

NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS

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

FROM INCEPTION (JANUARY 1, 2015) TO JUNE 30, 2015

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
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FOR THE PERIOD ENDED JUNE 30, 2015**

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Guiding Successful People

Ansonia
158 Main Street, Suite 301
Ansonia, Connecticut 06401
P: 203-732-2311

Killingworth
166 Route 81
Killingworth, Connecticut 06419
P: 860-663-0110

New Haven
900 Chapel Street, Suite 620
New Haven, Connecticut 06510
P: 203-773-0384

Westport
611 Riverside Avenue
Westport, Connecticut 06880
P: 877-839-7423

Principals
Francis H. Michaud Jr. CPA
John A. Accavallo CPA
Sandra M. Woodbridge CPA
Dominic L. Cusano MBA CPA
Darin L. Offerdahl MBA CPA

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, as of and for the period ended June 30, 2015, 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, 2015, and the respective changes in financial position thereof for the period 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 7–12 and 29–30 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 Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by the State of Connecticut State Single Audit Act and is also not a required part of the basic 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 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 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, 2015, 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 5, 2015

NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS MANAGEMENT'S 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 period from inception, January 1, 2015, to June 30, 2015.

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.

FINANCIAL HIGHLIGHTS

- The assets of NVCOG exceeded its liabilities at the close of the most recent fiscal period by \$696,763 (net assets) of this amount, \$649,183 (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 \$653,239. 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'S 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 of 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 of the 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 14 and 15 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 of 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 21 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances, 10 of which are classified as major funds. Data from the other 14 governmental funds are combined

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

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 14 and 15 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 16 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 26 of this report.

Combining schedules and other supplementary information can be found starting on page 29 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 \$696,763 as of June 30, 2015 and is summarized as follows:

	Governmental Activities <u>2015</u>
Current and other assets	\$ 1,323,370
Capital assets, net	<u>47,580</u>
Total assets	<u>1,370,950</u>
Long-term liabilities	49,663
Other liabilities	<u>624,524</u>
Total liabilities	<u>674,187</u>
Net assets:	
Invested in capital assets, net	47,580
Unrestricted	<u>649,183</u>
Total net assets	<u>\$ 696,763</u>

As of June 30, 2015, 7.0% 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.

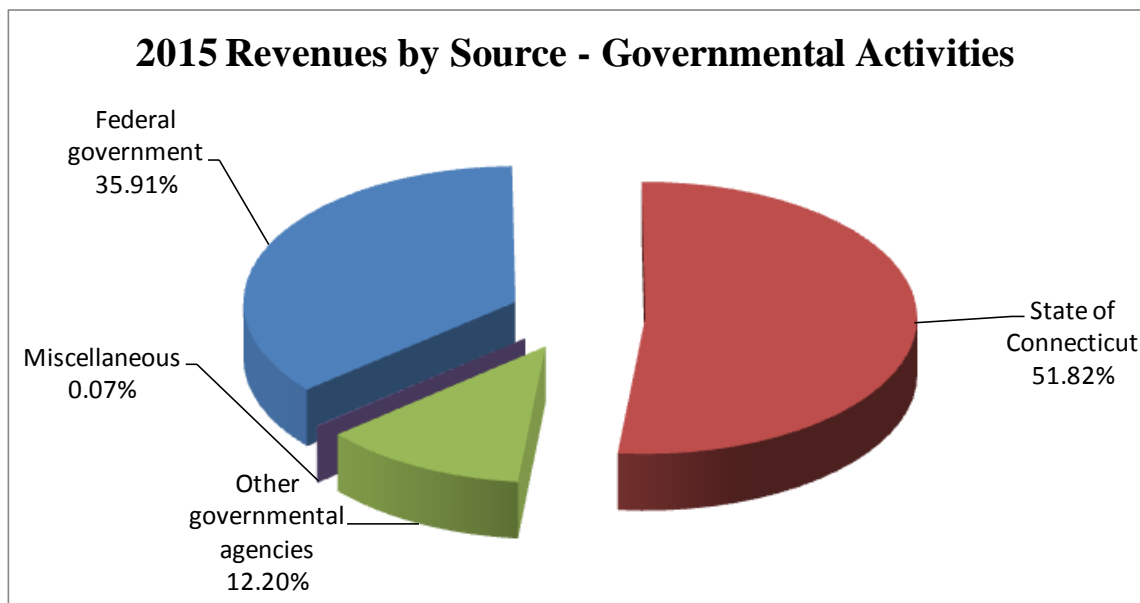
**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, 2015 are as follows:

	Governmental Activities
	2015
Revenues:	
Federal government	\$ 335,723
State of Connecticut	484,532
Other governmental agencies	114,065
Miscellaneous	659
Total revenues	934,979
Expenses:	
Direct salaries	277,539
Consultants - direct	61,827
Subrecipients - direct	186,723
Other - direct	107,813
Depreciation and amortization	19,548
Indirect	337,537
Total expenses	990,987
Decrease in net assets	(56,008)
Transfer of assets from VCOG and COGCNV	752,771
Net assets - ending	\$ 696,763



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

Governmental Activities

Governmental activities decreased NVCOG's net assets by \$56,008 thereby accounting 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. In particular, 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 \$653,239. 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 December 12, 2014 and then amended on January 16, 2015, with changes to PL Fund and LOTCIP funding the major changes.

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

CAPITAL ASSETS

NVCOG's investment in capital assets for its governmental activities as of June 30, 2015 totaled \$47,580 (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 transfer of assets from the merging entities.

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

	Governmental Activities
	<u>2015</u>
Office equipment	\$ 49,379
Computer equipment	84,693
Leasehold improvements	<u>29,380</u>
Totals	<u>\$ 163,452</u>

Additional information on NVCOG's capital assets can be found in Note 3 on page 21 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 2016.

During the current fiscal period, unassigned fund balance of the General Fund increased to \$653,239. NVCOG has not appropriated any of this unassigned fund balance for spending in the 2015 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
PERIOD ENDED JUNE 30, 2015**

Governmental Funds Balance Sheets														
General Fund	FHWA 4.21-12(14) COGCNV Fund	FHWA 4.21-20(14) VCOG Fund	10-27-01(14) Route 8 Fund	1.28-04(09) Route 34 Fund	EPA Assessment Fund	LOT/CIP Fund	3.18-02(15) WBS Fund	DOT P200360194PL State TOD Fund	Office of Policy & Management	Other Govern'l Funds	Total	Adjustments (Note 6)	Government-Government-Wide Statement of Activities	
ASSETS														
Cash and cash equivalents	\$ 558,580	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,299	\$ -	\$ 77,983	\$ 149,127	\$ 69,734	\$ 971,723	\$ -	\$ 971,723
Receivables:														
Due from State of Connecticut	-	32,791	51,303	88,700	57,723	-	-	37,559	-	-	27,001	295,077	-	295,077
Due from Federal	-	-	-	-	-	6,242	-	-	-	-	400	6,642	-	6,642
Due from others	17,880	-	-	-	-	-	-	-	-	-	14,382	32,262	-	32,262
Due from other funds	146,300	-	-	-	-	-	-	-	-	-	-	146,300	(146,300)	-
Other assets	17,666	-	-	-	-	-	-	-	-	-	-	17,666	-	17,666
Capital assets, net of accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	47,580	47,580
Total assets	\$ 740,426	\$ 32,791	\$ 51,303	\$ 88,700	\$ 57,723	\$ 6,242	\$ 116,299	\$ 37,559	\$ 77,983	\$ 149,127	\$ 111,517	\$ 1,469,670	\$ (98,720)	\$ 1,370,950
LIABILITIES														
Current liabilities:														
Accounts payable and Accrued expense	\$ 16,816	\$ -	\$ -	\$ 76,719	\$ 51,554	\$ -	\$ -	\$ 37,559	\$ 4,376	\$ -	\$ 11,467	\$ 198,491	\$ -	\$ 198,491
Due to other funds	-	32,791	51,303	11,948	6,169	6,242	-	-	-	-	37,847	146,300	(146,300)	-
Noncurrent liabilities:														
Due within one year - compensated absences	45,607	-	-	-	-	-	-	-	-	-	-	45,607	-	45,607
Due in more than one year - compensated absences	-	-	-	-	-	-	-	-	-	-	-	-	4,056	4,056
Total liabilities	62,423	32,791	51,303	88,667	57,723	6,242	-	37,559	4,376	-	49,314	390,398	(142,244)	248,154
DEFERRED INFLOWS														
Grant revenues	27,183	-	-	-	-	-	116,299	-	73,607	149,127	59,817	426,033	-	426,033
FUND BALANCES/NET ASSETS														
Fund balances:														
Unassigned	650,820	-	-	33	-	-	-	-	-	-	2,386	653,239	(653,239)	-
Total fund balances	650,820	-	-	33	-	-	-	-	-	-	2,386	653,239	(653,239)	-
Total liabilities and fund balances	\$ 740,426	\$ 32,791	\$ 51,303	\$ 88,700	\$ 57,723	\$ 6,242	\$ 116,299	\$ 37,559	\$ 77,983	\$ 149,127	\$ 111,517	\$ 1,469,670		
Net assets:														
Invested in capital assets, net of related debt													47,580	47,580
Unrestricted													649,183	649,183
													\$ 696,763	\$ 696,763

See notes to financial statements.

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
PERIOD ENDED JUNE 30, 2015**

**Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances**

	General Fund	FHWA 4.21-12(14) COGCNV Fund	FHWA 4.21-20(14) VCOG Fund	10-27-01(14) Route 8 Fund	1.28-04(09) Route 34 Fund	EPA Assesment Fund	LOT/CIP Fund	3.18-02(15) WBS Fund	DOT State TOD Fund	Office of Policy & Management	Other Govern'l Funds	Total	Adjust's (Note 6)	Govern't- Wide Statement of Activities
REVENUES														
Federal government	\$ -	\$ 78,215	98,717	\$ 41,120	\$ 79,927	\$ 21,713	\$ -	\$ -	\$ 4,354	\$ -	\$ 11,677	335,723	\$ -	\$ 335,723
State of Connecticut	-	9,554	12,340	-	-	-	18,937	88,416	25,914	300,977	28,394	484,532	-	484,532
Other governmental agencies	-	9,554	12,340	-	-	-	-	-	-	-	92,171	114,065	-	114,065
Miscellaneous	659	-	-	-	-	-	-	-	-	-	-	659	-	659
Total revenues	<u>659</u>	<u>97,323</u>	<u>123,397</u>	<u>41,120</u>	<u>79,927</u>	<u>21,713</u>	<u>18,937</u>	<u>88,416</u>	<u>30,268</u>	<u>300,977</u>	<u>132,242</u>	<u>934,979</u>	<u>-</u>	<u>934,979</u>
EXPENDITURES/EXPENSES														
Current:														
Direct costs:														
Salaries	-	45,335	58,029	4,673	4,482	10,232	7,872	-	14,277	98,772	33,867	277,539	-	277,539
Consultants	-	-	-	7,811	-	-	2,250	7,850	-	321	43,595	61,827	-	61,827
Subrecipients	-	188	-	23,346	70,282	-	-	80,566	-	-	12,341	186,723	-	186,723
Other	12,699	-	-	23	144	22	-	-	-	93,326	1,599	107,813	-	107,813
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-	-	19,548	19,548
Indirect	22,783	51,800	65,368	5,234	5,019	11,459	8,815	-	15,991	108,558	38,454	333,481	4,056	337,537
Total expenditures/expenses	<u>35,482</u>	<u>97,323</u>	<u>123,397</u>	<u>41,087</u>	<u>79,927</u>	<u>21,713</u>	<u>18,937</u>	<u>88,416</u>	<u>30,268</u>	<u>300,977</u>	<u>129,856</u>	<u>967,383</u>	<u>23,604</u>	<u>990,987</u>
Excess (deficiency) of revenues over expenditures	(34,823)	-	-	33	-	-	-	-	-	-	2,386	(32,404)	(23,604)	(56,008)
Excess of revenues and other financing sources over expenditures and other financing uses	(34,823)	-	-	33	-	-	-	-	-	-	2,386	(32,404)	<u>32,404</u>	-
Change in net assets	-	-	-	-	-	-	-	-	-	-	-	-	<u>\$ (56,008)</u>	(56,008)
Fund balances/net assets at inception	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer of assets from VCOG & COGCNV	685,643	-	-	-	-	-	-	-	-	-	-	685,643	-	752,771
Fund balances/net assets - end of year	<u>\$650,820</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,386</u>	<u>\$ 653,239</u>	<u>\$ -</u>	<u>\$ 696,763</u>

See notes to financial statements.

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015

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.*

FHWA 4.21-12(14) COGCNV Fund and 4.21-20(14) VCOG Fund - *This fund is used to account for revenues and expenditures incurred in providing comprehensive urban and rural transportation planning for its member municipalities.*

10-27-01(14) Route 8 Fund - *This fund is used to account for revenues and expenditures incurred in the development of contract plans, specifications and estimates for the Route 8 Corridor and Route 34.*

1.28-04(09) Route 34 Fund - *This fund is used to account for revenues and expenditures incurred in the development of contract plans and specifications and estimates for the reconstruction of Route 34*

EPA Assessment 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 ultimate goal of remediation and reuse.*

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.*

3.18-02(15) WBS Fund - *This fund is used to account for revenues and expenditures incurred concerning a Waterbury Bus Service and Operations and Needs Study*

DOT P200360194PL State TOD Fund - *This fund is used to account for revenues and expenditures incurred to thoroughly examine ways in which the region can foster redevelopment near the existing transit centers, by utilizing the existing transit infrastructure as well as identify strategies to better coordinate land use and transportation.*

Office of Policy and Management Fund - *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, 2015

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. There were no assessments levied for the period from inception, January 1, 2015, to June 30, 2015.

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, 2015

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

Unearned/Deferred Revenue

In the government-wide and fund financial statements, this liability represents resources that have been received but not yet earned. In the fund financial statements, this liability also represents revenues considered measurable but not available during the current period.

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, 2015, 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, 2015.

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, 2015.

NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

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, 2015.

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, 2015.

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, 2015.

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, 2015.

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, 2015**

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, 2015, NVCOG's bank balance of \$1,034,708 was uninsured by \$784,708 against loss.

All of the NVCOG's 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, 2015 consisted of cash deposits of \$971,723.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the period ended June 30, 2015 consisted of the following:

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Governmental Activities				
Capital assets, being depreciated:				
Office equipment	\$ -	\$ 49,379	\$ -	\$ 49,379
Computer equipment	-	84,693	-	84,693
Leasehold improvements	-	29,380	-	29,380
Total capital assets, being depreciated	<u>-</u>	<u>163,452</u>	<u>-</u>	<u>163,452</u>
Less accumulated depreciation and amortization :				
Total accumulated depreciation and amortization	<u>-</u>	<u>(115,872)</u>	<u>-</u>	<u>(115,872)</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>47,580</u>	<u>-</u>	<u>47,580</u>
Governmental activities capital assets, net	<u>\$ -</u>	<u>\$ 47,580</u>	<u>\$ -</u>	<u>\$ 47,580</u>

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

General government activities \$ 19,548

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2015 were as follows:

Receivable Fund	Payable Fund	Amount
Governmental Funds		
General Fund	FHWA 4.21-12(14) COGCNV Fund	\$ 32,791
General Fund	FHWA 4.21-20(14) VCOG Fund	51,303
General Fund	10-27-01(14) Route 8 Fund	11,948
General Fund	1.28-04(09) Route 34 Fund	6,169
General Fund	EPA Assesment Fund	6,242
General Fund	Other Governmental Funds	<u>37,847</u>
Total due from/to other funds		<u>\$ 146,300</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.

NOTE 5 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the period ended June 30, 2015:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Compensated absences	<u>\$ -</u>	<u>\$ 49,663</u>	<u>\$ -</u>	<u>\$ 49,663</u>	<u>\$ 45,607</u>

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015:

Compensated absences - current portion	\$	45,607
Capital assets, net used in governmental activities		47,580
Compensated absences - long term portion		4,056

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	\$	49,379
Computer equipment		84,693
Leasehold improvements		29,380
Less: accumulated depreciation and amortization		(115,872)
	<u>\$</u>	<u>47,580</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, 2015:

Depreciation and amortization expense	\$	19,548
Compensated absences, net change		4,056
	<u>\$</u>	<u>23,604</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, 2015

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 on a month-to-month basis. Rent expense amounted to \$20,916 for the period ended June 30, 2015.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events were evaluated through December 5, 2015, the date of the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
BUDGETARY COMPARISON SCHEDULE
GENERAL AND SPECIAL REVENUE FUNDS
PERIOD ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
REVENUES				
Federal	\$ 505,688	\$ 488,653	335,723	\$ (152,930)
State	546,664	609,606	484,532	(125,074)
Local	-	-	114,065	114,065
Other	-	-	659	659
Total revenues	1,052,352	1,098,259	934,979	(163,280)
EXPENDITURES				
Current:				
Salaries	466,038	483,726	428,856	(54,870)
Benefits	197,348	187,361	109,259	(78,102)
Merger expense	220,909	284,845	93,648	(191,197)
Advertising	1,500	2,500	-	(2,500)
Insurance	5,712	8,212	4,254	(3,958)
Lease expense	600	600	466	(134)
Computer expenses	7,000	11,000	12,699	1,699
Supplies	5,500	13,250	6,613	(6,637)
Dues, books, subscriptions	2,817	6,500	1,032	(5,468)
IT Maintenance	-	4,700	5,917	1,217
Maintenance and cleaning	2,490	4,990	3,370	(1,620)
Meetings	4,000	5,000	1,724	(3,276)
Professional services	12,750	10,000	4,258	(5,742)
Rent	38,325	38,325	20,450	(17,875)
Telephone/internet	5,000	5,000	6,603	1,603
Training	-	5,750	-	(5,750)
Travel	12,500	12,500	4,136	(8,364)
Utilities	10,000	10,000	4,572	(5,428)
Website development	2,500	2,500	2,500	-
Direct pass through	55,863	-	256,686	256,686
Miscellaneous	1,500	1,500	340	(1,160)
Total expenditures	1,052,352	1,098,259	967,383	(130,876)
Excess of expenditures over revenues	\$ -	\$ -	\$ (32,404)	\$ (32,404)

The accompanying notes are an integral part of this schedule of required supplemental information.

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE PERIOD ENDED JUNE 30, 2015**

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, 2015, expenditures exceeded appropriations for the following objects (the legal level of control):

Direct pass through	\$	256,686
Computer expenses		1,699
IT maintnace		1,217
Telephone/internet		1,603

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
FOR THE PERIOD ENDED JUNE 30, 2015**

	1.16-04(09)		EPA	FTA	Transit	DECD	Homeland	Homeland	Homeland	Homeland	GIS				Total
	CRCOG	Rt 67	RLF	Capital	Capital No		Security	Security	Security	Security	POCD	Shelton	HHW	NRG	Nonmajor
		Widening		Grants	2014-CAP-03		FY 12	FY 13	FY 14	CERT FY 15					Governmental
							Fund	Fund	Fund	Fund					Funds
ASSETS															
Cash	\$ -	\$ -	\$ -	\$ -	\$ 7,531	\$ 17,105	\$ 2,386	\$ 6,889	\$ 3,900	\$ (3,154)	\$ 6,513	\$ 1,265	\$ 2,299	\$ 25,000	\$ 69,734
Receivables:															
Due from State of Connecticut	-	2,895	-	19,717	-	4,389	-	-	-	-	-	-	-	-	27,001
Due from federal			400												400
Due from other funds	13,787	-	-	595	-	-	-	-	-	-	-	-	-	-	14,382
Total assets	<u>\$ 13,787</u>	<u>\$ 2,895</u>	<u>\$ 400</u>	<u>\$ 20,312</u>	<u>\$ 7,531</u>	<u>\$ 21,494</u>	<u>\$ 2,386</u>	<u>\$ 6,889</u>	<u>\$ 3,900</u>	<u>\$ (3,154)</u>	<u>\$ 6,513</u>	<u>\$ 1,265</u>	<u>\$ 2,299</u>	<u>\$ 25,000</u>	<u>\$ 111,517</u>
LIABILITIES AND FUND BALANCES															
Liabilities:															
Accounts payable	\$ -	\$ 1,931	\$ -	\$ -	\$ 7,531	\$ 2,005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,467
Due to other funds	13,787	964	400	20,312	-	2,384	-	-	-	-	-	-	-	-	37,847
Total liabilities	<u>13,787</u>	<u>2,895</u>	<u>400</u>	<u>20,312</u>	<u>7,531</u>	<u>4,389</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,314</u>
DEFERRED OUTFLOWS															
Grant revenues	-	-	-	-	-	17,105	-	6,889	3,900	(3,154)	6,513	1,265	2,299	25,000	59,817
Fund balances:															
Unassigned	-	-	-	-	-	-	2,386	-	-	-	-	-	-	-	2,386
Total liabilities and fund balances	<u>\$ 13,787</u>	<u>\$ 2,895</u>	<u>\$ 400</u>	<u>\$ 20,312</u>	<u>\$ 7,531</u>	<u>\$ 21,494</u>	<u>\$ 2,386</u>	<u>\$ 6,889</u>	<u>\$ 3,900</u>	<u>\$ (3,154)</u>	<u>\$ 6,513</u>	<u>\$ 1,265</u>	<u>\$ 2,299</u>	<u>\$ 25,000</u>	<u>\$ 111,517</u>

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE PERIOD ENDED JUNE 30, 2015**

	1.16-04(09) Rt 67		FTA Capital Grants	Transit Capital No 2014- CAP-03		Homeland Security FY 12 Fund	Homeland Security FY 13 Fund	Homeland Security CERT FY 15		GIS Shelton	HHW	Total Nonmajor Governmental Funds
	CRCOG	Widening	EPA RLF		DECD			POCD				
REVENUES												
Federal government	\$ -	\$ 5,825	\$ 2,714	\$ 3,138	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,677
State of Connecticut	-	-	219	749	7,531	10,980	3,100	2,661	3,154	-	-	28,394
Other governmental agencies	35,487	-	-	-	-	-	-	-	-	19,622	4,810	32,252
Total revenues	35,487	5,825	2,933	3,887	7,531	10,980	3,100	2,661	3,154	19,622	4,810	132,242
EXPENDITURES												
Current:												
Direct costs												
Salaries	16,632	1,168	1,231	1,658	-	4,096	202	1,218	1,580	2,912	-	33,867
Consultants	-	3,348	-	-	-	2,005	-	-	-	13,000	-	43,595
Subrecipients	-	-	-	-	7,531	-	-	-	-	-	4,810	12,341
Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Contingency	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	323	371	-	-	-	-	-	156	749	1,599
Indirect costs	18,855	1,309	1,379	1,858	-	4,879	512	1,443	1,574	3,554	-	38,454
Total expenditures	35,487	5,825	2,933	3,887	7,531	10,980	714	2,661	3,154	19,622	4,810	129,856
Excess/(deficiency) of revenues over expenditures	-	-	-	-	-	-	2,386	-	-	-	-	2,386
OTHER FINANCING SOURCES												
Transfers in/(out)	-	-	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	-	2,386	-	-	-	-	2,386
Fund balance - beginning of year	-	-	-	-	-	-	-	-	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,386	\$ -	\$ -	\$ -	\$ -	\$ 2,386

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
 FINANCIAL SUMMARY FOR THE STATE OF CONNECTICUT
 DEPARTMENT OF TRANSPORTATION
 FOR THE PERIOD ENDED JUNE 30, 2015**

	<u>COGCNV FHWA/FTA 4.21-12(14)</u>	<u>VCOG FHWA/FTA 4.21-20(14)</u>	<u>NVCOG FHWA/FTA Total</u>
Maximum Funds Authorized			
FHWA/FTA	\$ 538,676	\$ 207,126	\$ 745,802
ConnDOT	65,797	25,891	91,688
Local	65,797	25,891	91,688
	<u>\$ 670,270</u>	<u>\$ 258,908</u>	<u>\$ 929,178</u>
Audited Expenditures:			
Direct Costs:			
Salaries	\$ 45,335	\$ 58,029	\$ 103,364
Subrecipients	188	-	188
Indirect costs:	51,800	65,368	117,168
	<u>\$ 97,323</u>	<u>\$ 123,397</u>	<u>\$ 220,720</u>
Distribution of Audited Costs:			
FHWA/FTA	\$ 78,216	\$ 98,717	\$ 176,933
ConnDOT	9,554	12,340	21,893
Local	9,554	12,340	21,893
	<u>\$ 97,323</u>	<u>\$ 123,397</u>	<u>\$ 220,720</u>
ConnDOT responsibility:			
FHWA	\$ 77,858	\$ 98,675	\$ 176,533
ConnDOT	9,732	12,334	22,066
	87,591	111,009	198,600
Payments received through 6/30/15	54,800	59,706	114,506
Due from ConnDOT, 6/30/15	32,791	51,303	84,094
Payments received 7/1/15-11/1/15	32,791	51,303	84,094
Due from ConnDOT, 12/5/15	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

REPORT ON INTERNAL CONTROL



Ansonia
158 Main Street, Suite 301
Ansonia, Connecticut 06401
P: 203-732-2311

Killingworth
166 Route 81
Killingworth, Connecticut 06419
P: 860-663-0110

New Haven
900 Chapel Street, Suite 620
New Haven, Connecticut 06510
P: 203-773-0384

Westport
611 Riverside Avenue
Westport, Connecticut 06880
P: 877-839-7423

Principals
Francis H. Michaud Jr. CPA
John A. Accavallo CPA
Sandra M. Woodbridge CPA
Dominic L. Cusano MBA CPA
Darin L. Offerdahl MBA CPA

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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, 2015, 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, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 5, 2015

STATE OF CONNECTICUT SINGLE AUDIT



MAWC
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

Meriden
58 Main Street, Suite 301
Meriden, Connecticut 06401
P: 203-732-2311

Billingworth
66 Route 81
Billingworth, Connecticut 06419
P: 860-663-0110

New Haven
900 Chapel Street, Suite 620
New Haven, Connecticut 06510
P: 203-773-0384

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611 Riverside Avenue
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON SCHEDULE OF STATE FINANCIAL ASSISTANCE 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 period of inception, January 1, 2015, to June 30, 2015. 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, 2015.

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.

Purpose of this Report

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

Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Council, as of and for the period ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements. We issued our report thereon dated December 5, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of this Report

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 5, 2015

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
PERIOD ENDED JUNE 30, 2015**

<u>State Grantor/Pass-through Grantor/Program Title</u>	<u>State Grant Program Core - CT Number</u>	<u>Expenditures</u>
Office of Policy and Management State Grant In Aid	OPM20600	\$ <u>300,977</u>
Department of Economic Development Site Remediation	2001037002	<u>10,980</u>
Department of Homeland Security Passed Through the State of Connecticut Department of Emergency Management & Homeland Security:		
Homeland Security Regional Collaboration Program (2012)	97.067	3,100
Homeland Security Regional Collaboration Program (2013)	97.067	2,661
Citizen Corps/CERT	97.053	<u>3,154</u>
Total Department of Homeland Security		8,915
Department of Transportation		
Regional Transportation planning - VCOG	14DOT0315AA	12,340
Regional Transportation planning - COGCNV	14DOT0307AA	9,554
FTA Capital Grants		968
Planning and Implementation of Capital Projects	16DOT0103AA	7,531
Local Transportation Planning Improvement Program - VCOG	DOT01703275GR	18,937
Waterbury Bus Service Operations Needs Study	14DOT0324AA	88,416
Route 8 Corridor and Route 34	02DOT0061AA	<u>25,914</u>
Total Department of Transportation		<u>163,660</u>
Total Expenditures of State financial assistance		<u>\$ 484,532</u>

The accompanying notes are an integral part of this schedule of required supplemental information.

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE ASSISTANCE
PERIOD ENDED JUNE 30, 2015**

Various departments and agencies of the State of Connecticut have provided financial assistance to the Naugatuck Valley Council of Governments through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs of the Council.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Council conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations. The following is a summary of the more significant policies relating to the aforementioned grant programs.

BASIS OF ACCOUNTING

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

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

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

The schedule of expenditures of state financial assistance contained in this report is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain financial assistance is not dependent on expenditure activity or the achievement of performance goals and, accordingly, is considered expended in the fiscal year of receipt. These financial assistance 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 QUESTIONED COSTS
PERIOD ENDED JUNE 30, 2015**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements noted yes no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of report issued on compliance for major programs: Unmodified

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

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

<u>State Grantor and Program State</u>	<u>Core-CT Number</u>	<u>Expenditures</u>
Office of Policy and Management		
State Grant in Aid	OPM20600	\$300,977
Dollar threshold used to distinguish between type A and type B programs:		\$100,000

II. FINANCIAL STATEMENT FINDINGS

No findings were reported.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No findings were reported.

STATUS OF PRIOR YEAR FINDINGS

No prior year findings.

SCHEDULE OF BURDEN, FRINGE AND OVERHEAD (INDIRECT) COSTS



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Ansonia
158 Main Street, Suite 301
Ansonia, Connecticut 06401
P: 203-732-2311

Killingworth
166 Route 81
Killingworth, Connecticut 06419
P: 860-663-0110

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900 Chapel Street, Suite 620
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INDEPENDENT AUDITORS' REPORT

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

We have audited the Schedule of Burden, Fringe and Overhead (Indirect) Costs of the Naugatuck Valley Council of Governments for the period ended June 30, 2015. This schedule is the responsibility of the Naugatuck Valley Council of Governments management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying schedule was prepared on a basis of accounting practices prescribed by OMB Circular A-87, as discussed in Note 2, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the schedule referred to above presents fairly, in all material respects, the direct labor, fringe benefits and general overhead of the Naugatuck Valley Council of Governments for the period ended June 30, 2015 on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2015 on our consideration of the Naugatuck Valley Council of Governments internal control over financial reporting and its compliance with laws and regulations.

This report is intended for the information and use of the Board of Directors and management of the Naugatuck Valley Council of Governments and the State of Connecticut Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

Michaud Accavallo Woodbridge & Cusano, LLC

Killingworth, Connecticut
December 5, 2015

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
SCHEDULE OF BURDEN, FRINGE AND OVERHEAD (INDIRECT) COSTS
FOR THE PERIOD ENDED JUNE 30, 2015**

INDIRECT COSTS

Salaries	\$ 105,711
Compensated absences	45,607
Fringe benefits	109,259
Rent	20,916
Professional fees	12,675
Office expense	2,223
Insurance	4,253
Supplies	3,342
Printing	3,114
Dues, books and subscriptions	1,176
Computer maintenance	6,699
Utilities	4,717
Telephone	6,603
Repairs and maintenance	3,370
Travel	3,813
Total indirect costs	<u>\$ 333,478</u>
 TOTAL PAYROLL	 \$ 428,856
LESS: Compensated absences	45,607
LESS: Indirect payroll	<u>105,711</u>
Payroll base	<u>\$ 277,538</u>
 Overhead rate	 <u><u>120.16%</u></u>

**NAUGATUCK VALLEY COUNCIL OF GOVERNMENTS
NOTES TO SCHEDULE OF BURDEN, FRINGE AND OVERHEAD (INDIRECT) COSTS
FOR THE PERIOD ENDED JUNE 30, 2015**

NOTE 1 - DESCRIPTION OF ENTITY

Naugatuck Valley Council of Governments was established January 1, 2015 and organized under the laws of the State of Connecticut in accordance with General Statutes Sections 4-124i through 4-124p and Special Act No. 73-79 of the Connecticut General Assembly.

Naugatuck Valley Council of Governments is considered to be a legally separate organization under a joint venture agreement with the member municipalities. Naugatuck Valley Council of Governments has the right to enter into legal contracts and incur its own debt. Naugatuck Valley Council of Governments mission, as a regional council of governments, is to provide a centralized agency responsible for coordinating regional planning activities that benefit its members. Naugatuck Valley Council of Governments has the authority to apply for federal and state funds to further the activities and purpose of the agency.

Each member community appoints representatives to sit on the Naugatuck Valley Council of Governments Board of Directors. The Board is responsible for establishing and approving policies, resolutions and the annual budget. Member assessments are charged on a per capita basis and approved by the Board.

NOTE 2 - BASIS OF ACCOUNTING AND DESCRIPTION OF ACCOUNTING SYSTEMS

Naugatuck Valley Council of Governments policy is to prepare its Schedule of Burden, Fringe and Overhead (Indirect) Costs (the Schedule) on the basis of accounting practices prescribed by *Cost Principles for State, Local, and Indian Tribal Governments* (OMB Circular A-87). Accordingly, the Schedule is not intended to present the costs of the Naugatuck Valley Council of Governments in conformity with accounting principles generally accepted in the United States of America.

NOTE 3 - BASIS OF PRESENTATION

The Schedule presents indirect expenses and rate recalculation for the Naugatuck Valley Council of Governments for the period ended June 30, 2015.

Criteria used for determining allowable costs and the method of rate calculation are 2 CFR Part 225, *Cost Principles for State, Local, and Indian Tribal Governments* (OMB Circular A-87).