

NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS

**AUDITED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
FEDERAL AND STATE SINGLE AUDIT REPORTS**

FOR THE YEAR ENDED JUNE 30, 2018

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
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INDEPENDENT AUDITORS' REPORT

Board of Directors of
Naugatuck Valley Council of Governments
Waterbury, Connecticut 06702

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Naugatuck Valley Council of Governments (NVCOG), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Naugatuck Valley Council of Governments, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6–11 and 25–26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Government's basic financial statements. The combining and individual nonmajor fund financial statements, the Overhead Rate Calculation and the Financial Summary for the State of Connecticut Department of Transportation are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by the State of Connecticut Single Audit Act and is not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the Overhead Rate Calculation, the Financial Summary for the State of Connecticut Department of Transportation, the Schedule of Federal Awards and the Schedule of Expenditures of State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, combining and individual nonmajor fund financial statements, the Overhead Rate Calculation, the Financial Summary for the State of Connecticut Department of Transportation, the Schedule of Federal Awards and the Schedule of Expenditures of State Financial Assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2018, on our consideration of the Government'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 Government's internal control over financial reporting and compliance.

Michaud Accavallo Woodbridge & Cusano, LLC

Killingworth, Connecticut
December 28, 2018

NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS MANAGEMENT DISCUSSION AND ANALYSIS

As management of the Naugatuck Valley Council of Governments ("NVCOG"), we offer readers of NVCOG's financial statements this narrative overview and analysis of the financial activities of NVCOG for the fiscal year ended June 30, 2018.

NVCOG was established on January 1, 2015 by the merger of the Council of Governments of the Central Naugatuck Valley and Valley Council of Governments. NVCOG provides local planning, technical and administrative services to its nineteen-member Towns. These are the Towns of Ansonia, Beacon Falls, Bethlehem, Bristol, Cheshire, Derby, Middlebury, Naugatuck, Oxford, Plymouth, Prospect, Seymour, Shelton, Southbury, Thomaston, Waterbury, Waterbury, Wolcott and Woodbury.

FINANCIAL HIGHLIGHTS

- The assets of NVCOG exceeded its liabilities at the close of the most recent fiscal period by \$633,184 (net assets) of this amount, \$525,113 (unrestricted net assets) may be used to meet NVCOG's ongoing obligations.
- As of the close of the current fiscal period, NVCOG's governmental funds reported combined ending fund balances of \$530,809. The entire fund balance is available for spending at NVCOG's discretion (unassigned fund balance).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basis of Presentation

NVCOG is considered a single-program governmental organization for financial reporting purposes. Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis -for State and Local Governments* requires the presentation of government-wide financial statements and fund financial statements. The government-wide financial statements consist of the statement of net assets and the statement of activities while the governmental fund financial statements consist of the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. NVCOG has no business-type activities. Rather than presenting government-wide financial statements along with separate governmental fund financial statements, NVCOG has chosen to combine the two types of financial statements as permitted by GASB Statement No. 34. Accordingly, the accompanying financial statements of NVCOG consist of the governmental funds balance sheet/statement of net assets and the governmental funds statement of revenues, expenditures and changes in fund balances/statement of activities.

NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS MANAGEMENT DISCUSSION AND ANALYSIS

Government-wide Financial Statements

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

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

The statement of activities presents information showing how NVCOG's net assets changed during the most recent fiscal period. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

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

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

NVCOG maintains 17 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances, 9 of which are classified as major funds. Data from the other 8 governmental funds

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
MANAGEMENT DISCUSSION AND ANALYSIS**

are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 13 and 14 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government -wide and fund financial statements. The notes to the financial statements can be found starting on page 15 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information other than this management's discussion and analysis that can be found starting on page 25 of this report.

Combining schedules and other supplementary information can be found starting on page 28 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

Over time, net assets may serve as one measure of a government's financial position. Total net assets of NVCOG totaled \$633,184 and \$961,554 as of June 30, 2018 and 2017 and is summarized as follows:

	2018	2017
Current and other assets	\$ 1,827,577	\$ 1,313,630
Capital assets, net	108,070	219,775
Total assets	1,935,647	1,533,405
Long-term liabilities	111,660	71,174
Other liabilities	1,190,804	500,677
Total liabilities	1,302,464	571,851
Net assets:		
Invested in capital assets, net	108,070	219,775
Unrestricted	525,113	741,779
Total net assets	\$ 633,183	\$ 961,554

As of June 30, 2018 and 2017, 17.07% and 19.7% of NVCOG's net assets reflect its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. NVCOG uses these capital assets to provide services to member Towns; consequently, these assets are not available for future spending.

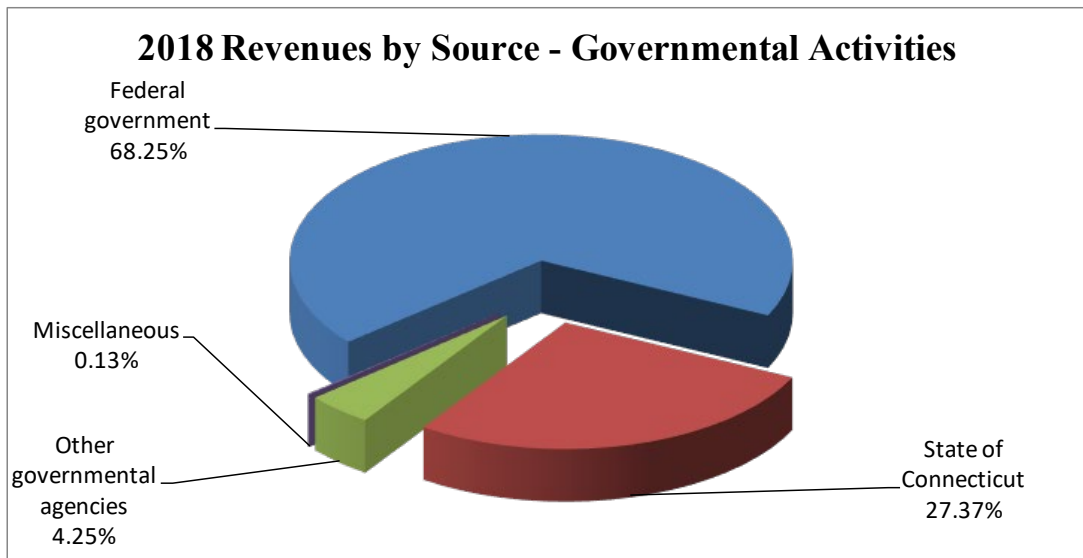
**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
MANAGEMENT DISCUSSION AND ANALYSIS**

The remainder of NVCOG’s net assets is considered unrestricted and may be used to meet NVCOG’s ongoing obligations.

Changes in Net Assets

Changes in net assets for the period ended June 30, 2018 and 2017 are as follows:

Revenues:	2018	2017
Federal government	\$ 4,477,496	\$ 5,569,133
State of Connecticut	1,795,168	1,950,683
Other governmental agencies	278,784	421,277
Miscellaneous	8,574	2,192
Total revenues	6,560,022	7,943,285
 Expenses:		
Direct salaries	709,336	867,787
Consultants - direct	2,687	11,180
Subrecipients - direct	5,025,138	6,233,717
Other - direct	49,529	27,426
Depreciation and amortization	80,640	75,455
Indirect	887,084	861,699
Total expenses	6,754,414	8,077,264
Increase (decrease) in net position	(194,392)	(133,979)
Net position - beginning	827,575	961,554
Net position - ending	\$ 633,183	\$ 827,575



**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
MANAGEMENT DISCUSSION AND ANALYSIS**

Governmental Activities

Governmental activities decreased NVCOG's net assets by \$(194,391) thereby accounting for the entire decrease of NVCOG's net assets.

FINANCIAL ANALYSIS OF NVCOG's FUNDS

As noted earlier, NVCOG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

As of the end of the current fiscal period, NVCOG's governmental funds reported combined ending and balances of \$530,809. The entire balance constitutes unassigned fund balance, which is available for spending at NVCOG's discretion.

General Fund

The General Fund is the chief operating fund of NVCOG. The entire governmental funds ending fund balances is recorded in the General Fund.

Other Major Funds

The other major funds provide various transportation or other planning services to the Central Naugatuck Valley region. These funds are operated on a cost-reimbursement basis thus, there are no ending fund balances.

BUDGETARY HIGHLIGHTS

A preliminary budget shall be prepared on or before April 30th by the Executive Director and distributed to the Executive Committee for submission to the Council. The preliminary budget advanced to the Council shall be based upon: (1) a detailed chart of expenditure accounts considered by the Executive Committee; (2) January personnel evaluations conducted by the Executive Director under the guidance of the Executive Committee; (3) a staffing-salary plan approved by the Executive Committee; and (4) proposed goals for the ensuing fiscal period, which shall accompany the proposed budget. The Council will review the preliminary budget in May. A final budget shall be approved in June. In the event a budget is not adopted for the ensuing fiscal period, the budget for the preceding fiscal period shall be considered to be the approved budget until a new budget is adopted. The adopted annual budget covers the General Fund and the Special Revenue Funds on a combined basis.

The original budget was approved on June 9, 2017. There were changes during the year to the original budget on January 12, 2018. Differences between the original budget and the final amended budget (\$5,506,825 increase in appropriations) is due primarily to an increase in the use of contractors/subcontractors of

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
MANAGEMENT DISCUSSION AND ANALYSIS**

\$5,606,155. This increase in appropriations was offset by federal and state grant funding which increased by \$5,219,316.

CAPITAL ASSETS

NVCOG's investment in capital assets for its governmental activities as of June 30, 2018 and 2017 totaled \$108,070 and \$165,238 respectfully, (net of accumulated depreciation). This investment in capital assets includes office equipment and leasehold improvements. There were no major capital asset transactions during the current fiscal period. The increase is primarily attributable to the renovations and expansion of their offices.

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

	2018	2017
Office equipment	\$ 83,906	\$ 82,681
Computer equipment	122,432	100,186
Leasehold improvements	199,400	199,400
Totals	<u>\$ 405,738</u>	<u>\$ 382,267</u>

Additional information on NVCOG's capital assets can be found in Note 3 on page 20 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

NVCOG receives intergovernmental revenues from the State of Connecticut. Connecticut's economy moves in the same general cycle as the national economy. Any loss or significant reduction of these revenues could have a significant adverse impact on NVCOG's financial position and program services.

This was considered in preparing NVCOG's budget for fiscal year 2019.

During the current fiscal period, unassigned fund balance of the General Fund decreased to \$530,809. NVCOG has not appropriated any of this unassigned fund balance for spending in the 2018 fiscal period budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of NVCOG's finances for all those with an interest in NVCOG's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Financial Director or Executive Director at Naugatuck Valley Council of Governments, 49 Leavenworth Street, Suite 303, Waterbury, CT 06702-2110.

BASIC FINANCIAL STATEMENTS

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2018**

	General Fund	Planning UPWP Fund	Highway Projects Fund	EPA Fund	FTA Projects	LOT/CIP Fund	Transportation Projects	DECD Fund	OPM/ SGIA	Other Govern'l Funds	Total	Adjust's (Note 6)	Government- Wide Statement of Activities
ASSETS													
Cash and cash equivalents	\$ 285,523	\$ -	\$ 40,176	\$ 337,407	\$ -	\$ 108,402	\$ 360,999	\$ -	\$ 28,667	\$ 30,645	\$ 1,191,819	\$ -	\$ 1,191,819
Receivables:													
Due from State of Connecticut	557	176,031	110,934	-	-	-	-	-	-	125,180	412,702	-	412,702
Due from Federal	-	-	-	41,241	149,263	-	9,811	2,114	-	-	202,429	-	202,429
Due from other funds	350,168	-	-	-	-	-	-	-	-	-	350,168	(350,168)	-
Other assets	20,627	-	-	-	-	-	-	-	-	-	20,627	-	20,627
Capital assets, net of accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	108,070	108,070
Total assets	<u>\$ 656,875</u>	<u>\$ 176,031</u>	<u>\$ 151,110</u>	<u>\$ 378,648</u>	<u>\$ 149,263</u>	<u>\$ 108,402</u>	<u>\$ 370,810</u>	<u>\$ 2,114</u>	<u>\$ 28,667</u>	<u>\$ 155,825</u>	<u>\$ 2,177,745</u>	<u>\$ (242,098)</u>	<u>\$ 1,935,647</u>
LIABILITIES													
Current liabilities:													
Accounts payable and Accrued expense	\$ 15,178	\$ -	\$ 148,240	\$ 555	\$ 38,593	\$ 4,703	\$ 40,550	\$ 106	\$ 131	\$ 31,944	\$ 280,000	\$ -	\$ 280,000
Due to other funds	-	176,031	-	1,870	110,670	-	-	117	-	61,480	350,168	(350,168)	-
Noncurrent liabilities:													
Due within one year - compensated absences	105,965	-	-	-	-	-	-	-	-	-	105,965	-	105,965
Due in more than one year - compensated absences	-	-	-	-	-	-	-	-	-	-	-	5,695	5,695
Total liabilities	<u>121,143</u>	<u>176,031</u>	<u>148,240</u>	<u>2,425</u>	<u>149,263</u>	<u>4,703</u>	<u>40,550</u>	<u>223</u>	<u>131</u>	<u>93,424</u>	<u>736,133</u>	<u>(344,473)</u>	<u>391,660</u>
DEFERRED INFLOWS													
Grant revenues	<u>4,924</u>	<u>-</u>	<u>2,870</u>	<u>376,223</u>	<u>-</u>	<u>103,699</u>	<u>330,260</u>	<u>1,891</u>	<u>28,536</u>	<u>62,401</u>	<u>910,804</u>	<u>-</u>	<u>910,804</u>
FUND BALANCES/NET ASSETS													
Fund balances:													
Unassigned	<u>530,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>530,808</u>	<u>(530,808)</u>	<u>-</u>
Total fund balances	<u>530,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>530,808</u>	<u>(530,808)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 656,875</u>	<u>\$ 176,031</u>	<u>\$ 151,110</u>	<u>\$ 378,648</u>	<u>\$ 149,263</u>	<u>\$ 108,402</u>	<u>\$ 370,810</u>	<u>\$ 2,114</u>	<u>\$ 28,667</u>	<u>\$ 155,825</u>	<u>\$ 2,177,745</u>		
Net assets:													
Invested in capital assets, net of related debt												108,070	108,070
Unrestricted												525,113	525,113
												<u>\$ 633,183</u>	<u>\$ 633,183</u>

See notes to the financial statements.

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Planning UPWP Fund	Highway Projects Fund	EPA Fund	FTA Projects	LOTICIP Fund	Transportation Projects	DECD Fund	OPM/SGIA	Other Govern'l Funds	Total	Adjust's (Note 6)	Government-Wide Statement of Activities
REVENUES													
Federal government	\$ -	\$ 686,533	\$ 185,200	\$ 56,616	\$ 3,535,196	\$ -	\$ -	\$ -	\$ -	\$ 13,951	4,477,496	\$ -	\$ 4,477,496
State of Connecticut	3,336	65,220	-	-	865,303	109,370	352,021	27,710	220,060	152,148	1,795,168	-	1,795,168
Other governmental agencies	186,692	-	-	7,642	-	-	159	-	-	84,291	278,784	-	278,784
Miscellaneous	8,574	-	-	-	-	-	-	-	-	-	8,574	-	8,574
Total revenues	<u>198,602</u>	<u>751,753</u>	<u>185,200</u>	<u>64,258</u>	<u>4,400,499</u>	<u>109,370</u>	<u>352,180</u>	<u>27,710</u>	<u>220,060</u>	<u>250,390</u>	<u>6,560,022</u>	<u>-</u>	<u>6,560,022</u>
EXPENDITURES/EXPENSES													
Current:													
Direct costs:													
Salaries and Fringe Benefits	12,321	409,915	14,501	11,169	74,725	34,707	17,895	888	107,387	25,828	709,336	-	709,336
Consultants	2,687	-	-	-	-	-	-	-	-	-	2,687	-	2,687
Contractors/Subcontractors	8,807	9,120	155,769	38,554	4,242,993	39,121	311,990	25,200	480	193,104	5,025,138	-	5,025,138
Other	17,767	21,985	231	8,308	6,115	286	4,118	720	2,070	11,400	73,000	(23,471)	49,529
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-	80,640	80,640
Indirect	177,991	417,150	14,731	11,345	75,923	35,256	18,177	902	109,148	26,437	887,060	24	887,084
Total expenditures/expenses	<u>219,573</u>	<u>858,170</u>	<u>185,232</u>	<u>69,376</u>	<u>4,399,756</u>	<u>109,370</u>	<u>352,180</u>	<u>27,710</u>	<u>219,085</u>	<u>256,769</u>	<u>6,697,221</u>	<u>57,193</u>	<u>6,754,414</u>
Excess (deficiency) of revenues over expenditures	(20,971)	(106,417)	(32)	(5,118)	743	-	-	-	975	(6,379)	(137,199)	(57,193)	(194,392)
OTHER FINANCING SOURCES (USES)													
Transfers in	-	106,417	32	5,118	-	-	-	-	-	6,379	117,946	-	117,946
Transfers out	(116,228)	-	-	-	(743)	-	-	-	(975)	-	(117,946)	-	(117,946)
Total other financing sources (uses)	<u>(116,228)</u>	<u>106,417</u>	<u>32</u>	<u>5,118</u>	<u>(743)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(975)</u>	<u>6,379</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses	(137,199)	-	-	-	-	-	-	-	-	-	(137,199)	137,199	-
Change in net assets	-	-	-	-	-	-	-	-	-	-	-	\$ (194,392)	(194,392)
Fund balances/net assets beginning of year	668,007	-	-	-	-	-	-	-	-	-	668,007	-	827,575
Fund balances/net assets - end of year	<u>\$ 530,808</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 530,808</u>	<u>\$ -</u>	<u>\$ 633,183</u>

See notes to the financial statements.

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Naugatuck Valley Council of Governments ("NVCOG") was established on January 1, 2015 by the merger of the Council of Governments of the Central Naugatuck Valley and Valley Council of Governments. NVCOG provides local planning, technical and administrative services to its nineteen-member Towns. These are the Towns of Ansonia, Beacon Falls, Bethlehem, Bristol, Cheshire, Derby, Middlebury, Naugatuck, Oxford, Plymouth, Prospect, Seymour, Shelton, Southbury, Thomaston, Waterbury, Watertown, Wolcott and Woodbury. The accounting policies of NVCOG conform to accounting principles generally accepted in the United States of America, as applicable to governmental organizations.

FINANCIAL REPORTING ENTITY

NVCOG is governed by a 19-member board of directors, comprised of an elected official from each municipality served by NVCOG. NVCOG is funded primarily by assessments of area municipalities and federal and state grants. As required by accounting principles generally accepted in the United States of America, the basic financial statements of the reporting entity include only the funds of the Council of Governments of Central Naugatuck Valley (the primary government) as no component units exist based on operational or financial relationships with NVCOG.

BASIS OF PRESENTATION

NVCOG is considered a single-program governmental organization for financial reporting purposes. Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments* require the presentation of government-wide financial statements and fund financial statements. The government-wide financial statements consist of the statement of net assets and the statement of activities. The fund financial statements consist of the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. NVCOG has no business-type activities. Rather than presenting government-wide financial statements along with separate governmental funds financial statements, NVCOG has chosen to combine the two types of financial statements as permitted by GASB Statement No. 34. Accordingly, the accompanying financial statements of NVCOG consist of the governmental funds balances sheet/statement of net assets and the governmental funds statement of revenues, expenditures and changes in fund balances/statement of activities.

Government-wide Financial Statements

Information presented in the government-wide statement of net assets column and in the government-wide statement of activities column of the accompanying financial statements includes all financial activities of NVCOG. NVCOG's activities are financed through member municipality assessments, inter-governmental revenues, and other non-exchange transactions.

Information presented in the government-wide statement of activities column demonstrates the degree to which NVCOG's expenses are offset by revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. For NVCOG's purposes, all revenues and expenses are related to a single program, regional planning.

NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Fund Financial Statements

Information presented in the fund financial statements columns provides information about NVCOG's governmental funds. The emphasis of fund financial statements is on major governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

NVCOG reports the following major governmental funds:

General Fund - *This fund is NVCOG's primary operating fund. It accounts for all financial resources of NVCOG, except those not accounted for and reported in another fund.*

Planning UPWP Fund- *This fund is used to account for revenues and expenditures incurred in providing comprehensive urban and rural transportation planning for its member municipalities.*

Highway Project Fund - *This fund is used to account for revenues and expenditures incurred in the development of contract plans, specifications and estimates for highway projects.*

EPA Assessment Fund and Revolving Loan Fund - *This fund is used to account for revenues and expenditures incurred in for assessment of petroleum and hazardous sites. Depending on environmental conditions and history, a site may qualify for petroleum grants, hazardous grants or both. This funding can be used to develop environmental information for a site in order to better understand the existing conditions. This data is leveraged to develop cleanup strategies with the goal of remediation and reuse.*

FTA Projects Fund - *This fund is used to account for revenues and expenditures incurred in providing comprehensive urban and rural transportation planning for its member municipalities.*

LOTICIP Fund - *This fund is used to account for revenues and expenditures incurred in to provide state funds to planning region areas in lieu of the federal transportation funds allocated under the Surface Transportation Program for urbanized areas.*

Transportation Fund - *This fund is used to account for capital revenues and expenditures incurred in providing comprehensive urban and rural transportation planning for its member municipalities.*

DECD Fund - *This fund is used to account for revenues and expenditures incurred concerning Municipal Brownfield Assessment Projects*

Regional Councils of Government SGIA Fund(OPM/SGIA) - *This fund is used to account for revenues and expenditures incurred in for planning purposes and to achieve efficiencies in the delivery of municipal services by regionalizing such services, including, but not limited to, region-wide consolidation of such services.*

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide and Fiduciary Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, NVCOG considers revenues pertaining to member municipality assessments, grants and contracts, and interest associated with the current period to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the cash is received by NVCOG. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital projects are reported as other financing sources.

ASSETS, LIABILITIES AND FUND EQUITY

Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less when purchased.

Capital Assets

Capital assets, which are comprised of office equipment, computer equipment and leasehold improvements, are reported in the government-wide financial statements. A capital asset is defined by NVCOG as an asset with an initial individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

Assets	Years
Computer equipment	3
Leasehold improvements	3
Office equipment	5

Compensated Absences

All compensated absences are accrued when incurred in the government-wide statement of net assets. Expenditures for compensated absences are recognized in the governmental fund financial statements in the current year to the extent they are paid during the year, or the vested amount is expected to be paid with available resources.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a futures period and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. As of June 30, 2018, the governmental funds report unavailable revenues from one source, grant funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Equity

Information presented in the government-wide statement of net assets column includes NVCOG's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt - This category consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets. NVCOG had no capital related debt as of June 30, 2018.

Restricted net assets - This category consists of net assets whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation. None of NVCOG's net assets is considered to be restricted as of June 30, 2018.

Unassigned net assets - This category consists of net assets, which do not meet the definition of the two preceding categories.

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NVCOG's governmental funds report the following fund balance categories:

Nonspendable - Amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact. None of NVCOG's fund balance is restricted to be nonspendable as of June 30, 2018.

Restricted - Constraints are placed on the use of resources that are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through enabling legislation. None of NVCOG's fund balance is considered to be restricted as of June 30, 2018.

Committed - Amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors (the highest level of decision-making authority of NVCOG) and cannot be used for any other purpose unless NVCOG removes or changes the specified use by taking the same formal action. None of NVCOG's fund balance is considered to be committed as of June 30, 2018.

Assigned - Amounts are constrained by the government's intent to be used for specific purposes, but are not restricted or committed. The Board of Directors is the body authorized to assign fund balance via formal voting procedures regulated by the Council's Charter. None of NVCOG's fund balance is considered assigned as of June 30, 2018.

Unassigned - Residual classification for the General Fund or amounts necessary in other governmental funds to eliminate otherwise negative fund balance amounts in the other four categories. NVCOG does not have a formal policy over the use of fund balance. In accordance with GASB Statement No. 54, NVCOG will use restricted resources first, then unrestricted resources as needed. Unrestricted resources are used in the following order: committed; assigned; then unassigned.

INTERFUND ACTIVITIES

Interfund Receivables and Payables

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

Interfund Transfers

Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and other financing sources in the funds receiving transfers.

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

NOTE 2 - CASH DEPOSITS AND INVESTMENTS

CASH DEPOSITS - CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event of a bank failure, NVCOG will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2018, NVCOG's bank balance of \$1,281,560 was uninsured by \$703,404 against loss.

All deposits were in qualified public institutions as defined by State statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank. NVCOG's cash and cash equivalents as of June 30, 2018 consisted of cash deposits of \$1,191,819.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the period ended June 30, 2018 consisted of the following:

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Governmental Activities				
Capital assets, being depreciated:				
Office equipment	82,681	\$ 1,225	\$ -	\$ 83,906
Computer equipment	100,186	22,246	-	122,432
Leasehold improvements	<u>199,400</u>	<u>-</u>	<u>-</u>	<u>199,400</u>
Total capital assets, being depreciated	<u>382,267</u>	<u>23,471</u>	<u>-</u>	<u>405,738</u>
Less accumulated depreciation and amortization :				
Total accumulated depreciation and amortization	<u>(217,028)</u>	<u>(80,640)</u>	<u>-</u>	<u>(297,668)</u>
Total capital assets, being depreciated, net	<u>165,239</u>	<u>(57,169)</u>	<u>-</u>	<u>108,070</u>
Governmental activities capital assets, net	<u>\$ 165,239</u>	<u>\$ (57,169)</u>	<u>\$ -</u>	<u>\$ 108,070</u>

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

General government activities	\$ <u>80,640</u>
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NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2018 were as follows:

Receivable Fund	Payable Fund	Amount
Governmental Funds		
General Fund	Planning UPWP Fund	\$ 176,031
General Fund	EPA Assesment Fund	1,870
General Fund	FTA Projects	110,670
General Fund	DECD	117
General Fund	Other Governmental Funds	<u>61,480</u>
Total due from/to other funds		<u><u>\$ 350,168</u></u>

The above balances resulted from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Interfund transfers at June 30, 2018 were as follows:

Transfers In	Transfers Out	Amount
Governmental Funds		
Planning UPWP Fund	General Fund	\$ 106,417
Highway Planninig Fund	General Fund	\$ 32
EPA Assesment Fund	General Fund	\$ 5,118
General Fund	Other Governmental Funds	<u>\$ 6,379</u>
		<u><u>\$ 117,946</u></u>

The purpose of the transfers to/from the General Fund to the various funds was to cover local matching requirements of various grant programs.

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the period ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Compensated absences	\$ 93,278	\$ 18,445	\$ -	\$ 111,723	\$ 105,965

NOTE 6 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND FINANCIAL STATEMENTS AND THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS

Adjustments to convert from the governmental funds balance sheet to the government-wide statement of net assets consisted of the following as of June 30, 2018:

Compensated absences - current portion	\$	105,965
Capital assets, net used in governmental activities		108,070
Compensated absences - long term portion		5,695

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Office equipment	\$	83,906
Computer equipment		122,432
Leasehold improvements		199,400
Less: accumulated depreciation and amortization		(297,668)
	\$	<u>108,070</u>

Long-term liabilities applicable to NVCOG's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of net assets. NVCOG's long-term liability consists of compensated absences.

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

Adjustments to convert from the governmental funds statement of revenues, expenditures and changes in fund balances to the government-wide statement of activities consisted of the following for the period ended June 30, 2018:

Depreciation and amortization expense	\$	80,640
Compensated absences, net change		24
	\$	<u>80,664</u>

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation and ammonization expense. Therefore, an adjustment is made for the amount by which depreciation and amortization exceeded capital outlays during the current period.

Repayments on long-term liabilities consume the current financial resources of governmental funds whereas such repayments serve to reduce the long-term liability balance of governmental activities. Therefore, an adjustment is made to account for the difference in how repayments made during the current period are treated.

NOTE 7 - ECONOMIC DEPENDENCY

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

NOTE 8- RISK MANAGEMENT

NVCOG is subject to normal risks associated with its operations including property damage, personal injury and employee dishonesty. All risks are managed through the purchase of commercial insurance. Losses incurred from insured risks have not exceeded insurance coverage.

NOTE 9 - LEASE COMMITMENT

NVCOG leases office space starting July 1, 2015 and terminating June 30, 2025 with two extension options until June 30, 2035. Rent expense amounted to \$78,989 for the period ended June 30, 2018. The annual required leases payments are as follows:

July 1, 2017 to June 30, 2020	\$ 76,650
July 1, 2020 to June 30, 2025	\$ 84,315
July 1, 2025 to June 30, 2030	\$ 92,747
July 1, 2031 to June 30, 2035	\$ 102,021

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events were evaluated through December 28, 2018, the date of the financial statements was available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
BUDGETARY COMPARISON SCHEDULE
GENERAL AND SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
REVENUES				
Federal	\$ 1,923,379	\$ 6,046,252	\$ 4,481,881	\$ (1,564,371)
State	667,650	1,764,093	1,790,783	26,690
Local	298,292	310,508	278,775	(31,733)
Other	<u>2,992</u>	<u>9,692</u>	<u>8,647</u>	<u>(1,045)</u>
Total revenues	2,892,313	8,130,545	6,560,086	(1,570,459)
EXPENDITURES				
Current:				
Salaries	1,038,330	994,708	1,007,821	13,113
Benefits	433,978	373,812	370,572	(3,240)
Advertising/Publication/Notices	7,500	7,500	7,053	(447)
Insurance-WC	4,086	2,857	3,231	374
Insurance-Office/Business	13,852	18,564	21,905	3,341
Computer Service/Supplies/Licenses	18,430	25,000	21,666	(3,334)
Computer Capital Replacement	-	-	9,121	9,121
Consultants	-	-	2,687	2,687
Contractors/Subcontractors	1,067,500	6,673,655	5,025,138	(1,648,517)
Dues/Subscriptions	7,250	7,250	6,348	(902)
IT Maintenance Agreement	12,168	12,168	11,153	(1,015)
Lease Expense	3,500	3,500	2,338	(1,162)
Printing	7,500	7,500	4,161	(3,339)
Professional-Accounting	20,000	20,000	27,951	7,951
Professional-Advisory Services	33,500	30,000	6,696	(23,304)
Professional-Legal	-	-	19,394	19,394
Rent	76,650	76,650	76,650	-
Renovations-Office	-	5,000	1,225	(3,775)
Supplies-Office	28,332	28,332	16,915	(11,417)
Telephone/Internet Service	13,000	13,000	12,525	(475)
Training/Professional Development	5,000	5,000	4,019	(981)
Travel	36,689	30,000	18,986	(11,014)
Utilities	20,000	20,000	12,274	(7,726)
Website	5,000	5,000	5,435	435
Contingency	<u>2,406</u>	<u>2,000</u>	<u>2,021</u>	<u>21</u>
Total expenditures	<u>2,854,671</u>	<u>8,361,496</u>	<u>6,697,285</u>	<u>(1,664,211)</u>
Excess of revenues over expenditures	<u>\$ 37,642</u>	<u>\$ (230,951)</u>	<u>\$ (137,199)</u>	<u>\$ 93,752</u>

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 - BUDGETARY INFORMATION

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

The Executive Committee for NVCOG prepares and presents to the Board of Directors a budget at the June board meeting. The Board of Directors may amend tills budget, but must adopt a formal budget by June 30. The Board has the authority to make line item transfers and additional appropriations. Spending by management is limited by the total amount appropriated during any fiscal period. Appropriations lapse at period end.

NVCOG does not employ encumbrance accounting since at present it is not considered necessary to assure budgetary control. Any excess of expenditures over revenues will be funded by either future revenue or the respective fund balances.

NOTE 2 - COMPLIANCE - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the period ended June 30, 2018, expenditures exceeded appropriations for the following objects (the legal level of control):

Professional-Legal	\$ 19,394
Salaries	13,113
Computer Capital Replacement	9,121
Professional-Accounting	7,951
Insurance-Office/Business	3,341
Consultants	2,687
Website	435
Insurance-WC	374
Contingency	21

The over expenditures of direct pass through items are directly related to awards received and not originally budgeted, and passed through to other governmental entities. The excess expenditures were funding through additional awards and/or using available fund balance and do not represent a violation of any regulatory or statutory provisions.

OTHER SUPPLEMENTARY INFORMATION

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AS OF JUNE 30, 2018**

	DEMHS Homeland Security	Citizen Emergency Response	Regional Incetive Grant Program	DEEP Greenway	HRR House Rvr Rest-Osull	NRG	GIS Shelton	Hazzardous Waste	Total Nonmajor Governmental Funds
ASSETS									
Cash	\$ 15,893	\$ 1,583	\$ 1,504	\$ -	\$ -	\$ -	\$ 3,630	\$ 8,035	\$ 30,645
Receivables:									
Due from State of Connecticut	-	2,000	38,057	60,462	10,783	778	3,000	10,100	125,180
Due from federal	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 15,893</u>	<u>\$ 3,583</u>	<u>\$ 39,561</u>	<u>\$ 60,462</u>	<u>\$ 10,783</u>	<u>\$ 778</u>	<u>\$ 6,630</u>	<u>\$ 18,135</u>	<u>\$ 155,825</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ 31,779	\$ 141	\$ -	\$ -	\$ -	\$ 24	\$ 31,944
Due to other funds	-	-	-	50,278	10,783	419	3	-	61,480
Total liabilities	<u>-</u>	<u>-</u>	<u>31,779</u>	<u>50,419</u>	<u>10,783</u>	<u>419</u>	<u>-</u>	<u>24</u>	<u>93,424</u>
DEFERRED INFLOWS									
Grant revenues	<u>15,893</u>	<u>3,583</u>	<u>7,782</u>	<u>10,043</u>	<u>-</u>	<u>359</u>	<u>6,630</u>	<u>18,111</u>	<u>62,401</u>
Fund balances:									
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 15,893</u>	<u>\$ 3,583</u>	<u>\$ 39,561</u>	<u>\$ 60,462</u>	<u>\$ 10,783</u>	<u>\$ 778</u>	<u>\$ 6,630</u>	<u>\$ 18,135</u>	<u>\$ 155,825</u>

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018**

	DEMHS Homeland Security	Citizen Emergency Response	Regional Incetive Grant Program	DEEP Greenway	HRR House Rvr Rest-Osull	NRG	GIS Shelton	Hazzardous Waste	Total Nonmajor Governmental Funds
REVENUES									
Federal government	\$ 9,980	\$ 3,971	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,951
State of Connecticut	-	-	57,731	94,417	-	-	-	-	152,148
Other governmental agencies	-	-	-	-	-	2,066	3,000	79,225	84,291
Total revenues	<u>9,980</u>	<u>3,971</u>	<u>57,731</u>	<u>94,417</u>	<u>-</u>	<u>2,066</u>	<u>3,000</u>	<u>79,225</u>	<u>250,390</u>
EXPENDITURES									
Current:									
Direct costs									
Salaries and Fringe Benefits	4,728	2,030	9,537	2,928	-	4,182	-	2,423	25,828
Consultants	-	-	-	-	-	-	-	-	-
Contractors/Subcontractors	-	-	31,929	88,226	-	-	3,000	69,949	193,104
Equipment	-	-	-	-	-	-	-	-	-
Contingency	-	-	-	-	-	-	-	-	-
Other	133	-	6,575	289	-	12	-	4,391	11,400
Indirect costs	<u>5,119</u>	<u>1,941</u>	<u>9,690</u>	<u>2,974</u>	<u>-</u>	<u>4,251</u>	<u>-</u>	<u>2,462</u>	<u>26,437</u>
Total expenditures	<u>9,980</u>	<u>3,971</u>	<u>57,731</u>	<u>94,417</u>	<u>-</u>	<u>8,445</u>	<u>3,000</u>	<u>79,225</u>	<u>256,769</u>
Excess/(deficiency) of revenues over expenditures	-	-	-	-	-	(6,379)	-	-	(6,379)
OTHER FINANCING SOURCES									
Transfers in/(out)	-	-	-	-	-	<u>6,379</u>	-	-	<u>6,379</u>
Net change in fund balances	-	-	-	-	-	-	-	-	-
Fund balance - beginning of year	-	-	-	-	-	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
 FINANCIAL SUMMARY FOR THE STATE OF CONNECTICUT
 DEPARTMENT OF TRANSPORTATION
 FOR THE YEAR ENDED JUNE 30, 2018**

	<u>COGCNV FHWA/FTA 05.09-04(17)</u>	<u>VCOG FHWA/FTA 05.09-04(17)</u>	<u>NVCOG FHWA/FTA Total</u>
Maximum Funds Authorized			
FHWA/FTA	\$ 1,177,352	\$ 475,726	\$ 747,072
ConnDOT	111,848	45,194	93,385
Local	<u>182,490</u>	<u>73,738</u>	<u>93,385</u>
	<u>\$ 1,471,690</u>	<u>\$ 594,658</u>	<u>\$ 933,842</u>
Audited Expenditures:			
Direct Costs:			
Salaries	\$ 260,509	\$ 120,627	\$ 381,136
Other	30,412	694	31,106
Indirect costs:	<u>304,795</u>	<u>141,134</u>	<u>445,929</u>
	<u>\$ 595,716</u>	<u>\$ 262,455</u>	<u>\$ 858,171</u>
Distribution of Audited Costs:			
FHWA/FTA	\$ 476,569	\$ 209,964	\$ 686,533
ConnDOT	45,274	19,946	65,220
Local	<u>73,872</u>	<u>32,545</u>	<u>106,417</u>
	<u>\$ 595,715</u>	<u>\$ 262,455</u>	<u>\$ 858,170</u>
ConnDOT responsibility:			
FHWA	\$ 476,569	\$ 209,964	\$ 686,533
ConnDOT	<u>45,274</u>	<u>19,946</u>	<u>65,220</u>
	521,843	229,910	751,753
Payments received through 6/30/18	<u>415,307</u>	<u>160,416</u>	<u>575,723</u>
Due from ConnDOT, 6/30/18	106,536	69,494	176,030
Payments received 7/1/18-12/31/18	<u>106,536</u>	<u>69,494</u>	<u>176,030</u>
Due from ConnDOT, 12/31/18	<u>-</u>	<u>-</u>	<u>-</u>

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
INDIRECT RATE CALCULATION
FOR THE YEAR ENDED JUNE 30, 2018**

INDIRECT COSTS

Salaries	\$ 200,665
Compensated absences	141,689
Fringe benefits	320,545
Rent	76,650
Professional fees	40,942
Office expense	15,978
Insurance	16,226
Printing	4,233
Dues, books and subscriptions	6,348
Computer maintenance	26,253
Utilities	11,307
Telephone	12,525
Repairs and maintenance	3,564
Training	395
Travel	9,764
Total indirect costs	<u>\$ 887,084</u>
TOTAL PAYROLL	1,007,821
LESS: Compensated absences	141,689
LESS: Indirect payroll	<u>200,665</u>
Payroll base	<u>\$ 665,467</u>
 Overhead rate	 <u>133.30%</u>

REPORT ON INTERNAL CONTROL



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Dominic L. Cusano MBA CPA*
*indicates retired

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 the
Naugatuck Valley Council of Governments

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Naugatuck Valley Council of Governments as of and for the period ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements and have issued our report thereon dated December 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Naugatuck Valley Council of Governments 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 the Naugatuck Valley Council of Governments internal control. Accordingly, we do not express an opinion on the effectiveness of the Naugatuck Valley Council of Governments internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Michaud Accavallo Woodbridge & Cusano, LLC

Killingworth, Connecticut
December 28, 2018

FEDERAL SINGLE AUDIT



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of the
Naugatuck Valley Council of Governments

Report on Compliance for Each Major Federal Program

We have audited the Naugatuck Valley Council of Governments compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Naugatuck Valley Council of Governments major federal programs for the year ended June 30, 2018. Naugatuck Valley Council of Governments major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Naugatuck Valley Council of Governments 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 Naugatuck Valley Council of Governments 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 the Naugatuck Valley Council of Governments compliance.

Opinion on Each Major Federal Program

In our opinion, the Naugatuck Valley Council of Governments, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Naugatuck Valley Council of Governments, 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 the Naugatuck Valley Council of Governments 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 the Naugatuck Valley Council of Governments internal control over compliance.

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

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

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

Michaud Accavallo Woodbridge & Cusano, LLC

Killingworth, Connecticut
December 28, 2018

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Entity ID Number	Expenditures to Subrecipients	Federal Expenditures
Department of Environmental Protection:				
Direct:				
Revolving Loan Fund	66.814		\$ -	\$ 16,560
Brownfields Assesment & Cleanup	66.818		-	40,056
Total Department of Homeland Security			<u>-</u>	<u>56,616</u>
Department of Homeland Security				
<i>Passed Through the State of Connecticut Department of Emergency Management & Homeland Security:</i>				
Homeland Security Regional Collaboration Program	97.067		-	9,980
Citizen Corps/CERT	97.053		-	3,971
Total Department of Homeland Security			<u>-</u>	<u>13,951</u>
Department of Transportation:				
<i>Passed through the State of Connecticut Department of Transportation:</i>				
Highway Planning and Construction (FHWA)	20.505	5.09-04(17)	-	209,964
Highway Planning and Construction (FHWA)	20.505	5.09-04(17)	-	476,569
FTA Capital Grant	20.505	01.13-01(09)	-	3,535,196
			<u>-</u>	<u>4,221,729</u>
Direct:				
Highway Planning and Construction				
Route 8 PE Study	20.208		-	52,014
Route 67 Improvements	20.208		-	1,929
Route 34 Improvements	20.208		-	131,257
			<u>-</u>	<u>185,200</u>
Total Department of Transportation			<u>-</u>	<u>4,406,929</u>
Total expenditures of federal awards			<u>\$ -</u>	<u>\$ 4,477,496</u>

See Notes to Schedule of Federal Awards

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Organization under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the consolidated financial position, changes in net assets or cash flows of the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. For cost-reimbursement awards, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. For performance-based awards, expenditures reported represent amounts earned.

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTION COSTS
YEAR ENDED JUNE 30, 2018**

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u>	No
Significant deficiency(ies) identified?	_____	_____ <u>X</u>	None reported

Noncompliance material to financial statements noted? _____ Yes _____ X No

Federal Financial Assistance

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u>	No
Significant deficiency(ies) identified?	_____	_____ <u>X</u>	None reported

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? _____ Yes _____ X No

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

Grantor and Program Title	Grant Program Core-CT Number	Expenditures
Highway Planning and Construction (FHWA)	20.505	\$ 209,964
Highway Planning and Construction (FHWA)	20.505	476,569
FTA Capital Grant	20.505	3,535,196
		<u>\$ 4,221,729</u>

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

Auditee qualified as low-risk auditee? _____ Yes _____ X No

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTION COSTS
YEAR ENDED JUNE 30, 2018**

II. SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

- We issued reports, dated December 28, 2018, on internal control over financial reporting and on compliance based on an audit of the 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 no significant deficiencies.

III. SUMMARY OF FINDINGS RELATED TO FEDERAL AWARD FINDING AND QUESTION COSTS

- We issued reports, dated December 28, 2018, on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with the OMB Compliance Supplement.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over compliance indicated no reportable control deficiencies.

STATE OF CONNECTICUT SINGLE AUDIT



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONNECTICUT STATE SINGLE AUDIT ACT

To the Board of Directors of the
Naugatuck Valley Council of Governments

Report on Compliance for Each Major State Program

We have audited the Naugatuck Valley Council of Governments (the "Council") compliance with the types of compliance requirements described in the State of Connecticut, Office of Policy and Management *Compliance Supplement to the State Single Audit Act* that could have a direct and material effect on each of the Council's major state programs for the year ended June 30, 2018. The Council's major state programs are identified in the summary of auditor's results section of the accompanying schedule of state findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Naugatuck Valley Council of Governments complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the period ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Council 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 the Council'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 an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

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

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

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

Michaud Accavallo Woodbridge & Cusano, LLC

Killingworth, Connecticut
December 28, 2018

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2018**

State Grantor/Pass-through Grantor/Program Title	State Grant Program Core - CT Number	Passed Through to Subrecipients	Expenditures
Department of Economic and Community Development			
Brownfield Remediation Program	12052-ECD46260-43403	\$ -	\$ 27,710
Department of Environmental Protection			
CT Statewide Multi-Use Trail Study	DEPA000290000168	-	30,986
Thomaston Watertown Design	DEPA00002024287	-	47,966
Responsible Growth Study-7 Mile gap in NRG	DEPM1-0000052060	-	15,465
		-	94,417
Department of Motor Vehicles			
Derby Train Station-other expenses	DMV Nonproject	-	914
Department of the Secretary of State			
Regional Election Monitor	SOS25550	-	57,731
Department of Transportation			
Regional Transportation planning - VCOG	17DOT0174AA	-	19,946
Regional Transportation planning - COGCNV	17DOT0174AA	-	45,274
Transit Capital Grants	15DOT0103AA	-	865,303
Hwy. Planning & Construction	DOT07159996PL	-	2,422
Local Transportation Planning Improvement Program	DOT01703275GR	-	109,370
Waterbury Bus Service Operations Needs Study		-	24,283
State TOD Fund	DOTP200360194PL	-	45,571
Derby Shelton Bridge Renovation	DOT01260174GR	-	282,167
Total Department of Transportation		-	1,394,336
Total Expenditures of State financial assistance before exempt programs		\$ -	\$ 1,575,108
EXEMPT PROGRAMS			
Regional Council of Governments State Grant in Aid Program	12060-OPM20600-35457	-	220,060
TOTAL STATE FINANCIAL ASSISTANCE		\$ -	\$ 1,795,168

See Notes to Schedule of Expenditures of State Financial Assistance

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2018**

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Naugatuck Valley Council of Governments under programs of the State of Connecticut for the fiscal year ended June 30, 2018. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including Brownfield Remediation, Transportation Planning, Bus Services and Greenway Development.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Naugatuck Valley Council of Governments conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the modified accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTION COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified? _____ X None reported

Noncompliance material to financial statements noted? _____ Yes X No

State Financial Assistance

Internal control over major programs:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified? _____ X None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the state Single Audit Act? _____ Yes X No

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

State Grantor and Program Title	State Grant Program Core-CT Number	Expenditures
<u>Department of Transportation</u> Transit Capital Grants	15DOT0103AA	<u>\$ 865,303</u>

Dollar Threshold used to distinguish between Type A and Type B program: \$ 200,000

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTION COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

II. FINANCIAL STATEMENT FINDINGS

None noted.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No findings were reported.

STATUS OF PRIOR YEAR FINDINGS

2016-001-Timely and Accurate Financial Reporting

Criteria – Regular analysis and reconciliations of all balance sheet and other key accounts help ensure accurate and timely financial reporting. This is required to assist management in making appropriate decisions based on reliable data and is essential for internal control.

Disposition– This finding was cleared in the current year.