

TOWN OF NORTH STONINGTON, CONNECTICUT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018
with
SUPPLEMENTAL STATEMENTS AND SCHEDULES
and
INDEPENDENT AUDITORS' REPORT

Sandra E. Welwood, LLC
Certified Public Accountants

TOWN OF NORTH STONINGTON, CONNECTICUT

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INDEPENDENT AUDITORS' REPORT

To the Board of Finance
Town of North Stonington, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of North Stonington, Connecticut (the "Town") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town'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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2018, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 16 to the financial statements, the Town adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB), effective July 1, 2017. The net position of the Town at July 1, 2017 has been restated to recognize the total OPEB liability required in implementing GASB No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 9 and the required supplementary information on pages 44 through 46 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 Town's basic financial statements. The General Fund budgetary comparison detail schedules, combining and individual nonmajor fund financial statements, Statement of Debt Limitation, and the Report of the Tax Collector are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The General Fund budgetary comparison detail schedules, combining and individual nonmajor fund financial statements, Statement of Debt Limitation, and the Report of the Tax Collector 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 General Fund budgetary comparison detail schedules, combining and individual nonmajor fund financial statements, Statement of Debt Limitation, and the Report of the Tax Collector are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Sandra E. Welwood, LLC

Danbury, Connecticut
December 4, 2018

TOWN OF NORTH STONINGTON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2018

Our discussion and analysis of the Town of North Stonington, Connecticut's (the "Town") financial performance provides an overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the Town's financial statements, which begin on page 10.

The Town's discussion and analysis is designed to:

1. Provide an overview of the Town's financial activity.
2. Assist the reader in focusing on significant financial issues.
3. Identify any material deviations from the financial plan (approved budget).
4. Identify changes in the Town's financial position, as well as its ability to address challenges in future years.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, the assets of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$13,239,945 (net position). This is an increase of \$2,279,482 from the prior fiscal year as restated for new accounting requirements.
- Government-wide revenues were \$23,790,352 and expenses were \$21,510,870. On a government-wide basis, revenues exceeded expenses by \$2,279,482.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$6,023,906, an increase of \$3,638,002 from the prior fiscal year. This represents the combined balances in the General Fund, Capital Nonrecurring Fund, Capital Projects Fund, Emergency Services Center Fund, School Modernization Project Fund, and other smaller funds.
- In the General Fund, revenues exceeded expenses and net transfers by \$655,500. The total General Fund balance of \$3,639,970 as of June 30, 2018, compares to a balance of \$2,984,470 in the prior year.
- At the end of the current fiscal year, the Unassigned General Fund balance was \$3,190,247. This represents 16.7% of total General Fund expenditures (on a budgetary basis) in the current fiscal year.

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 provide information about the activities of the Town as a whole and present a longer term view of the Town's finances. Fund financial statements start on page 12. 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 Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the Town.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector businesses. All of the resources, which the Town has at its disposal, are shown, including major assets such as buildings and infrastructure. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

The Statement of Net Position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. One can think of the Town's net position – the difference between assets and liabilities – as one way to measure the Town's financial health or financial position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in some future fiscal period (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements present the functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include general government, public safety, public works, and education.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. The Town, like other state and local governments, uses fund accounting to help it maintain control and manage money that have been segregated for specific activities or objectives. All of the funds of the Town are divided into two categories: governmental and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains several individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) for the General, Capital Nonrecurring, Capital Projects, Emergency Services Center, and School Modernization Project funds. Data from other governmental funds are combined into a single aggregated presentation as Other Funds.

Town of North Stonington, Connecticut
Management's Discussion and Analysis (Unaudited) (continued)

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the authorized budget in the General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis – Budget and Actual.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. All of the Town's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. The Town excludes these activities from the Town's other financial statements because the Town cannot use these funds to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position decreased by \$660,621 (before restatement for an accounting change) from a year ago. Our analysis below focuses on the net position and changes in net position of the Town.

	<u>2018</u>	<u>Change During Year</u>		<u>2017</u>
		<u>Dollars</u>	<u>Percent</u>	
<u>Assets</u>				
Current and other assets	\$ 7,444,515	\$ (2,962,753)	-28.5%	\$ 10,407,268
Capital assets	<u>21,743,587</u>	<u>8,991,478</u>	70.5%	<u>12,752,109</u>
Total assets	<u>29,188,102</u>	<u>6,028,725</u>	26.0%	<u>23,159,377</u>
<u>Liabilities</u>				
Long-term debt outstanding	14,301,809	12,555,353	718.9%	1,746,456
Other liabilities	<u>1,142,548</u>	<u>(6,363,807)</u>	-84.8%	<u>7,506,355</u>
Total liabilities	<u>15,444,357</u>	<u>6,191,546</u>	66.9%	<u>9,252,811</u>
<u>Deferred Inflows of Resources</u>				
OPEB related items	<u>503,800</u>	<u>503,800</u>	0.0%	<u>-</u>
<u>Net Position</u>				
Net investment in capital assets	11,970,025	6,411,916	115.4%	5,558,109
Restricted – expendable	266,410	(218,749)	-45.1%	485,159
Unrestricted	<u>1,003,510</u>	<u>(6,859,788)</u>	-87.2%	<u>7,863,298</u>
Total net position	<u>\$ 13,239,945</u>	<u>\$ (660,621)</u>	-4.8%	<u>\$ 13,906,566</u>

Capital Assets increased by \$8,991,478. The increase includes \$558,459 reduction for current year depreciation expense, which was more than offset the Town's capital spending during the year.

Town of North Stonington, Connecticut
Management's Discussion and Analysis (Unaudited) (continued)

At June 30, 2018, the Town had total long term obligations of \$14,301,809. The Town's debt increased from \$4,692,559 during the current fiscal year. The key factor in this increase was the increase in debt outstanding for the Emergency Services Center and the School Modernization projects. See Notes 7 and 8 to the financial statements for additional information.

	2018	Change During Year		2017
		Dollars	Percent	
<u>Revenues</u>				
Program revenues:				
Charges for services	\$ 520,508	\$ (50,209)	-8.8%	\$ 570,717
Operating grants and contributions	5,714,265	(371,503)	-6.1%	6,085,768
Capital grants and contributions	1,405,528	1,217,141	646.1%	188,387
General revenues:				
Property taxes	15,069,346	993,908	7.1%	14,075,438
Grants and contributions	919,362	(164,083)	-15.1%	1,083,445
Interest and investment earnings	4,609	307	7.1%	4,302
Other	156,734	105,897	208.3%	50,837
Total revenues	<u>23,790,352</u>	<u>1,731,458</u>	7.8%	<u>22,058,894</u>
<u>Expenses</u>				
General government	2,294,917	(175,704)	-7.1%	2,470,621
Public safety	1,167,030	105,604	9.9%	1,061,426
Public works	1,510,516	(123,995)	-7.6%	1,634,511
Education	16,332,980	435,927	2.7%	15,897,053
Interest on long-term debt	205,427	200,895	4432.8%	4,532
Total expenses	<u>21,510,870</u>	<u>442,727</u>	2.1%	<u>21,068,143</u>
Change in net position	<u>\$ 2,279,482</u>	<u>\$ 1,288,731</u>	130.1%	<u>\$ 990,751</u>

The following are the significant changes from the prior year:

- Property tax revenue increased \$993,908 (7.1%) primarily due to the increased mil rate.
- Operating grants revenue decreased \$371,503 (6.1%) because of a decrease in state aid.
- Capital grants revenue increased \$1,217,141 (646.1%) because the current year includes higher project reimbursement grants.
- Education expenses increased \$435,927 (2.7%) primarily from an increase in the current year other post employment benefit expense.

FINANCIAL ANALYSIS OF THE FUND FINANCIAL STATEMENTS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements.

Town of North Stonington, Connecticut
Management's Discussion and Analysis (Unaudited) (continued)

At the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$6,023,906, an increase of \$3,638,002 from the prior year.

<u>Ending Fund Balance as of:</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>
General Fund	\$ 3,639,970	\$ 2,984,470	\$ 655,500
Capital Nonrecurring Fund	174,398	205,866	(31,468)
Capital Projects Fund	878,012	1,200,291	(322,279)
Emergency Services Center	666,315	(686,682)	1,352,997
School Capital Project	521,616	(1,436,109)	1,957,725
Other Funds	<u>143,595</u>	<u>118,068</u>	<u>25,527</u>
Total	<u>\$ 6,023,906</u>	<u>\$ 2,385,904</u>	<u>\$ 3,638,002</u>

The General Fund is the operating fund of the Town. At the end of the current fiscal year, the Unassigned General Fund balance was \$3,190,247. As a measure of the General Fund's liquidity, it is useful to compare Unassigned fund balance to total fund revenues. Unassigned General Fund balance represents 16.7% of total General Fund expenditures (on a budgetary basis) in the current fiscal year. In the prior year, the Unassigned Fund Balance was 13.9% of the total General Fund expenditures (on a budgetary basis).

The Town's total General Fund balance increased by \$655,500 or 22.0% during the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board of Finance can revise the Government budget with additional appropriations and budget transfers. Additional appropriations increase the total budget. The Board of Finance is allowed by Connecticut State Statute to make one additional appropriation up to \$20,000 per line item or department. A second additional appropriation or an appropriation over \$20,000 requires a Town Meeting. Transfers do not increase the total budget, but instead move appropriations to a department that needs additional funding from other departments that have excess funding. Connecticut State Statutes allow these transfers to be made by the Board of Finance without a Town Meeting. Below is a summarized view of the final budget and actual results for the General Fund:

	<u>Final Budget</u>	<u>Actual</u>	<u>Better (Worse) Than Budget</u>
Revenues:			
Property taxes	\$ 14,650,549	\$ 15,220,575	\$ 570,026
Interest and investment earnings	3,500	4,609	1,109
Intergovernmental	4,310,708	3,927,382	(383,326)
Licenses, fees, fines and charges	206,071	201,675	(4,396)
Other	<u>196,626</u>	<u>331,904</u>	<u>135,278</u>
Total revenues	<u>19,367,454</u>	<u>19,686,145</u>	<u>318,691</u>
Expenditures:			
General government	5,063,285	4,830,305	232,980
Debt service	935,390	935,388	2
Capital outlay	451,222	451,207	15
Education	<u>12,875,068</u>	<u>12,866,037</u>	<u>9,031</u>
Total expenditures	<u>19,324,965</u>	<u>19,082,937</u>	<u>242,028</u>
Increase in fund balance – budgetary basis	<u>\$ 42,489</u>	<u>\$ 603,208</u>	<u>\$ 560,719</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of this year, the Town had \$21,743,587 invested in capital assets. This amount represents a net increase (including additions and deductions) of \$8,991,478 from last year. This is primarily due to various infrastructure projects, which more than offset the current year's depreciation expense. More detailed information about the Town's capital assets is presented in Note 5 to the financial statements.

Debt

At June 30, 2018, the Town had bond anticipation notes outstanding of \$9,645,843. This debt was issued for the Emergency Services Center and the School Modernization projects. More detailed information about the Town's long-term obligations is presented in Notes 7 and 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Grand List for Fiscal Year 2017-2018 grew by approximately one point eight, (1.8%) percent. The Town had another successful year in its operations and our surplus increased to \$3,190,247, which is a \$632,482 increase or 16.0% of the Town's approved fiscal year 2018-2019 budget.

First Selectman Michael Urgo started the first year of his term along with new Selectmen Nita Kincaid and Robert Carlson and has begun work with all boards, commissions, and departments to streamline the governmental process and provide professional services to our residents and taxpayers. Work continues on encouraging new economic development and the town has gotten a new Dollar General Store at Exit 93 and confirmation of a new Trillium Brewery location in Clarks Falls.

Work was completed on the Center for Emergency Services which opened its doors as the new home for the North Stonington Volunteer Fire Company and North Stonington Ambulance Association.

The approved School Modernization Building Project is in full swing and the new Wheeler High School is scheduled to be operational in March 2019. The Committee continues to prepare for the renovations at the Elementary School, to begin early next year as well.

The Town is approaching the next fiscal year with the addition of a new Administrative and Financial Officer, Christine Dias, and has adopted a very conservative approach to spending and implementing new controls. The Board of Selectmen and all the Town officials and employees are determined to continue to provide our residents and commercial businesses the best services possible.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Finance at Town of North Stonington, 40 Main Street, North Stonington, CT 06359.

TOWN OF NORTH STONINGTON, CONNECTICUT

**STATEMENT OF NET POSITION
JUNE 30, 2018**

<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 6,898,499
Receivables:	
Taxes and interest	430,224
Intergovernmental	32,637
Other	50,766
Prepaid expenses	2,276
Inventory	7,587
Due from fiduciary funds	22,526
Noncurrent assets:	
Capital assets:	
Not being depreciated	7,081,422
Being depreciated, net of accumulated depreciation	<u>14,662,165</u>
Total assets	<u>29,188,102</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	825,903
Accrued expenses	113,317
Accrued interest payable	85,719
Unearned revenue	117,609
Noncurrent liabilities:	
Due within one year	4,356,083
Due in more than one year	<u>9,945,726</u>
Total liabilities	<u>15,444,357</u>
<u>Deferred Inflows of Resources</u>	
OPEB related items	<u>503,800</u>
<u>Net Position</u>	
Net investment in capital assets	11,970,025
Restricted:	
Expendable	266,410
Unrestricted	<u>1,003,510</u>
Total net position	<u>\$ 13,239,945</u>

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

TOWN OF NORTH STONINGTON, CONNECTICUT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General government	\$ (2,294,917)	\$ 372,462	\$ 4,000	\$ -	\$ (1,918,455)
Public safety	(1,167,030)	-	32,408	-	(1,134,622)
Public works	(1,510,516)	-	240,195	580,396	(689,925)
Education	(16,332,980)	148,046	5,437,662	825,132	(9,922,140)
Interest on debt	(205,427)	-	-	-	(205,427)
Total governmental activities	\$ (21,510,870)	\$ 520,508	\$ 5,714,265	\$ 1,405,528	(13,870,569)
General Revenues:					
Property taxes, interest, and lien fees					15,069,346
Grants and contributions not restricted to specific programs					919,362
Interest and investment earnings					4,609
Other					156,734
Total general revenues					16,150,051
Change in net position					2,279,482
Net position, beginning of year - as reported					13,906,566
Adjustment - Note 16					(2,946,103)
Net position, beginning of year - as restated					10,960,463
Net position, end of year					\$ 13,239,945

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

TOWN OF NORTH STONINGTON, CONNECTICUT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018**

	General Fund	Capital Nonrecurring Fund	Capital Projects Fund	Emergency Services Center	School Modernization Project	Other Funds	Total Governmental Funds
<u>Assets</u>							
Cash and cash equivalents	\$ 4,813,692	\$ 172,438	\$ -	\$ 1,187,122	\$ 571,009	\$ 154,238	\$ 6,898,499
Receivables:							
Taxes and interest	430,224	-	-	-	-	-	430,224
Intergovernmental	19,557	-	-	-	-	13,080	32,637
Other	48,761	-	-	-	-	2,005	50,766
Prepaid expenses	2,276	-	-	-	-	-	2,276
Due from other funds	3,488	1,960	878,012	-	-	112,050	995,510
Due from fiduciary funds	-	-	-	-	-	22,526	22,526
Inventory	-	-	-	-	-	7,587	7,587
Total assets	\$ 5,317,998	\$ 174,398	\$ 878,012	\$ 1,187,122	\$ 571,009	\$ 311,486	\$ 8,440,025
<u>Liabilities</u>							
Accounts payable	\$ 259,191	\$ -	\$ -	\$ 517,379	\$ 49,333	\$ -	\$ 825,903
Accrued expenses	62,326	-	-	-	-	50,991	113,317
Unearned revenue	709	-	-	-	-	116,900	117,609
Due to other funds	992,022	-	-	3,428	60	-	995,510
Total liabilities	1,314,248	-	-	520,807	49,393	167,891	2,052,339
<u>Deferred Inflows of Resources</u>							
Unavailable revenue - taxes	363,780	-	-	-	-	-	363,780
<u>Fund Balances (Deficits)</u>							
Nonspendable	2,276	-	-	-	-	7,587	9,863
Restricted	-	32,829	195,914	-	-	37,667	266,410
Committed	-	141,569	682,098	666,315	521,616	24,001	2,035,599
Assigned	447,447	-	-	-	-	79,910	527,357
Unassigned	3,190,247	-	-	-	-	(5,570)	3,184,677
Total fund balances (deficits)	3,639,970	174,398	878,012	666,315	521,616	143,595	6,023,906
Total liabilities, deferred inflows of resources, and fund balances (deficits)	5,317,998	174,398	878,012	1,187,122	571,009	311,486	

Amounts reported in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,743,587
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	363,780
Long-term and related liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Long-term debt outstanding	(9,783,019)
Compensated absences and OPEB related items	(4,980,590)
Accrued interest payable	(85,719)
Landfill costs	(42,000)
Net position	\$ 13,239,945

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

TOWN OF NORTH STONINGTON, CONNECTICUT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Capital Nonrecurring Fund	Capital Projects Fund	Emergency Services Center	School Modernization Project	Other Funds	Total Governmental Funds
Revenues:							
Property taxes	\$ 15,220,575	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,220,575
Intergovernmental	6,609,834	-	-	270,000	825,132	291,292	7,996,258
Local	541,731	-	-	-	-	183,017	724,748
Total revenues	<u>22,372,140</u>	<u>-</u>	<u>-</u>	<u>270,000</u>	<u>825,132</u>	<u>474,309</u>	<u>23,941,581</u>
Expenditures:							
Current:							
General government	2,166,329	-	-	-	-	30,557	2,196,886
Public safety	870,301	-	-	-	-	-	870,301
Public works	1,815,273	-	-	-	-	-	1,815,273
Education	15,474,599	-	-	-	-	418,225	15,892,824
Capital outlay	-	80,011	728,486	4,614,894	3,631,039	-	9,054,430
Debt service	-	-	-	77,497	42,211	-	119,708
Total expenditures	<u>20,326,502</u>	<u>80,011</u>	<u>728,486</u>	<u>4,692,391</u>	<u>3,673,250</u>	<u>448,782</u>	<u>29,949,422</u>
Excess of revenues over (under) expenditures	<u>2,045,638</u>	<u>(80,011)</u>	<u>(728,486)</u>	<u>(4,422,391)</u>	<u>(2,848,118)</u>	<u>25,527</u>	<u>(6,007,841)</u>
Other Financing Sources (Uses):							
Proceeds from issuance of notes/loans	-	-	-	5,340,000	4,305,843	-	9,645,843
Transfers in	-	48,543	406,207	435,388	500,000	-	1,390,138
Transfers out	<u>(1,390,138)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,390,138)</u>
Total other financing sources (uses)	<u>(1,390,138)</u>	<u>48,543</u>	<u>406,207</u>	<u>5,775,388</u>	<u>4,805,843</u>	<u>-</u>	<u>9,645,843</u>
Net change in fund balances	655,500	(31,468)	(322,279)	1,352,997	1,957,725	25,527	3,638,002
Fund balances (deficits), beginning of year	<u>2,984,470</u>	<u>205,866</u>	<u>1,200,291</u>	<u>(686,682)</u>	<u>(1,436,109)</u>	<u>118,068</u>	<u>2,385,904</u>
Fund balances (deficits), end of year	<u>\$ 3,639,970</u>	<u>\$ 174,398</u>	<u>\$ 878,012</u>	<u>\$ 666,315</u>	<u>\$ 521,616</u>	<u>\$ 143,595</u>	<u>\$ 6,023,906</u>

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

TOWN OF NORTH STONINGTON, CONNECTICUT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	\$ 3,638,002
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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 expense in the current period:

Capital outlays (net of disposals) treated as expenditures	9,549,947
Depreciation expense not considered in the fund statements	(558,459)
	8,991,488

The issuance of long-term debt 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 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 these differences in the treatment of long-term debt and related items are as follows:

Principal repayments or refinanced (proceeds):	
Bond anticipation notes and construction loan	(9,645,843)
Capital lease	(137,186)
Post-closure landfill costs	6,000
	(9,777,029)

Revenues from taxes and assessments are reported as income in the year revenues provide current financial resources to governmental funds:

Revenues:	
Taxes, interest, and liens	(151,229)
Expenses:	
Compensated absences and OPEB related items	(336,031)
Accrued interest payable	(85,719)
	(572,979)

Change in net position	\$ 2,279,482
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The notes to the financial statements are an integral part of this statement.

TOWN OF NORTH STONINGTON, CONNECTICUT

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property taxes, interest, and lien fees	\$ 14,650,549	\$ 14,650,549	\$ 15,220,575	\$ 570,026
Interest and investment earnings	3,500	3,500	4,609	1,109
Intergovernmental	4,316,508	4,310,708	3,927,382	(383,326)
Licenses, fees, fines and charges	206,071	206,071	201,675	(4,396)
Other	196,626	196,626	331,904	135,278
Total revenues	19,373,254	19,367,454	19,686,145	318,691
Expenditures:				
Current:				
General government	259,313	217,385	198,706	18,679
Probate Court	6,315	6,315	6,352	(37)
Board of Finance	16,269	25,801	25,801	-
Assessor's Office	131,016	131,016	130,648	368
Board of Assessment Appeals	1,000	1,000	809	191
Tax Collector	68,771	68,771	68,655	116
Town Treasurer	7,200	7,200	7,200	-
Town Attorney	30,000	48,890	42,736	6,154
Annexation related	47,000	33,110	32,959	151
Town Clerk	66,527	66,527	65,278	1,249
Planning and Zoning Commission	135,789	135,789	129,450	6,339
Building Department	37,650	39,594	39,592	2
Zoning Board of Appeals	750	750	729	21
Affordable housing committee	500	500	500	-
School Building and Planning Committee	1	84,501	84,501	-
Economic Development Commission	11,159	11,159	9,988	1,171
Recreation Commission	105,688	105,688	97,837	7,851
Inland Wetlands Commission	8,011	8,011	7,747	264
Conservation Commission	2,100	2,100	2,100	-
Fixed charges	905,803	905,803	841,957	63,846
Elections and Town Meetings	37,120	37,120	34,749	2,371
Town Hall	70,150	70,150	70,425	(275)
Social Services/Welfare	42,475	42,475	35,315	7,160
Selectmen's Engineering Service	2,501	2,501	617	1,884
Information Technology	76,898	94,398	94,801	(403)
Public safety	1,032,318	1,018,350	953,837	64,513
Public works	1,742,796	1,742,796	1,697,332	45,464
Conservation of Health	38,033	38,728	38,504	224
Senior Citizens	61,081	61,081	59,255	1,826
Miscellaneous	54,051	55,776	51,032	4,744
Education	12,875,068	12,875,068	12,866,037	9,031
Capital outlay	451,222	451,222	451,207	15
Debt service	935,390	935,390	935,388	2
Total expenditures	19,259,965	19,324,965	19,082,937	242,028
Net change in fund balance	\$ 113,289	\$ 42,489	603,208	\$ 560,719
Fund balance, beginning of year			2,589,315	
Fund balance, end of year			\$ 3,192,523	

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

TOWN OF NORTH STONINGTON, CONNECTICUT

**FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

	Pension Trust Funds	Agency Funds
<u>Assets</u>		
Cash and cash equivalents	\$ -	\$ 231,965
Investments	3,159,301	-
Other receivables	110,309	-
	<hr/>	<hr/>
Total assets	3,269,610	231,965
	<hr/>	<hr/>
<u>Liabilities</u>		
Due to students and developers	-	209,439
Due to governmental funds	-	22,526
	<hr/>	<hr/>
Total liabilities	-	231,965
	<hr/>	<hr/>
Net position held in trust for pension benefits	\$ 3,269,610	\$ -
	<hr/> <hr/>	<hr/> <hr/>

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

TOWN OF NORTH STONINGTON, CONNECTICUT

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Pension Trust Funds</u>
Additions:	
Employer contributions	\$ 170,809
Investment earnings	<u>195,725</u>
Total additions	<u>366,534</u>
Deductions:	
Distributions	<u>311,716</u>
Total deductions	<u>311,716</u>
Change in net position	54,818
Net position, beginning of year	<u>3,214,792</u>
Net position, end of year	<u><u>\$ 3,269,610</u></u>

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

TOWN OF NORTH STONINGTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 1 – Summary of Significant Accounting Policies

The Town of North Stonington, Connecticut (the "Town") is a municipal corporation governed by a selectmen/Town meeting form of government. Under this form of government, the Town meeting is the legislative body. A Town meeting is required to make appropriations, levy taxes, and borrow money. The administrative branch is led by an elected three-member Board of Selectmen. The Selectmen oversee most of the activities not assigned specifically to another body. An elected Board of Education oversees the public school system. An elected Board of Finance is the budget making authority and supervises the Town's financial matters.

Reporting Entity

Accounting principles generally accepted in the United States of America require that the reporting entity include: 1) the primary government, 2) organizations for which the primary government is financially accountable, and 3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criterion provided by the Government Accounting Standards Board has been considered, and there are no agencies or entities, which should be presented as component units of the Town.

Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. Fiduciary funds are excluded from the government-wide financial statements. For the most part, the effects of interfund activity have been eliminated from the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The various funds included in the financial statements are described below:

Governmental Funds

General Fund – the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for services, and interest income.

Special Revenue Funds – account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

Capital Projects Funds – account for financial resources used for the acquisition or construction of capital facilities for capital projects anticipated to last more than one year.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

Pension Trust Funds – are used to account for resources legally held in trust for the benefit of individuals, private organizations or other governments.

Agency Funds – are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The Town reports the following major governmental funds:

The **General Fund** is the general operating fund of the Town. 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 Town, which were not paid through a special fund.

The **Capital Nonrecurring Fund** accounts for smaller, short-term capital projects that are funded through capital grants or General Fund transfers.

The **Capital Projects Fund** is used to account for proceeds of bond anticipation notes and general obligation notes used for authorized projects such as acquisition and construction of capital facilities or major repair activities.

Town of North Stonington, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

The **Emergency Services Center Fund** is used to account for proceeds of bond anticipation notes used for the authorized Emergency Services Center major project.

The **School Modernization Project** is used to record the activity and related bond anticipation notes outstanding for the school modernization project.

Additionally, the Town reports the following funds:

The **Pension Trust Funds** account for activities of the Town's defined contribution plans, which accumulate resources for pension benefit payments to qualified employees.

The **Agency Funds** account for monies held as a custodian for outside groups and agencies.

Cash, Cash Equivalents, and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the Town are reported at fair value. Nonparticipating, interest-earning investment contracts are generally reported at cost plus accrued earnings.

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy for custodial credit risk is to invest in obligations allowable under the Connecticut General Statutes. In general for most of the funds, this includes deposits in allowable banks, obligations of the United States of America, and obligations of any State or political subdivision, which is tax exempt. Certain fiduciary funds are allowed more flexibility in investing.

Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Town does not have a formal credit risk policy other than restrictions to obligations allowable under the Connecticut General Statutes.

Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the Town does not invest in any long-term investment obligations.

Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The Town follows the limitations specified in the Connecticut General Statutes. Generally, the Town's deposits cannot be 75% or more of the total capital of any one depository.

Receivables

Property taxes are assessed on property values as of October 1st. The tax levy is divided into two billings; the following July 1st and January 1st. The billings are considered due on those dates; however, the actual due date is based on a period ending 31 days after the tax bill. On these dates (August 1st and February 1st), the bill becomes delinquent at which time the applicable property is subject to lien, and penalties and interest are assessed.

Town of North Stonington, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Under Connecticut State Statutes, the Town has the right to impose a lien on a taxpayer if any personal property tax, other than a motor vehicle tax, due to the Town is not paid within the time limited by any local charter or ordinance. The lien shall be effective for a period of 15 years from the date of filing unless discharged. A notice of tax lien shall not be effective if filed more than two years from the date of assessment for the taxes claimed to be due. The Town establishes allowances for uncollectible taxes and interest based on historical collection experience and other factors. As of June 30, 2018, the Town has no allowance for uncollectible taxes and interest.

Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans).

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

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., bridges, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than the capitalization threshold for that asset type and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land is considered inexhaustible and, therefore, not depreciated. Property, equipment, and infrastructure of the Town are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>	<u>Capitalization Threshold</u>
Building and improvements	75	\$ 10,000
Trucks	5- 20	10,000
Equipment and furniture	5- 20	2,000
Electronic equipment	4	2,000
Infrastructure:		
Bridges	75	50,000
Sidewalks	50	10,000
Stone bridge/culverts	50	25,000

Unearned Revenue

In the government-wide and fund financial statements, this liability represents resources that have been received but not yet earned.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has no items that qualify for reporting in this category.

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports a deferred inflow of resources related to OPEB changes of assumptions and other inputs in the government-wide Statement of Net Position. The Town also reports a deferred inflow of resources for unavailable revenues from property taxes in the governmental funds Balance Sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for unpaid accumulated sick leave since the town has a policy to pay any amounts when employees separate from service with the Town. All vacation and sick pay benefits are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and/or retirements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts 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 expensed as incurred.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of the debt issued is reported as other financing 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.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as Assigned fund balance as they do not constitute either expenditures or liabilities.

Fund Equity and Net Position

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

Net investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Town of North Stonington, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Restricted – This category represents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This category represents the net position of the Town, which is not restricted for any project or other purpose.

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

Nonspendable – Fund balance amounts associated with inventories, prepaids, and long-term receivables and payables.

Restricted – Fund balance amounts that can be spent only for the specific purposes stipulated by external source providers or enabling legislation.

Committed – Fund balance amounts that can be used only for specific purposes determined by a formal action of the Town's highest level of decision-making authority.

Assigned – Amounts intended to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a finance committee), or by an official to whom that authority has been given. This is the residual fund balance classification for all governmental funds except the General Fund. Assigned fund balances should not be reported in the General Fund if doing so causes the government to report a negative unassigned General Fund balance.

Unassigned – This is the residual classification for the General Fund (i.e., everything that is not in another classification or in another fund). The General Fund is the only governmental fund that can report a positive unassigned fund balance. Other governmental funds might have a negative unassigned fund balance as a result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Town's committed fund balance reporting is required when funds have been committed at a Town Meeting. The Town's assigned fund balance reporting is required when funds have been assigned by the Town's Board of Selectmen. The Town's policy is to apply expenditures against the applicable fund balances in the following order: nonspendable, restricted, committed, assigned, and unassigned.

Estimates

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

Town of North Stonington, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Note 2 – Budgets and Budgetary Accounting

Budgetary Basis

A formal, legally approved, annual budget is adopted for the General Fund. This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions:

- Teachers' Retirement and Connecticut State Teachers' OPEB – the Town does not recognize as income or expenditures payments made for teachers' retirement and OPEB by the State of Connecticut on the Town's behalf in its budget. The Governmental Accounting Standards Board's Statement No. 68 and No. 75 requires that the employer government recognize payments for salaries and fringe benefits paid on behalf of its employees.
- Encumbrances – Unless committed through a formal encumbrance (e.g., purchase orders, signed contracts), all annual appropriations lapse at fiscal year end. Encumbrances outstanding at year end are reported on the budgetary basis statements as expenditures.

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

	<u>Fund Balance</u> <u>Beginning</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Uses</u>	<u>Fund Balance</u> <u>Ending</u>
GAAP basis	\$ 2,984,470	\$ 22,372,140	\$ (20,326,502)	\$ (1,390,138)	\$ 3,639,970
Encumbrances:					
June 30, 2017	(395,155)	-	395,155	-	-
June 30, 2018	-	-	(447,447)	-	(447,447)
Reclassifications	-	(3,543)	(1,386,595)	1,390,138	-
Teachers' retirement system and OPEB on behalf payments	<u>-</u>	<u>(2,682,452)</u>	<u>2,682,452</u>	<u>-</u>	<u>-</u>
Budgetary basis	<u>\$ 2,589,315</u>	<u>\$ 19,686,145</u>	<u>\$ (19,082,937)</u>	<u>\$ -</u>	<u>\$ 3,192,523</u>

Budget Calendar

The Boards of Selectmen and Education submit requests for appropriations to the Board of Finance. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations of the next fiscal year.

The Board of Finance holds a public hearing, at which itemized estimates of the expenditures of the Town for the next fiscal year are presented. At this time, individuals are able to recommend any appropriations, which they desire the Board of Finance to consider. The Board of Finance then considers the estimates and any other matters brought to their attention at a public meeting held subsequent to the public hearing and prior to the annual meeting. The Board of Finance prepares the proposed budget.

The Board of Finance's estimated and recommended budget reports are submitted at the Annual Town Meeting. The Annual Town Meeting takes action on this budget. After the Annual Town Meeting, the Board of Finance meets to levy a tax on the grand list which will be sufficient to cover, together with other income or revenue surplus which is appropriated, the amounts appropriated and any revenue deficit of the Town.

Town of North Stonington, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Budget Control

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level except for education expenditures, which are, by Connecticut State Statutes, appropriated as one department.

The governing body may amend the annual budget subject to the requirements of the Connecticut General Statutes. The Board of Finance may make a one-time additional appropriation up to \$20,000 to any appropriations. A Town meeting must be called to make appropriations over \$20,000 or additional changes to a previously adjusted appropriation.

Special Revenue Funds

The Town 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.

Capital Project Funds

Legal authorization for expenditures of the Capital Project Funds is provided by the related ordinances and/or intergovernmental grant agreements. Capital appropriations do not lapse until completion of the applicable projects.

Note 3 – Deposits and Investments

Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at year end:

Governmental funds	\$ 6,898,499
Agency funds	<u>231,965</u>
Total cash and cash equivalents	<u>\$ 7,130,464</u>

Custodial Credit Risk on Deposits

The bank balance of the deposits was exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$ 481,965
Uninsured and collateralized	1,340,865
Uninsured and uncollateralized	<u>5,672,026</u>
Total Deposits	<u>\$ 7,494,856</u>

Investments

As of June 30, 2018, the Town's investments consisted of the following:

	Fiduciary
	<u>Funds</u>
Equity mutual funds	<u>\$ 3,159,301</u>

Town of North Stonington, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Fair Value Measurements

The Town utilizes the market approach as the valuation technique to measure fair value of its financial assets. GAAP establishes a three-level hierarchy for fair value measurements that distinguishes between market participant assumptions developed based on market data obtained from sources independent of the reporting entity (“observable inputs”) and the reporting entity’s own assumptions about market participant assumptions developed based on the best information available in the circumstances (“unobservable inputs”) and requires that the most observable inputs be used when available. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuation based on unadjusted quoted prices in active markets for identical assets the Town has the ability to access. Since valuations are based on quoted prices readily and regularly available in an active market, valuation of these assets does not entail significant judgment.
- Level 2 - Valuation based on quoted prices for similar assets in active markets; quoted prices for similar assets in inactive markets; or valuations based on models where the significant inputs are observable (e.g. interest rates, yield curves, etc.) or can be corroborated by observable market data.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The unobservable inputs reflect the Town’s own assumptions about assumptions that market participants might use.

The Town’s investments are measured on a recurring basis using Level 1 information (market quotations for investments that have quoted prices in active markets). The Town has no financial assets measured using Level 2 or Level 3 at June 30, 2018.

Note 4 – Operating Lease

The Town is the lessor in several non-cancelable operating leases of Town owned property. The lease terms vary and are paid in monthly installments. Minimum future rental payments to be received are as follows:

<u>Year Ending</u>	<u>Future Rental Payments</u>
2019	\$ 24,693
2020	25,413
2021	<u>250</u>
Total	<u>\$ 50,356</u>

Note 5 – Capital Assets

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

General government	\$ 67,181
Public works	121,747
Public safety	159,553
Education	<u>209,978</u>
Total depreciation expense	<u>\$ 558,459</u>

Town of North Stonington, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Capital asset activity for the year was as follows:

	Balance at July 1, 2017	Increases	Decreases	Balance at June 30, 2018
Capital assets not being depreciated:				
Construction in process	\$ 1,735,208	\$ 4,692,040	\$ 299,066	\$ 6,128,182
Land	<u>953,240</u>	<u>-</u>	<u>-</u>	<u>953,240</u>
	<u>2,688,448</u>	<u>4,692,040</u>	<u>299,066</u>	<u>7,081,422</u>
Capital assets being depreciated:				
Buildings and improvement	13,154,770	4,988,555	-	18,143,325
Furniture and equipment	6,231,479	183,812	182,050	6,233,241
Infrastructure	<u>3,185,995</u>	<u>-</u>	<u>-</u>	<u>3,185,995</u>
	<u>22,572,244</u>	<u>5,172,367</u>	<u>182,050</u>	<u>27,562,561</u>
Accumulated depreciation	<u>(12,508,583)</u>	<u>(558,459)</u>	<u>(166,646)</u>	<u>(12,900,396)</u>
Capital assets, net	<u>\$ 12,752,109</u>	<u>\$ 9,305,948</u>	<u>\$ 314,470</u>	<u>\$ 21,743,587</u>

Note 6 – Interfund Receivables, Payables, and Transfers

Interfund transfers are generally used to transfer monies raised in taxes to other funds. During the year, transfers from the General Fund are as follows:

	Capital Nonrecurring Fund	Capital Projects Fund	Transfers In Emergency Services Center	School Modernization Fund	Total
Transfers out:					
General Fund	<u>\$ 48,543</u>	<u>\$ 406,207</u>	<u>\$ 435,388</u>	<u>\$ 500,000</u>	<u>\$ 1,390,138</u>
	<u>\$ 48,543</u>	<u>\$ 406,207</u>	<u>\$ 435,388</u>	<u>\$ 500,000</u>	<u>\$ 1,390,138</u>

As of June 30, 2018, interfund receivables and payables were as follows:

	General Fund	Emergency Services Funds	School Modernization Fund	Total
Due To:				
General Fund	\$ -	\$ 3,428	\$ 60	\$ 3,488
Capital Nonrecurring Fund	1,960	-	-	1,960
Capital Projects Fund	878,012	-	-	878,012
Other Funds	<u>112,050</u>	<u>-</u>	<u>-</u>	<u>112,050</u>
	<u>\$ 992,022</u>	<u>\$ 3,428</u>	<u>\$ 60</u>	<u>\$ 995,510</u>

Transfers are used to account for unrestricted revenues collected mainly in the General Fund to finance capital projects and other programs accounted for in other funds in accordance with budget and project authorizations.

Town of North Stonington, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Note 7 – Bond Anticipation Notes

The Town uses bond anticipation notes during the construction period of various capital projects prior to the issuance of the bonds at the completion of the projects.

Short-term obligation activity for the year ended June 30, 2018, was as follows:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Capital Projects	\$ 7,146,000	\$ 10,110,000	\$ 17,256,000	\$ -

At June 30, 2018, a bond anticipation note of \$5,340,000 due July 12, 2018 was outstanding and has been reclassified to long-term obligations. Therefore, short-term obligations is zero at June 30, 2018.

Note 8 – Long-Term Obligations

Changes In Long-Term Obligations

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

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bond anticipation notes	\$ -	\$ 9,645,843	\$ -	\$ 9,645,843	\$ 4,305,843
Capital lease obligation	-	187,176	50,000	137,176	44,240
Compensated absences	157,274	105,850	-	263,124	-
Post-closure landfill costs	48,000	-	6,000	42,000	6,000
Net OPEB liability	4,487,285	-	273,619	4,213,666	-
	<u>\$ 4,692,559</u>	<u>\$ 9,938,869</u>	<u>\$ 329,619</u>	<u>\$ 14,301,809</u>	<u>\$ 4,356,083</u>

Bond Anticipation Notes

The Town issues bond anticipation notes to provide funds for the acquisition and construction of major capital facilities until general obligation bonds are issued on a long-term basis. At June 30, 2018, the Town was indebted under the following bond anticipation notes:

	Issue	Date	Rate (%)	Issue	June 30, 2018
School Modernization Project	4/11/2018	4/10/2019	2.75%	\$ 4,305,843	\$ 4,305,843
Emergency Services Center	7/13/2017	7/12/2018	1.39%	5,340,000	5,340,000
					<u>\$ 9,645,843</u>

Town of North Stonington, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

On July 12, 2018, the Town paid off the \$5,340,000 bond anticipation note with General Fund appropriations, State of Connecticut grants, and issuance of general obligation bonds of \$4,798,768. The bonds bear annual interest of 2.75% with principal and interest due serially through July 12, 2038. The annual debt service requirements of these bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 183,218	\$ 131,966	\$ 315,184
2020	188,256	126,928	315,184
2021	193,433	121,751	315,184
2022	198,753	116,431	315,184
2023	204,219	110,965	315,184
2024-2028	1,108,486	467,434	1,575,920
2029-2033	1,269,519	306,401	1,575,920
2034-2038	<u>1,452,884</u>	<u>121,972</u>	<u>1,574,856</u>
	<u>\$ 4,798,768</u>	<u>\$ 1,503,848</u>	<u>\$ 6,302,616</u>

Capital Lease Obligation

In December 2017, the Town entered into an equipment capital lease agreement. The agreement required a down payment of \$50,000 in January 2018 and requires annual payments of principal and interest of \$48,795 for three years beginning January 2019.

Authorized and Unissued Debt

At June 30, 2018, there was \$33,419,025 authorized and unissued bonds for the School Modernization Project.

Statutory Debt Limitation

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the Statute. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal, and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2018.

Post-Closure Landfill Costs

The Town has a closed landfill. State and federal laws and regulations require that the Town perform certain maintenance and monitoring functions on its closed landfill site for 30 years after closure. These costs will be paid through the General Fund each year as part of the annual budget. Total estimated costs based on the current actual costs are included in long-term obligations. The actual costs may vary based on actual events, inflation, changes in technology, and applicable laws and regulations.

Town of North Stonington, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Note 9 – Net Position and Fund Balances

Restricted Net Position

Restrictions on net position at year end are summarized as follows:

	<u>Expendable</u>
Sewer study (STEAP grant)	\$ 142,336
Water study (STEAP grant)	36,679
Village water line (STEAP grant)	16,899
Town Clerk document restoration	5,247
LOCIP capital improvements	27,582
Scholarships	<u>37,667</u>
	<u>\$ 266,410</u>

Fund Balances

As of June 30, 2018, governmental fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Nonrecurring</u>	<u>Capital Projects Fund</u>	<u>Emergency Services Center</u>	<u>School Modernization Project</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:							
Prepaid expenses	\$ 2,276	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,276
Inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,587</u>	<u>7,587</u>
	<u>2,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,587</u>	<u>9,863</u>
Restricted:							
Capital projects	-	32,829	195,914	-	-	-	228,743
Education	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,667</u>	<u>37,667</u>
	<u>-</u>	<u>32,829</u>	<u>195,914</u>	<u>-</u>	<u>-</u>	<u>37,667</u>	<u>266,410</u>
Committed:							
Capital projects	-	141,569	682,098	666,315	521,616	-	2,011,598
Inland Wetland mitigation	-	-	-	-	-	13,274	13,274
General government	-	-	-	-	-	720	720
Open space	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,007</u>	<u>10,007</u>
	<u>-</u>	<u>141,569</u>	<u>682,098</u>	<u>666,315</u>	<u>521,616</u>	<u>24,001</u>	<u>2,035,599</u>
Assigned:							
General government	29,907	-	-	-	-	1,500	31,407
Public safety	83,536	-	-	-	-	-	83,536
Public works	198,440	-	-	-	-	-	198,440
Education	<u>135,564</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,410</u>	<u>213,974</u>
	<u>447,447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,910</u>	<u>527,357</u>
Unassigned	<u>3,190,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,570)</u>	<u>3,184,677</u>
	<u>\$ 3,639,970</u>	<u>\$ 174,398</u>	<u>\$ 878,012</u>	<u>\$ 666,315</u>	<u>\$ 521,616</u>	<u>\$ 143,595</u>	<u>\$ 6,023,906</u>

Note 10 – Deficit Fund Balance

The Education Grants fund has a deficit fund balance of \$5,570 and is expected to be funded by the General Fund and intergovernmental grants.

Note 11 – Employee Retirement Plans

The Town maintains three defined contribution plans. The plans are required to be reported as pension trust funds in the financial statements. The pension funds can be changed based on a change in Town policy and the agreement of the collective bargaining units.

Board of Education Pension Plans

At June 30, 2018, there were 15 participants in the Board of Education defined contribution plans below, which are administered as one plan by National Retirement Services, Inc. For the year ended June 30, 2018, the Town contributed \$61,046 to the plans.

Plan #2119

Eligibility in the plan is limited to secretaries, custodians, and the cafeteria administrator all of whom must have completed one-half year of service and have attained the age of twenty and one-half. Participants may contribute voluntarily to the plan. The Town annually contributes an amount equal to 10% of each participant's compensation. Participants are fully vested immediately upon participation in the plan.

Plan #30027

Eligibility in the Board of Education CNBU Money Purchase plan is limited to those employees of the Board of Education who are not participants in the Board of Education Pension Plan above. All participants must have completed six months of service and must have attained age twenty and one-half. Participants may contribute voluntarily to the plan. The Town annually contributes 14% of each participant's compensation. Participants are fully vested immediately upon participation in the plan.

General Government Pension Plan

Eligibility in the plan is limited to the Town Clerk, Tax Collector, members of the United Steelworkers of America (USWA), Municipal Employees Union Independent (MEUI), and Salaried Employees of North America (a division of the USWA) who have completed one year of service. Participants may voluntarily contribute to the plan. The Town's funding policy is as follows:

Municipal Employee Union Independent	7.5% of annual compensation
United Steelworkers of America	8.75% of annual compensation
All other participants employed before 12/01/96	10% of annual compensation
All other participants employed on or after 12/01/96	4% of annual compensation

For the year ended June 30, 2018, the Town contributed \$149,990 to the plan all of which is allocated to the participants' individual retirement. The plan is administered by the Town. There were 24 participants in the plan.

Connecticut Teachers' Retirement System

Description of System

Teachers within the Town's school system participate in a retirement system administered by the Connecticut State Teachers' Retirement Board. This Connecticut State Teachers' Retirement System (the "System") is a cost sharing multiple employer defined benefit pension system with a special funding situation. As such, the Town does not have a liability related to participants in the System.

Town of North Stonington, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

The System is considered 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 at www.ct.gov.

The System is administered under the provisions of Chapter 167a of the Connecticut General Statutes (CGS). Participation in the System is restricted to certified staff employed in the public schools of Connecticut and members of the professional staff of the State Department of Education or the board of Governors of Higher Education and their constituent units. Participation in the System is mandatory for certified personnel of local boards of education who are employed for an average of at least one-half of a school day. Members of the professional staff of the State Department of Education or the Board of Governors of Higher Education and their constituent units may elect to participate in this system, the State Employees' Retirement System, or the Alternate Retirement System (TIAA-CREF).

Benefits Provided

The benefits provided to participants by the System are as follows:

Normal Benefit: A member 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 is eligible for vested benefits of 2% of average annual salary times years of credited service (maximum benefit is 75% of average annual salary.)

Early Retirement: A member with 25 years of Credited Service, including at least 20 years of Connecticut public school service, or age 55 with 20 years of Credited Service including 15 years of Connecticut service. The early retirement factors currently in effect are 6% per year for the first five years by which early retirement precedes the minimum normal retirement age and 4% per year for the next five years by which early retirement precedes the minimum normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% for each year by which early retirement precedes the minimum retirement age.

Prorated Benefit: A member who completes 10 years of Connecticut public school service is eligible for a vested benefit commencing at age 60. The benefit is 2% less 0.1% for each year less than 20 years of average annual salary times years of credited service.

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

Contribution Requirements

The pension contributions made by the State to the System are determined on an actuarial reserve basis as described in CGS Sections 10-1831 and 10-183z.

Participants are required to contribute 6% (7% effective January 1, 2018) of their annual salary rate to the System as required by CGS Section 10-183b (7). For the 2017/2018 school year, \$424,910 mandatory contributions were deducted from the salaries of teachers who were participants of the System during that school year. The covered payroll for the Town is \$6,440,149. The Town had 89 active participants in the System at June 30, 2018.

Employers are not required to make contributions to the System. The Town makes no contribution to the plan.

Town of North Stonington, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Actuarial Assumptions

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

Inflation	2.75 Percent
Salary increases, including inflation	3.25-6.50 Percent
Long-term investment rate of return, net of pension investment expense, including inflation	8.00 Percent

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

The actuarial 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.

The long-term expected rate of return on pension 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 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%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Core fixed income	7.0%	1.3%
High yield bonds	5.0%	3.9%
Emerging market bond	5.0%	3.7%
Inflation linked bond fund	3.0%	1.0%
Cash	<u>6.0%</u>	0.4%
Total	<u><u>100.0%</u></u>	

Town of North Stonington, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Discount Rate

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that 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's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town's proportionate share of the net pension liability of the System, calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Sensitivity of the system's proportionate Share of the net pension liability related to the Town	\$ 26,313,892	\$ 21,022,437	\$ 16,548,843

Pension Liabilities, Pension Expense, and Deferred Inflows/Outflows of Resources

The State makes all contributions to the System on behalf of employees of the participating districts. Therefore, participating employers are considered to be in a special funding situation as defined by Governmental Accounting Standards Board No. 68 and the State is treated as a non-employer contributing entity in the System. Since the districts do not contribute directly to the System, there is no net pension liability or deferred inflows or outflows to report in the financial statements of the Town. The portion of the net pension liability that was associated with the Town was \$21,022,437 and 100% of the collective net pension liability is allocated to the State.

June 30, 2016, is the actuarial valuation date upon which the total pension liability is based. The total pension liability is determined as of June 30, 2017, using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the expected investment rate of return for the year. The procedure was used to determine the System's total pension liability as of June 30, 2017, which is the measurement date.

The Town recognized the total pension expense associated with the Town as well as revenue in an amount equal to the non-employer contributing entities' total proportionate share of the collective pension expense associated with the Town. For the fiscal year ended June 30, 2018, the Town recognized \$2,431,682 as the amount expended by the State on behalf of the Town to meet the State's funding requirements.

Note 12 – Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the town carries commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or four prior years.

Town of North Stonington, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

The Town currently is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established under the provisions of Connecticut General Statutes Section 7-479a et. seq. for some of its insurance. The Town is liable only for contributions to the pool. Members do not retain the risk of loss, as they have transferred the risk by purchasing coverage with no deductible retention. A separate agreement states limits on the member's obligation to pay indemnification obligations and expenses should CIRMA be unable to do so.

Note 13 – Contingent Liabilities and Commitments

Grants

Amounts received, or receivable from grant agencies, are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Various Lawsuits

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

Note 14 – North Stonington Other Post Employment Benefits (OPEB)

General Information about the OPEB Plan

The North Stonington Public Schools Other Post Employment Benefit Program is a single-employer defined benefit plan administered by the Town of North Stonington, Connecticut, in accordance with various collective bargaining agreements. The plan does not issue separate financial statements.

Eligibility	Teachers and Administrators – A teacher or administrator retiring under the Connecticut State Teachers' Retirement System shall be eligible to receive health benefits for self and spouse. Normal retirement for teachers and administrators is the earlier of age 60 with 20 years of service, or completion of 35 years of service regardless of age. Early retirement is the earlier of age 60 with 10 years of service, any age with 25 years of service.
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All Others – A member retiring at age 55 years or older shall be eligible to continue health insurance coverage for self and spouse. Coverage is pre-65 only.

Medical and Dental Benefits:	Teachers and Administrators – Employees and their spouses are eligible to continue medical and dental coverage upon retirement by paying the full cost of the applicable premium. Teachers and administrators eligible to participate in Medicare are allowed to continue coverage until age 65. Teachers and administrators hired prior to April 1, 1986, who are not eligible to participate in Medicare are allowed to continue coverage for their life and the life of their spouse.
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Life Insurance:	Administrators receive \$50,000 from retirement until age 65 paid for by the Town.
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Town of North Stonington, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

At June 30, 2017, the following employees were covered by the benefit terms:

Retired members/beneficiaries receiving benefits	6
Active members	<u>132</u>
	<u>138</u>

Schedule of Funding Progress

There is no requirement for funding and the plan has not been funded. The Town has not yet established a formal funding plan or a trust.

Total OPEB Liability

The Town's total OPEB liability was \$4,213,666 as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2016 with a measurement date of June 30, 2017.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal, level percent of salary
Salary increases	3.0 %
Discount rate	3.13% as of June 30, 2018 and 2.71% as of June 30, 2017, which is based on the 20-bond GO Index
Healthcare cost trend rates	7.35% percent for 2018, reduced by 0.15% per year, 4.5% ultimate rate
Mortality rates	Based on the RP-2014 (adjusted back to 2006) Employee and Healthy Annuitant Mortality Tables projected generationally with Scale MP-2017

Town of North Stonington, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 6/30/2017 - Restated	\$ 4,487,285
Changes for the year:	
Service cost	149,172
Interest	121,605
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(544,396)
Benefit payments (net)	<u>-</u>
Net changes	<u>(273,619)</u>
Balance at 6/30/2018	<u>\$ 4,213,666</u>

The following changes of assumptions were effective July 1, 2017:

- The discount rate was increased from 2.71% to 3.13%.
- The actuarial cost method was changed from the Projected Unit Credit method to the Entry Age Normal method.

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

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13%) or 1-percentage-point higher (4.13%) than the current discount rate:

	<u>1% Decrease (2.13%)</u>	<u>Discount rate (3.13%)</u>	<u>1% Increase (4.13%)</u>
Total OPEB liability	\$ 4,914,035	\$ 4,213,666	\$ 3,639,726

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$ 3,557,922	\$ 4,213,666	\$ 5,026,472

Town of North Stonington, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Town recognized OPEB expense of \$230,181. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions or other inputs	-	503,800
	<u>\$ -</u>	<u>\$ 3,595,508</u>

Amounts reported as deferred outflows (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2019	\$ (40,596)
2020	(40,596)
2021	(40,596)
2022	(40,596)
2023	(40,596)
Thereafter	(300,820)

Note 15 – Connecticut State Teachers’ Other Post Employment Benefits (OPEB)

Description of the Plan

Teachers within the Town’s school system participate in a retirement system administered by the Connecticut State Teachers’ Retirement Board, which includes the Retiree Health Insurance Plan (Connecticut State Teachers’ OPEB). This Connecticut State Teachers’ OPEB is a cost sharing multiple employer defined benefit OPEB plan with a special funding situation. As such, the Town does not have a liability related to participants in the Connecticut State Teachers’ OPEB.

The Connecticut State Teachers’ OPEB is considered a part of the State of Connecticut financial reporting entity and is included in the State’s financial reports as a trust fund. Those reports may be obtained at www.ct.gov.

The Connecticut State Teachers’ OPEB is administered under the provisions of Chapter 167a of the Connecticut General Statutes (CGS). Participation is restricted to certified staff employed in the public schools of Connecticut and members of the professional staff of the State Department of Education or the board of Governors of Higher Education and their constituent units. Participation is mandatory for certified personnel of local boards of education who are employed for an average of at least one-half of a school day. Members of the professional staff of the State Department of Education or the Board of Governors of Higher Education and their constituent units may elect to participate.

Town of North Stonington, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Eligibility

Teachers and Administrators (Certified) – A Teacher or Administrator retiring under the Connecticut State Teachers Retirement System shall be eligible to receive health benefits for self and spouse.

Normal Retirement for Teachers and Administrators is the earliest of age 60 with 20 years of service, or completion of 35 years of service regardless of age. Early Retirement is the earliest of age 60 with 10 years of service, any age with 25 years of service, or age 55 with 20 years of service.

Not Certified – A retired employee shall be eligible to receive health benefits for self and spouse.

Benefit Provisions

Any member that is currently receiving a retirement or disability benefit is eligible to participate in the Connecticut State Teachers' OPEB. There are two types of the health care benefits offered. Subsidized Local School Town Coverage provides a subsidy paid to members still receiving coverage through their former employer and the CTRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School Town Coverage.

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

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

Contributions

The Connecticut State Teachers' OPEB contributions made by the State are determined on an actuarial reserve basis.

Participants are required to contribute 1.25% of their annual salary rate to the Connecticut State Teachers' OPEB as required by CGS Section 10-183b (7). For the 2017/2018 school year, \$80,533 mandatory contributions were deducted from the salaries of teachers who were participants of the Connecticut State Teachers' OPEB during that school year. The covered payroll for the Town is \$6,440,149. The Town had 89 active participants in the Connecticut State Teachers' OPEB at June 30, 2018.

Employers are not required to make contributions to the Connecticut State Teachers' OPEB. The Town makes no contribution to the plan.

Town of North Stonington, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Reporting Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal, level percent of salary
Salary increases	3.25% to 6.50%
Inflation rate	3.25%
Discount rate	3.56% as of June 30, 2018 and 3.01% as of June 30, 2017, which is based on the 20-bond Municipal Index as of the measurement date
Healthcare cost trend rates	7.25% for 2017 decreasing to an ultimate rate of 5.00% by 2022
Mortality rates	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

The actuarial 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.

The long-term expected rate of return on investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The 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>
U.S. treasuries (cash equivalents)	100.0%	2.75%
Total	<u>100.0%</u>	

Town of North Stonington, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.56 percent. The projection of cash flows used to determine the discount rate assumed that 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 fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate:

	<u>1% Decrease (2.56%)</u>	<u>Discount rate (3.56%)</u>	<u>1% Increase (4.56%)</u>
Sensitivity of the plan's proportionate share of the net OPEB liability related to the Town	\$ 6,521,045	\$ 5,410,937	\$ 4,538,072

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Sensitivity of the plan's proportionate share of the net OPEB liability related to the Town	\$ 4,455,153	\$ 5,410,937	\$ 6,697,783

OPEB liabilities, OPEB expense, and deferred inflows/outflows of resources related to OPEB

The State makes all contributions to the Connecticut State Teachers' OPEB on behalf of employees of the participating districts. Therefore, participating employers are considered to be in a special funding situation as defined by Governmental Accounting Standards Board No. 75 and the State is treated as a non-employer contributing entity in the Connecticut State Teachers' OPEB. Since the districts do not contribute directly to the Connecticut State Teachers' OPEB, there is no net OPEB liability or deferred inflows or outflows to report in the financial statements of the Town. The portion of the State's net OPEB liability that was associated with the Town was \$5,410,937 and 100 percent of the collective net OPEB liability is allocated to the State. The Town's proportionate share of the OPEB liability is zero.

June 30, 2016, is the actuarial valuation date upon which the total OPEB liability is based. The total OPEB liability is determined as of June 30, 2017, using standard roll forward techniques.

The Town recognized the OPEB expense associated with the Town as well as revenue in an amount equal to the non-employer contributing entities' total proportionate share of the collective OPEB expense associated with the Town. For the fiscal year ended June 30, 2018, the Town recognized \$250,770 as the amount expended by the State on behalf of the Town to meet the State's funding requirements.

Note 16 – Adoption of New Accounting Standard

Effective July 1, 2017, the Town adopted the provisions of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions (GASB Statement No. 75). This statement establishes new accounting and financial reporting requirements for OPEB plans and replaces the requirements of GASB Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

The Town adopted GASB Statement No. 75 during the current fiscal year for the Town's OPEB plan and the Connecticut State Teachers' OPEB plan. The adoption of this statement requires the Town to report a Net OPEB Liability for the Town's OPEB plan. The Town's Net Position at June 30, 2017, has been restated for the effects of this liability, which reduces the Net Position \$2,946,103 at June 30, 2017, in the government-wide financial statements. The statement has also required significant additional footnote disclosures regarding OPEB.

Note 17 – Recently Issued Accounting Standards

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement which (1) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (2) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, and (3) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2018. The Town does not expect this statement to have a material effect on its financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2018. The Town does not expect this statement to have a material effect on its financial statements.

Town of North Stonington, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town has not yet determined the impact that this statement might have on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2020. The Town has not yet determined the impact that this statement might have on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of the capital asset. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2020. The Town does not expect the impact of this statement will be material to its financial statements.

Note 18 – Subsequent Events

On July 12, 2018, the Town paid off the \$5,340,000 Bond Anticipation Note with General Fund appropriations, State of Connecticut grants, and issuance of general obligation bonds of \$4,798,768. The bonds bear annual interest of 2.75% with principal and interest due serially through July 12, 2038.

**REQUIRED SUPPLEMENTARY
INFORMATION
(UNAUDITED)**

TOWN OF NORTH STONINGTON, CONNECTICUT

**CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>21,022,437</u>	<u>22,178,866</u>	<u>16,369,155</u>	<u>15,130,003</u>
Total	<u>\$ 21,022,437</u>	<u>\$ 22,178,866</u>	<u>\$ 16,369,155</u>	<u>\$ 15,130,003</u>
Town's covered-employee payroll	<u>\$ 6,440,149</u>	<u>\$ 6,257,403</u>	<u>\$ 6,145,952</u>	<u>\$ 5,900,786</u>
Town's proportionate share of the net pension liability as a percentage of its covered payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
System fiduciary net position as a percentage of the total pension liability	<u>55.93%</u>	<u>52.26%</u>	<u>59.50%</u>	<u>61.51%</u>

Notes to Connecticut State Teachers' Retirement System

Method and Assumptions used in Calculations of Actuarially Determined Contributions

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. The following actuarial methods and assumptions were used to determine the most recent contributions reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percent of pay, closed
Single equivalent amortization period	20.4 years
Asset valuation method	4-year smoothed market
Inflation	2.75 percent
Salary increase	3.25-6.50 percent, including inflation
Investment rate of return	8.00 percent, net of investment related expense

See accompanying Independent Auditors' Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

**NORTH STONINGTON OTHER POST EMPLOYMENT BENEFITS (OPEB)
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
AND RELATED RATIOS**

	<u>2018</u>
Total OPEB Liability	
Service costs	\$ 149,172
Interest	121,605
Change in benefit terms	-
Difference between expected and actual experience	-
Change in assumptions	(544,396)
Benefit payments, including refunds of contributions	<u>-</u>
Net change in total OPEB liability	(273,619)
Total OPEB liability, beginning	<u>4,487,285</u>
Total OPEB liability, ending (a)	<u><u>\$ 4,213,666</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ -
Contributions - members	64,495
Net investment income	-
Benefit payments (based on expected)	(64,495)
Administrative expenses	<u>-</u>
Net change in plan fiduciary net position	-
Total fiduciary net position, beginning	<u>-</u>
Total fiduciary net position, ending (b)	<u><u>\$ -</u></u>
Net OPEB liability ending (a) - (b)	<u><u>\$ 4,213,666</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered-employee payroll	N/A
Net OPEB liability as a percentage of covered payroll	N/A

See accompanying Independent Auditors' Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

**CONNECTICUT STATE TEACHERS' OTHER POST EMPLOYMENT BENEFITS (OPEB)
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

	<u>2018</u>
Town's proportion of the net OPEB liability	0.00%
Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>5,410,937</u>
Total	<u><u>\$ 5,410,937</u></u>
 Town's covered-employee payroll	 <u><u>\$ 6,440,149</u></u>
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	 <u><u>0.00%</u></u>
System fiduciary net position as a percentage of the total OPEB liability	 <u><u>1.79%</u></u>

See accompanying Independent Auditors' Report.

**SUPPLEMENTAL
STATEMENTS AND SCHEDULES**

TOWN OF NORTH STONINGTON, CONNECTICUT

**GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts				Variance With Final Budget Positive (Negative)
	Original	Transfers	Final	Actual	
Revenues:					
Property taxes, interest and lien fees:					
General property taxes - current	\$ 14,325,549	\$ -	\$ 14,325,549	\$ 14,000,333	\$ (325,216)
General property taxes - past	100,000	-	100,000	910,005	810,005
Supplemental motor vehicles	125,000	-	125,000	143,841	18,841
Interest and lien fees	100,000	-	100,000	166,396	66,396
	14,650,549	-	14,650,549	15,220,575	570,026
Interest and investment earnings	3,500	-	3,500	4,609	1,109
Intergovernmental:					
Education cost sharing	2,692,747	-	2,692,747	2,463,918	(228,829)
Casino revenue	841,889	-	841,889	841,889	-
State aid for town road	240,036	-	240,036	240,195	159
Local and vocational transportation	1	-	1	-	(1)
Local capital improvement program	88,113	-	88,113	-	(88,113)
Police reimbursement	47,050	(5,800)	41,250	32,408	(8,842)
Telecommunications revenue share	25,000	-	25,000	11,494	(13,506)
PILOT program reimbursement	219	-	219	200	(19)
Elderly exemption reimbursement	40,000	-	40,000	-	(40,000)
Municipal revenue sharing	-	-	-	-	-
Regional adult education	9,502	-	9,502	9,867	365
Veterans exemption reimbursement	6,000	-	6,000	6,696	696
Records preservation	4,000	-	4,000	4,000	-
Non-public nurse reimbursement	4,345	-	4,345	4,240	(105)
Disabled exemption reimbursement	600	-	600	660	60
Tuition reimbursement	30,000	-	30,000	-	(30,000)
STEAP	225,000	-	225,000	218,234	(6,766)
Emergency management	3,000	-	3,000	1,419	(1,581)
Boombridge road	59,000	-	59,000	92,162	33,162
Other	6	-	6	-	(6)
	4,316,508	(5,800)	4,310,708	3,927,382	(383,326)
Licenses, fees, fines and charges:					
Licenses, permits, conveyance taxes	100,000	-	100,000	105,230	5,230
Recreation Commission	53,819	-	53,819	43,079	(10,740)
Building official	52,000	-	52,000	52,879	879
Town Clerk LOCIP	1	-	1	-	(1)
Town Clerk restoration fees	1	-	1	-	(1)
Sanitation	250	-	250	487	237
	206,071	-	206,071	201,675	(4,396)

See accompanying Independent Auditors' Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

**GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts				Variance With Final Budget Positive (Negative)
	Original	Transfers	Final	Actual	
Other:					
Contractor's tipping fees	\$ 101,100	\$ -	\$ 101,100	\$ 146,143	\$ 45,043
Transfer stickers	1	-	1	-	(1)
Rent Town Property	42,971	-	42,971	42,021	(950)
Sale of town vehicles	1	-	1	63,573	63,572
Sanitary landfill - sale of recyclables	9,000	-	9,000	15,264	6,264
SCRRRA subsidy	11,000	-	11,000	14,030	3,030
Miscellaneous	15,000	-	15,000	22,735	7,735
Zoning Enforcement Officer	3,000	-	3,000	4,868	1,868
Town engineering - road inspection	-	-	-	-	-
Planning and Zoning	1,000	-	1,000	1,329	329
Inland Wetlands	400	-	400	799	399
Assessor's Office	300	-	300	320	20
GIS services	1	-	1	66	65
Conservation Commission	-	-	-	1,681	1,681
Canine account	250	-	250	1,962	1,712
Fire Marshall	100	-	100	180	80
Resident trooper ticket revenue	10,000	-	10,000	6,190	(3,810)
Sale of fixed assets	1	-	1	-	(1)
Transfer in deobligated capital projects	1	-	1	-	(1)
CIRMA credits	2,500	-	2,500	10,743	8,243
	196,626	-	196,626	331,904	135,278
Total revenues	\$ 19,373,254	\$ (5,800)	\$ 19,367,454	\$ 19,686,145	\$ 318,691

See accompanying Independent Auditors' Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

**GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
General Government:					
Salaries:					
First Selectman	\$ 63,674	\$ -	\$ 63,674	\$ 63,674	\$ -
Second Selectman	2,650	-	2,650	2,631	19
Third Selectman	2,650	-	2,650	2,650	-
Secretary	56,744	72	56,816	56,816	-
Bookkeeper	51,106	-	51,106	51,106	-
Boards of Commissions clerical	1	-	1	-	1
Selectmen's expenditures	2,500	-	2,500	2,543	(43)
Office expenditures	1,000	-	1,000	1,463	(463)
Council of Small Towns	825	-	825	825	-
Certifications/seminars	250	5,000	5,250	5,185	65
SE CT Council of Governments	2,913	-	2,913	2,913	-
Admin and finance officer	75,000	(47,000)	28,000	8,900	19,100
	<u>259,313</u>	<u>(41,928)</u>	<u>217,385</u>	<u>198,706</u>	<u>18,679</u>
Probate Court	<u>6,315</u>	<u>-</u>	<u>6,315</u>	<u>6,352</u>	<u>(37)</u>
Board of Finance:					
Operating expenditures	1	100	101	101	-
Auditing	16,268	9,432	25,700	25,700	-
	<u>16,269</u>	<u>9,532</u>	<u>25,801</u>	<u>25,801</u>	<u>-</u>
Assessor's Office:					
Salaries:					
Assessor	69,247	-	69,247	69,247	-
Assessor assistant	47,424	-	47,424	47,424	-
Office expenditures	2,200	-	2,200	2,482	(282)
Seminars	400	-	400	400	-
Computer	11,395	-	11,395	11,095	300
Travel expenditures	250	-	250	-	250
Memberships	100	-	100	-	100
	<u>131,016</u>	<u>-</u>	<u>131,016</u>	<u>130,648</u>	<u>368</u>
Board of Assessment Appeals	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>809</u>	<u>191</u>
Tax Collector:					
Salaries:					
Tax Collector	44,060	-	44,060	44,062	(2)
Clerical	1	-	1	-	1
Office expenditures	9,000	-	9,000	9,069	(69)
Computer	9,060	-	9,060	8,942	118
Mil rate adjustment costs	6,500	-	6,500	6,500	-
Travel expenditures	150	-	150	82	68
	<u>68,771</u>	<u>-</u>	<u>68,771</u>	<u>68,655</u>	<u>116</u>
Town Treasurer:					
Salary	7,200	-	7,200	7,200	-
	<u>7,200</u>	<u>-</u>	<u>7,200</u>	<u>7,200</u>	<u>-</u>
Town Attorney	<u>30,000</u>	<u>18,890</u>	<u>48,890</u>	<u>42,736</u>	<u>6,154</u>
Annexation Related:					
Annexation related	2,000	(2,000)	-	-	-
Tribal recognition	45,000	(11,890)	33,110	32,959	151
	<u>47,000</u>	<u>(13,890)</u>	<u>33,110</u>	<u>32,959</u>	<u>151</u>

See accompanying Independent Auditors' Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Town Clerk:					
Salaries:					
Town Clerk	\$ 47,340	\$ -	\$ 47,340	\$ 47,158	\$ 182
Assistant	3,000	-	3,000	3,000	-
Office expenditures	3,500	-	3,500	3,482	18
Records restoration grant	4,000	-	4,000	4,000	-
Land records	8,687	-	8,687	7,638	1,049
	66,527	-	66,527	65,278	1,249
Planning and Zoning Commission:					
Salaries:					
Zoning Officer	72,000	-	72,000	72,000	-
Assistant	41,288	-	41,288	38,713	2,575
Operating expenditures	6,000	-	6,000	4,690	1,310
Travel expenditures	1,500	-	1,500	965	535
Attorney	10,000	-	10,000	8,382	1,618
Contracted consulting services	5,000	-	5,000	4,700	300
Contracted planner	1	-	1	-	1
	135,789	-	135,789	129,450	6,339
Building Department:					
Salaries:					
Building Official	36,400	1,903	38,303	38,285	18
Operating expenditures	500	41	541	560	(19)
Travel expenditures	750	-	750	747	3
	37,650	1,944	39,594	39,592	2
Zoning Board of Appeals	750	-	750	729	21
Affordable housing committee	500	-	500	500	-
School Building and Planning Committee:					
Permanent School Building					
Committee	1	84,500	84,501	84,501	-
	1	84,500	84,501	84,501	-
Economic Development Commission:					
Operating expenditures	8,700	-	8,700	8,134	566
CT Regional Economic Development	1,958	-	1,958	1,854	104
Consulting	501	-	501	-	501
	11,159	-	11,159	9,988	1,171
Recreation Commission:					
Salaries:					
Administrative	24,343	-	24,343	24,343	-
Camp Directors, etc.	13,916	-	13,916	13,916	-
Program expenditures	50,103	-	50,103	42,231	7,872
Maintenance	3,700	-	3,700	2,431	1,269
Administrative expenditures	13,626	-	13,626	14,916	(1,290)
	105,688	-	105,688	97,837	7,851
Inland Wetlands Commission:					
Operating expenditures	700	-	700	436	264
Wages - Enforcement Officer	7,311	-	7,311	7,311	-
	8,011	-	8,011	7,747	264
Conservation Commission	2,100	-	2,100	2,100	-

See accompanying Independent Auditors' Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

**GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts				Variance With Final Budget Positive (Negative)
	Original	Transfers	Final	Actual	
Water Pollution Control Authority:					
WPCA expenditures	\$ -	\$ -	\$ -	\$ 893	\$ (893)
	-	-	-	893	(893)
Fixed Charges:					
Town insurance	67,500	-	67,500	66,495	1,005
Volunteer fire co. insurance	26,800	-	26,800	25,000	1,800
Ambulance association insurance	11,160	-	11,160	10,837	323
Workers compensation insurance	20,640	-	20,640	20,640	-
Social security	120,717	-	120,717	108,110	12,607
Medical insurance	441,124	-	441,124	397,298	43,826
Employee benefits - pension	125,362	-	125,362	122,601	2,761
Volunteer incentive award - fire	33,000	-	33,000	33,000	-
Volunteer activity stipend - fire	52,000	-	52,000	52,000	-
Volunteer incentive ambulance	7,500	-	7,500	5,976	1,524
	905,803	-	905,803	841,957	63,846
Elections and Town Meetings:					
Salaries:					
Registrar of Voters	6,060	-	6,060	6,060	-
Registrar of Voters	6,060	-	6,060	6,060	-
Expenses	25,000	-	25,000	22,629	2,371
	37,120	-	37,120	34,749	2,371
Town Hall:					
Expenditures	48,550	-	48,550	49,509	(959)
Leasing equipment	10,000	-	10,000	9,775	225
Holly Green rental - nursing	7,200	-	7,200	6,996	204
Quarterly newsletter	4,400	-	4,400	4,145	255
	70,150	-	70,150	70,425	(275)
Social Services/Welfare:					
Welfare	4,000	-	4,000	1,140	2,860
New London Hospitality Center	600	-	600	600	-
Pawcatuck Neighborhood Center	25,000	-	25,000	25,000	-
Family services	1,000	-	1,000	-	1,000
American Red Cross	500	-	500	500	-
Women's Center	2,500	-	2,500	2,500	-
Frank Olean Regional Center	1,000	-	1,000	-	1,000
NL County ARC	1,575	-	1,575	1,575	-
Easter Seals Rehabilitation Center	1,000	-	1,000	-	1,000
TVCCA	1,500	-	1,500	1,500	-
Literacy volunteers	500	-	500	-	500
Salvation Army	500	-	500	-	500
Mystic Shelter	2,000	-	2,000	2,000	-
United Way of SE CT	500	-	500	500	-
Sex assault crisis center	300	-	300	-	300
	42,475	-	42,475	35,315	7,160
Selectmen's Engineering Service:					
Engineering for selectmen	2,500	-	2,500	617	1,883
Inspection of existing roads	1	-	1	-	1
	2,501	-	2,501	617	1,884

See accompanying Independent Auditors' Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Information Technology:					
Coordinator	\$ 48,438	\$ -	\$ 48,438	\$ 48,438	\$ -
Office expense	300	-	300	315	(15)
Digitized maintenance	11,225	-	11,225	11,115	110
Computer maintenance	16,935	17,500	34,435	34,933	(498)
	76,898	17,500	94,398	94,801	(403)
Public Safety:					
911 dispatching	52,819	-	52,819	52,819	-
Volunteer fire company	140,074	-	140,074	140,074	-
Fire Marshal	12,607	-	12,607	12,607	-
Fire Marshal operating expenditures	2,000	-	2,000	1,628	372
State troopers	464,995	(13,968)	451,027	410,762	40,265
State trooper DUI grant	55,000	-	55,000	35,509	19,491
State trooper rural road grant	1	-	1	-	1
State trooper citi grant	1	-	1	-	1
State trooper distracted driving	1	-	1	-	1
State trooper other grants	-	-	-	-	-
Civil preparedness agency stipend	6,500	-	6,500	6,500	-
Civil preparedness expenditures	2,800	-	2,800	2,800	-
Emergency generator service contract	1,500	-	1,500	1,407	93
Animal control salary	21,520	122	21,642	21,642	-
Animal control training	1,000	(122)	878	-	878
Animal control operating expenditures	6,500	-	6,500	2,955	3,545
Dog damages	-	-	-	-	-
Ambulance association	265,000	-	265,000	265,134	(134)
	1,032,318	(13,968)	1,018,350	953,837	64,513
Public Works:					
Highway:					
Local capital improvements	88,113	-	88,113	88,113	-
State aided - town roads	240,036	-	240,036	240,036	-
Town road maintenance	175,000	-	175,000	150,698	24,302
Town garage expenditures	22,500	-	22,500	22,788	(288)
Machinery and maintenance repairs	67,500	-	67,500	66,268	1,232
Street lights	10,000	-	10,000	9,395	605
Highway foreman	88,110	-	88,110	70,094	18,016
Labor	540,480	-	540,480	538,664	1,816
Supplies	36,000	-	36,000	33,042	2,958
Diesel and gas	52,250	-	52,250	47,039	5,211
Town property - maintenance	7,500	-	7,500	5,630	1,870
Town property - labor	31,840	-	31,840	28,616	3,224
Tree warden	1,500	-	1,500	1,500	-
Hewitt farm property	5,000	-	5,000	5,000	-
Tree maintenance	18,000	-	18,000	15,225	2,775
Contracted services	18,000	-	18,000	16,454	1,546
	1,401,829	-	1,401,829	1,338,562	63,267

See accompanying Independent Auditors' Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

**GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Sanitary Landfill:					
Labor	\$ 118,529	\$ -	\$ 118,529	\$ 121,868	\$ (3,339)
Cover material	-	-	-	-	-
State mandated surveys	3,500	-	3,500	-	3,500
State license fees	3,200	-	3,200	2,635	565
SCRRA - tipping fees	168,500	-	168,500	187,326	(18,826)
SCRRA - membership fee	500	-	500	-	500
Hazardous waste collection	1,500	-	1,500	1,110	390
Water sampling /lab testing	16,128	-	16,128	16,014	114
Transfer station expenditures	11,110	-	11,110	11,119	(9)
Contractual services	18,000	-	18,000	18,698	(698)
	<u>340,967</u>	<u>-</u>	<u>340,967</u>	<u>358,770</u>	<u>(17,803)</u>
Total public works	<u>1,742,796</u>	<u>-</u>	<u>1,742,796</u>	<u>1,697,332</u>	<u>45,464</u>
Conservation of Health:					
Public Health Nursing/VNA	1,800	-	1,800	1,530	270
Hepatitis B vaccinations	1	-	1	-	1
Director of Health	1,657	-	1,657	1,656	1
Director of Health operating expenditures	1	-	1	-	1
Sanitarian food service wages	1,500	-	1,500	1,550	(50)
Sanitarian well and septic salary	4,020	695	4,715	4,715	-
Health district	29,054	-	29,054	29,053	1
	<u>38,033</u>	<u>695</u>	<u>38,728</u>	<u>38,504</u>	<u>224</u>
Senior Citizens:					
Agent for the Elderly wages	12,612	-	12,612	12,612	-
Agent for the Elderly operating expenditures	400	-	400	345	55
Senior Citizens Center Coordinator	22,369	-	22,369	22,369	-
Senior Citizens Center - operating expenditures	25,700	-	25,700	23,929	1,771
	<u>61,081</u>	<u>-</u>	<u>61,081</u>	<u>59,255</u>	<u>1,826</u>
Miscellaneous:					
Cemeteries	4,500	-	4,500	64	4,436
Tax refunds	1	1,725	1,726	1,770	(44)
Annual memberships and dues	3,800	-	3,800	3,395	405
Lake Association weed control	15,000	-	15,000	15,000	-
Wheeler Library	30,000	-	30,000	30,000	-
Miscellaneous	750	-	750	803	(53)
	<u>54,051</u>	<u>1,725</u>	<u>55,776</u>	<u>51,032</u>	<u>4,744</u>
Total general government expenditures	<u>4,998,285</u>	<u>65,000</u>	<u>5,063,285</u>	<u>4,830,305</u>	<u>232,980</u>

See accompanying Independent Auditors' Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

**GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts				Variance With Final Budget Positive (Negative)
	Original	Transfers	Final	Actual	
Redemption of Debt:					
ESC BAN principal	\$ 100,000	\$ -	\$ 100,000	\$ 100,000	\$ -
ESC BAN principal	335,389	-	335,389	335,388	1
BAN principal	500,000	-	500,000	500,000	-
BAN principal	1	-	1	-	1
	<u>935,390</u>	<u>-</u>	<u>935,390</u>	<u>935,388</u>	<u>2</u>
Education	12,875,068	-	12,875,068	12,866,037	9,031
Capital Outlay:					
Public Works:					
Dump truck refurbish	10,000	-	10,000	10,000	-
Miscellaneous equipment	5,000	-	5,000	5,000	-
Sweeper	1	-	1	-	1
CAT 963 refurbish	30,600	-	30,600	30,600	-
Salt & sand shed roof	63,987	-	63,987	63,987	-
	<u>109,588</u>	<u>-</u>	<u>109,588</u>	<u>109,587</u>	<u>1</u>
Transfer station/bulk waste area:					
Transfer station/bulky waste area	5,000	-	5,000	5,000	-
Transfer Station/Bulk Waste Area	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Selectmen:					
Ambulance equipment	50,820	-	50,820	50,820	-
Computer - Town Hall	13,500	-	13,500	13,500	-
Town Hall boiler	22,000	-	22,000	22,000	-
Recreation pavilion & fields	2,500	-	2,500	2,500	-
Open space acquisition	10,000	-	10,000	10,000	-
Selectmen's office equipment and furniture	1,500	-	1,500	1,500	-
Town buildings maintenance	20,000	-	20,000	20,000	-
Town clerk - records preservation	1	-	1	-	1
Fire company - equipment/hose	4,500	-	4,500	4,500	-
Fire company - auto	55,000	-	55,000	55,000	-
Fire company - turnout gear	16,000	-	16,000	16,000	-
Fire company - forestry	1	-	1	-	1
Abate & demo Town buildings	40,000	-	40,000	40,000	-
Civil preparedness	1,000	-	1,000	1,000	-
Other	8	-	8	-	8
Fire company breathing apparatus	50,000	-	50,000	50,000	-
Hurst tool replacement	6,000	-	6,000	6,000	-
Fire company - other	3	-	3	-	3
Fire company - scuba	8,800	-	8,800	8,800	-
	<u>301,633</u>	<u>-</u>	<u>301,633</u>	<u>301,620</u>	<u>13</u>
Assessor Revaluation Expense	<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>
ESC capital	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>
Total capital outlay	451,222	-	451,222	451,207	15
Total expenditures	\$ 19,259,965	\$ 65,000	\$ 19,324,965	\$ 19,082,937	\$ 242,028

See accompanying Independent Auditors' Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018**

	School Lunch Fund	Education Grants	Inland Wetland Mitigation	Open Space	C-PACE	Scholarships Held by School	Recreation Gift Fund	Total
<u>Assets</u>								
Cash and cash equivalents	\$ 115,071	\$ -	\$ -	\$ -	\$ 1,500	\$ 37,667	\$ -	\$ 154,238
Receivables	14,330	-	-	-	-	-	-	14,330
Inventory	7,587	-	-	-	-	-	-	7,587
Due from other funds	-	111,330	13,274	10,007	-	-	720	135,331
Total assets	\$ 136,988	\$ 111,330	\$ 13,274	\$ 10,007	\$ 1,500	\$ 37,667	\$ 720	\$ 311,486
<u>Liabilities and Fund Balances (Deficits)</u>								
Liabilities:								
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	50,991	-	-	-	-	-	-	50,991
Deferred grant revenue	-	116,900	-	-	-	-	-	116,900
Total liabilities	50,991	116,900	-	-	-	-	-	167,891
Fund Balances (Deficits):								
Nonspendable	7,587	-	-	-	-	-	-	7,587
Restricted	-	-	-	-	-	37,667	-	37,667
Committed	-	-	13,274	10,007	-	-	720	24,001
Assigned	78,410	-	-	-	1,500	-	-	79,910
Unassigned	-	(5,570)	-	-	-	-	-	(5,570)
Total fund balances (deficits)	85,997	(5,570)	13,274	10,007	1,500	37,667	720	143,595
Total liabilities and fund balances (deficits)	\$ 136,988	\$ 111,330	\$ 13,274	\$ 10,007	\$ 1,500	\$ 37,667	\$ 720	\$ 311,486

TOWN OF NORTH STONINGTON, CONNECTICUT

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)
FOR THE YEAR ENDED JUNE 30, 2018**

	School Lunch Fund	Education Grants	Inland Wetland Mitigation	Open Space	C-PACE	Scholarships Held by School	Recreation Gift Fund	Total
Revenues:								
Intergovernmental	\$ 65,833	\$ 225,459	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 291,292
Local	148,046	-	18	10	31,057	3,166	720	183,017
Total revenues	<u>213,879</u>	<u>225,459</u>	<u>18</u>	<u>10</u>	<u>31,057</u>	<u>3,166</u>	<u>720</u>	<u>474,309</u>
Expenditures:								
Current:								
General government	-	-	-	-	30,557	-	-	30,557
Education	189,266	225,459	-	-	-	3,500	-	418,225
Total expenditures	<u>189,266</u>	<u>225,459</u>	<u>-</u>	<u>-</u>	<u>30,557</u>	<u>3,500</u>	<u>-</u>	<u>448,782</u>
Excess of revenues over (under) expenditures	<u>24,613</u>	<u>-</u>	<u>18</u>	<u>10</u>	<u>500</u>	<u>(334)</u>	<u>720</u>	<u>25,527</u>
Other Financing Sources (Uses):								
Transfers in (out)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances (deficits)	<u>24,613</u>	<u>-</u>	<u>18</u>	<u>10</u>	<u>500</u>	<u>(334)</u>	<u>720</u>	<u>25,527</u>
Fund balances (deficits), beginning of year	<u>61,384</u>	<u>(5,570)</u>	<u>13,256</u>	<u>9,997</u>	<u>1,000</u>	<u>38,001</u>	<u>-</u>	<u>118,068</u>
Fund balances (deficits), end of year	<u>\$ 85,997</u>	<u>\$ (5,570)</u>	<u>\$ 13,274</u>	<u>\$ 10,007</u>	<u>\$ 1,500</u>	<u>\$ 37,667</u>	<u>\$ 720</u>	<u>\$ 143,595</u>

TOWN OF NORTH STONINGTON, CONNECTICUT

**FIDUCIARY FUNDS
PENSION TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

	<u>General Government Retirement</u>	<u>Board of Education Retirement</u>	<u>Total</u>
<u>Assets</u>			
Investments	\$ 1,997,930	\$ 1,161,371	\$ 3,159,301
Other receivables	110,309	-	110,309
Total assets	<u>\$ 2,108,239</u>	<u>\$ 1,161,371</u>	<u>\$ 3,269,610</u>
<u>Fund Balances</u>			
Fund Balances:			
Held in trust for pension benefits and other purposes	<u>\$ 2,108,239</u>	<u>\$ 1,161,371</u>	<u>\$ 3,269,610</u>
Total fund balances	<u>\$ 2,108,239</u>	<u>\$ 1,161,371</u>	<u>\$ 3,269,610</u>

See accompanying Independent Auditors' Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

**FIDUCIARY FUNDS
PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

	General Government Retirement	Board of Education Retirement	Total
<u>Additions:</u>			
Employer contributions	\$ 149,990	\$ 20,819	\$ 170,809
Investment earnings	134,679	61,046	195,725
Total additions	<u>284,669</u>	<u>81,865</u>	<u>366,534</u>
<u>Deductions:</u>			
Distributions	<u>307,579</u>	<u>4,137</u>	<u>311,716</u>
Total deductions	<u>307,579</u>	<u>4,137</u>	<u>311,716</u>
Net increase (decrease)	(22,910)	77,728	54,818
Fund balances, beginning of year	<u>2,131,149</u>	<u>1,083,643</u>	<u>3,214,792</u>
Fund balances, end of year	<u><u>\$ 2,108,239</u></u>	<u><u>\$ 1,161,371</u></u>	<u><u>\$ 3,269,610</u></u>

See accompanying Independent Auditors' Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

**FIDUCIARY FUNDS
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2018**

	Student Activity Fund	Performance Bonds	Total
<u>Assets</u>			
Beginning balance - cash	\$ 72,937	\$ 130,108	\$ 203,045
Additions	188,433	11,499	199,932
Deductions	161,622	9,390	171,012
Ending balance - cash	99,748	132,217	231,965
 Total assets	 \$ 99,748	 \$ 132,217	 \$ 231,965
 <u>Liabilities</u>			
Beginning balance - due to student groups	\$ 72,937	\$ -	\$ 72,937
Additions	188,433	-	188,433
Deductions	161,622	-	161,622
Ending balance - due to student groups	99,748	-	99,748
 Beginning balance - due to developers	-	106,855	106,855
Additions	-	11,446	11,446
Deductions	-	8,610	8,610
Ending balance - due to developers	-	109,691	109,691
 Beginning balance - due to other funds	-	23,253	23,253
Additions	-	53	53
Deductions	-	780	780
Ending balance - due to other funds	-	22,526	22,526
 Total liabilities	 \$ 99,748	 \$ 132,217	 \$ 231,965

See accompanying Independent Auditors' Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

**CAPITAL NONRECURRING FUND
SCHEDULE OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018**

	Beginning Balance	General Fund Budget	Additional Transfers	Internal Transfers	Revenues	Total Available	Expenditures	Ending Balance
Restricted fund balance								
Town Clerk document restoration	\$ 4,358	\$ 1,209	\$ -	\$ -	\$ -	\$ 5,567	\$ 320	\$ 5,247
LOCIP capital improvements	25,248	2,334	-	-	-	27,582	-	27,582
Total restricted	<u>29,606</u>	<u>3,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,149</u>	<u>320</u>	<u>32,829</u>
Committed fund balance								
Revaluation	95,538	35,000	-	-	-	130,538	-	130,538
Town equipment	15,298	5,000	-	-	-	20,298	15,298	5,000
Nonrecurring school funds	64,393	-	-	-	-	64,393	64,393	-
Transfer station improvements	-	5,000	-	-	-	5,000	-	5,000
Town Clerk preservation	1,031	-	-	-	-	1,031	-	1,031
Total committed	<u>176,260</u>	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>221,260</u>	<u>79,691</u>	<u>141,569</u>
Total	<u>\$ 205,866</u>	<u>\$ 48,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 254,409</u>	<u>\$ 80,011</u>	<u>\$ 174,398</u>

See accompanying Independent Auditors' Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

CAPITAL PROJECTS FUND SCHEDULE OF CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2018

	Beginning Balance	General Fund Budget	Additional Transfers	Internal Transfers	Revenues	Total Available	Expenditures	Ending Balance
Restricted fund balance								
Water study 1-95 (STEAP)	\$ 36,679	\$ -	\$ -	\$ -	\$ -	\$ 36,679	\$ -	\$ 36,679
Sewer study (STEAP)	144,818	-	-	-	-	144,818	2,482	142,336
Village water line (STEAP)	236,055	-	-	-	-	236,055	219,156	16,899
Total restricted	<u>417,552</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>417,552</u>	<u>221,638</u>	<u>195,914</u>
Committed fund balance								
Boombridge	131,169	-	-	-	-	131,169	59,577	71,592
Ambulance Association equipment	2,507	50,820	-	-	-	53,327	6,700	46,627
Town Hall computer	-	13,500	-	-	-	13,500	12,244	1,256
Selectmen furniture	1,314	1,500	-	-	-	2,814	2,814	-
CAT 963 bottom refurbish	-	30,600	-	-	-	30,600	29,450	1,150
Salt & sand building roof	-	63,987	-	-	-	63,987	-	63,987
Town boiler	-	22,000	-	-	-	22,000	-	22,000
Fire Department auto	-	55,000	-	-	-	55,000	55,000	-
Land acquisition	50,000	10,000	-	-	-	60,000	-	60,000
Town building repair	40,665	20,000	-	13,856	-	74,521	74,486	35
Civil preparedness	1,000	1,000	-	-	-	2,000	1,000	1,000
Narrow band radio upgrade	101,295	-	-	-	-	101,295	-	101,295
Recreation pavilion & fields	2,242	2,500	-	-	-	4,742	2,811	1,931
Town buildings - abate and demolish	59,650	40,000	-	-	-	99,650	6,406	93,244
Farm house	450	-	-	-	-	450	-	450
NSAA ambulance	213,900	-	-	-	-	213,900	-	213,900
Recreation area light	13,856	-	-	(13,856)	-	-	-	-
Fire Department training, rescue, scuba gear, hose	-	35,300	-	-	-	35,300	35,300	-
Capital lease - breathing apparatus	-	50,000	-	-	-	50,000	50,000	-
Forestry truck	154,591	-	-	-	-	154,591	154,264	327
Bucket truck (used)	10,100	10,000	-	-	-	20,100	16,796	3,304
Total committed	<u>782,739</u>	<u>406,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,188,946</u>	<u>506,848</u>	<u>682,098</u>
Total	<u>\$ 1,200,291</u>	<u>\$ 406,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,606,498</u>	<u>\$ 728,486</u>	<u>\$ 878,012</u>

See accompanying Independent Auditors' Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

**BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Salaries:					
Central office	\$ 668,995	\$ -	\$ 668,995	\$ 663,484	\$ 5,511
Administrators	390,731	-	390,731	390,731	-
Teachers	5,842,508	-	5,842,508	5,917,401	(74,893)
Guidance	125,282	-	125,282	125,282	-
Secretarial	169,051	-	169,051	163,217	5,834
Teacher assistants	320,050	-	320,050	328,501	(8,451)
Library/media	135,303	-	135,303	129,207	6,096
Custodial/grounds	427,245	-	427,245	401,321	25,924
Central office	131,815	-	131,815	158,810	(26,995)
Contracted services	64,000	-	64,000	83,615	(19,615)
Instructional supplies	2,000	686	2,686	19,926	(17,240)
Other expenses, schools	120,352	-	120,352	150,666	(30,314)
Supplies, health	4,000	-	4,000	2,371	1,629
Transportation	975,807	-	975,807	982,362	(6,555)
Heat	110,350	-	110,350	80,156	30,194
Utilities	200,132	-	200,132	165,947	34,185
Custodial supplies	39,000	-	39,000	40,162	(1,162)
Postage	9,000	-	9,000	506	8,494
Maintenance services	224,139	-	224,139	174,684	49,455
Lease of equipment	30,665	-	30,665	37,762	(7,097)
Replacement of equipment	-	-	-	100,675	(100,675)
Social security	207,838	-	207,838	202,161	5,677
Employee benefits	2,164,280	-	2,164,280	2,091,198	73,082
Employee retirement	75,847	-	75,847	75,435	412
Student activities	83,575	(686)	82,889	61,483	21,406
Equipment	-	-	-	15,853	(15,853)
Tuition	353,103	-	353,103	303,121	49,982
Total expenditures	\$ 12,875,068	\$ -	\$ 12,875,068	\$ 12,866,037	\$ 9,031

See accompanying Independent Auditors' Report.

TOWN OF NORTH STONINGTON, CONNECTICUT

**STATEMENT OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES SECTION 7-374(b)
FOR THE YEAR ENDED JUNE 30, 2018**

Total tax collections including interest and
lien fees for the year ended June 30, 2017

\$ 14,009,380

Reimbursement for revenue loss on:

Tax Relief for Elderly (CGS 12-129d)

-

Base

\$ 14,009,380

	<u>General</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt Limitation:					
2 1/4 times base	\$ 31,521,105	\$	\$	\$	\$
4 1/2 times base		63,042,210			
3 3/4 times base			52,535,175		
3 1/4 times base				45,530,485	
3 times base					42,028,140
Total debt limitation	<u>31,521,105</u>	<u>63,042,210</u>	<u>52,535,175</u>	<u>45,530,485</u>	<u>42,028,140</u>
Indebtedness:					
Bond anticipation notes payable	5,340,000	4,305,843	-	-	-
Authorized but unissued	<u>-</u>	<u>33,419,025</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total indebtedness	<u>5,340,000</u>	<u>37,724,868</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u><u>\$ 26,181,105</u></u>	<u><u>\$ 25,317,342</u></u>	<u><u>\$ 52,535,175</u></u>	<u><u>\$ 45,530,485</u></u>	<u><u>\$ 42,028,140</u></u>

NOTE: In no case shall total indebtedness exceed seven times annual receipts from taxation.

TOWN OF NORTH STONINGTON, CONNECTICUT

**REPORT OF THE TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2018**

Grand List October 1,	Taxes Receivable July 1, 2017	Lawful Corrections		Suspense Transfers	Taxes Receivable	Collections			Taxes Receivable June 30, 2018
		Additions	Deductions			Taxes	Interest and Liens	Total	
2016	\$ 14,717,071	\$ 5,391	\$ 28,857	\$ (2,777)	\$ 14,690,828	\$ 14,494,097	\$ 51,610	\$ 14,545,707	\$ 196,731
2015	306,060	171	3,099	(8,357)	294,775	241,461	58,108	299,569	53,314
2014	211,137	512	249	(13,790)	197,610	180,996	71,199	252,195	16,614
2013	157,599	-	-	(10,998)	146,601	126,855	76,869	203,724	19,746
2012	15,730	-	-	(6,428)	9,302	759	-	759	8,543
2011	6,539	-	-	(532)	6,007	-	-	-	6,007
2010	7,368	-	-	(53)	7,315	-	-	-	7,315
2009	4,181	-	488	(47)	3,646	-	-	-	3,646
2008	5,657	-	482	(3,027)	2,148	-	-	-	2,148
2007	2,571	-	471	-	2,100	-	-	-	2,100
2006	2,292	-	449	-	1,843	-	-	-	1,843
2005	2,281	-	449	-	1,832	-	-	-	1,832
2004	1,225	-	477	-	748	-	-	-	748
2003	1,029	-	-	-	1,029	-	-	-	1,029
2002	955	-	-	-	955	-	-	-	955
	<u>\$ 15,441,695</u>	<u>\$ 6,074</u>	<u>\$ 35,021</u>	<u>\$ (46,009)</u>	<u>\$ 15,366,739</u>	<u>\$ 15,044,168</u>	<u>\$ 257,786</u>	<u>\$ 15,301,954</u>	<u>\$ 322,571</u>

See accompanying Independent Auditors' Report.