

CITY OF SHELTON, CONNECTICUT

ANNUAL FINANCIAL REPORT

June 30, 2018

CITY OF SHELTON, CONNECTICUT

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INDEPENDENT AUDITOR'S REPORT

Board of Aldermen
City of Shelton, Connecticut
Shelton, CT 06484

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Shelton, Connecticut, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Shelton, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Shelton, Connecticut as of June 30, 2018, and the respective changes in the financial position, and, where applicable, cash flows thereof 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 3a through 3g and the required supplemental information on pages 47-49, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Shelton, Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, the schedule of property taxes levied, collected and outstanding, and the schedule of debt limitation, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, the schedule of property taxes levied, collected and outstanding, and the schedule of debt limitation are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules described in the above paragraph are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

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

CLERMONT & ASSOCIATES, LLC
Prospect, Connecticut



December 28, 2018

CITY OF SHELTON, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

This discussion and analysis of the City of Shelton, Connecticut's (the City) financial performance is provided by management to provide an overview of the City's financial activities for the fiscal year ended June 30, 2018. Please read this MD&A in conjunction with the City's financial statements.

Financial Highlights

- Net position of our governmental activities increased by \$4.5 million;
- Net position of our business-type activities decreased by \$40 thousand;
- The General Fund reported a fund balance this year of \$6.6 million; \$2.8 million less than the general fund balance reported in the prior year;
- The surplus resources available for appropriation in the general fund were depleted.

Overview of the Financial Statements

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (Exhibits A and B, respectively) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements are presented in Exhibits C and D. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. In addition, the City maintains the water pollution control authority as a proprietary fund (Exhibit G, H and I). The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Government- Wide Financial Statements

The analysis of the City as a whole begins on Exhibits A and B. The statement of net position and the statement of activities reports information about the City as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. The City's net position, the difference between assets and liabilities, are one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other nonfinancial factors, such as changes in the City's property tax base and the condition of the City's capital assets, to assess the overall health of the City.

In the statement of net position and the statement of activities, the City reports its activities as follows:

- *Governmental activities* - The City's basic services are reported here, including general government, public safety, community services, public works, education, public library and municipal facilities. Property taxes, charges for services and state and federal grants finance most of these activities.
- *Business-type activities* – The Water Pollution Control Authority's activity is reported here.

Fund Financial Statements

The fund financial statements begin with Exhibit C and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by Charter. However, the Board of Aldermen establishes many other funds to help control and manage financial activities for particular purposes or to show that it is meeting legal responsibilities for using grants and other money (like grants received for education from the State and Federal governments). The City's funds are divided into three categories: governmental, proprietary and fiduciary.

- *Governmental funds (Exhibits C and D)* - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds (Exhibits G, H and I)* - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. Internal service funds (the component of proprietary funds) are used to report activities that provide supplies and services for the City's other programs and activities, such as the City's Worker's Compensation Internal Service Fund.
- *Fiduciary funds (Exhibits J and K)* - The City is the trustee, or fiduciary, for its employees' pension plans. All of the City's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net position. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Government-Wide Financial Analysis

The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental activities and business-type activities. The City's net position for governmental activities increased \$4.5 million from \$176.2 million in 2017 to \$180.7 million in 2018. The majority of this increase can be attributed to the large capital grants from the State of Connecticut.

The City's net position for the business-type activities decreased \$40 thousand for the fiscal year ending June 30, 2018. The net position was \$32.0 million at June 30, 2017 and 2018.

TABLE 1 NET POSITION:

		Governmental Activities	
		2018	2017
Current and other assets	\$	6,455,159	13,412,268
Net pension asset		2,672,834	1,961,193
Capital assets		218,058,281	217,761,666
Deferred outflows		2,656,349	3,026,189
Total assets & deferred outflows	\$	229,842,623	236,161,316
Current and other liabilities	\$	6,213,162	8,494,430
Deferred inflows		1,899,311	4,664,497
Long-term liabilities		41,005,993	47,244,323
Total liabilities & deferred inflows	\$	49,118,466	60,403,250
Net position:			
Investment in capital assets	\$	184,635,224	177,521,921
Restricted		44,462	313,087
Unrestricted		(3,955,529)	(2,076,942)
Total net position	\$	180,724,157	175,758,066
		Business-type Activities	
		2018	2017
Current and other assets	\$	9,057,449	6,708,697
Capital assets		42,373,973	41,955,034
Total Assets	\$	51,431,422	48,663,731
Current and other liabilities	\$	9,904,874	6,146,792
Long-term liabilities		9,535,084	10,485,079
Total liabilities	\$	19,439,958	16,631,871
Net position:			
Investment in capital assets, net of related debt	\$	31,888,894	30,538,756
Unrestricted		102,570	1,493,104
Total net position	\$	31,991,464	32,031,860

TABLE 2
CHANGE IN NET ASSETS

		Governmental Activities	
		2018	2017
Revenues:			
Program revenues:			
Charges for services	\$	6,361,074	5,060,465
Operating grants and contributions		25,145,022	26,717,311
Capital grants and contributions		1,787,702	7,921,173
General revenues:			
Property taxes		104,162,583	103,518,014
Grants and contributions not restricted to specific purposes		1,458,456	1,389,306
Unrestricted investment earnings		95,508	721,995
Other general revenues (and transfers)		(1,229,363)	(1,151,019)
Total revenues	\$	137,780,982	144,177,245
Program expenses:			
General government	\$	14,445,734	12,321,619
Public safety		8,271,888	8,250,279
Public works		8,919,508	9,062,215
Health and welfare		296,327	297,134
Culture and recreation		3,600,736	3,565,124
Education		97,493,867	103,011,143
Interest and fiscal charges		258,831	242,147
Total program expenses	\$	133,286,891	136,749,661
(Decrease) Increase in Net Position	\$	4,494,091	7,427,584
		Business-type Activities	
		2018	2017
Revenues:			
Operating revenues:			
Charges for services	\$	2,987,915	2,868,836
Non-operating revenues:			
Capital contributions		184,596	328,786
Other general revenues (and transfers)		1,151,019	1,151,019
Total revenues	\$	4,323,530	4,348,641
Operating expenses:			
Salaries & Benefits	\$	907,499	872,487
Materials and Supplies		104,457	122,864
Utilities		348,584	374,557
Depreciation		1,829,580	1,856,923
Administration		953,986	970,503
Interest and fiscal charges		219,820	238,244
Total expenses	\$	4,363,926	4,435,578
(Decrease) Increase in Net Position	\$	40,396	(86,937)

City Funds Financial Analysis

Governmental Funds

As the City completed the year, its governmental funds (as presented in the balance sheet - Exhibit C) reported a combined fund balance of \$466 thousand, which is a \$4.3 million decrease from the previous year. Included in this year's total change in fund balance is a decrease of \$2.8 million in the City's General Fund. This is mainly due to capital outlay, which will a portion will be funded by state grants and bonding in the subsequent year in the capital projects and a budgeted reduction in general fund balance.

The general fund provided savings through the management of payroll and expenses. This savings in expenditures were netted against less than anticipated tax revenue, grants and investments to produce a \$1.5 million operating deficit on a budgetary basis. \$6.2 million of prior year surplus was appropriated by the Board of Alderman to reduce taxes in the subsequent year's budget and an additional \$1.6 million was appropriated to enhance the City's capital assets.

Proprietary Funds

The City reports the Water Pollution Control Authority as a proprietary fund (Exhibit G, H, and I). Under this presentation, the loss was \$40 thousand, mainly due to depreciation expense of \$1.8 million and the reduction of operating expenses.

The Internal Service Fund recorded a positive change in net fund position. Operating revenues were better than operating expenses by \$1.6 million. Management is aware of the accumulated net deficits in the workers' compensation and medical self-insurance funds and has a long term financing plan to fund this through growing employer contributions, reducing the worker's compensation expenses and reorganizing the funding structure. This is the sixth consecutive year of positive changes in fund balance.

General Fund Budgetary Highlights

Exhibit F shows the summary information of budget to actual revenues, expenditures and changes in undesignated, unreserved fund balance (funds available to be appropriated).

- Taxes were less than expected because of the estimated balance of recovery do to a property tax audit was less than expected.
- Investment income was below estimates due to interest rates of interest rates.
- Other revenues were less than expected because of an estimated discount on bond issuance.
- Grants revenue were lower because a State capital grant was expected but not received.
- The general government, public safety and public works expenditures came in below the budget by \$1.5 million, \$1.5 million and \$1.0 million respectively due to cost saving initiatives.

Capital Assets

At June 30, 2018, the City's governmental activities had \$218 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water and sewer lines. In separating the Water Pollution Control Authority from the government funds, \$42 million in capital assets, which mainly includes sewers and the newly constructed facility. The total City's amount represents a net increase (including additions and deductions) of \$300 thousand, net of depreciation expenses. The construction in progress includes a large school construction program.

TABLE 3

CAPITAL ASSETS (Net of Depreciation)

		Governmental Activities	
		2018	2017
Land	\$	35,524,521	35,464,727
Buildings and improvements		116,521,963	118,921,899
Furniture, fixtures and equipment		11,676,025	12,470,069
Infrastructure		44,031,282	45,932,900
Construction in progress		10,304,490	4,972,071
Totals	\$	<u>218,058,281</u>	<u>217,761,666</u>
		Business-type Activities	
		2018	2017
Buildings and improvements	\$	16,623,388	17,628,293
Machinery and equipment		39,505	54,666
Infrastructure		23,133,777	23,943,289
Construction in progress		2,577,303	328,786
Totals	\$	<u>42,373,973</u>	<u>41,955,034</u>

TABLE 4
OUTSTANDING DEBT

Long-Term Liabilities

At June 30, 2018 the City had \$51.5 million in long term liabilities versus \$58.6 million last year, a decrease of 12% - as shown in Table 4.

	2018	2017
\$	<u>51,491,072</u>	<u>58,660,601</u>

General obligation bonds (backed by the City)-

The decrease is the effect of the City's decision to use 5 year terms on several bond issuances and funding large capital projected through the general fund surplus.

Other obligations include accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in Note 8 to the financial statements. Included in the Business-type activities is \$10.5 in notes payable, which was Clean Water Notes for the construction of the new water pollution control facilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2019 budget tax rates. One of those factors is the economy and the benefits of continual development with in the City.

These indicators along with a projected modest inflationary increase were taken into account when adopting the General Fund budget for 2018-19. Amounts allocated for appropriation in the General Fund budget of 2018-19 from prior surplus is \$4.6 million.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, City of Shelton, 54 Hill Street, Shelton, Connecticut, 06484.

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities	Business-type Activities	Total*
Assets:			
Cash and cash equivalents	\$ 10,514,946		10,514,946
Investments	582,416		582,416
Receivables, net	4,165,879	62,861	4,228,740
Prepaid assets	106,057		106,057
Inventory	80,449		80,449
Internal balances	(8,994,588)	8,994,588	-
Net pension asset	2,672,834		2,672,834
Capital assets:			
Capital assets, not being depreciated	45,829,011	2,577,303	48,406,314
Capital assets, being depreciated, net	172,229,270	39,796,670	212,025,940
Total assets	\$ 227,186,274	51,431,422	278,617,696
Deferred outflows on resources			
Deferred pension expense	\$ 2,656,349		2,656,349
	2,656,349	-	2,656,349
Liabilities:			
Accounts payable and other current liabilities	\$ 3,870,024	8,109,139	11,979,163
Accrued interest	466,384		466,384
Advances payments		845,740	845,740
Claims incurred, but not reported	1,876,754		1,876,754
Noncurrent liabilities:			
Due within one year	9,959,995	949,995	10,909,990
Due in more than one year	31,045,998	9,535,084	40,581,082
Total liabilities	\$ 47,219,155	19,439,958	66,659,113
Deferred Inflows on Resources			
Advance tax collections	\$ 1,899,311		1,899,311
Total deferred inflow on resources	\$ 1,899,311	-	1,899,311
Net Position:			
Invested in capital assets, net of related debt	\$ 184,635,224	31,888,894	216,524,118
Restricted for:			
Donor's Intentions	44,462		44,462
Unrestricted	(3,955,529)	102,570	(3,852,959)
Total net position	\$ 180,724,157	31,991,464	212,715,621

* After internal balances have been eliminated

The notes to the financial statements are an integral part of this statement.

CITY OF SHELTON, CONNECTICUT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

		Program Revenues
Functions/programs	Expenses	Charges for Services
Primary Government:		
Governmental activities:		
General government	\$ 14,445,734	2,322,379
Public safety	8,271,888	1,572,342
Public works	8,919,508	271,889
Health and welfare	296,327	
Cultural and recreation	3,600,736	531,409
Education	97,493,867	1,663,055
Interest on long-term debt	258,831	
Total governmental activities	\$ 133,286,891	6,361,074
Business-type activities:		
Water Pollution Control Authority	\$ 4,144,106	2,987,915
Interest on long-term debt	219,820	
Total business-type activities	\$ 4,363,926	2,987,915
Total primary government	\$ 137,650,817	9,348,989

The notes to the financial statements are an integral part of this statement.

Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
		Governmental Activities	Business-type Activities	Total
		(12,123,355)		(12,123,355)
73,997		(6,625,549)		(6,625,549)
	1,787,702	(6,859,917)		(6,859,917)
		(296,327)		(296,327)
		(3,069,327)		(3,069,327)
25,071,025		(70,759,787)		(70,759,787)
		(258,831)		(258,831)
<u>25,145,022</u>	<u>1,787,702</u>	<u>(99,993,093)</u>	<u>-</u>	<u>(99,993,093)</u>
			(1,156,191)	(1,156,191)
			(219,820)	(219,820)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,376,011)</u>	<u>(1,376,011)</u>
<u>25,145,022</u>	<u>1,787,702</u>	<u>(99,993,093)</u>	<u>(1,376,011)</u>	<u>(101,369,104)</u>
General revenues:				
Property taxes		\$ 104,162,583		104,162,583
Grants and contributions not restricted for specific programs		1,458,456		1,458,456
Unrestricted investment earnings		95,508	-	95,508
Disposal of assets		(391,362)		
Other unrestricted income		313,018	184,596	497,614
Transfers		(1,151,019)	1,151,019	-
Total general revenues and transfers		<u>\$ 104,487,184</u>	<u>1,335,615</u>	<u>106,214,161</u>
Change in net position		<u>\$ 4,494,091</u>	<u>(40,396)</u>	<u>4,453,695</u>
Net position, beginning		<u>176,230,066</u>	<u>32,031,860</u>	<u>208,261,926</u>
Net position, ending		<u>\$ 180,724,157</u>	<u>31,991,464</u>	<u>212,715,621</u>

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 907,912		9,532,034	10,439,946
Investments	75,995			75,995
Receivables, net	3,306,710	685,107	174,062	4,165,879
Advanced to other funds	2,690,819			2,690,819
Due from other funds	24,707,005	5,431,600	1,279,485	31,418,090
Inventories	57,293		23,156	80,449
Prepaid expenses	6,000			6,000
Total assets	<u>\$ 31,751,734</u>	<u>6,116,707</u>	<u>11,008,737</u>	<u>48,877,178</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts and other payables	\$ 1,542,825	1,418,216	642,552	3,603,593
Advanced from other funds			2,690,819	2,690,819
Due to other funds	18,933,098	10,142,668	8,332,115	37,407,881
Total liabilities	<u>\$ 20,475,923</u>	<u>11,560,884</u>	<u>11,665,486</u>	<u>43,702,293</u>
Deferred inflows of resources:				
Unavailable receipts	2,807,667		28,029	2,835,696
Payment in advance	1,873,221			1,873,221
Total deferred inflows of resources	<u>4,680,888</u>	<u>-</u>	<u>28,029</u>	<u>4,708,917</u>
Fund balances:				
Nonspendable	\$ 2,754,112		23,156	2,777,268
Restricted for:				
Donor's intentions			44,462	44,462
Debt service				-
Committed for:				
Subsequent year's operating budget	3,840,811			3,840,811
Assigned	-		2,476,231	2,476,231
Unassigned	-	(5,444,177)	(3,228,627)	(8,672,804)
Total fund balances	<u>\$ 6,594,923</u>	<u>(5,444,177)</u>	<u>(684,778)</u>	<u>465,968</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 31,751,734</u>	<u>6,116,707</u>	<u>11,008,737</u>	

Amounts reported for governmental activities in the statement of net position (**Exhibit A**) are different because:

Capital assets used in the governmental activities are not financial resources and therefore, are not reported in the funds.	218,058,281
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the funds.	8,138,789
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities column in the statement of net position.	(4,566,561)
Long-term liabilities , including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(41,372,320)
Net position of governmental activities (Exhibit A)	<u>\$ 180,724,157</u>

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes and assessments	\$ 104,192,385			104,192,385
Intergovernmental	22,554,843	1,283,551	4,349,792	28,188,186
Charges for services	3,643,175		1,819,294	5,462,469
Investment income	93,667	21	1,820	95,508
Miscellaneous	1,177,449		21,197	1,198,646
Total revenues	\$ 131,661,519	1,283,572	6,192,103	139,137,194
Expenditures:				
Current:				
General government	\$ 14,201,563			14,201,563
Public safety	7,672,961		127,058	7,800,019
Public works	5,713,677		510,219	6,223,896
Public health	292,878			292,878
Culture and recreation	3,377,893		37,834	3,415,727
Education	86,427,398		6,863,125	93,290,523
Other	3,970,771		175,248	4,146,019
Capital outlay	1,130,078	6,492,581		7,622,659
Debt service	10,302,897			10,302,897
Total expenditures	\$ 133,090,116	6,492,581	7,713,484	147,296,181
Excess (deficiency) of revenues over (under) expenditures	\$ (1,428,597)	(5,209,009)	(1,521,381)	(8,158,987)
Other financing sources (uses)				
Transfer from other funds	\$ 266,962			266,962
Transfer to other funds	(1,651,046)		(266,962)	(1,918,008)
Proceeds from sale of bonds		5,500,000	-	5,500,000
Total other financing sources (uses)	\$ (1,384,084)	5,500,000	(266,962)	3,848,954
Net changes in fund balances	\$ (2,812,681)	290,991	(1,788,343)	(4,310,033)
Fund balances (deficits) - beginning	9,407,604	(5,735,168)	1,103,565	4,776,001
Fund balances (deficits) - ending	\$ 6,594,923	(5,444,177)	(684,778)	465,968

The notes to the financial statements are an integral part of this statement.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT) OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018**

Differences in amounts reported for government wide activities in the Statement of Activities are due to:

Net change in fund balances - total governmental funds (Exhibit D)	\$ (4,310,033)
Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	296,615
Noncurrent assets previously recognized in the statement of activities that provided current financial resources in the current year.	527,970
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	5,852,620
The net expense of certain activities of internal service funds is reported with governmental activities.	<u>2,126,919</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 4,494,091</u>

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 104,739,984	104,739,984	104,192,385	(547,599)
Intergovernmental	8,982,732	8,982,732	7,474,210	(1,508,522)
Charges for services	2,819,850	2,819,850	3,643,175	823,325
Investment income	250,000	250,000	93,667	(156,333)
Other revenues	1,623,043	1,623,043	1,177,449	(445,594)
Total revenues	\$ 118,415,609	118,415,609	116,580,886	(1,834,723)
Expenditures:				
Current:				
General government	\$ 15,485,265	15,744,067	14,201,563	1,542,504
Public safety	9,419,985	9,161,445	7,674,306	1,487,139
Public works	6,680,781	6,687,781	5,713,677	974,104
Health and welfare	292,878	292,878	292,878	-
Cultural and recreation	3,892,198	3,884,936	3,377,893	507,043
Education	71,470,000	71,470,000	71,396,195	73,805
Other	4,276,344	4,276,344	3,970,771	305,573
Debt service:				
Principal retirements	9,735,000	9,735,000	9,435,000	300,000
Interest and other charges	905,234	905,234	867,897	37,337
Payment on behalf of W.P.C.A.	1,151,020	1,151,020	1,151,019	1
Total expenditures	\$ 123,308,705	123,308,705	118,081,199	5,227,506
Revenues over (under) expenditures	\$ (4,893,096)	(4,893,096)	(1,500,313)	3,392,783
Other financing sources (uses):				
Contributions from fund balance	\$ 4,893,096	4,893,096	6,273,642	(1,380,546)
Total other financing sources (uses)	\$ 4,893,096	4,893,096	6,273,642	1,380,546
Revenues Over Expenditures and Other Financing Sources (Uses)	\$ -	-	4,773,329	4,773,329
Less:				
Changes in nonexpendable			(2,533,279)	
Appropriated capital expenditures			(1,597,940)	
Designated surplus for subsequent fiscal year			(4,643,096)	
Limitation on designated surplus for subsequent fiscal year			1,940,112	
Net Change in unassigned fund balance			(2,060,874)	
Unassigned fund balance, July 1, 2017			2,060,874	
Unassigned fund balance, June 30, 2018			\$ -	

The notes to the financial statements are an integral part of this statement.

STATEMENT OF NET FUND POSITION
PROPRIETARY FUNDS
June 30, 2018

	Business-type Activities	Governmental Activities
	Water Pollution Control	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ -	75,000
Investments		506,421
Receivables, net of allowance	62,861	
Due from other funds	12,272,302	
Total current assets	\$ 12,335,163	581,421
Noncurrent assets:		
Capital assets, not being depreciated	\$ 2,577,303	
Capital assets, net of accumulated depreciation	39,796,670	
Total noncurrent assets	\$ 42,373,973	-
Total assets	\$ 54,709,136	581,421
Liabilities		
Current liabilities:		
Accounts payable & accrued liabilities	\$ 8,109,139	266,431
Payments in advance	845,740	
Due to other funds	3,277,714	3,004,797
Notes payable - current	949,995	
Total current liabilities	\$ 13,182,588	3,271,228
Noncurrent liabilities:		
Incurred, but not reported claims	\$ -	1,876,754
Notes payable, less current portion	9,535,084	
Total noncurrent liabilities	\$ 9,535,084	1,876,754
Total liabilities	\$ 22,717,672	5,147,982
Net Fund Position		
Invested in capital assets, net of related debt	\$ 31,888,894	
Unrestricted	102,570	(4,566,561)
Total net fund position	\$ 31,991,464	(4,566,561)

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET FUND POSITION (DEFICIT)
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Business-type Activities Water Pollution Control	Governmental Activities Internal Service Funds
Operating revenues:		
Charges for services and other revenues	\$ 2,987,915	151,340
Employer's Contribution		13,094,960
Employees contribution		2,202,806
Total operating revenues	\$ 2,987,915	15,449,106
Operating expenses:		
Salaries and benefits	\$ 907,499	13,810,755
Material and supplies	104,457	
Utilities	348,584	
Depreciation	1,829,580	
Administration and operation	953,986	19,129
Total operating expenses	\$ 4,144,106	13,829,884
Operating income (loss)	\$ (1,156,191)	1,619,222
Nonoperating revenues (expenses):		
Interest income	\$	7,670
Interest expense	(219,820)	-
Total nonoperating revenues (expenses)	\$ (219,820)	7,670
Capital contributions	\$ 184,596	-
Transfer from other funds	\$ 1,151,019	500,027
	\$ 1,151,019	500,027
Change in Net Fund Position	\$ (40,396)	2,126,919
Net Fund Position (Deficit) beginning	32,031,860	(6,693,480)
Net Fund Position, (Deficit), ending	\$ 31,991,464	(4,566,561)

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Business-type Activities	Governmental Activities
	Water Pollution Control	Internal Service Funds
Cash Flows From Operating Activities		
Receipts from customers and users	\$ 3,572,494	15,499,106
Payments to suppliers	1,777,894	(15,499,106)
Payments to employees	(908,018)	
Internal activity-payments from (to) other funds	(2,378,447)	
Net cash flows from operating activities	\$ 2,063,923	-
Cash Flows From Capital and Related Financing Activities		
Purchase of capital assets	\$ (2,063,923)	
Principal payments on capital debt	(931,199)	
Interest paid on capital debt	(219,820)	
Net cash provided by (used in) capital and related financing activities	\$ (3,214,942)	-
Cash Flows From Noncapital and Related Financing Activities		
Transfer in and payments made through governmental activities	\$ 1,151,019	500,027
Net cash provided by (used in) noncapital and related financing activities	\$ 1,151,019	500,027
Cash Flows From Investing Activities		
Purchase of investments	\$	(506,421)
Interest received on investments		7,670
Investment expenses		(1,276)
Net cash provided by investing activities	\$ -	(500,027)
Net increase (decrease) in cash and cash equivalents	\$ -	-
Cash and Cash Equivalents, beginning	-	75,000
Cash and Cash Equivalents, ending	\$ -	75,000
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In)		
Operating Activities:		
Operating Income (Loss)	\$ (1,156,191)	2,126,919
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	1,829,580	
Changes in assets and liabilities:		
Decrease (increase) in investments		(506,421)
Decrease (increase) in receivable accounts	29,696	
Decrease (increase) in due from other funds	(3,250,302)	
Increase (decrease) in accounts payable	3,184,402	(35,275)
Increase (decrease) in payments in advance	554,883	
Increase (decrease) in due to other funds	871,855	254,283
Increase (decrease) in claims incurred but not reported		(1,839,506)
Net cash flows from operating activities	\$ 2,063,923	-
Noncash investing, capital, and financing activities		
Contributions of capital assets from government activities	\$ 184,596	-

The notes to the financial statements are an integral part of this statement.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2018

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 757,425	675,450
Accounts receivable		
Investments, at fair value:		
Mutual funds	2,941,958	
Corporate bonds	38,873	
Total assets	\$ 3,738,256	675,450
Liabilities		
Other liabilities	\$ 400	4,500
Held for deposit for others		670,950
Total liabilities	\$ 400	675,450
Net Position:		
Held in trust for benefits and other purposes	\$ 3,737,856	-

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2018

	Private Purpose Trust Funds
ADDITIONS	
Contributions:	
Contributions and donations	\$ 860,390
Other	23,796
Total contributions	<u>\$ 884,186</u>
Investment earnings:	
Net increase in fair value of investments	\$ 278,993
Interest and dividends	51,226
Less: Investment expenses	(17,979)
Total investment earnings	<u>\$ 312,240</u>
Total additions	<u>\$ 1,196,426</u>
DEDUCTIONS	
Other deductions	\$ 918,169
Total deductions	<u>\$ 918,169</u>
Change in net position	<u>\$ 278,257</u>
NET POSITION, beginning	<u>\$ 3,459,599</u>
NET POSITION, ending	<u><u>\$ 3,737,856</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF SHELTON CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Shelton, Connecticut (the City) was settled in 1789 and incorporated as a City in 1919. It operates under an elected mayor and an eight-member Board of Aldermen.

The City provides a full range of services including public safety, roads, sanitation, health, social services, culture and recreation, education, planning, zoning and general administrative services to its residents.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting board for governmental accounting financial reporting principles. These principles require that the City report government-wide and fund financial statements, which are described below.

Government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. *Government activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately than *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment of, 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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are proprietary fund and fiduciary fund financial statements. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity, or internal balances, has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the business-type funds and the various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Fund financial statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the later are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The 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. Expenditures are generally recorded when a liability has occurred, as under accrual accounting. However expenditures related to long-term liabilities, such as debt service payments and compensated absences, are recorded only when payment is due.

Property taxes are levied on all taxable assessed property on the grand list of October 1 prior to the beginning of the fiscal year. Real estate taxes are payable in two installments (July 1 and January 1). Personal property taxes are payable annually (July 1) and motor vehicle taxes are due in one single payment on July 1. Liens are filed on delinquent real estate taxes within one year. Revenues from property taxes are recognized when they become available. Available means due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers property tax revenue to be available if they are collected within 60 days of the end of the fiscal year.

Those revenues susceptible to accrual are property taxes, special assessments and interest revenue. Fines, permits and charges for services are not susceptible to accrual because generally they are not measurable until received in cash.

Intergovernmental revenues grants and similar items are recognized as soon as all eligible requirements imposed by the provider have been met and are collected soon enough to pay liabilities of the current period. For this purpose, grants may be recognized and received after 60 days of the fiscal year end.

The City reports the following major governmental funds:

The **general fund** is the general operating fund of the City's government. All unrestricted resources, except those required to be accounted for in another fund, are accounted for in this fund. From this fund are paid general operating expenditures, fixed charges, principal and interest on long-term debt and capital improvement costs of the City, which were not paid through a special fund.

The **capital projects fund** is used to account for resources used for capital expenditures or for the acquisition or construction of capital facilities, improvements and equipment. Most of the capital outlays are financed by the issuance of general obligation bonds and capital grants. Other sources include current tax revenues and low interest state loans.

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

The City reports the following major proprietary funds:

The ***Water Pollution Control Authority (W.P.C.A.)*** accounts for the operations of the City's wastewater treatment system. The City operates its own sewage treatment plant, sewage pumping stations and collection system. Its operations are financed from direct charges to the users of the service.

Additionally, the City reports the following fund types:

The ***internal service fund*** account for employee heart and hypertension and workers' compensation insurance provided to departments of the City.

The ***private-purpose trust fund*** is used to account for assets held by the City in a trustee capacity or as an agent on behalf of others. An example includes the Plumb Memorial Library, which maintains the assets received through contributions, fees and charges of the library.

The ***agency funds*** account for monies held as a custodian for outside groups and agencies such as student activity funds, senior trip funds and performance bonds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and the enterprise funds reported in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their government-wide and propriety fund financial statements subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for enterprise and internal service funds include the cost of operations and maintenance, provisions for doubtful accounts, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Net Assets or Equity

Cash and cash equivalents

The City considers cash on hand, deposits and short-term investments, with an original maturity of three months or less, to be cash and cash equivalents.

Investments

Investments are stated at the fair value using quoted market prices.

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Inventories

Inventories are stated at the lower of cost or market using the consumption method on the first-in, first-out basis for governmental fund types.

Receivables and payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (current portion of interfund loans) or "advances to/from other funds" (noncurrent portion of interfund loans). Any residual balances outstanding between governmental activities and business type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable funds to indicate that they are not available for appropriation and are not expendable as financial resources.

All trade and property tax receivables, including those for W.P.C.A. funds, are shown net of an allowance for uncollectible accounts. Trade account receivables allowance for uncollectible accounts is estimated based on the inherent risk associated with the accounts.

Capital assets

Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$20,000 and an estimated useful life in excess of two years.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the net assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and improvements	25-50
Infrastructure	10-65
Machinery and equipment	5-20

Capital assets are reported as expenditures and no depreciation expense is reported in the governmental fund financial statements.

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued **June 30, 2018**

Deferred outflows/inflows of resources

The Statement of net position (Exhibit A) reports a separate section for deferred outflows of resources. This separate financial element represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources until a future period. The City reports borrowing costs as well as a deferred charge on refunding as a result from the differences in the carrying value of refunded debt and its reacquisition price. These amounts are deferred and amortized over the shorter of the life of the related debt. A deferred outflow of resources related to pension and other postemployment benefits other than pension ("OPEB") results from differences between expected and actual experience and earnings, changes in proportionate share, and contributions after the measurement date. These amounts are deferred and will be included as pension expense in a systematic and rational manner.

The statement of net position (Exhibit A) and the Balance Sheet for the government funds (Exhibit C) report a separate section for deferred inflows of resources. This separate financial element represents the addition of net position or fund balance that applies to future period and will not be recognized as revenue until that time. The City reports advance tax collections in the statement of net position and the balance sheet for the government funds. If applicable, the City reports a deferred inflow of resources related to pensions in the statement of net position.

A deferred inflow of resources related to pension and OPEB can result from differences between expected and actual experience and other inputs. These amounts are deferred and will be included in pension expense in a systematic and rational manner, if applicable. The government funds report unavailable revenue, which arises only under the modified accrual basis of accounting because it does not meet the measurable and available criteria for the recognition in the current period.

Compensated absences

Under the terms of its various union contracts, City and Board of Education employees are granted vacation and sick time in varying amounts based on length of service. Certain employees may also carry over a limited number of unused vacation days to subsequent years based on the terms of an employment or union contract. In the event of termination, these employees are reimbursed for accumulated vacation. The City recognizes a liability in the government-wide financial statements for the vested portion, as well as the unvested portion to the extent expected to be paid, as compensated absences.

Net pension liability

The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Net OPEB liability

The net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The OPEB plan's fiduciary net position is determined using the same valuation methods that are used by the OPEB plan for purposes of preparing its statement of fiduciary net position. The net OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

Long-term obligations

In the government-wide financial statements and proprietary fund types in fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the terms of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financial sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity and net position

In the government-wide financial statements, net position is classified in the following categories:

Investment in capital assets, net of related debt - This category groups all capital assets, including infrastructure, 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.

The ***restricted net position*** represent amounts of external restrictions imposed by creditors, grantors, contributors and laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The ***unrestricted net position*** represents the net position of the City which are not restricted for any project or other purpose.

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

In the fund financial statements, fund balances of governmental funds are classified into two separate categories. The five categories and their general meanings are as follows:

The **nonspendable** are those net assets that are not in expendable form or are legally or contractually required to be maintained.

The **restricted fund balances** are defined in the same manner as for the restricted government-wide net assets.

Committed fund balances are those balances that can only be used for a specific purpose as a result of constraints imposed by formal action of the government's highest level of decision-making authority. For the *City of Shelton*, that was considered to be the Board of Aldermen.

Assigned fund balances are amounts that are contained by the government's intent to be used as a specific purpose.

Unassigned fund balance is defined as the residual classification for the general fund and includes those remaining balances that cannot be categorized in the four categories.

Fair Value of Financial Instruments

In accordance with GASB 72, the Town is required to measure the fair value of its assets and liabilities under a three-level hierarchy, as follows:

Level 1: Quoted market prices for identical assets or liabilities to which an entity has access to at the measurement date.

Level 2: Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets in markets that are not active;
- c. Observable inputs other than quoted prices for the assets or liability;
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity; and *unobservable inputs* reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Investments are carried at fair value based on quoted market prices and are presented in Note 4.

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Note 2 - Budgets and Budgetary Accounting

General Fund

The Statement of Revenues and Expenditures, and Change in Fund Balance – Budgetary Basis - Budget to Actual presented in the financial statements for the General Fund is on the budgetary basis of accounting which is a basis of accounting other than the accrual basis and the modified basis of accounting. The budgetary basis of accounting and the City's general budget policies are as follows:

- A. The manager of each department, office and agency submits to the Mayor, by February 15, estimates of revenues and expenditures for the following year.
- B. The Mayor reviews these estimates and may revise them as he deems advisable, except that in the case of the department of education, he has the authority to revise only the total estimated expenditures.
- C. On or before March 22, the Mayor, with the assistance of the Director of Finance, submits to the Board of Apportionment and Taxation. The Board, by majority vote of full membership, approves the budget and submits it to the Board of Aldermen by May 1.
- D. The City's Board of Apportionments and Taxation is authorized to transfer budgeted amounts within one department. However, any transfers between departments or additional appropriations, must be approved by the City Aldermen. Additional appropriations by the Aldermen may be approved from any contingency fund or the general fund's undesignated fund balance, without levying a special tax.
- E. All unencumbered appropriations lapse at year-end except those for capital projects and nonrecurring special revenue funds. Appropriations for these funds are continued until completion of applicable projects, which generally last more than one year.
- F. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reflected in budgetary reports as expenditures of the current year.
- G. The legal level of budgetary control is at the department level.

CITY OF SHELTON, CONNECTICUT**NOTES TO THE FINANCIAL STATEMENTS, Continued**
June 30, 2018

A reconciliation of General Fund operations and fund balance presented on a budgetary basis to the amounts presented in accordance with accounting principles generally accepted in the United States of America (GAAP) is as follows:

	<u>Revenues</u>	<u>Expenditures and Encumbrances</u>
Balance, budgetary basis	\$ 116,580,886	118,081,199
State Teachers' Retirement "on-behalf" payment, not recognized for budgetary purposes	15,080,633	15,080,633
Encumbrances as of June 30, 2018		(50,775)
Capital Expenditures on special appropriations		1,130,078
Payment on-behalf of W.P.C.A was made through the operating budget, but was recorded as a transfer for budgetary purposes, netted against capital grants		<u>(1,151,019)</u>
Balance, GAAP basis	\$ <u>131,661,519</u>	<u>133,090,116</u>

The other financial sources (uses) were adjusted as follows:

Balance, budgetary basis	\$ 6,273,642
Transfer from debt service	266,962
Payment on-behalf of W.P.C.A.	(1,151,019)
Transfer to Internal Services – Committed balance	(500,027)
Designated surplus	<u>(6,273,642)</u>
Balance, GAAP basis	\$ <u>(1,384,084)</u>

Special Revenue Funds

The City does not have legally adopted annual budgets for the Special Revenue Funds. Budgets for the various special revenue funds which are utilized to account for specific grant programs are established in accordance with the requirements of the grantor agencies. Such budgets carry over until completion of the grants and, therefore, may comprise more than one fiscal year.

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Capital Projects Funds

Legal authorization for expenditures of the Capital Projects Funds is provided by the related bond ordinances and/or intergovernmental grant agreements or Connecticut State Statutes. Capital appropriations do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned.

Note 3 - Reconciliation of Government-wide and Fund Financial Statements

Explanation of Certain Differences Between the Government Fund Balance Sheet and the Government-wide Statement of Net Position

The details of the components included in Exhibit C are as follows:

Capitalized assets are expensed in the fund financial statements in the period the expense is incurred while the expense is incurred over the useful life of the related asset in the government-wide financial statements:

Land	\$	35,524,521
Construction in progress		10,304,490
Net capital assets being depreciated		<u>172,229,270</u>
Net adjustment to increase fund balance to arrive at net position of government activities	\$	<u>218,058,281</u>

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The detail of this difference is as follows:

Net long-term debt	\$	(33,423,057)
Compensated absences		(7,582,936)
Savings on refunding		100,057
Accrued interest on debt		<u>(466,384)</u>
Net adjustment to reduce fund balance to arrive at net position of government activities	\$	<u>(41,372,320)</u>

Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the funds. This amount includes the following:

Delinquent property tax and interest	\$	2,216,676
Delinquent accounts receivable		487,833
Net pension asset		2,672,834
Deferred outflows of charges		2,656,349
Notes receivable – assessments		<u>105,097</u>
Net adjustment to increase fund balance to arrive at net position of government activities	\$	<u>8,138,789</u>

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Acquisitions	\$ 7,255,735
Disposals	(391,362)
Depreciation	<u>(6,567,758)</u>
Net adjustment to increase net changes in fund balances to arrive at changes in net position of governmental activities	\$ <u>296,615</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities." The details of this difference are as follows:

New issuances	\$ (9,700,000)
Payments of debt	14,964,295
Premium amortization	627,776
Savings on refunding	100,057
Net change in compensated absences	(125,741)
Accrued interest	<u>(13,767)</u>
Net adjustment to reduce net changes in fund balances to arrive at changes in net position of governmental activities	\$ <u>5,852,620</u>

Note 4 - Deposits and Investments

The City's deposits and investments are presented in the accompanying balance sheets as follows:

	<u>Deposit</u>	<u>Investments</u>	<u>Total</u>
Cash and cash equivalents:			
Governmental activities	\$ 10,514,946		10,514,946
Fiduciary funds	1,432,875		1,432,875
Investments:			
Governmental activities		582,416	582,416
Fiduciary funds		2,980,831	2,980,831
Total Deposits and Investments	\$ <u>11,947,821</u>	<u>3,563,247</u>	<u>15,511,068</u>

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Deposits

The carrying amounts of the City's deposits at June 30, 2018 consist of the following:

Bank Deposit Accounts	\$	11,947,221
Fund Overdrafts		(8,082,957)
Cash on Hand		<u>600</u>
Total Deposits	\$	<u>3,864,864</u>

Custodial Credit Risk

As of June 30, 2018, the carrying amount of the City's deposits had bank balances of approximately \$4,690,248. The amount of the bank balance covered under federal depository insurance was approximately \$1,250,000. The remaining deposits were uninsured, however, provisions of the Connecticut General Statutes provide for protection against loss in excess of deposit insurance by requiring all qualified public depositories to maintain segregated collateral for public deposits. As of June 30, 2018 approximately \$470,000 of uninsured deposits were collateralized under the provision.

Investments

As of June 30, 2018, the City held the following investments:

<u>Investment Type</u>	<u>Fund</u>	<u>Fair Value (Level 1 hierarchy)</u>	<u>Weighted Average to Maturity (years)</u>	<u>Risk</u>
State Investment Fund	General Fund	\$ 75,995	.02	-
Mutual Funds	Internal Service	506,421	n/a	-
Mutual Funds*	Trust Funds	2,941,958	n/a	-
Corporate Bonds*	Trust Funds	<u>38,873</u>	2.63	Baaa3-AA
Total Investments		\$ <u>3,563,247</u>		

* Held in the Plumb Library trust fund

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates which will adversely affect the fair value of an investment. The City has no formal policy specifically related to interest rate risk. The City minimizes its exposure to interest rate risk by investing its operating funds in short-term investments.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the City's policy to invest only in securities that meet the ratings requirements set by General State Statute Chapter 112, Section 7-400 as follows:

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Investment Policies

The City maintains an investment policy, which excludes certain private purpose fund investments. The City's investment policy strictly prohibits all funds to invest in investments not included in Chapter 12, Section 7-400 of the State of Connecticut's General Statutes, which permits municipalities to invest in (a) obligations of the United States and its agencies, (b) highly rated obligations of any state of the United States or of any political subdivision, authority of agency thereof, and (c) shares of interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligation. Other provisions of the Statutes regarding the investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

Note 5 - Receivables, Deferred Revenue and Payables

Receivables

The receivables as of June 30, 2018 for the City's individual major funds and non-major, internal service and fiduciary funds in the aggregate, including the applicable allowance for uncollectible accounts are as follows:

	Government Funds			
	General Fund	Capital Projects	Non-major Funds	Total
Property taxes	\$ 2,515,989			2,515,989
Intergovernmental	494,021	685,107	172,123	1,351,251
Accounts	193,542			193,542
Assessments	103,158		1,939	105,097
Net Total Receivables	\$ 3,306,710	685,107	174,062	4,165,879

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Deferred payments and unavailable receipts

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the fiscal year the components of deferred revenue and unearned revenues reported in the governmental fund were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund:			
Delinquent property taxes	\$ 2,216,676		2,216,676
Delinquent receivable	14,141		14,141
Intergovernmental	473,692		473,692
Advanced tax collections		1,873,221	1,873,221
Assessments	103,158		103,158
Other Governmental Funds:			
Intergovernmental		26,090	26,090
Assessments	1,939		1,939
Total Deferred Revenue	\$ 2,809,606	1,899,311	4,708,917

Payables

Payables as of June 30, 2018 for the City's individual major funds and non-major funds were as follows:

	<u>Vendors</u>	<u>Payroll</u>	<u>Cash Overdraft</u>	<u>Total</u>
General Fund	\$ 1,078,388	464,437		1,542,825
Capital Projects Fund	1,223,719		194,497	1,418,216
Non-major Funds	225,970		416,582	642,552
Total governmental funds	\$ 2,528,077	464,437	611,079	3,603,593
Internal Service Funds	\$ 266,431			266,431
W.P.C.A.	\$ 625,564	11,697	7,471,878	8,109,139
Total Payables	\$ 3,420,072	476,134	8,082,957	11,979,163

Note 6 - Inter-fund Receivables, Payables and Transfers

Advanced to other funds

The general fund advanced \$2,690,819 to the special education funds, which is expected to be repaid when funds are available.

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2018

Inter-funds Receivables and Payables

Inter-fund receivables and payables at June 30, 2018 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Worker's Compensation	\$ 3,004,797
General Fund	Capital Projects	10,124,286
General Fund	Nonmajor	8,300,208
General Fund	W.P.C.A.	3,277,714
Capital Projects	General Fund	5,431,600
Nonmajor	Nonmajor	31,907
Nonmajor	Capital Projects	18,382
Nonmajor	General Fund	1,229,196
W.P.C.A.	General Fund	12,272,302
	Total	\$ <u>43,690,392</u>

Inter-fund Transfers

The government subsidized the activities of the W.P.C.A. through the payments to the clean water loan on behalf of the W.P.C.A. in an amount of \$1,151,019.

Note 7 - Capital Assets

Capital assets activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 35,464,727	173,064	113,270	35,524,521
Construction in progress	4,972,071	5,507,974	175,555	10,304,490
Total capital assets, not being deprec.	\$ <u>40,436,798</u>	<u>5,681,038</u>	<u>288,825</u>	<u>45,829,011</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 187,225,289	238,500	131,976	187,331,813
Machinery and equipment	24,729,006	1,336,197	254,288	25,810,915
Infrastructure	85,353,816		62,945	85,290,871
Total capital assets being depreciated	\$ <u>297,308,111</u>	<u>1,574,697</u>	<u>449,209</u>	<u>298,433,599</u>
Less: Accumulated depreciation:				
Buildings and improvements	\$ 68,303,390	2,598,844	92,384	70,809,850
Machinery and equipment	12,258,937	2,130,241	254,288	14,134,890
Infrastructure	39,420,916	1,838,673		41,259,589
Total accumulated depreciation	\$ <u>119,983,243</u>	<u>6,567,758</u>	<u>346,672</u>	<u>126,204,329</u>
Net capital assets, being depreciated	\$ <u>177,324,868</u>	<u>(4,993,061)</u>	<u>102,537</u>	<u>172,229,270</u>
Total capital assets, governmental	\$ <u>217,761,666</u>	<u>687,977</u>	<u>391,362</u>	<u>218,058,281</u>

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2018

Note 7 - Capital Assets (continued)

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

Governmental Activities:

General government	\$	76,024
Education		3,036,545
Public safety		1,087,226
Public works		2,224,866
Cultural and recreation		<u>143,097</u>
Total depreciation expense governmental activities	\$	<u>6,567,758</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets not being depreciated:				
Construction in progress	\$ <u>328,786</u>	<u>2,248,517</u>		<u>2,577,303</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 48,122,628			48,122,628
Machinery and equipment	75,804			75,804
Sewers	<u>40,475,668</u>			<u>40,475,668</u>
Total capital assets being depreciated	\$ <u>88,674,100</u>	<u>-</u>	<u>-</u>	<u>88,674,100</u>
Less: Accumulated depreciation:				
Buildings and improvements	\$ 30,494,335	1,004,905		31,499,240
Machinery and equipment	21,138	15,161		36,299
Sewers	<u>16,532,379</u>	<u>809,512</u>		<u>17,341,891</u>
Total accumulated depreciation	\$ <u>47,047,852</u>	<u>1,829,578</u>	<u>-</u>	<u>48,877,430</u>
Net capital assets being depreciated	\$ <u>41,626,248</u>	<u>(1,829,578)</u>	<u>-</u>	<u>39,796,670</u>
Total capital assets, business-type	\$ <u>41,955,034</u>	<u>418,939</u>	<u>-</u>	<u>42,373,973</u>

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2018

Note 8 - Long-Term Liabilities

Long-term debt liabilities activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due In One Year</u>
Governmental Activities*:					
Long-Term Debt:					
General obligation bonds	\$ 22,470,000	5,500,000	8,585,000	19,385,000	4,700,000
G.O.B refunding bonds	14,074,000	4,200,000	4,945,000	13,329,000	4,310,000
Capital leases	<u>1,434,295</u>		<u>1,434,295</u>	<u>-</u>	
Total Long-Term Debt	\$ 37,978,295	9,700,000	14,964,295	32,714,000	9,010,000
Deferred amount on:					
Issuance premium	<u>1,336,833</u>		<u>627,776</u>	<u>709,057</u>	
Net long-term debt	\$ 39,315,128	9,700,000	15,592,071	33,423,057	
Other Long-Term Liabilities:					
Compensated absences	<u>7,457,195</u>	<u>125,741</u>		<u>7,582,936</u>	
Total governmental activities long-term liabilities	\$ <u>46,772,323</u>	<u>9,825,741</u>	<u>15,592,071</u>	<u>41,005,993</u>	
Business-type Activities:					
Clean water fund notes	\$ <u>11,416,278</u>		<u>931,199</u>	<u>10,485,079</u>	<u>949,995</u>
Total business-type activities long-term liabilities	\$ <u>11,416,278</u>	<u>-</u>	<u>931,199</u>	<u>10,485,079</u>	<u>949,995</u>
Total long-term liabilities	\$ <u><u>58,188,601</u></u>	<u><u>9,825,741</u></u>	<u><u>16,523,270</u></u>	<u><u>51,491,072</u></u>	<u><u>9,959,995</u></u>

**beginning balance includes a prior period adjustment*

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business type activities and are direct obligations and pledge the good faith and credit of the government. Certain general obligation bonds are to be repaid by revenues of the enterprise funds. These bonds generally are issued as 5 year and 10 year serial bonds with equal amounts of principal maturing each year. As of June 30, 2018, the outstanding general obligation bonded indebtedness of the City was as follows:

	<u>General</u>	<u>Refunding</u>
\$6,237,000 GOB 2013 , issue of 8/1/2012, due 8/1/2023, interest at 2.0% to 4%, annual Principal and interest payments	\$ 835,000	
\$8,815,000 GOB 2014 , issue of 8/1/2014, due 8/1/2024, interest at 2.0% to 5.0%, annual principal and interest payments	5,990,000	
\$2,362,000 Bank Loan 2015, lot A , issue of 8/10/2015, due 8/1/2020, interest at 2.0% to 5.0%, annual principal and interest payments	1,415,000	
\$2,750,000 Bank Loan 2015 lot B , issue of 8/10/2015, due 8/1/2025, interest at 2.0% to 5.0%, annual principal and interest payments	2,445,000	
\$4,000,000 Bank Loan 2016 , issue of 9/2/2016, due 9/1/2021, interest at 1.09%, annual principal and interest payments	3,200,000	
\$12,200,000 GOB 2014 refunding , issue of 8/24/2013, due 8/24/2017, interest at 2.0% to 5.0%, annual principal and interest payments		4,975,000
\$6,805,000 Bank Loan 2015 lot C refunding , issue of 8/10/2015, due 8/24/2020, interest at 2.0% to 5.0%, annual principal and interest payments		4,154,000
\$5,500,000 Bank Note , issue of 8/10/2018, due 8/24/2020, interest at 2.0% to 5.0%, annual principal and interest payments	5,500,000	
\$4,200,000 GOB 2018 refunding , issue of 8/10/2018, due 8/24/2020, interest at 2.0% to 5.0%, annual principal and interest payments		4,200,000
Total general obligation bonds	<u>\$ 19,385,000</u>	<u>13,329,000</u>

CITY OF SHELTON, CONNECTICUT**NOTES TO THE FINANCIAL STATEMENTS, Continued**
June 30, 2018

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended, June 30		Governmental Activity	
		Principal	Interest
2019	\$	9,010,000	725,523
2020		8,555,000	451,589
2021		5,674,000	305,429
2022		3,770,000	216,637
2023		2,955,000	135,989
2024-2026		2,750,000	103,949
Total	\$	32,714,000	1,939,116

Bonds authorized but unissued

Under regulations issued by the Internal Revenue Service, effective March 2, 1992, in order for capital projects to be funded through tax-exempt debt, all projects must be appropriated and designated as being funded through debt prior to any expenditure on these projects.

The City has authorized but unissued bonds relating to capital projects at June 30, 2018, as follows:

Sewer	\$	4,259,171
General purpose		6,031,906
Schools		<u>729,145</u>
Total	\$	<u>11,020,222</u>

A portion of bonds authorized and unissued will be reduced by grants received.

Capital Leases**Safety communications equipment**

The City has entered into a capital lease with Motorola Solutions, Inc. in the acquisition of safety communication equipment. The value of the asset purchased was \$1,521,536. The lease is to be paid over 5 years with an annual payment of \$313,220 plus interest at a three year interest swap rate as published by the Federal Reserve, which was 1.91% as of June 30, 2018. The balance was paid in full as of June 30, 2018.

School buses

In July, 2013, the City purchased 60 school buses with the required accessories through a capital lease agreement of \$5,473,806. The lease was paid over 60 months with an interest rate of 1.36%.

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Clean Water Fund Loans Payable

The City has an outstanding balance on loans payable to the State of Connecticut's Department of Environmental Protection, under its Clean Water Fund Program, for sanitary sewer projects. The individual loans were as follows:

<u>Note</u>		<u>Balance</u>
165-C	\$	9,148,984
104-C		<u>1,336,095</u>
Total Clean Water Fund Loans	\$	<u>10,485,079</u>

These loans bear interest at 2% per annum and the annual debt service requirements to maturity are as follows:

<u>Year Ended June 30,</u>	<u>Business-type Activity</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 949,995	201,025
2020	969,170	181,850
2021	988,732	162,288
2022	1,008,688	142,331
2023	1,029,048	121,200
2024-2028	5,373,960	290,264
2029	<u>165,486</u>	<u>14,322</u>
	\$ <u>10,485,079</u>	<u>1,113,280</u>

Note 9 - Commitments and Contingencies

Lawsuits

There were several personal injuries, negligence and personnel related lawsuits pending against the City. The outcome and eventual liability of the City, if any in these cases, is not known at this time. Based upon consultation with counsel, the City's management estimates that potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial position of the City.

Operating Contracts

School transportation

The City entered into a one year operating lease with Durham School Services, L.P. to operate, maintain and insure the newly acquired buses. During the 2018 fiscal year, the City paid \$2.6 million.

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Municipal solid waste management services contract

The City has entered into a ten year municipal solid waste management services contract on December 1, 2014 with Wheelabrator Bridgeport, L.P. The City agrees to pay \$60.25 per short ton (2,000 lb.) of acceptable waste delivered to the facility with a minimum charge of 1 ton per delivery. The tip fee will escalate by 75% of the consumer price index each year on July 1.

Risk Management and Self-Insurance

The City is exposed to various risks of loss including torts, theft of, damage to, and destruction of assets; error and omissions; injuries to employees; employee health; and natural disasters. The City generally obtains commercial insurance for these risks, but has chosen to retain the risks for workers' compensation, including heart and hypertension, and physical damage of the City's vehicles.

The worker's compensation fund purchases a self insured retention worker's compensation excess policy for claims exceeding \$500,000. All other claims are funded by the General Fund. Payments to the fund are estimated based on payroll amounts, job classification rates, experience and second injury fund assessments.

Under Public Act 9-342, health insurance for retired teachers, subsidy equal to the equivalents flat dollar premium amount of Blue Cross 65/Blue Shield 65 is paid by the State directly to the local school districts. Where it is applied to reduce premium payments of the retired members' 1% supplemental contributions, since July 1, 1989, have been directly to a dedicated health insurance fund. There is no cost to the City.

Changes in the balance of claims liabilities for the worker's compensation and heart and hypertension were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Claims Payable Beginning</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>Claims Payable Ending</u>
Worker's Compensation				
2017	1,633,644	1,414,297	1,185,278	1,862,663
2018	1,862,663	543,153	1,983,952	421,864
Heart and Hypertension				
2017	1,154,952	2,586,349	2,676,437	1,064,864
2018	1,064,864	2,814,546	2,936,308	943,102
Medical				
2017	750,000	11,058,957	11,020,224	788,733
2018	788,733	11,418,015	11,694,960	511,788
Total Internal Service				
2017	3,538,596	15,059,603	14,881,939	3,716,260
2018	3,716,260	14,775,714	16,615,220	1,876,754

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued **June 30, 2018**

Note 10 - Employee Retirement Plans

Merit Employees Retirement Plan

The City of Shelton maintains a contributory money purchase defined contribution pension plan (City of Shelton Money Purchase Plan) which covers merit employees who work more than 20 hours per week and more than 5 months per year, except policemen who participate in a defined benefit pension plan administered by the Connecticut Municipal Employees' Retirement Fund, and teachers who participate in a contributory retirement plan administered by the Connecticut State Teachers' Retirement System..

The defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

Employees are eligible to participate once they have completed one year of continuous service, with no minimum age requirement. The City contributes an amount equal to 6% of the employee's annual base wages, while employees must contribute 3%. Employees may also make voluntary contributions up to 10% of annual wages.

Contributions made by an employee vest immediately and contributions made by the City for each employee (and interest allocated to the employee's account) are 20% vested for each year of service until 100% vested after 5 years of service. Both participant and employer contributions are invested per employee direction.

The City's total covered payroll under the plan, excluding the Board of Education, for the fiscal year ended June 30, 2018 was approximately \$7.5 Million. The employee's required contribution was \$225,546 (3% of covered payroll) and voluntary contributions were \$288,696. The City's matching contribution was \$451,092.

No pension provision changes occurred during the year that affected the required contributions to be made by the City or its employees. The City of Shelton's Money Purchase Plan held no securities of the City or other related parties during, or as of the close of, the fiscal year.

Connecticut Municipal Employees' Retirement System – Defined Benefit Plan

Plan Description

The City's policemen participate in Connecticut's Municipal Employees' Retirement System (CMERS), a cost-sharing, multiple-employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement, disability, and death benefits to the employees and beneficiaries of participating municipalities. Title 7, Chapter 113 of the General Statutes of Connecticut, which

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

can be amended by legislative action, establishes PERS benefits, member contribution rates and other plan provisions.

CMERS is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106, by calling 860-702-3480, or by visiting the State's website www.ct.gov.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and expense information about CMERS net position and additions to/deductions from CMERS net position have been determined on the same basis they are reported by CMERS. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefit Provisions

The benefits provided by CMERS to its participants include retirement, disability, and death benefits.

General Employees: Employees are eligible to retire at age 55 with 5 years of continuous service, or 15 years of active aggregate 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: Members not covered by social security receive a benefit of 2% of average final compensation times years of service. Members covered by social security receive a benefit of 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 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.

Early Retirement: Employees are eligible after 5 years of active continuous service or 15 years of active aggregate service. The benefit is calculated based on average final compensation and service to date of termination.

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. 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. Non-service related disability

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

benefits are provided to employees with 10 years of service and being permanently or totally disabled from 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.

Contribution Requirements

Contributions are established by State Statutes as follows:

Employer

The City, as a participating municipality, makes 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 CMERS not met by member contributions. There is also an annual administrative fee per active and retired members.

The current rate is 16.93% of annual covered payroll. The contribution requirements of the City are established and may be amended by the State Retirement Commission. The City's contributions to CMERS for the years ended June 30, 2018, 2017 and 2016 were \$984,048, \$914,347, and \$790,450 respectively, equal to the required contributions for each year.

Employee

Plan members not covered by social security are required to contribute 5% of compensation. Employees covered by social security are required to contribute 2.25% of compensation up to the social security taxable wage base is plus 5% of compensation, if any, in excess of such base.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the City reported an asset for its proportionate share of the net pension liability (asset) in the government-wide Statement of Net Position. The amount recognized by the City for its proportionate share of the net pension liability (asset) was (\$2,672,834) based on the City's allocation percentage of 3.481790%.

The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017. There were no changes in assumptions or benefits that affected the measurement of the total pension liability since the prior measurement date.

The City recognized its proportionate share of the collective pension expense in the amount of \$1,647,661 for the year ended June 30, 2018.

CITY OF SHELTON, CONNECTICUT**NOTES TO THE FINANCIAL STATEMENTS, Continued**
June 30, 2018

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to CMERS pension benefits as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City contributions subsequent to the measurement date	\$ 984,048	-
Net difference between projected and actual earnings on plan investments	306,549	-
Change in proportionate share	294,278	-
Net difference between employer expected and actual experience	1,071,474	-
Total	\$ 2,656,349	-

Net deferred outflows and inflows of resources for pensions is amortized and recognized in the net pension expense each year as follows:

Year Ended June 30,	Net Pension Expense Increase
2019	\$ 1,583,504
2020	745,972
2021	491,319
2022	(164,446)
Thereafter	-
	\$ 2,656,349

Actuarial Assumptions

The total pension liability is based upon the June 30, 2016 actuarial valuation that was rolled forward to June 30, 2017. The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012. The key actuarial assumptions used in the valuation were as follows:

Inflation	3.25%
Salary increase	4.25-11.00%, including inflation
Long-term investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for annuitants and nonannuitants (set forward one year for males and set back one year for females).

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Future Cost of Living adjustments for members who retire on or after January 1, 2002, are 60% of the annual increase in the CPI up to 6%. The minimum annual COLA is 2.5%, and the maximum is 6%.

Long Term Rate of Return

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. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap U.S. equities	16.0%	5.8%
Developed non-U.S. equities	14.0%	6.6%
Emerging markets (non-U.S.)	7.0%	8.3%
Core fixed income	8.0%	1.3%
Inflation linked bond fund	5.0%	1.0%
Emerging market bond	8.0%	3.7%
High yield bonds	14.0%	3.9%
Real estate	7.0%	5.1%
Private equity	10.0%	7.6%
Alternative investments	8.0%	4.1%
Liquidity fund	3.0%	0.4%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. 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 the actuarially 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.

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability (asset) of the City calculated using the discount rate of 8.00%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of the net pension liability/(asset)	\$ 1,459,208	\$ (2,672,834)	\$ (6,109,598)

Teachers' Retirement

All City of Shelton Board of Education certified employees participate in the State of Connecticut Teachers' Retirement System ("TRS" or the "Plan") under Section 10.183 of the General Statutes of the State of Connecticut.

Plan Description

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System – a cost sharing, multiemployer, defined benefit pension plan administered by the Teachers' Retirement Board. Title 10, Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the State Teachers' Retirement Board ("TRB"). The State Treasurer is responsible for investing Teachers' Retirement System funds for the exclusive benefit of the TRS members.

The Teachers' Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106, by calling 860-702-3480, or by visiting the State's website www.ct.gov.

Benefit Provisions

The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

Normal Retirement: Retirement benefits for the employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

In addition, amounts derived from the accumulation of the 6% contributions made prior to July 1, 1989 and voluntary contributions are payable.

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2018

Early Retirement: Employees are eligible after 25 years of credited service with a minimum of 20 years of Connecticut service, or age 55 with 20 years of credited service with a minimum of 15 years of Connecticut service. Benefits are reduced for those retiring before normal retirement age.

Minimum Benefit: Effective January 1, 1999, Public Act 98-251 provides a minimum monthly benefit of \$1,200 to teachers who retire under the normal retirement provisions and who have completed at least 25 years of full time Connecticut service at retirement.

Disability Retirement: Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% per year of service times the average of the highest three years of pensionable salary, as defined per the Plan, but not less than 15%, nor more than 50%. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of Social Security benefits and workers' compensation cannot exceed 75% of average annual salary.

A plan member who leaves service and has attained 10 years of service will be entitled to 100% of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age 60, and early retirement deductions are based on the number of years of service the member would have had if they had continued work until age 60.

Pre-Retirement Death Benefit: The plan also offers a lump-sum return of contributions with interest or surviving spouse benefit depending on length of service.

Contributions

State of Connecticut

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amounts to finance any unfunded accrued liability.

Employer (School Districts)

School district employers are not required to make contributions to the Plan.

Employees

Effective July 1, 1992, participants are required to contribute 6.00% of their pensionable salary to the pension System as required by CGS Section 10-183b (7). Effective January 1, 2018, the required contribution increased to 7.00% of pensionable salary. For the year ended June 30, 2018, \$2,422,971 mandatory contributions were deducted from the salaries of teachers who were participants in the System. The estimated covered payroll for the City was \$36,700,000.

Administrative Expenses

Administrative expenses of the Plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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

The State has a statutory requirement to pay 100% of the required plan contribution, therefore as of June 30, 2018 the City reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows. The amount recognized by the City as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability associated with the City were as follows:

City's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the City		<u>118,187,255</u>
Total net pension liability	\$	<u><u>118,187,255</u></u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

For the year ended June 30, 2018 the City has recognized, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$13,670,813 as payments made by the State of Connecticut on behalf of the City for teachers' pension.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	3.25-6.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation
Administrative expenses	\$0 assumption as expenses are paid for by the State of CT General Assembly

Mortality rates were based on the RPH-2014 White Collar Table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RPH-2014 Disabled Mortality Table projected to 2017 with Scale BB is used for the period after disability retirement.

Future Cost-of-Living increases for teachers who retired prior to September 1, 1992, are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2018

January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

Long Term Rate of Return

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution 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. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap U.S. equities	21.0%	5.8%
Developed non U.S. equities	18.0%	6.6%
Emerging markets – non U.S.	9.0%	8.3%
Core fixed income	7.0%	1.3%
Inflation linked bonds	3.0%	1.0%
Emerging market bond	5.0%	3.7%
High yield bonds	5.0%	3.9%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investment	8.0%	4.1%
Cash	6.0%	0.4%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. 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 State contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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 City's proportionate share of the net pension liability is \$0. Any change in the discount rate would only have an effect on the amount recorded by the State of Connecticut.

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued **June 30, 2018**

Note 11 – Other Postemployment Benefit Plan

Teachers' Retirement OPEB Plan

All City of Shelton Board of Education certified employees participate in the State of Connecticut Teachers' Retirement System ("TRS" or the "Plan") under Section 10.183 of the General Statutes of the State of Connecticut.

Plan Description

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with benefits, including retiree health insurance, through the Connecticut State Teachers' Retirement System – a cost sharing, multiemployer, defined benefit pension plan administered by the Teachers' Retirement Board. Title 10, Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the State Teachers' Retirement Board ("TRB"). The State Treasurer is responsible for investing Teachers' Retirement System funds for the exclusive benefit of the TRS members.

The Teachers' Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106, by calling 860-702-3480, or by visiting the State's website www.ct.gov.

Benefit Provisions

The plan provides healthcare insurance benefits to eligible retirees and their spouses. Any member currently receiving a retirement or disability benefit through the Plan is eligible to participate in the healthcare portion of the Plan. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the TRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

Any member that is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, any remaining portion is used to offset the district's cost. The subsidy amount is set by statute, and has not increased since July of 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A or Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan.

Any member that is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits).

The choices and calendar year premiums charged for the calendar year 2017 are as follows:

- | | |
|--|-------|
| • Medicare Supplement with Prescriptions | \$ 92 |
| • Medicare Supplement with Prescriptions and Dental | 136 |
| • Medicare Supplement with Prescriptions, Dental, Vision & Hearing | 141 |

Survivor Health Care Coverage: Survivors of former employees or retirees remain eligible to participate in the plan and continue to be eligible to receive either the \$110 monthly subsidy or participate in the TRB-Sponsored Medicare Supplemental Plans, as long as they do not remarry.

Normal Retirement: Eligible after age 60 with 20 years of Credited Service in Connecticut, or 35 years of Credited Service including at least 25 years of service in Connecticut.

Early Retirement: Eligible after 25 years of credited service with a minimum of 20 years of Connecticut service, or age 55 with 20 years of credited service with a minimum of 15 years of Connecticut service.

Proratable Retirement: Eligible after age 60 with 10 years of Credited Service.

Disability Retirement: Eligible after 5 year of Credited service in Connecticut if not incurred in the performance of duty and no service requirement if incurred in the performance of duty

Termination of Employment: Eligible after 10 or more years of Credited Service.

Contributions

State of Connecticut

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut is amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The State pays for one third of plan costs through an annual appropriation in the General Fund.

Employer (School Districts)

School district employers are not required to make contributions to the Plan.

Employees

The cost of providing plan benefits is financed on a pay-as-you-go basis as follows:

- Active teachers pay one third of the Plan costs through a contribution of 1.25% of pensionable salary
- Retired teachers pay one third of the Plan costs through monthly premiums

For the year ended June 30, 2018, \$458,839 mandatory contributions were deducted from the salaries of active teachers who were participants in the System. The estimated covered payroll for the City was \$36,700,000.

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Administrative Expenses

Administrative expenses of the Plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The State has a statutory requirement to pay 100% of the required plan contribution, therefore as of June 30, 2018 the City reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows. The amount recognized by the City as its proportionate share of the net OPEB liability, the related state support, and the total portion of the net OPEB liability associated with the City were as follows:

City's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the City		<u>30,420,068</u>
Total net OPEB liability	\$	<u>30,420,068</u>

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

For the year ended June 30, 2018 the City has recognized, in the General Fund, intergovernmental revenue and education expenditures related to OPEB in the amount of \$1,409,820 as payments made by the State of Connecticut on behalf of the City for teachers' OPEB.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	3.25-6.50%, including inflation
Long-term Investment rate of return	2.75%, net of pension plan investment expense, including inflation
Real wage growth	0.50%
Wage inflation	3.25%
Municipal bond index rate	3.56%
Single equivalent interest rate	3.56%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	7.25% for 2017 decreasing to an ultimate rate of 5.00% by 2022
Administrative expenses	\$0 assumption as expenses are paid for by the State of CT General Assembly
Year fund net position will be depleted	2018

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Mortality rates were based on the RPH-2014 White Collar Table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80. For disabled retirees, the RPH-2014 Disabled Mortality Table projected to 2017 using the BB improvement scale.

Long Term Rate of Return

The long-term expected rate of return on plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Treasuries (Cash Equivalents)	100.0%	0.04%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension OPEB was 3.56%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current member contribution rate and that contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. No future State contributions were assumed to have been made. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2018 and, as a result, the Municipal Bond Index Rate was used in the determination.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The City's proportionate share of the net OPEB liability is \$0. Any change in the health care cost trend rate or the discount rate would only have an effect on the amount recorded by the State of Connecticut.

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Note 12 - Fund Balance and Net Position

Fund Deficits

The City has the following Fund Deficits at June 30, 2018 and expects to eliminate the deficits in the future as follows:

Fund	Deficit	Plan For Elimination
Conservation and Open Space	\$ 93,939	Future contributions
Homeland Security Grant	26,236	Future grant receipts
School Lunch	178,394	Future contributions
Educational Grants	2,776,708	Future grant receipts
Summer School	14,470	Future contributions
School Rental	114,839	Future contributions
Police PVET Grant	885	Future grant receipts
Worker's Compensation	4,294,763	Future employer payments
Medical Insurance	271,798	Future employer payments
Capital Projects	5,444,177	Future general obligation bonds

Note 12 – Subsequent Events

General Obligation Bond

On November 29, 2018, the City issued a general obligation bond in the amount of \$6,101,000. The bond will be paid over a 6 year period beginning November 15, 2019 with an interest rate of 2.68%. The bond will fund capital projects, roads, and the purchase of equipment.

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
Last Four Fiscal Years

	2018	2017	2016	2015 as Restated
City's proportion of the net pension liability	3.481790%	3.481790%	3.753945%	3.893616%
City's proportionate share of the net pension liability (asset)	\$ (2,672,834)	(1,961,193)	(3,158,806)	(3,717,725)
City's covered payroll	\$ 5,812,452	5,323,127	5,276,705	5,078,850
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-45.98%	-36.84%	-59.86%	-73.20%
Plan fiduciary net position as a percentage of total pension liability	91.68%	88.29%	92.72%	90.48%

Notes to Schedule

Changes in benefit terms	None
Changes in assumptions	In 2013, rates of withdrawal, disability, retirement, mortality and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five year period ended June 30, 2012.
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Single Equivalent amortization period	25 years
Asset valuation method	5-year smoothed market (20% write up)

This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
SCHEDULE OF CITY CONTRIBUTIONS**

**CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
Last Four Fiscal Years**

	2018	2017	2016	2015
Contractually required contribution	\$ 984,048	914,347	790,450	863,932
Contributions in relation to the contractually required contribution	984,048	914,347	790,450	863,932
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 5,812,452	6,103,787	5,276,705	5,396,205
Contributions as a percentage of covered payroll	16.93%	14.98%	14.98%	16.01%

Notes to Schedule

Valuation date	June 30, 2017
Measurement date	June 30, 2017
Reporting date	June 30, 2018

The actuarially determined contributions in the schedule of employer contributions are calculated as of June 30 each biennium for the fiscal years ending two and three years after the valuation date.

Changes in benefit terms None

Changes in assumptions In 2013, rates of withdrawal, disability, retirement, mortality and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five year period ended June 30, 2012.

Methods and assumptions used to determine contribution rate:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Single Equivalent amortization period	24 years
Asset valuation method	5-year smoothed market (20% write up)
Inflation	3.25%
Salary increase	4.25-11.00%, including inflation
Investment rate of return	8.00%, net of investment related expense

This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

TEACHERS' RETIREMENT PLAN
For the Year Ended June 30, 2018

	2018	2017	2016	2015
City's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%
City's proportionate share of the net pension liability	\$ -	-	-	-
State's proportionate share of the net pension liability associated with the City	\$ <u>118,187,255</u>	<u>124,688,459</u>	<u>95,054,242</u>	<u>87,858,598</u>
Total	<u>118,187,255</u>	<u>124,688,459</u>	<u>95,054,242</u>	<u>87,858,598</u>
City's covered payroll	36,700,000	36,364,599	31,569,440	30,570,297
City's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of total pension liability	55.93%	52.26%	59.50%	61.51%

Notes to Schedule

Changes in benefit terms	None
Changes in assumptions	In 2016, rates of withdrawal, disability, retirement, mortality and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five year period ended June 30, 2015.
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Single Equivalent amortization period	20.4 years
Asset valuation method	4-year smoothed market
Inflation	2.75%
Salary increase	3.25-6.50%, including inflation
Investment rate of return	8.00%, net of investment related expense

This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

TEACHERS' RETIREMENT PLAN

Last Fiscal Year

	<u>2018</u>
City's proportion of the net OPEB liability	0.00%
City's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the City	\$ <u>30,420,068</u>
Total	<u><u>30,420,068</u></u>
City's covered payroll	36,700,000
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%
Plan fiduciary net position as a percentage of total OPEB liability	1.79%

Notes to Schedule

Changes in benefit terms	None
Changes in assumptions	<ul style="list-style-type: none"> - The single equivalent interest rate was increased from 3.01% to 3.56% to reflect the change in the Municipal Bond Index Rate. - Changes were made to the assumed initial per capita health care costs, rates of health care inflation used to project the per capita costs, and the rates of Plan participation based upon recent experience and current expectations. - As a result of the experience study for the five-year period ending June 30, 2015, the payroll growth rate assumption was decreased from 3.75% to 3.25% to reflect the decrease in the rate of inflation and the decrease in the rate of real wage increase. Last, the salary growth assumption, the payroll growth rate, the rates of withdrawal, the rates of retirement, the rates of mortality, and the rates of disability incidence were adjusted based upon the experience study's findings and their adoption by the Board.
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Amortization period	30 years, open
Asset valuation method	Market value of assets
Inflation	2.75%
Salary increase	3.25-6.50%, including inflation
Investment rate of return	2.75%, net of investment related expense, including inflation

This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

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GENERAL FUND REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
PROPERTY TAXES				
Current years' levy	\$ 103,238,984	103,238,984	102,727,670	(511,314)
Prior years' levies	880,000	880,000	1,023,290	143,290
Interest and penalties	570,000	570,000	753,378	183,378
Statutory refunds	(149,000)	(149,000)	(311,953)	(162,953)
Personal property tax audits	200,000	200,000	-	(200,000)
Total property taxes	<u>\$ 104,739,984</u>	<u>104,739,984</u>	<u>104,192,385</u>	<u>(547,599)</u>
INTERGOVERNMENTAL				
State grants for education	\$ 7,373,149	7,373,149	6,224,748	(1,148,401)
Other state grants	1,609,583	1,609,583	1,249,462	(360,121)
Total intergovernmental	<u>\$ 8,982,732</u>	<u>8,982,732</u>	<u>7,474,210</u>	<u>(1,508,522)</u>
CHARGES FOR SERVICES				
Licenses and permits	\$ 1,808,580	1,808,580	2,206,659	398,079
Charges for services	1,007,270	1,007,270	1,412,536	405,266
Fines and forfeits	4,000	4,000	23,980	19,980
Total charges for services	<u>\$ 2,819,850</u>	<u>2,819,850</u>	<u>3,643,175</u>	<u>823,325</u>
INVESTMENT INCOME	<u>\$ 250,000</u>	<u>250,000</u>	<u>93,667</u>	<u>(156,333)</u>
MISCELLANEOUS REVENUES	<u>\$ 1,623,043</u>	<u>1,623,043</u>	<u>1,177,449</u>	<u>(445,594)</u>
OTHER FINANCING SOURCES				
Appropriation of fund balance	\$ 4,893,096	4,893,096	6,273,642	1,380,546
Total other financing sources	<u>\$ 4,893,096</u>	<u>4,893,096</u>	<u>6,273,642</u>	<u>1,380,546</u>
Total revenue & other financing sources	<u><u>\$ 123,308,705</u></u>	<u><u>123,308,705</u></u>	<u><u>122,854,528</u></u>	<u><u>(454,177)</u></u>

GENERAL FUND EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES -
BUDGETARY BASIS - BUDGET AND ACTUAL

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
GENERAL GOVERNMENT				
Administrative	\$ 2,012,951	2,031,602	2,000,614	30,988
Employee resources	5,983,411	6,211,761	5,842,029	369,732
Legislative	164,055	146,795	123,949	22,846
Board of ethics	600	600	27	573
Elections	160,396	160,396	140,787	19,609
Inland wetlands	89,840	113,031	111,510	1,521
Economic development committee	46,801	46,801	30,305	16,496
Economic development	100,000	100,000	100,000	-
Planning and zoning	320,453	316,063	314,416	1,647
Probate court	12,900	12,900	12,153	747
Elected/appointed officials	18,450	18,450	16,300	2,150
Conservation commission	64,771	64,771	54,060	10,711
City/Town clerk	442,196	442,196	298,513	143,683
Drug and alcohol commission	1	1	-	1
Appeals board	-	-	-	-
Zoning appeals board	20,465	20,465	16,299	4,166
Legal services corporate counsel	200,971	200,971	106,255	94,716
Management information systems	448,407	448,407	312,478	135,929
Assessor	572,551	572,551	538,346	34,205
Tax collector	353,035	353,035	281,939	71,096
Purchasing	355,446	355,446	264,801	90,645
Public risk management	2,162,560	2,179,820	2,153,044	26,776
Accounting and control	578,705	578,705	493,964	84,741
Miscellaneous	1,251,300	1,254,075	902,582	351,493
Board of aldermen	125,000	115,225	87,192	28,033
Total general government	\$ 15,485,265	15,744,067	14,201,563	1,542,504
PUBLIC SAFETY				
Public safety and energy services	\$ 124,548	124,548	73,868	50,680
EMS commission	125,327	125,327	120,826	4,501
Fire marshal	287,764	287,764	245,638	42,126
Animal control	233,394	233,394	206,702	26,692
Fire department	990,552	990,552	910,712	79,840
Police department	7,658,400	7,399,860	6,116,560	1,283,300
Total public safety	\$ 9,419,985	9,161,445	7,674,306	1,487,139
PUBLIC WORKS				
Building department	\$ 310,080	317,080	222,091	94,989
Highways and bridges	3,615,359	3,615,359	2,956,167	659,192
Road repairs	50,000	50,000	10,295	39,705
Public works director	51,330	51,330	50,379	951
Engineering	283,377	283,377	198,505	84,872
Tree warden	110,000	110,000	74,539	35,461
Recycling program	36,702	36,702	30,722	5,980
Sanitation	2,223,933	2,223,933	2,170,979	52,954
Total public works	\$ 6,680,781	6,687,781	5,713,677	974,104

(Continued)

**GENERAL FUND EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES -
BUDGETARY BASIS - BUDGET AND ACTUAL**

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
HEALTH AND WELFARE				
Public health	\$ 292,878	292,878	292,878	-
Total health and welfare	<u>\$ 292,878</u>	<u>292,878</u>	<u>292,878</u>	<u>-</u>
CULTURE AND RECREATION				
Recreation	\$ 1,671,030	1,671,030	1,366,180	304,850
Capital spending	-	-	-	-
Senior center	348,040	348,040	289,417	58,623
Youth service bureau	225,982	225,982	143,091	82,891
Library	1,201,168	1,201,168	1,145,693	55,475
Community development	78,883	70,321	68,077	2,244
Outside agency contributions	367,095	368,395	365,435	2,960
Total cultural and recreation	<u>\$ 3,892,198</u>	<u>3,884,936</u>	<u>3,377,893</u>	<u>507,043</u>
EDUCATION				
Board of education	\$ 71,470,000	71,470,000	71,396,195	73,805
Total education	<u>\$ 71,470,000</u>	<u>71,470,000</u>	<u>71,396,195</u>	<u>73,805</u>
OTHER				
Utilities	\$ 2,822,349	2,822,349	2,630,749	191,600
Municipal property maintenance	1,453,995	1,453,995	1,340,022	113,973
Total other	<u>\$ 4,276,344</u>	<u>4,276,344</u>	<u>3,970,771</u>	<u>305,573</u>
DEBT SERVICE				
Principal	\$ 9,735,000	9,735,000	9,435,000	300,000
Interest	905,234	905,234	867,897	37,337
W.P.C.A transfer	1,151,020	1,151,020	1,151,019	1
Total debt service	<u>\$ 11,791,254</u>	<u>11,791,254</u>	<u>11,453,916</u>	<u>337,338</u>
Total Encumbrances and Financial Uses	<u>\$ 123,308,705</u>	<u>123,308,705</u>	<u>118,081,199</u>	<u>5,227,506</u>

CITY OF SHELTON, CONNECTICUT

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2018**

	Special Revenue		
	Town Road Aid	Conservation and Open Space	Vehicle Risk Retention
ASSETS			
Cash and cash equivalents	\$		90,508
Receivables, net			
Due from other funds	785,357		
Inventory			
Total assets	\$ 785,357	-	90,508
LIABILITIES AND FUND BALANCES (DEFICITS)			
Liabilities			
Accounts payable and accrued liabilities	\$ 181,517	93,939	
Advanced from other funds			
Due to other funds	238,416		
Total liabilities	\$ 419,933	93,939	-
Deferred inflows of resources:			
Unavailable receipts	\$		
Fund Balance (Deficit)			
Nonspendable	\$		
Restricted for:			
Donor's intentions			
Debt service			
Committed for:			
Open spaces			
Assigned	365,424		90,508
Unassigned		(93,939)	
Total fund balance (deficit)	\$ 365,424	(93,939)	90,508
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 785,357	-	90,508

Special Revenue				
<u>Street Opening and Final Patch</u>	<u>Valley Street Crime B</u>	<u>Em. Medical Service Training</u>	<u>Police Seizure Fund</u>	<u>Surface Transportation</u>
228,072	44,887	4,416	59,244	61
<u>228,072</u>	<u>44,887</u>	<u>4,416</u>	<u>59,244</u>	<u>61</u>
			586	
<u>1,293</u>			<u>2,069</u>	
<u>1,293</u>	<u>-</u>	<u>-</u>	<u>2,655</u>	<u>-</u>
226,779	44,887	4,416	56,589	61
<u>226,779</u>	<u>44,887</u>	<u>4,416</u>	<u>56,589</u>	<u>61</u>
<u>228,072</u>	<u>44,887</u>	<u>4,416</u>	<u>59,244</u>	<u>61</u>

(Continued)

CITY OF SHELTON, CONNECTICUT

COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS, Continued
 June 30, 2018

	Special Revenue		
	Uninsured Loss Fund	Pine Rock Park	Gristmill Lane Maintenance
ASSETS			
Cash and cash equivalents	\$ 495,954	294,358	1,867
Receivables, net			
Due from other funds			
Inventory			
Total assets	<u>\$ 495,954</u>	<u>294,358</u>	<u>1,867</u>
LIABILITIES AND FUND BALANCE (DEFICITS)			
Liabilities			
Accounts payable and accrued liabilities	\$		
Advanced from other funds			
Due to other funds			
Total liabilities	<u>\$ -</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:			
Unavailable receipts	\$		
Fund Balance (Deficit)			
Nonspendable	\$		
Restricted for:			
Donor's intentions			
Debt service			
Committed for:			
Open spaces			
Assigned	495,954	294,358	1,867
Unassigned			
Total fund balance (deficit)	<u>\$ 495,954</u>	<u>294,358</u>	<u>1,867</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 495,954</u>	<u>294,358</u>	<u>1,867</u>

Special Revenue

<u>Asset Seizure Account</u>	<u>Pine Rock Improvements</u>	<u>Adult Education</u>	<u>Small Cities Grant</u>	<u>Trails Committee</u>
	21,524	3,727,708	57,400	5,289
217,434		101,420		
<u>217,434</u>	<u>21,524</u>	<u>3,829,128</u>	<u>57,400</u>	<u>5,289</u>
122,354		7,758		
		3,784,203		
<u>122,354</u>	<u>-</u>	<u>3,791,961</u>	<u>-</u>	<u>-</u>
			26,090	
95,080	21,524	37,167	31,310	5,289
<u>95,080</u>	<u>21,524</u>	<u>37,167</u>	<u>31,310</u>	<u>5,289</u>
<u>217,434</u>	<u>21,524</u>	<u>3,829,128</u>	<u>57,400</u>	<u>5,289</u>

(Continued)

CITY OF SHELTON, CONNECTICUT

COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS, Continued
 June 30, 2018

	Special Revenue		
	Sewer Assessments	One Time Use Grant	CRRA Consent Order
ASSETS			
Cash and cash equivalents	\$ 91,116	1,468	139,174
Receivables, net	1,939		
Due from other funds	167		
Inventory			
Total assets	<u>\$ 93,222</u>	<u>1,468</u>	<u>139,174</u>
LIABILITIES AND FUND BALANCE (DEFICITS)			
Liabilities			
Accounts payable and accrued liabilities	\$ 13,657		
Advanced from other funds			
Due to other funds			
Total liabilities	<u>\$ 13,657</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:			
Unavailable receipts	<u>\$ 1,939</u>		
Fund Balance (Deficit)			
Nonspendable	\$		
Restricted for:			
Donor's intentions			
Debt service			
Committed for:			
Open spaces			
Assigned	77,626	1,468	139,174
Unassigned			
Total fund balance (deficit)	<u>\$ 77,626</u>	<u>1,468</u>	<u>139,174</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 93,222</u>	<u>1,468</u>	<u>139,174</u>

Special Revenue

<u>DUI Grant</u>	<u>Miscellaneous</u>	<u>Senior Center</u>	<u>Homeland Security Grant</u>	<u>Recreation Path Grants</u>
14,201	2,260,880	68,207		963
	89,730			
<u>14,201</u>	<u>2,350,610</u>	<u>68,207</u>	<u>-</u>	<u>963</u>
			26,236	
	<u>2,350,610</u>			
<u>-</u>	<u>2,350,610</u>	<u>-</u>	<u>26,236</u>	<u>-</u>
14,201		68,207		963
			<u>(26,236)</u>	
<u>14,201</u>	<u>-</u>	<u>68,207</u>	<u>(26,236)</u>	<u>963</u>
<u>14,201</u>	<u>2,350,610</u>	<u>68,207</u>	<u>-</u>	<u>963</u>

(Continued)

CITY OF SHELTON, CONNECTICUT

COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS, Continued
 June 30, 2018

	Special Revenue		
	COPS TECH Earmark	Housatonic River Estuary	Dog Fund
ASSETS			
Cash and cash equivalents	\$ 79,146	2,054	1,665
Receivables, net			
Due from other funds	1		
Inventory			
Total assets	<u>\$ 79,147</u>	<u>2,054</u>	<u>1,665</u>
LIABILITIES AND FUND BALANCE (DEFICITS)			
Liabilities			
Accounts payable and accrued liabilities	\$		
Advanced from other funds			
Due to other funds			
Total liabilities	<u>\$ -</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:			
Unavailable receipts	\$		
Fund Balance (Deficit)			
Nonspendable	\$		
Restricted for:			
Donor's intentions			
Debt service			
Committed for:			
Open spaces			
Assigned	79,147	2,054	1,665
Unassigned			
Total fund balance (deficit)	<u>\$ 79,147</u>	<u>2,054</u>	<u>1,665</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 79,147</u>	<u>2,054</u>	<u>1,665</u>

Special Revenue

School Lunch	Educational Grants	Athletic Association	Summer School	School Rental
390,874	1,071,575	51,228	88,343	
172,123				
23,156				
586,153	1,071,575	51,228	88,343	-
184,977				
	2,690,819			
579,570	1,157,464	838	102,813	114,839
764,547	3,848,283	838	102,813	114,839
23,156				
		50,390		
(201,550)	(2,776,708)		(14,470)	(114,839)
(178,394)	(2,776,708)	50,390	(14,470)	(114,839)
586,153	1,071,575	51,228	88,343	-

(Continued)

CITY OF SHELTON, CONNECTICUT

COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS, Continued
 June 30, 2018

	Special Revenue		
	Comp Voice Stress Analyzer	Other Education Programs	Youth Services
ASSETS			
Cash and cash equivalents	\$ 1,067	152,146	1,107
Receivables, net			
Due from other funds			18,200
Inventory			
Total assets	<u>\$ 1,067</u>	<u>152,146</u>	<u>19,307</u>
LIABILITIES AND FUND BALANCE (DEFICITS)			
Liabilities			
Accounts payable and accrued liabilities	\$	10,448	195
Advanced from other funds			
Due to other funds			
Total liabilities	<u>\$ -</u>	<u>10,448</u>	<u>195</u>
Deferred inflows of resources:			
Unavailable receipts	\$		
Fund Balance (Deficit)			
Nonspendable	\$		
Restricted for:			
Donor's intentions			
Debt service			
Committed for:			
Open spaces			
Assigned	1,067	141,698	19,112
Unassigned			
Total fund balance (deficit)	<u>\$ 1,067</u>	<u>141,698</u>	<u>19,112</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 1,067</u>	<u>152,146</u>	<u>19,307</u>

Special Revenue					
<u>Youth to Youth Peer Advocates</u>	<u>Town Clerk</u>	<u>Conservation Commission</u>	<u>Police PVET Grant</u>	<u>Total Sp. Rev Funds</u>	<u>Debt Service</u>
	40,256	814		9,487,572	
				174,062	
	67,176			1,279,485	
				23,156	
-	107,432	814	-	10,964,275	-
			885	642,552	
				2,690,819	
				8,332,115	
-	-	-	885	11,665,486	-
				28,029	
				23,156	
				-	
				-	
				-	
				-	
	107,432	814	(885)	2,476,231	
				(3,228,627)	
-	107,432	814	(885)	(729,240)	-
-	107,432	814	-	10,964,275	-

(Continued)

CITY OF SHELTON, CONNECTICUT

COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS, Continued
 June 30, 2018

	Permanent Funds		
	Edward C. Finn Scholarship	David Clark Scholarship	Paul Gerst Memorial
ASSETS			
Cash and cash equivalents	\$ 2,184	960	851
Receivables, net			
Due from other funds			
Inventory			
Total assets	<u>\$ 2,184</u>	<u>960</u>	<u>851</u>
LIABILITIES AND FUND BALANCE (DEFICITS)			
Liabilities			
Accounts payable and accrued liabilities	\$		
Advanced from other funds			
Due to other funds			
Total liabilities	<u>\$ -</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:			
Unavailable receipts	\$		
Fund Balance (Deficit)			
Nonspendable	\$		
Restricted for:			
Donor's intentions	2,184	960	851
Debt service			
Committed for:			
Open spaces			
Assigned			
Unassigned			
Total fund balance (deficit)	<u>\$ 2,184</u>	<u>960</u>	<u>851</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 2,184</u>	<u>960</u>	<u>851</u>

Permanent Funds					
Lucy Beard	Hanson Edwards Legacy	Permanent War Memorial Scholarship	Mary & Charles Lavietes Memorial	Total Permanent	Total Nonmajor Governmental Funds
1,418	1,017	37,249	783	44,462	9,532,034
				-	174,062
				-	1,279,485
				-	23,156
<u>1,418</u>	<u>1,017</u>	<u>37,249</u>	<u>783</u>	<u>44,462</u>	<u>11,008,737</u>
				-	642,552
				-	2,690,819
				-	8,332,115
-	-	-	-	-	11,665,486
				-	28,029
				-	23,156
1,418	1,017	37,249	783	44,462	44,462
				-	-
				-	-
				-	2,476,231
				-	(3,228,627)
<u>1,418</u>	<u>1,017</u>	<u>37,249</u>	<u>783</u>	<u>44,462</u>	<u>(684,778)</u>
<u>1,418</u>	<u>1,017</u>	<u>37,249</u>	<u>783</u>	<u>44,462</u>	<u>11,008,737</u>

CITY OF SHELTON, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018**

	Special Revenue		
	Town Road Aid	Conservation and Open Space	Vehicle Risk Retention
Revenues			
Intergovernmental	\$ 504,151		
Charges for services		30,993	
Investment income	16		24
Other			
Total revenues	\$ 504,167	30,993	24
Expenditures			
Public safety	\$		
Public works	298,948		
Culture and recreation			
Education			
Other			
Total expenditures	\$ 298,948	-	-
Revenue Over (Under) Expenditures	\$ 205,219	30,993	24
Other Financing Sources			
Transfers in	\$		
Transfers (out)			
Total other financing sources	\$ -	-	-
Changes in Fund Balances (Deficits)	\$ 205,219	30,993	24
Fund Balances (Deficits) - beginning	160,205	(124,932)	90,484
Fund Balances (Deficits) - ending	\$ 365,424	(93,939)	90,508

Special Revenue				
<u>Street Opening and Final Patch</u>	<u>Valley Street Crime B</u>	<u>E. Medical Service Training</u>	<u>Police Seizure Fund</u>	<u>Surface Transportation</u>
27,902				
59	11	2	15	
500				
28,461	11	2	15	-
26,064				
26,064	-	-	-	-
2,397	11	2	15	-
-	-	-	-	-
2,397	11	2	15	-
224,382	44,876	4,414	56,574	61
226,779	44,887	4,416	56,589	61

(Continued)

CITY OF SHELTON, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NON-MAJOR GOVERNMENTAL FUNDS, (Continued)
For the Year Ended June 30, 2018

	Special Revenue		
	Uninsured Loss Fund	Pine Rock Park	Gristmill Lane Maintenance
Revenues			
Intergovernmental	\$		
Charges for services			
Investment income	128	76	
Other			
Total revenues	\$ 128	76	-
Expenditures			
Public safety	\$		
Public works			
Culture and recreation		2,105	
Education			
Other			
Total expenditures	\$ -	2,105	-
Revenue Over (Under) Expenditures	\$ 128	(2,029)	-
Other Financing Sources			
Transfers in	\$		
Transfers (out)			
Total other financing sources	\$ -	-	-
Changes in Fund Balances (Deficits)	\$ 128	(2,029)	-
Fund Balances (Deficits) - beginning	495,826	296,387	1,867
Fund Balances (Deficits) - ending	\$ 495,954	294,358	1,867

Special Revenue				
Asset Seizure Account	Pine Rock Improvement	Adult Education	Small Cities Grant	Trails Committee
73,997		1,030,652 102,759 445	15	1
73,997	5	1,133,856	15	1
127,058		1,082,789		
127,058	-	1,082,789	-	-
(53,061)	5	51,067	15	1
-	-	-	-	-
(53,061)	5	51,067	15	1
148,141	21,519	(13,900)	31,295	5,288
95,080	21,524	37,167	31,310	5,289

(Continued)

CITY OF SHELTON, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NON-MAJOR GOVERNMENTAL FUNDS, Continued**
For the Year Ended June 30, 2018

	Special Revenue		
	Sewer Assessment	One Time Use Grant	CRRA Consent Order
Revenues			
Intergovernmental	\$		
Charges for services			
Investment income	47		36
Other			
Total revenues	\$ 47	-	36
Expenditures			
Public safety	\$		
Public works	185,207		
Culture and recreation			
Education			
Other			
Total expenditures	\$ 185,207	-	-
Revenue Over (Under) Expenditures	\$ (185,160)	-	36
Other Financing Sources			
Transfers in	\$		
Transfers (out)			
Total other financing sources	\$ -	-	-
Changes in Fund Balances (Deficits)	\$ (185,160)	-	36
Fund Balances (Deficits) - beginning	262,786	1,468	139,138
Fund Balances (Deficits) - ending	\$ 77,626	1,468	139,174

Special Revenue

<u>DUI Grant</u>	<u>Miscellaneous</u>	<u>Senior Center</u>	<u>Homeland Security Grant</u>	<u>Recreation Path Grants</u>
		7,657		
4		428		
4	-	8,085	-	-
		8,690		
-	-	8,690	-	-
4	-	(605)	-	-
-	-	-	-	-
4	-	(605)	-	-
14,197	-	68,812	(26,236)	963
14,201	-	68,207	(26,236)	963

(Continued)

CITY OF SHELTON, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NON-MAJOR GOVERNMENTAL FUNDS, (Continued)
For the Year Ended June 30, 2018

	Special Revenue		
	COPS TECH Earmark	Housatonic River Estuary	Dog Fund
Revenues			
Intergovernmental	\$		
Charges for services			
Investment income	20	1	13
Other			
Total revenues	\$ 20	1	13
Expenditures			
Public safety	\$		
Public works			
Culture and recreation			
Education			
Other			
Total expenditures	\$ -	-	-
Revenue Over (Under) Expenditures	\$ 20	1	13
Other Financing Sources			
Transfers in	\$		
Transfers (out)			
Total other financing sources	\$ -	-	-
Changes in Fund Balances (Deficits)	\$ 20	1	13
Fund Balances (Deficits) - beginning	79,127	2,053	1,652
Fund Balances (Deficits) - ending	\$ 79,147	2,054	1,665

Special Revenue				
School Lunch	Educational Grants	Athletic Association	Summer School	School Rental
675,496	2,051,491			
1,329,583		48,550	31,134	61,476
2,005,079	2,051,491	48,550	31,134	61,476
2,020,950	3,571,112	50,765	41,750	80,483
2,020,950	3,571,112	50,765	41,750	80,483
(15,871)	(1,519,621)	(2,215)	(10,616)	(19,007)
				(99,806)
-	-	-	-	(99,806)
(15,871)	(1,519,621)	(2,215)	(10,616)	(118,813)
(162,523)	(1,257,087)	52,605	(3,854)	3,974
(178,394)	(2,776,708)	50,390	(14,470)	(114,839)

(Continued)

CITY OF SHELTON, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NON-MAJOR GOVERNMENTAL FUNDS, (Continued)**
For the Year Ended June 30, 2018

	Special Revenue		
	Comp Voice Stress Analyzer	Other Education Programs	Youth Services
Revenues			
Intergovernmental	\$		8,005
Charges for services		7,380	
Investment income	8		1
Other			20,697
Total revenues	\$ 8	7,380	28,703
Expenditures			
Public safety	\$		
Public works			
Culture and recreation			25,039
Education		15,276	
Other			
Total expenditures	\$ -	15,276	25,039
Revenue Over (Under) Expenditures	\$ 8	(7,896)	3,664
Other Financing Sources			
Transfers in	\$	99,806	
Transfers (out)			
Total other financing sources	\$ -	99,806	-
Changes in Fund Balances (Deficits)	\$ 8	91,910	3,664
Fund Balances (Deficits) - beginning	1,059	49,788	15,448
Fund Balances (Deficits) - ending	\$ 1,067	141,698	19,112

Special Revenue				
Town Clerk	Conservation Commission	Police PVET Grant	Total Special Revenues	Debt Service
6,000			4,349,792	
171,860			1,819,294	
122	6		1,483	
			21,197	
177,982	6	-	6,191,766	-
			127,058	
			510,219	
			35,834	
			6,863,125	
175,248			175,248	
175,248	-	-	7,711,484	-
2,734	6	-	(1,519,718)	-
			99,806	
			(99,806)	(266,962)
-	-	-	-	(266,962)
2,734	6	-	(1,519,718)	(266,962)
104,698	808	(885)	790,478	266,962
107,432	814	(885)	(729,240)	-

(Continued)

CITY OF SHELTON, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NON-MAJOR GOVERNMENTAL FUNDS, (Continued)**
For the Year Ended June 30, 2018

	Permanent Funds		
	Edward C. Finn Scholarship	David Clark Scholarship	Paul Gerst Memorial
Revenues			
Intergovernmental	\$		
Charges for services			
Investment income	16	7	6
Other			
Total revenues	\$ 16	7	6
Expenditures			
Public safety	\$		
Public works			
Culture and recreation			
Education			
Other			
Total expenditures	\$ -	-	-
Revenue Over (Under) Expenditures	\$ 16	7	6
Other Financing Sources			
Transfers in	\$		
Transfers (out)			
Total other financing sources	\$ -	-	-
Changes in Fund Balances (Deficits)	\$ 16	7	6
Fund Balances (Deficits) - beginning	2,168	953	845
Fund Balances (Deficits) - ending	\$ 2,184	960	851

Permanent Funds					
<u>Lucy Beard</u>	<u>Hanson Edwards Legacy</u>	<u>Permanent War Memorial Scholarship</u>	<u>Mary & Charles Lavietes Memorial</u>	<u>Total Permanent Funds</u>	<u>Totals</u>
				-	4,349,792
				-	1,819,294
10	7	285	6	337	1,820
				-	21,197
10	7	285	6	337	6,192,103
				-	127,058
				-	510,219
		2,000		2,000	37,834
				-	6,863,125
				-	175,248
-	-	2,000	-	2,000	7,713,484
10	7	(1,715)	6	(1,663)	(1,521,381)
				-	99,806
				-	(366,768)
-	-	-	-	-	(266,962)
10	7	(1,715)	6	(1,663)	(1,788,343)
1,408	1,010	38,964	777	46,125	1,103,565
1,418	1,017	37,249	783	44,462	(684,778)

**W.P.C.A REVENUES, EXPENDITURES AND OTHER FINANCING USES -
BUDGETARY BASIS - BUDGET AND ACTUAL
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Operating revenues:				
Charges for services	\$ 2,726,460	2,726,460	2,729,053	2,593
Miscellaneous	24,094	24,094	11,982	(12,112)
Investments	5	5	-	(5)
Total operating revenues	\$ 2,750,559	2,750,559	2,741,035	(9,524)
Operating expenses:				
Salaries and benefits	\$ 927,771	927,771	907,499	(20,272)
Supplies and chemicals	154,300	154,300	104,457	(49,843)
Utilities	440,438	440,438	348,584	(91,854)
Administration and operation	1,228,050	1,228,050	1,028,986	(199,064)
Total operating expenditures	\$ 2,750,559	2,750,559	2,389,526	(361,033)
Total Operating Income, Budgetary Basis	\$ -	-	351,509	
Depreciation expense			\$ (1,829,580)	
Capital Accounts Activity:				
Surplus reserve			75,000	
Other revenues			246,880	
Total Operating Income			\$ (1,156,191)	

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET FUND POSITION
June 30, 2018

	Workers' Compensation Fund	Medical Insurance Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 75,000		75,000
Investments		506,421	506,421
Other receivables			-
Due from other funds			-
Total assets	\$ 75,000	506,421	581,421
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$	266,431	266,431
Due to other funds	3,004,797		3,004,797
Claims payable			
Total current liabilities	\$ 3,004,797	266,431	3,271,228
Noncurrent liabilities:			
Claims incurred but not reported	\$ 1,364,966	511,788	1,876,754
Total liabilities	\$ 4,369,763	778,219	5,147,982
NET POSITION			
Unrestricted	\$ (4,294,763)	(271,798)	(4,566,561)
Total net position	\$ (4,294,763)	(271,798)	(4,566,561)

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET FUND POSITION

For the Year Ended June 30, 2018

	Workers' Compensation Fund	Medical Insurance Fund	Total
OPERATING REVENUES			
Employer contribution	\$ 1,400,000	11,694,960	13,094,960
Employee contribution		2,202,806	2,202,806
Other Revenues		151,340	151,340
Total operating revenues	<u>\$ 1,400,000</u>	<u>14,049,106</u>	<u>15,449,106</u>
OPERATING EXPENSES			
Administrative	17,852	1,277	19,129
Salaries, benefits and claims	\$ 73,870	13,736,885	13,810,755
Total operating expenses	<u>\$ 91,722</u>	<u>13,738,162</u>	<u>13,829,884</u>
Operating income (loss)	<u>\$ 1,308,278</u>	<u>310,944</u>	<u>1,619,222</u>
Nonoperating revenues (expenses):			
Interest income	\$	7,670	7,670
Interest expense			-
Total nonoperating revenues (expenses)	<u>\$ -</u>	<u>7,670</u>	<u>7,670</u>
Transfer from other funds	<u>\$ -</u>	<u>500,027</u>	<u>500,027</u>
Changes in Fund Net Position	<u>\$ 1,308,278</u>	<u>818,641</u>	<u>2,126,919</u>
FUND NET POSITION, beginning	(5,603,041)	(1,090,439)	(6,693,480)
FUND NET POSITION, ending	<u><u>\$ (4,294,763)</u></u>	<u><u>(271,798)</u></u>	<u><u>(4,566,561)</u></u>

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
June 30, 2018

	Workers' Compensation Fund	Medical Insurance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,400,000	14,049,106	15,449,106
Payments for benefits	(1,400,000)	(14,049,106)	(15,449,106)
Net cash (used in) provided by operating activities	\$ -	-	-
Cash Flows From Noncapital and Related Financing Activities			
Transfer in and payments made through governmental activities	\$ -	500,027	500,027
Net cash provided by (used in) noncapital and related financing activities	\$ -	500,027	500,027
Cash Flows From Investing Activities			
Purchase of investments	\$ -	(506,421)	(506,421)
Interest received on investments		7,670	7,670
Investment expenses		(1,276)	(1,276)
Net cash provided by (used in) investing activities	\$ -	(500,027)	6,394
Net increase (decrease) in cash and cash equivalents	\$ -	-	-
CASH AND CASH EQUIVELANTS, beginning	75,000	-	75,000
CASH AND CASH EQUIVELANTS, ending	\$ 75,000	-	75,000
Reconciliation of Operating Income to Net Cash Provided by (used in) Operating Activities			
Change in Net Fund Position	\$ 1,308,278	818,641	2,126,919
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:			
Change in assets and liabilities:			
(Increase) decrease in investments		(506,421)	(506,421)
(Increase) decrease in other receivables			
(Decrease) increase in accounts payable		(35,275)	(35,275)
(Decrease) increase in Intergovernmental payables	254,283		254,283
(Decrease) increase in claims payable	(1,562,561)	(276,945)	(1,839,506)
Net increase (decrease) in cash and cash equivalents	\$ -	-	-

CITY OF SHELTON, CONNECTICUT

PRIVATE PURPOSE TRUST FUNDS
 COMBINING STATEMENT OF NET POSITION
 June 30, 2018

	Servicemen's Christmas Fund	DWI Fund	Dog Pound Trust Fund	Police Department Pistol Range
ASSETS				
Cash and cash equivalents	\$ 9,947	430	1,824	1,034
Investments				
Total Assets	\$ 9,947	430	1,824	1,034
LIABILITIES				
Accounts payable	\$			
Other liabilities				
Total Liabilities	\$ -	-	-	-
NET POSITION				
Held in trust for specific purposes	\$ 9,947	430	1,824	1,034

SCHEDULE 9
Page 1 of 2

<u>Municipal Parking Lot Improvements</u>	<u>Shelton Park Commission</u>	<u>Gazebo Fund</u>	<u>Project D.A.R.E</u>	<u>Youth Service Bureau</u>	<u>Constitution Park Donations</u>
1,388	2,995	68,138	53	797	5,774
<u>1,388</u>	<u>2,995</u>	<u>68,138</u>	<u>53</u>	<u>797</u>	<u>5,774</u>
				400	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>400</u>	<u>-</u>
<u>1,388</u>	<u>2,995</u>	<u>68,138</u>	<u>53</u>	<u>397</u>	<u>5,774</u>

(Continued)

CITY OF SHELTON, CONNECTICUT

PRIVATE PURPOSE TRUST FUNDS
 COMBINING STATEMENT OF NET POSITION
 June 30, 2018

		Local Schools	Plumb Memorial Library	Student Activity	Special Response Team
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS					
Cash and cash equivalents	\$	2,117	180,247	397,182	2,717
Investments		<u> </u>	<u>2,980,831</u>	<u> </u>	<u> </u>
Total Assets	\$	<u>2,117</u>	<u>3,161,078</u>	<u>397,182</u>	<u>2,717</u>
LIABILITIES					
Accounts payable	\$				
Other liabilities		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	\$	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION					
Held in trust for specific purposes	\$	<u>2,117</u>	<u>3,161,078</u>	<u>397,182</u>	<u>2,717</u>

O Smith Police Equipment	Anti- Blight	Shelton Dog Park	Animal Shelter Donations	Total
2,915	30,541	40	49,286	757,425
				2,980,831
2,915	30,541	40	49,286	3,738,256
				400
				-
-	-	-	-	400
2,915	30,541	40	49,286	3,737,856

CITY OF SHELTON, CONNECTICUT

PRIVATE PURPOSE TRUST FUNDS
 COMBINING STATEMENT OF CHANGES IN NET POSITION
 For the Year Ended June 30, 2018

	Servicemen's Christmas Fund	DWI Fund	Dog Pound Trust Fund	Police Department Pistol Range
ADDITIONS				
Contributions	\$ 215		500	
Other				
Total contributions	<u>\$ 215</u>	<u>-</u>	<u>500</u>	<u>-</u>
Investment earnings				
Net (decrease) in fair value	\$			
Interest and dividends	73	3	12	8
Less: Investment expense				
Total investment earnings	<u>\$ 73</u>	<u>3</u>	<u>12</u>	<u>8</u>
DEDUCTIONS				
Benefits	\$			
Other				
Total deductions	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	\$ 288	3	512	8
Net Position - beginning	<u>9,659</u>	<u>427</u>	<u>1,312</u>	<u>1,026</u>
Net Position - ending	<u><u>\$ 9,947</u></u>	<u><u>430</u></u>	<u><u>1,824</u></u>	<u><u>1,034</u></u>

SCHEDULE 10
Page 1 of 2

<u>Municipal Parking Lot Improvements</u>	<u>Shelton Park Commission</u>	<u>Gazebo Fund</u>	<u>Project D.A.R.E</u>	<u>Youth Services Bureau Donation</u>	<u>Constitution Park Donations</u>
		4,100			
-	-	4,100	-	-	-
10	22	490		6	43
10	22	490	-	6	43
		4,210			
-	-	4,210	-	-	-
10	22	380	-	6	43
1,378	2,973	67,758	53	391	5,731
1,388	2,995	68,138	53	397	5,774

(Continued)

CITY OF SHELTON, CONNECTICUT

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended June 30, 2018

		Local Schools	Plumb Memorial Library	Student Activity	Special Response Team
ADDITIONS					
Contributions	\$		2,579	832,361	
Other			23,796		
Total contributions	\$	-	26,375	832,361	-
Investment earnings					
Net increase in fair value	\$		278,993		
Interest and dividends		16	50,018		21
Less: Investment expense			(17,979)		
Total investment earning:	\$	16	311,032	-	21
DEDUCTIONS					
Benefits	\$			874,710	
Other			39,249		
Total deductions	\$	-	39,249	874,710	-
Change in net position	\$	16	298,158	(42,349)	21
Net Position - beginning		2,101	2,862,920	439,531	2,696
Net Position - ending	\$	2,117	3,161,078	397,182	2,717

SCHEDULE 10
Page 2 of 2

O Smith Police Equipment	Anti- Blight	Shelton Dog Park	Animal Shelter Donations	Total
			20,635	860,390
				23,796
-	-	-	20,635	884,186
				278,993
22	227	1	254	51,226
				(17,979)
22	227	1	254	312,240
				874,710
				43,459
-	-	-	-	918,169
22	227	1	20,889	278,257
2,893	30,314	39	28,397	3,459,599
2,915	30,541	40	49,286	3,737,856

CITY OF SHELTON, CONNECTICUT

AGENCY FUNDS

COMBINING STATEMENT OF FIDUCIARY FUNDS NET POSITION

June 30, 2018

	<u>Argraves AHO Easement</u>	<u>Security Deposit</u>	<u>Lane Street Improvements</u>	<u>SWEROC</u>	<u>Sewer Escrows</u>
ASSETS					
Cash and cash equivalents	\$ 6,387	11,176	22,858	2,054	1,566
Total Assets	<u>\$ 6,387</u>	<u>11,176</u>	<u>22,858</u>	<u>2,054</u>	<u>1,566</u>
LIABILITIES					
Other liabilities	\$ 4,200	300			
Held for deposits for others	<u>2,187</u>	<u>10,876</u>	<u>22,858</u>	<u>2,054</u>	<u>1,566</u>
Total Liabilities	<u>\$ 6,387</u>	<u>11,176</u>	<u>22,858</u>	<u>2,054</u>	<u>1,566</u>

SCHEDULE 11

Reservoir Associates	Union Highway Pension Escrow	The Maples	Turro Sewer Assessment	P and Z Developer Bonds	Total
82,154	9,321	76	7,114	532,744	675,450
82,154	9,321	76	7,114	532,744	675,450
82,154	9,321	76	7,114	532,744	4,500 670,950
82,154	9,321	76	7,114	532,744	675,450

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended June 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Argraves AHO Easement				
Assets				
Cash and cash equivalents	\$ 6,339	48	-	6,387
Liabilities				
Accounts payable	\$ 4,200			4,200
Deposits held for others	2,139	48	-	2,187
	\$ 6,339	48	-	6,387
Security Deposits				
Assets				
Cash and cash equivalents	\$ 11,093	83	-	11,176
Liabilities				
Due to City of Shelton	\$ 300			300
Deposits held for others	10,793	83	-	10,876
	\$ 11,093	83	-	11,176
Lane Street Improvements				
Assets				
Cash and cash equivalents	\$ 22,688	170	-	22,858
Liabilities				
Deposits held for others	\$ 22,688	170	-	22,858
SWEROC				
Assets				
Cash and cash equivalents	\$ 2,038	16	-	2,054
Liabilities				
Deposits held for others	\$ 2,038	16	-	2,054
Sewer Escrows				
Assets				
Cash and cash equivalents	\$ 1,554	12	-	1,566
Liabilities				
Deposits held for others	\$ 1,554	12	-	1,566
Reservoir Associates				
Assets				
Cash and cash equivalents	\$ 81,542	612	-	82,154
Liabilities				
Deposits held for others	\$ 81,542	612	-	82,154

(Continued)

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended June 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Union Highway Pension Escrow				
Assets				
Cash and cash equivalents	\$ 9,252	69	-	9,321
Liabilities				
Deposits held for others	\$ 9,252	69	-	9,321
Maple Escrow				
Assets				
Cash and cash equivalents	\$ 75	1	-	76
Liabilities				
Deposits held for others	\$ 75	1	-	76
Turro Sewer Assessment Escrow				
Assets				
Cash and cash equivalents	\$ 7,061	53	-	7,114
Liabilities				
Deposits held for others	\$ 7,061	53	-	7,114
P and Z Developer Bonds				
Assets				
Cash and cash equivalents	\$ 645,093	79,651	192,000	532,744
Other Assets	-	-	-	-
	645,093	79,651	192,000	532,744
Liabilities				
Deposits held for others	\$ 645,093	79,651	192,000	532,744
Total Agency Funds				
Assets				
Cash and cash equivalents	\$ 786,735	80,715	192,000	675,450
Other Assets	-	-	-	-
	786,735	80,715	192,000	675,450
Liabilities				
Accounts payable	\$ 4,500	-	-	4,500
Deposits held for others	782,235	80,715	192,000	670,950
	\$ 786,735	80,715	192,000	675,450

CITY OF SHELTON, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING

For the Year Ended June 30, 2018

Grand List Year	Uncollected Balance & New Levy July 1, 2017	Lawful Corrections		(Transfers to) Recoveries From Suspense	Balance to be Collected
		Increases	Decreases		
2002	\$ 3,578				3,578
2003	16,034				16,034
2004	16,640				16,640
2005	20,911				20,911
2006	25,910				25,910
2007	30,930				30,930
2008	41,268				41,268
2009	75,833	213			76,046
2010	105,478			(104)	105,374
2011	162,671			(104)	162,567
2012	225,798		(9,153)	(103)	216,542
2013	320,088	451	(30,487)	(785)	289,267
2014	459,567	925	(42,005)	(1,319)	417,168
2015	1,029,493	10,221	(62,091)	(2,395)	975,228
Total	\$ 2,534,199	11,810	(143,736)	(4,810)	2,397,463
2016	102,807,592	1,558,789	(817,283)	(2,493)	103,546,605
Total	\$ 105,341,791	1,570,599	(961,019)	(7,303)	105,944,068

SCHEDULE 13

Collections				Uncollected Balance June 30, 2018
Taxes	Interest	Lien Fees	Total	
3,355	3,779	44	7,178	223
191	441	24	656	15,843
198	423	24	645	16,442
205	401	24	630	20,706
4,302	5,461	48	9,811	21,608
7,912	13,313	72	21,297	23,018
10,950	16,625	72	27,647	30,318
12,578	17,399	98	30,075	63,468
31,686	29,666	216	61,568	73,688
71,899	66,075	408	138,382	90,668
103,079	73,076	664	176,819	113,463
93,538	75,481	818	169,837	195,729
136,140	65,146	1,311	202,597	281,028
469,953	114,940	3,392	588,285	505,275
945,986	482,226	7,215	1,435,427	1,451,477
102,482,093	255,208	2,519	102,739,820	1,064,512
103,428,079	737,434	9,734	104,175,247	2,515,989

CITY OF SHELTON, CONNECTICUT

SCHEDULE OF DEBT LIMITATION
For the Year Ended June 30, 2018

	<u>General Purpose</u>
Debt Limitation:	
2 1/4 Times Base	\$ 234,394,306
4 1/2 Times Base	
3 3/4 Times Base	
3 1/4 Times Base	
3 Times Base	
7 Times Base	
	<hr/>
Total Debt Limitation	\$ 234,394,306
Indebtedness:	
Bonds payable	\$ 22,096,359
Bonds authorized and unissued	<u>6,031,906</u>
Total Indebtedness	\$ 28,128,265
Less: School Construction Grants Receivable	<u>-</u>
Total Indebtedness of the City	\$ 28,128,265
Debt Limitation In Excess of Outstanding and Authorized Debt	\$ <u>206,266,041</u>

SCHEDULE 14

Total Tax Collections (Including Interest and Lien Fees)
For The Year Ended June 30, 2018 \$ 104,175,247

Reimbursement For Revenue Loss On:
Elderly Tax Relief - Freeze -

Base \$ 104,175,247

<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Bonding</u>	<u>Total Debt</u>
468,788,612	390,657,176	338,569,553	312,525,741	729,226,729
<u>468,788,612</u>	<u>390,657,176</u>	<u>338,569,553</u>	<u>312,525,741</u>	<u>729,226,729</u>
10,617,641				32,714,000
729,145	4,259,171			11,020,222
11,346,786	4,259,171	-	-	43,734,222
-	-	-	-	-
<u>11,346,786</u>	<u>4,259,171</u>	<u>-</u>	<u>-</u>	<u>43,734,222</u>
<u>457,441,826</u>	<u>386,398,005</u>	<u>338,569,553</u>	<u>312,525,741</u>	<u>685,492,507</u>