

CITY OF SHELTON, CONNECTICUT

ANNUAL FINANCIAL REPORT

June 30, 2017

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, 2017, 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, 2017, 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, 2017, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Shelton, Connecticut's internal control over financial reporting and compliance.


CLERMONT & ASSOCIATES, LLC
Prospect, Connecticut

December 28, 2017

CITY OF SHELTON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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, 2017. Please read this MD&A in conjunction with the City's financial statements.

Financial Highlights

- Net position of our governmental activities increased by \$7.4 million; *
- Net position of our business-type activities decreased by \$86 thousand;
- The General Fund reported a fund balance this year of \$9.4 million;
\$3.3 million less than the general fund balance reported in the prior year;
- The resources available for appropriation in the general fund were \$2 million.

*Not including a proper period increase of \$5.3 million to restate the City's portion of the State of CT's retirement system net pension asset/liability)

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 \$7.4 million from \$168.3 million in 2016 to \$175.8 million in 2017. 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 \$86 thousand for the fiscal year ending June 30, 2017. The net position went from \$32.1 million at June 30, 2016 to \$32.0 million at the end of this fiscal year.

TABLE 1 NET POSITION:

		Governmental Activities	
		2017	2016
Current and other assets	\$	13,412,268	8,722,432
Net pension asset		1,961,193	
Capital assets		217,761,666	215,648,534
Deferred outflows		3,026,189	385,957
Total assets & deferred outflows	\$	236,161,316	224,756,923
Current and other liabilities	\$	8,494,430	18,318,328
Deferred inflows		4,664,497	1,547,737
Long-term liabilities		47,244,323	41,861,733
Total liabilities & deferred inflows	\$	60,403,250	61,727,798
Net position:			
Investment in capital assets	\$	177,521,921	167,108,948
Restricted		313,087	312,942
Unrestricted		(2,076,942)	(4,392,765)
Total net position	\$	175,758,066	163,029,125
		Business-type Activities	
		2017	2016
Current and other assets	\$	6,708,697	4,853,522
Capital assets		41,955,034	43,231,787
Total Assets	\$	48,663,731	48,085,309
Current and other liabilities	\$	5,855,935	4,550,234
Advance payments		290,857	
Long-term liabilities		10,485,079	11,416,278
Total liabilities	\$	16,631,871	15,966,512
Net position:			
Investment in capital assets, net of related debt	\$	30,538,756	30,902,735
Unrestricted		1,493,104	1,216,062
Total net position	\$	32,031,860	32,118,797

TABLE 2
CHANGE IN NET ASSETS

	Governmental Activities	
	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 5,060,465	5,543,118
Operating grants and contributions	26,717,311	18,247,629
Capital grants and contributions	7,921,173	389,401
General revenues:		
Property taxes	103,518,014	102,572,599
Grants and contributions not restricted to specific purposes	1,389,306	1,548,866
Unrestricted investment earnings	721,995	32,962
Other general revenues (and transfers)	(1,151,019)	(1,151,019)
Total revenues	<u>\$ 144,177,245</u>	<u>127,183,556</u>
Program expenses:		
General government	\$ 12,321,619	15,770,979
Public safety	8,250,279	8,596,843
Public works	9,062,215	16,760,834
Health and welfare	297,134	271,625
Culture and recreation	3,565,124	3,684,592
Education	103,011,143	83,799,152
Interest and fiscal charges	242,147	1,061,742
Total program expenses	<u>\$ 136,749,661</u>	<u>129,945,767</u>
(Decrease) Increase in Net Position	<u>\$ 7,427,584</u>	<u>(2,762,211)</u>

	Business-type Activities	
	2017	2016
Revenues:		
Operating revenues:		
Charges for services	\$ 2,868,836	3,180,905
Non-operating revenues:		
Capital contributions	328,786	
Other general revenues (and transfers)	1,151,019	1,151,019
Total revenues	<u>\$ 4,348,641</u>	<u>4,331,924</u>
Operating expenses:		
Salaries & Benefits	\$ 872,487	631,644
Materials and Supplies	122,864	96,212
Utilities	374,557	374,794
Depreciation	1,856,923	1,793,040
Administration	970,503	1,245,758
Interest and fiscal charges	238,244	256,304
Total expenses	<u>\$ 4,435,578</u>	<u>4,397,752</u>
(Decrease) Increase in Net Position	<u>\$ (86,937)</u>	<u>(65,828)</u>

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 \$4.78 million, which is a \$.76 million decrease from the previous year. Included in this year's total change in fund balance is a decrease of \$3.3 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.

The general fund provided savings through the management of payroll and expenses. This savings in expenditures were netted against less than anticipated tax revenue and investment and other revenue to produce a \$4.4 million operating surplus 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 \$86 thousand, mainly due to depreciation expense of \$1.8 million.

The Internal Service Fund recorded a positive change in net fund position. Operating revenues were better than operating expenses by \$242,261. Management is aware of the 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 fifth 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.
- The general government, public safety and public works expenditures came in below the budget by \$1.0 million, \$1.6 million and \$1.0 million respectively due to cost saving initiatives.

Capital Assets

At June 30, 2017, the City 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 \$2 million, net of depreciation expenses. The construction in progress includes a large school construction program.

TABLE 3

CAPITAL ASSETS (Net of Depreciation)

		Governmental Activities	
		2017	2016
Land	\$	35,464,727	34,531,227
Buildings and improvements		118,921,899	77,090,268
Furniture, fixtures and equipment		12,470,069	15,023,063
Infrastructure		45,932,900	37,821,446
Construction in progress		4,972,071	51,182,530
Totals	\$	<u>217,761,666</u>	<u>215,648,534</u>
		Business-type Activities	
		2017	2016
Buildings and improvements	\$	17,628,293	20,902,859
Machinery and equipment		54,666	
Infrastructure		23,943,289	22,328,928
Construction in progress		328,786	
Totals	\$	<u>41,955,034</u>	<u>43,231,787</u>

TABLE 4
OUTSTANDING DEBT

Long-Term Liabilities

At June 30, 2017 the City had \$58.7 million in long term liabilities versus \$63.7 million last year, a decrease of 8% - as shown in Table 4.

	2017	2016
\$	<u>58,660,601</u>	<u>63,735,664</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 \$11.4 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 2017 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 2017-18. Amounts allocated for appropriation in the General Fund budget of 2017-18 from prior surplus is \$6.2 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, 2017

	Governmental Activities	Business-type Activities	Total*
Assets:			
Cash and cash equivalents	\$ 14,325,931		14,325,931
Investments	1,001,702		1,001,702
Receivables, net	4,614,326	92,557	4,706,883
Prepaid assets	6,000		6,000
Inventory	80,449		80,449
Internal balances	(6,616,140)	6,616,140	-
Net pension asset	1,961,193		1,961,193
Capital assets:			
Capital assets, not being depreciated	40,436,798	328,786	40,765,584
Capital assets, being depreciated, net	177,324,868	41,626,248	218,951,116
Total assets	\$ 233,135,127	48,663,731	281,798,858
Deferred outflows on resources			
Deferred pension expense	\$ 3,026,189		3,026,189
	<u>3,026,189</u>	<u>-</u>	<u>3,026,189</u>
Liabilities:			
Accounts payable and other current liabilities	\$ 4,325,553	4,924,736	9,250,289
Accrued interest	452,617		452,617
Claims incurred, but not reported	3,716,260		3,716,260
Noncurrent liabilities:			
Due within one year	11,842,295	931,199	12,773,494
Due in more than one year	34,930,028	10,485,079	45,415,107
Total liabilities	\$ 55,266,753	16,341,014	71,607,767
Deferred Inflows on Resources			
Advance tax collections	\$ 4,664,497	290,857	4,955,354
Total deferred inflow on resources	\$ 4,664,497	290,857	4,955,354
Net Position:			
Invested in capital assets, net of related debt	\$ 177,993,921	30,538,756	208,532,677
Restricted for:			
Donor's Intentions	46,125		46,125
Debt service	266,962		266,962
Unrestricted	(2,076,942)	1,493,104	(583,838)
Total net position	\$ 176,230,066	32,031,860	208,261,926

* 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, 2017

		Program Revenues
Functions/programs	Expenses	Charges for Services
Primary Government:		
Governmental activities:		
General government	\$ 12,321,619	1,343,846
Public safety	7,943,049	1,380,225
Public works	9,062,215	306,374
Health and welfare	297,134	
Cultural and recreation	3,565,124	536,742
Education	101,902,565	1,493,278
Interest on long-term debt	1,185,955	
Total governmental activities	\$ 136,277,661	5,060,465
Business-type activities:		
Water Pollution Control Authority	\$ 4,197,334	2,868,836
Interest on long-term debt	238,244	
Total business-type activities	\$ 4,435,578	2,868,836
Total primary government	\$ 140,713,239	7,929,301

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

Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
		Primary Government		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
195,730		(10,782,043)		(10,782,043)
67,211		(6,495,613)		(6,495,613)
3,139,550	2,462,089	(3,154,202)		(3,154,202)
24,479		(272,655)		(272,655)
7,550		(3,020,832)		(3,020,832)
23,282,791	5,459,084	(71,667,412)		(71,667,412)
		(1,185,955)		(1,185,955)
<u>26,717,311</u>	<u>7,921,173</u>	<u>(96,578,712)</u>	<u>-</u>	<u>(96,578,712)</u>
			(1,328,498)	(1,328,498)
			(238,244)	(238,244)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,566,742)</u>	<u>(1,566,742)</u>
<u>26,717,311</u>	<u>7,921,173</u>	<u>(96,578,712)</u>	<u>(1,566,742)</u>	<u>(98,145,454)</u>
General revenues:				
Property taxes		\$ 103,518,014		103,518,014
Grants and contributions not restricted for specific programs		1,389,306		1,389,306
Unrestricted investment earnings		37,876	-	37,876
Other unrestricted income		684,119	328,786	1,012,905
Transfers		(1,151,019)	1,151,019	-
Total general revenues and transfers		\$ 104,478,296	1,479,805	105,958,101
Change in net position		\$ 7,899,584	(86,937)	7,812,647
Net position, beginning		163,029,125	32,118,797	195,147,922
Prior period adjustment		5,301,357		5,301,357
Net position, beginning, restated		168,330,482	32,118,797	200,449,279
Net position, ending		\$ 176,230,066	32,031,860	208,261,926

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 5,223,737	2,065,383	6,961,811	14,250,931
Investments	1,001,702			1,001,702
Receivables, net	3,162,123	1,348,031	104,172	4,614,326
Due from other funds	23,699,422	4,439,492	839,189	28,978,103
Inventories	57,293		23,156	80,449
Prepaid expenses	6,000		-	6,000
Total assets	\$ 33,150,277	7,852,906	7,928,328	48,931,511
Liabilities and Fund Balances				
Liabilities:				
Accounts and other payables	\$ 2,526,191	1,161,634	336,022	4,023,847
Due to other funds	13,980,580	12,426,440	6,436,709	32,843,729
Total liabilities	\$ 16,506,771	13,588,074	6,772,731	36,867,576
Deferred inflows of resources:				
Unavailable receipts	2,597,495		52,032	2,649,527
Payment in advance	4,638,407			4,638,407
Total deferred inflows of resources	7,235,902	-	52,032	7,287,934
Fund balances:				
Nonspendable	\$ 63,293			63,293
Restricted for:				
Donor's intentions			46,125	46,125
Debt service			266,962	266,962
Committed for:				
Subsequent year's operating budget	6,273,642			6,273,642
Capital expenditures, special appropriations	560,542			560,542
Assigned	500,027		2,379,895	2,879,922
Unassigned	2,010,100	(5,735,168)	(1,589,417)	(5,314,485)
Total fund balances	\$ 9,407,604	(5,735,168)	1,103,565	4,776,001
Total liabilities, deferred inflows of resources and fund balances	\$ 33,150,277	7,852,906	7,928,328	

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.	217,761,666
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the funds.	7,610,819
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.	(6,693,480)
Long-term liabilities , including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(47,224,940)
Net position of governmental activities (Exhibit A)	<u>\$ 176,230,066</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, 2017

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes and assessments	\$ 103,100,306			103,100,306
Intergovernmental	23,714,694	7,389,020	4,728,346	35,832,060
Charges for services	2,958,719		1,722,163	4,680,882
Investment income	37,200		676	37,876
Miscellaneous	1,126,401	29,169	65,291	1,220,861
Total revenues	\$ 130,937,320	7,418,189	6,516,476	144,871,985
Expenditures:				
Current:				
General government	\$ 14,723,852			14,723,852
Public safety	7,542,999		6,675	7,549,674
Public works	6,021,656		651,124	6,672,780
Public health	292,871			292,871
Culture and recreation	3,392,059		27,125	3,419,184
Education	84,064,002		7,358,370	91,422,372
Other	3,785,058		243,756	4,028,814
Capital outlay	1,628,430	7,101,444		8,729,874
Debt service	11,645,714			11,645,714
Total expenditures	\$ 133,096,641	7,101,444	8,287,050	148,485,135
Excess (deficiency) of revenues over (under) expenditures	\$ (2,159,321)	316,745	(1,770,574)	(3,613,150)
Other financing sources (uses)				
Transfer to other funds	\$ (1,151,019)		-	(1,151,019)
Proceeds from sale of bonds		4,000,000	-	4,000,000
Total other financing sources (uses)	\$ (1,151,019)	4,000,000	-	2,848,981
Net changes in fund balances	\$ (3,310,340)	4,316,745	(1,770,574)	(764,169)
Fund balances (deficits) - beginning	12,717,944	(10,051,913)	2,874,139	5,540,170
Fund balances (deficits) - ending	\$ 9,407,604	(5,735,168)	1,103,565	4,776,001

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, 2017

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)	\$ (764,169)
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.	2,113,132
Noncurrent assets previously recognized in the statement of activities that provided current financial resources in the current year.	1,622,313
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.	4,686,047
The net expense of certain activities of internal service funds is reported with governmental activities.	<u>242,261</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 7,899,584</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, 2017**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 103,815,933	103,815,933	103,100,306	(715,627)
Intergovernmental	8,982,732	8,982,732	10,116,970	1,134,238
Charges for services	2,819,850	2,819,850	2,958,719	138,869
Investment income	250,000	250,000	37,200	(212,800)
Other revenues	1,623,043	1,623,043	1,126,401	(496,642)
Total revenues	\$ 117,491,558	117,491,558	117,339,596	(151,962)
Expenditures:				
Current:				
General government	\$ 15,311,054	15,723,615	14,723,846	999,769
Public safety	9,061,799	9,147,742	7,545,037	1,602,705
Public works	6,494,624	7,020,846	6,021,712	999,134
Health and welfare	292,871	292,871	292,871	-
Cultural and recreation	3,772,025	3,797,735	3,392,208	405,527
Education	70,470,000	70,470,000	70,466,278	3,722
Other	4,163,147	4,271,766	3,784,933	486,833
Debt service:				
Principal retirements	10,408,000	10,408,000	10,408,000	-
Interest and other charges	1,260,114	1,260,114	1,237,714	22,400
Payment on behalf of W.P.C.A.	1,151,020	1,151,020	1,151,019	1
Total expenditures	\$ 122,384,654	123,543,709	119,023,618	4,520,091
Revenues over (under) expenditures	\$ (4,893,096)	(6,052,151)	(1,684,022)	4,368,129
Other financing sources (uses):				
Contributions from fund balance	\$ 4,893,096	6,052,151	6,052,151	-
Total other financing sources (uses)	\$ 4,893,096	6,052,151	6,052,151	-
Revenues Over Expenditures and Other Financing Sources (Uses)	\$ -	-	4,368,129	4,368,129
Less:				
Special appropriations from surplus, net			570,642	
Appropriated capital expenditures			(1,628,430)	
Designated surplus for subsequent fiscal year			(6,273,642)	
Net Change in unassigned fund balance			(2,963,301)	
Unassigned fund balance, July 1, 2016			4,973,401	
Unassigned fund balance, June 30, 2017			<u>\$ 2,010,100</u>	

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

STATEMENT OF NET FUND POSITION
PROPRIETARY FUNDS
June 30, 2017

	Business-type Activities	Governmental Activities
	Water Pollution Control	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$	75,000
Receivables, net of allowance	92,557	
Due from other funds	9,022,000	
Total current assets	\$ 9,114,557	75,000
Noncurrent assets:		
Capital assets, not being depreciated	\$ 328,786	
Capital assets, net of accumulated depreciation	41,626,248	
Total noncurrent assets	\$ 41,955,034	-
Total assets	\$ 51,069,591	75,000
Liabilities		
Current liabilities:		
Accounts payable & accrued liabilities	\$ 4,924,737	301,706
Payments in advance	290,857	
Due to other funds	2,405,859	2,750,514
Notes payable - current	931,199	
Total current liabilities	\$ 8,552,652	3,052,220
Noncurrent liabilities:		
Incurred, but not reported claims	\$	3,716,260
Notes payable, less current portion	10,485,079	
Total noncurrent liabilities	\$ 10,485,079	3,716,260
Total liabilities	\$ 19,037,731	6,768,480
Net Fund Position		
Invested in capital assets, net of related debt	\$ 30,538,756	
Unrestricted	1,493,104	(6,693,480)
Total net fund position	\$ 32,031,860	(6,693,480)

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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, 2017

	Business-type Activities Water Pollution	Governmental Activities Internal Service
Operating revenues:		
Charges for services and other revenues	\$ 2,868,836	106,327
Employee's Contribution		1,797,927
Employer's contribution		12,670,224
Total operating revenues	<u>\$ 2,868,836</u>	<u>14,574,478</u>
Operating expenses:		
Salaries and benefits	\$ 872,487	14,239,514
Material and supplies	122,864	
Utilities	374,557	
Depreciation	1,856,923	
Administration and operation	970,503	92,703
Total operating expenses	<u>\$ 4,197,334</u>	<u>14,332,217</u>
Operating income (loss)	<u>\$ (1,328,498)</u>	<u>242,261</u>
Nonoperating revenues (expenses):		
Interest income	\$	-
Interest expense	(238,244)	-
Total nonoperating revenues (expenses)	<u>\$ (238,244)</u>	<u>-</u>
Capital contributions	<u>\$ 328,786</u>	<u>-</u>
Transfer from other funds	<u>\$ 1,151,019</u>	<u>-</u>
	<u>\$ 1,151,019</u>	<u>-</u>
Change in Net Fund Position	<u>\$ (86,937)</u>	<u>242,261</u>
Net Fund Position (Deficit) beginning	<u>32,118,797</u>	<u>(6,935,741)</u>
Net Fund Position, (Deficit), ending	<u><u>\$ 32,031,860</u></u>	<u><u>(6,693,480)</u></u>

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, 2017

	Business-type Activities	Governmental Activities
	Water Pollution Control	Internal Service Funds
Cash Flows From Operating Activities		
Receipts from customers and users	\$ 3,082,092	14,109,756
Payments to suppliers	6,289	(14,109,756)
Payments to employees	(893,745)	
Internal activity-payments from (to) other funds	(1,943,252)	
Net cash flows from operating activities	\$ 251,384	-
Cash Flows From Capital and Related Financing Activities		
Purchase of capital assets	\$ (251,384)	
Principal payments on capital debt	(912,775)	
Interest paid on capital debt	(238,244)	
Net cash provided by (used in) capital and related financing activities	\$ (1,402,403)	-
Cash Flows From Noncapital and Related Financing Activities		
Transfer in and payments made through governmental activities	\$ 1,151,019	
Net cash provided by (used in) noncapital and related financing activities	\$ 1,151,019	-
Cash Flows From Investing Activities		
Interest received on investments	\$ -	
Net cash provided by investing activities	\$ -	-
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)	\$ (1,328,498)	242,261
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	1,856,923	
Changes in assets and liabilities:		
Decrease (increase) in receivable accounts	88,076	
Decrease (increase) in due from other funds	(2,799,704)	(603,653)
Increase (decrease) in accounts payable	1,452,955	183,728
Increase (decrease) in payments in advance	125,180	
Increase (decrease) in due to other funds	856,452	
Increase (decrease) in claims incurred but not reported		177,664
Net cash flows from operating activities	\$ 251,384	-
Noncash investing, capital, and financing activities		
Contributions of capital assets from government activities	\$ 328,786	-

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2017

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 716,984	786,735
Accounts receivable		
Investments, at fair value:		
Mutual funds	2,660,654	
Corporate bonds	82,361	
Total assets	\$ 3,459,999	786,735
Liabilities		
Other liabilities	\$ 400	4,500
Held for deposit for others		782,235
Total liabilities	\$ 400	786,735
Net Position:		
Held in trust for benefits and other purposes	\$ 3,459,599	-

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, 2017

	Private Purpose Trust Funds
ADDITIONS	
Contributions:	
Contributions and donations	\$ 40,920
Other	21,130
Total contributions	<u>\$ 62,050</u>
Investment earnings:	
Net increase in fair value of investments	\$ 183,538
Interest and dividends	129,411
Less: Investment expenses	(16,559)
Total investment earnings	<u>\$ 296,390</u>
Total additions	<u>\$ 358,440</u>
DEDUCTIONS	
Other deductions	\$ <u>488,966</u>
Total deductions	<u>\$ 488,966</u>
Change in net position	<u>\$ (130,526)</u>
NET POSITION, beginning	<u>\$ 3,590,125</u>
NET POSITION, ending	<u><u>\$ 3,459,599</u></u>

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

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2017

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, 2017

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, 2017

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, 2017**

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.

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2017

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.

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 results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and will be included as pension expense in the subsequent year.

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. 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 results from differences between expected and actual experience. These amounts are deferred and included in pension expense in a systematic and rational manner. 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.

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2017

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.

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, 2017

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.

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.

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2017

- 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.

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	\$ 117,339,596	119,023,618
State Teachers' Retirement "on-behalf" payment, not recognized for budgetary purposes	13,597,724	13,597,724
City's special appropriation of general fund surplus were not included for budgetary basis however recognized for GAAP basis		1,628,430
Encumbrances as of June 30, 2017		(2,112)
Encumbrances as of June 30, 2016		-
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		(1,151,019)
Balance, GAAP basis	\$ <u>130,937,320</u>	<u>133,096,641</u>

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2017

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

Balance, budgetary basis	\$	6,052,151
Transfer to W.P.C.A.		(1,151,019)
Special appropriation transfer		-
Designated surplus		<u>(6,052,151)</u>
Balance, GAAP basis	\$	<u>(1,151,019)</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.

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	\$	35,464,727
Construction in progress		4,972,071
Net capital assets being depreciated		<u>177,324,868</u>
Net adjustment to increase fund balance to arrive at net position of government activities	\$	<u>217,761,666</u>

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2017

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	\$ (39,315,128)
Compensated absences	(7,457,195)
Accrued interest on debt	<u>(452,617)</u>
Net adjustment to reduce fund balance to arrive at net position of government activities	\$ <u>(47,224,940)</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	\$ 2,246,478
Delinquent accounts receivable	202,572
Net pension asset	1,961,193
Deferred outflows of charges	-
Net deferred outflow of pension contributions	3,026,189
Notes receivable – assessments	<u>174,387</u>
Net adjustment to increase fund balance to arrive at net position of government activities	\$ <u>7,610,819</u>

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	\$ 10,056,124
Depreciation	<u>(7,942,992)</u>
Net adjustment to increase net changes in fund balances to arrive at changes in net position of governmental activities	\$ <u>2,113,132</u>

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2017

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	\$	(4,000,000)
Payments of debt		11,823,808
Premium new issuances		896,274
Net change in compensated absences		(4,253,894)
Net change in claims and judgment estimates		168,100
Accrued interest		51,759
Net adjustment to reduce net changes in fund balances to arrive at changes in net position of governmental activities	\$	<u>4,686,047</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	\$ 14,325,931		14,325,931
Fiduciary funds	1,503,719		1,503,719
Investments:			
Governmental activities		1,001,702	1,001,702
Fiduciary funds		2,743,015	2,743,015
Total Deposits and Investments	<u>\$ 15,829,650</u>	<u>3,744,717</u>	<u>19,574,367</u>

Deposits

The carrying amounts of the City's deposits at June 30, 2017 consist of the following:

Bank Deposit Accounts	\$ 15,829,050
Cash on Hand	<u>600</u>
Total Deposits	<u>\$ 15,829,650</u>

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2017

Custodial Credit Risk

As of June 30, 2017, the carrying amount of the City's deposits had bank balances of approximately \$12,955,686. The amount of the bank balance covered under federal depository insurance was approximately \$1,500,000. 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, 2017 approximately \$1,295,568 of uninsured deposits were collateralized under the provision.

Investments

As of June 30, 2017, the City held the following investments:

<u>Investment Type</u>	<u>Fund</u>	<u>Fair Value</u>	<u>Weighted Average to Maturity (years)</u>	<u>Risk</u>
State Investment Fund	General Fund	\$ 501,675	.02	-
Stocks & Exchange Trade Funds	General Fund	500,027	n/a	-
Mutual Funds*	Trust Funds	2,660,654	n/a	-
Corporate Bonds*	Trust Funds	<u>82,361</u>	2.63	Baaa3-AA
Total Investments		<u>\$ 3,744,717</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, 2017

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, 2017 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			Total
	General Fund	Capital Projects	Non-major Funds	
Property taxes	\$ 2,534,249			2,534,249
Intergovernmental	402,770	1,348,031	78,230	1,829,031
Accounts	76,659			76,659
Assessments	148,445		25,942	174,387
Net Total Receivables	\$ 3,162,123	1,348,031	104,172	4,614,326

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2017

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	\$ 2,246,478		2,246,478
Delinquent receivable	46,933		46,933
Intergovernmental	155,639		155,639
Advanced tax collections		4,638,407	4,638,407
Assessments	148,445		148,445
Other Governmental Funds:			
Intergovernmental		26,090	26,090
Assessments	25,942		25,942
Total Deferred Revenue	\$ 2,623,437	4,664,497	7,287,934

Payables

Payables as of June 30, 2017 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	\$ 2,122,151	404,040		2,526,191
Capital Projects Fund	1,161,634			1,161,634
Non-major Funds	172,369	11,600	152,053	336,022
Total governmental funds	\$ 3,456,154	415,640	152,053	4,023,847
Internal Service Funds	\$ 301,706			301,706
W.P.C.A.	\$ 134,203	12,215	4,778,319	4,924,737
Total Payables	\$ 3,892,063	427,855	4,930,372	9,250,290

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2017

Note 6 - Inter-fund Receivables, Payables and Transfers

Inter-funds Receivables and Payables

Inter-fund receivables and payables at June 30, 2017 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Worker's Compensation	\$ 2,750,514
General Fund	Capital Projects	12,141,095
General Fund	Nonmajor	6,423,217
General Fund	W.P.C.A.	2,405,859
Capital Projects	General Fund	4,434,857
Capital Projects	Nonmajor	4,635
Nonmajor	Capital Projects	18,382
Nonmajor	General Fund	523,602
Debt Service	Capital Project	266,962
W.P.C.A.	General Fund	9,022,121
	Total	\$ <u>37,991,244</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, 2017 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	\$ 34,531,227	933,500	-	35,464,727
Construction in progress	51,182,530	8,452,032	54,662,491	4,972,071
Total capital assets, not being deprec.	\$ <u>85,713,757</u>	<u>9,385,532</u>	<u>54,662,491</u>	<u>40,436,798</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 141,941,905	45,283,384	-	187,225,289
Machinery and equipment	24,782,700	99,572	153,266	24,729,006
Infrastructure	75,403,689	9,950,127	-	85,353,816
Total capital assets being depreciated	\$ <u>242,128,294</u>	<u>55,333,083</u>	<u>153,266</u>	<u>297,308,111</u>
Less: Accumulated depreciation:				
Buildings and improvements	\$ 64,851,637	3,451,753	-	68,303,390
Machinery and equipment	9,759,637	2,652,566	153,266	12,258,937
Infrastructure	37,582,243	1,838,673	-	39,420,916
Total accumulated depreciation	\$ <u>112,193,517</u>	<u>7,942,992</u>	<u>153,266</u>	<u>119,983,243</u>
Net capital assets, being depreciated	\$ <u>129,934,777</u>	<u>47,390,091</u>	<u>-</u>	<u>177,324,868</u>
Total capital assets, governmental	\$ <u>215,648,534</u>	<u>56,775,623</u>	<u>54,662,491</u>	<u>217,761,666</u>

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2017**Note 7 - Capital Assets (continued)**

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

Governmental Activities:

General government	\$ 157,433
Education	4,806,394
Public safety	590,702
Public works	2,292,297
Cultural and recreation	<u>96,166</u>
Total depreciation expense governmental activities	<u>\$ 7,942,992</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	\$ -	328,786	-	328,786
Capital assets being depreciated:				
Buildings and improvements	\$ 50,474,433	-	2,351,805	48,122,628
Machinery and equipment		75,804	-	75,804
Sewers	<u>37,948,283</u>	<u>2,527,385</u>	-	<u>40,475,668</u>
Total capital assets being depreciated	<u>\$ 88,422,716</u>	<u>2,603,189</u>	<u>2,351,805</u>	<u>88,674,100</u>
Less: Accumulated depreciation:				
Buildings and improvements	\$ 29,571,574	1,004,905	82,144	30,494,335
Machinery and equipment		21,138		21,138
Sewers	<u>15,619,355</u>	<u>913,024</u>		<u>16,532,379</u>
Total accumulated depreciation	<u>\$ 45,190,929</u>	<u>1,939,067</u>	<u>82,144</u>	<u>47,047,852</u>
Net capital assets being depreciated	<u>\$ 43,231,787</u>	<u>664,122</u>	<u>2,269,661</u>	<u>41,626,248</u>
Total capital assets, business-type	<u>\$ 43,231,787</u>	<u>992,908</u>	<u>2,269,661</u>	<u>41,955,034</u>

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2017

Note 8 - Long-Term Liabilities

Long-term debt liabilities activity for the year ended June 30, 2017 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	\$ 22,292,000	4,000,000	3,822,000	22,470,000	3,822,000
G.O.B refunding bonds	20,660,000		6,586,000	14,074,000	6,586,000
Capital leases	<u>2,850,103</u>		<u>1,415,808</u>	<u>1,434,295</u>	<u>1,434,295</u>
Total Long-Term Debt	\$ 45,802,103	4,000,000	11,823,808	38,978,295	11,842,295
Deferred amount on:					
Issuance premium	<u>2,233,107</u>		<u>896,274</u>	<u>1,336,833</u>	
Net long-term debt	\$ 48,035,210	4,000,000	12,720,082	39,315,128	11,842,295
Other Long-Term Liabilities:					
Compensated absences	3,203,301	4,253,894		7,457,195	
Claims and judgments	<u>168,100</u>		<u>168,100</u>		
Total governmental activities long-term liabilities	\$ <u>51,406,611</u>	<u>8,253,894</u>	<u>12,888,182</u>	<u>47,772,323</u>	<u>11,842,295</u>
Business-type Activities:					
Clean water fund notes	\$ <u>12,329,053</u>		<u>912,775</u>	<u>11,416,278</u>	<u>931,199</u>
Total business-type activities long-term liabilities	\$ <u>12,329,053</u>		<u>912,775</u>	<u>11,416,278</u>	<u>931,199</u>
Total long-term liabilities	\$ <u>63,735,664</u>	<u>8,253,894</u>	<u>13,800,957</u>	<u>58,188,601</u>	<u>12,773,494</u>

**beginning balance includes a prior period adjustment*

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2017

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, 2017, the outstanding general obligation bonded indebtedness of the City was as follows:

	<u>General</u>	<u>Refunding</u>
\$6,237,000 GOB 2012 , issue of 8/1/2012, due 8/1/2023, interest at 2.0% to 4%, annual Principal and interest payments	\$ 3,110,000	
\$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	3,545,000	
\$2,362,000 GOB 2015, lot A , issue of 8/10/2015, due 8/1/2020, interest at 2.0% to 5.0%, annual principal and interest payments	7,175,000	
\$2,750,000 GOB 2015 lot B , issue of 8/10/2015, due 8/1/2025, interest at 2.0% to 5.0%, annual principal and interest payments	4,640,000	
\$4,000,000 GOB 2016 , issue of 9/2/2016, due 9/1/2021, interest at 1.09%, annual principal and interest payments	4,000,000	
\$20,460,000 GOB 2011 refunding , issue of 8/24/2011, due 8/24/2017, interest at 2.0% to 5.0%, annual principal and interest payments		1,120,000
\$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		7,425,000
\$6,805,000 GOB 2015 refunding , issue of 8/10/2015, due 8/24/2020, interest at 2.0% to 5.0%, annual principal and interest payments		<u>5,529,000</u>
Total general obligation bonds	<u>\$ 22,470,000</u>	<u>14,074,000</u>

CITY OF SHELTON, CONNECTICUT**NOTES TO THE FINANCIAL STATEMENTS, Continued**
June 30, 2017

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

Year Ended, June 30		Governmental Activity	
		Principal	Interest
2018	\$	9,435,000	905,233
2019		7,885,000	615,218
2020		7,430,000	404,035
2021		4,554,000	274,565
2022		2,650,000	200,542
2023-2026		4,590,000	239,835
Total	\$	<u>36,544,000</u>	<u>2,639,428</u>

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, 2017, as follows:

Sewer	\$	4,259,171
General purpose		8,265,732
Schools		<u>729,145</u>
Total	\$	<u>13,254,048</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 1.69% as of June 30, 2017.

School buses

In July, 2014, the City purchased 60 school buses with the required accessories through a capital lease agreement of \$5,473,806. The lease will be paid over 60 months with an interest rate of 1.36%.

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2017

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	\$	9,952,509
104-C		<u>1,463,769</u>
Total Clean Water Fund Loans	\$	<u>11,416,278</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>
2018	\$ 931,199	219,820
2019	949,995	201,025
2020	969,170	181,850
2021	988,732	162,288
2022	1,008,688	142,331
2023-2027	5,357,185	397,913
2028-2029	<u>1,211,309</u>	<u>14,709</u>
	\$ <u>11,416,278</u>	<u>1,319,936</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 5 year operating lease with Landmark Student Transportation Inc., to operate, maintain and insure the newly acquired buses. During the 2017 fiscal year, the City paid \$2.4 million.

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2017

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 Wheelbrator 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:

Fiscal Year Ended June 30,	Claims Payable Beginning	Claims and Changes in Estimates	Claims Paid	Claims Payable Ending
Worker's Compensation				
2016	1,517,331	1,268,022	1,151,709	1,633,644
2017	1,633,644	1,414,297	1,185,278	1,862,663
Heart and Hypertension				
2016	1,184,905	2,482,840	2,512,793	1,154,952
2017	1,154,952	2,586,349	2,676,437	1,064,864
Medical				
2016	714,000	9,458,021	9,422,021	750,000
2017	750,000	11,058,957	11,020,224	788,733
Total Internal Service				
2016	3,416,236	13,208,883	13,086,523	3,538,596
2017	3,538,596	15,059,603	14,881,939	3,716,260

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued **June 30, 2017**

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 in a fixed income interest accumulation account designed under the plan.

The City's total covered payroll under the plan, excluding the Board of Education, for the fiscal year ended June 30, 2017 was approximately \$7.5 Million. The employee's required contribution was \$224,520 (3% of covered payroll) and voluntary contributions were \$288,696. The City's matching contribution was \$449,039.

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. Chapter 113 Part II of the General Statutes of Connecticut, which

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2017

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, or 25 years of aggregate service.

Policemen and Firemen: 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 1-1/2% 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 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 firemen and policemen, 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 (including workers' compensation benefits) of 50% of compensation at the time of disability. Non-service related disability benefits are provided to employees with 10 years of service and being permanently or totally disabled from

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2017

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.

Death Benefit: The spouse of an employee who was eligible for service, disability retirement, or had a vested allowance, and was married for at least 12 months preceding the date of death can receive benefits computed on the basis of the member's average final compensation and creditable service at the date of death. The benefit is equal to 50% of the average of the life annuity allowance and the reduced 50% joint and survivor allowance.

Contribution Requirements

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.

Employee

Plan members not covered by social security are required to contribute 5% of compensation. Employees covered by social security are required to contribute 2-1/4% of compensation up to the Social Security taxable wage base is plus 5% of compensation, if any, in excess of such base.

The current rate is 14.98% 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, 2017, 2016 and 2014 were \$914,347, \$790,450, and \$863,932 respectively, equal to the required contributions for each year.

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

At June 30, 2017, 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 (\$1,961,193) based on the City's allocation percentage of 3.481790%.

The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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 government-wide Statement of Activities in the amount of \$1,085,156 for the year ended June 30, 2017.

CITY OF SHELTON, CONNECTICUT**NOTES TO THE FINANCIAL STATEMENTS, Continued**
June 30, 2017

At June 30, 2017, 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
Net difference between projected and actual earnings on plan investments	\$ 1,382,752	-
Change in proportional share	201,211	-
Net difference between employer expected and actual experience share of contributions	1,442,226	-
Total	\$ 3,026,189	-

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

Year Ended June 30,	Net Pension Expense Increase
2018	\$ 740,740
2019	740,740
2020	889,719
2021	654,990
Thereafter	-
	\$ 3,026,189

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016. 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).

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%.

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2017

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 most recent best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 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, 2017

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

The following presents the net pension liability of the City calculated using the discount rate of 8.00%, as well as what the City's net pension liability 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.

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate</u>	<u>1% Increase (9.00%)</u>
Proportionate share of the net pension liability/(asset)	\$ 1,921,534	\$ (1,961,193)	\$ (5,189,735)

Teachers' Retirement

All City of Shelton Board of Education certified employees participate in the State of Connecticut Teachers' Retirement System 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, and professional employees at State schools of higher education 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. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the State Teachers' Retirement Board.

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).

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

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2017

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% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

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 contributions are actuarially determined as an amount that, when combined with employee contributions and investment earning, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Employer (School Districts)

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

Employees

Participants are required to contribute 6.00% of their annual salary to the pension System as required by CGS Section 10-183b (7). For the year ended June 30, 2017, \$2,181,876 mandatory contributions were deducted from the salaries of teachers who were participants in the System. The estimated covered payroll for the City was \$36,364,599

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, 2017, 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>124,688,459</u>
Total net pension liability	\$	<u><u>124,688,459</u></u>

The net pension liability was measured as of June 30, 2016, 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, 2017 the City has recognized, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$13,597,724 as payments made by the State of Connecticut on behalf of the City.

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2017

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

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 PRH-2014 Disabled Mortality Table projected to 2017 with Scale BB is used for the period after disability retirement.

Future Cost-of-Living increases for members who retire on or after September 1, 1992 and were hired prior to July 1, 2007 are assumed to receive an annual cost-of-living adjustment (COLA) of 2%. Members who retired on or after September 1, 1992 and were hired on or after July 1, 2007 are assumed to receive an annual COLA of 1.75%.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100.0%</u>	

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2017

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 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.

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.

Note 11 - Fund Balance and Net Position

Fund Deficits

The City has the following Fund Deficits at June 30, 2017 and expects to eliminate the deficits in the future as follows:

Fund	Deficit	Plan For Elimination
Conservation and Open Space	\$ 124,932	Future contributions
Adult Education	13,900	Future grant receipts
Homeland Security Grant	26,236	Future grant receipts
School Lunch	162,523	Future contributions
Educational Grants	1,257,087	Future grant receipts
Summer School	3,854	Future contributions
Police PVET Grant	885	Future grant receipts
Worker's Compensation	5,603,041	Future employer payments
Medical Insurance	1,090,439	Future employer payments
Capital Projects	5,735,168	Future general obligation bonds

Prior Period Adjustment to Net Position

The beginning balance of the governmental activities net position was restated by \$5,301,357 to reflect the restatement of the net pension liability/asset included in the Connecticut Municipal Employee Retirement System audited Schedules of Employer Allocations and Pension Amounts by Employer report for the year ended June 30, 2015, issued October 21, 2016.

CITY OF SHELTON, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2017

Note 12 – Subsequent Events

General Obligation Bond

On December 12, 2017, the City issued a general obligation bond in the amount of \$5,500,000. The bond will be paid over a 5 year period beginning December 1, 2018 with an interest rate of 1.730%. The bond will fund school and capital projects.

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

CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
For the Year Ended June 30, 2017

	2017	2016	2015 as Restated
City's proportion of the net pension liability	3.481790%	3.753945%	3.893616%
City's proportionate share of the net pension liability (asset)	\$ (1,961,193)	(3,158,806)	(3,717,725)
City's covered-employee payroll	\$ 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-employee payroll	-36.84%	-59.86%	-73.20%
Plan fiduciary net position as a percentage of total pension liability	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.

CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
For the Year Ended June 30, 2017

Notes to Schedule

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 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.
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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)
Inflation	3.25%
Salary increase	4.25-11.00%, including inflation
Investment rate of return	8.00%, net of investment related expense

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, 2017

	2017	2016	2015
City's proportion of the net pension liability	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	\$ 124,688,459	95,054,242	87,858,598
Total	124,688,459	95,054,242	87,858,598
City's covered-employee payroll	36,364,599	31,569,440	30,570,297
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of total pension liability	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.

GENERAL FUND REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
PROPERTY TAXES				
Current years' levy	\$ 102,314,933	102,314,933	101,976,760	(338,173)
Prior years' levies	880,000	880,000	835,400	(44,600)
Interest and penalties	570,000	570,000	559,703	(10,297)
Statutory refunds	(149,000)	(149,000)	(271,557)	(122,557)
Personal property tax audits	200,000	200,000	-	(200,000)
Total property taxes	<u>\$ 103,815,933</u>	<u>103,815,933</u>	<u>103,100,306</u>	<u>(715,627)</u>
INTERGOVERNMENTAL				
State grants for education	\$ 6,423,149	6,423,149	7,454,567	1,031,418
Other state grants	2,559,583	2,559,583	2,662,403	102,820
Total intergovernmental	<u>\$ 8,982,732</u>	<u>8,982,732</u>	<u>10,116,970</u>	<u>1,134,238</u>
CHARGES FOR SERVICES				
Licenses and permits	\$ 1,808,580	1,808,580	1,608,944	(199,636)
Charges for services	1,007,270	1,007,270	1,313,277	306,007
Fines and forfeits	4,000	4,000	36,498	32,498
Total charges for services	<u>\$ 2,819,850</u>	<u>2,819,850</u>	<u>2,958,719</u>	<u>138,869</u>
INVESTMENT INCOME	<u>\$ 250,000</u>	<u>250,000</u>	<u>37,200</u>	<u>(212,800)</u>
MISCELLANEOUS REVENUES	<u>\$ 1,623,043</u>	<u>1,623,043</u>	<u>1,126,401</u>	<u>(496,642)</u>
OTHER FINANCING SOURCES				
Appropriation of fund balance	\$ 4,893,096	6,052,151	6,052,151	-
Total other financing sources	<u>\$ 4,893,096</u>	<u>6,052,151</u>	<u>6,052,151</u>	<u>-</u>
Total revenue & other financing sources	<u>\$ 122,384,654</u>	<u>123,543,709</u>	<u>123,391,747</u>	<u>(151,962)</u>

**GENERAL FUND EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES -
BUDGETARY BASIS - BUDGET AND ACTUAL**
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
GENERAL GOVERNMENT				
Administrative	\$ 2,007,294	2,073,700	2,042,836	30,864
Employee resources	5,885,600	6,086,383	5,715,630	370,753
Legislative	154,961	157,287	146,760	10,527
Board of ethics	600	600	-	600
Elections	158,456	178,242	170,557	7,685
Inland wetlands	88,257	101,957	96,178	5,779
Economic development committee	76,800	76,800	48,872	27,928
Economic development	100,000	100,000	100,000	-
Planning and zoning	299,257	336,702	326,336	10,366
Probate court	12,900	12,900	12,863	37
Elected/appointed officials	18,450	18,450	17,035	1,415
Conservation commission	63,913	63,913	59,892	4,021
City/Town clerk	441,696	441,696	291,281	150,415
Drug and alcohol commission	1	1	-	1
Appeals board	200	200	-	200
Zoning appeals board	19,064	26,564	24,407	2,157
Legal services corporate counsel	204,971	204,971	144,432	60,539
Management information systems	448,407	448,407	347,495	100,912
Assessor	649,976	699,756	618,751	81,005
Tax collector	331,145	331,545	300,957	30,588
Purchasing	352,946	352,946	311,040	41,906
Public risk management	2,111,798	2,111,798	2,234,585	(122,787)
Accounting and control	556,362	557,422	460,091	97,331
Miscellaneous	1,203,000	1,216,375	1,218,602	(2,227)
Board of aldermen	125,000	125,000	35,246	89,754
Total general government	\$ 15,311,054	15,723,615	14,723,846	999,769
PUBLIC SAFETY				
Public safety and energy services	\$ 124,092	126,192	75,994	50,198
EMS commission	122,288	122,288	120,003	2,285
Fire marshal	283,410	292,510	218,906	73,604
Animal control	214,035	227,085	202,883	24,202
Fire department	966,763	988,446	868,887	119,559
Police department	7,351,211	7,391,221	6,058,364	1,332,857
Total public safety	\$ 9,061,799	9,147,742	7,545,037	1,602,705
PUBLIC WORKS				
Building department	\$ 302,130	302,130	207,071	95,059
Highways and bridges	3,497,132	3,522,132	2,941,027	581,105
Road repairs	50,000	551,222	550,132	1,090
Public works director	51,330	51,330	50,885	445
Engineering	312,931	312,931	185,612	127,319
Tree warden	110,000	110,000	63,138	46,862
Recycling program	36,702	36,702	17,670	19,032
Sanitation	2,134,399	2,134,399	2,006,177	128,222
Total public works	\$ 6,494,624	7,020,846	6,021,712	999,134

(Continued)

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
HEALTH AND WELFARE				
Public health	\$ 292,871	292,871	292,871	-
Total health and welfare	\$ 292,871	292,871	292,871	-
CULTURE AND RECREATION				
Recreation	\$ 1,590,200	1,594,450	1,424,127	170,323
Capital spending	7,000	7,000	6,927	73
Senior center	316,690	323,290	273,413	49,877
Youth service bureau	220,089	220,089	122,478	97,611
Library	1,186,246	1,200,906	1,135,153	65,753
Community development	79,004	79,204	69,970	9,234
Outside agency contributions	372,796	372,796	360,140	12,656
Total cultural and recreation	\$ 3,772,025	3,797,735	3,392,208	405,527
EDUCATION				
Board of education	\$ 70,470,000	70,470,000	70,466,278	3,722
Total education	\$ 70,470,000	70,470,000	70,466,278	3,722
OTHER				
Utilities	\$ 2,771,042	2,787,921	2,492,207	295,714
Municipal property maintenance	1,392,105	1,483,845	1,292,726	191,119
Total other	\$ 4,163,147	4,271,766	3,784,933	486,833
DEBT SERVICE				
Principal	\$ 10,408,000	10,408,000	10,408,000	-
Interest	1,260,114	1,260,114	1,237,714	22,400
W.P.C.A transfer	1,151,020	1,151,020	1,151,019	1
Total debt service	\$ 12,819,134	12,819,134	12,796,733	22,401
Total Encumbrances and Financial Uses	\$ 122,384,654	123,543,709	119,023,618	4,520,091

CITY OF SHELTON, CONNECTICUT

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2017**

	Special Revenue		
	Town Road Aid	Conservation and Open Space	Vehicle Risk Retention
ASSETS			
Cash and cash equivalents	\$ 117,415		90,484
Receivables, net			
Due from other funds	281,206		
Inventory			
Total assets	\$ 398,621	-	90,484
LIABILITIES AND FUND BALANCES (DEFICITS)			
Liabilities			
Accounts payable and accrued liabilities	\$	124,932	
Due to other funds	238,416		
Total liabilities	\$ 238,416	124,932	-
Deferred inflows of resources:			
Unavailable receipts	\$		
Fund Balance (Deficit)			
Nonspendable	\$		
Restricted for:			
Donor's intentions			
Debt service			
Committed for:			
Open spaces			
Assigned	160,205		90,484
Unassigned		(124,932)	
Total fund balance (deficit)	\$ 160,205	(124,932)	90,484
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 398,621	-	90,484

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>
225,675	44,876	4,414	59,229	61
<u>225,675</u>	<u>44,876</u>	<u>4,414</u>	<u>59,229</u>	<u>61</u>
1,293			586 2,069	
<u>1,293</u>	<u>-</u>	<u>-</u>	<u>2,655</u>	<u>-</u>
224,382	44,876	4,414	56,574	61
<u>224,382</u>	<u>44,876</u>	<u>4,414</u>	<u>56,574</u>	<u>61</u>
<u>225,675</u>	<u>44,876</u>	<u>4,414</u>	<u>59,229</u>	<u>61</u>

(Continued)

CITY OF SHELTON, CONNECTICUT

COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS, Continued
 June 30, 2017

	Special Revenue		
	Uninsured Loss Fund	Pine Rock Park	Gristmill Lane Maintenance
ASSETS			
Cash and cash equivalents	\$ 495,826	296,387	1,867
Receivables, net			
Due from other funds			
Inventory			
Total assets	<u>\$ 495,826</u>	<u>296,387</u>	<u>1,867</u>
LIABILITIES AND FUND BALANCE (DEFICITS)			
Liabilities			
Accounts payable and accrued liabilities	\$		
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	495,826	296,387	1,867
Unassigned			
Total fund balance (deficit)	<u>\$ 495,826</u>	<u>296,387</u>	<u>1,867</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 495,826</u>	<u>296,387</u>	<u>1,867</u>

Special Revenue

Asset Seizure Account	Pine Rock Improvements	Adult Education	Small Cities Grant	Trails Committee
4,703	21,519	2,757,861	57,385	5,288
143,438		51,032		
<u>148,141</u>	<u>21,519</u>	<u>2,808,893</u>	<u>57,385</u>	<u>5,288</u>
		11,600		
		2,811,193		
-	-	2,822,793	-	-
			26,090	
148,141	21,519	(13,900)	31,295	5,288
<u>148,141</u>	<u>21,519</u>	<u>(13,900)</u>	<u>31,295</u>	<u>5,288</u>
<u>148,141</u>	<u>21,519</u>	<u>2,808,893</u>	<u>57,385</u>	<u>5,288</u>

(Continued)

CITY OF SHELTON, CONNECTICUT

COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS, Continued
 June 30, 2017

	Special Revenue		
	Sewer Assessments	One Time Use Grant	CRRA Consent Order
ASSETS			
Cash and cash equivalents	\$ 262,619	1,468	139,138
Receivables, net	25,942		
Due from other funds	167		
Inventory			
Total assets	<u>\$ 288,728</u>	<u>1,468</u>	<u>139,138</u>
LIABILITIES AND FUND BALANCE (DEFICITS)			
Liabilities			
Accounts payable and accrued liabilities	\$		
Due to other funds			
Total liabilities	<u>\$ -</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:			
Unavailable receipts	<u>\$ 25,942</u>		
Fund Balance (Deficit)			
Nonspendable	\$		
Restricted for:			
Donor's intentions			
Debt service			
Committed for:			
Open spaces			
Assigned	262,786	1,468	139,138
Unassigned			
Total fund balance (deficit)	<u>\$ 262,786</u>	<u>1,468</u>	<u>139,138</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 288,728</u>	<u>1,468</u>	<u>139,138</u>

Special Revenue				
DUI Grant	Elevation Grant	Senior Center	Homeland Security Grant	Recreation Path Grants
14,197		68,812		963
14,197	-	68,812	-	963
			26,236	
-	-	-	26,236	-
14,197		68,812	(26,236)	963
14,197	-	68,812	(26,236)	963
14,197	-	68,812	-	963

(Continued)

CITY OF SHELTON, CONNECTICUT

COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS, Continued
 June 30, 2017

	Special Revenue		
	COPS TECH Earmark	Housatonic River Estuary	Dog Fund
ASSETS			
Cash and cash equivalents	\$ 79,126	2,053	1,652
Receivables, net			
Due from other funds	1		
Inventory			
Total assets	<u>\$ 79,127</u>	<u>2,053</u>	<u>1,652</u>
LIABILITIES AND FUND BALANCE (DEFICITS)			
Liabilities			
Accounts payable and accrued liabilities	\$		
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	79,127	2,053	1,652
Unassigned			
Total fund balance (deficit)	<u>\$ 79,127</u>	<u>2,053</u>	<u>1,652</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 79,127</u>	<u>2,053</u>	<u>1,652</u>

Special Revenue

School Lunch	Educational Grants	Athletic Association	Summer School	School Rental
181,819	1,642,915	52,605	92,865	3,974
78,230				
23,156				
283,205	1,642,915	52,605	92,865	3,974
171,783				
273,945	2,900,002		96,719	
445,728	2,900,002	-	96,719	-
		52,605		3,974
(162,523)	(1,257,087)		(3,854)	
(162,523)	(1,257,087)	52,605	(3,854)	3,974
283,205	1,642,915	52,605	92,865	3,974

(Continued)

CITY OF SHELTON, CONNECTICUT

COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS, Continued
 June 30, 2017

	Special Revenue		
	Comp Voice Stress Analyzer	Other Education Programs	Youth Services
Cash and cash equivalents	\$ 1,059	162,860	2,403
Receivables, net			
Due from other funds			13,045
Inventory			
Total assets	\$ 1,059	162,860	15,448
LIABILITIES AND FUND BALANCE (DEFICITS)			
Liabilities			
Accounts payable and accrued liabilities	\$		
Due to other funds		113,072	
Total liabilities	\$ -	113,072	-
Deferred inflows of resources:			
Unavailable receipts	\$		
Fund Balance (Deficit)			
Nonspendable	\$		
Restricted for:			
Donor's intentions			
Debt service			
Committed for:			
Open spaces			
Assigned	1,059	49,788	15,448
Unassigned			
Total fund balance (deficit)	\$ 1,059	49,788	15,448
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 1,059	162,860	15,448

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>
	21,360	808		6,915,686	
	83,338			104,172	
				572,227	266,962
				23,156	
<u>-</u>	<u>104,698</u>	<u>808</u>	<u>-</u>	<u>7,615,241</u>	<u>266,962</u>
			885	336,022	
				6,436,709	
<u>-</u>	<u>-</u>	<u>-</u>	<u>885</u>	<u>6,772,731</u>	<u>-</u>
				52,032	
				-	
				-	
				-	266,962
				-	
	104,698	808		2,379,895	
			(885)	(1,589,417)	
<u>-</u>	<u>104,698</u>	<u>808</u>	<u>(885)</u>	<u>790,478</u>	<u>266,962</u>
<u>-</u>	<u>104,698</u>	<u>808</u>	<u>-</u>	<u>7,615,241</u>	<u>266,962</u>

(Continued)

CITY OF SHELTON, CONNECTICUT

COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS, Continued
 June 30, 2017

	Permanent Funds		
	Edward C. Finn Scholarship	David Clark Scholarship	Paul Gerst Memorial
Cash and cash equivalents	\$ 2,168	953	845
Receivables, net			
Due from other funds			
Inventory			
Total assets	\$ 2,168	953	845
LIABILITIES AND FUND BALANCE (DEFICITS)			
Liabilities			
Accounts payable and accrued liabilities	\$		
Due to other funds			
Total liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable receipts	\$		
Fund Balance (Deficit)			
Nonspendable	\$		
Restricted for:			
Donor's intentions	2,168	953	845
Debt service			
Committed for:			
Open spaces			
Assigned			
Unassigned			
Total fund balance (deficit)	\$ 2,168	953	845
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 2,168	953	845

Permanent Funds					Total Nonmajor Governmental Funds
Lucy Beard	Hanson Edwards Legacy	Permanent War Memorial Scholarship	Mary & Charles Lavietes Memorial	Total Permanent	
1,408	1,010	38,964	777	46,125	6,961,811
				-	104,172
				-	839,189
				-	23,156
<u>1,408</u>	<u>1,010</u>	<u>38,964</u>	<u>777</u>	<u>46,125</u>	<u>7,928,328</u>
				-	336,022
				-	6,436,709
-	-	-	-	-	6,772,731
				-	52,032
				-	-
1,408	1,010	38,964	777	46,125	46,125
				-	266,962
				-	-
				-	2,379,895
				-	(1,589,417)
<u>1,408</u>	<u>1,010</u>	<u>38,964</u>	<u>777</u>	<u>46,125</u>	<u>1,103,565</u>
<u>1,408</u>	<u>1,010</u>	<u>38,964</u>	<u>777</u>	<u>46,125</u>	<u>7,928,328</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, 2017**

	Special Revenue		
	Town Road Aid	Conservation and Open Space	Vehicle Risk Retention
Revenues			
Intergovernmental	\$ 503,576		
Charges for services			
Investment income	20		6
Other			
Total revenues	\$ 503,596	-	6
Expenditures			
Public safety	\$		
Public works	565,114		
Culture and recreation			
Education			
Other			
Total expenditures	\$ 565,114	-	-
Revenue Over (Under) Expenditures	\$ (61,518)	-	6
Other Financing Sources			
Transfers in	\$		
Transfers (out)			
Total other financing sources	\$ -	-	-
Changes in Fund Balances (Deficits)	\$ (61,518)	-	6
Fund Balances (Deficits) - beginning	221,723	(124,932)	90,478
Fund Balances (Deficits) - ending	\$ 160,205	(124,932)	90,484

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>
			87	
25,999 18	4		9	
<u>26,017</u>	<u>4</u>	<u>-</u>	<u>96</u>	<u>-</u>
69,683				
<u>69,683</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(43,666)</u>	<u>4</u>	<u>-</u>	<u>96</u>	<u>-</u>
-	-	-	-	-
<u>(43,666)</u>	<u>4</u>	<u>-</u>	<u>96</u>	<u>-</u>
<u>268,048</u>	<u>44,872</u>	<u>4,414</u>	<u>56,478</u>	<u>61</u>
<u>224,382</u>	<u>44,876</u>	<u>4,414</u>	<u>56,574</u>	<u>61</u>

(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, 2017

	Special Revenue		
	Uninsured Loss Fund	Pine Rock Park	Gristmill Lane Maintenance
Revenues			
Intergovernmental	\$		
Charges for services			
Investment income	36	22	
Other	212		
Total revenues	\$ 248	22	-
Expenditures			
Public safety	\$		
Public works			
Culture and recreation			
Education			
Other	12,492		
Total expenditures	\$ 12,492	-	-
Revenue Over (Under) Expenditures	\$ (12,244)	22	-
Other Financing Sources			
Transfers in	\$		
Transfers (out)			
Total other financing sources	\$ -	-	-
Changes in Fund Balances (Deficits)	\$ (12,244)	22	-
Fund Balances (Deficits) - beginning	508,070	296,365	1,867
Fund Balances (Deficits) - ending	\$ 495,826	296,387	1,867

Special Revenue

<u>Asset Seizure Account</u>	<u>Pine Rock Improvement</u>	<u>Adult Education</u>	<u>Small Cities Grant</u>	<u>Trails Committee</u>
56,697		940,180		
1	2	94,496	4	1
		188		
56,698	2	1,034,864	4	1
6,675				
		995,221		
6,675	-	995,221	-	-
50,023	2	39,643	4	1
-	-	-	-	-
50,023	2	39,643	4	1
98,118	21,517	(53,543)	31,291	5,287
148,141	21,519	(13,900)	31,295	5,288

(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, 2017**

	Special Revenue		
	Sewer Assessment	One Time Use Grant	CRRA Consent Order
Revenues			
Intergovernmental	\$		
Charges for services			
Investment income	20		10
Other			
Total revenues	\$ 20	-	10
Expenditures			
Public safety	\$		
Public works	16,327		
Culture and recreation			
Education			
Other			
Total expenditures	\$ 16,327	-	-
Revenue Over (Under) Expenditures	\$ (16,307)	-	10
Other Financing Sources			
Transfers in	\$		
Transfers (out)			
Total other financing sources	\$ -	-	-
Changes in Fund Balances (Deficits)	\$ (16,307)	-	10
Fund Balances (Deficits) - beginning	279,093	1,468	139,128
Fund Balances (Deficits) - ending	\$ 262,786	1,468	139,138

Special Revenue				
<u>DUI Grant</u>	<u>Elevation Grant</u>	<u>Senior Center</u>	<u>Homeland Security Grant</u>	<u>Recreation Path Grants</u>
		7,156		
1		7		
		46,937		
1	-	54,100	-	-
		5,310		
-	-	5,310	-	-
1	-	48,790	-	-
-	-	-	-	-
1	-	48,790	-	-
14,196	-	20,022	(26,236)	963
14,197	-	68,812	(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, 2017

	Special Revenue		
	COPS TECH Earmark	Housatonic River Estuary	Dog Fund
Revenues			
Intergovernmental	\$		
Charges for services			
Investment income	6		5
Other			
Total revenues	\$ 6	-	5
Expenditures			
Public safety	\$		
Public works			
Culture and recreation			
Education			
Other			
Total expenditures	\$ -	-	-
Revenue Over (Under) Expenditures	\$ 6	-	5
Other Financing Sources			
Transfers in	\$		
Transfers (out)			
Total other financing sources	\$ -	-	-
Changes in Fund Balances (Deficits)	\$ 6	-	5
Fund Balances (Deficits) - beginning	79,121	2,053	1,647
Fund Balances (Deficits) - ending	\$ 79,127	2,053	1,652

Special Revenue				
School Lunch	Educational Grants	Athletic Association	Summer School	School Rental
650,318	2,569,938			
1,287,950		52,540	27,501	11,078
1,938,268	2,569,938	52,540	27,501	11,078
2,257,115	4,048,864	143	1,681	7,781
2,257,115	4,048,864	143	1,681	7,781
(318,847)	(1,478,926)	52,397	25,820	3,297
-	-	-	-	-
(318,847)	(1,478,926)	52,397	25,820	3,297
156,324	221,839	208	(29,674)	677
(162,523)	(1,257,087)	52,605	(3,854)	3,974

(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, 2017

	Special Revenue		
	Comp Voice Stress Analyzer	Other Education Programs	Youth Services
Revenues			
Intergovernmental	\$		7,550
Charges for services		19,713	
Investment income	3		
Other			18,142
Total revenues	\$ 3	19,713	25,692
Expenditures			
Public safety	\$		
Public works			
Culture and recreation			21,815
Education		47,565	
Other			
Total expenditures	\$ -	47,565	21,815
Revenue Over (Under) Expenditures	\$ 3	(27,852)	3,877
Other Financing Sources			
Transfers in	\$		
Transfers (out)			
Total other financing sources	\$ -	-	-
Changes in Fund Balances (Deficits)	\$ 3	(27,852)	3,877
Fund Balances (Deficits) - beginning	1,056	77,640	11,571
Fund Balances (Deficits) - ending	\$ 1,059	49,788	15,448

Special Revenue				
<u>Town Clerk</u>	<u>Conservation Commission</u>	<u>Police PVET Grant</u>	<u>Total Special Revenues</u>	<u>Debt Service</u>
			4,728,346	
195,730			1,722,163	
165	3		531	
			65,291	
195,895	3	-	6,516,331	-
			6,675	
			651,124	
			27,125	
			7,358,370	
231,264			243,756	
231,264	-	-	8,287,050	-
(35,369)	3	-	(1,770,719)	-
			-	
			-	
-	-	-	-	-
(35,369)	3	-	(1,770,719)	-
140,067	805	(885)	2,561,197	266,962
104,698	808	(885)	790,478	266,962

(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, 2017

	Permanent Funds		
	Edward C. Finn Scholarship	David Clark Scholarship	Paul Gerst Memorial
Revenues			
Intergovernmental	\$		
Charges for services			
Investment income	7	3	3
Other			
Total revenues	\$ 7	3	3
Expenditures			
Public safety	\$		
Public works			
Culture and recreation			
Education			
Other			
Total expenditures	\$ -	-	-
Revenue Over (Under) Expenditures	\$ 7	3	3
Other Financing Sources			
Transfers in	\$		
Transfers (out)			
Total other financing sources	\$ -	-	-
Changes in Fund Balances (Deficits)	\$ 7	3	3
Fund Balances (Deficits) - beginning	2,161	950	842
Fund Balances (Deficits) - ending	\$ 2,168	953	845

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>
				-	4,728,346
				-	1,722,163
5	3	122	2	145	676
				-	65,291
5	3	122	2	145	6,516,476
				-	6,675
				-	651,124
				-	27,125
				-	7,358,370
				-	243,756
-	-	-	-	-	8,287,050
5	3	122	2	145	(1,770,574)
				-	-
				-	-
-	-	-	-	-	-
5	3	122	2	145	(1,770,574)
1,403	1,007	38,842	775	45,980	2,874,139
1,408	1,010	38,964	777	46,125	1,103,565

**W.P.C.A REVENUES, EXPENDITURES AND OTHER FINANCING USES -
BUDGETARY BASIS - BUDGET AND ACTUAL
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Operating revenues:				
Charges for services	\$ 2,713,590	2,713,590	2,708,829	(4,761)
Miscellaneous	36,964	36,964	15,007	(21,957)
Investments	5	5	-	(5)
Total operating revenues	\$ 2,750,559	2,750,559	2,723,836	(26,723)
Operating expenses:				
Salaries and benefits	\$ 966,509	966,509	872,487	(94,022)
Supplies and chemicals	163,203	163,203	122,864	(40,339)
Utilities	440,438	440,438	374,557	(65,881)
Administration and operation	1,180,409	1,180,409	1,045,503	(134,906)
Total operating expenditures	\$ 2,750,559	2,750,559	2,415,411	(335,148)
Total Operating Income, Budgetary Basis	\$ -	-	308,425	
Depreciation expense			\$ (1,856,923)	
Capital Accounts Activity:				
Surplus reserve			75,000	
Other revenues			145,000	
Total Operating Income			\$ (1,328,498)	

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET FUND POSITION
June 30, 2017

	Workers' Compensation Fund	Medical Insurance Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 75,000		75,000
Other receivables			-
Due from other funds			-
Total assets	\$ 75,000	-	75,000
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$	301,706	301,706
Due to other funds	2,750,514		2,750,514
Claims payable			
Total current liabilities	\$ 2,750,514	301,706	3,052,220
Noncurrent liabilities:			
Claims incurred but not reported	\$ 2,927,527	788,733	3,716,260
Total liabilities	\$ 5,678,041	1,090,439	6,768,480
NET POSITION			
Unrestricted	\$ (5,603,041)	(1,090,439)	(6,693,480)
Total net position	\$ (5,603,041)	(1,090,439)	(6,693,480)

INTERNAL SERVICE FUNDS

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

June 30, 2017

	Workers' Compensation Fund	Medical Insurance Fund	Total
OPERATING REVENUES			
Employer contribution	\$ 1,650,000	11,020,224	12,670,224
Employee contribution		1,797,927	1,797,927
Other Revenues		106,327	106,327
Total operating revenues	<u>\$ 1,650,000</u>	<u>12,924,478</u>	<u>14,574,478</u>
OPERATING EXPENSES			
Administrative	17,439	75,264	92,703
Salaries, benefits and claims	\$ 1,167,839	13,071,675	14,239,514
Total operating expenses	<u>\$ 1,185,278</u>	<u>13,146,939</u>	<u>14,332,217</u>
Changes in Fund Net Position	<u>\$ 464,722</u>	<u>(222,461)</u>	<u>242,261</u>
FUND NET POSITION, beginning	(6,067,763)	(867,978)	(6,935,741)
FUND NET POSITION, ending	<u><u>\$ (5,603,041)</u></u>	<u><u>(1,090,439)</u></u>	<u><u>(6,693,480)</u></u>

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
June 30, 2017

	Workers' Compensation Fund	Medical Insurance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,185,278	12,924,478	14,109,756
Payments for benefits	<u>(1,185,278)</u>	<u>(12,924,478)</u>	<u>(14,109,756)</u>
Net cash (used in) provided by operating activities	\$ <u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	\$ -	-	-
CASH AND CASH EQUIVELANTS, beginning	<u>75,000</u>	<u>-</u>	<u>75,000</u>
CASH AND CASH EQUIVELANTS, ending	<u><u>\$ 75,000</u></u>	<u><u>-</u></u>	<u><u>75,000</u></u>
Reconciliation of Operating Income to Net Cash Provided by (used in) Operating Activities			
Change in Net Fund Position	\$ 464,722	(222,461)	242,261
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:			
Change in assets and liabilities:			
Increase in other receivables			-
(Decrease) increase in accounts payable		183,728	183,728
(Decrease) increase in Intergovernmental payables	(603,653)		(603,653)
(Decrease) increase in claims payable	<u>138,931</u>	<u>38,733</u>	<u>177,664</u>
Net increase (decrease) in cash and cash equivalents	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

CITY OF SHELTON, CONNECTICUT

PRIVATE PURPOSE TRUST FUNDS
 COMBINING STATEMENT OF NET POSITION
 June 30, 2017

	Servicemen's Christmas Fund	DWI Fund	Dog Pound Trust Fund	Police Department Pistol Range
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ 9,659	427	1,312	1,026
Investments	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 9,659</u>	<u>427</u>	<u>1,312</u>	<u>1,026</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>\$ 9,659</u>	<u>427</u>	<u>1,312</u>	<u>1,026</u>

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>
1,378	2,973	67,758	53	791	5,731
<u>1,378</u>	<u>2,973</u>	<u>67,758</u>	<u>53</u>	<u>791</u>	<u>5,731</u>
				400	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>400</u>	<u>-</u>
<u>1,378</u>	<u>2,973</u>	<u>67,758</u>	<u>53</u>	<u>391</u>	<u>5,731</u>

(Continued)

CITY OF SHELTON, CONNECTICUT

PRIVATE PURPOSE TRUST FUNDS
 COMBINING STATEMENT OF NET POSITION
 June 30, 2017

	Local Schools	Plumb Memorial Library	Student Activity	Special Response Team
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ 2,101	119,905	439,531	2,696
Investments	<u> </u>	<u>2,743,015</u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 2,101</u>	<u>2,862,920</u>	<u>439,531</u>	<u>2,696</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>\$ 2,101</u>	<u>2,862,920</u>	<u>439,531</u>	<u>2,696</u>

O Smith Police Equipment	Anti- Blight	Shelton Dog Park	Animal Shelter Donations	Total
2,893	30,314	39	28,397	716,984
				2,743,015
2,893	30,314	39	28,397	3,459,999
				400
				-
-	-	-	-	400
2,893	30,314	39	28,397	3,459,599

CITY OF SHELTON, CONNECTICUT

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended June 30, 2017

	Servicemen's Christmas Fund	DWI Fund	Dog Pound Trust Fund	Police Department Pistol Range
ADDITIONS				
Contributions	\$ 200		280	
Other				
Total contributions	<u>\$ 200</u>	<u>-</u>	<u>280</u>	<u>-</u>
Investment earnings				
Net (decrease) in fair value	\$			
Interest and dividends	30	1	3	3
Less: Investment expense				
Total investment earnings	<u>\$ 30</u>	<u>1</u>	<u>3</u>	<u>3</u>
DEDUCTIONS				
Benefits	\$			
Other				
Total deductions	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	\$ 230	1	283	3
Net Position - beginning	<u>9,429</u>	<u>426</u>	<u>1,029</u>	<u>1,023</u>
Net Position - ending	<u><u>\$ 9,659</u></u>	<u><u>427</u></u>	<u><u>1,312</u></u>	<u><u>1,026</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>
		4,425			
-	-	4,425	-	-	-
5	9	203		3	18
5	9	203	-	3	18
		4,065			
-	-	4,065	-	-	-
5	9	563	-	3	18
1,373	2,964	67,195	53	388	5,713
1,378	2,973	67,758	53	391	5,731

(Continued)

CITY OF SHELTON, CONNECTICUT

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended June 30, 2017

		Local Schools	Plumb Memorial Library	Student Activity	Special Response Team
ADDITIONS					
Contributions	\$		2,824	15,413	
Other			21,130		
Total contributions	\$	-	23,954	15,413	-
Investment earnings					
Net increase in fair value	\$		183,538		
Interest and dividends		7	128,952		8
Less: Investment expense			(16,559)		
Total investment earning:	\$	7	295,931	-	8
DEDUCTIONS					
Benefits	\$			8,706	
Other			49,378	425,938	
Total deductions	\$	-	49,378	434,644	-
Change in net position	\$	7	270,507	(419,231)	8
Net Position - beginning		2,094	2,592,413	858,762	2,688
Net Position - ending	\$	2,101	2,862,920	439,531	2,696

SCHEDULE 10
Page 2 of 2

O Smith Police Equipment	Anti- Blight	Shelton Dog Park	Animal Shelter Donations	Total
		160	17,618	40,920
				21,130
-	-	160	17,618	62,050
				183,538
9	94		66	129,411
				(16,559)
9	94	-	66	296,390
				8,706
	8	237	634	480,260
-	8	237	634	488,966
9	86	(77)	17,050	(130,526)
2,884	30,228	116	11,347	3,590,125
2,893	30,314	39	28,397	3,459,599

CITY OF SHELTON, CONNECTICUT

AGENCY FUNDS

COMBINING STATEMENT OF FIDUCIARY FUNDS NET POSITION

June 30, 2017

	Argraves AHO Easement	Security Deposit	Lane Street Improvements	SWEROC	Sewer Escrows
ASSETS					
Cash and cash equivalents	\$ 6,339	11,093	22,688	2,038	1,554
Total Assets	\$ 6,339	11,093	22,688	2,038	1,554
LIABILITIES					
Other liabilities	\$ 4,200	300			
Held for deposits for others	2,139	10,793	22,688	2,038	1,554
Total Liabilities	\$ 6,339	11,093	22,688	2,038	1,554

SCHEDULE 11

Reservoir Associates	Union Highway Pension Escrow	The Maples	Turro Sewer Assessment	P and Z Developer Bonds	Total
81,542	9,252	75	7,061	645,093	786,735
81,542	9,252	75	7,061	645,093	786,735
81,542	9,252	75	7,061	645,093	4,500 782,235
81,542	9,252	75	7,061	645,093	786,735

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended June 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Argraves AHO Easement				
Assets				
Cash and cash equivalents	\$ 6,319	20	-	6,339
Liabilities				
Accounts payable	\$ 4,200			4,200
Deposits held for others	2,119	20	-	2,139
	\$ 6,319	20	-	6,339
Security Deposits				
Assets				
Cash and cash equivalents	\$ 7,069	4,024	-	11,093
Liabilities				
Due to City of Shelton	\$ 300			300
Deposits held for others	6,769	4,024	-	10,793
	\$ 7,069	4,024	-	11,093
Lane Street Improvements				
Assets				
Cash and cash equivalents	\$ 22,617	71	-	22,688
Liabilities				
Deposits held for others	\$ 22,617	71	-	22,688
SWEROC				
Assets				
Cash and cash equivalents	\$ 2,032	6	-	2,038
Liabilities				
Deposits held for others	\$ 2,032	6	-	2,038
Sewer Escrows				
Assets				
Cash and cash equivalents	\$ 1,550	4	-	1,554
Liabilities				
Deposits held for others	\$ 1,550	4	-	1,554
Reservoir Associates				
Assets				
Cash and cash equivalents	\$ 81,288	254	-	81,542
Liabilities				
Deposits held for others	\$ 81,288	254	-	81,542

(Continued)

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended June 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Union Highway Pension Escrow				
Assets				
Cash and cash equivalents	\$ 9,223	29	-	9,252
Liabilities				
Deposits held for others	\$ 9,223	29	-	9,252
Maple Escrow				
Assets				
Cash and cash equivalents	\$ 75	-	-	75
Liabilities				
Deposits held for others	\$ 75	-	-	75
Turro Sewer Assessment Escrow				
Assets				
Cash and cash equivalents	\$ 7,039	22	-	7,061
Liabilities				
Deposits held for others	\$ 7,039	22	-	7,061
P and Z Developer Bonds				
Assets				
Cash and cash equivalents	\$ 710,046	25,047	90,000	645,093
Other Assets	-	-	-	-
	710,046	25,047	90,000	645,093
Liabilities				
Deposits held for others	\$ 710,046	25,047	90,000	645,093
Total Agency Funds				
Assets				
Cash and cash equivalents	\$ 847,258	29,477	90,000	786,735
Other Assets	-	-	-	-
	847,258	29,477	90,000	786,735
Liabilities				
Accounts payable	\$ 4,500	-	-	4,500
Deposits held for others	842,758	29,477	90,000	782,235
	\$ 847,258	29,477	90,000	786,735

CITY OF SHELTON, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING

For the Year Ended June 30, 2017

Grand List Year	Uncollected Balance & New Levy July 1, 2016	Lawful Corrections		(Transfers to) Recoveries From Suspense	Balance to be Collected
		Increases	Decreases		
2001	\$ 1,166			(316)	850
2002	4,728			(316)	4,412
2003	17,535		(179)	(415)	16,941
2004	18,013			(431)	17,582
2005	23,885			(445)	23,440
2006	28,034			(498)	27,536
2007	33,812			(530)	33,282
2008	45,764		(282)	(530)	44,952
2009	81,499	51		(634)	80,916
2010	126,625	2,112		(633)	128,104
2011	170,640	1,147		(996)	170,791
2012	258,312	7,289		(1,833)	263,768
2013	425,998	1,274	(15,355)	(9,404)	402,513
2014	1,026,151	10,300	(45,070)	(12,828)	978,553
Total	\$ 2,262,162	22,173	(60,886)	(29,809)	2,193,640
2015	101,678,370	1,688,869	(398,090)	(7,347)	102,961,802
Total	\$ 103,940,532	1,711,042	(458,976)	(37,156)	105,155,442

SCHEDULE 13

Collections				Uncollected Balance June 30, 2017
Taxes	Interest	Lien Fees	Total	
800	1,996	72	2,868	50
834	2,343	48	3,225	3,578
907	1,997	48	2,952	16,034
942	1,903	48	2,893	16,640
2,529	4,670	96	7,295	20,911
1,626	2,706	96	4,428	25,910
2,352	3,199	168	5,719	30,930
3,684	4,567	216	8,467	41,268
5,083	6,224	240	11,547	75,833
22,626	13,786	348	36,760	105,478
8,120	28,372	510	37,002	162,671
37,970	49,146	762	87,878	225,798
82,425	56,277	1,041	139,743	320,088
518,986	114,637	4,308	637,931	459,567
688,884	291,823	8,001	988,708	1,504,756
101,932,309	250,457	2,743	102,185,509	1,029,493
102,621,193	542,280	10,744	103,174,217	2,534,249

CITY OF SHELTON, CONNECTICUT

SCHEDULE OF DEBT LIMITATION
For the Year Ended June 30, 2017

	<u>General Purpose</u>
Debt Limitation:	
2 1/4 Times Base	\$ 232,141,988
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	\$ 232,141,988
	<hr/>
Indebtedness:	
Bonds payable	\$ 22,157,155
Bonds authorized and unissued	<u>8,265,732</u>
	<hr/>
Total Indebtedness	\$ 30,422,887
	<hr/>
Less: School Construction Grants Receivable	-
	<hr/>
Total Indebtedness of the City	\$ 30,422,887
	<hr/>
Debt Limitation In Excess of Outstanding and Authorized Debt	\$ <u>201,719,101</u>

SCHEDULE 14

Total Tax Collections (Including Interest and Lien Fees)
For The Year Ended June 30, 2017 \$ 103,174,217

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

Base \$ 103,174,217

<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Bonding</u>	<u>Total Debt</u>
464,283,977	386,903,314	335,316,205	309,522,651	722,219,519
<u>464,283,977</u>	<u>386,903,314</u>	<u>335,316,205</u>	<u>309,522,651</u>	<u>722,219,519</u>
14,386,845				36,544,000
729,145	4,259,171			13,254,048
15,115,990	4,259,171	-	-	49,798,048
-	-	-	-	-
<u>15,115,990</u>	<u>4,259,171</u>	<u>-</u>	<u>-</u>	<u>49,798,048</u>
<u>449,167,987</u>	<u>382,644,143</u>	<u>335,316,205</u>	<u>309,522,651</u>	<u>672,421,471</u>

CITY OF SHELTON, CONNECTICUT

FEDERAL AND STATE
SINGLE AUDIT REPORTS

June 30, 2017

CITY OF SHELTON, CONNECTICUT

FEDERAL AND STATE SINGLE AUDIT REPORTS

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

To The Board of Aldermen
City of Shelton, Connecticut
Shelton, Connecticut 06484

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2017, and the related notes to the financial statements, which collectively comprise the City of Shelton, Connecticut's basic financial statements, and have issued our report thereon dated December 28, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CLERMONT & ASSOCIATES, LLC

Prospect, Connecticut

December 28, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

Independent Auditor's Report

To the Board of Aldermen
City of Shelton, Connecticut
Shelton, Connecticut 06484

Report on Compliance for Each Major Federal Program

We have audited the City of Shelton, Connecticut's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Shelton, Connecticut's major federal programs for the year ended June 30, 2017. The City of Shelton, Connecticut's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Shelton, Connecticut's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Shelton, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Shelton, Connecticut, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the City of Shelton, Connecticut is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Shelton, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Shelton, Connecticut's internal control over compliance.

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, 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, 2017, and related notes to the financial statements, which collectively comprise of the City of Shelton, Connecticut's basic financial statements. We issued our report thereon dated December 28, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CLERMONT & ASSOCIATES, LLC

Prospect, Connecticut
December 28, 2017

CITY OF SHELTON, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number/ Project Number	Expenditures
U.S. Department of Agriculture:			
<i>Passed Through the State Department of Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	12060-SDE64370-20508	\$ 85,718
National School Lunch Program	10.555	12060-SDE64370-20560	487,668
U.S.D.A. Commodities	10.550	-	58,773
Total U.S. Department of Agriculture			\$ 632,159
U.S. Department of Education:			
<i>Passed Through the State Department of Education:</i>			
Adult Education	84.002	12060-SDE64370-20784	\$ 35,000
Title I Grants to Local Educational Agencies (2017)	84.010	12060-SDE64370-20679	440,717
Title I Grants to Local Educational Agencies (2016)	84.010	12060-SDE64370-20679	116
Special Education Cluster:			
Special Education - Grant to States (2016)	84.027	12060-SDE64370-20977	272,474
Special Education - Grant to States (2017)	84.027	12060-SDE64370-20977	771,661
Special Education - Preschool Grants	84.173	12060-SDE64370-20983	40,973
Career and Technical Education	84.048	12060-SDE64370-20742	42,591
English Language Acquisition Grants (2016)	84.365	12060-SDE64370-20868	6,243
English Language Acquisition Grants (2017)	84.365	12060-SDE64370-20868	15,427
Improving Teacher Quality State Grants (2016)	84.367	12060-SDE64370-20858	1,500
Improving Teacher Quality State Grants (2017)	84.367	12060-SDE64370-20858	72,562
Total U.S. Department of Education			\$ 1,699,264
U.S. Department of Transportation:			
<i>Passed Through the State Department of Transportation:</i>			
Highway Planning and Construction	20.205	12062-DOT57191-22108	\$ 40,951
Total U.S. Department of Transportation			\$ 40,951
U.S. Department of Homeland Security:			
<i>Passed Through the State Department of Public Safety:</i>			
Emergency Management Performance Grant	97.042	12060-DPS32160-21881	\$ 22,169
Hazard Mitigation	97.039	12060-DPS32990-22278	135,341
Total U.S. Department of Homeland Security			\$ 157,510
Total Expenditures of Federal Awards			\$ 2,529,884

See Notes to Schedule of Expenditures of Federal Awards

CITY OF SHELTON, CONNECTICUT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year ended June 30, 2017

Note 1 - Basis of Presentation

The accompanying schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City of Shelton under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the City of Shelton, Connecticut, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Shelton, Connecticut.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3 – Non-monetary Assistance

The City's National School Lunch Program receives noncash federal awards in the form of food commodities from the Department of Agriculture.

Non-monetary assistance is reported in the schedule at the fair market value of the items received and disbursed. The market value of the items issued is included in the Schedule of Expenditures of Federal Awards as follows:

Food Commodities	\$ <u>58,773</u>
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CITY OF SHELTON, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

I SUMMARY OF AUDITORS RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal Control over Financial Reporting:

Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified? _____ yes x none reported

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs

Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified? _____ yes x none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule? _____ yes x no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
10.553 & 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? x yes _____ no

CITY OF SHELTON, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

SECTION II – FEDERAL AWARDS FINDINGS AND QUESTIONED COST

No findings were reported.

CITY OF SHELTON, CONNECTICUT

SUMMARY SCHEDULE OF PRIOR YEARS AUDIT FINDINGS
June 30, 2017

The City had no findings reported in the prior years' audit that are required to be reported in this schedule.

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE
SINGLE AUDIT ACT**

Independent Auditor's Report

Board of Aldermen
City of Shelton, Connecticut
Shelton, Connecticut

Report on Compliance for Each Major State Program

We have audited the City of Shelton, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the City of Shelton, Connecticut's major state programs for the year ended June 30, 2017. The City of Shelton, Connecticut's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the City of Shelton, Connecticut, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the City of Shelton, Connecticut is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Shelton, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Shelton, Connecticut's internal control over compliance.

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

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

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

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

We have audited the financial statements of the government 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, 2017, and the related notes to the financial statements, which collectively comprise the City of Shelton, Connecticut's basic financial statements. We have issued our report thereon dated December 28, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Shelton, Connecticut's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CLERMONT & ASSOCIATES, LLC
Prospect, Connecticut

December 28, 2017

CITY OF SHELTON, CONNECTICUT

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2017**

State Grantor/Pass-Through Grantor/Program Title	State Grant Program Core-CT Number	Passed Through to Subrecient	Expenditures
Office of Policy and Management:			
	11000-OPM20600-17004		344
Reimbursement of Property Taxes Disability Exemption	11000-OPM20600-17011	\$	3,580
Property Tax Relief for Elderly and Totally Dis. Homeowners	11000-OPM20600-17018		240,301
Property Tax Relief for Veterans	11000-OPM20600-17024		26,596
Municipal Purpose and projects grant	11000-OPM20600-43587		584,121
Local Capital Improvement Program	12050-OPM20600-40254		532,153
Total Office of Policy and Management		\$ -	<u>1,386,751</u>
Department of Economic and Community Development:			
Brownfield Pilot Program	12060-ECD46260-35533		581,905
Total Department of Economic and Community Development		\$ -	<u>581,905</u>
Department of Education:			
Adult Education	11000-SDE64370-17030	\$	674,393
Health Services	11000-SDE64370-17034		24,479
School Breakfast	11000-SDE64370-17046		17,303
Health Foods Initiative	11000-SDE64370-16212		39,337
Child Nutrition Match	11000-SDE64370-17052		20,292
Magnet School Program	11000-SDE64370-17057		232,501
Youth Services Bureau	11000-SDE64370-17052		20,581
Youth Services Bureau - Enhancement	11000-SDE64370-16201		7,550
Total Department of Education		\$ -	<u>1,036,436</u>
Office of Early Childhood:			
School Readiness Enhancement	11000-OEC64845-17097	\$	3,881
Early Childhood Education	11000-OEC64845-12113		309,217
Total Office of Early Childhood		\$ -	<u>313,098</u>
Department of Public Safety:			
State Assets Forfeiture Revolving Fund	12060-DPS32155-35142	\$ 87	87
Total Department of Public Safety		\$ 87	<u>87</u>
Connecticut State Library:			
Grants to Public Libraries	11000-CSL66051-17003	\$	
Connecticard Payments	11000-CSL66051-17010		2,086
Historical Document Preservation	12060-CSL66094-35150		5,000
Total Connecticut State Library		\$ -	<u>7,086</u>

(Continued)

See Notes to Schedule of Expenditures of State Financial Assistance

CITY OF SHELTON, CONNECTICUT

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2017**

State Grantor/Pass-Through Grantor/Program Title	State Grant Program Core-CT Number	Passed Through to Subrecient	Expenditures
Department of Transportation:			
Town Road Aid Grant STO	12052-DOT57131-43455	\$ -	503,576
Total Expenditures of State Financial Assistance Before Exempt Programs		\$ 87	3,828,939
<u>Exempt Programs</u>			
Office of Policy and Management:			
Mashantucket Pequot/Mohegan Fund	12009-OPM20600-17005	\$	74,849
Municipal Revenue Sharing	12002-OPM20600-17102		706,038
Department of Education:			
School Construction	13010-DAS27635-40901		5,551,278
Educational Cost Sharing	11000-SDE64370-17041		5,904,283
Excess Cost Student Based and Equity	11000-SDE64370-17047		1,538,533
Total Exempt Programs		\$ -	13,774,981
Total Expenditures of State Financial Assistance		\$ 87	17,603,920

See Notes to Schedule of Expenditures of State Financial Assistance

CITY OF SHELTON, CONNECTICUT

NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE FOR THE YEAR ENDED JUNE 30, 2017

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the City of Shelton, Connecticut under programs of the State of Connecticut for the fiscal year ended June 30, 2017. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including education, public safety and general government services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Shelton, Connecticut conform to accounting principles generally accepted in the United States of America as applicable to governments.

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

Basis of Accounting

The financial statements contained in the City's annual audit report are prepared on the modified accrual basis. The following is a summary of such basis:

Revenues are recognized when earned and available. Certain grants are recognized based on grant award since they are considered entitlement grants; other grants, such as grants that are dependent upon expenditure factor for determining eligibility, recognize grant revenue to the extent of expenditures.

Expenditures are recorded when the related liability is incurred. Encumbrances are reflected as a reserve against fund balance and accordingly are not reflected as expenditures.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

CITY OF SHELTON, CONNECTICUT

**NOTES TO THE SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2017**

2. LOAN PROGRAMS

In accordance with Section 4-236-23(a)(4)(F) of the regulations of the State Single Audit Act, the notes to the Schedule of Expenditures of State Financial Assistance shall include loans and loan activities. The following is a summary of the various loan program activity for the year ended June 30, 2017 for Clean Water Funds funded through the State Department of Protection:

	<u>165-C</u>	<u>104-C</u>
Interest Rate	2%	2%
Balance, Beginning of year	\$ 1,588,918	10,740,135
Paid	<u>125,149</u>	<u>787,627</u>
Balance, End of Year	\$ <u>1,463,769</u>	<u>9,952,508</u>

CITY OF SHELTON, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

•Material weakness(es) identified? _____ yes x no

•Significant deficiency(ies) identified? _____ yes x none reported

Noncompliance material to financial statements
noted?

_____ yes x no

State Financial Assistance

Internal control over major programs:

•Material weakness(es) identified? _____ yes x no

•Significant deficiency(ies) identified? _____ yes x none reported

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

Any audit findings disclosed that are required to be
reported in accordance with Section 4-236-24 of the
Regulations to the State Single Audit Act?

_____ yes x no

CITY OF SHELTON, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

<u>State Grantor and Program</u>	<u>State Core – CT Number</u>	<u>Expenditures</u>
Office of Policy and Management		
Local Capital Improvement Program	12050-OPM20600-40254	532,153
Department of Education		
Adult Education	11000-SDE64370-17030	674,393
Department of Transportation		
Town Road Aid	12052DOT57131-43455	503,576
Department of Economic and Community Development		
Brownfield Pilot Program	12060-ECD46260-35533	581,905

Dollar threshold used to distinguish type A and type B Programs \$ 200,000

II. FINANCIAL STATEMENTS FINDINGS

- We issued reports, dated December 28, 2017 on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated no significant deficiencies or material weakness.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported relating to State Financial Assistance Programs.