of year</b>	\$ 6,610	\$ 90,441

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

**SOUTHEASTERN CONNECTICUT ENTERPRISE  
REGION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**PURPOSE OF ORGANIZATION**

Southeastern Connecticut Enterprise Region Corporation (seCTer) is a Connecticut non-stock corporation formed to stimulate and support economic development and diversification within Southeastern Connecticut by performing the following activities:

- Fostering a climate favorable for economic development and diversification.
- Supporting the retention and expansion of existing businesses and the startup of new businesses.
- Recruiting new businesses through a marketing program that promotes the region's resources and competitiveness.
- Coordinating economic development activities among the region's municipalities.
- Participating in efforts to meet the infrastructure needs of a growing regional economy.
- Defining and updating the region's economic goals and strategy.

SeCTer's primary sources of revenue are government grants, investment income, interest income from loans, and contributions.

**PRIOR YEAR SUMMARIZED FINANCIAL INFORMATION**

The financial statements include certain prior-year summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with seCTer's audited financial statements as of and for the year ended June 30, 2015, from which the summarized information was derived. Certain reclassifications have been made to the 2015 amounts in order to conform to the 2016 presentation.

**USE OF 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 and disclosures in the financial statements. Actual results could differ from those estimates.

**NET ASSET CATEGORIES**

To ensure observance of limitations and restrictions placed on the use of resources available to seCTer, the accounts of seCTer are maintained in the following net asset categories:

**Unrestricted**

Unrestricted net assets consist of available resources other than donor restricted contributions. Included in unrestricted net assets are grants, which are earmarked for specific purposes.

**SOUTHEASTERN CONNECTICUT ENTERPRISE  
REGION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**NET ASSET CATEGORIES (Continued)**

**Unrestricted (Continued)**

The board of directors has established the following designations of unrestricted net assets:

- |                                   |            |
|-----------------------------------|------------|
| • Building/Incubator Reserve Fund | \$ 117,500 |
| • Loan Recapitalization Fund      | \$ 125,000 |

**Temporarily Restricted**

Temporarily restricted net assets represent contributions that are restricted by the donor either as to purpose or as to time of expenditure. SeCTer's temporarily restricted net assets consist of amounts received under the Regional Revolving Loan Fund (RRLF), Small Business Loan Fund (SBLF), Southeast Regional Development Fund loan fund (SRDF), and the Lend a Hand loan fund. A portion of the income earned from the RRLF and SBLF programs, including interest income, is temporarily restricted for use in funding related indirect costs of the programs. Loan write-offs and allowances for doubtful loans serve to reduce temporarily restricted net assets.

**RECOGNITION OF SUPPORT AND REVENUE**

**Grants**

Grants are generally considered to be exchange transactions in which the grantor requires the performance of specified activities.

Entitlement to cost reimbursement grants is based on the expenditure of funds in accordance with grant restrictions. Therefore, revenue is recognized to the extent of grant expenditures. Grant receipts in excess of amounts expended are recognized as deferred grant revenue.

**Contributions**

Contributions are defined as voluntary, nonreciprocal transfers, and include amounts received to fund the RRLF, SBLF, SRDF, and Lend a Hand loan programs.

SeCTer recognizes contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of such assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**SOUTHEASTERN CONNECTICUT ENTERPRISE  
REGION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**RECOGNITION OF SUPPORT AND REVENUE** *(Continued)*

**Donated Services**

SeCTer recognizes donated services, if they create or enhance non-financial assets, or require specialized skills, and would typically need to be purchased, if not provided by donation. General volunteer services do not meet this criteria for recognition in the financial statements. No donated expenses have been recognized in the accompanying financial statements.

**Donated Assets**

Donated assets, including the usage of assets such as rent, are recognized at their estimated fair market value.

SeCTer reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, seCTer reports expirations of donor restrictions in full when the donated or acquired long-lived assets are placed in service.

**CASH EQUIVALENTS**

For purposes of the statement of cash flows, seCTer defines cash equivalents as liquid investments with an original maturity of three months or less, exclusive of restricted cash, which is not available for operations. SeCTer had no cash equivalents as of June 30, 2016.

**INVESTMENTS**

SeCTer's investments consist of certificates of deposit, bond mutual funds, and marketable debt securities, which are carried at fair value. Fair value is determined based on quoted market price.

**PROPERTY AND EQUIPMENT**

Property and equipment acquisitions and leasehold improvements that individually exceed \$5,000 are capitalized at cost, if purchased, or fair market value, if donated. Depreciation is provided over the estimated useful lives of property and equipment on a straight-line basis. Leasehold improvements are amortized over the life of the asset or the remaining lease term, whichever is shorter. Repairs and maintenance are charged to expense as incurred.

**EXPENSES BY FUNCTION**

The costs of providing various programs and activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**SOUTHEASTERN CONNECTICUT ENTERPRISE  
REGION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**INCOME TAXES**

The Internal Revenue Service has determined that seCTer is exempt from federal income taxes on exempt function income as a public charity under Section 501(c)(3) of the Internal Revenue Code. Consequently, no provision for income taxes has been made in the accompanying financial statements.

SeCTer did not recognize any liability for uncertain tax positions as defined by accounting principles generally accepted in the United States of America.

The federal tax return of seCTer for the year ended June 30, 2016 is subject to examination by the IRS, generally for three years after it has been filed.

**SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 28, 2016, which is the date the financial statements were available to be issued. There were no subsequent events identified that require disclosure.

**NOTE 2 - CONCENTRATIONS**

**CONCENTRATIONS OF CREDIT RISK**

SeCTer's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, investments, accounts receivable, restricted cash and investments, and loans receivable. SeCTer places its cash deposits in high credit quality institutions and at times such deposits exceed federal depository insurance as of June 30, 2016. Investments are considered by management to be sufficiently diversified to avoid individual industry and investment concentration risks. However, such investments are subject to risks of the market as a whole.

Loans receivable consist of loans to Southeastern Connecticut businesses under state, federal, and privately funded loan programs. Accounts receivable consists primarily of the current interest payments due on the outstanding loans. The loans are generally collateralized by business assets and personal guarantees of the borrower. Loans which are over ninety (90) days past due are considered for non-accrual status. Once placed on non-accrual status, those loans do not accrue interest, and any payments are applied to principal. Management maintains an allowance for potential credit losses, and such losses have been within management expectations.

**REVENUE CONCENTRATIONS**

Grants from U.S. Department of Defense (DOD) and Connecticut Department of Economic and Community Development (DECD), comprised 67 % of total revenues for the year ended June 30, 2016.

**SOUTHEASTERN CONNECTICUT ENTERPRISE  
REGION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 3 - LOANS RECEIVABLE**

A summary of loans receivable by loan program is as follows:

Regional Revolving Loan Fund	\$ 679,558
Small Business Loan Fund	664,944
Southeast Regional Development Fund	3,272,583
Lend a Hand	<u>37,302</u>
	4,654,387
Less: allowance for doubtful loans	<u>330,000</u>
	<u><u>\$ 4,324,387</u></u>

**NOTE 4 - RESTRICTED CASH AND INVESTMENTS**

In accordance with accounting principles generally accepted in the United States of America, seCTer's carrying amounts of its financial instruments approximate fair value under Level 1.

The following is a summary of the source of fair value measurements for investments that are measured at fair value on a recurring basis as of June 30, 2016.

Description	Total	Assets (Level 1)
Certificates of deposit	\$ 1,088,213	\$ 1,088,213
Corporate bonds	220,700	220,700
Cash and cash equivalents	1,673,737	1,673,737
Accrued interest	<u>3,006</u>	<u>3,006</u>
	<u><u>\$ 2,985,656</u></u>	<u><u>\$ 2,985,656</u></u>

Restricted cash and investments have been presented in the statement of financial position as follows:

Investments	\$ 346,688
Restricted cash and investments	<u>2,638,968</u>
	<u><u>\$ 2,985,656</u></u>

**NOTE 5 - PROPERTY AND EQUIPMENT**

A summary of property and equipment follows:

Office equipment	\$ 65,398
Computer equipment	<u>183,518</u>
	248,916
Less: accumulated depreciation and amortization	<u>242,786</u>
	<u><u>\$ 6,130</u></u>

Depreciation and amortization expense for the year ended June 30, 2016 was \$3,716.

**SOUTHEASTERN CONNECTICUT ENTERPRISE  
REGION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 6 - DEFERRED GRANT REVENUE**

Deferred grant revenue will be recognized in the subsequent year as program services are rendered under the Procurement Technical Assistance SeCTer program.

**NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following at June 30, 2016:

Southeast Regional Development Fund	\$ 4,386,461
Regional Revolving Loan Fund	914,320
Small Business Loan Fund	728,047
Lend a Hand Loan Fund	105,100
Comprehensive economic development strategy	22,971
	<u>\$ 6,156,899</u>

The following assets comprise temporarily restricted net assets at June 30, 2016:

Loans receivable, net	\$ 4,324,387
Restricted cash and investments	1,832,512
	<u>\$ 6,156,899</u>

Net assets released from restrictions for the year ended June 30, 2016 are as follows:

Purpose restrictions:	
Regional Revolving Loan Fund	\$ 30,820
Small Business Loan Fund	34,756
	<u>\$ 65,576</u>

**NOTE 8 - OPERATING LEASE**

Effective April 1, 2015, seCTer leases its office space under a triple net operating lease with scheduled increases which expires in March 2020. SeCTer has the option to renew the lease for two (2) additional five (5) year terms.

Future minimum lease payments under the lease are as follows:

Year ending June 30:

2017	24,676
2018	25,220
2019	26,853
2020	20,140
	<u>\$ 96,889</u>

**SOUTHEASTERN CONNECTICUT ENTERPRISE  
REGION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 8 - OPERATING LEASE** *(Continued)*

SeCTer also leases space for the Procurement Technical Assistance SeCTer on a month to month basis.

Rent expense for the year ended June 30, 2016 was \$35,175.

**NOTE 9 - PENSION PLAN**

SeCTer maintains a defined contribution pension plan in which substantially all employees participate. Under the terms of the plan, seCTer contributed 8% of eligible employee compensation for the first six months and then decreased the contribution to 3% for the remainder of the year. As of July 1, 2016 the contribution has been restored to 8%. Pension expense for the year ended June 30, 2016 totaled \$46,602.

# **FEDERAL SINGLE AUDIT REPORTS**

**FEDERAL INTERNAL CONTROL  
AND COMPLIANCE REPORTS**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Southeastern Connecticut Enterprise Region Corporation  
Groton, 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 Southeastern Connecticut Enterprise Region Corporation (seCTer), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2016.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether seCTer's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **PURPOSE OF THIS REPORT**

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

*Hoyt, Filippetti & Malaghan, LLC*

Groton, Connecticut

October 28, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
Southeastern Connecticut Enterprise Region Corporation  
Groton, Connecticut

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited Southeastern Connecticut Enterprise Region Corporation's (seCTer) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of seCTer's major federal programs for the year ended June 30, 2016. SeCTer's major federal program is identified in the summary of auditors' results section of the accompanying schedule of federal findings and questioned costs.

**MANAGEMENT'S RESPONSIBILITY**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on compliance for each of seCTer's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the seCTer's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## **OPINION ON THE MAJOR FEDERAL PROGRAM**

In our opinion, seCTer 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, 2016.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of seCTer is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered seCTer's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of seCTer's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

We have audited the financial statements of the seCTer as of and for the year ended June 30, 2016, and have issued our report thereon dated October 28, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Hoyt, Filippetti & Malaghan, LLC*

Groton, Connecticut

October 28, 2016

**SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS**

**SOUTHEASTERN CONNECTICUT ENTERPRISE  
REGION CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Grantor; Pass-through Grantor; Program Title; Description</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Grant Period Ending</u>	<u>Grant Expenditures</u>
<b>U.S. DEPARTMENT OF COMMERCE</b>				
<b>Direct:</b>				
Economic Adjustment Assistance, Sudden and Severe Economic Dislocation Implementation Grant	01-49-03310	11.307		\$ 708,388 *
Economic Adjustment Assistance, Sudden and Severe Economic Dislocation Implementation Grant	01-19-63005	11.307		569,301 *
Economic Development Planning Grant	01-83-14486	11.302		<u>70,000</u>
<b>Total U.S. Department of Commerce</b>				<u><u>1,347,689</u></u>
<b>U.S. DEPARTMENT OF DEFENSE</b>				
<b>Direct:</b>				
Procurement Technical Assistance Program	SP4800-13-2-1305	12.002	8/14	69,558
Procurement Technical Assistance Program	SP4800-14-2-1405	12.002	8/15	<u>277,033</u>
				<u>346,591</u>
<b>Total Federal Awards</b>				<u><u>\$ 1,694,280</u></u>

\* See *Note D* for calculation.

*The accompanying notes are an integral part of this schedule.*

**SOUTHEASTERN CONNECTICUT ENTERPRISE  
REGION CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2016**

**NOTE A - ACCOUNTING BASIS**

**BASIC FINANCIAL STATEMENTS**

The accounting policies of seCTer conform to accounting principles generally accepted in the United States of America as applicable to nonprofit organizations.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of federal awards is presented in accordance with the requirements Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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

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

Southeastern Connecticut Enterprise Region Corporation has not elected to use the 10% de Minimis indirect cost rate.

**NOTE B - LOAN PROGRAMS**

The following is a summary of loan activity for the year ended June 30, 2016:

Grantor agency:	Department of Commerce
Loan fund:	Regional Revolving
CFDA number:	11.307
Grant number:	01-49-03310
Issue date:	September 1993
Interest rate:	0%
Original amount:	\$1,000,000

**SOUTHEASTERN CONNECTICUT ENTERPRISE  
REGION CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2016**

**NOTE B - LOAN PROGRAMS (Continued)**

	<u>Loan principal</u>	<u>Allowance for collection losses</u>	<u>Net carrying amount</u>
Balance July 1, 2015	\$ 652,284	\$ 45,307	\$ 606,977
Loans made	-	-	-
Payments received	( 126,516)	-	(126,516)
Loan write-offs	( 16,101)	-	( 16,101)
Decrease in allowance or loan losses	-	(9,171)	9,171
Balance June 30, 2016	<u>\$ 509,667</u>	<u>\$ 36,136</u>	<u>\$ 473,531</u>

Grantor agency: Department of Commerce  
Loan fund: Small Business  
CFDA number: 11.307  
Grant number: 01-19-63005  
Issue date: July 1994  
Interest rate: 0%  
Original amount: \$500,000

	<u>Loan principal</u>	<u>Allowance for collection losses</u>	<u>Net carrying amount</u>
Balance July 1, 2015	\$ 525,438	\$ 36,496	\$ 488,942
Loans made	-	-	-
Payments received	( 24,457)	-	(24,457)
Loan write-offs	( 2,274)	-	(2,274)
Decrease in allowance for loan losses	-	( 1,137)	1,137
Balance June 30, 2016	<u>\$ 498,707</u>	<u>\$ 35,359</u>	<u>\$ 463,348</u>

**NOTE C - OTHER FEDERAL ASSISTANCE**

Southeastern Connecticut Enterprise Region Corporation did not receive any non-cash assistance, or other federal assistance in the form of loan guarantees or insurance.

**SOUTHEASTERN CONNECTICUT ENTERPRISE  
REGION CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2016**

**NOTE D - CALCULATION OF FEDERAL ASSISTANCE**

	Regional Revolving 01-49-03310	Small Business 01-19-63005
Net carrying amount of loans, June 30, 2016	\$ 473,531	\$ 463,348
Cash and investments, June 30, 2016	211,741	79,887
Administrative expenses for fiscal year	23,116	26,066
Federal Assistance for fiscal year	<u>\$ 708,388</u>	<u>\$ 569,301</u>

**SCHEDULE OF FEDERAL FINDINGS  
AND QUESTIONED COSTS**

**SOUTHEASTERN CONNECTICUT ENTERPRISE  
REGION CORPORATION  
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

○ Material weakness(es) identified? \_\_\_\_\_ Yes    ✓ No

○ Significant deficiency(ies) identified? \_\_\_\_\_ Yes    ✓ None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes    ✓ No

**FEDERAL AWARDS**

Internal control over major programs:

○ Material weakness(es) identified? \_\_\_\_\_ Yes    ✓ No

○ Significant deficiency(ies) identified? \_\_\_\_\_ Yes    ✓ None reported

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance \_\_\_\_\_ Yes    ✓ No

Identification of major programs:

<b>CFDA Number</b>	<b>Name of Federal Program</b>	<b>Expenditures</b>	<b>Federal Assistance</b>
11.307	Economic Adjustment Assistance, Sudden and Severe Economic Dislocation Implementation Grant		\$1,277,689

Auditee qualified as low-risk auditee? \_\_\_\_\_ ✓ Yes    \_\_\_\_\_ No

Dollar threshold used to distinguish between Type A and Type B program: \$750,000

**SOUTHEASTERN CONNECTICUT ENTERPRISE  
REGION CORPORATION  
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**SECTION II – SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS  
REQUIRED UNDER GENERALLY ACCEPTED *GOVERNMENT  
AUDITING STANDARDS***

- We issued a report dated October 28, 2016 on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting disclosed no material weaknesses.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

- There were no findings or questioned costs reported.

**SOUTHEASTERN CONNECTICUT ENTERPRISE  
REGION CORPORATION  
SUMMARY SCHEDULE OF THE STATUS OF PRIOR FEDERAL AUDIT  
FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

**PRIOR YEAR AUDIT FINDINGS RESOLVED**

None

# **STATE SINGLE AUDIT REPORTS**

**STATE INTERNAL CONTROL AND  
COMPLIANCE REPORTS**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Southeastern Connecticut Enterprise Region Corporation  
Groton, 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 Southeastern Connecticut Enterprise Region Corporation (seCTer), which comprise of the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2016.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether seCTer's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## PURPOSE OF THIS REPORT

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

*Hoyt, Filippetti & Malaghan, LLC*

Groton, Connecticut  
October 28, 2016

**INDEPENDENT AUDITORS' 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 BY THE STATE SINGLE AUDIT ACT**

To the Board of Directors of  
Southeastern Connecticut Enterprise Region Corporation  
Groton, Connecticut

**REPORT COMPLIANCE FOR EACH MAJOR STATE PROGRAM**

We have audited Southeastern Connecticut Enterprise Region Corporation's (seCTer) compliance with the types of compliance requirements described in the *Office of Policy and Management's Compliance Supplement* that could have a direct and material effect on each of seCTer's major state programs for the year ended June 30, 2016. SeCTer's major state programs are identified in the summary of auditors' results section of the accompanying schedule of state findings and questioned costs.

**MANAGEMENT'S RESPONSIBILITY**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its state programs.

**AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on compliance for seCTer's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about seCTer's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**OPINION ON EACH MAJOR STATE PROGRAM**

In our opinion, seCTer 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, 2016.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of seCTer is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered seCTer's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of seCTer's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

## **REPORT ON SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT**

We have audited the financial statements of seCTer, as of and for the year ended June 30, 2016 and have issued our report thereon dated October 28, 2016 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial

**REPORT ON SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
REQUIRED BY THE STATE SINGLE AUDIT ACT (Continued)**

statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

*Hoyt, Filippetti & Malachuk, LLC*

Groton, Connecticut

October 28, 2016

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL  
ASSISTANCE**

**SOUTHEASTERN CONNECTICUT ENTERPRISE  
REGION CORPORATION  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2016**

State Grantor/Program Title	State Grant Program Core-CT Number	Grant Expenditures
<b>DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT</b>		
<b>Direct:</b>		
Procurement Technical Assistance Program	12034-ECD46000-40221-099	\$ 308,708
Procurement Technical Assistance Program	12034-ECD46000-40221-099	4,122 *
Connecticut Small Business Express Fund	12052-ECD46000-43516	193,500
<b>Total State Awards</b>		<u>\$ 506,330</u>

\* Adjustment to prior grant approved by DECD

*The accompanying note is an integral part of this schedule.*

**SOUTHEASTERN CONNECTICUT ENTERPRISE  
REGION CORPORATION  
NOTE TO SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE A - ACCOUNTING BASIS**

**BASIC FINANCIAL STATEMENTS**

The accounting policies of Southeastern Connecticut Enterprise Region (seCTer) conform to accounting principles generally accepted in the United States of America as applicable to nonprofit organizations.

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

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

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

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

**SCHEDULE OF STATE FINDINGS  
AND QUESTIONED COSTS**

**SOUTHEASTERN CONNECTICUT ENTERPRISE  
REGION CORPORATION  
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

    ○ Material weakness(es) identified? \_\_\_\_\_ Yes      ✓   No

    ○ Significant deficiency(ies) identified? \_\_\_\_\_ Yes      ✓   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      ✓   No

**STATE FINANCIAL ASSISTANCE**

Internal control over major programs:

    ○ Material weakness(es) identified? \_\_\_\_\_ Yes      ✓   No

    ○ Significant deficiency(ies) identified? \_\_\_\_\_ Yes      ✓   None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? \_\_\_\_\_ Yes      ✓   No

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

<u><i>State Grantor/Program</i></u>	<u><b>State Grant Program Identification Number</b></u>	<u><b>Expenditures</b></u>
<b>Department of Economic and Community Development:</b>		
Procurement Technical Assistance	12034-ECD46000-40221-099	\$ 308,708
Connecticut Small Business Express fund	12052-ECD46000-43516	\$193,500
Dollar threshold used to distinguish between Type A and Type B program:		<u><u>\$100,000</u></u>

**SOUTHEASTERN CONNECTICUT ENTERPRISE  
REGION CORPORATION  
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**SECTION II– SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS  
REQUIRED UNDER *GOVERNMENT AUDITING STANDARDS***

- We issued a report dated October 28, 2016 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*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting disclosed no material weaknesses.

**SOUTHEASTERN CONNECTICUT ENTERPRISE  
REGION CORPORATION  
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**SECTION III – FINDINGS AND QUESTIONED COSTS RELATING TO STATE  
FINANCIAL ASSISTANCE**

None