Naugatuck Valley Health District

Audited Financial Statements
June 30, 2026

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SINNAMON & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

NAUGATUCK VALLEY HEALTH DIST4RICT
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Independent Auditor's Report

To the Board of Directors of the
Naugatuck Valley Health District
98 Bank Street
Seymour, Connecticut 06483

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Naugatuck Valley Health District, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 District, as of June 30, 2026, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Naugatuck Valley Health District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Naugatuck Valley Health District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Naugatuck Valley Health District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Naugatuck Valley Health District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of Contributions to the Defined Benefit Pension Plan be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

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Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Naugatuck Valley Health District's basic financial statements. The general fund budgetary comparison detail schedules and the combining and individual nonmajor fund financial statements and other schedules are presented for purposes of additional analysis and are 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 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, the combining and individual nonmajor fund financial statements and other schedules 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 Governmental Auditing Standards, we have also issued our report dated November 11, 2026, on our consideration of the Naugatuck Valley Health District'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 solely 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 the effectiveness of the District's 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 the District's internal control over financial reporting and compliance.

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Sinnamon & Associates, LLC
Certified Public Accountants

November 11, 2026
Canaan Connecticut

The purpose of this MD&A is to provide management's perspective on the District's financial condition and to enhance the usefulness of the accompanying financial statements. It highlights significant financial results, explains material changes in net position and fund balances, discusses significant budgetary variances, and provides context for the District's capital and debt activities. It also addresses significant financial trends and economic factors that influenced the District's financial position and fiscal decisions during fiscal year 2026 and were therefore incorporated into next year's budget.

This report should be read in conjunction with the accompanying government-wide and fund financial statements, notes to the financial statements, required supplementary information, and other accompanying information. Together, these documents provide a comprehensive view of the District's financial condition and activities, as well as its stewardship of public resources.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's annual financial statements consist of the following primary components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to basic financial statements and (4) required supplementary information. This structure provides both a broad overview and a detailed, fund-specific view of the District's financial position.

Government-Wide Financial Statements

Government-wide financial statements provide readers with a long-term, broad perspective on the District's financial health. These statements are prepared using the accrual basis of accounting, similar to financial reporting used by private-sector entities.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred inflows and outflows of resources (if any), with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the District's overall financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. Revenues and expenses are recognized when earned or incurred, regardless of when the related cash transactions occur. This statement highlights the relative financial burden or benefit of each major program on the District's members. Government-wide financial statements report on the District's activities in the following category:

Government-wide financial statements report on the District's activities in the following categories:

Governmental Activities – These include the District's primary governmental functions, including community health. These activities are primarily supported by member government assessments, state and federal grants and permits and fees.

Fund Financial Statements

Fund financial statements are a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. These funds focus on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds are reported as governmental funds.

Governmental Funds
Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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 the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains several individual governmental funds for both accountability and transparency in financial reporting. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund. The District reports the Public Health Emergency Fund, the Capital Fund the ELC Grant Fund, and the Immunization Grant Fund as major funds. The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided in the required supplementary information section for the General Fund to demonstrate compliance with this budget.

Governmental fund statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances. A summary reconciliation of the fund and government-wide statements accompanies the fund financial statements.

Notes to the Financial Statements
The notes provide essential disclosures and details that are fundamental to understanding the financial statements. They include information on accounting policies, detailed schedules, capital assets, pension plans, long-term liabilities, budgetary compliance, and other key elements.

Required Supplementary Information (RSI)
Following the basic financial statements, RSI includes the District's proportional share of the Connecticut municipal employee retirement system net pension liability, and general fund budgetary comparison schedules and notes that further support the financial statements.

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FINANCIAL SUMMARY

The following financial highlights summarize the District's overall financial activity for the fiscal year ended June 30, 2026. These highlights reflect notable trends, material events, and significant factors influencing both government-wide and fund-level results.

- At the close of the fiscal year 2026, the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $1,409,402, representing an increase of $163,128 compared to the prior year. This increase in net position was the result of a general fund budget surplus for the year, net of the capital and other government-wide adjustments. Of the total net position, $716,667 is unrestricted and may be used to meet the District's ongoing obligations to its citizens and creditors.

- At the close of the fiscal year 2026, the District's governmental funds reported combined ending fund balances of $2,067,356 which is an increase of $189,357 compared to the prior year. The increase was the result of a general fund budget surplus for the year

- At the close of the fiscal year 2026, the General Fund reported total fund balance of $1,968,067, an increase of $186,585 compared to the prior year.

- At the close of the fiscal year 2026, the General Fund reported an unassigned fund balance of $1,968,067, an increase of $186,585 or 105% compared to the prior year. The unassigned fund balance represents 101% of the subsequent year's general fund budgeted expenditures and transfers, compared to $1,781,482 or 99.4% in the prior year.

- The District anticipates utilizing a portion of the unassigned fund balance in future years to supplement the financing for the renovation of its historic office at 98 Bank Street.

Government-Wide Financial Analysis

Government-wide financial analysis provides a comprehensive overview of the District's financial condition by examining changes in assets, liabilities, and net position. This analysis is based on the government-wide financial statements, which are prepared using the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred, regardless of when the related cash flows occur. The District's combined net position increased from a year ago. The analysis below focuses on the net position and changes in net of the District's governmental activities.

Net Position

The following table presents condensed information from the District's Statement of Net Position:

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	Governmental Activities	
	2026	2025
Assets		
Current and other assets	$ 2,446,204	$ 2,456,326
Capital assets, net of accumulated depreciation & amortization	692,735	725,669
Total Assets	3,138,939	3,181,995
Deferred outflows of resources	578,214	544,586
Liabilities		
Current liabilities	392,055	578,327
Long-term liabilities	1,717,362	1,764,311
Total Liabilities	2,109,417	2,342,638
Deferred inflows of resources	198,334	137,669
Net Position		
Net Investment in capital assets	692,735	725,669
Unrestricted	716,667	520,605
Total Net Position	$ 1,409,402	$ 1,246,274

Changes in Net Position
The following table presents condensed information from the Town's Statement of Activities:

	Governmental Activities	
	2026	2025
Revenues		
Program revenues	$ 1,363,107	$ 1,743,684
General Revenue	1,061,463	1,065,385
Total Revenues	2,424,570	2,809,069
Program Expenses	2,261,442	2,625,259
Change in net position	163,128	183,810
Net Position, beginning of year	1,246,274	1,062,464
Net Position, end of year	$ 1,409,402	$ 1,246,274

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DETAILED ANALYSES

Major revenue factors include:

- Total revenue exceeded final budgeted amounts by $57,885 due to higher than anticipated interest earnings and fees and permits, which offset a state budget cut to the per capita grant.

Major expense factors include:

- Total expenditures were lower than final budgeted amounts by $128,700 due to savings in salaries, wages and benefits which offset higher costs for property maintenance and repairs.

Other factors affecting the change in net position include

- The change in net position is also impacted by the presentation of capital assets acquired net of depreciation which is different in presentation from the fund financial statements.

Fund financial statements provide detailed information about the District's major funds, emphasizing current financial resources, budgetary compliance, and short-term fiscal accountability. This perspective differs from the government-wide financial analysis, which focuses on the District's overall financial position and long-term economic resources. The following discussion examines the financial performance of the District's governmental funds for the fiscal year ended June 30, 2026.

The District reports several major funds individually in the governmental fund financial statements. At the end of the fiscal year 2026, the District's governmental funds reported combined ending fund balances of $2,067,356, an increase of $189,357 in comparison with the prior year.

The capital fund committed fund balance of $95,965 represents amounts that may only be used for the purpose specified unless the District removes or changes the purpose by taking the same action that was used to establish the commitment. The assigned fund balance of $3,324 represents grant fund balance which is assigned for the grants purpose in future years.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2026, amounts to $692,735 (net of accumulated depreciation). This investment in capital assets includes land and buildings, equipment and furniture.

The table below provides detailed information on capital assets by category.

	Governmental Activities	
	6/30/2026	6/30/2025
Leasehold improvements	$ 589,011	$ 627,515
Equipment	507	2,165
Construction in process	103,217	95,989
Total	$ 692,735	$ 725,669

Long-Term Debt

At the end of the current fiscal year, the District had outstanding debt of $197,500 related to governmental activities as follows.

	Governmental Activities	
	6/30/2026	6/30/2025
Net pension obligation	$ 1,690,947	$ 1,729,782
Compensated absences	39,622	34,529
Total	$ 1,730,569	$ 1,764,311

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CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The District's elected and appointed officials considered many factors when setting the fee schedule for the fiscal year 2025/26. These factors consisted basically of certain economic factors and anticipated operating grants and contributions from the participating municipalities.

Budgeted general fund revenues for the 2026/2027 fiscal year are $1,952,099, an increase of 5.5% over the actual amount of $1,849,917 from 2025/2026.

Budgeted general fund expenditures for the 2026/2027 fiscal year are $1,952,099, an increase of 17.4% over the actual amount of $1,663,332 from 2025/2026.

In December of 2023, the District purchased the property at 98 Bank Street from the Town of Seymour for $345,000. Total costs associated with the purchase including inspection fees and other closing costs were $354,085.

The Naugatuck Valley Health District (NVHD) worked with its architects and engineers to advance schematic design and begin design development for the renovation of its historic office at 98 Bank Street. As design progressed, recurring mechanical failures, primarily in the HVAC system, resulted in significant costs, and inclement winter weather added groundskeeping expenses that milder winters had spared the District in recent years. In anticipation of funding the majority of the multimillion-dollar renovation, NVHD continued to build reserves and used grant funding to offset eligible personnel costs, helping preserve District resources for the project.

As of June 30, 2026, the District has expended a cumulative total of $103,217 in architectural and design fees towards renovation of the building which is shown as construction in progress in the government wide financial statements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview for those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the management of the Naugatuck Valley Health District, 98 Bank Street, Seymour, Connecticut 06483.

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NAUGATUCK VALLEY HEALTH DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2026

	Governmental Activities
Current Assets	
Cash and cash equivalents	$ 65,548
Investments	2,297,976
Grants and Accounts Receivable	82,680
Total Current Assets	2,446,204
Non Current Assets	
Capital assets not being depreciated	103,217
Capital Assets, net of accumulated depreciation	589,518
Total Non Current Assets	692,735
Total Assets	3,138,939
Deferred outflows of resources	
Deferred outflows related to pensions	578,214
Liabilities	
Current Liabilities	
Accounts Payable	34,816
Accrued Expenses	15,497
Compensated Absences - current	13,207
Unearned Revenue	328,535
Total Current Liabilities	392,055
Non Current Liabilities	
Compensated Absences	26,415
Net Pension Liability	1,690,947
Total Non Current Liabilities	1,717,362
Total Liabilities	2,109,417
Deferred inflows of resources	
Deferred inflows related to pensions	198,334
Deferred Inflows of Resources	-
Total deferred inflows of resources	198,334
Net Position	
Net Investment in Capital Assets	692,735
Unrestricted	716,667
Total Net Position	$ 1,409,402

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The accompanying notes are an integral part of these financial statements

NAUGATUCK VALLEY HEALTH DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2026

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets Governmental Activities
Governmental Activities				
General Public Health	$ (1,686,789)	$ 487,677	$ 300,777	$ (898,335)
Emergency Preparedness	(71,916)	-	71,916	-
ELC Grant Program	(150,652)	-	150,652	-
Immunization Programs	(99,345)	-	99,345	-
Other Grant Programs	(252,740)	-	252,740	-
Total Governmental Activities	(2,261,442)	487,677	875,430	(898,335)
Total Primary Government	$ (2,261,442)	$ 487,677	$ 875,430	(898,335)
General Revenues:				
Unrestricted Grants and Support				976,881
Unrestricted investment earnings				84,582
Total General Revenues				1,061,463
Change in net position				163,128
Net position beginning of year				1,246,274
Net position end of year				$ 1,409,402

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The accompanying notes are an integral part of these financial statements

NAUGATUCK VALLEY HEALTH DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2026

	General Fund	Public Health Emergency Preparedness	Capital Reserve	ELC Grant Fund	Immunization Fund	Other Funds	Total
Assets							
Cash and Cash Equivalents	$ 65,548	$ -	$ -	$ -	$ -	$ -	$ 65,548
Investments	2,297,976	-	-	-	-	-	2,297,976
Grants and Accounts Receivable	-	42,338	-	-	22,085	18,257	82,680
Due From Other Funds	82,680	-	95,965	-	-	331,859	510,504
Total Assets	$ 2,446,204	$ 42,338	$ 95,965	$ -	$ 22,085	$ 350,116	$ 2,956,708
Liabilities and Fund Balances							
Liabilities							
Accounts Payable	$ 34,816	$ -	$ -	$ -	$ -	-	$ 34,816
Accrued Expenses	15,497	-	-	-	-	-	15,497
Unearned Revenue	-	-	-	-	-	328,535	328,535
Due To Other Funds	427,824	42,338		-	22,085	18,257	510,504
Total Liabilities	478,137	42,338	-	-	22,085	346,792	889,352
Fund Balance							
Assigned	-	-	95,965	-	-	3,324	99,289
Unassigned	1,968,067	-	-	-	-	-	1,968,067
Total Fund Balance	1,968,067	-	95,965	-	-	3,324	2,067,356
Total Liabilities and Fund Balances	$ 2,446,204	$ 42,338	$ 95,965	$ -	$ 22,085	$ 350,116	$ 2,956,708

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NAUGATUCK VALLEY HEALTH DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2026

Total fund balances for governmental funds	$ 2,067,356
Total net position reported for governmental activities in the statement of net position is different because of the following:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	692,735
Other long-term assets and deferred outflows are not available to pay for period expenditures and therefore are unavailable in the funds	
Deferred outflows related to pensions	578,214
Long-term liabilities and certain deferred inflows are not due and payable in the current period and therefore are not reported in the funds	
Leases payable	-
Net pension liability	(1,690,947)
Deferred inflows related to pensions	(198,334)
Compensated Absences	(26,415)
Net position of governmental activities	$ 1,422,609

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The accompanying notes are an integral part of these financial statements

NAUGATUCK VALLEY HEALTH DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED
JUNE 30, 2026

	General Fund	Public Health Emergency Preparedness	Capital Reserve	ELC Grant Fund	Immunization Fund	Other Funds	Total
Revenue:							
Federal Revenue	$ -	$ -	$ -	$ 150,652	$ 99,345	$ 144,527	$ 394,524
State Revenue	300,777	-	-	-	-	-	300,777
Local Revenue	976,881	-	-	-	-	108,213	1,085,094
Other Revenue	487,677	71,916	-	-	-	-	559,593
Interest Income	84,582	-	-	-	-	-	84,582
Total Revenue	1,849,917	71,916	-	150,652	99,345	252,740	2,424,570
Expenditures:							
Personnel Salaries and Wages	964,623	54,590	-	56,502	63,190	119,995	1,258,900
Employee Benefits	378,146	16,731	-	12,541	34,965	34,670	477,053
Professional Fees	26,082	-	-	-	-	-	26,082
Insurance	19,825	-	-	-	-	-	19,825
Occupancy/Operational Expenditures	223,401	344	-	15,253	1,190	-	240,188
Community Health	31,447	-	-	-	-	-	31,447
Field Supplies	1,408	251	-	5,562	-	15,454	22,675
Conferences and Training	-	-	-	-	-	24,177	24,177
Accreditation	8,400	-	-	-	-	-	8,400
Contract and Program Expenses	-	-	-	60,794	-	58,444	119,238
Capital Expenses	-	-	7,228	-	-	-	7,228
Total Expenditures	1,653,332	71,916	7,228	150,652	99,345	252,740	2,235,213
EXCESS (DEFICIT) OF REVENUE	196,585	-	(7,228)	-	-	-	189,357
Other Financing Sources (Uses)							
Transfers In	-	-	10,000	-	-	-	10,000
Transfers Out	(10,000)	-	-	-	-	-	(10,000)
Total Other Financing Sources (Uses)	(10,000)	-	10,000	-	-	-	-
Net Change in fund Balance	186,585	-	2,772	-	-	-	189,357
Fund Balance Beginning of Year	1,781,482	-	93,193	-	-	3,324	1,877,999
Fund Balance End of Year	$ 1,968,067	$ -	$ 95,965	$ -	$ -	$ 3,324	$ 2,067,356

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The accompanying notes are an integral part of these financial statements

NAUGATUCK VALLEY HEALTH DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2026

Net change in fund balances for governmental funds		$ 189,357
Total change in net position reported for governmental activities in the statement of activities is different because of the following:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation differed from capital outlays in the current period is as follows:		
Expenditures for capital assets	7,228	
Depreciation expense	(40,162)	
Net adjustment	(32,934)	(32,934)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		
Pension changes		11,798
Change in Accrued Compensated Absences		(5,093)
Change in net position of governmental activities		$ 163,128

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The accompanying notes are an integral part of these financial statements

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Reporting Entity

The Naugatuck Valley Health District (the District), formerly named the Lower Naugatuck Valley District was established in accordance with provisions of Section 19a-241 (formerly Section 19-106) of the Connecticut General Statutes on August 1, 1972. The District is governed by a Board of Directors comprised of representatives from the towns of Ansonia, Derby, Seymour, Shelton, Beacon Falls and Naugatuck.

The purpose of the District is to preserve and improve the status of public health in the Naugatuck Valley by upholding and enforcing the Public Health Code of the State of Connecticut and such other ordinances and regulations that have been adopted by the Board of Directors. The District works with other providers of Valley health services to better coordinate existing programs and to plan and implement new public health programs.

In evaluating how to define the District for financial reporting purposes, management has considered various criteria related to the entity's legal formation, oversight responsibility, designation of management and financial interdependency. Based on the criteria review, the District considers itself to be a joint venture with its municipal members and not a component unit.

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Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. Governmental activities are supported by member municipalities and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are presented as general revenues of the District.

Fund Financial Statements

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues and expenditures as applicable. Fund accounting segregates funds according to their intended purposes and is used to aid management in demonstrating compliance with financial and related legal and contractual provisions.

Funds are defined as major or non-major in the basic financial statements according to GASB reporting standards, which categorize funds based on relative size and materiality. Major governmental funds are reported are separate columns in the fund financial statements. The District maintains the following major governmental funds:

General Fund - the primary operating fund of the District. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund.

Public Health Emergency Preparedness – this fund is used to account for federal grant funds flowed through the Torrington Area Health District for this purpose.

Capital Reserve Fund – this fund is used to account for financial resources that are assigned to be use for the acquisition of land, buildings and other significant capital improvements or additions.

ELC Grant Fund – this fund is used to account for federal grant funds flowed through the Connecticut State Department of Public Health for the purpose of administering this grant program. This fund was closed during the fiscal year ended June 30, 2026.

Immunization Fund – this fund is used to account for federal grant funds flowed through the Connecticut State Department of Public Health for the purpose of administering immunization programs in the District.

Measurement Focus Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Town revenues are recognized as revenues in the year for which they are assessed. 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 both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Charges for services, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the District.

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Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The District classifies all highly liquid investments having original maturities of three months or less to be cash equivalents. State statutes authorize the District to invest in obligations of the U.S Treasury, commercial paper, corporate bonds, repurchase agreements, and certain other investments.

Investments

Investments are stated at fair value using quoted market prices and consist of funds deposited in the State Treasurer's Short-term Investment Fund (STIF) which are classified as investments for reporting purposes.

Capital Assets

Capital assets, which include furniture and equipment and leasehold improvements, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Furniture and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Furniture and Equipment	5 – 7 years
Leasehold Improvements	30 years

Unearned Revenue

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the government-wide and fund financial statements, unearned revenues consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met.

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Compensated Absences

A limited amount of vacation earned may be accumulated by employees until termination of their employment, at which time they are paid for accumulated vacation. Sick leave may be accumulated by employees in accordance with personnel policies but may not be collected at termination of employment.

Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for amounts expected to be paid with available resources.

Interfund Receivables, Payables, and Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "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). Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources related to pensions for contributions made by the District after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources related to pensions for the net difference between projected and actual earnings of the plan investments. This deferred inflow will be amortized over a five-year period.

Fund Equity and Net Position

Equity in the government-wide financial statements is defined as “net position” and is classified in the following categories:

> *Net Investment in Capital Assets* - this category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.
>
> *Restricted Net Position* - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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Unrestricted Net Position - This category represents the net position of the District, which are not restricted for any project or other purpose.

The District has adopted the provisions of Governmental Accounting Standards Board Statement #54 (GASB 54), which defines the different types of fund balances that the District must use for its governmental funds. GASB 54 requires the fund balances to be properly reported within one of the following categories for financial reporting purposes.

Nonspendable Fund Balance – includes amounts that are not in spendable form or amounts that must be maintained intact legally or contractually. The criteria include items that are not expected to be converted to cash such as inventories, prepaid amounts and long-term receivables.

Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resource providers or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the District's highest level of decision-making authority. Commitments may be changed or lifted only by the same group taking the same formal action that imposed the constraint originally.

Assigned Fund Balance – includes amounts intended to be used by the District for specific purposes that do not meet the criteria to be classified as restricted or committed.

Unassigned Fund Balance – includes the general fund balance amount that is not classified as nonspendable, restricted, committed or assigned.

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The District's policy is to apply expenditures against the applicable fund balances in the order of restricted, committed, assigned, and unassigned.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

The District adopts an annual operating budget, which can be amended by the District throughout the year. Formal budgetary accounting is employed as a management control for the General Fund.

The annual budget is prepared by April and a public hearing is held prior to May 31 following a two week public notice. Notice of anticipated per capita cost is presented to member towns. The general fund budget is prepared on the modified accrual basis of accounting.

The District's primary funding sources are member government assessments, state grants, and permits and fees. Because the opportunity to provide services under additional grants may arise during the year, and because the number of permits issued and fees collected varies from year to year, the annual budget is subject to change.

The Board of Directors formally approves the budget, but greater emphasis is placed on complying with individual grant budgets, terms and conditions. These terms and conditions usually specify the period during which costs may be incurred and outline budget restrictions and allowances.

A reconciliation of general fund amounts presented on the budgetary basis to amounts presented in conformity with accounting principles generally accepted in the United States of America is as follows:

	Revenues	Expenditures
Total Budgetary Basis - Non GAAP	$ 1,849,917	$ 1,663,332
Interfund Transfers reported on Non-GAAP statements as revenues and expenditures. Transfer to capital reserve	-	(10,000)
Total GAAP Basis	$ 1,849,917	$ 1,653,332

NOTE 3 – CASH DEPOSITS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository'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 reports, 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. All of the District's deposits were in qualified public institutions as defined by state statute.

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Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District 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. The District does not have a deposit policy for custodial credit risk. As of June 30, 2026, $0 of the District's bank balance of $94,623 was exposed to custodial credit risk.

The level of the District's deposits varied significantly throughout the year as a result of higher cash flows during certain periods of the year. As a result, uninsured, uncollateralized amounts at those times were substantially higher than at year-end.

Concentrations of Credit Risk

The District does not have a policy that limits the amounts invested in any one issuer. At June 30, 2026, the District had all of its cash deposits in financial institutions located in the State of Connecticut. The District has not experienced any losses on such accounts.

NOTE 4 – INVESTMENTS

Investments are stated at fair value using quoted market prices and consist of funds deposited in the State Treasurer's Short-term Investment Fund (STIF) which are classified as investments for reporting purposes. The balance at June 30, 2026 was $2,297,976.

Interest Rate Risk

Interest rate risk is the risk that the District will incur losses in fair value caused by changing interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The District does not have a formal credit risk policy other than restrictions to obligations allowable under the Connecticut General Statutes. The District's investments subject to credit risk had an average rating by Standard & Poor's as follows: State of Connecticut Short-term Investment Fund (STIF) AAAm.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk. The District's investments are held in State Treasurer's Short-term Investment Fund (STIF) and are not subject to custodial credit risk.

Fair Value Measurements

Fair Value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as of the measurement date. Authoritative guidance establishes a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (also referred to as observable inputs). The District classifies its assets and liabilities measured at fair value into Level 1 (securities valued using quoted prices from active markets for identical assets). Level 2 (securities not traded on an active market for which inputs are observable, either directly or indirectly), and Level 3 (securities valued based on unobservable inputs). Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The District's investments are measured on a recurring basis using level 1 information (market quotations for investments that have quoted prices in active markets). The District has no financial assets measured using Level 2 or Level 3 at June 30, 2026.

NOTE 5 – RECEIVABLES

Receivables at June 30, 2026 for individual major funds and all other funds in the aggregate, including any applicable allowance for collection losses, are as follows:

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	Emergency Preparedness Fund	Immunization Fund	Other Funds	Total
Emergency preparedness grant	$ 42,338	$ -	$ -	$ 42,338
Immunization Fund	-	22,085		22,085
Block Grant Fund	-	-	3,558	3,558
OD2A Grant Fund	-	-	14,699	14,699
EPA Air Quality Fund	-	-	-	-
Total Receivables	$ 42,338	$ 22,085	$ 18,257	$ 82,680

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund transfers is presented as follows:

	Transfers In	Transfers Out
General Fund	$ -	$ 10,000
Capital Reserve Fund	10,000	-
Total	$ 10,000	$ 10,000

As of June 30, 2026, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due From Other Funds	Due To Other Funds
General Fund	$ 82,680	$ 427,824
Public Health Emergency Preparedness	-	42,338
Capital Reserve	95,965	-
Immunization Fund	-	22,085
Block Grant Fund	-	3,558
Lead Fund	3,324	-
OD2A Grant Fund	-	14,699
Lead ARPA Fund	71,380	-
VECR Valley Early Childhood Regional Coalition	5,094	-
Workforce Development Fund	189,463	-
VCF Fiduciary Fund	552	-
EPA Air Quality Fund	7,719	-
ORA NACCHO	4,195	-
NACCHO Rise	7,943	-
ADOPS Academic Detailing Opioids Safety	42,189	-
Total	$ 510,504	$ 510,504

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NOTE 7 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2026 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Construction in progress	$ 95,989	$ 95,989	$ -	$ 191,978
Total capital assets not being depreciated	95,989	95,989	-	191,978
Capital assets being depreciated				
Building and improvements	1,238,398	-	-	1,238,398
Furniture	36,916	-	-	36,916
Equipment	57,046	-	-	57,046
Total capital assets being depreciated	1,332,360	-	-	1,332,360
Less accumulated depreciation				
Building and improvements	610,883	38,504	-	649,387
Furniture	36,916	-	-	36,916
Equipment	54,881	1,658	-	56,539
Total accumulated depreciation	702,680	40,162	-	742,842
Total capital assets being depreciated net	629,680	(40,162)	-	589,518
Total capital assets, Net	$ 725,669	$ 55,827	$ -	$ 781,496

Depreciation expenses was charged to functions and programs of the primary government as follows:

Governmental Activities	
General Public Health	$ 40,162

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NOTE 8 – LONG-TERM DEBT

Changes in long-term debt for the year were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Net pension obligation	$ 1,729,782	$ -	$ 38,835	$ 1,690,947	$ -
Compensated absences	34,529	5,093	-	39,622	13,207
	$ 1,764,311	$ 5,093	$ 38,835	$ 1,730,569	$ 13,207

NOTE 9 - POST EMPLOYMENT AND HEALTHCARE BENEFITS

The District does not provide post-employment healthcare benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the act, and no direct costs are incurred by the District.

NOTE 10 - ACCOUNTING CHANGES

Change in Accounting Principle

Implementation of New Accounting Standard

For the fiscal year ending June 30, 2026, the District implemented GASBS Nos. 103, *Financial Reporting Model Improvements and* GASB Statement No. 104, *Disclosure of Certain Capital Assets.* These standards did not have a financial impact on the District's net financial position. GASB No. 103 provided guidance for changes in financial reporting in several areas, including modifications for reporting unusual or infrequent items, reporting major discretely presented component units, management's discussion and analysis, and budgetary reporting. GASB No. 104 requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34.

NOTE 11 – EMPLOYEE RETIREMENT PLANS

Deferred Compensation Plan

The District offers a Deferred Compensation Plan in accordance with internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary. This deferred compensation is not available to employees until termination, retirement or emergencies specified under the code. The assets of the plan are held by the sponsor in accounts which are in the name of the respective employee.

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Municipal Employees Retirement System (MERS)

Plan Description

The District is a member of the Connecticut Municipal Employees Retirement System (CMERS) which is the public pension plan offered by the State of Connecticut for municipal employees in participating municipalities. The plan was established in 1947 and is governed by Connecticut Statute Title 7, Chapter 113. CMERS is a cost-sharing defined benefit pension plan administered by the Connecticut State Retirement Commission. The Connecticut State Retirement Commission is responsible for the administration of CMERS. The State Treasurer is responsible for investing CMERS funds for the exclusive benefit of CMERS members.

Municipalities may designate which departments (including elective officers if so specified) are to be covered under the Connecticut Municipal Employees Retirement System (CMERS). This designation may be the result of collective bargaining. Only employees covered under the State Teachers' Retirement System may not be included. There are no minimum age or service requirements. Membership is mandatory for all regular full-time employees of participating departments except Police and Fire hired after age 60.

The plan has four sub plans as follows:

- General employees with social security
- General employees without social security
- Policemen and firemen with social security
- Policemen and firemen without social security

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Benefit Provisions

The plan provides retirement, disability, and death benefits as defined in the Statutes.

General Employees

Employees are eligible to retire at age 55 with 5 years of continuous active service, or 15 years of active non-continuous service. Employees under the age of 55 are eligible to retire with 25 years of service.

Police Officers and Firefighters

Compulsory retirement age for police and fire members is age 65.

Normal Retirement- For members not covered by social security, the benefit is 2% of average final compensation time years of service.

For members covered by social security, the benefit is 1.5 of the average final compensation not in excess of the year's breakpoint plus 2% of average final compensation in excess of the year's breakpoint, times years of service.

The maximum benefit is both 100% of average final compensation and the minimum benefit is $1,000 annually. Both the minimum and the maximum include workers' compensation and social security benefits.

If any member covered by social security retires before age 62, the benefit until age 62 is reached or a social security disability award is received, is computed as if the member is not under social security.

Early Retirement- Employees are eligible after 5 years of continuous service or 15 years of active aggregate service. The benefit is calculated on the basis of average final compensation and service to date of termination. Deferred to normal retirement age or an actuarially reduced allowance may begin at the time of separation.

Disability Retirement- Employees are eligible for service-related disability benefits from being permanently or totally disabled from engaging in the service of the municipality provided such disability has arisen out of and in the course of employment with the municipality. Disability due to hypertension or heart disease, in the case of police officers and firefighters, who began employment prior to July 1, 1996, is presumed to have been suffered in the line of duty. Disability benefits are calculated based on compensation and service to the date of the disability with a minimum benefit of 50% of compensation at the time of disability.

Employees are eligible for nonservice-related disability benefits with 10 years of service and being permanently or totally disabled form engaging in gainful employment in the service of the municipality. Disability benefits are calculated based on compensation and service to the date of the disability.

Pre-Retirement Death Benefit: The plan also offers a lump-sum return of contributions with interest or if vested and married, the surviving spouse will receive a lifetime benefit.

On June 7, 2023, House Bill 6930, an Act Concerning the Development of Best Practices for Governance Structures of Municipal Retirement Plans, was passed by the Connecticut Legislature on. The following is a summarization of future changes in benefit provisions.

- A five-year phase-out of the Cost-Of-Living-Adjustment (COLA) floor from the existing 2.5% to 0%, which reduces the floor by 0.5% each year for future retirees, beginning July 1, 2025, reducing to 0% on July 1, 2029. Subject to the COLA floors outlined above, for years in which inflation (as measured by the CPI-W) increases by 2% or less, the MERS COLA will track inflation directly. For those years in which inflation increases by 2% or more, the COLA will be 60% of the inflation rate up to 6.0%, and 75% of the inflation rate in excess of 6.0% with a maximum COLA of 7.5%.

- Beginning July 1, 2025, the benefit formula multiplier will increase to 2.2% (1.7% for Social Security covered eligible participants) based on the following eligibility:

    - General Employees: Beginning for service at age 60 with at least 30 years of service.

    - Police and Fire: Beginning for service at age 55 with at least 27 years of service.

    - Beginning July 1, 2025, a Deferred Retirement Option Plan (DROP), capped at five years of participation in the program, will be offered based on the following eligibility:

    - General Employees: at age 60 with 30 years of service OR at age 62 with five (5) years of service.

    - Police and Fire: at age 55 with 25 years of service; at age 57 with five (5) years of service; or at any age with 30 years of service.

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- Upon entering DROP, the member contribution rate is reduced to half. After 24 months of DROP participation, the member contribution rate is reduced to 0%.

- Beginning annually at the 2nd anniversary of the member's DROP entry, the DROP account is credited with interest at a not to exceed 4%. Interest is also credited at the 3rd, 4th, and 5th anniversary date of DROP entry.

- Pension amount will not increase with annual COLAs while participating in DROP. Once member exits DROP, future COLAs will be determined based on the provisions in effect at the time the member entered the DROP.

Contributions

Contributions are established by the Statutes as follows:

Employer: Participating municipalities make annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment which covers the liabilities of the system not met by member contributions. There is also an annual administrative fee per active & retired member.

Employees: Employees not covered by social security are required to contribute 6.0% of compensation. Employees covered by social security are required to contribute 3.25% of compensation up to the social security taxable wage base plus 6.0% of compensation, if any, in excess of such base.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions and pension expense, information about the fiduciary net position of CMERS and additions and deletions from CMERS' net position are prepared on the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Investment policy:

The CMERS' policy in regard to the allocation of invested assets is established and may be amended by the State Retirement Commission. It is the policy of the State to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The State Treasurer is responsible for investing CMERS funds for the exclusive benefit of CMERS members.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related To Pensions

The total estimated collective net pension liability of the CMERS as of June 30, 2025 was $1,247,772,954, the most recent available reporting provided by the Board. The collective net pension liability of the CMERS sub plan for general employees with social security was $397,423,819 as of June 30, 2025. The portion that was associated with the District totaled $1,690,947 or approximately .425477% of the total estimated net pension liability vs. .412559% in the prior year. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2025.

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For the Year ended June 30, 2026, the District recognized its total proportional share of the collective pension expenses of approximately $233,165. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description of Outflows/Inflows	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 150,573	$ 124,554
Changes in proportion and differences between employer contributions and proportionate share of contributions	100,732	73,780
Change of Assumptions	93,744	
Net differences between projected and actual earnings on plan investments	-	-
District contributions subsequent to measurement date	233,165	-
Total	$ 578,214	$ 198,334
Net amount of deferred inflow and outflow excluding District contributions subsequent to measurement date	$ 146,715	

The $233,165 amount reported as deferred inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. The other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	
2026	$ 180,478
2027	(21,886)
2028	(17,416)
2029	1,321
2030	4,218
Total	$ 146,715

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2025, using the following actuarial assumptions, applied to all periods included in the measurement period:

- Inflation - 2.5%
- Long- Term Investment Rate of Return, net of pension plan investment expense, including inflation – 7.00%
- Salary increase - 3.00 -9.50%, including inflation
- Mortality rates - The Pub-2010 Mortality Tables set-forward one year (except Active Employees) are projected generationally with scale MP-2021.

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- Future Cost-of-Living Annually compounded increases are applied to disabled and nondisabled retirement benefits and vary based upon member age and date of retirement. For members that retired prior to January 1, 2002, increases of 3.25% are assumed for those who have reached age 65 and (effective January 1, 2002) increases of 2.50% are assumed for those who have not yet reached age 65. For members that retire after December 31, 2001, increases of 2.55% are assumed, regardless of age. For members retiring between July 1, 2025 and June 30, 2026, the COLA assumption is 2.5%. The COLA assumption is reduced to 2.3% for members retiring between July 1, 2026 and June 30, 2027; 2.1% for members retiring between July 1, 2027 and June 30, 2028; and 2.0% for members retiring after July 1, 2028.

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2025 are summarized in the following table:

Asset Class	Allocation	Long-Term Target Expected Real Rate of Return
Global Equity	37.0%	6.8%
Public Credit	2.0%	2.9%
Core Fixed Income	13.0%	0.4%
Liquidity Fund	1.0%	-0.4%
Risk Mitigation	5.0%	0.1%
Private Equity	15.0%	11.2%
Private Credit	10.0%	6.1%
Real Estate	10.0%	6.3%
Infrastructure & Natural Resources	7.0%	7.7%
Total	100%	

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Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarial determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of The Net Pension Liability to Changes In The Discount Rate
The following presents the net pension liability, calculated using the discount rate of 7.00% as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
District's proportional share of the net pension liability	$ 2,496,431	$ 1,690,947	$ 1,012,706

Average Remaining Service Life

GASB 68 requires that changes arising from differences between expected and actual experience or from changes in actuarial assumptions be recognized in pension expense over the average remaining service life of all employees provided with benefits through the pension plan (active and inactive). This is to consider these differences on a pooled basis, rather than an individual basis, to reflect the expected remaining service life of the entire pool of employees with the understanding that inactive employees have no remaining service period. As of June 30, 2025, the average of the expected remaining service lives of all employees calculated by our external actuaries is 5.21 years.

Additional Financing and Actuarial Information

The net pension liability, pension expense and deferred outflows and inflows of resources presented in this report have been determined based on CMERS' fiduciary net position included in the State of Connecticut ACFR as of and for the year ended June 30, 2025, which was audited by the State of Connecticut Auditors of Public Accounts. CMERS is included in the State of Connecticut's ACFR as a pension trust fund.

Additional financial information supporting the preparation of the Schedules of Employer Allocations and the Schedules of Pension Amounts by Employer (including the disclosure of the net pension liability (asset) and the unmodified audit opinion on the State of Connecticut's financial statements) is located in the State of Connecticut's ACFR for the fiscal year ended June 30, 2025. The State of Connecticut ACFR is available at www.osc.ct.gov/reports. The supporting actuarial information is included in the June 30, 2025, GASB Statements No. 68 Report for the Connecticut Municipal Employees' Retirement System. The additional financial and actuarial information is available at www.osc.ct.gov/rbsd/cmers/plandoc or by contacting the Connecticut Municipal Employees Retirement System at: 55 Elm Street, Hartford, CT 06106, by e-mailing osc.generalinfocmers@ct.gov or by calling (860) 702-3480.

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NOTE 12 – FUND BALANCES

The following is a summary of all governmental fund balances as of June 30, 2026:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Construction in progress	$ 95,989	$ 95,989	$ -	$ 191,978
Total capital assets not being depreciated	95,989	95,989	-	191,978
Capital assets being depreciated				
Building and improvements	1,238,398	-	-	1,238,398
Furniture	36,916	-	-	36,916
Equipment	57,046	-	-	57,046
Total capital assets being depreciated	1,332,360	-	-	1,332,360
Less accumulated depreciation				
Building and improvements	610,883	38,504	-	649,387
Furniture	36,916	-	-	36,916
Equipment	54,881	1,658	-	56,539
Total accumulated depreciation	702,680	40,162	-	742,842
Total capital assets being depreciated net	629,680	(40,162)	-	589,518
Total capital assets, Net	$ 725,669	$ 55,827	$ -	$ 781,496

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Depreciation expenses was charged to functions and programs of the primary government as follows:

Governmental Activities	
General Public Health	$ 40,162

NOTE 13 - RISK MANAGEMENT AND LITIGATION

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased through independent carriers. Settled claims from these risks have not exceeded commercial insurance coverage. There were no significant reductions in insurance coverage from coverage in the prior year.

The District is not a defendant in any lawsuits that, in the opinion of District management, will have a material adverse effect on the District's financial position.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

The Health District participates in various state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2026 may be impaired. In the opinion of the Health District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

The District's federal awards were below the annual threshold of $1,000,000 that would require a federal single audit. The District's State of Connecticut awards were below the annual threshold of $500,000 that would require a State single audit.

NOTE 15 – RECENTLY ISSUED ACCOUNTING STANDARDS NOT YET ADOPTED

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

- **GASB Statement No. 105,** *Subsequent Events.* The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. The requirements of this statement are effective for the District's reporting period beginning July 1, 2027.

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NAUGATUCK VALLEY HEALTH DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
CONNECTICUT MUNICIPAL EMPLOYEE RETIREMENT SYSTEM
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2026

	6/30/2025 Measurement Date	6/30/2024 Measurement Date	6/30/2023 Measurement Date	6/30/2022 Measurement Date	6/30/2021 Measurement Date	6/30/2020 Measurement Date	6/30/2019 Measurement Date	6/30/2018 Measurement Date	6/30/2017 Measurement Date	6/30/2016 Measurement Date
District's proportion of the net pension liability	0.425477%	0.412559%	0.386243%	0.437376%	0.395012%	0.341945%	0.421974%	0.443718%	0.413290%	0.413290%
District's proportionate share of the net pension liability	$ 1,690,947	$ 1,729,782	$ 1,762,240	$ 1,966,459	$ 934,901	$ 1,342,825	$ 1,557,427	$ 1,697,039	$ 683,172	$ 811,195
District's actuarial covered-employee payroll	$ 1,399,210	$ 1,290,380	$ 1,165,748	$ 1,232,053	$ 1,069,623	$ 875,726	$ 1,084,776	$ 1,248,982	$ 983,821	$ 1,036,127
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	120.85%	134.05%	151.17%	159.61%	87.40%	153.34%	143.57%	135.87%	69.44%	78.29%
Plan fiduciary net position as a percentage of the total pension liability	75.36%	72.85%	69.54%	68.71%	82.59%	71.18%	72.69%	73.60%	91.68%	88.29%

Notes to the Schedule

The measurement date is one year earlier than the employer's reporting date.
The collective total pension liability as of June 30, 2025 is based upon the June 30, 2025 actuarial valuation. The actuarial assumptions used in the June 30, 2025 valuation were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2022.

Methods and assumptions used to determine the contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed
Single Equivalent amortization period	Blended 22.5 to 22.6 years depending on Tier
Asset valuation method	Market Value on the measurement date. Plan's fiduciary net position also included the present value of receivable initial liability payments established by participating employers upon entry into MERS
Inflation	2.50%
Salary increases	3.0% - 9.5%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense

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NAUGATUCK VALLEY HEALTH DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
CONNECTICUT MUNICIPAL EMPLOYEE RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
JUNE 30, 2026

	6/30/26 Fiscal Year	6/30/25 Fiscal Year	6/30/24 Fiscal Year	6/30/23 Fiscal Year	6/30/22 Fiscal Year	6/30/21 Fiscal Year	6/30/20 Fiscal Year	6/30/19 Fiscal Year	6/30/18 Fiscal Year	6/30/17 Fiscal Year
Contractually required contribution	$ 233,165	$ 180,518	$ 211,551	$ 190,781	$ 141,209	$ 121,215	$ 132,048	$ 133,300	$ 111,959	$ 117,911
Contributions in relation to the contractually required contribution	233,165	180,518	211,551	190,781	141,209	121,215	132,048	133,300	111,959	117,911
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 1,399,210	$ 1,290,380	$ 1,165,748	$ 1,232,053	$ 1,069,623	$ 875,726	$ 1,084,776	$ 1,248,982	$ 983,821	$ 1,036,127
Contributions as a percentage of covered-employee payroll	16.66%	13.99%	18.15%	15.48%	13.20%	13.84%	12.17%	10.67%	11.38%	11.38%

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The accompanying notes are an integral part of these financial statements

NAUGATUCK VALLEY HEALTH DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2026

	Budgeted Amounts		Variance With Original Budget Over (Under)		Variance With Final Budget Over (Under)
	Original	Final	Final Budget	Actual	Actual
REVENUE					
Allocation from Towns	$ 976,881	$ 976,881	$ -	$ 976,881	$ -
Allocation from State	334,196	334,196	-	300,777	(33,419)
Fees and Permits	372,455	372,455	-	429,026	56,571
Immunization Revenue	45,000	45,000	-	51,621	6,621
Program Fees	3,500	3,500	-	7,030	3,530
Interest Income	60,000	60,000	-	84,582	24,582
TOTAL REVENUE	1,792,032	1,792,032	-	1,849,917	57,885
EXPENDITURES					
Personnel Salaries and Wages	1,062,632	1,062,632	-	964,623	98,009
Employee Benefits	422,755	422,755	-	378,146	44,609
Professional Fees	38,900	38,900	-	26,082	12,818
Insurance	31,845	31,845	-	19,825	12,020
Occupancy/Operational Expenditures	172,500	172,500	-	223,401	(50,901)
Community Health	39,500	39,500	-	31,447	8,053
Field Supplies	1,500	1,500	-	1,408	92
Conferences and Training	4,000	4,000	-	-	4,000
Accreditation	8,400	8,400	-	8,400	-
Transfer to Capital Reserve	10,000	10,000	-	10,000	-
TOTAL EXPENDITURES	1,792,032	1,792,032	-	1,663,332	128,700
EXCESS (DEFICIT) OF REVENUE	-	-	-	186,585	186,585
FUND BALANCE - BEGINNING	1,781,482	1,781,482	1,781,482	1,781,482	-
FUND BALANCE - ENDING	$ 1,781,482	$ 1,781,482	$ 1,781,482	$ 1,968,067	$ 186,585

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See Accompanying Notes to Required Supplementary Information

NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District adopts an annual operating budget, which can be amended by the District throughout the year. Formal budgetary accounting is employed as a management control for the General Fund.

The annual budget is prepared by April and a public hearing is held prior to May 31 following a two week public notice. Notice of anticipated per capita cost is presented to member towns. The general fund budget is prepared on the modified accrual basis of accounting.

The District's primary funding sources are member government assessments, state grants, and permits and fees. Because the opportunity to provide services under additional grants may arise during the year, and because the number of permits issued and fees collected varies from year to year, the annual budget is subject to change.

The Board of Directors formally approves the budget, but greater emphasis is placed on complying with individual grant budgets, terms and conditions. These terms and conditions usually specify the period during which costs may be incurred and outline budget restrictions and allowances.

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NOTE 2 – ACTUAL BUDGET RESULTS

The following explains the significant differences between the actual and final General Fund budget amounts.

Revenues

Differences original to final budget

None

Differences final budget to actual

State Per Capita Grant actual grant amount awarded was less than amount	$ (33,419)
Fees and Permits actual exceeded budgeted amounts for food service and body care establishments as well as new soil and septic inspections	56,571
Interest revenue exceeded budgeted amount	24,582

Expenditures

Differences original to final budget

None

Differences final budget to actual

Personnel Salaries and Wages actual was under budget as certain positions were funded through grant funds received outside the general operating	98,009
Employee Benefits actual was under budget as certain positions were funded through grant funds received outside the general operating budget	44,609
Occupancy/Operational Expenditures were over budget in several areas	
Groundskeeping was over budget due to excess snow and ice and additional plowing costs that exceeded the budgeted amount	(10,506)
Property maintenance was over budget due to security and ventilation costs and required repairs that exceeded the budgeted amount	(26,254)
Internet and telephone was over budget due to higher costs that exceeded the budgeted amount, this budget line was increased for the 2026/2027 fiscal year	(11,589)
Community Health expenses were under budget due to savings in vaccine costs lower than the budgeted amount	8,053
Conferences and Training were under budget as these costs were paid for through the workforce development grant	4,000

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NAUGATUCK VALLEY HEALTH DISTRICT
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2026

	Block Grant Fund	Lead Fund	OD2A Grant Fund	Lead ARPA Fund	VECR Valley Early Childhood Regional Coalition	Workforce Development Fund
Assets						
Grants and Accounts Receivable	$ 3,558	$ -	$ 14,699	$ -	$ -	$ -
Prepaid Expenses and Deposits	-	-	-	-	-	-
Due From Other Funds	-	3,324	-	71,380	5,094	189,463
Total Assets	$ 3,558	$ 3,324	$ 14,699	$ 71,380	$ 5,094	$ 189,463
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	$ -	$ -	$ -	$ -	$ -	$ -
Accrued Expenses	-	-	-	-	-	-
Unearned Revenue	-	-	-	71,380	5,094	189,463
Due To Other Funds	3,558	-	14,699	-	-	-
Total Liabilities	3,558	-	14,699	71,380	5,094	189,463
Assigned Fund Balance	-	3,324	-	-	-	-
Total Liabilities and Fund Balances	$ 3,558	$ 3,324	$ 14,699	$ 71,380	$ 5,094	$ 189,463

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The accompanying notes are an integral part of these financial statements

NAUGATUCK VALLEY HEALTH DISTRICT
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2026

	VCF Fiduciary Fund	EPA Air Quality Fund	NACCHO ORA	NACCHO Rise	ADOPS Academic Detailing Opioids Safety	Total
Assets						
Grants and Accounts Receivable	$ -	$ -	$ -	$ -	$ -	$ 18,257
Prepaid Expenses and Deposits	-	-	-	-	-	-
Due From Other Funds	552	7,719	4,195	7,943	42,189	331,859
Total Assets	$ 552	$ 7,719	$ 4,195	$ 7,943	$ 42,189	$ 350,116
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	$ -	$ -	$ -	$ -	$ -	$ -
Accrued Expenses	-	-	-	-	-	-
Unearned Revenue	552	7,719	4,195	7,943	42,189	328,535
Due To Other Funds	-	-	-	-	-	18,257
Total Liabilities	552	7,719	4,195	7,943	42,189	346,792
Assigned Fund Balance	-	-	-	-	-	3,324
Total Liabilities and Fund Balances	$ 552	$ 7,719	$ 4,195	$ 7,943	$ 42,189	$ 350,116

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The accompanying notes are an integral part of these financial statements

NAUGATUCK VALLEY HEALTH DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2026

	Block Grant Fund	Lead Fund	OD2A Grant Fund	Lead ARPA Fund	VECR Valley Early Childhood Regional Coalition	Workforce Development Fund
Revenue:						
Federal Revenue	$ 45,460	$ -	$ -	$ -	$ -	$ 68,636
State Revenue	-	-	-	-	-	-
Other Revenue	-	-	95,940	-	1,900	-
Total Revenue	45,460	-	95,940	-	1,900	68,636
Expenditures:						
Personnel Salaries and Wages	28,587	-	52,997	-	-	20,231
Employee Benefits	2,009	-	22,734	-	-	4,251
Professional Fees	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Travel and Field Supplies	755	-	11,557	-	-	3,060
Conferences and Training	-	-	2,200	-	-	11,977
Other Program Costs	14,109	-	6,452	-	1,900	29,117
Total Expenditures	45,460	-	95,940	-	1,900	68,636
Net Change in Fund Balance	-	-	-	-	-	-
Fund Balance Beginning of Year	-	3,324	-	-	-	-
Fund Balances End of Year	$ -	$ 3,324	$ -	$ -	$ -	$ -

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The accompanying notes are an integral part of these financial statements

NAUGATUCK VALLEY HEALTH DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2026

	VCF Fiduciary Fund	EPA Air Quality Fund	NACCHO ORA	NACCHO Rise	ADOPS Academic Detailing Opioids Safety	Total
Revenue:						
Federal Revenue	$ -	$ 30,431	$ -	$ -	$ -	$ 144,527
State Revenue	-	-	-	-	-	-
Other Revenue	373	-	10,000	-	-	108,213
Total Revenue	373	30,431	10,000	-	-	252,740
Expenditures:						
Personnel Salaries and Wages	-	18,180	-	-	-	119,995
Employee Benefits	-	5,676	-	-	-	34,670
Travel and Field Supplies	-	82	-	-	-	15,454
Conferences and Training	-	-	10,000	-	-	24,177
Other Program Costs	373	6,493	-	-	-	58,444
Total Expenditures	373	30,431	10,000	-	-	252,740
Net Change in Fund Balance	-	-	-	-	-	-
Fund Balance Beginning of Year	-	-	-	-	-	3,324
Fund Balances End of Year	$ -	$ -	$ -	$ -	$ -	$ 3,324

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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 Health District
98 Bank Street
Seymour, Connecticut 06483

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 Health District (the "District"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Naugatuck Valley Health District's basic financial statements, and have issued our report thereon dated November 11, 2026.

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Internal Control Over Financial Reporting

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Naugatuck Valley Health District'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.

Sinnamon & Associates, LLC
Certified Public Accountants

Canaan, Connecticut
November 11, 2026

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