

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
INTERSTATE ENVIRONMENTAL COMMISSION  
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008*

**AUDITORS OF PUBLIC ACCOUNTS**  
JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

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The Board of Commissioners  
Interstate Environmental Commission

Governor Dannel P. Malloy  
Members of the Connecticut General Assembly

### **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Interstate Environmental Commission as of and for the years ended June 30, 2007 and 2008. These financial statements are the responsibility of the Interstate Environmental Commission's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Interstate Environmental Commission as of June 30, 2007 and 2008, and the respective changes in financial position for the years 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

*Auditors of Public Accounts*

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March 30, 2011, on our consideration of the Interstate Environmental Commission'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 results of that testing, and not to provide an opinion on the 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.

The management's discussion and analysis information and budgetary comparison schedule are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily 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 an opinion on the financial statements that collectively comprise the Interstate Environmental Commission's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

John C. Geragosian  
Auditor of Public Accounts

Robert M. Ward  
Auditor of Public Accounts

March 30, 2011  
State Capitol  
Hartford, Connecticut

**Management's Discussion and Analysis**

**INTERSTATE ENVIRONMENTAL COMMISSION (IEC)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA)  
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008**

**Who We Are**

The Interstate Environmental Commission is a joint agency of the States of New York, New Jersey, and Connecticut. The IEC was established in 1936 under a Compact between New York and New Jersey and approved by Congress. The State of Connecticut joined the Commission in 1941.

The mandates of the Commission are governed by the Tri-State Compact, Statutes, and the IEC's Water Quality Regulations. Its responsibilities and programs include activities in areas such as air pollution, resource recovery facilities and toxics. However, the IEC's continuing emphasis is on water quality, an area in which the Commission is a regulatory and enforcement agency. Public education and outreach are essential elements that are integrated into IEC's programs.

**An Overview of the Financial Statements**

The discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Commission employs a single government fund (the General Fund) for its operations. As a result, the fund financial statements are presented utilizing the modified accrual basis of accounting. The basis of accounting measures cash and all other financial assets that can be readily converted into cash.

Governmental fund statements offer short-term financial information about the activities and operations of the Commission. These statements are presented in the format prescribed by the Governmental Accounting Standards Board ("GASB"). The Commission also presents an entity-wide statement of net assets and statement of activities in its basic financial statements. In contrast to the governmental fund statements, the entity-wide statements provide long-term financial information about the Commission, including the reporting of capital assets and long-term liabilities such as compensated absences.

The following provides an overview and analysis of the Commission's financial performance of its activities for the fiscal years ended June 30, 2007 and 2008. The reader is encouraged to consider this information in conjunction with the fiscal year end financial statements and footnotes.

**Financial Highlights:**

- The Commission's Net Assets decreased \$12,896 (.74%) and decreased \$24,570 (1.42%), respectively, during fiscal years ended June 30, 2007 and 2008.
- The General Fund balance decreased \$23,969 (1.36%) and decreased \$3,909 (.22%), respectively, during fiscal years ended June 30, 2007 and 2008.

- During fiscal year ended June 30, 2007, Program Revenues were \$878,896, representing an increase of \$159,623 from fiscal year 2006, attributable to a decrease in funds received from the United States Environmental Protection Agency through Section 106 of the Clean Water Act (Water Pollution Control Agreement) and an increase in funds received from the United States Environmental Protection Agency under Section 319 of the Clean Water Act (Nonpoint Source Implementation Grants) through the State of Connecticut's Department of Environmental Protection, funds received from the United States Environmental Protection Agency funds (Cincinnati Ohio) through a purchase order for services related to the Impact of Blending During Stormflow on Disinfection at Wastewater Treatment Plants and funds from Connecticut's Department of Environmental Protection through the Long Island Sound Fund for services related to Impacts of Summer Temperatures on Elevated Levels, persistence and Regrowth of Enterococci Indicator Bacterial at the Silver Sands State Park Beach in the Long Island Sound Coastal Area; General Revenues (including State Appropriations) were \$927,756, an increase of \$3,808 attributable to an increase in interest income.
- Program Expenses were \$1,819,549, representing an increase of \$138,558 during 2007 attributable to increases in personnel services and fringe benefits, office, lab and equipment rentals, laboratory supplies, communications, boat expenses, printing and advertising, contractual services and utilities.
- During fiscal year ended June 30, 2008, Program Revenues were \$948,605, representing an increase of \$69,709 from fiscal year 2007, attributable to a increase in funds received from the United States Environmental Protection Agency through Section 106 of the Clean Water Act (Water Pollution Control Agreement) and a increase in pass thru funds received from New York State Department of Environmental Conservation, the New Jersey Department of Environmental Protection, and the New Jersey Harbor Dischargers Group for upgrading the regional bypass model, a slight decrease in funds from Connecticut's Department of Environmental Protection through the Long Island Sound Fund for services related to Impacts of Summer Temperatures on Elevated Levels, persistence and Regrowth of Enterococci Indicator Bacterial at the Silver Sands State Park Beach in the Long Island Sound Coastal Area, a decrease in funds received from the United States Environmental Protection Agency under Section 319 of the Clean Water Act (Nonpoint Source Implementation Grants) through the State of Connecticut's Department of Environmental Protection and a decrease in funds received from the United States Environmental Protection Agency funds (Cincinnati Ohio) thru a purchase order for services related to the Impact of Blending During Stormflow on Disinfection at Wastewater Treatment Plants; General Revenues (including State Appropriations) were \$909,840, a decrease of \$17,916 attributable to a decrease in appropriations from the State of New York and interest income, and an increase in appropriations from the State of Connecticut and miscellaneous income.
- Program Expenses were \$1,883,015, representing an increase of \$63,466 during 2008 attributable to increases in personnel services and fringe benefits, office, lab and equipment rentals, travel and car expense, communications, boat expenses, contractual services and utilities.

**INTERSTATE ENVIRONMENTAL COMMISSION (IEC)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA)  
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008  
(Continued)**

FINANCIAL ANALYSIS OF THE COMMISSION

Net Assets- The following table summarizes the Commission's Net Assets as of June 30, 2007 and 2008:

	<u>2007</u>	<u>2008</u>
Current and Other Assets	\$ 1,750,578	\$ 1,740,209
Capital Assets	<u>84,387</u>	<u>78,040</u>
Total Assets	<u>1,834,965</u>	<u>1,818,249</u>
Other Liabilities	<u>105,884</u>	<u>113,738</u>
Total Liabilities	<u>105,884</u>	<u>113,738</u>
Net Assets:		
Invested in Capital Assets	84,387	78,040
Unrestricted	<u>1,644,694</u>	<u>1,626,471</u>
Total Net Assets	<u>\$ 1,729,081</u>	<u>\$ 1,704,511</u>

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**INTERSTATE ENVIRONMENTAL COMMISSION (IEC)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA)  
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008  
(Continued)**

GENERAL FUND OPERATIONS

The following table summarizes the changes in fund balance of the General Fund for fiscal years 2007 and 2008:

	<u>2007</u>	<u>2008</u>
REVENUES		
State Appropriations	\$ 879,236	\$ 867,083
Program Grants and Contributions	878,896	948,605
Interest of Investments and Deposits	45,405	36,155
Miscellaneous	<u>3,115</u>	<u>6,602</u>
Total Revenues	<u>\$ 1,806,652</u>	<u>\$ 1,858,445</u>
EXPENDITURES		
Personnel Services and Fringe Benefits	1,253,255	1,283,613
Other Expenses	<u>577,366</u>	<u>578,741</u>
Total Expenditures	<u>1,830,621</u>	<u>1,862,355</u>
CHANGE IN FUND BALANCE – GENERAL FUND	<u>(23,969)</u>	<u>(3,909)</u>
FUND BALANCE, JULY 1	<u>1,762,047</u>	<u>1,738,078</u>
FUND BALANCE, JUNE 30	<u>\$ 1,738,078</u>	<u>\$ 1,734,169</u>

General Fund balance decreased \$23,968.59, or 1%, during 2007.

General Fund balance decreased \$3,909, or .22% during fiscal year 2008.

**INTERSTATE ENVIRONMENTAL COMMISSION (IEC)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA)  
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008  
(Continued)**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets at June 30, 2007 and 2008

General Fund	<u>2007</u>	<u>2008</u>
Office Equipment	\$ 71,259	\$ 57,707
Office and Laboratory Furniture	7,725	7,725
Laboratory Equipment	330,866	332,191
Automobile and Boat Equipment	<u>130,496</u>	<u>130,496</u>
Total Capital Assets	540,345	528,119
Less: Accumulated Depreciation	<u>(455,958)</u>	<u>(450,079)</u>
Total Capital Assets, net of depreciation	\$ <u>84,387</u>	\$ <u>78,040</u>

Additional information on the IEC's capital assets can be found in the Notes to the Financial Statements.

Capital Debt

The Commission had no outstanding debt as of June 30, 2007 and 2008.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide readers with a general overview of the Commission's finances to demonstrate the IEC's accountability for the revenues it receives. If you have questions about this report or need additional financial information, contact the offices of the IEC, 311 West 43rd Street, Suite 201, New York, NY 10036.

**Financial Statements**

**INTERSTATE ENVIRONMENTAL COMMISSION  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2007 AND 2008**

<b>ASSETS</b>	<b>Governmental Activities:</b>	
	<b><u>2007</u></b>	<b><u>2008</u></b>
Cash and Cash Equivalents	\$ 134,888	\$ 257,745
Investments	1,115,850	404,250
Receivables:		
State of New York	411,280	387,203
Federal-Water Pollution Control Program	76,915	671,944
Long Island Sound Fund Grant	-	12,320
Interest	5,255	357
Security Deposit	<u>6,390</u>	<u>6,390</u>
Total Current Assets	<u>1,750,578</u>	<u>1,740,209</u>
Capital Assets, net of accumulated depreciation:		
Laboratory Equipment	23,497	10,338
Office Equipment	8,255	29,125
Vehicles & Vessel	<u>52,635</u>	<u>38,577</u>
Total Capital Assets, Net	<u>84,387</u>	<u>78,040</u>
Total Assets	<u>1,834,965</u>	<u>1,818,249</u>
<b>LIABILITIES</b>		
Accounts Payable	12,499	6,040
Compensated Absences	<u>93,385</u>	<u>107,698</u>
Total Liabilities	<u>105,884</u>	<u>113,738</u>
<b>NET ASSETS</b>		
Invested in capital assets, net	84,387	78,040
Unrestricted	<u>1,644,694</u>	<u>1,626,471</u>
Total Net Assets	<u>\$ 1,729,081</u>	<u>\$ 1,704,511</u>

The Notes to the Financial Statements are an integral part of this statement.

**INTERSTATE ENVIRONMENTAL COMMISSION  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2007 AND 2008**

<b>Expenses:</b>	<b>Governmental Activities:</b>	
	<b><u>2007</u></b>	<b><u>2008</u></b>
Personal Services	\$ 1,001,210	\$ 1,038,034
Fringe Benefits and Payroll taxes	254,801	259,893
Office, Lab and Equipment Rentals	147,406	151,936
Travel and Car Expense	73,779	81,589
General Office Supplies	83,743	81,392
Laboratory Supplies	85,819	67,000
Depreciation	26,684	29,955
Equipment	2,427	2,176
Communications	13,217	16,523
Boat Expense	16,538	23,754
Printing and Advertising	15,014	13,246
Contractual Services	86,887	105,036
Utilities	<u>12,023</u>	<u>12,481</u>
Total Program Expenses	<u>1,819,548</u>	<u>1,883,015</u>
<b>Program Revenues:</b>		
Operating Grants and Contributions	<u>878,896</u>	<u>948,605</u>
Net Program Expense	<u>940,652</u>	<u>934,410</u>
<b>General Revenues:</b>		
State of New York	411,280	387,203
State of New Jersey	383,000	383,000
State of Connecticut	84,956	96,880
Interest Income	45,405	36,155
Miscellaneous Income	<u>3,115</u>	<u>6,602</u>
Total General Revenues	<u>927,756</u>	<u>909,840</u>
Change in Net Assets	(12,896)	(24,570)
Net Assets – Beginning of the year (as restated)	<u>1,741,977</u>	<u>1,729,081</u>
Net Assets – End of the year	<u>\$ 1,729,081</u>	<u>\$ 1,704,511</u>

The Notes to the Financial Statements are an integral part of this statement.

**INTERSTATE ENVIRONMENTAL COMMISSION  
GOVERNMENTAL FUND  
BALANCE SHEET  
AS OF JUNE 30, 2007 AND 2008**

	<u>2007</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 134,888	\$ 257,745
Investments	1,115,850	404,250
Receivables:		
State of New York	411,280	387,203
Federal-Water Pollution Control Program	76,915	671,944
Long Island Sound Fund Grant	-	12,320
Interest	5,255	357
Security Deposit	<u>6,390</u>	<u>6,390</u>
Total Assets	<u>\$ 1,750,578</u>	<u>\$ 1,740,209</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts Payable	12,500	6,040
Fund Balance	<u>1,738,078</u>	<u>1,734,169</u>
Total Liabilities and Fund Balance	<u>\$ 1,750,578</u>	<u>\$ 1,740,209</u>
Total Fund Balance	\$ 1,738,078	\$ 1,734,169
Amounts reported for <i>governmental activities</i> in the Statement of Net Assets are different because:		
Governmental Funds do not report capital assets, net of accumulated depreciation on the Balance Sheet, which is reported on the Statement of Net Assets of the Government-wide Statements.	84,387	78,040
Governmental Funds do not report compensated absences on the Balance Sheet, which is reported on the statement of Net Assets of the Government-wide Statements.	<u>(93,385)</u>	<u>(107,698)</u>
Total Net Assets of Governmental Activities	<u>\$ 1,729,081</u>	<u>\$ 1,704,511</u>

The Notes to the Financial Statements are an integral part of this statement.

**INTERSTATE ENVIRONMENTAL COMMISSION  
GOVERNMENTAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE  
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008**

	<b><u>General Fund:</u></b>	
	<b><u>2007</u></b>	<b><u>2008</u></b>
<b>REVENUES</b>		
State of New York	\$ 411,280	\$ 387,203
State of New Jersey	383,000	383,000
State of Connecticut	84,956	96,880
Federal Grant –EPA 106 FY 2006	173,287	-
Federal Grant –EPA 106 FY 2007	541,559	178,141
Federal Grant –EPA 106 FY 2008	-	671,944
Byram River	6,000	1,000
Long Island Sound Fund Grant	12,350	12,320
Blending Project	145,700	54,200
Regional Bypass Model Upgrade	-	31,000
Interest Income	45,405	36,155
Miscellaneous	<u>3,115</u>	<u>6,602</u>
Total Revenues	<u>1,806,652</u>	<u>1,858,445</u>
<b>EXPENDITURES</b>		
Personal Services	998,650	1,024,737
Contractual Services	86,887	105,036
Fringe Benefits & Payroll Taxes	254,605	258,876
Travel and Car Expense	73,779	81,589
Boat Expense	16,538	23,754
General Office Supplies	83,743	81,393
Printing and Advertising	15,014	13,246
Communications	13,217	16,523
Utilities	12,023	12,481
Laboratory Supplies	85,819	67,000
Office, Lab and Equipment Rentals	147,406	151,936
Equipment	<u>42,940</u>	<u>25,784</u>
Total Expenditures	<u>1,830,621</u>	<u>1,862,355</u>
Net Change in Fund Balance	(23,969)	(3,909)
Fund Balance – beginning of year (as restated)	<u>1,762,047</u>	<u>1,738,078</u>
Fund Balance – ending of year	<u>\$ 1,738,078</u>	<u>\$ 1,734,169</u>

*Auditors of Public Accounts*

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Net Change in Fund Balance \$ (23,969)    \$ (3,909)

Capital outlays are reported as expenditures in the governmental funds. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful life. 13,828                      (6,347)

Governmental Funds do not report the change in compensated absences liabilities as an increase or reduction of current year expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balance; however, this change is reported on the Statement of Activities of the Government-wide Statements. (2,755)                      (14,314)

Change in Net Assets of Governmental Activities \$ (12,896)                      \$ (24,570)

The Notes to the Financial Statements are an integral part of this statement.

**INTERSTATE ENVIRONMENTAL COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Interstate Environmental Commission (Commission) have been prepared in conformity with accounting principals generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB Codification establishes fund types to be used by governmental units when reporting financial position and results of operations in accordance with generally accepted accounting principles (GAAP). The Commission's significant accounting policies are described below.

A. Reporting Entity

The Commission is a Tri-State agency created by the States of Connecticut, New Jersey and New York through enabling legislation and a Tri-State Compact (Compact). The statutory authorities are contained in Connecticut General Statutes Section 22a-294 et seq.; New Jersey Permanent Statutes, Title 32, 32:18-1 et seq.; New York State Consolidated Laws, Title 5, Section 21-0501 et seq.; Congressional Consent 49 Stat. 932 (1935).

The Interstate Environmental District extends approximately from Sandy Hook on the New Jersey coast to include all of New York Harbor, north on the Hudson River to the northerly boundaries of Westchester and Rockland counties, easterly into Long Island Sound to New Haven, Connecticut to Port Jefferson on the north shore of Long Island, and along the south shore of Long Island extending easterly to the Fire Island Inlet.

The Commission consists of five commissioners from each state who, except for the Attorney General of Connecticut, are Gubernatorial appointments and serve in the individual states.

The Commission formulates rules, regulations, and orders for the abatement of water pollution and may resort to the courts for its enforcement needs. The Commission is the official planning and coordinating agency for the New Jersey-New York-Connecticut Air Quality Control Region.

The Commission also has broad financial responsibilities including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

State funds for the operation of the Commission are to be appropriated per the Tri-State Compact formula of contribution: New Jersey (45 percent), New York (45 percent) and Connecticut (10 percent). In addition, the Commission receives yearly grant funding from the United States Environmental Protection Agency (EPA) through Section 106 of the Clean Water Act – Water Pollution Control – State and Interstate Program Support Grant.

During 2007 and 2008, the Commission also received United States Environmental Protection Agency funds (Cincinnati, Ohio) through a purchase order for services related to

the Impact of Blending During Stormflow on Disinfection at Wastewater Treatment Plants; funds from Connecticut's Department of Environmental Protection through the Long Island Sound Fund for services related to the Impacts of Summer Temperatures on Elevated Levels, persistence and Regrowth of Enterococci Indicator Bacterial at the Silver Sands State Park Beach in the Long Island Sound Coastal Area; and EPA funds under Section 319 of the Clean Water Act (Nonpoint Source Implementation Grants) through a purchase order from the State of Connecticut's Department of Environmental Protection. In addition, the Commission received pass-thru funds from the New York State Department of Environmental Conservation, the New Jersey Department of Environmental Protection, and the New Jersey Harbor Dischargers Group for upgrading the regional bypass model.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements consist of a statement of net assets and a statement of activities that reports information about the Commission as a whole. The statement of net assets reports all financial and capital resources.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identified with a specific program. Program revenues include: 1) charges to customers who purchase, use, or directly benefit from goods, services or privileges provided by a given program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All revenues are considered to be general revenues unless they are required to be program revenues.

Fund financial statements are presented to report additional and detailed information about the Commission. Fund financial statements accompany the government-wide financial statements and present a summary reconciliation to explain differences between the information reported in the governmental funds and the corresponding information reported in the government-wide governmental activities.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The government-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Commission considers revenues as available if they are collected within the next fiscal year. Expenditures generally are recorded when the related fund

liability is incurred. Expenditures for compensated absences, claims, and judgments are recorded to the extent they would normally be liquidated with available financial resources. Disbursements for prepaid expenses, inventory items, and fixed assets are recorded when expenditures are incurred.

*The Governmental Fund is the General Fund:* This is the Commission's only operating fund. It is used to account for all financial resources.

Amounts reported as program revenues in the government-wide statement of activities include operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Similarly, general revenues include all state budget appropriations, investment earnings and miscellaneous revenues.

D. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date ranging from within three to six months of the date acquired by the Commission. Maturity is determined by the bonds available at the time of purchase. Investments are stated at fair market value.

E. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

F. Inventories

The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. Capital assets are those acquired for general government purposes with an initial, individual cost equal to or more than \$1,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost. Donated assets are recorded at their estimated fair value at the date of donation. Maintenance, repairs and minor renovations are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Vehicles	5
Laboratory Equipment	3-10
Vessel	10
Office Equipment	5-10

H. Compensated Absences

Under existing policies of the Commission, employees are allowed to accumulate (with certain restrictions) unused vacation pay up to a maximum of forty (40) days at any time during the life of their working careers and to redeem such unused leave time in cash upon termination, death, or retirement. Amounts of vested or accumulated vacation leave that are expected to be liquidated with expendable available financial resources are reported in the Government-wide Statement of Net Assets.

I. Net Assets / Fund Balances

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets and unrestricted fund balance.

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets into one component of net assets. Accumulated depreciation reduces the balance of these assets in this category
- *Unrestricted Net Assets* – This category represents net assets of the Commission, not restricted for any project or other purpose.

J. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United State of America requires management of the Commission to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

Bank balances are insured up to \$100,000 in the aggregate by the Federal Deposit Insurance Corporation (FDIC) for each bank. At June 30, 2007 and 2008, the book value of the Commission's deposits was \$134,888 and \$257,745, respectively, and bank balances of the Commission's cash and deposits amounted to \$210,177 and \$307,553, respectively. All bank balances were insured by the FDIC.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Commission does not have a formal policy for custodial credit risk. As of June 30, 2007 and 2008, the Commission's bank balance of \$210,177 and \$307,553, respectively, were not exposed to credit risk since all deposits were insured.

Investments

The Commission is permitted to invest public funds in certain types of securities. Examples of the allowable investments are bonds or other obligations guaranteed by the United States of America, Government Money Market Mutual Funds, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with the above policy. At June 30, 2007 and 2008, the book value of the Commission's investments, consisting of U.S Treasury Bills, totaled \$1,115,850 and \$404,250, respectively. The fair value of these investments at June 30, 2007 and 2008 was \$1,121,132 and \$404,578 respectively.

NOTE 3 – APPROPRIATIONS RECEIVABLE

The Commission's accounting records are maintained on a fiscal year basis that begins July 1 of each year. The fiscal years for New Jersey and Connecticut also begin on July 1. New York's fiscal year begins on April 1. A New York State appropriation receivable existed at June 30, 2007 and 2008, which represents the New York fiscal year 2008 and 2009 appropriation to the Commission.

Federal government receivables are composed of amounts established as appropriations based upon grant awards, the expenditure of which is the basis for reimbursement. Federal receivables are reported in accordance with GAAP as defined in NCGA Statement 2 – *Grant Entitlement and Shared Revenue Accounting and Reporting by State and Local Governments*, published by the National Council on Governmental Accounting. Under the basis, encumbrances do not constitute expenditures, and recognition of grants and entitlements as revenue is primarily based on expenditures. Since the amounts due from the Federal government are considered to be collectible, no allowance has been established for doubtful collections.

Receivables as of year-end for the Commission's major fund (General Fund), including the applicable allowances for uncollectible accounts, if any, are as follows:

	<u>As of June 30, 2007</u>	<u>As of June 30, 2008</u>
Receivables:		
Interest	\$ 5,255	\$ 357
State Appropriations (New York)	411,280	387,203
Federal Grants	76,915	671,944
CT DEP Long Island Sound Fund	<u>          </u>	<u>12,320</u>
Gross Receivables	<u>493,450</u>	<u>1,071,824</u>
Less: Allowance for Uncollectibles	<u>          </u>	<u>          </u>
Net Total Receivables	<u>\$ 493,450</u>	<u>\$1,071,824</u>

NOTE 4 – CAPITAL ASSETS

A summary of Capital Asset activity for the fiscal years ended June 30, 2007 and 2008 follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2007</u>
Office Equipment	\$ 73,956	\$ 1,127	\$ 3,825	\$ 71,259
Office and Laboratory Furniture	7,725	-	-	7,725
Laboratory Equipment	324,128	6,738	-	330,866
Automobile and Boat Equipment	<u>127,949</u>	<u>34,048</u>	<u>31,501</u>	<u>130,496</u>
Total Capital Assets	<u>\$ 533,758</u>	<u>\$ 41,913</u>	<u>\$ 35,326</u>	<u>\$ 540,345</u>
Less: Accumulated Depreciation				<u>(455,958)</u>
Capital Assets, Net				<u>\$ 84,387</u>

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>
Office Equipment	\$ 71,259	\$ 23,608	\$ 37,160*	\$ 57,707
Office and Laboratory Furniture	7,725	-	-	7,725
Laboratory Equipment	330,866	1,325*	-	332,191
Automobile and Boat Equipment	<u>130,496</u>	<u>-</u>	<u>-</u>	<u>130,496</u>
Total Capital Assets	<u>\$ 540,346</u>	<u>\$ 24,933</u>	<u>\$ 37,160</u>	<u>\$ 528,119</u>
Less: Accumulated Depreciation				<u>(450,079)</u>
Capital Assets, Net				<u>\$ 78,040</u>

\* - Equipment, valued at \$1,325, was reclassified from the category Office Equipment to Laboratory Equipment.

NOTE 5 – COMPENSATED ABSENCES PAYABLE

Under the existing policy of the Commission, employees are allowed to accumulate a maximum of forty (40) days of unused vacation time and to redeem such unused leave time in cash (with certain limitations) upon retirement, death, or termination. Amounts of vested or accumulated vacation leave that are expected to be liquidated with expendable available financial resources are reported in the Government-wide Statement of Net Assets. These amounts are accrued as a liability at June 30, 2007 and 2008 totaling \$93,385 and \$107,698, respectively.

NOTE 6 – APPROPRIATIONS AND GRANTS

Under the Compact, the signatory States agreed to provide annual appropriations for the salaries, office and other administrative expenses of the Commission in the following percentages of the total State funding:

New York	45 percent
New Jersey	45
Connecticut	<u>10</u>
Total	<u>100 percent</u>

The minimum statutory funding under the Compact for the States of New York and New Jersey is \$15,000 each in any one year, and for the State of Connecticut the minimum funding is \$3,333 in any one year.

Appropriations and grants for the fiscal years ending June 30, 2007 and 2008 were as follows:

	<u>June 30, 2007</u>	<u>June 30, 2008</u>
Appropriations:		
New York	\$ 411,280	\$ 387,203
New Jersey	383,000	383,000
Connecticut	<u>84,956</u>	<u>96,880</u>
Total Appropriations	<u>\$ 879,236</u>	<u>\$ 867,083</u>
Operating Grants and Contributions:		
EPA Water Pollution Control	\$ 714,846	\$ 850,085
Byram River	6,000	1,000
Long Island Sound Fund Grant	12,350	12,320
Blending Project	145,700	54,200
Pass-thru Funds for Regional Bypass Model Upgrade	-	<u>31,000</u>
Total Operating Grants and Contributions	<u>\$ 878,896</u>	<u>\$ 948,605</u>
Total Appropriations and Grants	<u>\$ 1,758,132</u>	<u>\$ 1,815,688</u>

NOTE 7 – LEASE OBLIGATIONS

The Commission leases office space for administrative functions. The lease is considered for accounting purposes to be an operating lease. The current lease, which was renewed on May 1, 2005, and extended for ten years through April 30, 2015, requires certain expenditures, such as property taxes and utilities above the base rent. The Commission was required to submit a security deposit of \$6,390. The future minimum lease payments for this lease are as follows (excluding required escalation costs):

<u>Fiscal Year Ending</u>	<u>Amount</u>
June 30, 2009	\$ 67,953
June 30, 2010	67,953
June 30, 2011	67,953
2012-2015	294,409

The above amounts reflect the future minimum lease payments based on the current index, which is subject to change.

#### NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS

Employees of the Interstate Environmental Commission are covered by the New Jersey State Public Employees' Retirement System (NJPERs) and the New York State and Local Employees' Retirement System (NYERS). The Systems are cost-sharing, multiple-employer contributory defined benefit plans which were established in 1955 and 1961 under New Jersey and New York State statutes, respectively. Payroll of the Commission is covered 45 percent under the New Jersey system and 45 percent under the New York system.

The Systems' designated purposes are to provide retirement benefits and other benefits to their members. Membership in the Systems is mandatory for substantially all full-time employees of the Commission, provided the employee is not required to be a member of another State administered retirement system or other state or local jurisdiction. The Systems' Boards of Trustees are responsible for their organization and administration.

#### **Vesting and Benefit Provisions (NJPERs)**

NJ PERs was established in January 1955 under the provisions of N.J.S.A. 43:15A. The system provides retirement, death and disability benefits. All benefits vest after ten years of service. Retirement benefits for age and service are available at the age of 60 and are generally determined to be 1/55 of final average salary for each year of service credit (as defined). Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years).

Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for two percent of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

#### Funding Policy

The contribution policy is set by statutes, and contributions are required by active members and the State of New Jersey. Plan member and employer contributions may be amended by State of New Jersey legislation. NJPERs provides for employee contributions of five percent (during fiscal year 2007) and five and a half percent (during fiscal year 2008) of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in NJPERs. The actuarially determined contribution includes funding for cost-of-living adjustments and noncontributory death benefits. The State's contribution on behalf of Commission employees is not included in these statements.

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for the NJPERS. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295

### **Vesting and Benefit Provisions (NYERS)**

The vesting and benefit provisions are set by statute. The system provides retirement benefits related to years of service and final average salary, death, and disability benefits, vesting of benefits after a set period of credited service, and optional methods of benefit payment.

There are four “tiers” of membership related to date of initial membership. Provisions for each tier differ as to the qualifying age or years of service requirement for service retirement, the benefit formula used in calculating the retirement allowance, the date of membership, and the contributory or noncontributory nature of the plan. Although fully vested with five years of service, members with less than ten years of service may continue to choose to terminate their retirement system membership when they leave covered employment, receive a refund of their contributions, and forego any future benefit for themselves or their beneficiaries.

### Contribution Policy (NYERS)

The contribution policy is set by statute and requires contributions by active members and the State. Once members are assigned a rate, it is not normally adjusted. However, contributions are not required by either those employees who joined NYERS prior to July 27, 1976 or those employees with ten years of membership in the system. In addition, eligible Tier 1 and 2 members are provided with one additional month of service credit for each year of credited service they will have acquired by the time they retire, up to a maximum of 24 months of additional service. Employees with less than 10 years of membership are subject to an individual contribution requirement of three percent to 45 percent of their annual gross wages. The state’s contribution on behalf of Commission employees is not included in these statements.

The NYERS Financial Report may be obtained by writing The New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244-0001.

### **NOTE 9 – RISK MANAGEMENT**

The Commission is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets, errors and omission, injuries to employees, and natural disasters. The Commission has obtained insurance coverage to guard against these events which will provide minimum exposure to the Commission should they occur.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

NOTE 10 – CLAIMS AND JUDGEMENTS

The Commission participates in a Federal program that is partially funded by grants received from the Federal Environmental Protection Agency. Expenditures financed by the grant are subject to audit by the appropriate grantor agency. If expenditures were disallowed due to a noncompliance with grant program regulations, the Commission would be required to reimburse the grantor government. As of June 30, 2007 and 2008, significant amounts of grant expenditures had not been audited by the Federal agency, but the Commission believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Commission.

**Required Supplementary Information**

**INTERSTATE ENVIRONMENTAL COMMISSION**  
**STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE**  
**BUDGET AND ACTUAL – BUDGETARY BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Original and Final	Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
State of New York	\$	411,280	\$ 411,280	\$ -
State of New Jersey		383,000	383,000	-
State of Connecticut		84,956	84,956	-
Federal Grants		670,900	1,158,644	487,744
Blending Project		199,900	145,700	(54,200)
Byram River		10,000	9,000	(1,000)
LIS-License Plate Grant		-	12,350	12,350
Pass-through (106 CARP funds)		40,442	-	(40,442)
Interest Income		28,000	44,955	16,955
Miscellaneous Income		-	3,115	3,115
Total Revenues		<u>1,828,478</u>	<u>2,253,000</u>	<u>424,522</u>
Expenditures				
Salaries - Regular		1,009,411	980,605	28,806
- Part-Time		16,250	18,100	(1,850)
Social Security		77,780	75,904	1,876
Health Insurance		179,420	169,834	9,586
Compensation Insurance		7,100	7,011	89
Unemployment Insurance		3,200	1,927	1,273
Outside Services		186,870	127,191	59,679
Transportation & Subsistence		30,400	31,073	(673)
Costs				
Operating Costs				
Commission Vehicles		60,500	43,295	17,205
Commission's Boat		27,000	15,986	11,014
General Office Supplies & Expenses		100,800	80,868	19,932
Printing & Binding		24,000	15,014	8,986
Communications				
Telephone & Tolls		15,000	9,413	5,587
Postage		2,500	3,658	(1,158)
Electricity & Water		15,610	11,189	4,421
Lab Supplies & Expenses		65,000	86,612	(21,612)
Equipment - Add. & Repl.		51,670	42,940	8,730
Rent - Office		115,600	107,787	7,813
- Lab		27,000	27,000	-
- Off Premises Storage		9,800	8,619	1,181
- Boat		5,000	4,000	1,000
Total Expenditures		<u>2,029,911</u>	<u>1,868,026</u>	<u>161,885</u>
Net Increase (Decrease) in Fund Balance for the Year		<u>\$ (201,433)</u>	<u>\$ 384,974</u>	<u>\$ 262,637</u>

The Notes to the Financial Statements are an integral part of this statement.

**INTERSTATE ENVIRONMENTAL COMMISSION**  
**STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE**  
**BUDGET AND ACTUAL – BUDGETARY BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
State of New York	\$ 411,280	\$ 411,280	\$ -
State of New Jersey	383,000	383,000	-
State of Connecticut	96,880	96,880	-
Federal Grants	809,800	309,256	(500,544)
Byram River	1,000	1,000	-
LIS-License Plate Grant	12,320	-	(12,320)
Pass-through HydroQual	31,000	31,000	-
Interest Income	30,000	41,054	11,054
Miscellaneous Income	-	<u>6,602</u>	<u>6,602</u>
Total Revenues	<u>1,775,280</u>	<u>1,280,072</u>	<u>(495,208)</u>
Expenditures			
Salaries - Regular	1,072,852	1,012,697	60,155
- Part-Time	12,500	12,285	215
Social Security	82,593	78,024	4,569
Health Insurance	191,723	173,039	18,684
Compensation Insurance	7,300	5,860	1,440
Unemployment Insurance	2,000	2,045	(45)
Outside Services	113,838	104,768	9,070
Transportation & Subsistence			
Costs	37,000	35,462	1,538
Operating Costs			
Commission Vehicles	61,500	45,832	15,668
Commission's Boat	28,000	23,704	4,296
General Office Supplies & Expenses	100,800	85,775	15,025
Printing & Binding	24,000	13,246	10,754
Communications			
Telephone & Tolls	13,000	9,333	3,667
Postage	5,500	7,382	(1,882)
Electricity & Water	15,610	12,479	3,131
Lab Supplies & Expenses	90,500	69,163	21,337
Equipment - Add. & Repl.	22,000	25,784	(3,784)
Rent - Office	117,750	111,473	6,277
- Lab	27,000	27,000	-
- Off Premises Storage	9,800	9,963	(163)
- Boat	<u>5,000</u>	<u>3,500</u>	<u>1,500</u>
Total Expenditures	<u>2,040,266</u>	<u>1,868,814</u>	<u>171,452</u>
Net Increase (Decrease) in Fund Balance for the Year	<u>\$ (264,986)</u>	<u>\$ (588,742)</u>	<u>\$ (666,660)</u>

The Notes to the Financial Statements are an integral part of this statement.

**INTERSTATE ENVIRONMENTAL COMMISSION  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008**

**Budgets/Budgetary Control** – In accordance with the requirements of the Tri-State Compact, the Commission annually prepares its operating budget for the forthcoming year. The budget, which is prepared in accordance with accounting principles generally accepted in the United States of America, serves as a formal plan for expenditures and the proposed means for financing them.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America.

The accounting records of the Commission are maintained on the budgetary basis. The budgetary basis differs from GAAP in that the budgetary basis follows a cash basis rather than the modified accrual basis under GAAP. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial statements.

The following presents a reconciliation of the Commission’s General Fund from the budgetary basis of accounting as presented in the Statement of General Fund Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary Basis to the GAAP basis of accounting as presented in the Statement of General Fund Revenues, Expenditures and Changes in Fund Balance.

	<b><u>FY 2007</u></b>
Net Increase (Decrease) in Fund Balance for the Year – (Budgetary Basis)	\$ 384,973
Adjustments:	
Less: Accruals for Accounts Receivable for Federal Grants at the end of the prior year	(520,713)
Less: Accruals for Accounts Receivable for Byram River at the end of the current year	(3,000)
Less: Accruals for Accounts Payable at the end of the current year	(12,499)
Less: Accruals for Accounts Receivable for New York State Appropriations at the end of the prior year	(411,280)
Less: Accruals for Accounts Receivable for Interest Income at the end of the prior year	(4,805)
Add: Accruals for Accounts Receivable for Federal Grants at the end of the current year	76,915
Add: Accruals for Accounts Payable at the end of the prior year	49,905
Add: Accruals for Accounts Receivable for New York State Appropriations at the end of the current year	411,280
Add: Accruals for Accounts Receivable for Interest Income at the end of the current year	<u>5,255</u>
Excess (Deficit) of Revenues Over Expenditures – (GAAP Basis)	\$ <u>(23,969)</u>

	<b><u>FY 2008</u></b>
Net Increase (Decrease) in Fund Balance for the Year – (Budgetary Basis)	\$ -
Adjustments:	
Less: Accruals for Accounts Receivable for Federal Grants at the end of the prior year	(76,915)
Less: Accruals for Accounts Payable at the end of the current year	(6,040)
Less: Accruals for Accounts Receivable for New York State Appropriations at the end of the prior year	(411,280)
Less: Accruals for Accounts Receivable for Interest Income at the end of the prior year	(5,255)
Add: Accruals for Accounts Receivable for Federal Grants at the end of the current year	671,944
Add: Accruals for Accounts Payable at the end of the prior year	12,499
Add: Accruals for Accounts Receivable for New York State Appropriations at the end of the current year	387,203
Add: Accruals for Accounts Receivable for Long Island Sound Fund Grant at the end of the current year	12,320
Add: Accruals for Accounts Receivable for Interest Income at the end of the current year	<u>357</u>
Excess (Deficit) of Revenues Over Expenditures – (GAAP Basis)	\$ <u>584,833</u>

**SINGLE AUDIT**

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

The Board of Commissioners  
Interstate Environmental Commission

Governor Dannel P. Malloy  
Members of the Connecticut General Assembly

We have audited the financial statements of the Interstate Environmental Commission, as of and for the years ended June 30, 2007 and 2008, and have issued our report thereon dated March 30, 2011. 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.

**Internal Control Over Financial Reporting:**

In planning and performing our audit, we considered the Interstate Environmental Commission management's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters:**

As part of obtaining reasonable assurance about whether the Interstate Environmental Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which would 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 that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Interstate Environmental Commission's management, Board of Commissioners, the Governor, the State Comptroller, the Appropriations Committee of the General Assembly, the Legislative Committee on Program Review and Investigations, and Federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

John C. Geragosian  
Auditor of Public Accounts

Robert M. Ward  
Auditor of Public Accounts

March 30, 2011  
State Capitol  
Hartford, Connecticut

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Commissioners  
Interstate Environmental Commission

Governor Dannel P. Malloy  
Members of the Connecticut General Assembly

**Compliance:**

We have audited the compliance of the Interstate Environmental Commission with the types of compliance requirements described in the United States Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major Federal program for the years ended June 30, 2007 and 2008. The Interstate Environmental Commission's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major Federal program is the responsibility of the Interstate Environmental Commission's management. Our responsibility is to express an opinion on the Interstate Environmental Commission's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Interstate Environmental Commission'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. Our audit does not provide a legal determination on the Interstate Environmental Commission's compliance with those requirements.

In our opinion, the Interstate Environmental Commission complied, in all material respects, with the requirements referred to above that are applicable to its major Federal program for the years ended June 30, 2007 and 2008.

**Internal Control Over Compliance:**

The management of the Interstate Environmental Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the Interstate Environmental Commission's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

**Schedule of Expenditures of Federal Awards:**

We have audited the financial statements of the Interstate Environmental Commission as of and for the years ended June 30, 2007 and 2008, and have issued our report thereon dated March 30, 2011. Our audit was performed for the purpose of forming an opinion on the financial statements of the Interstate Environmental Commission taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedure applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information of the Interstate Environmental Commission's management, Board of Commissioners, Connecticut's Governor, Members of the General Assembly, the State Comptroller, the Appropriations Committee of the General Assembly, the Legislative Committee on Program Review and Investigations, the Office of Policy and Management and those Federal agencies that provided financial assistance. However, this report is a matter of public record and its distribution is not limited.

John C. Geragosian  
Auditor of Public Accounts

Robert M. Ward  
Auditor of Public Accounts

March 30, 2011  
State Capitol  
Hartford, Connecticut

**INTERSTATE ENVIRONMENTAL COMMISSION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEARS ENDED JUNE 30, 2007 AND 2008**

	CFDA #	Grant Number	Grant Period	Award Amount	Balance 7/1/2006	Cash Received	Cash Expended	(Accounts Receivable) June 30, 2007
U.S. Environmental Protection Agency Water Pollution Control Agreement	66.419	I002990-06	10/01/05-09/30/07	\$694,000	\$ (520,713)	\$663,200	\$173,287	\$ (30,800)
U.S. Environmental Protection Agency Water Pollution Control Agreement	66.419	I002990-07	10/01/06-09/30/08	\$719,700	\$ -	\$495,444	\$541,559	\$ (46,115)
					\$ (520,713)	\$1,158,644	\$714,846	\$ (76,915)
	CFDA #	Grant Number	Grant Period	Award Amount	Balance 7/1/2007	Cash Received	Cash Expended	(Accounts Receivable) June 30, 2008
U.S. Environmental Protection Agency Water Pollution Control Agreement	66.419	I002990-06 EXT	10/01/05-09/30/07	\$694,000	\$ (30,800)	\$ 30,800	\$ -	\$ -
U.S. Environmental Protection Agency Water Pollution Control Agreement	66.419	1002990-07	10/01/06-09/30/08	\$719,700	\$ (46,115)	\$224,256	\$178,141	\$ -
U.S. Environmental Protection Agency Water Pollution Control Agreement	66.419	1002990-08	10/01/07-09/30/09	\$708,100	\$ -	\$ -	\$671,944	\$ (671,944)
					\$ (76,915)	\$255,056	\$850,085	\$ (671,944)

**INTERSTATE ENVIRONMENTAL COMMISSION  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARD  
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008**

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal award programs of the Commission. The Commission is defined in Note 1 of the Financial Statements. All Federal awards received directly from Federal agencies, as well as Federal awards passed through other government agencies are included on the schedule of expenditures of Federal awards.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, as described in Note 1 (C) to the Commission's basic financial statements.

NOTE 3 – FEDERAL GRANT REVENUE RECOGNITION

Federal grant funds are considered to be earned to the extent of expenditures made under the provision of the grant, and accordingly, when such funds are received they are recorded as deferred revenues until earned.

NOTE 4 – RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agree with the amounts reported in the Commission's basic financial statements.

NOTE 5 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related Federal financial reports.

NOTE 6 – MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

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**INTERSTATE ENVIRONMENTAL COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008**

*Part I – Summary of Auditor’s Results*

**Financial Statements Section**

Type of auditor’s report issued on financial statements Unqualified

Internal control over financial reporting:  
Material weakness(es) identified? \_\_\_ Yes    X No

Reportable condition(s) identified that are not  
considered to be material weakness(es)? \_\_\_ Yes    X No

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

**Federal Awards Section**

Internal control over major programs:  
Material weakness(es) identified? \_\_\_ Yes    X No

Reportable condition(s) identified that are not  
considered to be material weakness(es)? \_\_\_ Yes    X No

Type of auditor’s report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in  
Accordance with section .510(a) of Circular A-133? \_\_\_ Yes    X No

Identification of major Federal programs:

CFDA Number

66.419

Name of Program or Cluster

U.S Environmental Protection  
Agency  
Water Pollution Control -  
State & Interstate Program Support

Dollar threshold used to distinguish between Type A  
And Type B programs \$300,000

Auditee qualified as low risk Auditee? X Yes    \_\_\_ No

**INTERSTATE ENVIRONMENTAL COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008**

***Part 2 – Schedule of Financial Statement Findings***

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards*.

**THERE ARE NONE**

***Part 3 – Schedule of Federal Award Findings and Questioned Costs***

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal programs, as required by OMB Circular A-133.

**Current Year Federal Awards**

**THERE ARE NONE**

**INTERSTATE ENVIRONMENTAL COMMISSION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008**

This section identifies the status of prior audit findings related to the basic financial statements and Federal awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, and U.S. OMB Circular A-133 (Section .315(a) (b)).

Status of Prior Audit Findings

**THERE WERE NONE**

**CONCLUSION**

In conclusion, we wish to express our appreciation for the courtesies shown to our representatives during the course of our audit. The assistance and cooperation extended to them by the personnel of the Interstate Environmental Commission greatly facilitated the conduct of this examination.

Stephanie Novello  
Associate Auditor

Approved:

John C. Geragosian  
Auditor of Public Accounts

Robert M. Ward  
Auditor of Public Accounts