

NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS

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

FOR THE YEAR ENDED JUNE 30, 2019

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
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INDEPENDENT AUDITORS' REPORT

Board of Directors of
Naugatuck Valley Council of Governments
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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, 2019, 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, 2019, 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 5, 2019, 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.

MAWC. LLC

Killingworth, Connecticut
December 5, 2019

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, 2019.

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 \$663,030 (net assets) of this amount, \$565,827 (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 \$604,212. 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 16 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, 8 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 \$663,030 and \$633,183 as of June 30, 2019 and 2018, respectively and is summarized as follows:

	2019	2018
Current and other assets	\$ 2,242,067	\$ 1,827,577
Capital assets, net	58,818	108,070
Total assets	2,300,885	1,935,647
Other liabilities	1,637,855	1,302,464
Total liabilities	1,637,855	1,302,464
Net assets:		
Invested in capital assets, net	97,203	108,070
Unrestricted	565,827	525,113
Total net assets	\$ 663,030	\$ 633,183

As of June 30, 2019 and 2018, 14.66% and 17.07% 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.

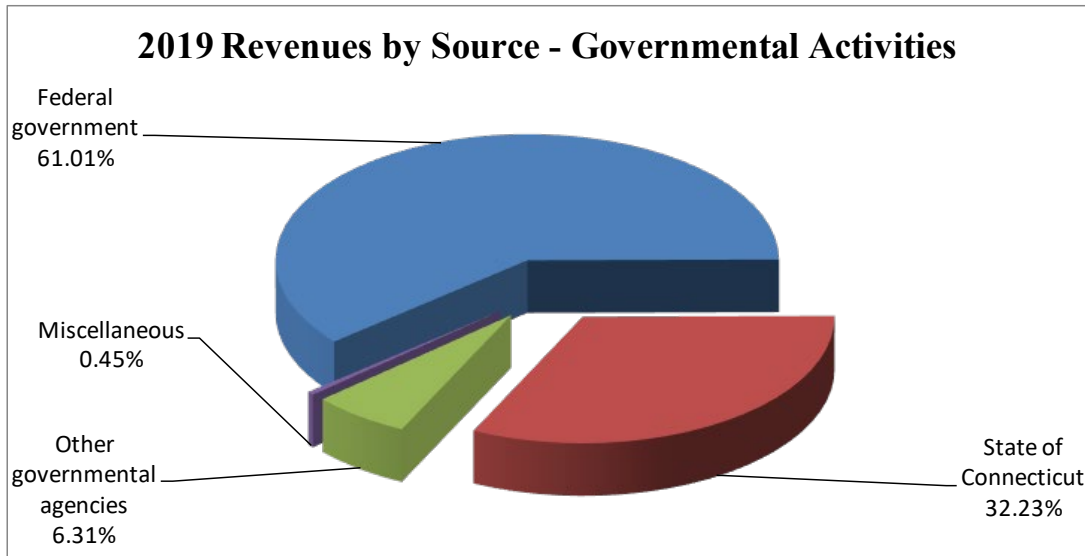
**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
MANAGEMENT DISCUSSION AND ANALYSIS**

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, 2019 and 2018 are as follows:

Revenues:	2019	2018
Federal government	\$ 2,932,333	\$ 4,477,496
State of Connecticut	1,549,116	1,795,168
Other governmental agencies	303,197	278,784
Miscellaneous	21,420	8,574
Total revenues	<u>4,806,066</u>	<u>6,560,022</u>
 Expenses:		
Direct salaries	756,637	709,336
Consultants - direct	-	2,687
Subrecipients - direct	2,981,503	5,025,138
Other - direct	80,636	49,529
Depreciation and amortization	78,636	80,640
Indirect	878,807	887,084
Total expenses	<u>4,776,219</u>	<u>6,754,414</u>
 Increase (decrease) in net position	 29,847	 (194,392)
 Net position - beginning	 <u>633,183</u>	 <u>827,575</u>
 Net position - ending	 <u>\$ 663,030</u>	 <u>\$ 633,183</u>



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

Governmental Activities

Governmental activities increased NVCOG's net assets by \$29,847 due to an increase in intergovernmental grant revenue, primarily state grants and from other governmental agencies. The general fund accounted for the entire increase 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 \$604,210. 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 of \$8,668,216 was approved on June 8, 2018. There were no changes during the fiscal year to the original budget.

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

CAPITAL ASSETS

NVCOG's investment in capital assets for its governmental activities as of June 30, 2019 and 2018 totaled \$97,203 and \$108,070 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:

	<u>2019</u>	<u>2018</u>
Office equipment	\$ 83,906	\$ 83,906
Computer equipment	150,741	122,432
Leasehold improvements	<u>200,475</u>	<u>199,400</u>
Totals	<u>\$ 435,122</u>	<u>\$ 405,738</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 2020.

During the current fiscal period, unassigned fund balance of the General Fund decreased to \$604,210. NVCOG has not appropriated any of this unassigned fund balance for spending in the 2019-2020 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
GOVERNMENTAL FUNDS BALANCE SHEETS/STATEMENT OF NET POSITION
AS OF JUNE 30, 2019**

	Governmental Funds Balance Sheets										Adjust's (Note 5)	Government- Wide Statement of Net Position
	General Fund	Planning UPWP Fund	Highway Projects Fund	EPA Fund	FTA Projects	LOTICIP Fund	DECD Fund	OPM/ RSG	Other Govern'l Funds	Total Governmental Funds		
ASSETS												
Cash and cash equivalents	\$ 490,017	\$ -	\$ 305,856	\$ -	\$ -	\$ 155,310	\$ 1,891	\$ -	\$ 53,957	\$ 1,007,031	\$ -	\$ 1,007,031
Receivables:												
Due from State of Connecticut	19,683	348,637	95,568	-	-	6,900	107,788	-	84,670	663,246	-	663,246
Due from Federal	-	-	-	152,506	361,085	-	-	-	37,723	551,314	-	551,314
Due from other funds	639,199	-	-	-	-	-	-	236	-	639,435	(639,435)	-
Other assets	20,476	-	-	-	-	-	-	-	-	20,476	-	20,476
Capital assets, net of accumulated depreciation	-	-	-	-	-	-	-	-	-	-	58,818	58,818
Total assets	\$ 1,169,375	\$ 348,637	\$ 401,424	\$ 152,506	\$ 361,085	\$ 162,210	\$ 109,679	\$ 236	\$ 176,350	\$ 2,881,502	\$ (580,617)	\$ 2,300,885
LIABILITIES												
Current liabilities:												
Accounts payable	\$ 2,960	\$ 160,314	\$ 126,213	\$ 47,813	\$ 225,245	\$ -	\$ 33,250	\$ 236	\$ 30	\$ 596,061	\$ -	\$ 596,061
Accrued expense	129,526	-	-	-	-	-	-	-	-	129,526	-	129,526
Due to other funds	-	181,725	38,585	95,486	135,840	-	74,538	-	113,261	639,435	(639,435)	-
Total liabilities	132,486	342,039	164,798	143,299	361,085	-	107,788	236	113,291	1,365,022	(639,435)	725,587
DEFERRED INFLOWS												
Grant revenues	432,677	6,598	236,626	9,207	-	162,210	1,891	-	63,059	912,268	-	912,268
FUND BALANCES/NET ASSETS												
Fund balances:												
Unassigned	604,212	-	-	-	-	-	-	-	-	604,212	(604,212)	-
Total fund balances	604,212	-	-	-	-	-	-	-	-	604,212	(604,212)	-
Total liabilities and fund balances	\$ 1,169,375	\$ 348,637	\$ 401,424	\$ 152,506	\$ 361,085	\$ 162,210	\$ 109,679	\$ 236	\$ 176,350	\$ 2,881,502		
Net assets:												
Invested in capital assets, net of related debt											97,203	97,203
Unrestricted											565,827	565,827
											<u>\$ 663,030</u>	<u>\$ 663,030</u>

See notes to the financial statements.

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances											Government- Wide	
General Fund	Planning UPWP Fund	Highway Projects Fund	EPA Fund	FTA Projects	LOT/CIP Fund	DECD Fund	OPM/ RSG	Other Govern'l Funds	Total Governmental Funds	Adjust's (Note 5)	Statement of Activities	
REVENUES												
Federal government	\$ -	\$ 911,294	\$ 372,478	\$ 235,855	\$ 1,374,534	\$ -	\$ -	\$ 38,172	\$ 2,932,333	\$ -	\$ 2,932,333	
State of Connecticut	-	91,205	107,753	-	321,804	76,489	105,675	456,941	389,249	1,549,116	1,549,116	
Other governmental agencies	188,592	-	30	5,342	-	6,900	-	-	102,333	303,197	303,197	
Miscellaneous	21,420	-	-	-	-	-	-	-	-	21,420	21,420	
Total revenues	<u>210,012</u>	<u>1,002,499</u>	<u>480,261</u>	<u>241,197</u>	<u>1,696,338</u>	<u>83,389</u>	<u>105,675</u>	<u>456,941</u>	<u>529,754</u>	<u>4,806,066</u>	<u>4,806,066</u>	
EXPENDITURES/EXPENSES												
Current:												
Direct costs:												
Salaries and Fringe Benefits	4,635	426,306	25,275	14,897	78,795	33,885	2,623	161,429	14,487	762,332	(5,695)	756,637
Contractors/Subcontractors	6,600	211,404	427,774	208,843	1,527,210	14,215	95,108	-	490,349	2,981,503	-	2,981,503
Other	10,796	59,759	1,044	6,855	3,907	220	5,123	10,740	11,576	110,020	(29,384)	80,636
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	78,636	78,636
Indirect	94,037	441,648	26,168	15,409	81,509	35,069	2,714	167,257	14,996	878,807	-	878,807
Total expenditures/expenses	<u>116,068</u>	<u>1,139,117</u>	<u>480,261</u>	<u>246,004</u>	<u>1,691,421</u>	<u>83,389</u>	<u>105,568</u>	<u>339,426</u>	<u>531,408</u>	<u>4,732,662</u>	<u>43,557</u>	<u>4,776,219</u>
Excess (deficiency) of revenues over expenditures	93,944	(136,618)	-	(4,807)	4,917	-	107	117,515	(1,654)	73,404	(43,557)	29,847
OTHER FINANCING SOURCES (USES)												
Transfers in	-	136,618	-	4,807	-	-	-	-	1,654	143,079	-	143,079
Transfers out	(20,540)	-	-	-	(4,917)	-	(107)	(117,515)	-	(143,079)	-	(143,079)
Total other financing sources (uses)	<u>(20,540)</u>	<u>136,618</u>	<u>-</u>	<u>4,807</u>	<u>(4,917)</u>	<u>-</u>	<u>(107)</u>	<u>(117,515)</u>	<u>1,654</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>73,404</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,404</u>	<u>(73,404)</u>	<u>-</u>
Change in net assets	-	-	-	-	-	-	-	-	-	-	\$ 29,847	29,847
Fund balances/net assets beginning of year	<u>530,808</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>
Fund balances/net assets - end of year	<u>\$ 604,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 604,212</u>	<u>\$ -</u>	<u>\$ 663,030</u>

See notes to the financial statements.

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2019

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.*

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

Regional Councils of Government RSG Fund(OPM/RSG) - *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, 2019**

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. At June 30, 2019, NVCOG's cash equivalents amounted to \$731,455. The entire balance consisted of funds in a municipal a municipal money market at People's United Bank, N.A.

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, 2019**

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, 2019, 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, 2019.

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, 2019.

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, 2019**

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, 2019.

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, 2019.

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, 2019.

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, 2019.

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, 2019**

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, 2019, NVCOG's bank balance of \$1,202,344 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 632,109
Uninsured and collateral held by the pledging bank's trust department, not in the Government's name	70,234
Total amount subject to custodial credit risk	\$ 702,343

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, 2019 consisted of cash deposits of \$1,007,031.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the period ended June 30, 2019 consisted of the following:

	beginning Balance	Increases	Decreases	ending Balance
Governmental Activities				
Capital assets, being depreciated:				
Office equipment	\$ 83,906	\$ -	\$ -	\$ 83,906
Computer equipment	122,432	28,309	-	150,741
Leasehold improvements	199,400	1,075	-	200,475
Website	-	38,385	-	38,385
Total capital assets, being depreciated	405,738	29,384	-	435,122
Less accumulated depreciation and amortization :				
Total accumulated depreciation and amortization	(297,668)	(78,636)	-	(376,304)
Total capital assets, being depreciated, net	108,070	(49,252)	-	58,818
Governmental activities capital assets, net	\$ 108,070	\$ (49,252)	\$ -	\$ 58,818

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

General government activities	\$ <u>78,636</u>
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NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2019 were as follows:

Receivable Fund	Payable Fund	Amount
Governmental Funds		
General Fund	Planning UPWP Fund	\$ 181,725
General Fund	Highway Projects Fund	38,585
General Fund	EPA Assesment Fund	95,486
General Fund	FTA Projects	135,840
General Fund	DECD	74,538
General Fund	Other Governmental Funds	<u>113,261</u>
Total due from/to other funds		<u>\$ 639,435</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, 2019 were as follows:

Transfers In	Transfers Out	Amount
Governmental Funds		
Planning UPWP Fund	General Fund	\$ 136,618
EPA Assesment Fund	General Fund	4,807
Other Governmental Funds	General Fund	<u>1,654</u>
		<u>\$ 143,079</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, 2019**

NOTE 5 - 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, 2019:

Compensated absences - current portion	\$	5,695
Capital assets, net used in governmental activities		97,203

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		150,741
Leasehold improvements		200,475
Less: accumulated depreciation and amortization		<u>(376,304)</u>
	\$	<u>58,818</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. There were no long-term liabilities to report for the year ended June 30, 2019.

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, 2019:

Depreciation and amortization expense	\$	78,636
Fixed asset additions		(29,384)
Compensated absences, net change		<u>(5,695)</u>
	\$	<u>43,557</u>

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.

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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 \$76,650 for the period ended June 30, 2019. The annual required leases payments are as follows:

July 1, 2019 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 5, 2019, 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, 2019**

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
REVENUES				
Federal	\$ 6,234,741	\$ 6,234,741	\$ 2,932,331	\$ (3,302,410)
State	2,168,183	2,168,183	1,549,117	(619,066)
Local	263,292	263,292	302,671	39,379
Other	2,000	2,000	21,945	19,945
Total revenues	<u>8,668,216</u>	<u>8,668,216</u>	<u>4,806,064</u>	<u>(3,862,152)</u>
EXPENDITURES				
Current:				
Salaries	1,175,712	1,175,712	1,015,539	(160,173)
Benefits	554,028	554,028	406,583	(147,445)
Advertising/Publication/Notices	7,500	7,500	6,941	(559)
Insurance-WC	3,000	3,000	2,508	(492)
Insurance-Office/Business	12,000	12,000	6,400	(5,600)
Computer Service/Supplies/Licenses	25,000	25,000	21,876	(3,124)
Computer Capital Replacement	-	-	14,973	14,973
Consultants	10,000	10,000	-	(10,000)
Contractors/Subcontractors	6,563,307	6,563,307	2,981,502	(3,581,805)
Dues/Subscriptions	7,250	7,250	3,185	(4,065)
IT Maintenance Agreement	12,156	12,156	12,156	-
Lease Expense	2,500	2,500	1,103	(1,397)
Printing	7,500	7,500	5,425	(2,075)
Professional-Accounting	25,000	25,000	15,621	(9,379)
Professional-Legal	50,000	50,000	44,473	(5,527)
Rent	76,650	76,650	76,650	-
Renovations-Office	5,000	5,000	-	(5,000)
Supplies-Office	25,000	25,000	18,520	(6,480)
Telephone/Internet Service	13,000	13,000	13,014	14
Training/Professional Development	6,500	6,500	3,706	(2,794)
Travel	30,000	30,000	28,867	(1,133)
Utilities	20,000	20,000	12,920	(7,080)
Website	35,000	35,000	39,198	4,198
Contingency	2,113	2,113	1,500	(613)
Total expenditures	<u>8,668,216</u>	<u>8,668,216</u>	<u>4,732,660</u>	<u>(3,935,556)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,404</u>	<u>\$ 73,404</u>

See Notes to Budgetary Comparison Schedule

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019, expenditures exceeded appropriations for the following objects (the legal level of control):

Computer Capital Replacement	\$ 14,973
Telephone/Internet Service	14
Website	4,198

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, 2019**

	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	\$ 20,644	\$ 2,999	\$ 9,356	\$ -	\$ -	\$ 47	\$ 3,630	\$ 17,281	\$ 53,957
Receivables:									
Due from State of Connecticut	-	2,000	100	73,405	-	-	3,000	6,165	84,670
Due from federal	250	-	-	-	37,473	-	-	-	37,723
Due from other funds	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 20,894</u>	<u>\$ 4,999</u>	<u>\$ 9,456</u>	<u>\$ 73,405</u>	<u>\$ 37,473</u>	<u>\$ 47</u>	<u>\$ 6,630</u>	<u>\$ 23,446</u>	<u>\$ 176,350</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ 6	\$ -	\$ -	\$ -	\$ 24	\$ 30
Due to other funds	-	1,750	2,337	71,701	37,473	-	-	-	113,261
Total liabilities	-	<u>1,750</u>	<u>2,337</u>	<u>71,707</u>	<u>37,473</u>	-	-	<u>24</u>	<u>113,291</u>
DEFERRED INFLOWS									
Grant revenues	<u>20,894</u>	<u>3,249</u>	<u>7,119</u>	<u>1,698</u>	<u>-</u>	<u>47</u>	<u>6,630</u>	<u>23,422</u>	<u>63,059</u>
Fund balances:									
Unassigned	-	-	-	-	-	-	-	-	-
Total liabilities and fund balances	<u>\$ 20,894</u>	<u>\$ 4,999</u>	<u>\$ 9,456</u>	<u>\$ 73,405</u>	<u>\$ 37,473</u>	<u>\$ 47</u>	<u>\$ 6,630</u>	<u>\$ 23,446</u>	<u>\$ 176,350</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, 2019**

	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	\$ 7,149	\$ 4,333	\$ -	\$ -	\$ 26,690	\$ -	\$ -	\$ -	\$ 38,172
State of Connecticut	-	-	286,246	103,003	-	-	-	-	389,249
Other governmental agencies	-	-	-	758	-	744	3,000	97,831	102,333
Total revenues	<u>7,149</u>	<u>4,333</u>	<u>286,246</u>	<u>103,761</u>	<u>26,690</u>	<u>744</u>	<u>3,000</u>	<u>97,831</u>	<u>529,754</u>
EXPENDITURES									
Current:									
Direct costs									
Salaries and Fringe Benefits	3,467	2,128	4,424	1,905	546	464	-	1,553	14,487
Consultants	-	-	-	-	-	-	-	-	-
Contractors/Subcontractors	-	-	274,648	99,558	26,050	-	3,000	87,093	490,349
Equipment	-	-	-	-	-	-	-	-	-
Contingency	-	-	-	-	-	-	-	-	-
Other	90	-	2,598	327	99	-	-	8,462	11,576
Indirect costs	<u>3,592</u>	<u>2,205</u>	<u>4,576</u>	<u>1,971</u>	<u>565</u>	<u>480</u>	<u>-</u>	<u>1,607</u>	<u>14,996</u>
Total expenditures	<u>7,149</u>	<u>4,333</u>	<u>286,246</u>	<u>103,761</u>	<u>27,260</u>	<u>944</u>	<u>3,000</u>	<u>98,715</u>	<u>531,408</u>
Excess/(deficiency) of revenues over expenditures	-	-	-	-	(570)	(200)	-	(884)	(1,654)
OTHER FINANCING SOURCES									
Transfers in/(out)	-	-	-	-	570	200	-	884	1,654
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, 2019**

	COGCNV FHWA/FTA UR18001 5.09-04(17) <u>5.09-04(17)</u>	VCOG FHWA/FTA UR18001 5.09-04(17) <u>5.09-04(17)</u>	FHWA/FTA PL CARRYOVER FUNDS UR18001 5.09-04(17) <u>5.09-04(17)</u>	FHWA/FTA PL CARRYOVER FUNDS UR18001 5.09-04(17) <u>5.09-04(17)</u>	Total
Maximum Funds Authorized					
FHWA/FTA	\$1,177,352	\$ 475,726	\$ 160,000	\$ 223,062	\$ 2,036,140
ConnDOT	111,848	45,194	20,000	-	\$ 177,042
Local	182,490	73,738	20,000	55,766	331,994
	<u>\$1,471,690</u>	<u>\$ 594,658</u>	<u>\$ 200,000</u>	<u>\$ 278,828</u>	<u>\$ 2,545,176</u>
Audited Expenditures:					-
Direct Costs:					-
Salaries	\$ 292,198	\$ 104,129	\$ -	\$ -	\$ 396,327
Other	347,715	123,913	-	-	471,628
Indirect costs:	70,656	506	200,000	-	271,162
	<u>\$ 710,569</u>	<u>\$ 228,548</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 1,139,117</u>
Distribution of Audited Costs:					-
FHWA/FTA	\$ 574,061	\$ 182,838	\$ 154,395	\$ -	\$ 911,294
ConnDOT	54,536	\$ 17,370	19,299	-	91,205
Local	88,979	\$ 28,340	19,299	-	136,618
	<u>\$ 717,576</u>	<u>\$ 228,548</u>	<u>\$ 192,993</u>	<u>\$ -</u>	<u>\$ 1,139,117</u>
ConnDOT responsibility:					-
FHWA	\$ 574,061	\$ 182,838	\$ 154,395	\$ -	\$ 911,294
ConnDOT	54,536	17,370	19,299	-	91,205
	628,597	200,208	173,694	-	1,002,499
Payments received through 6/30/19	<u>502,380</u>	<u>158,080</u>	<u>-</u>	<u>-</u>	<u>660,460</u>
Due from ConnDOT, 6/30/19	126,217	42,128	173,694	-	342,039
Payments received 7/1/19-12/31/19	126,217	42,128	173,694	-	342,039
Due from ConnDOT, 12/31/19	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
INDIRECT RATE CALCULATION
FOR THE YEAR ENDED JUNE 30, 2019**

INDIRECT COSTS

Salaries	\$ 174,684
Compensated absences	132,224
Fringe benefits	352,879
Rent	76,650
Professional fees	30,368
Office expense	16,587
Insurance	8,451
Printing	6,189
Dues, books and subscriptions	3,185
Computer maintenance	36,479
Utilities	12,920
Telephone	13,014
Repairs and maintnance	2,603
Training	385
Travel	12,189
Total indirect costs	<u>\$ 878,807</u>
TOTAL PAYROLL	1,015,539
LESS: Compensated absences	132,224
LESS: Indirect payroll	174,684
Payroll base	<u>\$ 708,631</u>
Overhead rate	<u>124.01%</u>

REPORT ON INTERNAL CONTROL



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Darin L. Offerdahl MBA CPA
Kerry L. Emerson

Sandra M. Woodbridge CPA*
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, 2019, 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 5, 2019.

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.

MAWC, LLC

Killingworth, Connecticut
December 5, 2019

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, 2019. 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, 2019.

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.

MAVC. LLC

Killingworth, Connecticut
December 5, 2019

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

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		\$ -	\$ 14,308
Brownfields Assesment & Cleanup	66.818		-	221,547
Total Department of Homeland Security			<u>-</u>	<u>235,855</u>
Department of the Interior:				
Direct:				
Natural Resource Damage Assessment, Restoration and Implementation	15.658		\$ -	\$ 26,690
Department of Transportation:				
Direct:				
Highway Planning and Construction:				
Route 67 Improvements	20.208		-	160,098
Route 34 Improvements	20.208		-	212,380
			<u>-</u>	<u>372,478</u>
Department of Homeland Security				
<i>Passed Through the State of Connecticut</i>				
<i>Department of Emergency Management & Homeland</i>				
<i>Security:</i>				
Homeland Security Regional Collaboration Program	97.067		-	7,149
Citizen Corps/CERT	97.053		-	4,333
Total Department of Homeland Security			<u>-</u>	<u>11,482</u>
Department of Transportation:				
<i>Passed through the State of Connecticut Department</i>				
<i>of Transportation:</i>				
Highway Planning and Construction (FHWA)	20.205	5.09-04(17)	-	182,838
Highway Planning and Construction (FHWA)	20.205	5.09-04(17)	-	728,456
FTA Capital Grant	20.507	01.13-01(09)	-	1,374,534
			<u>-</u>	<u>2,285,828</u>
Total expenditures of federal awards			<u>\$ -</u>	<u>\$ 2,932,333</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, 2019**

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, 2019. 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 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.

NOTE 3 – INDIRECT COST RECOVERY

The Organization has elected not to use the 10% de minimis indirect cost rate as provided under Section 200.414 of the Uniform Guidance.

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTION COSTS
YEAR ENDED JUNE 30, 2019**

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)	20.205	\$ 182,838
Highway Planning and Construction (FHWA)	20.205	728,456
FTA Capital Grant	20.507	1,374,534
		<u>\$ 2,285,828</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, 2019**

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

- We issued reports, dated December 5, 2019, 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 5, 2019, 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, 2019. 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, 2019.

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.

MAWC, LLC

Killingworth, Connecticut
December 5, 2019

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2019**

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	\$ -	\$ 105,675
Department of Environmental Protection			
CT Statewide Multi-Use Trail Study	12052-DEP44321-43314	-	29,498
Thomaston Watertown Design	12060-DEP44321-20296	-	18,710
Responsible Growth Study-7 Mile gap in NRG	12052-DEP43153-43130	-	54,794
		<u>-</u>	<u>103,002</u>
Office of Policy and Management			
Regional Performance Incentive Program	12060-OPM20600-35457	-	285,582
Regional Election Monitor Program	SOS25550		664
Council of Governments	11000-OPM20600-12594	-	456,941
		<u>-</u>	<u>743,187</u>
Department of Transportation			
Regional Transportation Planning (FTA)	12062-DOT57184-22108	-	91,205
Regional Transportation Planning (FTA)	12062-DOT57184-22108	-	107,754
Bus/Rail Facility & Improvmnts	13033-DOT57931-41390		125,822
Bus Operations	12001-DOT57964-12175	-	195,982
Local Transportation Planning Improvement Program	13033-DOT57197-43584	-	76,489
		<u>-</u>	<u>597,252</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ -</u>	<u>\$ 1,549,116</u>

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, 2019**

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, 2019. 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, 2019**

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>Office of Policy and Management</u>		
Regional Performance Incentive Program	12060-OPM20600-35457	\$ 285,582
Council of Governments	11000-OPM20600-12594	<u>456,941</u>
<u>Department of Transportation</u>		
Bus Operations	12001-DOT57964-12175	<u>\$ 195,982</u>

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTION COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

II. FINANCIAL STATEMENT FINDINGS

None noted.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No findings were reported.

STATUS OF PRIOR YEAR FINDINGS

No findings were reported.