

Town of Deep River, Connecticut

Financial Report
June 30, 2016

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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, 2016, 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, 2016, 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.

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 May 9, 2017 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
May 9, 2017



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

Management's Discussion and Analysis - Unaudited June 30, 2016

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, 2016.

Financial Highlights

- On a government-wide basis, the Town's net position increased by \$2,065,735 for the fiscal year, governmental activities increased by \$2,393,318, while business-type activities of the Town decreased by (\$327,583). The governmental activities increase was due to better than expected revenues. The business-type activities decrease was due to operations.
- The Town's combined net position totals \$21,104,304 at June 30, 2016.
- At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,481,078, an increase of \$1,977,902 from the prior year.
- At year-end, the unassigned fund balance for the general fund was \$661,872 or 3.9% of total general fund expenditures and transfers out.
- The Town's total bonded and capital lease debt for governmental activities decreased by \$134,988 during the fiscal year. Total debt for business-type activities increased by \$3,494,025 due to principal payments on the Clean Water sewer note and note proceeds of \$3,659,000 for the Kirtland and River Streets sewer expansion.

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 11 and 12 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 eight (8) 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 two fund considered to be major funds. Data from the other six (6) 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	Small Cities Project SC-96	Social Services
Capital Projects	Hot Lunch Program Fund	Deep River Town Hall
	Incubator Building Fund	Auditorium Restoration Fund
	Grant Account	

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 \$21,104,304 at the close of the fiscal year.

The largest portion of the Town's net position, \$20,856,974 (98.8%), 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 3,088,236	\$ 3,413,475	\$ 328,533	\$ 240,875	\$ 3,416,769	\$ 3,654,350
Capital assets (net)	12,936,433	12,969,804	13,669,120	10,654,387	26,605,553	23,624,191
Total assets	16,024,669	16,383,279	13,997,653	10,895,262	30,022,322	27,278,541
Deferred pension items	739,842	189,375	-	-	739,842	189,375
Total deferred outflows of resources	739,842	189,375	-	-	739,842	189,375
Long-term liabilities outstanding	2,897,855	2,579,816	5,469,611	1,975,586	8,367,466	4,555,402
Other liabilities	565,181	3,640,701	162,105	226,156	727,286	3,866,857
Total liabilities	3,463,036	6,220,517	5,631,716	2,201,742	9,094,752	8,422,259
Advanced Property Tax Collections	563,108	7,088	-	-	563,108	7,088
Total deferred inflows of resources	563,108	7,088	-	-	563,108	7,088
Net position:						
Net Investment in capital assets	12,657,465	11,524,126	8,199,509	8,678,801	20,856,974	20,202,927
Restricted	239,243	71,386	-	-	239,243	71,386
Unrestricted (deficit)	(158,341)	(1,250,463)	166,428	14,719	8,087	(1,235,744)
Total net position	\$ 12,738,367	\$ 10,345,049	\$ 8,365,937	\$ 8,693,520	\$ 21,104,304	\$ 19,038,569

Town of Deep River Summary Statement of Activities						
	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 1,177,344	\$ 898,905	\$ 1,032,736	\$ 923,217	\$ 2,210,080	\$ 1,822,122
Operating grants and contributions	2,475,324	2,530,551	-	-	2,475,324	2,530,551
Capital grants and contributions	1,584,429	371,628	-	-	1,584,429	371,628
General revenues:						
Property taxes	13,488,730	12,933,564	-	-	13,488,730	12,933,564
Grants and contributions not restricted to specific programs	104,136	112,138	-	-	104,136	112,138
Investment income	6,970	5,924	4	6	6,974	5,930
Transfers and gain on disposals	408,594	(1,218,753)	(157,104)	1,218,753	251,490	-
Total revenues and transfers	19,245,527	15,633,957	875,636	2,141,976	20,121,163	17,775,933
Expenses:						
General government	2,026,714	1,961,773	-	-	2,026,714	1,961,773
Public Safety	894,086	698,420	-	-	894,086	698,420
Public Works	1,252,030	1,238,009	-	-	1,252,030	1,238,009
Health and Social Services	121,766	102,030	-	-	121,766	102,030
Parks and Recreation	343,242	319,546	-	-	343,242	319,546
Education	12,127,636	11,758,382	-	-	12,127,636	11,758,382
Interest expense	86,735	38,687	-	-	86,735	38,687
Sewer department	-	-	1,203,219	934,235	1,203,219	934,235
Total expenses	16,852,209	16,116,847	1,203,219	934,235	18,055,428	17,051,082
Change in net position	2,393,318	(482,890)	(327,583)	1,207,741	2,065,735	724,851
Net Position, Beginning	10,345,049	10,827,939	8,693,520	7,485,779	19,038,569	18,313,718
Net Position, Ending	\$ 12,738,367	\$ 10,345,049	\$ 8,365,937	\$ 8,693,520	\$ 21,104,304	\$ 19,038,569

Governmental Activities

The Town's governmental activities net position increased by \$2,393,318 during the current fiscal year.

Governmental activities revenues totaled \$19,245,527. Property taxes are the largest revenue source for the Town and represent \$13,488,730 or 70.1% of governmental revenues. Current tax collections were 98.6% of the adjusted tax levy. Operating grants and contributions revenues are the Town's second largest revenue. Operating grants and contributions revenues were \$2,475,324 or 12.9% of governmental revenues for the year. Capital grants and contribution revenues, the third largest revenue, were \$1,584,429 or 8.2% of governmental revenues. Charges for services revenues were \$1,177,344 or 6.1% of governmental revenues. Grants and contributions not restricted to specific programs were \$104,136, or 0.5% of governmental revenues. The remaining \$6,970 is generated by investment income and represents less than 0.1% of total revenues.

Governmental activities revenues increased by \$3,611,570, or 23.1%, from that of the prior year. Significant fluctuations from the prior year were as follows:

- A \$555,166 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 \$55,227 decrease in operating grants and contributions. The decrease was due primarily to a decrease in education grant funding.
- Capital grants and contributions increased by \$1,212,801 due primarily to a Federal grant with the USDA in connection with Kirtland and River Streets sewer expansion.
- Charges for services increased by \$387,958 due primarily to an increase of \$217,619 in public safety/police services over prior year.
- Investment income increased \$1,044.

Expenses. Governmental expenses totaled \$16,852,209 for the fiscal year. Of the expenses, \$12,127,136 or 72.0% is related to education. General government expenses amounted to \$2,026,714 or 12.0%, while public works amounted to \$1,252,030 or 7.4%. Public safety expenses were \$894,086 or 5.3%. Interest expense was \$86,735 or 0.5%. Health and social services expenses were \$121,766 or 0.7%, and park and recreation expenses were \$343,242 or 2.0%.

Governmental activities expenses increased by \$735,362 or 4.6%, from that of the prior year. Significant fluctuations from the prior year were as follows:

- General government increased due to an increase in benefits by \$64,941 or 3.3%.
- Public safety increased by \$195,666 or 28.0% due to capital projects traffic control, completely offset by revenues.
- Education increased by \$369,254 due to the increase in costs.
- Health and social services increased by 19.3% or \$19,736 due to contractual benefit cost while park and recreation increased by \$23,696 or 7.4%, primarily attributed to an expansion of services and programs. Lastly, an increase in interest expense by \$48,048 or 124.2% over prior year expenses.

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. Revenues increased by 11.9% or \$109,519 primarily due to additional septage volume processed during fiscal year 2016.

Expenses. Business-type expenses totaled \$1,203,219 for the sewer department's fiscal year ended June 30, 2016. Such expenses increased by \$268,984 from that of the prior year. Expenditures increased largely due to an increase in operating maintenance and replacement 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, 2016, is \$1,481,078. The fund balance includes \$155,063 to liquidate contracts and purchase orders of the prior period, \$239,243 restricted for specific purposes, \$424,915 committed to certain functions and \$661,857 as unassigned.

The General Fund is the operating fund of the Town. The fund balance of the General Fund increased by \$277,335 during the current fiscal year.

The Capital Projects Fund had an increase in fund balance in the amount of \$1,305,221 due to the payoff of a bond anticipation note.

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 decrease in net position of \$327,583 for the fiscal year ended June 30, 2016.

Sewer Fund. Unrestricted net position of the sewer fund at the end of the year amounted to \$166,428.

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		
Revenues and Other Financing Sources				
Property taxes	\$ 13,165,673	\$ 13,165,673	\$ 13,229,459	\$ 63,786
Intergovernmental, charges for services and other financing sources	2,582,957	2,582,957	3,483,326	900,369
Total revenues and other financing sources	15,748,630	15,748,630	16,712,785	964,155
Expenditures				
Expenditures	15,748,630	16,636,794	16,441,388	195,406
Net change in fund balance	\$ -	\$ (888,164)	\$ 271,397	\$ 1,159,561

The final amended budget exceeded the original budget by \$937,910. Overall, revenues exceed our original estimates. However, expenses, primarily capital expenditures, also exceeded our original estimates based primarily on the timing of project completions.

Capital Assets

At June 30, 2016, the Town of Deep River's investment in capital assets in both governmental and business-type activities amounted to \$26,605,553, 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 \$654,047, or 3.2%. The increase relates primarily to the ongoing sewer expansion project, offset by depreciation expense.

	Town of Deep River Capital Assets - Net					
	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 684,688	\$ 684,688	\$ 360,214	\$ 360,214	\$ 1,044,902	\$ 1,044,902
Construction in progress	499,540	59,044	4,323,019	1,083,435	4,822,559	1,142,479
Buildings	6,615,574	7,016,115	-	-	6,615,574	7,016,115
Sewer plant and collection system	-	-	8,628,914	8,890,987	8,628,914	8,890,987
Machinery and equipment	121,199	122,206	356,973	319,751	478,172	441,957
Vehicles	876,294	1,020,435	-	-	876,294	1,020,435
Infrastructure	4,139,138	4,067,316	-	-	4,139,138	4,067,316
Total	\$ 12,936,433	\$ 12,969,804	\$ 13,669,120	\$ 10,654,387	\$ 26,605,553	\$ 23,624,191

Long-Term Debt

At the end of the current fiscal year, the Town had total bonded and note debt outstanding of \$5,469,611. 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, 2016 and 2015					
	June 30, 2016			June 30, 2015		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Notes and Bonds	\$ -	\$ 5,469,611	\$ 5,469,611	\$ -	\$ 1,975,586	\$ 1,975,586
Total	\$ -	\$ 5,469,611	\$ 5,469,611	\$ -	\$ 1,975,586	\$ 1,975,586

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 \$93,361,674, 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 2016/2017 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 2016/2017 original adopted general fund budget is \$16,419,832, an increase of \$671,202 or 4.3% over the prior year original adopted general fund budget expenditures.

The Town has appropriated \$257,416 for 2016/2017 fiscal year budget of which \$251,700 or 98% was for capital equipment improvements. Of these capital equipment improvements, \$195,700 was appropriated for the D.R.E.S. boiler replacement project, \$9,000 for computer upgrades at the Town Hall and registrar's office, \$45,000 for a replacement compactor at the transfer station and \$2,000 for the Fire Marshal for personal protective gear and a laptop.

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. Angus L. McDonald, 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, 2016**

	Governmental Type Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,236,292	\$ 28,038	\$ 2,264,330
Receivables:			
Property taxes, net of allowance for collection losses	342,748	-	342,748
Assessments/use charges	25,000	89,360	114,360
Intergovernmental	39,010	-	39,010
Loans	34,460	-	34,460
Other	184,361	146,690	331,051
Inventory	7,294	-	7,294
Internal balances	19,071	(19,071)	-
Assessments/use charges, noncurrent	200,000	83,516	283,516
Capital assets, not being depreciated	1,184,228	4,683,233	5,867,461
Capital assets, being depreciated, net of depreciation	11,752,205	8,985,887	20,738,092
Total assets	16,024,669	13,997,653	30,022,322
Deferred Outflows of Resources			
Deferred pension items	739,842	-	739,842
Total deferred outflows of resources	739,842	-	739,842
Liabilities			
Accounts payable and accruals	565,181	162,105	727,286
Noncurrent liabilities:			
Due within one year	189,867	220,725	410,592
Due in more than one year	2,707,988	5,248,886	7,956,874
Total liabilities	3,463,036	5,631,716	9,094,752
Deferred Inflows of Resources			
Advanced Property Tax Collections	563,108	-	563,108
Total deferred inflows of resources	563,108	-	563,108
Net Position			
Net investment in capital assets	12,657,465	8,199,509	20,856,974
Restricted	239,243	-	239,243
Unrestricted (deficit)	(158,341)	166,428	8,087
Total net position	\$ 12,738,367	\$ 8,365,937	\$ 21,104,304

See notes to financial statements.

Town of Deep River, Connecticut

**Statement of Activities
For the Year Ended June 30, 2016**

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
Governmental activities:							
General government	\$ 2,026,714	\$ 251,018	\$ 73,596	\$ 595,718	\$ (1,106,382)	\$ -	\$ (1,106,382)
Public safety	894,086	580,626	-	-	(313,460)	-	(313,460)
Public works	1,252,030	131,450	-	988,711	(131,869)	-	(131,869)
Health and social services	121,766	-	-	-	(121,766)	-	(121,766)
Parks and recreation	343,242	148,241	-	-	(195,001)	-	(195,001)
Education	12,127,636	66,009	2,401,728	-	(9,659,899)	-	(9,659,899)
Interest expense	86,735	-	-	-	(86,735)	-	(86,735)
Total governmental activities	16,852,209	1,177,344	2,475,324	1,584,429	(11,615,112)	-	(11,615,112)
Business-type activities							
Sewer Enterprise	1,203,219	1,032,736	-	-	-	(170,483)	(170,483)
Total business-type activities	1,203,219	1,032,736	-	-	-	(170,483)	(170,483)
Total primary government	\$ 18,055,428	\$ 2,210,080	\$ 2,475,324	\$ 1,584,429	(11,615,112)	(170,483)	(11,785,595)
General revenues:							
Property taxes					13,488,730	-	13,488,730
Grants and contributions not restricted to specific programs					104,136	-	104,136
Income from investments					6,970	4	6,974
Transfers					157,104	(157,104)	-
Gain on disposal					251,490	-	251,490
Total general revenues and transfers					14,008,430	(157,100)	13,851,330
Change in net position					2,393,318	(327,583)	2,065,735
Net position - beginning					10,345,049	8,693,520	19,038,569
Net position - ending					\$ 12,738,367	\$ 8,365,937	\$ 21,104,304

See notes to financial statements.

Town of Deep River, Connecticut

**Balance Sheet - Governmental Funds
June 30, 2016**

	General	Capital Projects Funds	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,306,480	\$ 360,091	\$ 569,721	\$ 2,236,292
Receivables (net of allowances for collection losses):				
Property taxes	342,748	-	-	342,748
Intergovernmental	31,921	-	7,089	39,010
Loans	-	-	34,460	34,460
Other	401,711	-	7,650	409,361
Inventory	-	-	7,294	7,294
Due from other funds	240,439	-	-	240,439
Total assets	\$ 2,323,299	\$ 360,091	\$ 626,214	\$ 3,309,604
Liabilities				
Accounts payable and accruals	\$ 497,057	\$ -	\$ 18,124	\$ 515,181
Due to other funds	980	192,052	28,336	221,368
Total liabilities	498,037	192,052	46,460	736,549
Deferred Inflows of Resources				
Unavailable revenues - property taxes and assessments	528,869	-	-	528,869
Unavailable revenues - Advance tax collections	563,108	-	-	563,108
	1,091,977	-	-	1,091,977
Fund Balances				
Restricted	-	168,039	71,204	239,243
Committed	-	-	424,915	424,915
Assigned	71,413	-	83,650	155,063
Unassigned	661,872	-	(15)	661,857
Total fund balances	733,285	168,039	579,754	1,481,078
Total liabilities, deferred inflows of resources and fund balances				
	\$ 2,323,299	\$ 360,091	\$ 626,214	

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.	12,936,433
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	528,869
Deferred pension items	739,842
Accrued interest payable	(50,000)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,897,855)

Net position of governmental activities \$ 12,738,367

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, 2016**

	General	Capital Projects Funds	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes and lien fees	\$ 13,229,459	\$ -	\$ -	\$ 13,229,459
Intergovernmental	2,987,550	988,711	178,766	4,155,027
Charges for services	1,010,698	-	166,646	1,177,344
Investment income	6,165	768	37	6,970
Other	-	-	8,862	8,862
Total revenues	17,233,872	989,479	354,311	18,577,662
Expenditures:				
Current:				
General government	1,832,847	-	167,888	2,000,735
Public safety	840,416	-	-	840,416
Public works	1,146,238	-	-	1,146,238
Health and social services	108,489	-	7,038	115,527
Parks and recreation	331,825	-	-	331,825
Education	11,812,374	-	242,397	12,054,771
Capital outlay	554,077	-	-	554,077
Debt service	144,209	27,424	-	171,633
Total expenditures	16,770,475	27,424	417,323	17,215,222
Excess (deficiency) of revenues over expenditures	463,397	962,055	(63,012)	1,362,440
Other financing sources:				
Transfer out	(186,062)	-	-	(186,062)
Transfers in	-	343,166	-	343,166
Sale of general capital assets	-	-	458,358	458,358
Total other financing sources	(186,062)	343,166	458,358	615,462
Change in fund balances (deficits)	277,335	1,305,221	395,346	1,977,902
Fund balances (deficits), beginning	455,950	(1,137,182)	184,408	(496,824)
Fund balances, ending	\$ 733,285	\$ 168,039	\$ 579,754	\$ 1,481,078

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, 2016

Net change in fund balances (deficits) - total governmental funds	\$ 1,977,902
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and disposals in the current period.	(33,371)
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Changes in revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	173,447
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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.	134,898
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Amounts reported for governmental activities in the statement of activity are different because:

Changes in deferred inflows/outflows due to pension related items	550,467
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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.	(410,025)
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Change in net position - governmental activities	<u>\$ 2,393,318</u>
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See notes to financial statements.

Town of Deep River, Connecticut

**Statement of Net Position - Proprietary Funds
June 30, 2016**

	Business-Type Activities Sewer
Assets	
Current assets:	
Cash and cash equivalents	\$ 28,038
Receivables:	
Assessments	25,000
User charges	64,360
Other	146,690
Due from other funds	980
Total current assets	265,068
Noncurrent assets:	
Assessment receivables	83,516
Capital assets, net of accumulated depreciation	13,669,120
Total noncurrent assets	13,752,636
Total assets	14,017,704
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	162,105
Due to other funds	20,051
Loan payable	220,725
Total current liabilities	402,881
Noncurrent liabilities:	
Loan payable	5,248,886
Total noncurrent liabilities	5,248,886
Total liabilities	5,651,767
Net Position	
Net investment in capital assets	8,199,509
Unrestricted	166,428
Total net position	\$ 8,365,937

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, 2016**

	Business-Type Activities Sewer
Operating revenues:	
Charges for services	\$ 1,032,736
Total operating revenues	1,032,736
Operating expenses:	
Salaries and benefits	419,135
Contracted services	10,318
Utilities	313,912
Plant operation	107,660
Administration	13,089
Depreciation	301,101
Total operating expenses	1,165,215
Operating loss	(132,479)
Nonoperating revenues (expenses):	
Investment income	4
Interest expense	(38,004)
Total nonoperating revenues (expenses)	(38,000)
Other financing sources (uses):	
Transfer in	186,062
Transfers out	(343,166)
Total other financing sources (uses)	(157,104)
Change in net position	(327,583)
Net position, beginning	8,693,520
Net position, ending	\$ 8,365,937

See notes to financial statements

Town of Deep River, Connecticut

**Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2016**

	Business-Type Activities Sewer
Cash flows from operating activities:	
Receipts from customers	\$ 1,070,445
Payments to suppliers	(637,920)
Payment to employees	(434,135)
Net cash used in operating activities	(1,610)
Cash flows from capital and related financing activities:	
Purchase of capital assets	(3,659,000)
Bond Proceeds	3,659,000
Interest payments	(16,917)
Net cash used in capital and related financing activities	(16,917)
Cash flows provided by investing activities:	
Investment income	4
Net cash provided by investing activities	4
Net decrease in cash and cash equivalents	(18,523)
Cash and cash equivalents:	
Beginning	46,561
Ending	\$ 28,038
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (132,479)
Adjustments to reconcile operating loss to cash used in operating activities:	
Depreciation	301,101
(Increase) decrease in:	
Assessments receivable	34,570
Other and user charges receivable	3,139
Due from other funds	725
Increase (decrease) in:	
Accounts and other payables	(64,051)
Due to other funds	(144,615)
Net cash used in operating activities	\$ (1,610)
Schedule of non-cash capital and financing activities	
Principal payments made by other funds	\$ 164,975

See notes to financial statements.

Town of Deep River, Connecticut

**Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2016**

	Pension Trust Funds	Agency Funds
Assets		
Cash	\$ -	\$ 14,785
Investments at fair value:		
Equity mutual funds	1,775,764	-
Bond mutual funds	807,288	-
Fixed income mutual funds	1,996	-
Total investments	2,585,048	-
Total assets	2,585,048	14,785
Liabilities		
Due to student groups	-	14,785
Total liabilities	-	14,785
Net position - restricted for pension benefits	\$ 2,585,048	\$ -

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, 2016**

	Pension Trust Funds
Additions:	
Contributions:	
Employer	\$ 271,991
Total contributions	<u>271,991</u>
Investment income (loss):	
Net depreciation in fair value of investments	(15,232)
Total	<u>(15,232)</u>
Total additions	<u>256,759</u>
Deductions:	
Benefits	640,437
Administration	250
Total deductions	<u>640,687</u>
Change in net position	(383,928)
Net position - restricted for pension benefits	
Beginning	<u>2,968,976</u>
Ending	<u><u>\$ 2,585,048</u></u>

See notes to financial statements.

Town of Deep River, Connecticut

Notes to Financial Statements

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 (GAAP) 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 (GASB) 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. 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 implementation of this statement added additional disclosures to Note 3.

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 Statement Nos. 67 and 68*. This statement completes the suite of pension standards. Statement No. 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 Statement Nos. 67 and 68). The requirements in Statement No. 73 for reporting pensions generally are the same as in Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The implementation of this statement had no impact on the Town's financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of this statement had no impact on the Town's financial statements.

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. 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.

Town of Deep River, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

Town of Deep River, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

Town of Deep River, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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 adheres to GASB Statement No. 79, Certain Investment Pools and Pool Participants, which amends Statement No. 31 and establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized costs.

Fair value: The Town uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. 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. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for certain assets or liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

Fair value measurements focus on exit prices in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

The Town's fair value measurements are classified into a fair value hierarchy based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

The three categories within the hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets and liabilities.

Town of Deep River, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, credit spreads, and market-corroborated inputs.

Level 3: Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flows methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgement.

See Note 3 for additional information regarding fair value.

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 their acquisition 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

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 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.

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

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 property taxes paid in advance.

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

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	\$ (264,298)
Capital leases payable	(278,968)
Net pension liability	(1,712,801)
Landfill closure	<u>(641,788)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net positions - governmental activities	<u>\$ (2,897,855)</u>

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	\$ 932,569
Depreciation expense	(759,072)
Loss on Disposal	<u>(206,868)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (33,371)</u>

Town of Deep River, Connecticut

Notes to Financial Statements

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	134,898
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 134,898</u>

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	\$ 42,214
Net pension liability	(534,582)
Landfill closure	39,431
Accrued interest payable	<u>42,912</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (410,025)</u>

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

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, 2016, approximately \$1,056,000 of the Town's bank balance, including certificates of deposits of \$2,570,000, 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, 2016:

Cash and cash equivalents:

Deposits with financial institutions	\$ 2,279,115
Total cash and cash equivalents	<u>2,279,115</u>

Investments:

Pension trust funds:

Equity mutual funds	1,775,764
Bond mutual funds	807,288
Fixed income mutual funds	<u>1,996</u>
Total pension investments	<u>2,585,048</u>
Total cash, cash equivalents and investments	<u>\$ 4,864,163</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	\$ 2,264,330
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Fiduciary funds:

Cash	14,785
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Investments	2,585,048
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	2,599,833
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Total cash, cash equivalents and investments	\$ 4,864,163
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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	\$ 1,996	\$ 1,996	\$ -	\$ -	\$ -
Bond mutual funds	807,288	-	-	807,288	-

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	\$ 364,790	\$ 1,996
AA	36,626	-
A	67,370	-
BBB	145,153	-
BB	72,696	-
B	61,013	-
Below B	11,646	-
Unrated	47,994	-
	\$ 807,288	\$ 1,996

Town of Deep River, Connecticut

Notes to Financial Statements

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

Fair value: The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2016:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Other Observable Inputs (Level 3)
June 30, 2016				
Investments by fair value level:				
Debt securities:				
Fixed income mutual funds	\$ 1,996	\$ -	\$ 1,996	\$ -
Mutual Funds	2,583,052	2,583,052	-	-
Total investments by fair value level	<u>\$ 2,585,048</u>	<u>\$ 2,583,052</u>	<u>\$ 1,996</u>	<u>\$ -</u>

Debt and equity securities: Debt and equity securities, classified in Level 1 of the fair value hierarchy, are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Commercial and residential mortgage-backed securities classified in Level 3 are valued using discounted cash flow techniques. Collateralized debt obligations classified in Level 3 are valued using consensus pricing.

Town of Deep River, Connecticut

Notes to Financial Statements

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Increases	Decreases	Transfers	Balance June 30, 2016
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 684,688	\$ -	\$ -	\$ -	\$ 684,688
Construction in progress	59,044	440,496	-	-	499,540
Total capital assets, not being depreciated	743,732	440,496	-	-	1,184,228
Capital assets, being depreciated:					
Buildings and improvements	13,659,736	131,738	(418,195)	-	13,373,279
Machinery and equipment	848,630	16,000	-	-	864,630
Vehicles	2,787,939	-	-	-	2,787,939
Infrastructure and improvements	5,339,874	344,335	-	-	5,684,209
Total capital assets, being depreciated	22,636,179	492,073	(418,195)	-	22,710,057
Total capital assets	23,379,911	932,569	(418,195)	-	23,894,285
Less accumulated depreciation for:					
Buildings and improvements	6,643,621	325,411	(211,327)	-	6,757,705
Machinery and equipment	726,424	17,007	-	-	743,431
Vehicles	1,767,504	144,141	-	-	1,911,645
Infrastructure and improvements	1,272,558	272,513	-	-	1,545,071
Total accumulated depreciation	10,410,107	759,072	(211,327)	-	10,957,852
Total capital assets, being depreciated, net	12,226,072	(266,999)	(206,868)	-	11,752,205
Governmental activities capital assets, net	\$ 12,969,804	\$ 173,497	\$ (206,868)	\$ -	\$ 12,936,433

Town of Deep River, Connecticut

Notes to Financial Statements

Note 4. Capital Assets (Continued)

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 360,214	\$ -	\$ -	\$ 360,214
Construction in process	1,083,435	3,239,584	-	4,323,019
Total capital assets, not being depreciated	1,443,649	3,239,584	-	4,683,233
Capital assets, being depreciated:				
Sewer plant	6,550,734	-	-	6,550,734
Sewer collection system	8,115,012	-	-	8,115,012
Machinery and equipment	2,002,738	76,250	-	2,078,988
Vehicles	181,903	-	-	181,903
Total capital assets, being depreciated	16,850,387	76,250	-	16,926,637
Total capital assets	18,294,036	3,315,834	-	21,609,870
Less accumulated depreciation for:				
Sewer plant	3,372,268	122,782	-	3,495,050
Sewer collection system	2,402,491	139,291	-	2,541,782
Machinery and equipment	1,682,987	39,028	-	1,722,015
Vehicles	181,903	-	-	181,903
Total accumulated depreciation	7,639,649	301,101	-	7,940,750
Total capital assets, being depreciated, net	9,210,738	(224,851)	-	8,985,887
Total business-type activities capital assets, net	\$ 10,654,387	\$ 3,014,733	\$ -	\$ 13,669,120

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

Governmental activities:	
General government	\$ 144,224
Public safety	121,452
Public works	296,038
Health and social services	15,181
Park and recreation	22,772
Education	159,405
Total depreciation expense - governmental activities	<u>\$ 759,072</u>
Business-type activities:	
Sewer	<u>\$ 301,101</u>

Town of Deep River, Connecticut

Notes to Financial Statements

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, 2016 is presented below:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 240,439	\$ 980
Capital projects	-	192,052
Non-major governmental funds	-	28,336
Sewer fund	980	20,051
Grand total	<u>\$ 241,419</u>	<u>\$ 241,419</u>

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. Unavailable Revenue/Deferred Inflows of Resources/Deferred Revenue

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:	
Sewer assessments	\$ 225,000
Delinquent property taxes receivable	303,869
	<u>\$ 528,869</u>

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, 2016 is as follows:

Description	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due Within One Year
Governmental activities:					
Other long-term liabilities:					
Compensated absences	\$ 306,512	\$ 73,558	\$ 115,772	\$ 264,298	\$ 17,500
Capital lease obligations	413,866	-	134,898	278,968	141,036
Net pension liability	1,178,219	534,582	-	1,712,801	-
Landfill closure costs	681,219	-	39,431	641,788	31,331
Total other long-term liabilities	2,579,816	608,140	290,101	2,897,855	189,867
Governmental activity long-term liabilities	\$ 2,579,816	\$ 608,140	\$ 290,101	\$ 2,897,855	\$ 189,867
Business-type activities:					
Bonds payable:					
USDA Rural Service Bonds	\$ -	\$ 3,659,000	\$ -	\$ 3,659,000	\$ 52,422
Clean water sewer note	1,975,586	-	164,975	1,810,611	168,303
Business-type activity long-term liabilities	\$ 1,975,586	\$ 3,659,000	\$ 164,975	\$ 5,469,611	\$ 220,725

Clean Water Sewer notes - business-type activities: As of June 30, 2016, 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, 2015	Additions	Deductions	Balance June 30, 2016
Clean Water Sewer Note	\$ 3,375,000	10/30/2006	4/30/2026	2.00%	\$ 1,975,586	\$ -	\$ 164,975	\$ 1,810,611
					\$ 1,975,586	\$ -	\$ 164,975	\$ 1,810,611

General Obligation Bond: USDA Rural Utilities Service

Loans due June 2055; annual principal payments from \$41,000 to \$116,00 at 2.75% \$ 2,910,000

Loans due June 2055; annual principal payments from \$41,000 to \$116,00 at 2.75% 144,000

Loans due June 2055; annual principal payments from \$41,000 to \$116,00 at 2.75% 605,000

\$ 3,659,000

Town of Deep River, Connecticut

Notes to Financial Statements

Note 7. Long-Term Liabilities (Continued)

The following is a summary as of June 30, 2016, of the future principal and interest requirements for the Town's note indebtedness - business-type activities:

Fiscal Year Ending:	Principal	Interest	Total
2017	\$ 220,725	\$ 34,674	\$ 255,399
2018	225,513	31,277	256,790
2019	230,408	27,811	258,219
2020	235,410	24,276	259,686
2021	240,523	20,669	261,192
2022-2026	1,249,541	480,753	1,730,294
2027-2031	359,267	389,928	749,195
2032-2036	409,650	339,545	749,195
2037-2041	467,138	282,057	749,195
2042-2046	532,736	216,459	749,195
2047-2051	607,595	141,600	749,195
2052-2056	691,105	56,167	747,272
Total	<u>\$ 5,469,611</u>	<u>\$ 2,045,216</u>	<u>\$ 7,514,827</u>

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	\$ 30,009,110	\$ -	\$ 30,009,110
Schools	60,018,219	3,255,700	56,762,519
Sewers	50,015,183	5,469,611	44,545,572
Urban renewal	43,346,492	-	43,346,492
Pension deficit	40,012,146	-	40,012,146

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or approximately \$93,361,674.

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, 2016, the outstanding bonded indebtedness of the District was \$9,935,000. The Town of Deep River's share will be approximately 33% or \$3,255,700. 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 \$502,000 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.

Town of Deep River, Connecticut

Notes to Financial Statements

Note 7. Long-Term Liabilities (Continued)

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

2017	\$ 144,209
2018	144,209
Total	<u>288,418</u>
Less amount representing interest	<u>(9,450)</u>
	<u><u>\$ 278,968</u></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 \$641,788 as of June 30, 2016. 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, 2016. However, post-closure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

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.

Town of Deep River, Connecticut

Notes to Financial Statements

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.

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, 2014	
	Town	Volunteer Firefighters
Active plan members	25	25
Terminated employees entitled to benefits but not yet receiving them	9	7
Retired plan members	-	15
Total plan participants	34	47

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, 2016

	Pension Trust Funds		
	Town Employees' Pension Plan	Volunteer Firefighters' Retirement Plan	Total Pension Trust Funds
Assets:			
Investments, at fair value:			
Equity mutual funds	\$ 1,497,286	\$ 278,478	\$ 1,775,764
Bond mutual funds	673,957	133,331	807,288
Fixed income mutual funds	1,996	-	1,996
Total investments	2,173,239	411,809	2,585,048
Receivable:			
Employer contribution	-	-	-
Total assets	2,173,239	411,809	2,585,048
Net position - restricted for pension benefits	\$ 2,173,239	\$ 411,809	\$ 2,585,048

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, 2016*

	Pension Trust Funds		
	Town Employees' Pension Plan	Volunteer Firefighters' Retirement Plan	Total Pension Trust Funds
Additions:			
Contributions:			
Employer	\$ 249,084	\$ 22,907	\$ 271,991
Investment income:			
Net appreciation (depreciation) in fair value of investments	(14,516)	(716)	(15,232)
Total investment income (loss)	(14,516)	(716)	(15,232)
Total additions	234,568	22,191	256,759
Deductions:			
Benefits	601,085	39,352	640,437
Administration	250	-	250
Total deductions	601,335	39,352	640,687
Change in net position	(366,767)	(17,161)	(383,928)
Net position - restricted for pension:			
Beginning	2,540,006	428,970	2,968,976
Ending	\$ 2,173,239	\$ 411,809	\$ 2,585,048

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

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:

Full Years of Service Percentage

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

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%
Total weighted average real return			3.73%
Long-term inflation expectation			3.25%
Long-term expected normal return			6.98%

Rate of return: For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (0.63%). 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, 2016 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, 2016. 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, 2016 were as follows:

Town Plan:

Net Pension Liability	2016	2015
Total pension liability	\$ 3,558,248	\$ 3,511,751
Plan fiduciary net position	2,173,239	2,482,055
Net pension liability	<u>\$ 1,385,009</u>	<u>\$ 1,029,696</u>
Plan fiduciary net position as a percentage of total pension liability	61.08%	70.68%

Town of Deep River, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans (Continued)

	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, 2015	\$ 3,511,751	\$ 2,482,055	\$ 1,029,696
Changes for the year:			
Service cost	129,162	-	129,162
Interest	192,973	-	192,973
Differences between expected and actual experience	269,406	-	269,406
Contributions - employer	-	296,968	(296,968)
Net investment income (including investment expenses)	-	(14,710)	14,710
Changes of assumptions	46,030	-	46,030
Benefit payments, including refunds of employee contributions	(591,074)	(591,074)	-
Net changes	46,497	(308,816)	355,313
Balances at June 30, 2016	\$ 3,558,248	\$ 2,173,239	\$ 1,385,009

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	\$ 1,839,836	\$ 1,385,009	\$ 996,402

Town of Deep River, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans (Continued)

For the year ended June 30, 2016, the Town recognized pension expense of \$724,809. As of June 30, 2016, 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	\$ 318,268	\$ -
Changes of assumptions	40,961	-
Net difference between projected and actual earnings on pension plan investments	169,609	-
Total	<u>\$ 528,838</u>	<u>\$ -</u>

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:

2017	\$ 91,841
2018	91,841
2019	91,839
2020	74,212
2021	45,031
Thereafter	134,074

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.
Credited service	A Plan Year in which a member meets the active status requirements set forth in the plan document.
Normal retirement	Eligibility: Attainment of age 65 with 10 years of participation. Benefit: \$15 per month of credited service (max 20 years).

Town of Deep River, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans (Continued)

Early retirement	Eligibility: Age 55 and 10 years of credited service. 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.
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Normal form	Life annuity.
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Optional form	Joint and 100% survivor annuity or life annuity with 10 years certain.
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Vesting	Upon retirement or termination, a participants be vested according to the following schedule:
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<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

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%
Total weighted average real return			3.73%
Long-term inflation expectation			3.25%
Long-term expected normal return			6.98%

Rate of return: For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (0.18%). 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, 2016 was 6.25%. 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, 2016. 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, 2016 were as follows:

Volunteer Firefighters' Retirement Plan:

Net Pension Liability	2016	2015
Total pension liability	\$ 710,136	\$ 529,533
Plan fiduciary net position	411,809	403,148
Net pension liability	<u>\$ 298,327</u>	<u>\$ 126,385</u>
Plan fiduciary net position as a percentage of total pension liability	57.99%	76.13%

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, 2015	\$ 529,533	\$ 403,148	\$ 126,385
Changes for the year:			
Service cost	5,376	-	5,376
Interest	38,239	-	38,239
Differences between expected and actual experience	9,362	-	9,362
Contributions - employer	-	48,729	(48,729)
Net investment income (including investment expenses)	-	(716)	716
Changes of assumptions	166,978	-	166,978
Benefit payments, including refunds of employee contributions	(39,352)	(39,352)	-
Net changes	180,603	8,661	171,942
Balances at June 30, 2016	<u>\$ 710,136</u>	<u>\$ 411,809</u>	<u>\$ 298,327</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	\$ 387,300	\$ 298,327	\$ 224,266

For the year ended June 30, 2016, the Town recognized pension expense of \$(6,766). As of June 30, 2016, 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	\$ 18,584	\$ -
Changes of assumptions	152,002	-
Net difference between projected and actual earnings on pension plan investments	37,133	-
Total	\$ 207,719	\$ -

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:	
2017	\$ 27,108
2018	27,108
2019	27,109
2020	22,592
2021	16,696
Thereafter	87,106

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

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 \$396,000 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 2015/2016 school year, \$117,471 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 \$1,620,000.

Town of Deep River, Connecticut

Notes to Financial Statements

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	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>	

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 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	\$ 5,526,321	\$ 4,382,209	\$ 3,409,705

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 \$4,382,209 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, 2016, the Town recognized \$396,000 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

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

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

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	21.00%	5.80%
Developed non-U.S. equities	18.00%	6.60%
Emerging Markets (non-U.S.)	9.00%	8.30%
Core Fixed Income	7.00%	1.30%
Inflation Linked Bond Fund	3.00%	1.00%
Emerging Market bond	5.00%	3.70%
High Yield Bonds	5.00%	3.90%
Real Estate	7.00%	5.10%
Private Equity	11.00%	7.60%
Alternative Investments	8.00%	4.10%
Cash	6.00%	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	\$ 53,045	\$ 29,465	\$ 9,846

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, 2016, the Town reported a liability of \$29,465 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, 2016, the Town recognized pension expense of \$5,447. At June 30, 2016, Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

\$1,048, 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	\$ 2,237	\$ -
Town contributions made subsequent to the measurement date	1,048	-
Total	<u>\$ 3,285</u>	<u>\$ -</u>

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

Year ended June 30:	
2017	\$ 1,164
2018	116
2019	116
2020	1,889

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, 2016 for the Town governmental funds:

	General Fund	Capital Projects	Nonmajor Governmental Funds
Fund balances:			
Restricted			
General government	\$ -	\$ -	\$ 71,204
Capital projects	-	168,039	-
Total restricted	-	168,039	71,204
Committed:			
General government	-	-	424,915
Total committed	-	-	424,915
Assigned:			
General government	71,413	-	-
Health and social services	-	-	83,650
Total assigned	71,413	-	83,650
Unassigned (deficit):			
General government	661,872	-	-
Education	-	-	(15)
Total unassigned (deficit)	661,872	-	(15)
Total fund balance	\$ 733,285	\$ 168,039	\$ 579,754

Note 13. Fund Deficits

The Town has the following fund deficits at June 30, 2016:

Hot Lunch Program Fund	\$ 15
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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

Note 14. Governmental Accounting Standards Board (GASB) Statements

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

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

- 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.

- 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 interperiod 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.

Notes to Financial Statements

Note 14 Governmental Accounting Standards Board (GASB) Statements (Continued)

- 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.

- 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. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

Town of Deep River, Connecticut

Notes to Financial Statements

Note 14. Governmental Accounting Standards Board (GASB) Statements (Continued)

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.
- GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.
- GASB Statement No. 83, *Certain Asset Retirement Obligations*. This statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for Asset Retirement Obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities*. This Statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is generally on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

- GASB Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Note 15. Subsequent Event

The Town issued \$200,000 of general obligation bonds on July 29, 2016. The bonds have an interest rate of 2.750%. The bonds mature in 2022.

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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
	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
	2016	32,254	48,729	16,475	N/A	N/A

Notes to schedule:

Valuation date	July 1, 2015
Actuarial cost method	Unit credit
Amortization method	Level percentage of payroll, closed
Remaining amortization period	10 years from July 1, 2007
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
	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%
	2016	239,778	296,968	57,190	1,472,759	20.16%

Notes to schedule:

Valuation date	July 1, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	5 years
Asset valuation method	Fair market value
Discount rate	6.00%
Inflation	2.25%
Salary increases	3.00%
Investment rate of return	6.00%
Retirement age	65
Mortality	Pre-Retirement: None/Post-Retirement: 1983 GATT Table projected to 1970; male rates for males, and male rates set back 5 years for females

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**

Changes in Net Pension Liability - Town Plan	2016	2015
Total pension liability:		
Service cost	\$ 129,162	\$ 130,425
Interest on total pension liability	192,973	194,320
Differences between actual and expected	269,406	99,116
Change of assumptions	46,030	-
Benefit payments	(591,074)	(301,569)
Net change in total pension liability	46,497	122,292
Total pension liability, beginning	3,511,751	3,389,459
Total pension liability, ending (a)	3,558,248	3,511,751
Fiduciary net position:		
Employer contributions	296,968	455,724
Investment income, net of investment expenses	(14,710)	40,074
Benefit payments	(591,074)	(301,569)
Net change in plan fiduciary net position	(308,816)	194,229
Fiduciary Net Position, Beginning	2,482,025	2,287,796
Fiduciary net position, ending (b)	2,173,209	2,482,025
Net pension liability, ending = (a) - (b)	\$ 1,385,039	\$ 1,029,726
Fiduciary net position as a % of total pension liability	61.08%	70.68%
Covered payroll	\$ 1,472,759	\$ 1,513,578
Net pension liability as a % of covered payroll	94.04%	68.03%

**Required Supplementary Information - Unaudited
Schedule of Investment Returns
Last Two Fiscal Years**

	2016	2015
Annual money-weighted rate of return, net of investment expense	2.40%	1.69%

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 Changes in Net Pension Liability and Related Ratios and Schedule of Investment
Returns - Retirement Plans
Last Two Fiscal Years**

Changes in Net Pension Liability - Firefighters' Plan	2016	2015
Total pension liability:		
Service cost	\$ 5,376	\$ 4,174
Interest on total pension liability	38,239	37,201
Differences between actual and expected	9,362	11,822
Change of assumptions	166,978	-
Benefit payments	(39,352)	(39,352)
Net change in total pension liability	180,603	13,845
Total pension liability, beginning	529,533	515,688
Total pension liability, ending (a)	710,136	529,533
Fiduciary net position:		
Employer contributions	48,729	25,500
Investment income, net of investment expenses	(716)	6,710
Benefit payments	(39,352)	(39,352)
Net change in plan fiduciary net position	8,661	(7,142)
Fiduciary net position, beginning	403,148	410,290
Fiduciary net position, ending (b)	411,809	403,148
Net pension liability, ending = (a) - (b)	\$ 298,327	\$ 126,385
Fiduciary net position as a % of total pension liability	57.99%	76.13%
Covered payroll	N/A	N/A
Net pension liability as a % of covered payroll	N/A	N/A
	2016	2015
Annual money-weighted rate of return, net of investment expense	-0.18%	1.66%

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 the Town's Proportionate Share of the Net Pension Liability -
Teachers' Retirement System
Last Two Fiscal Years**

	2016	2015
Town's proportion of the net pension liability	0.00000%	0.00000%
Town's proportionate share of the net pension liability	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	4,382,209	4,050,474
Total	\$ 4,382,209	\$ 4,050,474
Town's covered-employee payroll	\$ 1,628,891	\$ 1,599,000
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%
System fiduciary net position as a percentage of the total pension liability	59.50%	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)
Last Three Fiscal Years

	2016	2015	2014
Actuarially determined contribution	\$ 1,048	\$ 1,022	\$ 1,075
Contribution in relation to the actuarially determined contribution	1,048	1,022	1,075
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 47,757	\$ 47,757	\$ 47,757
Contributions as a percentage of covered-employee payroll	2.19%	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)
Last Two Fiscal Years**

	2016	2015
Town's proportion of the net pension liability	0.02152%	0.02152%
Town's proportionate share of the net pension liability	\$ 29,465	\$ 22,138
Town's covered-employee payroll	\$ 48,000	\$ 48,000
Town's proportionate share of the net pension liability as a percentage of its covered payroll	61.39%	46.12%
System fiduciary net position as a percentage of the total pension liability	92.72%	90.48%

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

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

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

General Fund - unaudited

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary Basis	Final Budget
Revenues:				
Taxes, interest and lien fees	\$ 13,165,673	\$ 13,165,673	\$ 13,229,459	\$ 63,786
Intergovernmental	2,138,111	2,138,111	2,481,199	343,088
Charges for services	393,600	393,600	996,185	602,585
Income from investments	1,500	1,500	5,942	4,442
Total revenues	15,698,884	15,698,884	16,712,785	1,013,901
Expenditures:				
Current:				
General government	1,754,513	1,790,387	1,790,249	138
Public safety	539,494	840,415	840,416	(1)
Public works	1,095,611	1,146,237	1,146,238	(1)
Health and social services	106,657	108,489	108,489	-
Parks and recreation	311,057	365,625	365,625	-
Education	11,338,938	11,363,704	11,306,023	57,681
Capital outlay	134,500	554,077	554,077	-
Debt service:				
Principal and Interest	467,860	467,860	330,271	137,589
Total expenditures	15,748,630	16,636,794	16,441,388	195,406
Excess (deficiency) of revenues over expenditures	(49,746)	(937,910)	271,397	1,209,307
Other financing sources (uses):				
Transfers in	49,746	49,746	-	49,746
Total other financing sources (uses)	49,746	49,746	-	49,746
Total	\$ -	\$ (888,164)	271,397	\$ 1,159,561

See note to required supplementary information.

Town of Deep River, Connecticut

Note To Required Supplementary Information

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

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	\$ 17,233,872	\$ 16,956,537
Excess cost grants	(110,351)	(110,351)
Effect of GASB No. 54	(14,736)	(8,798)
State Teachers Retirement payments made by State Department of Education on behalf of the Town, not recognized for budgetary purposes	(396,000)	(396,000)
Balance, budgetary basis	<u>\$ 16,712,785</u>	<u>\$ 16,441,388</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, 2016**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Taxes, interest and lien fees:				
Current taxes	\$ 12,950,673	\$ 12,950,673	12,929,247	\$ (21,426)
Prior taxes	160,000	160,000	193,703	33,703
Interest and lien fees	55,000	55,000	106,509	51,509
Total taxes, interest and lien fees	13,165,673	13,165,673	13,229,459	63,786
Intergovernmental:				
Education cost sharing	1,720,239	1,720,239	1,716,611	(3,628)
Telephone tax sharing	20,000	20,000	14,907	(5,093)
Transportation	6,498	6,498	5,662	(836)
Town aid roads	198,719	198,719	198,560	(159)
PILOT - State owned property	10,558	10,558	-	(10,558)
Pequot fund	15,075	15,075	14,288	(787)
Tax relief for elderly	29,603	29,603	40,763	11,160
Unrestricted grants	104,136	104,136	104,136	-
Tax relief for veterans	2,919	2,919	3,638	719
Village Street	-	-	7	7
Plattwood Steap Grant	-	-	352,263	352,263
LOCIP - Infrastructure	30,364	30,364	30,364	-
Total intergovernmental	2,138,111	2,138,111	2,481,199	343,088
Charges for services:				
Licenses and permits:				
Other licenses and permits	500	500	680	180
Building permits	50,000	50,000	62,992	12,992
Planning and zoning fees	19,500	19,500	6,108	(13,392)
Conveyance tax	40,000	40,000	55,904	15,904
Town Clerk fees	35,000	35,000	43,963	8,963
Fire Marshal permits/fees	100	100	1,010	910
Inland wetland/conservation permit	1,000	1,000	110	(890)
Total licenses and permits	146,100	146,100	170,767	24,667
Charges for services				
Reimbursement for Administrative Sewer	16,000	16,000	7,850	(8,150)
Kirtland / River Street - sewer expansion	22,500	22,500	34,670	12,170
Rental income - Town equipment	27,000	27,000	31,400	4,400
Bulky waste site contract	55,000	55,000	55,000	-
Total charges for services	120,500	120,500	128,920	8,420

(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, 2016**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Miscellaneous:				
Recycling fees	\$ 25,000	\$ 25,000	\$ 42,720	\$ 17,720
Park and recreation fees	40,000	40,000	133,728	93,728
Miscellaneous	12,000	12,000	88,730	76,730
Insurance premium credits	-	-	4,902	4,902
Public safety/police	30,000	30,000	415,040	385,040
Newsletter	20,000	20,000	11,378	(8,622)
Total miscellaneous	127,000	127,000	696,498	569,498
 Total charges for services	 393,600	 393,600	 996,185	 602,585
Income from investments:				
Interest Income	1,500	1,500	5,942	4,442
Transfers in	49,746	49,746	-	(49,746)
 Total revenues and transfers in	 \$ 15,748,630	 \$ 15,748,630	 \$ 16,712,785	 \$ 964,155

Town of Deep River, Connecticut

**General Fund Expenditures and Other Financing Uses - Budgetary Basis -
Budget and Actual
For the Year Ended June 30, 2016**

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
General government:				
Selectman:				
First Selectman salary	\$ 70,371	\$ 123,151	\$ 123,151	\$ -
Selectmen salary	8,517	8,517	7,806	711
Treasurer salary	7,663	7,663	7,661	2
Administrative assistant salary	33,861	33,861	34,869	(1,008)
Accounts manager	61,409	61,409	63,157	(1,748)
Accounts manager assistant	20,000	20,000	12,031	7,969
Legal fees	24,000	43,929	46,913	(2,984)
Engineering services	4,000	31,636	31,635	1
Expense allowance	3,000	3,000	2,250	750
Office supplies and postage	24,000	24,000	27,213	(3,213)
School/meetings	1,000	1,000	1,202	(202)
Legal notices	-	-	280	(280)
Total selectman	257,821	358,166	358,168	(2)
Elections:				
Registrars' salary	8,362	9,577	11,221	(1,644)
Part-time elections salary	6,823	6,823	4,098	2,725
Printing expenses	3,000	3,000	4,080	(1,080)
Total elections	18,185	19,400	19,399	1
Town hall operation:				
Fuel oil	130,000	109,724	75,739	33,985
Water	8,000	8,000	6,185	1,815
Electricity	55,000	55,000	59,998	(4,998)
Sewer fees	3,400	3,400	3,734	(334)
Telephone - Town Dept.	30,000	30,000	26,724	3,276
Custodial services/supplies	24,000	24,000	25,868	(1,868)
Building repairs	45,000	45,000	75,542	(30,542)
Elderly housing sewer fees	3,000	3,000	3,000	-
Quarterly sprinkler/elevator inspections	3,600	3,600	4,934	(1,334)
Total building operations	302,000	281,724	281,724	-
Town clerk:				
Town clerk salary	48,465	48,465	48,465	-
Assistant's salary	18,704	18,704	18,788	(84)
Index land records	1,000	1,165	1,219	(54)
School/meetings	1,000	1,000	1,029	(29)
Micro filming	11,400	12,050	12,128	(78)
Vital statistics	600	600	356	244
Total town clerk	81,169	81,984	81,985	(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, 2016**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Board of finance:				
Part-time clerical salary	\$ 100	\$ 100	\$ -	\$ 100
Auditor/consultant	24,000	19,460	19,460	-
Printing expense	6,000	2,159	2,161	(2)
Total board of finance	30,100	21,719	21,621	98
Board of assessment appeals:				
Tax reviewer salary	668	245	245	-
Total tax review	668	245	245	-
Assessor:				
Assessor salary	73,592	73,592	76,273	(2,681)
Secretary salary	30,499	30,499	30,541	(42)
Valuation appeals	10,000	3,619	1,520	2,099
Audits	1,500	1,500	1,500	-
Computer maintenance & service	12,000	12,000	12,010	(10)
Update maps	1,500	1,500	753	747
School/meetings	2,440	2,440	2,819	(379)
Auto mileage expense	700	700	434	266
Total assessor	132,231	125,850	125,850	-
Tax collector:				
Tax collector salary	42,141	42,141	42,141	-
Part-time clerical salary	16,193	10,565	10,795	(230)
Computer maintenance & services	11,300	11,300	11,882	(582)
School/meetings	1,500	1,500	2,430	(930)
Legal notices	-	-	65	(65)
Tax refunds	15,000	15,000	13,193	1,807
Total tax collector	86,134	80,506	80,506	-
Special services:				
Data processing services	10,000	10,000	14,272	(4,272)
Copier	5,500	5,500	5,189	311
BMSI license/computer support fee	14,000	14,000	13,301	699
Senior citizen's club	500	500	-	500
Beautification committee	2,000	2,000	1,332	668
Memorial Day	1,600	1,600	1,187	413

(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, 2016**

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Special services, continued:				
Newsletter/brochure	\$ 20,000	\$ 20,000	\$ 18,120	\$ 1,880
Dog fund salary	12,000	12,000	12,215	(215)
Essex Dog Run lease	4,600	4,600	4,617	(17)
Contingency	20,000	6,725	6,693	32
Total special services	90,200	76,925	76,926	(1)
Planning & zoning:				
Enforcement officer salary	30,406	30,406	32,971	(2,565)
Part-time clerical salary	3,720	3,720	1,937	1,783
Engineering services	4,000	1,752	1,752	-
Training/meetings	2,150	283	-	283
Printing expenses	500	500	-	500
Engineering review costs	17,000	-	-	-
Total planning & zoning	57,776	36,661	36,660	1
Zoning board of appeals:				
Part-time clerical salary	300	135	120	15
Total zoning board of appeals	300	135	120	15
Building official:				
Building official salary	30,103	30,637	33,594	(2,957)
Secretary salary	14,690	14,690	11,947	2,743
Reference manuals/books	650	650	596	54
State training fees	2,400	2,400	2,240	160
Total building official	47,843	48,377	48,377	-
Inland wetlands & conservation:				
Enforcement agent salary	8,079	2,029	4,823	(2,794)
Part-time clerical salary	3,060	2,945	1,436	1,509
Technical services	1,000	1,000	-	1,000
Middlesex Soil Conservation Services	1,577	1,577	1,577	-
CACIWC	50	50	-	50
Auto mileage expense	250	250	-	250
Total inland wetlands & conservation	14,016	7,851	7,836	15

(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, 2016**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Insurance & bonds	\$ 100,000	\$ 89,164	\$ 89,164	\$ -
Political subdivisions:				
Estuary Transit District	9,025	9,025	9,025	-
Estuary Council Seniors	16,500	16,500	16,500	-
Tri-Town Services	6,000	6,000	6,000	-
Public Service Agencies (formerly CAGM)	4,000	2,168	2,168	-
CRERPA	7,295	7,295	7,295	-
CCM	3,000	3,000	2,988	12
Total political subdivisions	45,820	43,988	43,976	12
Employee benefits:				
Medical insurance	220,000	240,276	238,219	2,057
Life insurance	4,500	4,500	5,560	(1,060)
Pension plan	155,000	155,000	156,128	(1,128)
Tax exemption - DRRA & DRFD	15,000	15,000	11,564	3,436
FICA/Social Security - Employer/WPCF	95,000	102,166	105,689	(3,523)
Unemployment compensation	750	750	532	218
Total employee benefits	490,250	517,692	517,692	-
Total general government	1,754,513	1,790,387	1,790,249	138
Public safety:				
Police:				
Part-time officers	60,000	60,000	59,004	996
Crossing guard salary	4,849	4,849	5,068	(219)
Funded special police services	30,000	332,179	336,865	(4,686)
Full-time officer/FT/OT	97,000	97,000	51,057	45,943
Resident trooper	115,000	115,000	152,103	(37,103)
Miscellaneous supplies	2,800	2,800	5,942	(3,142)
Vehicle maintenance	4,000	4,000	8,554	(4,554)
Training	2,000	2,000	576	1,424
Uniforms	2,500	2,500	1,159	1,341
Total police	318,149	620,328	620,328	-

(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, 2016**

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Fire department:				
Part-time clerical salary	\$ 1,000	\$ 1,000	\$ 1,020	\$ (20)
Communications equipment maintenance	7,500	7,500	7,500	-
Training	5,000	5,000	5,000	-
Physicals	1,000	1,000	1,961	(961)
Miscellaneous building supplies	5,500	5,500	5,500	-
Fire equipment & supplies	16,000	16,000	16,000	-
Vehicle fuel & oil	-	-	158	(158)
Vehicle maintenance	18,500	18,500	17,762	738
Incentive program	32,000	32,000	32,000	-
Operating expenses	17,500	17,500	17,500	-
Water hole maintenance	3,500	3,500	3,500	-
Banquet	4,200	4,200	4,200	-
Personal losses	400	400	-	400
Total fire department	112,100	112,100	112,101	(1)
Fire marshal:				
Fire marshal salary	15,000	15,000	15,167	(167)
Deputy marshal salary	500	-	-	-
Fire marshal auto expense	750	750	750	-
Deputy fire marshal auto expense	125	125	125	-
Miscellaneous supplies	500	385	368	17
Burning official/training	150	150	-	150
Total fire marshal	17,025	16,410	16,410	-
Public services communications:				
Valley Shore communications contract	66,119	66,119	66,119	-
Dispatcher salary	24,601	24,182	24,182	-
Total public service communications	90,720	90,301	90,301	-
Civil preparedness	1,500	1,276	1,276	-
Total public safety	539,494	840,415	840,416	(1)
Public works:				
Highway department:				
Road crew salary	209,603	209,603	175,541	34,062
Equipment maintenance	70,000	101,301	116,321	(15,020)
General road maintenance	230,000	230,000	253,711	(23,711)
Town aid road maintenance	199,004	199,004	194,335	4,669
Total highway department	708,607	739,908	739,908	-

(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, 2016**

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Public utilities:				
Street lighting	\$ 50,000	\$ 56,050	\$ 57,186	\$ (1,136)
Fire hydrant service	67,629	70,807	69,671	1,136
Total public utilities	117,629	126,857	126,857	-
Waste/recycle:				
Transfer station operator salary	38,477	38,477	42,258	(3,781)
Recycling salary	9,098	9,098	13,251	(4,153)
Water tests/engineering	18,900	18,900	22,414	(3,514)
CRRRA tipping fees	107,000	107,000	94,221	12,779
Bulky waste coverage	85,000	95,097	95,068	29
Household hazardous waste facility	10,000	10,000	11,226	(1,226)
Sanitary lavatory rental	900	900	1,035	(135)
Total waste/recycle	269,375	279,472	279,473	(1)
Total public works	1,095,611	1,146,237	1,146,238	(1)
Health and social services:				
Sanitarian:				
Health district	59,657	59,657	59,657	-
Public health nursing service:				
Social services salary	18,500	20,332	20,332	-
LVVNA	28,500	28,500	28,500	-
Total public health nursing service	47,000	48,832	48,832	-
Total health and social services	106,657	108,489	108,489	-
Parks & recreation:				
Program director salary	30,000	42,802	42,801	1
Part-time summer program salary	16,500	23,088	23,087	1
Life-Gate guard salary	18,500	18,500	25,346	(6,846)
Water-Devitt Field	4,500	4,500	3,147	1,353
Summer youth program	8,600	10,429	12,288	(1,859)
Maintenance - all facilities	22,000	28,648	28,647	1
Youth basketball	14,000	14,000	11,419	2,581
Seasonal programs	10,900	10,900	12,979	(2,079)
New programs	700	11,846	4,999	6,847
Self-funding programs	27,000	38,052	38,052	-
Total parks and recreation	152,700	202,765	202,765	-

(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, 2016**

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Library:				
Librarian salary	\$ 60,058	\$ 60,058	\$ 60,060	\$ (2)
Assistants salary	60,999	66,872	66,870	2
Library program expenses	33,800	33,800	33,800	-
Total library	154,857	160,730	160,730	-
Probate:				
Clerk	3,500	2,130	2,130	-
Total recreational services	311,057	365,625	365,625	-
Debt services:				
Debt redemption:				
Sewer construction bonds	188,650	188,650	186,062	2,588
Kirtland / River Street - sewer project	135,000	135,000	-	135,000
Fire/highway dept. truck	144,210	144,210	144,209	1
Total debt services	467,860	467,860	330,271	137,589
Education:				
Elementary school	5,434,500	5,434,500	5,376,819	57,681
Regional District #4	5,854,438	5,854,438	5,854,438	-
Deep River Elementary School:				
Maintenance	50,000	74,766	74,766	-
Total education	11,338,938	11,363,704	11,306,023	57,681
Capital outlay:				
Computer Upgrade Project	5,000	3,873	3,873	-
Plattwood - STEAP Grant	50,000	440,496	440,496	-
Village Street Bridge	-	894	894	-
Architectural / Engineering - Fire	-	4,250	4,250	-
Revaluation	32,000	43,870	43,870	-
Fountain Hill Cemetery	35,000	35,000	35,000	-
Town Hall Gas Conversion	-	24,750	24,750	-
Storms	12,500	944	944	-
Total capital outlay	134,500	554,077	554,077	-
Total expenditures	\$ 15,748,630	\$ 16,636,794	\$ 16,441,388	\$ 195,406

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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, 2016**

	Special Revenue	
	Hot Lunch Program Fund	Incubator Building Fund
Assets		
Cash and cash equivalents	\$ 18,265	\$ 429,518
Intergovernmental receivables	7,089	-
Loans receivable	-	-
Other receivables	716	6,934
Inventory	7,294	-
Total assets	33,364	436,452
Liabilities and Fund Balances		
Liabilities:		
Accounts payable and accrued expenses	18,124	-
Due to other funds	15,255	13,081
Total liabilities	33,379	13,081
Fund Balances		
Restricted	-	-
Committed	-	423,371
Assigned	-	-
Unassigned	(15)	-
Total fund balance (deficit)	(15)	423,371
Total liabilities and fund balances	\$ 33,364	\$ 436,452

Special Revenue				Capital Projects	
Small Cities Project SC-96	Grant Account	Social Services Fund	Deep River Town Hall Auditorium Restoration Fund	Total Nonmajor Funds	
\$ 36,744	\$ -	\$ 83,650	\$ 1,544	\$ 569,721	
-	-	-	-	7,089	
34,460	-	-	-	34,460	
-	-	-	-	7,650	
-	-	-	-	7,294	
71,204	-	83,650	1,544	626,214	
-	-	-	-	18,124	
-	-	-	-	28,336	
-	-	-	-	46,460	
71,204	-	-	-	71,204	
-	-	-	1,544	424,915	
-	-	83,650	-	83,650	
-	-	-	-	(15)	
71,204	-	83,650	1,544	579,754	
\$ 71,204	\$ -	\$ 83,650	\$ 1,544	\$ 626,214	

Town of Deep River, Connecticut

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) -
Nonmajor Governmental Funds
For the Year Ended June 30, 2016**

	Special Revenue	
	Hot Lunch Program Fund	Incubator Building Fund
Revenues:		
Intergovernmental	\$ 56,777	\$ -
Charges for services	66,009	100,637
Interest income	-	-
Other	622	-
Total revenues	123,408	100,637
Expenditures:		
Current:		
General government	-	164,669
Health and Social Services	-	-
Education	123,408	-
Total expenditures	123,408	164,669
Excess (deficiency) of revenues over expenditures	-	(64,032)
Other Financing Sources		
Sale of general capital assets	-	458,358
Total other financing sources	-	458,358
Changes in fund balance (deficits)	-	394,326
Fund balances (deficits), beginning	(15)	29,045
Fund balances (deficits), ending	\$ (15)	\$ 423,371

Special Revenue			Capital Projects		
Small Cities Project SC-96	Grant Account	Social Services Fund	Deep River Town Hall Auditorium Restoration Fund	Total Nonmajor Funds	
\$ -	\$ 121,989	\$ -	\$ -	\$ 178,766	
-	-	-	-	166,646	
37	-	-	-	37	
-	-	8,240	-	8,862	
37	121,989	8,240	-	354,311	
-	3,219	-	-	167,888	
-	-	7,038	-	7,038	
-	118,989	-	-	242,397	
-	122,208	7,038	-	417,323	
37	(219)	1,202	-	(63,012)	
-	-	-	-	458,358	
-	-	-	-	458,358	
37	(219)	1,202	-	395,346	
71,167	219	82,448	1,544	184,408	
\$ 71,204	\$ -	\$ 83,650	\$ 1,544	\$ 579,754	

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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, 2016**

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Assets				
Cash and cash equivalents:				
Student activity fund	\$ 12,148	\$ 21,587	\$ 18,950	\$ 14,785
Liabilities				
Due to student groups:				
Student activity fund	\$ 12,148	\$ 21,587	\$ 18,950	\$ 14,785

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Other Schedules

Town of Deep River, Connecticut

**Balance Sheet - By Account - General Fund
June 30, 2016**

	General Fund	Library Fund	Totals
Assets			
Cash and cash equivalents	\$ 1,235,067	\$ 71,413	\$ 1,306,480
Receivables (net of allowances for collection losses):			
Property taxes	342,748	-	342,748
Intergovernmental	31,921	-	31,921
Assessments and other	401,711	-	401,711
Due from other funds	240,439	-	240,439
Total assets	\$ 2,251,886	\$ 71,413	\$ 2,323,299
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities and Deferred Inflows of Resources			
Liabilities - Accounts payable and accruals	\$ 497,057	\$ -	\$ 497,057
Due to other funds	980	-	980
Total liabilities	498,037	-	498,037
Deferred Inflows of Resources - Unavailable revenue	528,869	-	528,869
Deferred Inflows of Resources - Advance tax collections	563,108	-	563,108
Total deferred inflows	1,091,977	-	1,091,977
Fund Balances			
Assigned	-	71,413	71,413
Unassigned	661,872	-	661,872
Total fund balances	661,872	71,413	733,285
Total liabilities, deferred inflows of resources and fund balances	\$ 2,251,886	\$ 71,413	\$ 2,323,299

Town of Deep River, Connecticut

**Schedule of Revenues, Expenditures and Changes in Fund Balance - By Account - General Fund
For the Year Ended June 30, 2016**

	General Fund	Library Fund	Eliminations	Totals
Revenues:				
Property taxes and lien fees	\$ 13,229,459	\$ -	\$ -	\$ 13,229,459
Intergovernmental	2,987,550	-	-	2,987,550
Charges for services	996,185	14,513	-	1,010,698
Investment income	5,942	223	-	6,165
Total revenues	17,219,136	14,736	-	17,233,872
Expenditures:				
Current:				
General government	1,790,249	42,598	-	1,832,847
Public Safety	840,416	-	-	840,416
Public Works	1,146,238	-	-	1,146,238
Health and Social Services	108,489	-	-	108,489
Parks and Recreation	331,825	-	-	331,825
Education	11,812,374	-	-	11,812,374
Capital outlay	554,077	-	-	554,077
Debt service	144,209	-	-	144,209
Total expenditures	16,727,877	42,598	-	16,770,475
Excess (deficiency) of revenues over expenditures	491,259	(27,862)	-	463,397
Other financing sources (uses):				
Transfers in	-	33,800	(33,800)	-
Transfers out	(219,862)	-	33,800	(186,062)
Net other financing sources (uses)	(219,862)	33,800	-	(186,062)
Net change in fund balances	271,397	5,938	-	277,335
Fund balances, beginning	390,475	65,475	-	455,950
Fund balances, ending	<u>\$ 661,872</u>	<u>\$ 71,413</u>	<u>\$ -</u>	<u>\$ 733,285</u>

Town of Deep River, Connecticut

**Schedule of Property Taxes Levied, Collected and Outstanding
For the Year Ended June 30, 2016**

Grand List Year	<u>Lawful Corrections</u>						Collections			Balance Uncollected June 30, 2016
	Balance Uncollected July 1, 2015	Current Levy	Net Adjustments	Transfers to Suspense	Balance to be Collected	Taxes	Interest and Lien Fees	Total		
2000	\$ 137	\$ -	\$ -	\$ -	\$ 137	\$ -	\$ -	\$ -	\$ 137	
2001	95	-	-	-	95	-	-	-	95	
2002	711	-	-	-	711	-	-	-	711	
2003	45	-	-	-	45	-	-	-	45	
2004	59	-	-	-	59	8	16	24	51	
2005	182	-	-	-	182	31	57	88	151	
2006	586	-	-	-	586	-	-	-	586	
2007	442	-	-	-	442	-	-	-	442	
2008	631	-	-	-	631	-	-	-	631	
2009	3,289	-	-	-	3,289	1,623	73	1,696	1,666	
2010	33,329	-	-	-	33,329	11,736	3,745	15,481	21,593	
2011	50,229	-	-	-	50,229	30,505	15,790	46,295	19,724	
2012	78,151	-	-	-	78,151	41,397	17,624	59,021	36,754	
2013	198,248	-	(335)	-	197,913	131,215	28,961	160,176	66,698	
2014	-	13,168,561	(12,535)	-	13,156,026	12,978,371	35,467	13,013,838	177,655	
Total	\$ 366,134	\$ 13,168,561	\$ (12,870)	\$ -	\$ 13,521,825	\$ 13,194,886	\$ 101,733	\$ 13,296,619	\$ 326,939	

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