

# **Town of Deep River, Connecticut**

Financial Report  
June 30, 2015



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**Independent Auditor's Report**

To the Board of Finance  
Town of Deep River, Connecticut

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Town of Deep River, Connecticut (the Town) as of and for the fiscal year ended June 30, 2015, 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.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Deep River, Connecticut as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter—Adoption of Standards

As explained in the Summary of Significant Accounting Policies in the notes to the financial statements, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB 68*, which resulted in the Town restating net position for recognition of the Town's pension related activity incurred prior to July 1, 2014. 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 Discussion and Analysis, pension related schedules and budgetary comparison information 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.

### Supplementary and 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 accompanying combining and individual fund financial statements and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

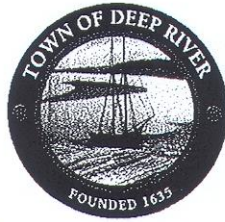
In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2016 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

*RSM US LLP*

New Haven, Connecticut  
February 8, 2016

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SELECTMAN'S OFFICE  
174 Main Street  
Deep River, Connecticut 06417

## **Management's Discussion and Analysis - Unaudited June 30, 2015**

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As management of the Town of Deep River, Connecticut, we offer readers of the Town of Deep River's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015.

### **Financial Highlights**

- As of July 1, 2014, the Town was required to implement GASB Statement No. 68 related to pensions. This Statement required that the unrestricted net position of the statement of net position as of July 1, 2014 be restated and increased in the amount of \$167,448. The increase did not result from a change in benefits offered to employees, only the recognition of the total liability on the statement of net position.
- On a government-wide basis, the Town's net position increased by \$724,851 for the fiscal year, governmental activities decreased by \$482,890 while business-type activities of the Town increased by \$1,207,741. The governmental activities decrease was due to transfer of capital assets to the Sewer Fund. The business-type activities increase was due principally to the transfer from the governmental activities related to capital assets.
- The Town's combined net position totals \$19,038,569 at June 30, 2015.
- At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances (deficits) of (\$496,824), a decrease of \$883,121 from the prior year.
- At year-end, the unassigned fund balance for the general fund was \$390,475 or 2.40% of total general fund expenditures and transfers out.
- The Town's total capital lease debt for governmental activities decreased by \$242,539 during the fiscal year. The decrease is due to regularly scheduled principal payments made during the fiscal year. Total debt for business-type activities decreased by \$161,708 due to principal payments on the Clean Water sewer note.

## Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Deep River's basic financial statements. The Town of Deep River's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Deep River's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference being reported as net 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 changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, public works, health and social services, parks and recreation and education. The business-type activity of the Town is for sewer operations.

The government-wide financial statements can be found on pages 13 and 14 of this report.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Deep River uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a 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 governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains nine (9) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the one fund considered to be a major fund. Data from the other eight (8) governmental funds is presented collectively for all remaining funds. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the report.

<u>Major Governmental Funds</u>	<u>Non-major Governmental Funds</u>	
General		Incubator Building Fund
Capital Projects	Small Cities Project SC-96	Grant Account
	Hot Lunch Program Fund	Social Services
		Deep River Town Hall
		Auditorium Restoration Fund

The Town adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary Funds.** The Town of Deep River maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statement provides information for the sewer operations, which is considered to be a major fund of the Town.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

### **Notes to the Basic Financial Statements**

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of Deep River's progress in funding its obligation to provide pension benefits to its employees, and the general fund budgetary information.

The combining statements and supplemental schedules referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions.

### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town of Deep River, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$19,038,569 at the close of the fiscal year.

The largest portion of the Town's net position, \$20,202,927 (106.1%), reflects its investment in capital assets (e.g., land, land improvements, buildings, sewer plant and collection system, machinery and equipment, vehicles and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Town of Deep River**  
**Summary Statement of Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 3,413,475	\$ 2,080,248	\$ 240,875	\$ 157,477	\$ 3,654,350	\$ 2,237,725
Capital assets (net)	12,969,804	13,010,384	10,654,387	9,821,867	23,624,191	22,832,251
<b>Total assets</b>	<b>16,383,279</b>	<b>15,090,632</b>	<b>10,895,262</b>	<b>9,979,344</b>	<b>27,278,541</b>	<b>25,069,976</b>
Deferred pension items	189,375	-	-	-	189,375	-
<b>Total deferred outflows of resources</b>	<b>189,375</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>189,375</b>	<b>-</b>
Long-term liabilities outstanding	2,579,816	3,083,871	1,975,586	2,137,294	4,555,402	5,221,165
Other liabilities	3,640,701	1,346,270	226,156	356,271	3,866,857	1,702,541
<b>Total liabilities</b>	<b>6,220,517</b>	<b>4,430,141</b>	<b>2,201,742</b>	<b>2,493,565</b>	<b>8,422,259</b>	<b>6,923,706</b>
Deferred pension credit	7,088	-	-	-	7,088	-
<b>Total deferred inflows of resources</b>	<b>7,088</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,088</b>	<b>-</b>
Net position:						
Net Investment in capital assets	11,524,126	12,085,979	8,678,801	7,684,573	20,202,927	19,770,552
Restricted	71,386	71,670	-	-	71,386	71,670
Unrestricted (deficit)	(1,250,463)	(1,497,158)	14,719	(198,794)	(1,235,744)	(1,695,952)
<b>Total net position</b>	<b>\$ 10,345,049</b>	<b>\$ 10,660,491</b>	<b>\$ 8,693,520</b>	<b>\$ 7,485,779</b>	<b>\$ 19,038,569</b>	<b>\$ 18,146,270</b>

**Town of Deep River**  
**Summary Statement of Activities**

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 898,905	\$ 814,332	\$ 923,217	\$ 876,322	\$ 1,822,122	\$ 1,690,654
Operating grants and contributions	2,530,551	2,484,584	-	-	2,530,551	2,484,584
Capital grants and contributions	371,628	340,193	-	-	371,628	340,193
General revenues:						
Property taxes	12,933,564	12,328,710	-	-	12,933,564	12,328,710
Grants and contributions not restricted to specific programs	112,138	107,538	-	-	112,138	107,538
Investment income	5,924	5,804	6	3	5,930	5,807
Transfers	(1,218,753)	-	1,218,753	-	-	-
<b>Total revenues and transfers</b>	<b>15,633,957</b>	<b>16,081,161</b>	<b>2,141,976</b>	<b>876,325</b>	<b>17,775,933</b>	<b>16,957,486</b>
<b>Expenses:</b>						
General government	1,961,773	2,090,269	-	-	1,961,773	2,090,269
Public Safety	698,420	791,594	-	-	698,420	791,594
Public Works	1,238,009	1,362,710	-	-	1,238,009	1,362,710
Health and Social Services	102,030	139,729	-	-	102,030	139,729
Parks and Recreation	319,546	341,815	-	-	319,546	341,815
Education	11,758,382	11,660,518	-	-	11,758,382	11,660,518
Interest expense	38,687	106,000	-	-	38,687	106,000
Sewer department	-	-	934,235	1,186,299	934,235	1,186,299
<b>Total expenses</b>	<b>16,116,847</b>	<b>16,492,635</b>	<b>934,235</b>	<b>1,186,299</b>	<b>17,051,082</b>	<b>17,678,934</b>
<b>Change in net position</b>	<b>(482,890)</b>	<b>(411,474)</b>	<b>1,207,741</b>	<b>(309,974)</b>	<b>724,851</b>	<b>(721,448)</b>
<b>Net Position, Beginning*</b>	<b>10,827,939</b>	<b>11,072,065</b>	<b>7,485,779</b>	<b>7,795,753</b>	<b>18,313,718</b>	<b>18,867,818</b>
<b>Net Position, Ending</b>	<b>\$ 10,345,049</b>	<b>\$ 10,660,591</b>	<b>\$ 8,693,520</b>	<b>\$ 7,485,779</b>	<b>\$ 19,038,569</b>	<b>\$ 18,146,370</b>

\* Restated due to GASB 68 implementation in FY2015

## **Governmental Activities**

The Town's governmental activities net position decreased by \$482,890 during the current fiscal year.

Governmental activities revenues totaled \$16,852,710 before the transfer to the sewer fund of \$1,218,753, for fiscal year 2015. Property taxes are the largest revenue source for the Town and represent \$12,933,564 or 76.7% of governmental revenues. Current tax collections were 97.2% of the adjusted tax levy. Operating grants and contributions revenues are the Town's second largest revenue. Operating grants and contributions revenues were \$2,530,551 or 15.0% of governmental revenues for the year. Charges for services, the third largest revenue, were \$898,905 or 5.3% of governmental revenues. Capital grants and contributions restricted to specific programs were \$371,628, or 2.2% of governmental revenues. Grants and contributions not restricted to specific programs were \$112,138, or 0.7% and include elderly tax relief and in lieu of tax contributions. The remaining \$5,924 is generated by investment income and represents less than 0.1% of total revenues.

Governmental activities revenues increased by \$771,549, or 4.8%, from that of the prior year. Significant fluctuations from the prior year were as follows:

- A \$604,854 increase in property tax revenues. Such an increase was a result in an increase to our taxable grand list over that of the prior fiscal year, as well as enhanced collection efforts on both the current and past due tax levy.
- A \$45,967 increase in operating grants and contributions. The increase was due primarily to an increase in education grant funding.
- Capital grants and contributions decreased by \$31,435 due primarily to the grant in connection with Plattwood Park.
- Charges for services increased by \$131,468.
- Investment income decreased \$123.

**Expenses.** Governmental expenses totaled \$16,116,847 for the fiscal year. Of the expenses, \$11,758,382 or 73.7 is related to education. General government expenses amounted to \$1,961,773 or 12.2%, while public works amounted to \$1,238,009 or 7.7%. Public safety expenses were \$698,420 or 4.3%. Interest expense was \$38,687 or 0.2%. Health and social services expenses were \$102,030 or 0.6%, and park and recreation expenses were \$319,546 or 2.0%.

Governmental activities expenses decreased by \$375,788 or 2.3%, from that of the prior year. Significant fluctuations from the prior year were as follows:

- General government decreased due to the decrease in expense as a result of the reporting of pension related items due to the implementation of GASB No. 68.
- Public safety decreased due to the excess of capitals expenditures over depreciation expense related to capital assets.
- Public works decreased due to a decrease in equipment and road maintenance expenditures.
- Education increased by \$97,864 due to the increase in costs.

## **Business-Type Activities**

**Revenues.** General revenues do not support the Town's business-type activities; thus, the largest source of revenues comes from charges for services. Of the \$2,141,976 in sewer department revenues and transfers, 43.1% or \$923,217 came from charges for services (sewer assessment, usage fees, and private septage disposal). Transfers of \$1,218,753 make up 56.7% of total revenues and transfers. Investment income makes up less than 0.01% of revenues and transfers for the Town's business-type activities. Revenues decreased by \$57,222 primarily due to less septage volume processed during fiscal year 2015.

**Expenses.** Business-type expenses totaled \$934,235 for the sewer department's fiscal year ended June 30, 2015. Such expenses decreased by \$252,064 from that of the prior year. Expenditures decreased due to decrease in operating costs.

### **Financial Analysis of the Town's Funds**

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. In particular, unassigned fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year.

The combined fund balances (deficits) of governmental funds for the fiscal year ended June 30, 2015, is (\$496,824). The fund balance includes \$65,475 to liquidate contracts and purchase orders of the prior period, \$71,386 restricted for specific purposes, \$147,923 committed to certain functions and (\$742,722) as unassigned (deficit).

The General Fund is the operating fund of the Town. The fund balance of the General Fund increased by \$280,895 during the current fiscal year.

The Capital Projects Fund had a decrease in fund balance in the amount of \$1,106,587 due to a transfer to the Sewer Fund.

**Proprietary Funds.** The Town's proprietary fund provides the same information found in the government-wide financial statements, but in more detail. The Town's sewer enterprise fund posted an overall increase in net position of \$1,207,741 for the fiscal year ended June 30, 2015.

**Sewer Fund.** Unrestricted net position of the sewer fund at the end of the year amounted to \$14,719.

Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

### **General Fund Budgetary Highlights**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues and Other Financing Sources</b>				
Property taxes	\$ 12,712,901	\$ 12,712,901	\$ 12,988,027	\$ 275,126
Intergovernmental, charges for services and other	2,520,779	2,520,779	2,999,393	478,614
<b>Total revenues and other financing sources</b>	<b>15,233,680</b>	<b>15,233,680</b>	<b>15,987,420</b>	<b>753,740</b>
<b>Expenditures and Other Financing Uses</b>				
Expenditures	15,277,887	15,683,566	15,711,741	(28,175)
Transfers	(46,915)	(46,915)	-	46,915
<b>Total expenditures and other financing uses</b>	<b>15,230,972</b>	<b>15,636,651</b>	<b>15,711,741</b>	<b>(75,090)</b>
<b>Net change in fund balance</b>	<b>\$ 2,708</b>	<b>\$ (402,971)</b>	<b>\$ 275,679</b>	<b>\$ 678,650</b>

The final amended budget exceeded the original budget by \$275,679. Overall, revenues exceed our original estimates. However, expenses (primarily capital expenditures and road maintenance) also exceeded our original estimates based primarily on the timing of project completions.

## Capital Assets

At June 30, 2015, the Town of Deep River's investment in capital assets in both governmental and business-type activities amounted to \$23,624,191, net of depreciation. This includes land, land improvements, buildings, sewer plant and collection system, machinery and equipment, vehicles, and roads (accepted by the Town since July 1, 2004). The net increase in the Town's investment in capital assets for the current fiscal year was \$791,040, or 3.5%. The increase relates primarily to the ongoing streetscape project, town road and sewer plant improvements and the Village Street bridge replacement, offset by depreciation expense.

	Capital Assets - Net					
	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 684,688	\$ 514,688	\$ 360,214	\$ 360,214	\$ 1,044,902	\$ 874,902
Construction in progress	59,044	-	1,083,435	-	1,142,479	-
Buildings	7,016,115	7,339,879	-	-	7,016,115	7,339,879
Sewer plant and collection system	-	-	8,890,987	9,153,060	8,890,987	9,153,060
Machinery and equipment	122,206	108,516	319,751	308,591	441,957	417,108
Vehicles	1,020,435	1,147,776	-	2	1,020,435	1,147,778
Infrastructure	4,067,316	3,899,525	-	-	4,067,316	3,899,525
<b>Total</b>	<b>\$ 12,969,804</b>	<b>\$ 13,010,384</b>	<b>\$ 10,654,387</b>	<b>\$ 9,821,867</b>	<b>\$ 23,624,191</b>	<b>\$ 22,832,251</b>

## Long-Term Debt

At the end of the current fiscal year, the Town had total bonded and note debt outstanding of \$1,975,586. Such debt is backed by the full faith and credit of the government.

Town of Deep River Outstanding Debt General Obligation Bonds and Notes June 30, 2015 and 2014						
	June 30, 2015			June 30, 2014		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Clean water notes	\$ -	\$ 1,975,586	\$ 1,975,586	\$ -	\$ 2,137,294	\$ 2,137,294
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,975,586</b>	<b>\$ 1,975,586</b>	<b>\$ -</b>	<b>\$ 2,137,294</b>	<b>\$ 2,137,294</b>

The Town does not maintain a bond rating as there is no general obligation debt outstanding.

State statutes limit the amount of general obligation debt a governmental entity may issue up to seven times total tax collections including interest and lien fees and the tax relief for the elderly freeze grant. The current debt limitation for the Town is approximately \$96,391,121, which is significantly in excess of the Town's outstanding general obligation debt.

### **Next Year's Budgets and Rates**

The Town elected and appointed officials considered many factors when setting the fiscal year 2015/2016 budget. The Town decided that it was important to continue the support of the schools and adopt a budget designed to promote long-term fiscal stability. The Town has not appropriated any of the unreserved fund balance to aid in balancing the 2015/2015 budget.

The 2015/2016 general fund budget is \$15,748,630, an increase of \$36,889 or 0.2% over the prior year actual expenditures.

### **Requests for Information**

This financial report is designed to familiarize our citizens, taxpayers and customers with the Town's finances and to demonstrate the Town's fiscal accountability for its operation. Questions concerning this report, or requests for additional financial information, should be directed to Mr. Richard H. Smith, First Selectman, 174 Main Street, Town Hall, Deep River, CT 06417, Telephone (860) 526-6020.



## **Basic Financial Statements**



Town of Deep River, Connecticut

Statement of Net Position  
June 30, 2015

	Governmental Type Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,555,623	\$ 46,561	\$ 2,602,184
Receivables:			
Property taxes, net of allowance for collection losses	381,225	-	381,225
Assessments/use charges	-	110,183	110,183
Intergovernmental	66,658	-	66,658
Loans	34,460	-	34,460
Other	206,179	129,006	335,185
Inventory	6,369	-	6,369
Internal balances	162,961	(162,961)	-
Assessments/use charges, noncurrent	-	118,086	118,086
Capital assets, not being depreciated	743,732	1,443,649	2,187,381
Capital assets, being depreciated, net of depreciation	12,226,072	9,210,738	21,436,810
<b>Total assets</b>	<b>16,383,279</b>	<b>10,895,262</b>	<b>27,278,541</b>
<b>Deferred Outflows of Resources</b>			
Deferred pension items	189,375	-	189,375
<b>Total deferred outflows of resources</b>	<b>189,375</b>	<b>-</b>	<b>189,375</b>
<b>Liabilities</b>			
Accounts payable and accruals	840,701	226,156	1,066,857
Short-term loan	2,800,000	-	2,800,000
Noncurrent liabilities:			
Due within one year	174,897	164,973	339,870
Due in more than one year	2,404,919	1,810,613	4,215,532
<b>Total liabilities</b>	<b>6,220,517</b>	<b>2,201,742</b>	<b>8,422,259</b>
<b>Deferred Inflows of Resources</b>			
Deferred pension credit	7,088	-	7,088
<b>Total deferred inflows of resources</b>	<b>7,088</b>	<b>-</b>	<b>7,088</b>
<b>Net Position</b>			
Net Investment in capital assets	11,524,126	8,678,801	20,202,927
Restricted	71,386	-	71,386
Unrestricted (deficit)	(1,250,463)	14,719	(1,235,744)
<b>Total net position</b>	<b>\$ 10,345,049</b>	<b>\$ 8,693,520</b>	<b>\$ 19,038,569</b>

See Notes to Financial Statements.

Town of Deep River, Connecticut

Statement of Activities

For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities</b>							
General government	\$ 1,961,773	\$ 252,160	\$ 80,553	\$ -	\$ (1,629,060)	\$ -	\$ (1,629,060)
Public Safety	698,420	337,897	-	-	(360,523)	-	(360,523)
Public Works	1,238,009	138,590	-	371,628	(727,791)	-	(727,791)
Health and Social Services	102,030	-	-	-	(102,030)	-	(102,030)
Parks and Recreation	319,546	105,319	-	-	(214,227)	-	(214,227)
Education	11,758,382	64,939	2,449,998	-	(9,243,445)	-	(9,243,445)
Interest expense	38,687	-	-	-	(38,687)	-	(38,687)
<b>Total governmental activities</b>	<b>16,116,847</b>	<b>898,905</b>	<b>2,530,551</b>	<b>371,628</b>	<b>(12,315,763)</b>	<b>-</b>	<b>(12,315,763)</b>
<b>Business-type activities</b>							
Sewer Enterprise	934,235	923,217	-	-	-	(11,018)	(11,018)
<b>Total business-type activities</b>	<b>934,235</b>	<b>923,217</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,018)</b>	<b>(11,018)</b>
<b>Total primary government</b>	<b>\$ 17,051,082</b>	<b>\$ 1,822,122</b>	<b>\$ 2,530,551</b>	<b>\$ 371,628</b>	<b>(12,315,763)</b>	<b>(11,018)</b>	<b>(12,326,781)</b>
General revenues:							
Property taxes					12,933,564	-	12,933,564
Grants and contributions not restricted to specific programs					112,138	-	112,138
Income from investments					5,924	6	5,930
Transfers					(1,218,753)	1,218,753	-
<b>Total general revenues and transfers</b>					<b>11,832,873</b>	<b>1,218,759</b>	<b>13,051,632</b>
<b>Change in net position</b>					<b>(482,890)</b>	<b>1,207,741</b>	<b>724,851</b>
Net Position - Beginning, as restated (Notes 1 and 16)					10,827,939	7,485,779	18,313,718
Net Position - Ending					<b>\$ 10,345,049</b>	<b>\$ 8,693,520</b>	<b>\$ 19,038,569</b>

See Notes to Financial Statements.

Town of Deep River, Connecticut

Balance Sheet - Governmental Funds  
June 30, 2015

	General	Capital Projects Funds	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 307,799	\$ 2,074,533	\$ 173,291	\$ 2,555,623
Receivables (net of allowances for collection losses):				
Property taxes	381,225	-	-	381,225
Intergovernmental	55,752	-	10,906	66,658
Loans	-	-	34,460	34,460
Other	201,585	-	4,594	206,179
Inventory	-	-	6,369	6,369
Due from other funds	251,065	-	-	251,065
<b>Total assets</b>	<b>\$ 1,197,426</b>	<b>\$ 2,074,533</b>	<b>\$ 229,620</b>	<b>\$ 3,501,579</b>
<b>Liabilities</b>				
Accounts payable and accruals	\$ 470,173	\$ 343,835	\$ 26,693	\$ 840,701
Due to other funds	1,705	67,880	18,519	88,104
Short-term notes	-	2,800,000	-	2,800,000
<b>Total liabilities</b>	<b>471,878</b>	<b>3,211,715</b>	<b>45,212</b>	<b>3,728,805</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenues - property taxes	269,598	-	-	269,598
	<b>269,598</b>	<b>-</b>	<b>-</b>	<b>269,598</b>
<b>Fund balances (deficits)</b>				
Restricted	-	-	71,386	71,386
Committed	-	-	30,589	30,589
Assigned	65,475	-	82,448	147,923
Unassigned	390,475	(1,137,182)	(15)	(746,722)
<b>Total fund balances (deficits)</b>	<b>455,950</b>	<b>(1,137,182)</b>	<b>184,408</b>	<b>(496,824)</b>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 1,197,426</b>	<b>\$ 2,074,533</b>	<b>\$ 229,620</b>	

Amounts reported for governmental activities in the statement of  
net position are different because:

Capital assets, net of accumulated depreciation purchased in governmental funds are reported as expenditures, however, the statement of net positions includes those capital assets among the assets of the Town as a whole.	12,969,804
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	269,598
Deferred pension items	189,375
Deferred pension credit	(7,088)
Accrued interest payable	
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,579,816)
Net position of governmental activities	<b>\$ 10,345,049</b>

See Notes to Financial Statements.

Town of Deep River, Connecticut

**Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) - Governmental Funds**  
**For the Year Ended June 30, 2015**

	General	Capital Projects Funds	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes and lien fees	\$ 12,988,027	\$ -	\$ -	\$ 12,988,027
Intergovernmental	2,819,743	-	180,376	3,000,119
Charges for services	726,455	-	172,450	898,905
Investment income	5,117	765	42	5,924
Other	-	-	14,198	14,198
<b>Total revenues</b>	<b>16,539,342</b>	<b>765</b>	<b>367,066</b>	<b>16,907,173</b>
<b>Expenditures</b>				
Current:				
General government	1,783,811	-	169,843	1,953,654
Public safety	672,954	-	-	672,954
Public works	1,232,848	-	-	1,232,848
Health and social services	107,795	-	12,378	120,173
Parks and recreation	312,262	-	-	312,262
Education	11,549,813	-	240,830	11,790,643
Capital outlay	206,337	-	1,444	207,781
Debt service	257,309	23,917	-	281,226
<b>Total expenditures</b>	<b>16,123,129</b>	<b>23,917</b>	<b>424,495</b>	<b>16,571,541</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>416,213</b>	<b>(23,152)</b>	<b>(57,429)</b>	<b>335,632</b>
<b>Other Financing Sources</b>				
Transfer out	(135,318)	(1,083,435)	-	(1,218,753)
<b>Total other financing sources</b>	<b>(135,318)</b>	<b>(1,083,435)</b>	<b>-</b>	<b>(1,218,753)</b>
<b>Change in fund balances (deficits)</b>	<b>280,895</b>	<b>(1,106,587)</b>	<b>(57,429)</b>	<b>(883,121)</b>
Fund Balances (Deficits), Beginning	175,055	(30,595)	241,837	386,297
Fund Balances (Deficits), Ending	\$ 455,950	\$ (1,137,182)	\$ 184,408	\$ (496,824)

See Notes to Financial Statements.

**Town of Deep River, 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, 2015**

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Net change in fund balances (deficits) - total governmental funds	\$ (883,121)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(40,580)
Changes in revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(54,463)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net positions. 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 statements of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	242,539
Amounts reported for governmental activities in the statement of activity are different because:	
Changes in deferred inflows/outflows due to pension related items	181,212
Changes in some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>71,523</u>
Change in net position - governmental activities	<u><u>\$ (482,890)</u></u>

See Notes to Financial Statements.

**Town of Deep River, Connecticut**

**Statement of Net Position - Proprietary Funds  
June 30, 2015**

	Business-Type Activities Sewer
<b>Assets</b>	
Current Assets	
Cash and cash equivalents	\$ 46,561
Receivables:	
Assessments	25,000
User charges	85,183
Other	129,006
Due from other funds	1,705
<b>Total current assets</b>	<b>287,455</b>
Noncurrent Assets	
Assessment receivables	118,086
Capital assets, net of accumulated depreciation	10,654,387
<b>Total noncurrent assets</b>	<b>10,772,473</b>
<b>Total assets</b>	<b>11,059,928</b>
<b>Liabilities</b>	
Current Liabilities	
Accounts payable and accrued liabilities	226,156
Due to other funds	164,666
Loan payable	164,973
<b>Total current liabilities</b>	<b>555,795</b>
Noncurrent Liabilities	
Loan payable	1,810,613
<b>Total noncurrent liabilities</b>	<b>1,810,613</b>
<b>Total liabilities</b>	<b>2,366,408</b>
<b>Net Position</b>	
Net Investment in Capital Assets	8,678,801
Unrestricted	14,719
<b>Total net position</b>	<b>\$ 8,693,520</b>

See Notes to Financial Statements.



**Town of Deep River, Connecticut**

**Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds  
For the Year Ended June 30, 2015**

	Business-Type Activities Sewer
Operating Revenues	
Charges for services	\$ 923,217
<b>Total operating revenues</b>	<b>923,217</b>
Operating Expenses	
Salaries and benefits	248,511
Contracted services	9,763
Utilities	210,249
Plant operation	110,530
Administration	16,994
Depreciation	296,920
<b>Total operating expenses</b>	<b>892,967</b>
<b>Operating income</b>	<b>30,250</b>
Nonoperating Revenues (Expenses)	
Investment income	6
Interest expense	(41,268)
<b>Total nonoperating revenues (expenses)</b>	<b>(41,262)</b>
Other financing sources	
Transfer In	1,218,753
<b>Change in net position</b>	<b>1,207,741</b>
Net Position, Beginning	7,485,779
Net Position, Ending	<b>\$ 8,693,520</b>

See Notes to Financial Statements

**Town of Deep River, Connecticut**

**Statement of Cash Flows - Proprietary Funds  
For the Year Ended June 30, 2015**

	Business-Type Activities Sewer
Cash Flows From Operating Activities	
Receipts from customers	\$ 933,851
Payments to suppliers	(568,364)
Payment to employees	(240,727)
<b>Net cash provided by operating activities</b>	<b>124,760</b>
Cash Flows From Capital and Related Financing Activities	
Purchase of capital assets	(46,005)
Principal payments	(26,390)
Interest payments	(41,268)
<b>Net cash used in capital and related financing activities</b>	<b>(113,663)</b>
Cash Flows Provided by Investing Activities	
Investment income	6
<b>Net cash provided by investing activities</b>	<b>6</b>
<b>Net increase in cash and cash equivalents</b>	<b>11,103</b>
Cash and Cash Equivalents	
Beginning	35,458
Ending	<u><u>\$ 46,561</u></u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating income	\$ 30,250
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation	296,920
(Increase) decrease in:	
Assessments receivable	59,751
Other and user charges receivable	(49,117)
Due from other funds	(1,705)
Increase (decrease) in:	
Accounts and other payables	(130,115)
Due to other funds	(81,224)
<b>Net cash provided by operating activities</b>	<b><u><u>\$ 124,760</u></u></b>
<b>Schedule of non-cash capital and financing activities</b>	
Contribution of capital assets	<u><u>\$ 1,083,435</u></u>
Principal payments made by other funds	<u><u>\$ 135,318</u></u>

See Notes to Financial Statements.

**Town of Deep River, Connecticut**

**Statement of Fiduciary Net Position - Fiduciary Funds**  
**June 30, 2015**

	Pension Trust Funds	Agency Funds
<b>Assets</b>		
Cash	\$ -	\$ 12,148
Investments at fair value:		
Equity mutual funds	1,998,250	-
Bond mutual funds	885,014	-
Fixed income mutual funds	1,938	-
<b>Total investments</b>	<b>2,885,202</b>	<b>-</b>
Receivable		
Employer contribution	83,774	-
<b>Total assets</b>	<b>2,968,976</b>	<b>12,148</b>
<b>Liabilities</b>		
Due to student groups	-	12,148
<b>Total liabilities</b>	<b>-</b>	<b>12,148</b>
<b>Net position - restricted for pension benefits</b>	<b>\$ 2,968,976</b>	<b>\$ -</b>

See Notes to Financial Statements.

**Town of Deep River, Connecticut**

**Statement of Changes in Fiduciary Net Position - Fiduciary Funds  
For the Year Ended June 30, 2015**

	Pension Trust Funds
Additions	
Contributions:	
Employer	\$ 280,441
<b>Total contributions</b>	<u>280,441</u>
Investment income:	
Net appreciation in fair value of investments	45,978
Interest income	56
<b>Total</b>	<u>46,034</u>
<b>Total additions</b>	<u>326,475</u>
Deductions	
Benefits	340,671
Administration	250
<b>Total deductions</b>	<u>340,921</u>
<b>Change in net position</b>	(14,446)
Net Position - Restricted for Pension Benefits	
Beginning	<u>2,983,422</u>
Ending	<u>\$ 2,968,976</u>

See Notes to Financial Statements.

## Town of Deep River, Connecticut

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies

**Reporting entity:** The Town of Deep River, Connecticut (the Town), was incorporated in 1635. The Town is located on the Connecticut River and is seven miles north of Long Island Sound. The Town is traversed by Connecticut Routes 9, 80, 145 and 154. The Town operates under a Town Meeting form of government; the First Selectman serves as the Chief Executive Officer. The Town provides a full range of services including education, public safety, roads, sanitation, health, social services, culture and recreation, planning, zoning, and general administrative services to its residents.

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 criteria provided in Government Accounting Standards Board Statements have been considered and there are no agencies or entities which should be presented with the Town.

Accounting standards adopted in the current year:

**GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, and its amendment, GASB Statement No. 71***, was implemented on July 1, 2014. This statement revised and established new financial reporting requirements for most governments that provide their employees with pension benefits. Among other requirements, Statement No. 68 required governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time and calls for immediate recognition of more pension expense than is currently required. The effects of the implementation of this statement are as follows: The beginning net position was increased by \$167,448, a pension asset and pension liability of \$23,620 and \$1,427,986, respectively were removed, and net pension liability of \$1,236,918 was added. Details can be found in Note 16. The adoption of these GASB standard also provided additional disclosures for the State Teachers' Retirement Plan. Additional disclosures are presented in note 11.

**GASB Statement No. 69, *Government Combinations and Disposals of Government Operations***, was implemented on July 1, 2014. This statement provided guidance for determining whether a specific government combination is a government merger, acquisition, or a transfer of operations, which will improve accounting for mergers and acquisitions among state and local governments. The implementation of this statement had no impact on the Town's financial statements.

**Basis of presentation:** The financial statements of the Town have been prepared in conformity with GAAP as applied to government units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Town are described below.

**Government-wide and fund financial statements:** The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

## Town of Deep River, Connecticut

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

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

**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 proprietary fund and fiduciary fund financial statements. Agency funds do not have a measurement focus but are accounted for on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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 and expenditures related to pension, compensated absences and claims and judgments, are recorded only when payment is due (matured).

Property taxes when levied for, intergovernmental revenue when eligibility requirements are met, transfers, and interest associated with the current fiscal period are all considered to be measurable and so have been recognized as revenues of the current fiscal period, if available. All other revenue items are considered to be measurable only when cash is received by the Town.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Project Fund is used for the acquisition and construction of significant capital assets other than those accounted for in the proprietary fund.

The Town reports the following major proprietary fund:

The Sewer Fund accounts for the activities of the Town's Water Pollution Control Authority.

Additionally, the Town reports the following fiduciary fund types:

The Pension Trust Funds account for the activities of the Town's Employees' Retirement System and the Firefighter's Retirement System, which accumulates resources for pension benefit payments to qualified employees.

## Town of Deep River, Connecticut

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

The Agency Funds account for monies held as a custodian for outside student groups and amounts held for performance bonds do not involve measurement of results of operations.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of proprietary funds are charges to customers for services and other Town funds for premiums. Operating expenses for the funds include the cost of operations and maintenance, administrative expenses, claim expense, and depreciation on capital expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Accounting estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and the accompanying notes. Actual results could differ from those estimates.

**Property taxes:** Property taxes are assessed as of October 1, and are levied for on the following July 1. Real estate taxes are due in two installments, July 1 and January 1. Personal property and motor vehicle taxes are due in one installment on July 1, and supplemental motor vehicle taxes are due in full January 1. Taxes become delinquent thirty days after the installment is due. Liens are filed by the last day of the fiscal year.

Delinquent real estate taxes are billed at least twice a year, with interest charged at a rate of 1.5 percent per month. Delinquent motor vehicle and personal property accounts are transferred to a suspense account after three years, at which time they cease to be carried as receivables. However, they remain valid claims for up to 15 years after being levied.

**Cash and cash equivalents:** The Town's cash and cash equivalents consist of cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

**Allowance for doubtful accounts:** Property taxes, accounts and notes receivable for the primary government are reported net of allowance for doubtful accounts. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based on past collection history and on analysis of creditor's ability to pay.

## Town of Deep River, Connecticut

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Investments:** Investments for the Town are primarily reported at fair value using quoted market prices. The Connecticut State Treasurer's Short-Term Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c through 3-27e. Investment guidelines are adopted by the State Treasurer. Investment income is recorded in the fund in which it was earned. Allowable investments under the pension funds' investment policy consist of investment grade corporate bonds as rated by Standard and Poor's, government bonds issued and guaranteed by the U.S. Treasury and U.S. Agencies, federally insured certificates of deposit, and equities consisting of stocks and mutual funds. Funds may also be invested in the high yield sector (bonds below investment grade) provided the investment is made in mutual funds and does not comprise more than 10% of the equity portion of the portfolio. Professional money managers are employed to manage the assets allocated to them. The Board of Selectmen, as trustee of the pension plans, is responsible for overall investment policy. Any change in investment manager or individual security purchase must have their approval. The pension committee acts as advisor to the Board of Selectmen.

The balance of the pooled fixed income investments were invested in a pool similar to a 2a-7. The fair value of the position in the pool is the same as the value of the pool shares. These investments are stated at amortized cost.

**Inventories:** Inventories are stated at the lower of cost or market determined on the first-in, first-out basis.

**Capital assets:** Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and proprietary fund financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 for equipment, \$20,000 for improvements and \$100,000 for infrastructure and an estimated useful life of in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred net of interest earned on project specific debt during the construction phase of capital assets of business-type activities and enterprise fund is included as part of the capitalized cost of the assets constructed.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	15-25
Buildings	20-75
Machinery and equipment	5-25
Infrastructure	50-100
Sewer plant	20-100
Sewer lines	60



## Town of Deep River, Connecticut

### Notes to Financial Statements

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

In the governmental fund financial statements, capital outlay (assets) is reported as expenditure and no depreciation expense is reported.

**Compensated absences:** Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement.

Sick leave and vacation leave expenditures are recognized in the governmental funds in the current year to the extent they are paid during the year or the vested amount is expected to be paid with available resources. The vesting method, using historical data, was used to calculate the liability. Vested sick leave and accumulated vacation leave of proprietary funds are recorded as an expense and liability of those funds and the benefits accrue to employees. Compensated absences are generally paid out of the General Fund.

**Long-term obligations:** In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond principal 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 on refundings. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Bond principal payments are recorded as expenditures. The face amount of 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.

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

**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 an assignment of fund balance as they do not constitute either expenditures or liabilities.

**Deferred outflows/inflows of resources:** In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred outflow of resources related to pensions in the government-wide statement of net position. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

## Town of Deep River, Connecticut

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports a deferred inflow of resources related to pensions in the government-wide statement of net position. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes, interest on property taxes, and charges for services. These amounts are deferred and recognized as an inflow of resources (revenue) in the period during which the amounts become available.

**Fund equity and net position:** In the government-wide and proprietary fund financial statements, net position are classified in the following categories:

*Net investment in capital assets:* The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

*Restricted net position:* These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.

*Unrestricted net position:* This category represents the net position of the Town, which are not restricted for any project or other purpose. A deficit will require future funding.

In the fund financial statements, the Town reported the following governmental fund balances:

*Nonspendable fund balance:* These amounts cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted fund balance:* These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.

*Committed fund balance:* This represents amounts constrained prior to year-end for a specific purpose by a government using its highest level of decision making authority (Town of Deep River Board of Finance/Board of Selectmen).

*Assigned fund balance:* Amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts.

## Town of Deep River, Connecticut

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

Unassigned fund balance: The residual amount not allocated to any other fund balance category in the General Fund and any residual deficit balance of any other governmental funds.

When both restricted and unrestricted amounts are available for use, it is the Town's practice to use restricted resources first. Additionally, the Town would first use committed, then assigned, and lastly unassigned.

#### Note 2. Reconciliation of Government Wide and Fund Financial Statements

**Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position:** The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds, and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Compensated absences	\$ (306,512)
Capital leases payable	(413,866)
Net pension liability	(1,178,219)
Landfill closure	<u>(681,219)</u>
<b>Net adjustment to reduce fund balance - total governmental funds to arrive at net positions - governmental activities</b>	<b><u><u>\$ (2,579,816)</u></u></b>

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

Capital outlay	\$ 691,941
Depreciation expense	<u>(732,521)</u>
<b>Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</b>	<b><u><u>\$ (40,580)</u></u></b>

## Town of Deep River, Connecticut

### Notes to Financial Statements

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#### Note 2. Reconciliation of Government Wide and Fund Financial Statements (Continued)

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

Capital lease principal payments	\$ 242,539
<b>Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</b>	<b>\$ 242,539</b>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this difference are as follows:

Compensated absences	\$ (27,682)
Net pension liability	59,774
Landfill closure	39,431
<b>Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</b>	<b>\$ 71,523</b>

#### Note 3. Cash, Cash Equivalents and Investments

**Deposits:** The Town does not have a policy for deposits. The Town also does not have a custodial credit risk policy. However, as a practice, the Town follows State statutes. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio.

**Investments:** With the exception of its pension funds, the Town does not have a custodial credit risk policy for investments. The Town does not have a policy for investments or related credit risk for debt securities; however, it is their practice to follow State statutes. The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (1) obligations of the United States and its agencies (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short Term Investment Fund and the Tax Exempt Proceeds Fund.

The investments in the Pension Fund are covered by the Securities Investor Protection Corporation (SIPC) up to \$500,000, including \$100,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds.

## Town of Deep River, Connecticut

### Notes to Financial Statements

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#### Note 3. Cash, Cash Equivalents and Investments (Continued)

**Interest rate risk:** With the exception of its pension funds, the Town does not have a policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, its practice is to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

**Concentrations:** The Town does not have a policy that limits the amounts invested in any one issuer. However, its practice is to maintain a diversified portfolio to minimize the risk of loss resulting from over-concentration of assets in a specific issuer.

#### Custodial credit risk:

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2015, approximately \$1,489,000 of the Town's bank balance including certificates of deposits, of \$2,700,000 was uninsured and uncollateralized.

Investments: This is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Cash, cash equivalents and investments of the Town consist of the following at June 30, 2015:

Cash and cash equivalents	
Deposits with financial institutions	\$ 2,614,332
<b>Total cash and cash equivalents</b>	<u>2,614,332</u>
Investments	
Pension trust funds:	
Equity Mutual Funds	1,998,250
Bond Mutual Funds	885,014
Fixed Income Mutual Funds	1,938
<b>Total pension investments</b>	<u>2,885,202</u>
<b>Total cash, cash equivalents and investments</b>	<u><u>\$ 5,499,534</u></u>

## Town of Deep River, Connecticut

### Notes to Financial Statements

#### Note 3. Cash, Cash Equivalents and Investments (Continued)

Cash, cash equivalents and investments are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash and cash equivalents	\$ 2,602,184
Fiduciary Funds	
Cash	12,148
Investments	2,885,202
	2,897,350
<b>Total cash, cash equivalents and investments</b>	<b>\$ 5,499,534</b>

**Interest rate risk:** This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the exposure of the Town's debt type investments to this risk using the segmented time distribution model is as follows:

Type of Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1 Year	1-5 Years	6-10 Years	Over 10 Years
Fixed income mutual funds	\$ 1,938	\$ 1,938	\$ -	\$ -	\$ -
Bond mutual funds	885,014	-	-	885,014	-

**Credit risk:** Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. Presented below is the actual rating, as rated by Standard & Poor's, as required for each debt type investment.

Standard & Poor's	Bond Mutual Funds	Fixed Income Mutual Funds
AAA	\$ 254,489	\$ 1,938
AA	24,506	-
A	112,601	-
BBB	159,214	-
BB	148,714	-
B	122,452	-
Unrated	63,038	-
	<b>\$ 885,014</b>	<b>\$ 1,938</b>

# Town of Deep River, Connecticut

## Notes to Financial Statements

### Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Increases	Decreases	Transfers	Balance June 30, 2015
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 514,688	\$ 170,000	\$ -	\$ -	\$ 684,688
Construction in progress	-	59,044	-	-	59,044
<b>Total capital assets, not being depreciated</b>	<b>514,688</b>	<b>229,044</b>	<b>-</b>	<b>-</b>	<b>743,732</b>
Capital assets, being depreciated:					
Buildings and improvements	13,659,736	-	-	-	13,659,736
Machinery and equipment	817,503	31,127	-	-	848,630
Vehicles	2,771,939	16,000	-	-	2,787,939
Infrastructure and improvements	4,924,104	415,770	-	-	5,339,874
<b>Total capital assets, being depreciated</b>	<b>22,173,282</b>	<b>462,897</b>	<b>-</b>	<b>-</b>	<b>22,636,179</b>
<b>Total capital assets</b>	<b>22,687,970</b>	<b>691,941</b>	<b>-</b>	<b>-</b>	<b>23,379,911</b>
Less accumulated depreciation for:					
Buildings and improvements	6,319,857	323,764	-	-	6,643,621
Machinery and equipment	708,987	17,437	-	-	726,424
Vehicles	1,624,163	143,341	-	-	1,767,504
Infrastructure and improvements	1,024,579	247,979	-	-	1,272,558
<b>Total accumulated depreciation</b>	<b>9,677,586</b>	<b>732,521</b>	<b>-</b>	<b>-</b>	<b>10,410,107</b>
<b>Total capital assets, being depreciated, net</b>	<b>12,495,696</b>	<b>(269,624)</b>	<b>-</b>	<b>-</b>	<b>12,226,072</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 13,010,384</b>	<b>\$ (40,580)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,969,804</b>

# Town of Deep River, Connecticut

## Notes to Financial Statements

### Note 4. Capital Assets (Continued)

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 360,214	\$ -	\$ -	\$ 360,214
Construction in process	-	1,083,435	-	1,083,435
<b>Total capital assets, not being depreciated</b>	<b>360,214</b>	<b>1,083,435</b>	<b>-</b>	<b>1,443,649</b>
Capital assets, being depreciated:				
Sewer plant	6,550,734	-	-	6,550,734
Sewer collection system	8,115,012	-	-	8,115,012
Machinery and equipment	1,956,733	46,005	-	2,002,738
Vehicles	181,903	-	-	181,903
<b>Total capital assets, being depreciated</b>	<b>16,804,382</b>	<b>46,005</b>	<b>-</b>	<b>16,850,387</b>
<b>Total capital assets</b>	<b>17,164,596</b>	<b>1,129,440</b>	<b>-</b>	<b>18,294,036</b>
Less accumulated depreciation for:				
Sewer plant	3,249,486	122,782	-	3,372,268
Sewer collection system	2,263,200	139,291	-	2,402,491
Machinery and equipment	1,648,142	34,845	-	1,682,987
Vehicles	181,901	2	-	181,903
<b>Total accumulated depreciation</b>	<b>7,342,729</b>	<b>296,920</b>	<b>-</b>	<b>7,639,649</b>
<b>Total capital assets, being depreciated, net</b>	<b>9,461,653</b>	<b>(250,915)</b>	<b>-</b>	<b>9,210,738</b>
<b>Total business-type activities capital assets, net</b>	<b>\$ 9,821,867</b>	<b>\$ 832,520</b>	<b>\$ -</b>	<b>\$ 10,654,387</b>

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

Governmental activities	
General government	\$ 140,345
Public Safety	120,776
Public Works	285,555
Health and Social Services	12,500
Park and recreation	21,485
Education	151,860
<b>Total depreciation expense - governmental activities</b>	<b>\$ 732,521</b>
Business-type activities	
Sewer	\$ 296,920



## Town of Deep River, Connecticut

### Notes to Financial Statements

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#### Note 5. Interfund Receivables and Payables

During the course of operations, transactions are processed through a fund on behalf of another fund. A summary of interfund balances as of June 30, 2015 is presented below:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 251,065	\$ 1,705
Capital Projects	-	67,880
Non-Major Governmental Funds	-	18,519
Sewer Fund	1,705	164,666
<b>Grand total</b>	<b>\$ 252,770</b>	<b>\$ 252,770</b>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

#### Note 6. Unearned Revenue/Deferred Inflows of Resources

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

	Unavailable Revenues
General Fund	
Delinquent property taxes receivable	\$ 269,598

# Town of Deep River, Connecticut

## Notes to Financial Statements

### Note 7. Long-Term Liabilities

A summary of changes in outstanding long-term obligations during the year ended June 30, 2015 is as follows:

Description	Balance July 1, 2014*	Additions	Deductions	Balance June 30, 2015	Due Within One Year
Governmental activities					
Other long-term liabilities:					
Compensated absences	\$ 278,830	\$ 47,682	\$ 20,000	\$ 306,512	\$ 20,000
Capital lease obligations	656,405		242,539	413,866	134,897
Net pension liability	1,237,993	-	59,774	1,178,219	-
Landfill closure costs	720,650	-	39,431	681,219	20,000
<b>Total other long-term liabilities</b>	<b>2,893,878</b>	<b>47,682</b>	<b>361,744</b>	<b>2,579,816</b>	<b>174,897</b>
<b>Governmental activity long-term liabilities</b>	<b>\$ 2,893,878</b>	<b>\$ 47,682</b>	<b>\$ 361,744</b>	<b>\$ 2,579,816</b>	<b>\$ 174,897</b>
Business-type activities					
Bonds payable:					
Clean water sewer note	\$ 2,137,294	\$ -	\$ 161,708	\$ 1,975,586	\$ 164,973
<b>Business-type activity long-term liabilities</b>	<b>\$ 2,137,294</b>	<b>\$ -</b>	<b>\$ 161,708</b>	<b>\$ 1,975,586</b>	<b>\$ 164,973</b>

\* Restated for implementation of GASB No. 68

**Clean Water Sewer notes - business-type activities:** As of June 30, 2015, the outstanding clean water notes of the Town were as follows:

Purpose	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Clean Water Sewer Note	\$ 3,375,000	10/30/2006	4/30/2026	2.00%	\$ 2,137,294	\$ -	\$ 161,708	\$ 1,975,586
					<u>\$ 2,137,294</u>	<u>\$ -</u>	<u>\$ 161,708</u>	<u>\$ 1,975,586</u>

The following is a summary as of June 30, 2015, of the future principal and interest requirements for the Town's note indebtedness - business-type activities:

Fiscal Year Ending	Principal	Interest	Total
2016	\$ 164,973	\$ 38,004	\$ 202,977
2017	168,303	34,674	202,977
2018	171,700	31,277	202,977
2019	175,166	27,811	202,977
2020	178,701	24,276	202,977
2021-2025	949,089	65,796	1,014,885
2026-2027	167,654	1,539	169,193
<b>Total</b>	<b>\$ 1,975,586</b>	<b>\$ 223,377</b>	<b>\$ 2,198,963</b>

## Town of Deep River, Connecticut

### Notes to Financial Statements

#### Note 7. Long-Term Liabilities (Continued)

**Legal debt limit:** The Town's indebtedness (including authorized but unissued bonds and overlapping debt), net of principal reimbursements expected from the State, does not exceed the legal debt limitation as required by the Connecticut General Statutes as reflected in the following schedule:

Category	Debt Limit	Indebtedness	Balance
General purpose	\$ 28,946,385	\$ -	\$ 28,946,385
Schools	57,892,770	3,531,310	54,361,460
Sewers	48,243,975	1,975,586	46,268,389
Urban renewal	41,811,445	-	41,811,445
Pension deficit	38,595,180	-	38,595,180

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or approximately \$86,391,121.

Deep River is a member of Regional School District No. 4 which provides education facilities for grades 7-12 for the Towns of Chester, Deep River and Essex. As of June 30, 2015, the outstanding bonded indebtedness of the District was \$11,395,000. The Town of Deep River's share will be approximately 31% or \$3,531,310. These are general obligations of Regional School District No. 4 and its member towns. However, the Town is not required to record its share in the accompanying statement of net position.

**Capital lease:** The Town owns vehicles with an approximate carrying value of \$617,000 which were acquired under capital lease arrangements. These lease agreements qualify as capital leases for accounting purposes (title transfers at the beginning of the lease term) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

Future minimum lease payments under the capital lease is as follows:

2016	\$ 144,209
2017	144,209
2018	144,209
Total	432,627
Less amount representing interest	(18,761)
	<u>\$ 413,866</u>

#### Note 8. Landfill Post-Closure Care Costs

State and federal laws and regulations require that the Town place a final cover on its landfill and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The estimated liability for landfill post-closure care costs has a balance of approximately \$681,219 as of June 30, 2015. The liability is accrued in the governmental activities. The estimated total current cost of the landfill closure and post-closure care is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of June 30, 2015. However, post-closure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

## Town of Deep River, Connecticut

### Notes to Financial Statements

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#### **Note 9. Risk Management**

The Town is exposed to various risks of loss related to public official liability, police professional liability, theft or impairment of assets, errors and omissions, injury to employees, natural disasters, and owners' and contractors' protective liability.

The Town also is a member in Regional School District No. 4's medical health insurance fund, a public entity risk pool established for the purpose of administering medical benefits for each participating entity in the fund. The Town pays an annual contribution for its coverage. The fund is to be self-sustaining through members' premiums, but reinsures in excess of \$60,000 for each insured occurrence. Members may be subject to supplemental assessments in the event of deficiencies.

The Town currently is a member in Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. seq. of Connecticut General Statutes, for workers' compensation and employer liability coverage. CIRMA currently has 216 members in the workers' compensation pool. The Town pays an annual premium for its coverage. CIRMA is to be self-sustaining through members' premiums but reinsures in excess of \$1,000,000 for each insured occurrence.

The Town purchases commercial insurance for all other risks of loss, including blanket and umbrella policies. Settled claims have not exceeded commercial coverage in any of the past three years and there have not been any significant reductions in insurance coverage from the amounts held in prior years.

#### **Note 10. Contingent Liabilities**

Amounts received or receivable from grantor 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.

#### **Note 11. Retirement Plans**

**Defined Benefit Plan (PERS):** The Town has two pension plans, one covering substantially all full time employees and noncertified Board of Education employees and the second covering the volunteer firefighters. The certified faculty and administrative personnel of the Board of Education participate in a contributory retirement plan administered by the State Teachers' Retirement Board. The Town does not contribute to this plan.

#### **Plan description:**

Summary: The Town administers two single employer, defined benefit pension plans (Town of Deep River Employees' Retirement Plan and Town of Deep River Firefighters' Retirement Plan). The plans were established through ordinances. The Pension Committee makes recommendations for plan provisions which are approved by the Boards of Selectmen, Finance, and Town meeting. The pension plans are included in the financial statements individually since the assets from one plan may not be used to pay benefits or refunds of any plan member or beneficiary from the other. Separate, stand-alone reports are not issued.

## Town of Deep River, Connecticut

### Notes to Financial Statements

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#### Note 11. Retirement Plans (Continued)

Classes of employees covered: At July 1, 2013, the date of the last actuarial valuation, membership in the plan consisted of the following:

	July 1, 2013	July 1, 2013
	Town	Volunteer Firefighters
Active plan members	26	25
Terminated employees entitled to benefits but not yet receiving them	9	7
Retired plan members	-	15
<b>Total plan participants</b>	<b>35</b>	<b>47</b>

#### Benefit provisions:

Town Employee Retirement Plan: The plan's membership is open to substantially all Town employees with the exception of certified teachers and administrative personnel at the Board of Education. Employees must complete twelve months of service and attain a minimum age of twenty-one to be eligible for the plan. Participants are vested after ten years of service. Certain administrative expenses are funded by investment earnings.

Volunteer Firefighters' Retirement Plan: The plan covers substantially all active volunteer firefighters of the Deep River Volunteer Fire Department. In order to be eligible for the plan, the employee must complete one year of service and attain a minimum age of twenty-one. Certain administrative expenses are funded by investment earnings.

Employer contributions: Recommended contributions to the plans are determined each year as part of the actuarial valuation using the aggregate cost method for the Town Plan and the unit credit method for the Firemen's Plan.

Town of Deep River, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans (Continued)

*Combining Statement of Net Position - Fiduciary Funds*

June 30, 2015

	Pension Trust Funds		
	Town Employees' Pension Plan	Volunteer Firefighters' Retirement Plan	Total Pension Trust Funds
Assets			
Investments, at fair value:			
Equity mutual funds	\$ 1,724,458	\$ 273,792	\$ 1,998,250
Bond mutual funds	755,660	129,354	885,014
Fixed income mutual funds	1,938	-	1,938
<b>Total investments</b>	<b>2,482,056</b>	<b>403,146</b>	<b>2,885,202</b>
Receivable:			
Employer contribution	57,950	25,824	83,774
<b>Total assets</b>	<b>2,540,006</b>	<b>428,970</b>	<b>2,968,976</b>
<b>Net position - restricted for pension benefits</b>	<b>\$ 2,540,006</b>	<b>\$ 428,970</b>	<b>\$ 2,968,976</b>

**Town of Deep River, Connecticut**

**Notes to Financial Statements**

**Note 11. Retirement Plans (Continued)**

***Combining Statement of Changes in Fiduciary Net Position - Fiduciary Funds  
For the Year Ended June 30, 2015***

	Pension Trust Funds		
	Town Employees' Pension Plan	Volunteer Firefighters' Retirement Plan	Total Pension Trust Funds
Additions			
Contributions:			
Employer	\$ 254,617	\$ 25,824	\$ 280,441
Investment Income:			
Net appreciation in fair value of investments	39,270	6,708	45,978
Interest and dividends	56	-	56
<b>Total investment income</b>	<b>39,326</b>	<b>6,708</b>	<b>46,034</b>
<b>Total additions</b>	<b>293,943</b>	<b>32,532</b>	<b>326,475</b>
Deductions			
Benefits	301,319	39,352	340,671
Administration	250	-	250
<b>Total deductions</b>	<b>301,569</b>	<b>39,352</b>	<b>340,921</b>
<b>Change in net position</b>	<b>(7,626)</b>	<b>(6,820)</b>	<b>(14,446)</b>
Net Position - Restricted for Pension			
Beginning	2,547,632	435,790	2,983,422
Ending	\$ 2,540,006	\$ 428,970	\$ 2,968,976

**Town Employees' Pension Plan:**

**Benefits Provided:**

Effective Date	July 1, 1984
Eligibility	An Employee shall become a participant on the July 1 following the attainment of age 21 and the completion of one year of service.
Employee	Employees of the Town of Deep River and the Deep River Board of Education, excluding those employees participating in the State Teachers' Retirement System, who work at least 1,000 hours a year.

## Town of Deep River, Connecticut

### Notes to Financial Statements

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#### Note 11. Retirement Plans (Continued)

Final Average Monthly Earnings	A participant's Average Monthly Earnings shall be based on a participant's total Years of Service and shall be averaged over the five consecutive year period which produces the highest average.
Normal Retirement	Eligibility: Attainment of age 65 with 5 years of participation. Benefit: 40% of Final Average Monthly Earnings multiplied by a fraction of total Years of Service divided by 25 (fraction is not to exceed 1).
Early Retirement	Eligibility: Age 55 and 20 years of Service. Benefit: Same as the Benefit in the Normal Retirement Section above, actuarially reduced for early commencement.
Normal Form	Life annuity
Optional Form	Joint and 50% survivor annuity or lump sum
Vesting	Upon retirement or termination, a participants be vested according to the following schedule:

<u>Full Years of Service</u>	<u>Percentage</u>
------------------------------	-------------------

Less than 4 years	0%
4 years	40%
5 years	50%
6 years	60%
7 years	70%
8 years	80%
9 years	90%
10 years	100%

**Actuarial assumptions:** The total pension liability was determined by an actuarial valuation as of July 1, 2013 using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	3.0%
Discount rate	6.0%
Investment rate of return	6.0%
Inflation	3.0%
Mortality Table	Pre-Retirement: None Post-Retirement: 1983 GATT
Amortization Method	Level Percent of Payroll
Actuarial cost method	Aggregate cost



## Town of Deep River, Connecticut

### Notes to Financial Statements

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#### Note 11. Retirement Plans (Continued)

**Investments:** The pension plan's policy in regard to the allocation is established and may be amended by the Town Retirement Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

**Assumed rate of return:** The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed. Best estimates of the real rates of returns for each major asset class are included in the pension plan's target asset allocation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2013, and the final investment return assumption, are summarized in the following table:

Asset Class	Long-Term Expected		
	Pension Funds Allocation %	Real Return - Portfolio	Weighted
Domestic Equity	69.56%	4.50%	6.60%
Core Fixed Income	30.44%	4.75%	2.20%
Cash	0.00%	0.50%	1.80%
<b>Total weighted average real return</b>			3.73%
Long-term inflation expectation			3.25%
<b>Long-term expected normal return</b>			<u>6.98%</u>

**Rate of return:** For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.69%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

## Town of Deep River, Connecticut

### Notes to Financial Statements

#### Note 11. Retirement Plans (Continued)

**Discount rate:** The discount rate used to measure the total pension liability as of June 30, 2015 was 6.00%. The pension plan'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 plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Net pension liability of the town:** The total pension liability was determined by an actuarial valuation as of July 1, 2013, calculated based on the discount rate and actuarial assumptions below and then was projected forward to the measurement date June 30, 2015. There have been no significant changes between the valuation date and the fiscal year-end. The components of the net pension liability of the Town at June 30, 2015 were as follows:

#### Town Plan:

Net Pension Liability	2015	2014
Total pension liability	\$ 3,511,751	\$ 3,389,459
Plan fiduciary net position	2,482,055	2,287,826
Net pension liability	<u>\$ 1,029,696</u>	<u>\$ 1,101,633</u>
Plan fiduciary net position as a percentage of total pension liability	70.68%	67.50%

Town			
Changes in the Net Pension Liability			
Increase (Decrease)			
Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	
(a)	(b)	(a) - (b)	
Balances at June 30, 2014	\$ 3,389,459	\$ 2,287,826	\$ 1,101,633
Changes for the year:			
Service cost	130,425	-	130,425
Interest	194,320	-	194,320
Differences between expected and actual experience	99,116	-	99,116
Contributions - employer	-	455,724	(455,724)
Contributions - member	-	-	-
Net investment income (including investment expenses)	-	40,074	(40,074)
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(301,569)	(301,569)	-
Administrative expense	-	-	-
<b>Net changes</b>	<u>122,292</u>	<u>194,229</u>	<u>(71,937)</u>
<b>Balances at June 30, 2015</b>	<u>\$ 3,511,751</u>	<u>\$ 2,482,055</u>	<u>\$ 1,029,696</u>

# Town of Deep River, Connecticut

## Notes to Financial Statements

### Note 11. Retirement Plans (Continued)

**Sensitivity of the net pension liability to changes in the discount rate:** The following presents the net pension liability of the Plan, calculated using the discount rate of 6.00% as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current rate:

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
Net pension liability	\$ 1,464,162	\$ 1,029,696	\$ 656,241

For the year ended June 30, 2015, the Town recognized pension expense of (\$231,279). As of June 30, 2015, the Town's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 88,824	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	70,518	-
<b>Total</b>	<b>\$ 159,342</b>	<b>\$ -</b>

Amounts reported in deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### Year Ended June 30,

2016	\$ 31,868
2017	31,868
2018	31,868
2019	31,868
2020	31,870
Thereafter	-

### Volunteer Firefighters' Retirement Plan:

#### Benefits provided:

Effective Date	July 1, 1995
Eligibility	An Employee shall become a participant on the July 1 following the attainment of age 21 and the completion of one year of credited service.

## Town of Deep River, Connecticut

### Notes to Financial Statements

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#### Note 11. Retirement Plans (Continued)

Credited Service	A Plan Year in which a member meets the active status requirements set forth in the plan document.														
Normal Retirement	<p>Eligibility: Attainment of age 65 with 10 years of participation.</p> <p>Benefit: \$15 per month of credited service (max 20 years).</p>														
Early Retirement	<p>Eligibility: Age 55 and 10 years of credited service.</p> <p>Benefit: Accrued pension reduced by 6.6% for each of the first five years, and 3.3% for each of the next 5 years, that early retirement precedes normal retirement. Accrued pension reduced by 6.6% for each of the first five years, and 3.3% for each of the next 5 years, that early retirement precedes normal retirement.</p>														
Normal Form	Life annuity.														
Optional Form	Joint and 100% survivor annuity or life annuity with 10 years certain.														
Vesting	<p>Upon retirement or termination, a participants be vested according to the following schedule:</p> <table> <tr> <th><u>Full Years of Service</u></th><th><u>Percentage</u></th></tr> <tr> <td>10 years</td><td>50%</td></tr> <tr> <td>11 years</td><td>60%</td></tr> <tr> <td>12 years</td><td>70%</td></tr> <tr> <td>13 years</td><td>80%</td></tr> <tr> <td>14 years</td><td>90%</td></tr> <tr> <td>15 years</td><td>100%</td></tr> </table>	<u>Full Years of Service</u>	<u>Percentage</u>	10 years	50%	11 years	60%	12 years	70%	13 years	80%	14 years	90%	15 years	100%
<u>Full Years of Service</u>	<u>Percentage</u>														
10 years	50%														
11 years	60%														
12 years	70%														
13 years	80%														
14 years	90%														
15 years	100%														

**Actuarial assumptions:** The total pension liability was determined by an actuarial valuation as of July 1, 2013 using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	N/A
Discount rate	7.50%
Investment rate of return	7.50%
Inflation	N/A
Mortality Table	Pre- and Post-Retirement: 1951 Group Annuity Mortality Table projected to 1970; male rates for males, and male
Amortization Method	Level Percent of Payroll
Actuarial cost method	Unit credit

## Town of Deep River, Connecticut

### Notes to Financial Statements

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#### Note 11. Retirement Plans (Continued)

**Investments:** The pension plan's policy in regard to the allocation is established and may be amended by the Town Retirement Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

**Assumed rate of return:** The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed. Best estimates of the real rates of returns for each major asset class are included in the pension plan's target asset allocation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2013, and the final investment return assumption, are summarized in the following table:

Asset Class	Long-Term Expected		
	Pension Funds Allocation %	Real Return - Portfolio	Weighted
Domestic Equity	69.56%	4.50%	6.60%
Core Fixed Income	30.44%	4.75%	2.20%
Cash	0.00%	0.50%	1.80%
<b>Total weighted average real return</b>			3.73%
Long-term inflation expectation			3.25%
<b>Long-term expected normal return</b>			<u>6.98%</u>

**Rate of return:** For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.66%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount rate:** The discount rate used to measure the total pension liability as of June 30, 2015 was 7.50%. The pension plan'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 plan investments was applied to all periods of projected benefits to determine the total pension liability.

# Town of Deep River, Connecticut

## Notes to Financial Statements

### Note 11. Retirement Plans (Continued)

**Net pension liability of the town:** The total pension liability was determined by an actuarial valuation as of July 1, 2013, calculated based on the discount rate and actuarial assumptions below and then was projected forward to the measurement date June 30, 2015. There have been no significant changes between the valuation date and the fiscal year-end. The components of the net pension liability of the Town at June 30, 2015 were as follows:

#### Volunteer Firefighters' Retirement Plan:

Net Pension Liability	2015	2014
Total pension liability	\$ 529,533	\$ 515,688
Plan fiduciary net position	403,148	410,290
Net pension liability	<u>\$ 126,385</u>	<u>\$ 105,398</u>
Plan fiduciary net position as a percentage of total pension liability	76.13%	79.56%

Volunteer Firefighters			
Changes in the Net Pension Liability			
Increase (Decrease)			
Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	
Balances at June 30, 2014	\$ 515,688	\$ 410,290	\$ 105,398
Changes for the year:			
Service cost	4,174	-	4,174
Interest	37,201	-	37,201
Differences between expected and actual experience	11,822	-	11,822
Contributions - employer	-	25,500	(25,500)
Contributions - member	-	-	-
Net investment income (including investment expenses)	-	6,710	(6,710)
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(39,352)	(39,352)	-
Administrative expense	-	-	-
<b>Net changes</b>	<u>13,845</u>	<u>(7,142)</u>	<u>20,987</u>
<b>Balances at June 30, 2015</b>	<u>\$ 529,533</u>	<u>\$ 403,148</u>	<u>\$ 126,385</u>

## Town of Deep River, Connecticut

### Notes to Financial Statements

#### Note 11. Retirement Plans (Continued)

**Sensitivity of the net pension liability to changes in the discount rate:** The following presents the net pension liability of the Plan, calculated using the discount rate of 7.50% as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net pension liability	\$ 182,034	\$ 126,385	\$ 78,992

For the year ended June 30, 2015, the Town recognized pension expense of \$17,476. As of June 30, 2015, the Town's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,942	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	18,069	-
<b>Total</b>	<b>\$ 29,011</b>	<b>\$ -</b>

Amounts reported in deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### Year Ended June 30,

2016	\$ 5,802
2017	5,802
2018	5,802
2019	5,802
2020	5,803
Thereafter	-

#### **State of Connecticut Teachers' Retirement System:**

All certified personnel participate in the State of Connecticut Teachers' Retirement System under Section 10.183 of the General Statutes of the State of Connecticut. A teacher is eligible to receive a normal retirement benefit if he or she has: 1) attained age 60 and has accumulated 20 years of credited service in the public schools of Connecticut, or 2) attained any age and has accumulated 35 years of credited service, at least 25 years of which are service in the public schools of Connecticut.

**Description of system:** Eligible employees 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.

## Town of Deep River, Connecticut

### Notes to Financial Statements

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#### Note 11. Retirement Plans (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 by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106 or by calling (860) 702-3480.

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).

**Summary of significant accounting policies:** For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the State's requirement to contribute to the System, information about System's fiduciary net position and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The Town has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$403,000 as payments made by the State of Connecticut on-behalf of the Town. The Town does not have any liability for teacher pensions.

**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.)

*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 6.0% of their annual salary rate to the System as required by CGS Section 10-183b (7). For the 2014/2015 school year, \$115,926 mandatory contributions were deducted from the salaries of teachers who were participants of the System during that school year. The estimated covered payroll for the Town is \$1,599,000.



## Town of Deep River, Connecticut

### Notes to Financial Statements

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#### Note 11. Retirement Plans (Continued)

**Actuarial assumptions:** The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010. The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following key actuarial assumptions:

Inflation	3.00 Percent
Salary increases, including inflation	3.75-7.00 Percent
Long-term investment rate of return, net of pension investment expense, including inflation	8.50 Percent

Mortality rates were based on the RP-2000 Combined Mortality Table RP-2000 projected 19 years using scale AA, with a two-year setback for males and females for the period after service retirement and for dependent beneficiaries. The Scale AA projection to 2019 of the RP-2000 mortality rates with two-year setbacks continues to provide a sufficient margin in the assumed rates of mortality to allow for additional improvement in mortality experience. The post-retirement mortality rates are multiplied by 75% for death in active service. The post-retirement mortality rates are set forward ten years for the period after disability retirement.

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:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Large cap U.S. equities	21.0%	7.30%
Developed non- U.S. equities	18.0%	7.50%
Emerging markets (non- U.S.)	9.0%	8.60%
Core fixed income	7.0%	1.70%
Inflation linked bond fund	3.0%	1.30%
Emerging market bond	5.0%	4.80%
High yield bonds	5.0%	3.70%
Real estate	7.0%	5.90%
Private equity	11.0%	10.90%
Alternative investments	8.0%	0.70%
Liquidity fund	6.0%	0.40%
	<u>100.0%</u>	

## Town of Deep River, Connecticut

### Notes to Financial Statements

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#### Note 11. Retirement Plans (Continued)

**Discount rate:** The discount rate used to measure the total pension liability was 8.50 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 8.50 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 (7.50 percent) or 1-percentage-point higher (9.50 percent) than the current rate:

	1% Decrease 7.50%	Current Discount Rate 8.50%	1% Increase 9.50%
State's Share of the NPL associated with the Town	\$ 5,168,977	\$ 4,050,474	\$ 3,099,714

**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 \$4,050,474 and 100% of the collective net pension liability is allocated to the State.

June 30, 2014 is the actuarial valuation date upon which the total pension liability is based. There were no changes in assumptions or benefits that affected the measurement of the total pension liability since the prior 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, 2015, the Town recognized \$303,901 as the amount expended by the State on behalf of the Town to meet the State's funding requirements.

The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

## Town of Deep River, Connecticut

### Notes to Financial Statements

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#### Note 11. Retirement Plans (Continued)

##### **Municipal employees' retirement system:**

**Plan description:** Certain employees of the Town participate in a cost-sharing multiple-employer defined benefit pension plan administered by the State of Connecticut Employees' Retirement System (MERS). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained by writing to the State of Connecticut Retirement and Benefit Services Division, Office of the State Controller, 55 Elm Street, Hartford, CT 06106.

**Benefit provisions:** Plan provisions are set by Statute of the State of Connecticut. MERS provides retirement benefits, as well as death and disability benefits. Membership is mandatory for all regular full time employees of participating departments except Police and Fire hired after age 60.

**Average final compensation:** Average of the three highest paid years of service.

**Normal form of benefit:** Life annuity.

**Year's breakpoint:** With respect to the calendar year in which a member terminates service, \$10,700 increased by 6.0% each year after 1982, rounded to the nearest multiple of \$100. For 2014, the breakpoint is \$69,200.

##### **Service retirement allowance:**

Condition for allowance: Age 55 and 5 years of continuous service, or 15 years of active aggregate service, or 25 years of aggregate service. Compulsory retirement at age 65 for police and fire members.

Amount of allowance: For members not covered by Social Security: 2% of average final compensation times years of service. For members covered by Social Security: 1-1/2% of the average final compensation not in excess of the year's breakpoint plus 2% of average final compensation in excess of the year's breakpoint, times years of service. The maximum benefit is 100% of average final compensation and the minimum benefit is \$1,000 annually. Both the minimum and the maximum include Workers Compensation and Social Security benefits. If any member covered by Social Security retires before age 62, his/her benefit until he/she reaches age 62 or receives a Social Security disability award is computed as if he/she were not under Social Security.

##### **Disability retirement allowance:**

Condition for allowance: 10 years of service and permanently and totally disabled from engaging in any gainful employment in the service of the Municipality.

Amount of allowance: Calculated as a service retirement allowance based on compensation and service to the date of the disability.

## Town of Deep River, Connecticut

### Notes to Financial Statements

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#### Note 11. Retirement Plans (Continued)

##### Service connected disability:

Condition for allowance: Totally and permanently disabled from engaging in any gainful employment in the service of the Municipality provided such disability has arisen out of and in the course of his/her employment with the Municipality. Disability due to hypertension or heart disease, in the case of firemen and policemen, is presumed to have been suffered in the line of duty.

Amount of allowance: Calculated as a service retirement allowance based on compensation and service to the date of the disability with a minimum benefit (including Worker's Compensation benefits) of 50% of compensation at the time of the disability.

##### Vesting retirement allowance:

Condition for allowance: 5 years of continuous or 15 years of active aggregate service.

Amount of allowance: Calculated as a service retirement allowance on the basis of average final compensation and service to the date of termination. Deferred to normal retirement age, or an actuarially reduced allowance may begin at the time of separation.

##### Death benefit:

Condition for benefit: Eligible for service, disability retirement, or vested allowance, and married for at least 12 months preceding death.

Amount of benefit: Computed on the basis of the member's average final compensation and creditable service at date of death, payable to the spouse. Benefit is equal to 50% of the average of the life annuity allowance and the reduced 50% joint and survivor allowance.

**Return of deductions:** Upon the withdrawal of a member the amount of his accumulated deductions is payable to him/her on demand, with 5% interest from July 1, 1983.

**Optional benefits:** Prior to the retirement, a member may elect to convert his retirement allowance into a benefit of equivalent actuarial value in accordance with one of the optional forms described below: 1. A reduced retirement allowance payable during his life with the provision that after his death the beneficiary designated by him at the time of his retirement; or 2. A reduced retirement allowance payable during his life with the provision that after his death an allowance of one half of his reduced allowance will be continued for life to the beneficiary designated by him at the time of his retirement; 3. A reduced retirement allowance payable during his life with a guarantee of 120 or 240 monthly payments to the member or his designated beneficiary.

**Cost-of-living adjustment:** For those retired prior to January 1, 2002: (i) The benefits of disabled retirees, service retirees who have reached age 65, and beneficiaries of deceased retirees who would have reached age 65 are adjusted each July 1. The difference between the actual annual yield of the actuarial value of assets on a calendar year basis to a 6% yield is calculated. This difference is the adjustment applied the following July 1. The minimum adjustment is 3% and the maximum is 5%. (ii) The benefits for all others on the roll are adjusted on January 1, 2002 and on each subsequent July 1. The amount of each adjustment is 2.5%. For those retiring in or after January 1, 2002, benefits are adjusted each July 1. The adjustment is 60% of the annual increase in the CPI up to 6%. The minimum annual COLA is 2.5%; the maximum is 6%.

## Town of Deep River, Connecticut

### Notes to Financial Statements

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#### Note 11. Retirement Plans (Continued)

**Contributions by members:** For members not covered by Social Security: 5% of compensation. For members covered by the Social Security: 2-1/4% of compensation up to the Social Security taxable wage base plus 5% of compensation, if any, in excess of such base.

**By municipalities:** Participating municipalities make annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment which covers the liabilities of the System not met by member contributions.

**Assumptions:** The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	6/30/2014
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed
Remaining amortization period	27 years
Asset valuation method	5-year smoothed market with 20% recognition of investment gains and losses
Investment rate return*	8.00%, net of investment related expense
Projected salary increases*	4.25-11.00%
Social Security Wage Base	3.50%
* Includes inflation at 3.25%	
Mortality	The RP2000 Mortality Table for Annuitants and Non-Annuitants (set forward one year for males and set back one year for females). For disabled retirees, the same table is used, adjusted with the male table set forward five years and the female table set forward one year

## Town of Deep River, Connecticut

### Notes to Financial Statements

#### Note 11. Retirement Plans (Continued)

**The long-term expected rate of return:** the long-term expected rate of return on pension plan investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are to be provided by the Fiduciary of the Plan. The annual money weighted rate of return net of investment expenses measured on monthly inputs was 7.32%.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Large cap U.S. equities	16.00%	5.80%
Developed non- U.S. equities	14.00%	6.60%
Emerging markets (non- U.S.)	7.00%	8.30%
Core fixed income	8.00%	1.30%
Inflation linked bond fund	5.00%	1.00%
Emerging market bond	8.00%	3.70%
High yield bonds	14.00%	3.90%
Real estate	7.00%	5.10%
Private equity	10.00%	7.60%
Alternative investments	8.00%	4.10%
Liquidity fund	3.00%	0.40%
	<u>100.00%</u>	

**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 plan member contributions will be made at the current contribution rate and that employer contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the net pension liability to changes in the discount rate:** The following presents the net pension liability of the System, calculated using the discount rate of 8.00 percent, as well as what the System's 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%
Net pension liability	\$ 44,956	\$ 22,138	\$ 2,821

# Town of Deep River, Connecticut

## Notes to Financial Statements

### Note 11. Retirement Plans (Continued)

**Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources:** At June 30, 2015, the Town reported a liability of \$22,138 for its proportionate share of the net pension liability related to its participation in MERS. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Town's proportion of the net pension liability was based on its share of contributions to the MERS for fiscal year 2014 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2014, Town's proportion was 0.021521%.

For the year ended June 30, 2015, the Town recognized pension expense of \$3,998. At June 30, 2015, Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

\$1,022, reported as deferred outflows of resources, related to pensions resulting from the Town's contributions in fiscal year 2015, subsequent to the measurement date, will be recognized as a reduction of the net pension liability for the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on plan investments	\$ -	\$ (7,088)
Town contributions made subsequent to the measurement date	1,022	-
<b>Total</b>	<b>\$ 1,022</b>	<b>\$ (7,088)</b>

Amounts reported in deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### Year Ended June 30,

2016	\$ 1,772
2017	1,772
2018	1,772
2019	1,772
2020	-
Thereafter	-

## Town of Deep River, Connecticut

### Notes to Financial Statements

#### Note 12. Fund Balances

Below is a table of fund balance categories and classifications at June 30, 2015 for the Town governmental funds:

	General Fund	Capital Projects	Nonmajor Governmental Funds
Fund balances			
Restricted			
General government	\$ -	\$ -	\$ 71,167
Education	-	-	219
<b>Total restricted</b>	-	-	71,386
Committed			
General government	-	-	30,589
<b>Total committed</b>	-	-	30,589
Assigned			
General government	65,475	-	-
Health and Social Services	-	-	82,448
<b>Total assigned</b>	65,475	-	82,448
Unassigned (deficit)			
General government	390,475	-	-
Capital projects	-	(1,137,182)	-
Education	-	-	(15)
<b>Total unassigned (deficit)</b>	390,475	(1,137,182)	(15)
<b>Total fund balance</b>	<b>\$ 455,950</b>	<b>\$ (1,137,182)</b>	<b>\$ 184,408</b>

#### Note 13. Note and Subsequent Event

The Town had a Note in the amount of \$2,800,000 outstanding as of June 30, 2015. The note had an interest rate of 2.05% and matured in January 2016.

#### Note 14. Fund Deficits

The Town has the following fund deficits at June 30, 2015:

Hot Lunch Program Fund	\$ 15
Capital projects	\$ 1,137,182

The deficit in the Hot Lunch Program Fund will be funded through future operations. The deficit in capital projects will be funded through future grants and borrowings.



Notes to Financial Statements

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**Note 15. Governmental Accounting Standards Board (GASB) Statements**

The GASB has issued several pronouncements that have effective dates that may impact future financial presentations:

**GASB Statement No. 72, *Fair Value Measurement and Application*.** This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for fiscal years beginning after June 15, 2015.

**GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*,** completes the suite of pension standards. Statement 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by Statements 67 and 68). The requirements in Statement 73 for reporting pensions generally are the same as in Statement 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The provisions of this Statement are effective for fiscal years beginning after June 15, 2015.

**GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*,** addresses reporting by OPEB plans that administer benefits on behalf of governments. Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans. The provisions of this Statement are effective for fiscal years beginning after June 15, 2016.

**GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*,** addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide:

- Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability—the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments.
- Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan.
- Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. Statement 75 carries forward from Statement 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017.

Notes to Financial Statements

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**Note 15. Governmental Accounting Standards Board (GASB) Statements (Continued)**

**GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.** The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.

**GASB Statement No. 77, *Tax Abatement Disclosures*.** Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as inter-period equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.
- Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements
- The specific taxes being abated
- The gross dollar amount of taxes abated during the period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

Notes to Financial Statements

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**Note 15. Governmental Accounting Standards Board (GASB) Statements (Continued)**

**GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*.** This standard narrows the scope and applicability of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan meeting specific criteria; establishes new guidance for these employers, including separate requirements for recognition and measurement of pension expense or expenditures and liabilities, note disclosures and required supplementary information (RSI). The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

**GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.** This standard establishes new criteria to continue amortization cost accounting for certain external investment pools in light of recent changes to money market fund criteria. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Portfolio quality and monthly shadow pricing are effective for periods beginning after December 15, 2015. Earlier application is encouraged.

**Note 16. Restatement**

The Town's financial statements have been restated as of June 30, 2014. The restatement is a result of the implementation of GASB Statement No. 68, *Accounting and Financial Report for Pensions – an amendment of GASB Statement No. 27*. Governmental activities will show a restatement of net position for the beginning year as follows:

Net position, June 30, 2014, as previously reported	\$ 10,660,491
Remove: June 30, 2014 net pension asset under GASB No. 27 before implementation of GASB Statement No. 68: Defined benefit plan	  (23,620)
Remove: June 30, 2014 net pension obligation under GASB No. 27 before implementation of GASB Statement No. 68: Defined benefit plan	  1,427,986
Add: Implementation of GASB Statement No. 68: Beginning net pension liability for: Defined benefit plans	  (1,236,918)
Net Position, June 30, 2014, as restated	<u><u>\$ 10,827,939</u></u>

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**Required Supplementary  
Information - *unaudited***



Town of Deep River, Connecticut

Required Supplementary Information - Unaudited  
Schedule of Contributions - Retirement Plans  
Last Eight Fiscal Years

Firefighters' Plan	Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to ADEC	Contribution Excess (Deficiency)	Covered Employee Payroll	Contribution as a Percentage of Covered Payroll
	2008	23,557	45,000	21,443	N/A	N/A
	2009	15,068	45,447	30,379	N/A	N/A
	2010	22,204	43,000	20,796	N/A	N/A
	2011	31,989	45,250	13,261	N/A	N/A
	2012	30,808	20,000	(10,808)	N/A	N/A
	2013	23,499	22,061	(1,438)	N/A	N/A
	2014	36,507	22,061	(14,446)	N/A	N/A
	2015	36,104	25,550	(10,554)	N/A	N/A

Notes to schedule:

Valuation date	July 1, 2013
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	5years
Asset valuation method	Fair market value
Inflation	N/A
Salary increases	N/A
Investment rate of return	7.50%
Retirement age	65
Mortality	Pre- and Post-Retirement: 1951 Group Annuity Mortality Table projected to 1970; male rates for males, and male rates set back 5 years for females

Town Plan	Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to ADEC	Contribution Excess (Deficiency)	Covered Employee Payroll	Contribution as a Percentage of Covered Payroll
	2008	230,036	230,378	342	1,378,940	16.71%
	2009	246,683	200,743	(45,940)	1,555,806	12.90%
	2010	246,683	242,061	(4,622)	1,236,322	19.58%
	2011	287,059	252,835	(34,224)	1,424,312	17.75%
	2012	230,727	223,389	(7,338)	1,424,312	15.68%
	2013	245,655	254,552	8,897	1,523,697	16.71%
	2014	267,568	208,548	(59,020)	1,523,697	13.69%
	2015	260,189	455,724	195,535	1,513,578	30.11%

Notes to schedule:

Valuation date	July 1, 2013
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	5years
Asset valuation method	Fair market value
Discount rate	6.00%
Inflation	3.00%
Salary increases	3.00%
Investment rate of return	6.00%
Retirement age	65
Mortality	Pre-Retirement: None/Post-Retirement: 1983 GATT

**Town of Deep River, Connecticut**

**Required Supplementary Information - Unaudited**

**Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Investment Returns -**

**Retirement Plans**

**Last Two Fiscal Years**

**June 30, 2015**

<b>Changes in Net Pension Liability - Town Plan</b>	<b>2015</b>	<b>2014</b>
Total Pension Liability		
Service cost	\$ 130,425	\$ 127,970
Interest on total pension liability	194,320	183,873
Differences between actual and expected	99,116	22,046
Benefit payments	(301,569)	(17,968)
<b>Net change in total pension liability</b>	<b>122,292</b>	<b>315,921</b>
Total Pension Liability, Beginning	3,389,459	3,073,538
<b>Total pension liability, ending (a)</b>	<b>3,511,751</b>	<b>3,389,459</b>
Fiduciary Net Position		
Employer contributions	455,724	208,548
Investment income, net of investment expenses	40,074	316,366
Benefit payments	(301,569)	(17,968)
<b>Net change in plan fiduciary net position</b>	<b>194,229</b>	<b>506,946</b>
Fiduciary Net Position, Beginning	2,287,796	1,780,880
<b>Fiduciary net position, ending (b)</b>	<b>2,482,025</b>	<b>2,287,826</b>
<b>Net pension liability, ending = (a) - (b)</b>	<b>\$ 1,029,726</b>	<b>\$ 1,101,633</b>
Fiduciary Net Position as a % of Total Pension Liability	70.68%	67.50%
Covered Payroll	\$ 1,513,578	\$ 1,523,697
Net Pension Liability as a % of Covered Payroll	68.03%	72.30%
	<b>2015</b>	<b>2014</b>
Annual money-weighted rate of return, net of investment expense	1.69%	16.86%



Town of Deep River, Connecticut

Required Supplementary Information - Unaudited  
Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Investment Returns -  
Retirement Plans  
Last Two Fiscal Years  
June 30, 2015

Changes in Net Pension Liability - Firefighters' Plan	2015	2014
Total Pension Liability		
Service cost	\$ 4,174	\$ 1,997
Interest on total pension liability	37,201	34,578
Differences between actual and expected	11,822	37,759
Benefit payments	(39,352)	(39,352)
<b>Net change in total pension liability</b>	<b>13,845</b>	<b>34,982</b>
Total Pension Liability, Beginning	515,688	480,716
<b>Total pension liability, ending (a)</b>	<b>529,533</b>	<b>515,698</b>
Fiduciary Net Position		
Employer contributions	25,500	22,061
Investment income, net of investment expenses	6,710	59,413
Benefit payments	(39,352)	(39,352)
<b>Net change in plan fiduciary net position</b>	<b>(7,142)</b>	<b>42,122</b>
Fiduciary Net Position, Beginning	410,290	368,168
<b>Fiduciary net position, ending (b)</b>	<b>403,148</b>	<b>410,290</b>
<b>Net pension liability, ending = (a) - (b)</b>	<b>\$ 126,385</b>	<b>\$ 105,408</b>
Fiduciary Net Position as a % of Total Pension Liability	76.13%	79.56%
Covered Payroll	N/A	N/A
Net Pension Liability as a % of Covered Payroll	N/A	N/A
	2015	2014
Annual money-weighted rate of return, net of investment expense	1.66%	16.53%

**Town of Deep River, Connecticut**

**Required Supplementary Information - unaudited  
Schedule of the Town's Proportionate Share of the Net Pension Liability -  
Teachers' Retirement System  
For the Year Ended June 30, 2015**

	2015
Town's proportion of the net pension liability	0.00000%
Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	\$ 4,050,474
<b>Total</b>	<b>\$ 4,050,474</b>
Town's covered-employee payroll	\$ 1,599,000
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%
System fiduciary net position as a percentage of the total pension liability	61.51%

**Notes to Schedule**

Change in benefit terms	None
Changes of assumptions	During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010.
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Remaining amortization period	22.4 years
Asset valuation method	4-year smoothed market

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**Town of Deep River, Connecticut**

**Required Supplementary Information - unaudited  
Schedule of Contributions - Municipal Employees' Retirement System (MERS)  
Measurement Period Ended June 30,**

	<b>2015</b>	<b>2014</b>
Actuarially Determined Contribution	\$ 1,022	\$ 1,075
Contribution in Relation to the Actuarially Determined Contribution	1,022	1,075
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>\$ -</b>
Covered-employee Payroll	<u>\$ 47,757</u>	<u>\$ 47,757</u>
Contributions as a Percentage of Covered-employee Payroll	2.14%	2.25%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

**Town of Deep River, Connecticut**

**Required Supplementary Information - unaudited**  
**Schedule of the Town's Proportionate Share of the Net Pension Liability -**  
**Municipal Employees' Retirement System (MERS)**  
**For the Year Ended June 30, 2015**

	2015
Town's proportion of the net pension liability	0.02152%
Town's proportionate share of the net pension liability	\$ 22,138
Town's covered-employee payroll	<u>\$ 47,757</u>
Town's proportionate share of the net pension liability as a percentage of its covered payroll	<u>46.36%</u>
System fiduciary net position as a percentage of the total pension liability	<u>90.48%</u>

**Notes to Schedule**

Valuation Date	June 30, 2014
Actuarial cost method	Entry age
Investment rate of return	8.00%
Salary Increases	4.25% - 11.00%, including inflation
Amortization method	Level dollar, closed
Remaining amortization period	27 years
Asset valuation method	5-year smoothed market (20% write up)
Assumption changes	None
Benefit changes	None

Town of Deep River, Connecticut

Required Supplementary Information

Statement of Revenues and Expenditures - Budgetary Basis - Budget and Actual -

General Fund - unaudited

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary Basis	Final Budget
<b>Revenues</b>				
Taxes, interest and lien fees	\$ 12,712,901	\$ 12,712,901	12,988,027	\$ 275,126
Intergovernmental	2,148,039	2,148,039	2,282,977	134,938
Charges for services	365,240	365,240	711,513	346,273
Income from investments	7,500	7,500	4,903	(2,597)
<b>Total revenues</b>	<b>15,233,680</b>	<b>15,233,680</b>	<b>15,987,420</b>	<b>753,740</b>
<b>Expenditures</b>				
Current:				
General government	1,733,935	1,745,102	1,740,071	5,031
Public Safety	529,790	671,160	672,954	(1,794)
Public Works	1,079,369	1,232,848	1,232,848	-
Health and Social Services	106,000	107,856	107,795	61
Parks and Recreation	304,136	346,139	346,062	77
Education	11,079,487	11,102,084	11,013,047	89,037
Capital outlay	60,500	85,750	206,337	(120,587)
Debt service:				
Principal and Interest	384,670	392,627	392,627	-
<b>Total expenditures</b>	<b>15,277,887</b>	<b>15,683,566</b>	<b>15,711,741</b>	<b>(28,175)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(44,207)</b>	<b>(449,886)</b>	<b>275,679</b>	<b>725,565</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	46,915	46,915	-	46,915
<b>Total other financing sources (uses)</b>	<b>46,915</b>	<b>46,915</b>	<b>-</b>	<b>(46,915)</b>
<b>Total</b>	<b>\$ 2,708</b>	<b>\$ (402,971)</b>	<b>275,679</b>	<b>\$ 678,650</b>

See Note to Required Supplementary Information.

## Town of Deep River, Connecticut

### Note To Required Supplementary Information

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#### Note 1. Budgets and Budgetary Accounting

**General Fund:** The Town establishes its general fund budget in accordance with provisions of Connecticut General Statutes.

- A budget for the general fund is authorized annually by the Board of Finance. The Board of Finance follows these procedures in establishing the budgetary data reflected in the financial statements:
  - Department heads submit detailed estimates of expenditures to the Board of Finance.
  - The Board of Finance acts upon the department requests and approves the departmental budgets to be forwarded to the Town Meeting.
  - The citizens of the Town vote on the recommended budget.
  - The Board of Finance sets the tax rate for the fiscal year.
- During the year, additional appropriation requests are submitted by the department heads to the Board of Finance. The Board of Finance acts on the requests.
- All budget transfers must be approved by the Board of Finance. The Board of Finance may transfer unexpended balances between departments.
- The Board of Education may transfer unexpended balances between accounts within its total line appropriation.
- Classifications of certain revenues and expenditures under accounting principles generally accepted in the United States of America differ from classifications utilized for budgetary purposes.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures in the current year. Generally, all unencumbered appropriations lapse at year-end, except for those in the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

## Town of Deep River, Connecticut

### Note To Required Supplementary Information

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#### Note 1. Budgets and Budgetary Accounting (Continued)

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:

	Revenues	Expenditures and Other Financing Uses
Balance, GAAP basis	\$ 16,539,342	\$ 16,258,447
Excess cost grants	(133,766)	(133,766)
Effect of GASB No. 54	(15,156)	(9,940)
State Teachers Retirement payments made by State Department of Education on behalf of the Town, not recognized for budgetary purposes	(403,000)	(403,000)
Balance, budgetary basis	<u>\$ 15,987,420</u>	<u>\$ 15,711,741</u>

**Special revenue funds:** The Town does not have legally adopted annual budgets for its special revenue funds. Budgets for the various special revenue funds that are utilized to account for specific grant programs are established in accordance with the requirements of the State and other grantor agencies. Such budgets are non-lapsing and may comprise more than one fiscal year.

**Capital project funds:** Legal authorization for expenditures of the capital project funds is provided by the related bond ordinances. Capital appropriations do not lapse until completion of the applicable projects.

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**Individual and Combining  
Fund Financial Statements and Other Schedules**



**General Fund**

## **General Fund**

The general fund is the principal fund of the Town and is used to account for all activities of the Town, except those required to be accounted for in another fund. The general fund accounts for the normal recurring activities of the Town (i.e., general government, public safety, public works, health, social services, recreation, education, etc.). These activities are funded principally by property taxes, user fees and grants from other governmental units.

Town of Deep River, Connecticut

**General Fund Revenues and Other Financing Sources - Budgetary Basis -  
Budget and Actual  
For the Year Ended June 30, 2015**

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
<b>Taxes, Interest and Lien Fees</b>				
Current taxes	\$ 12,512,901	\$ 12,512,901	\$ 12,618,048	\$ 105,147
Prior taxes	150,000	150,000	252,323	102,323
Interest and lien fees	50,000	50,000	117,656	67,656
<b>Total taxes, interest and lien fees</b>	<b>12,712,901</b>	<b>12,712,901</b>	<b>12,988,027</b>	<b>275,126</b>
<b>Intergovernmental</b>				
Education cost sharing	1,720,239	1,720,239	1,732,856	12,617
Telephone tax sharing	34,661	34,661	15,412	(19,249)
Transportation	8,940	8,940	8,284	(656)
Town aid roads	199,004	199,004	198,719	(285)
PILOT - State owned property	10,558	10,558	11,165	607
Pequot fund	12,164	12,164	12,373	209
Tax relief for elderly	29,603	29,603	41,603	12,000
Unrestricted grants	97,940	97,940	97,940	-
Tax relief for veterans	2,919	2,919	-	(2,919)
Village Street	-	-	86,524	86,524
Boat registration	-	-	-	-
Plattwood Steap Grant	-	-	47,737	47,737
LOCIP - Infrastructure	32,011	32,011	30,364	(1,647)
<b>Total intergovernmental</b>	<b>2,148,039</b>	<b>2,148,039</b>	<b>2,282,977</b>	<b>134,938</b>
<b>Charges for Services</b>				
<b>Licenses and Permits</b>				
Other licenses and permits	500	500	979	479
Building permits	50,000	50,000	88,726	38,726
Planning and zoning fees	19,500	19,500	5,666	(13,834)
Conveyance tax	40,000	40,000	38,704	(1,296)
Sale of Town equipment	-	-	5,666	5,666
Town Clerk fees	35,000	35,000	40,933	5,933
Fire Marshal permits/fees	100	100	1,200	1,100
Inland wetland/conservation permit	1,000	1,000	-	(1,000)
<b>Total licenses and permits</b>	<b>146,100</b>	<b>146,100</b>	<b>181,874</b>	<b>35,774</b>
<b>Charges for services</b>				
Reimbursement for Administrative Sewer	16,000	16,000	-	(16,000)
Rental income - Town equipment	27,000	27,000	29,915	2,915
Bulky waste site contract	55,000	55,000	55,000	-
<b>Total charges for services</b>	<b>98,000</b>	<b>98,000</b>	<b>84,915</b>	<b>(13,085)</b>

(Continued)

Town of Deep River, Connecticut

General Fund Revenues and Other Financing Sources - Budgetary Basis -  
Budget and Actual (Continued)  
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Miscellaneous</b>				
Recycling fees	25,000	25,000	39,033	14,033
Park and recreation fees	32,340	32,340	90,377	58,037
Miscellaneous	12,000	12,000	99,557	87,557
Insurance premium credits	-	-	6,180	6,180
Public safety/police	31,800	31,800	197,421	165,621
Newsletter	20,000	20,000	12,156	(7,844)
<b>Total miscellaneous</b>	<b>121,140</b>	<b>121,140</b>	<b>444,724</b>	<b>323,584</b>
<b>Total charges for services</b>	<b>365,240</b>	<b>365,240</b>	<b>711,513</b>	<b>346,273</b>
<b>Income from Investments</b>				
Interest Income	7,500	7,500	4,903	(2,597)
<b>Transfers In</b>	<b>46,915</b>	<b>46,915</b>	<b>-</b>	<b>(46,915)</b>
<b>Total revenues and transfers in</b>	<b>\$ 15,280,595</b>	<b>\$ 15,280,595</b>	<b>\$ 15,987,420</b>	<b>\$ 706,825</b>

Town of Deep River, Connecticut

**General Fund Expenditures and Other Financing Uses - Budgetary Basis -  
Budget and Actual  
For the Year Ended June 30, 2015**

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
<b>General Government</b>				
<b>Selectman</b>				
First Selectman Salary	\$ 68,991	\$ 68,991	\$ 69,609	\$ (618)
Selectmen Salary	8,349	8,349	8,348	1
Treasurer Salary	7,513	7,513	7,511	2
Administrative Assistant Salary	33,197	33,197	33,388	(191)
Accounts Manager	60,205	60,205	61,213	(1,008)
Accounts Manager Assistant	20,000	14,780	2,496	12,284
Legal fees	23,700	23,700	26,974	(3,274)
Engineering services	4,000	4,000	4,308	(308)
Expense allowance	3,000	3,000	3,000	-
Office supplies and postage	22,500	22,500	28,213	(5,713)
School/Meetings	750	750	1,924	(1,174)
Legal Notices	-	-	-	-
<b>Total Selectman</b>	<b>252,205</b>	<b>246,985</b>	<b>246,984</b>	<b>1</b>
<b>Elections</b>				
Registrars' Salary	8,198	8,198	10,012	(1,814)
Part-time Elections Salary	6,689	5,752	3,166	2,586
Printing expenses	3,000	3,000	3,723	(723)
<b>Total Elections</b>	<b>17,887</b>	<b>16,950</b>	<b>16,901</b>	<b>49</b>
<b>Town Hall Operation</b>				
Fuel Oil	130,000	130,000	129,359	641
Water	8,000	8,000	7,160	840
Electricity	52,000	52,000	57,849	(5,849)
Sewer Fees	3,200	3,200	3,072	128
Telephone - Town Dept.	28,000	28,000	28,847	(847)
Custodial Services/Supplies	22,000	22,000	25,670	(3,670)
Miscellaneous supplies	-	-	132	(132)
Building repairs	45,000	79,047	70,177	8,870
Elderly Housing Sewer fees	3,000	3,000	3,000	-
Quarterly Sprinkler/Elevator Inspections	3,200	3,200	3,323	(123)
<b>Total Building Operations</b>	<b>294,400</b>	<b>328,447</b>	<b>328,589</b>	<b>(142)</b>
<b>Town Clerk</b>				
Town Clerk Salary	47,515	47,515	47,514	1
Assistant's Salary	18,337	19,914	20,428	(514)
Index Land Records	1,000	1,000	816	184
School/Meetings	1,000	1,000	789	211
Micro Filming	11,400	11,400	11,398	2
Vital Statistics	600	600	482	118
<b>Total Town Clerk</b>	<b>79,852</b>	<b>81,429</b>	<b>81,427</b>	<b>2</b>

(Continued)

Town of Deep River, Connecticut

General Fund Expenditures and Other Financing Uses - Budgetary Basis -  
Budget and Actual (Continued)  
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Board of Finance</b>				
Part-time Clerical Salary	400	400	-	400
Auditor/Consultant	24,000	24,000	20,500	3,500
Printing expense	6,000	6,937	10,837	(3,900)
<b>Total Board of Finance</b>	<b>30,400</b>	<b>31,337</b>	<b>31,337</b>	<b>-</b>
<b>Board of Assessment Appeals</b>				
Tax Reviewer Salary	655	71	71	-
<b>Total Tax Review</b>	<b>655</b>	<b>71</b>	<b>71</b>	<b>-</b>
<b>Assessor</b>				
Assessor Salary	72,149	69,403	70,835	(1,432)
Secretary Salary	29,901	29,901	30,035	(134)
Valuation Appeals	10,000	10,000	8,996	1,004
Audits	1,500	1,500	1,500	-
Computer maintenance & service	12,000	12,000	11,925	75
Update Maps	1,500	720	699	21
School/Meetings	2,390	2,390	1,872	518
Auto mileage expense	700	700	752	(52)
<b>Total Assessor</b>	<b>130,140</b>	<b>126,614</b>	<b>126,614</b>	<b>-</b>
<b>Tax Collector</b>				
Tax Collector Salary	41,315	41,315	41,315	-
Part-time Clerical Salary	15,875	15,875	13,564	2,311
Computer maintenance & services	3,500	3,500	4,571	(1,071)
School/Meetings	1,500	1,500	741	759
Legal Notices	450	450	490	(40)
Tax Refunds	15,000	28,489	31,315	(2,826)
DMV Fees	1,173	1,173	1,101	72
<b>Total Tax Collector</b>	<b>78,813</b>	<b>92,302</b>	<b>93,097</b>	<b>(795)</b>
<b>Special Services</b>				
Data Processing Services	9,000	9,000	14,815	(5,815)
Copier	5,500	5,500	6,659	(1,159)
BMSI License/Computer Support Fee	12,000	12,000	11,204	796
Senior Citizen's Club	500	500	-	500
Beautification Committee	2,000	2,000	833	1,167
Memorial Day	1,600	1,600	2,549	(949)

(Continued)



Town of Deep River, Connecticut

**General Fund Expenditures and Other Financing Uses - Budgetary Basis -  
Budget and Actual (Continued)  
For the Year Ended June 30, 2015**

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
<b>Special Services, Continued</b>				
Industrial Development Committee	2,000	2,000	-	2,000
Newsletter/Brochure	20,000	20,000	17,815	2,185
Dog Fund Salary	11,800	21,546	19,100	2,446
Essex Dog Run Lease	3,938	3,938	6,144	(2,206)
Contingency	20,000	20,000	18,965	1,035
<b>Total Special Services</b>	<b>88,338</b>	<b>98,084</b>	<b>98,084</b>	<b>-</b>
<b>Planning &amp; Zoning</b>				
Enforcement Officer Salary	29,810	29,810	32,354	(2,544)
Part-time Clerical Salary	3,647	3,647	3,552	95
Engineering Services	4,000	2,630	1,439	1,191
Training/Meetings	2,150	1,338	-	1,338
Printing expenses	500	500	-	500
Engineering Review Costs	17,000	447	447	-
<b>Total Planning &amp; Zoning</b>	<b>57,107</b>	<b>38,372</b>	<b>37,792</b>	<b>580</b>
<b>Zoning Board of Appeals</b>				
Part-time Clerical Salary	328	121	120	1
<b>Total Zoning Board of Appeals</b>	<b>328</b>	<b>121</b>	<b>120</b>	<b>1</b>
<b>Building Official</b>				
Building Official Salary	29,513	29,513	29,832	(319)
Secretary Salary	14,402	14,402	10,937	3,465
Reference Manuals/Books	650	650	125	525
State Training fees	2,400	2,400	749	1,651
<b>Total Building Official</b>	<b>46,965</b>	<b>46,965</b>	<b>41,643</b>	<b>5,322</b>
<b>Inland Wetlands &amp; Conservation</b>				
Enforcement Agent Salary	7,921	3,194	4,641	(1,447)
Part-time Clerical Salary	3,000	3,000	2,793	207
Technical Services	1,000	1,000	-	1,000
Middlesex Soil Conservation Services	1,577	1,577	1,577	-
CACIWC	50	50	60	(10)
Auto Mileage Expense	250	250	-	250
<b>Total Inland Wetlands &amp; Conservation</b>	<b>13,798</b>	<b>9,071</b>	<b>9,071</b>	<b>-</b>

(Continued)

Town of Deep River, Connecticut

**General Fund Expenditures and Other Financing Uses - Budgetary Basis -  
Budget and Actual (Continued)  
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Insurance &amp; Bonds</b>	120,000	112,824	112,824	-
<b>Political Subdivisions</b>				
Estuary Transit District	8,395	8,395	8,395	-
Estuary Council Seniors	16,500	16,500	16,550	(50)
Tri-Town Services	6,000	6,000	6,000	-
Public Service Agencies (formerly CAGM)	4,400	1,893	1,855	38
CRERPA	7,302	7,302	7,302	-
CCM	3,000	3,000	2,988	12
<b>Total Political Subdivisions</b>	45,597	43,090	43,090	-
<b>Employee Benefits</b>				
Medical Insurance	210,000	204,990	202,835	2,155
Life Insurance	4,200	4,200	4,512	(312)
Pension Plan	155,000	155,000	151,737	3,263
Tax exemption - DRAA & DRFD	17,500	17,500	12,598	4,902
FICA/Social Security - Employer/WPCF	90,000	90,000	100,170	(10,170)
Unemployment Compensation	750	750	575	175
<b>Total Employee Benefits</b>	477,450	472,440	472,427	13
<b>Total General Government</b>	1,733,935	1,745,102	1,740,071	5,031
<b>Public Safety</b>				
<b>Police</b>				
Part-time Officers	60,000	60,000	47,834	12,166
Crossing Guard Salary	4,849	4,849	1,845	3,004
Funded Special Police Services	30,000	171,535	184,288	(12,753)
Full-time Officer/FT/OT	108,120	108,120	88,294	19,826
Resident Trooper	100,000	100,000	118,431	(18,431)
Miscellaneous supplies	2,800	2,800	6,504	(3,704)
Vehicle maintenance	4,000	4,000	5,331	(1,331)
Training	2,000	2,000	1,603	397
Uniforms	2,500	2,500	1,673	827
<b>Total Police</b>	314,269	455,804	455,803	1

(Continued)

Town of Deep River, Connecticut

**General Fund Expenditures and Other Financing Uses - Budgetary Basis -  
Budget and Actual (Continued)  
For the Year Ended June 30, 2015**

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
<b>Fire Department</b>				
Part-time Clerical Salary	1,003	1,003	849	154
Communications Equipment Maintenance	7,200	7,200	7,535	(335)
Training	5,000	5,000	13,307	(8,307)
Physicals	1,000	1,000	940	60
Miscellaneous Building Supplies	5,000	5,000	5,717	(717)
Fire Equipment & Supplies	16,000	16,000	13,921	2,079
Vehicle Fuel & Oil	-	-	67	(67)
Vehicle Maintenance	18,500	18,500	12,336	6,164
Incentive Program	32,000	32,000	32,000	-
Operating Expenses	17,000	17,000	17,683	(683)
Water Hole Maintenance	3,500	3,500	3,667	(167)
Banquet	4,200	4,200	4,200	-
Personal Losses	400	400	431	(31)
<b>Total Fire Department</b>	<b>110,803</b>	<b>110,803</b>	<b>112,653</b>	<b>(1,850)</b>
<b>Fire Marshal</b>				
Fire Marshal Salary	20,351	19,916	19,941	(25)
Deputy Marshal Salary	500	500	135	365
Fire Marshal Auto Expense	1,000	1,000	1,000	-
Deputy Fire Marshal Auto Expense	125	125	-	125
Miscellaneous Supplies	500	500	1,038	(538)
Burning Official/Training	150	150	75	75
<b>Total Fire Marshal</b>	<b>22,626</b>	<b>22,191</b>	<b>22,189</b>	<b>2</b>
<b>Public Services Communications</b>				
Valley Shore Communications Contract	56,474	56,474	56,474	-
Dispatcher Salary	24,118	25,137	25,137	-
<b>Total Public Service Communications</b>	<b>80,592</b>	<b>81,611</b>	<b>81,611</b>	<b>-</b>
<b>Civil Preparedness</b>	<b>1,500</b>	<b>751</b>	<b>698</b>	<b>53</b>
<b>Total Public Safety</b>	<b>529,790</b>	<b>671,160</b>	<b>672,954</b>	<b>(1,794)</b>
<b>Public Works</b>				
<b>Highway Department</b>				
Road Crew Salary	205,493	205,493	221,378	(15,885)
Equipment Maintenance	60,000	60,000	114,066	(54,066)
General Road Maintenance	230,000	379,140	308,717	70,423
Town Aid Road Maintenance	199,004	199,004	199,475	(471)
<b>Total Highway Department</b>	<b>694,497</b>	<b>843,637</b>	<b>843,636</b>	<b>1</b>

(Continued)

Town of Deep River, Connecticut

**General Fund Expenditures and Other Financing Uses - Budgetary Basis -  
Budget and Actual (Continued)  
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Public Utilities</b>				
Street Lighting	50,000	63,705	59,847	3,858
Fire Hydrant Service	67,629	67,629	71,488	(3,859)
<b>Total Public Utilities</b>	<b>117,629</b>	<b>131,334</b>	<b>131,335</b>	<b>(1)</b>
<b>Waste/Recycle</b>				
Transfer Station Operator Salary	37,723	37,723	38,552	(829)
Recycling Salary	8,920	8,920	9,928	(1,008)
Water Tests/Engineering	17,700	17,700	25,083	(7,383)
CRRA Tipping Fees	107,000	107,000	99,323	7,677
Bulky Waste Coverage	85,000	75,634	72,031	3,603
Household Hazardous Waste Facility	10,000	10,000	12,135	(2,135)
Sanitary Lavatory Rental	900	900	825	75
<b>Total Waste/Recycle</b>	<b>267,243</b>	<b>257,877</b>	<b>257,877</b>	<b>-</b>
<b>Total Public Works</b>	<b>1,079,369</b>	<b>1,232,848</b>	<b>1,232,848</b>	<b>-</b>
<b>Health and Social Services</b>				
<b>Sanitarian</b>				
Health District	59,900	59,900	59,839	61
<b>Public Health Nursing Service</b>				
Social Services Salary	17,600	19,456	19,956	(500)
LVVNA	28,500	28,500	28,000	500
<b>Total Public Health Nursing Service</b>	<b>46,100</b>	<b>47,956</b>	<b>47,956</b>	<b>-</b>
<b>Total Health and Social Services</b>	<b>106,000</b>	<b>107,856</b>	<b>107,795</b>	<b>61</b>
<b>Parks &amp; Recreation</b>				
Program Director Salary	26,000	26,000	38,015	(12,015)
Part-time Summer Program Salary	16,500	16,500	12,116	4,384
Life-Gate Guard Salary	18,500	18,500	18,314	186
Water-Devitt Field	4,500	4,500	300	4,200
Summer Youth Program	8,600	8,600	10,661	(2,061)
Maintenance-All Facilities	22,000	22,000	31,302	(9,302)
Youth Basketball	14,000	14,000	19,878	(5,878)
Seasonal Programs	10,354	10,354	10,368	(14)
New Programs	700	700	3,885	(3,185)
Self-Funding Programs	27,000	69,961	46,200	23,761
<b>Total Parks and Recreation</b>	<b>148,154</b>	<b>191,115</b>	<b>191,039</b>	<b>76</b>

(Continued)

Town of Deep River, Connecticut

General Fund Expenditures and Other Financing Uses - Budgetary Basis -  
Budget and Actual (Continued)  
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Library</b>				
Librarian Salary	58,879	58,879	58,895	(16)
Assistants Salary	59,803	60,215	60,198	17
Library Program Expenses	33,800	33,800	33,800	-
<b>Total Library</b>	<b>152,482</b>	<b>152,894</b>	<b>152,893</b>	<b>1</b>
 <b>Probate</b>				
Clerk	3,500	2,130	2,130	-
<b>Total Recreational Services</b>	<b>304,136</b>	<b>346,139</b>	<b>346,062</b>	<b>77</b>
 <b>Debt Services</b>				
<b>Debt Redemption</b>				
Sewer Construction Bonds	135,500	135,500	135,318	182
Fire/Highway Dept. Truck	249,170	257,127	257,309	(182)
<b>Total Debt Services</b>	<b>384,670</b>	<b>392,627</b>	<b>392,627</b>	<b>-</b>
 <b>Education</b>				
<b>Elementary School</b>	<b>5,461,500</b>	<b>5,461,500</b>	<b>5,372,463</b>	<b>89,037</b>
<b>Regional District #4</b>	<b>5,602,987</b>	<b>5,605,987</b>	<b>5,605,987</b>	<b>-</b>
<b>Deep River Elementary School</b>				
Maintenance	15,000	34,597	34,597	-
<b>Total Education</b>	<b>11,079,487</b>	<b>11,102,084</b>	<b>11,013,047</b>	<b>89,037</b>
 <b>Capital Outlay</b>				
Computer Upgrade Project	5,000	14,250	14,104	146
Plattwood - STEAP Grant	-	-	59,044	(59,044)
Village Street Bridge	-	-	60,170	(60,170)
Equipment - Fire Department	-	-	-	-
Truck - Highway	-	16,000	16,000	-
Fountain Hill Cemetery	35,000	35,000	35,000	-
Miscellaneous	-	-	180	(180)
Police / Highway Vehicles & Equipment	8,000	8,000	7,788	212
Storms	12,500	12,500	14,051	(1,551)
<b>Total Capital Outlay</b>	<b>60,500</b>	<b>85,750</b>	<b>206,337</b>	<b>(120,587)</b>
 <b>Total Expenditures</b>	<b>\$ 15,277,887</b>	<b>\$ 15,683,566</b>	<b>\$ 15,711,741</b>	<b>\$ (28,175)</b>

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## **Nonmajor Governmental Funds**

## **Nonmajor Governmental Funds**

### ***Special Revenue Funds***

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

**Hot Lunch Program Fund** – is used to account for the operations of the food program by the school system.

**Incubator Building Fund** – is used to account for fees collected and expenditures.

**Small Cities Project SC-96** – is used to account for project or improvements.

**Grant Account** – is used to account for Federal and State grants.

**Social Services Fund** – is used to account for the activity of social services.

**Deep River Town Hall Auditorium** – is used to account for the restoration of the Town Hall auditorium.



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**Town of Deep River, Connecticut**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2015**

	Special Revenue	
	Hot Lunch Program Fund	Incubator Building Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 9,512	\$ 42,861
Intergovernmental receivables	10,906	-
Loans receivable	-	-
Other receivables	660	3,934
Inventory	6,369	-
<b>Total assets</b>	<b>27,447</b>	<b>46,795</b>
<b>Liabilities and Fund Balances</b>		
Liabilities		
Accounts payable and accrued expenses	8,943	17,750
Due to other funds	18,519	-
<b>Total liabilities</b>	<b>27,462</b>	<b>17,750</b>
<b>Fund Balances</b>		
Restricted	-	-
Committed	-	29,045
Assigned	-	-
Unassigned	(15)	-
<b>Total fund balance (deficit)</b>	<b>(15)</b>	<b>29,045</b>
<b>Total liabilities and fund balances</b>	<b>\$ 27,447</b>	<b>\$ 46,795</b>

Special Revenue				Capital Projects	
Small Cities Project SC-96	Grant Account	Social Services Fund	Deep River Town Hall Auditorium Restoration Fund	Total Nonmajor Funds	
\$ 36,707	\$ 219	\$ 82,448	\$ 1,544	\$ 173,291	
-	-	-	-	10,906	
34,460	-	-	-	34,460	
-	-	-	-	4,594	
-	-	-	-	6,369	
71,167	219	82,448	1,544	229,620	
-	-	-	-	26,693	
-	-	-	-	18,519	
-	-	-	-	45,212	
71,167	219	-	-	71,386	
-	-	-	1,544	30,589	
-	-	82,448	-	82,448	
-	-	-	-	(15)	
71,167	219	82,448	1,544	184,408	
\$ 71,167	\$ 219	\$ 82,448	\$ 1,544	\$ 229,620	

**Town of Deep River, Connecticut**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) -  
Nonmajor Governmental Funds  
For the Year Ending June 30, 2015**

	Special Revenue	
	Hot Lunch Program Fund	Incubator Building Fund
Revenues		
Intergovernmental	\$ 44,221	\$ -
Charges for services	64,939	107,511
Interest income	-	-
Other	515	-
<b>Total revenues</b>	<b>109,675</b>	<b>107,511</b>
Expenditures		
Current:		
General government	-	164,725
Health and Social Services	-	-
Education	109,675	-
Capital outlay	-	-
<b>Total expenditures</b>	<b>109,675</b>	<b>164,725</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>-</b>	<b>(57,214)</b>
Fund Balances (Deficits), Beginning	(15)	86,259
Fund Balances (Deficits), Ending	<u>\$ (15)</u>	<u>\$ 29,045</u>

Special Revenue			Capital Projects		
Small Cities Project SC-96	Grant Account	Social Services Fund	Deep River Town Hall Auditorium Restoration Fund	Total Nonmajor Funds	
\$ -	\$ 136,155	\$ -	\$ -	\$ 180,376	
-	-	-	-	172,450	
38	-	4	-	42	
-	-	13,683	-	14,198	
38	136,155	13,687	-	367,066	
-	5,118	-	-	169,843	
-	204	12,174	-	12,378	
-	131,155	-	-	240,830	
-	-	-	1,444	1,444	
-	136,477	12,174	1,444	424,495	
38	(322)	1,513	(1,444)	(57,429)	
71,129	541	80,935	2,988	241,837	
\$ 71,167	\$ 219	\$ 82,448	\$ 1,544	\$ 184,408	

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**Fiduciary Funds**

## **Fiduciary Funds**

Fiduciary funds are used to account for assets held by the Town in a trustee capacity for individuals, private organizations or other governments.

### **Agency Funds**

Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).



**Town of Deep River, Connecticut**

**Combining Statement of Changes in Assets and Liabilities - Agency Funds  
For the Year Ended June 30, 2015**

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b>Assets</b>				
Cash and cash equivalents				
Student activity fund	\$ 18,169	\$ 19,172	\$ 25,193	\$ 12,148
<b>Liabilities</b>				
Due to student groups				
Student activity fund	\$ 18,169	\$ 19,172	\$ 25,193	\$ 12,148

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**Other Schedules**



**Town of Deep River, Connecticut**

**Balance Sheet - By Account - General Fund  
June 30, 2015**

	General Fund	Library Fund	Totals
<b>Assets</b>			
Cash and cash equivalents	\$ 242,324	\$ 65,475	\$ 307,799
Receivables (net of allowances for collection losses):			
Property taxes	381,225	-	381,225
Intergovernmental	55,752	-	55,752
Other	201,585	-	201,585
Due from other funds	251,065	-	251,065
<b>Total assets</b>	<b>\$ 1,131,951</b>	<b>\$ 65,475</b>	<b>\$ 1,197,426</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities and Deferred Inflows of Resources</b>			
Liabilities - Accounts payable and accruals	470,173	-	470,173
Due to other funds	1,705	-	1,705
Deferred Inflows of Resources - Unavailable revenue	269,598	-	269,598
<b>Fund Balances</b>			
Assigned	-	65,475	65,475
Unassigned	390,475	-	390,475
<b>Total fund balances</b>	<b>390,475</b>	<b>65,475</b>	<b>455,950</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,131,951</b>	<b>\$ 65,475</b>	<b>\$ 1,197,426</b>

**Town of Deep River, Connecticut**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - By Account - General Fund  
For the Year Ended June 30, 2015**

	General Fund	Library Fund	Eliminations	Totals
<b>Revenues</b>				
Property taxes and lien fees	\$ 12,988,027	\$ -	\$ -	\$ 12,988,027
Intergovernmental	2,819,743	-	-	2,819,743
Charges for services	711,513	14,942	-	726,455
Investment income	4,903	214	-	5,117
<b>Total revenues</b>	<b>16,524,186</b>	<b>15,156</b>	<b>-</b>	<b>16,539,342</b>
<b>Expenditures</b>				
Current:				
General government	1,740,071	43,740	-	1,783,811
Public Safety	672,954	-	-	672,954
Public Works	1,232,848	-	-	1,232,848
Health and Social Services	107,795	-	-	107,795
Parks and Recreation	312,262	-	-	312,262
Education	11,549,813	-	-	11,549,813
Capital outlay	206,337	-	-	206,337
Debt service	257,309	-	-	257,309
<b>Total expenditures</b>	<b>16,079,389</b>	<b>43,740</b>	<b>-</b>	<b>16,123,129</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>444,797</b>	<b>(28,584)</b>	<b>-</b>	<b>416,213</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	33,800	(33,800)	-
Transfers out	(169,118)	-	33,800	(135,318)
<b>Net other financing sources (uses)</b>	<b>(169,118)</b>	<b>33,800</b>	<b>-</b>	<b>(135,318)</b>
<b>Net change in fund balances</b>	<b>275,679</b>	<b>5,216</b>	<b>-</b>	<b>280,895</b>
Fund Balances, Beginning	114,796	60,259	-	175,055
Fund Balances, Ending	<u>\$ 390,475</u>	<u>\$ 65,475</u>	<u>\$ -</u>	<u>\$ 455,950</u>

Town of Deep River, Connecticut

Schedule of Property Taxes Levied, Collected and Outstanding  
For the Year Ended June 30, 2015

Grand List Year	Balance		Lawful Corrections		Transfers to Suspense	Balance to be Collected	Collections			Balance Uncollected June 30, 2015								
	Uncollected July 1, 2014	Current Levy	Net Adjustments	Taxes			Interest and Lien Fees	Total										
1999	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-						
2000		-		137	-	137	-	-	-	-		137						
2001		-		95	-	95	-	-	-	-		95						
2002		-		711	-	711	-	-	-	-		711						
2003		-		45	-	45	-	-	-	-		45						
2004		-		59	-	59	-	-	-	-		59						
2005		53	-	129	-	182	-	-	-	-		182						
2006		-	-	586	-	586	-	-	-	-		586						
2007		43	-	399	-	442	-	-	-	-		442						
2008		2,910	-	589	-	3,499	2,868	1,142		4,010		631						
2009		9,005	-	1,634	-	10,639	7,350	3,280		10,630		3,289						
2010		58,577	-	82	-	58,659	25,330	15,044		40,374		33,329						
2011		103,014	-	293	-	103,307	53,078	20,997		74,075		50,229						
2012		225,417	-	12,808	-	238,225	160,074	33,295		193,369		78,151						
2013		-	12,790,232	(17,225)	-	12,773,007	12,574,759	41,450		12,616,209		198,248						
Total	\$	399,019	\$	12,790,232	\$	342	\$	-	\$	13,189,593	\$	12,823,459	\$	115,208	\$	12,938,667	\$	366,134

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