

**TOWN OF DEEP RIVER, CONNECTICUT**

**FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEAR ENDED  
JUNE 30, 2018**

**TOWN OF DEEP RIVER, CONNECTICUT**  
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## **INDEPENDENT AUDITOR'S REPORT**

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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 year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Town'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, 2018, 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's discussion and analysis on pages 3 through 16 and the information on pages 69 through 92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund statements and schedules on pages 93 through 102 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and 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 statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2019, 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.



Certified Public Accountants  
Glastonbury, Connecticut  
February 15, 2019

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**TOWN OF DEEP RIVER, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

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As management of the Town of Deep River, Connecticut (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$20,824,045 (net position). Of this amount, \$620,948 represents a deficit in the Town's unrestricted net position. This deficit is primarily attributed to the Town's liabilities for its pension and other post-employment benefits.
- The Town's total net position decreased by \$299,625 during the current fiscal year.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,877,517, an increase of \$358,319 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,248,446 or 7.41% of total General Fund expenditures. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 0.9 months of General Fund operating expenditures.
- The Town's total capital assets decreased by \$598,921 or 2.3% during the current year. This decrease is primarily due current year depreciation of assets, offset by an increase in road and sewer improvements.
- The Town's total long-term debt decreased by \$255,199 or 4.7% during the current fiscal year due to scheduled debt repayments.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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'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, deferred outflows and inflows of resources, and liabilities, with net position as the residual of these elements. 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.



**TOWN OF DEEP RIVER, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)***

**Government-wide Financial Statements *(Continued)***

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.

Both of the government-wide financial statements are intended to 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 activities such as: general government, public safety, public works, health and social services, recreational services, and education. The business-type activity of the Town is for sewer operations.

The government-wide financial statements can be found on pages 17 and 18 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 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 the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental 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.

**TOWN OF DEEP RIVER, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)***

**Fund Financial Statements *(Continued)***

***Governmental Funds (Continued)***

The Town maintains several 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 General Fund and the Capital Projects Fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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.

The basic governmental fund financial statements can be found on pages 19 through 23 of this report.

***Proprietary Funds***

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 basic proprietary fund financial statements can be found on pages 24 through 26 of this report.

***Fiduciary Funds***

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

The basic fiduciary fund financial statements can be found on pages 27 and 28 of this report.

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 through 68 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information and combining and individual fund statements and schedules, which can be found on pages 69 through 102 of this report.

**TOWN OF DEEP RIVER, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

Over time, net position may serve as one measure of a government's financial position. Total net position of the Town (governmental and business-type activities combined) totaled \$20,824,045 as of June 30, 2018 and \$21,123,670 as of June 30, 2017 and are summarized as follows.

	<b>June 30, 2018</b>		
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 2,899,188	\$ 688,524	\$ 3,587,712
Capital assets	12,067,043	14,042,524	26,109,567
Total assets	14,966,231	14,731,048	29,697,279
Deferred outflows of resources	620,475	94,377	714,852
Other liabilities	654,121	41,689	695,810
Long-term liabilities	3,296,420	5,431,135	8,727,555
Total liabilities	3,950,541	5,472,824	9,423,365
Deferred inflows of resources	136,368	28,353	164,721
Net position:			
Net investment in capital assets	11,895,614	9,021,401	20,917,015
Restricted	147,392	380,586	527,978
Unrestricted	(543,209)	(77,739)	(620,948)
Total net position	<u>\$ 11,499,797</u>	<u>\$ 9,324,248</u>	<u>\$ 20,824,045</u>

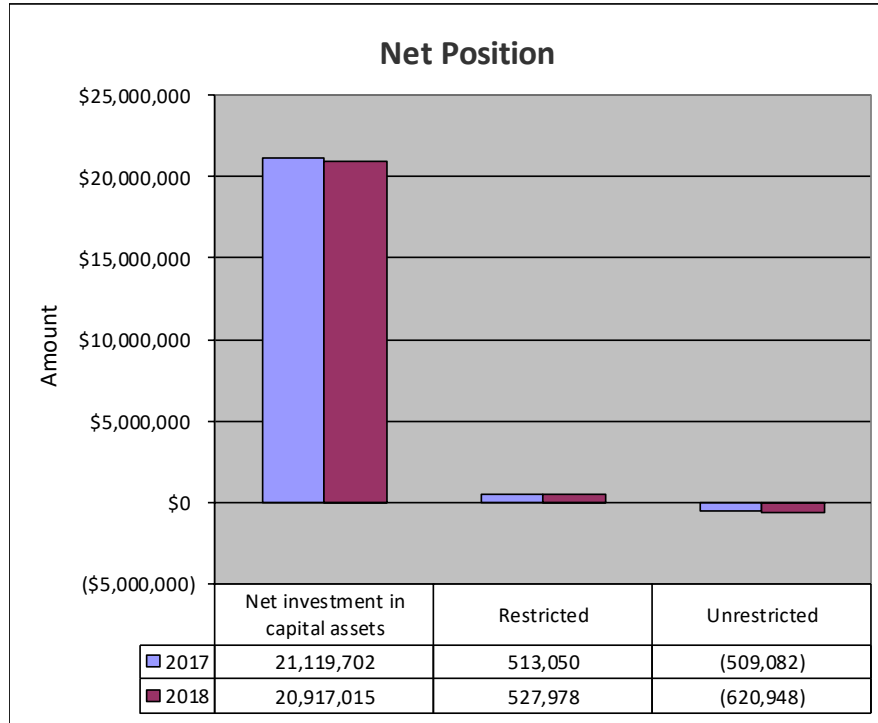
	<b>June 30, 2017</b>		
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 3,530,549	\$ 778,344	\$ 4,308,893
Capital assets	12,450,736	14,257,752	26,708,488
Total assets	15,981,285	15,036,096	31,017,381
Deferred outflows of resources	647,005	102,318	749,323
Other liabilities	626,278	149,486	775,764
Long-term liabilities	3,164,017	5,650,673	8,814,690
Total liabilities	3,790,295	5,800,159	9,590,454
Deferred inflows of resources	1,032,054	20,526	1,052,580
Net position:			
Net investment in capital assets	12,109,701	9,010,001	21,119,702
Restricted	71,241	441,809	513,050
Unrestricted	(375,001)	(134,081)	(509,082)
Total net position	<u>\$ 11,805,941</u>	<u>\$ 9,317,729</u>	<u>\$ 21,123,670</u>

**TOWN OF DEEP RIVER, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Net Position (Continued)**



Of the Town's net position, 100.45% reflects its investment in capital assets, 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.

Approximately 2.54% of the Town's net position is subject to external restrictions on how they may be used and are therefore presented as restricted net position.

The remainder of the Town's net position represents an unrestricted deficit. Overall, net position decreased by \$299,625.

**TOWN OF DEEP RIVER, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Changes in Net Position**

Changes in net position for the years ended June 30, 2018 and 2017 are as follows.

	<b>June 30, 2018</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 819,022	\$ 1,272,794	\$ 2,091,816
Operating grants and contributions	2,592,170	-	2,592,170
Capital grants and contributions	54,471	-	54,471
General revenues:			
Property taxes, levied for general purposes	14,517,861	-	14,517,861
Grants and contributions not restricted to specific programs	142,098	-	142,098
Unrestricted investment earnings	22,256	-	22,256
Total revenues	<u>18,147,878</u>	<u>1,272,794</u>	<u>19,420,672</u>
<b>Expenses</b>			
General government	2,254,786	-	2,254,786
Public safety	976,449	-	976,449
Public works	1,176,201	-	1,176,201
Health and social services	174,771	-	174,771
Recreation services	465,726	-	465,726
Education	13,014,038	-	13,014,038
Interest expense	7,201	-	7,201
Sewers	-	1,651,125	1,651,125
Total expenses	<u>18,069,172</u>	<u>1,651,125</u>	<u>19,720,297</u>
Changes in net position before transfers	78,706	(378,331)	(299,625)
Transfers, net	<u>(384,850)</u>	<u>384,850</u>	<u>-</u>
Change in net position	(306,144)	6,519	(299,625)
Net position - beginning	<u>11,805,941</u>	<u>9,317,729</u>	<u>21,123,670</u>
Net position - ending	<u>\$ 11,499,797</u>	<u>\$ 9,324,248</u>	<u>\$ 20,824,045</u>

**TOWN OF DEEP RIVER, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Changes in Net Position (Continued)**

Certain reclassifications have been made to the amounts reported for the year ended June 30, 2017 to conform with the current year presentation.

	<b>June 30, 2017</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 992,966	\$ 1,256,970	\$ 2,249,936
Operating grants and contributions	2,882,781	-	2,882,781
Capital grants and contributions	794,419	-	794,419
General revenues:			
Property taxes, levied for general purposes	13,738,268	-	13,738,268
Grants and contributions not restricted to specific programs	254,652	-	254,652
Unrestricted investment earnings	9,487	-	9,487
Other	-	-	-
Total revenues	<u>18,672,573</u>	<u>1,256,970</u>	<u>19,929,543</u>
<b>Expenses</b>			
General government	2,008,267	-	2,008,267
Public safety	951,479	-	951,479
Public works	1,552,985	-	1,552,985
Health and social services	172,375	-	172,375
Recreational services	430,848	-	430,848
Education	12,851,480	-	12,851,480
Interest expense	6,277	-	6,277
Sewers	-	1,434,004	1,434,004
Total expenses	<u>17,973,711</u>	<u>1,434,004</u>	<u>19,407,715</u>
Changes in net position before transfers	698,862	(177,034)	521,828
Transfers, net	<u>(1,072,766)</u>	<u>1,072,766</u>	<u>-</u>
Change in net position	<u>(373,904)</u>	<u>895,732</u>	<u>521,828</u>
Net position - beginning	<u>12,179,845</u>	<u>8,421,997</u>	<u>20,601,842</u>
Net position - ending	<u>\$ 11,805,941</u>	<u>\$ 9,317,729</u>	<u>\$ 21,123,670</u>

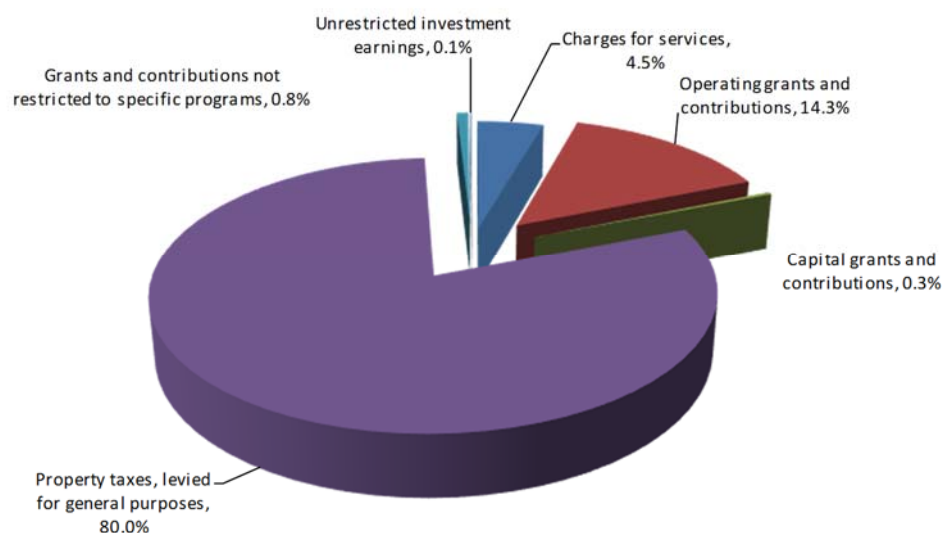
**TOWN OF DEEP RIVER, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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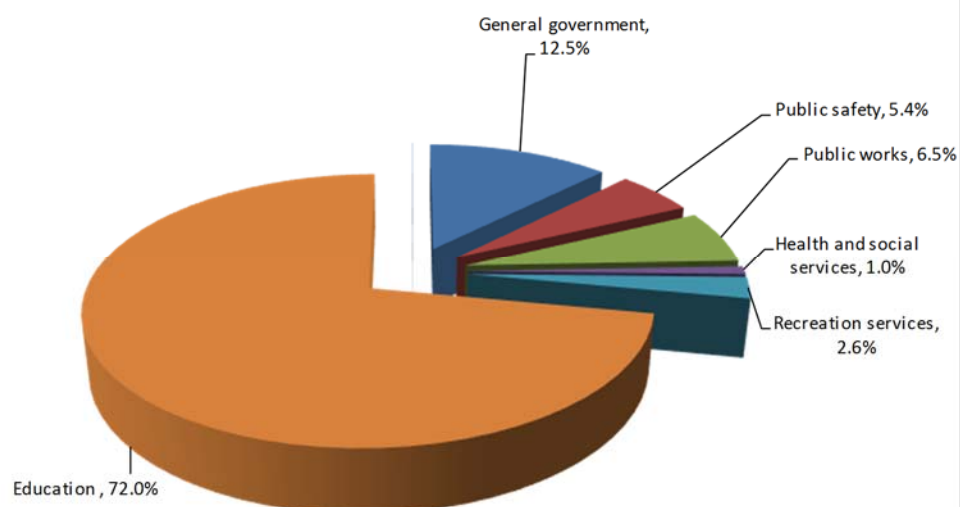
**GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)***

**Changes in Net Position *(Continued)***

**2018 Revenue by Source - Governmental Activities**



**2018 Expenses by Function - Governmental Activities**



**TOWN OF DEEP RIVER, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Changes in Net Position (Continued)**

***Governmental Activities***

Governmental activities decreased the Town's net position by \$306,144. Revenues generated by the Town decreased by \$524,695, or 2.8%, in comparison to the prior year. This decrease was primarily due to a decrease in USDA grant revenue relating to the Kirtland and River Street sewer expansion project. In addition, the decrease in revenues from the prior year is also attributed to a decrease in operating grants received in connection with the State of Connecticut's Education Cost Sharing Assistance Grant, which was offset by an increase in property tax revenues.

Expenses increased by \$95,461, or 0.5%, primarily due to a decrease in public works expenses, offset by the recognition of a general government expense in the amount of \$250,000 relating to an agreement entered into by the Town with a natural gas distribution company to partially offset the revenue requirement associated with the cost of construction of the natural gas pipeline.

***Business-type Activities***

Business-type activities increased the Town's net position by a current year change of \$6,519. Revenues increased by \$15,824, or 1.3%, in comparison to the prior year.

Expenses increased by \$217,121 or 15.1%, in comparison to the prior year. This increase is attributed to an increase in plant operations expenses and depreciation expense. Specifically, the increase in plant operations expense relates to an increase in bio solids disposal and hauling costs. The increase in expenses were offset by a net transfer in from the General Fund of \$289,090 to fund debt service 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 the Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,877,517, an increase of \$358,319 in comparison with the prior year. Of this amount, \$1,092,441 represents the total unassigned fund balance of the Town.



**TOWN OF DEEP RIVER, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)***

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS *(Continued)***

**General Fund**

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,248,446, while total fund balance was \$1,420,348. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 7.41% of total General Fund expenditures. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 0.9 months of General Fund operating expenditures.

The fund balance of the Town's General Fund increased by \$555,002 during the current fiscal year, as a direct result of favorable current year operating results, outlined in the General Fund Budgetary Highlights section below.

**Capital Projects Fund**

The fund balance of the Capital Projects Fund decreased by \$93,912 during the current fiscal year. Current year activity primarily related to the completion of the Kirtland and River Street sewer extension project. The fund balance in the Capital Projects Fund totaled \$177,834, of which \$292,365 is committed for capital purposes and \$114,531 represents an unassigned deficit.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original operating budget for the General Fund provided for no use of fund balance. Additional appropriations in the amount of \$113,857 were approved by the Board of Finance and Town Meeting. Significant additional appropriations consisted of a \$50,000 appropriation to fund highway department road maintenance costs and \$62,857 to fund police services. In addition, the fiscal year 2017-2018 budget was revised and approved by a Special Town Meeting to reflect the added revenue and expenditures in the amount of \$104,136 resulting from the receipt of an unbudgeted State of Connecticut Grants for Municipal Projects.

The actual net change in the fund balance of the General Fund on a budgetary basis was an increase of \$462,490. During the year, revenues exceeded budgetary estimates by \$487,112, primarily as a result of favorable budgetary revenues relating to police special private duty reimbursements and sewer assessment collections. Expenditures were \$129,235 less than budgeted, primarily due to a surplus within the Town's Education Department.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2018 totaled \$26,109,567 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, vehicles, infrastructure, and sewer plant and collection system. The Town's investment in capital assets decreased by \$598,921 or 2.2%.

**TOWN OF DEEP RIVER, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

**CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

**Capital Assets (Continued)**

Major capital asset events during the current fiscal year included the following:

- Current year depreciation expense totaling \$1,156,391.
- An increase of \$305 thousand in governmental activities infrastructure and improvements related to paving and excavation costs for various town roads.
- An increase to business-type activities machinery and equipment of \$115 thousand for expenses incurred relating to the purchase of computer upgrades and pump improvements.

The following table is a two year comparison of the investment in capital assets, net of accumulated depreciation:

**Capital Assets, Net  
June 30, 2018**

	Governmental Activities	Business-type Activities	Total
Land	\$ 684,688	\$ 360,214	\$ 1,044,902
Construction in progress	13,086	-	13,086
Buildings and improvements	6,178,530	-	6,178,530
Sewer plant and collection system	-	13,223,959	13,223,959
Machinery and equipment	191,058	440,711	631,769
Vehicles	639,253	17,640	656,893
Infrastructure and improvements	4,360,428	-	4,360,428
Totals	<u>\$ 12,067,043</u>	<u>\$ 14,042,524</u>	<u>\$ 26,109,567</u>

**Capital Assets, Net  
June 30, 2017**

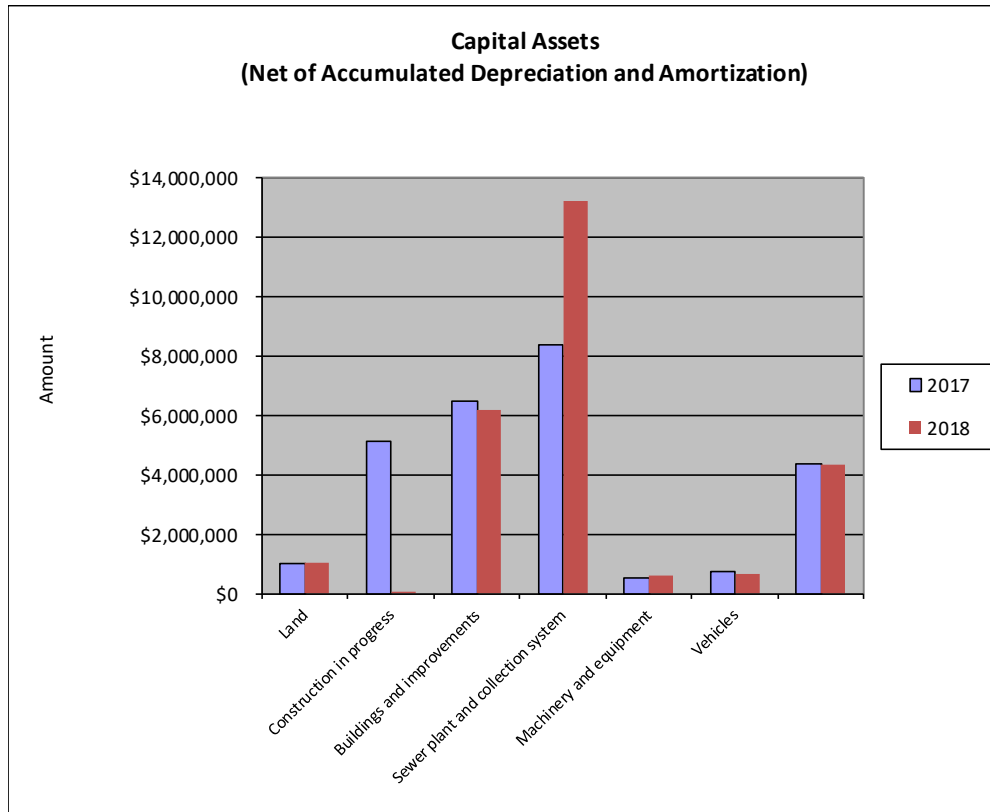
	Governmental Activities	Business-type Activities	Total
Land	\$ 684,688	\$ 360,214	\$ 1,044,902
Construction in progress	-	5,146,063	5,146,063
Buildings and improvements	6,492,070	-	6,492,070
Sewer plant and collection system	-	8,370,878	8,370,878
Machinery and equipment	155,970	380,597	536,567
Vehicles	753,672	-	753,672
Infrastructure and improvements	4,364,336	-	4,364,336
Totals	<u>\$ 12,450,736</u>	<u>\$ 14,257,752</u>	<u>\$ 26,708,488</u>

**TOWN OF DEEP RIVER, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**CAPITAL ASSET AND DEBT ADMINISTRATION *(Continued)***

**Capital Assets *(Continued)***



Additional information on the Town's capital assets can be found in Note 3 of this report.

**Long-term Debt**

At the end of the current fiscal year, the Town had total debt outstanding of \$5,192,552, all of which is backed by the full faith and credit of the government. The Town's total debt decreased by \$255,199 or 4.7% during the current fiscal year due to scheduled debt repayments.

State statutes limit the amount of general obligation debt the Town may issue to seven times its annual receipts from taxation, as defined by the statutes. The current debt limitation for the Town is significantly in excess of the Town's outstanding general obligation debt.

**TOWN OF DEEP RIVER, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

**CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

**Long-term Debt (Continued)**

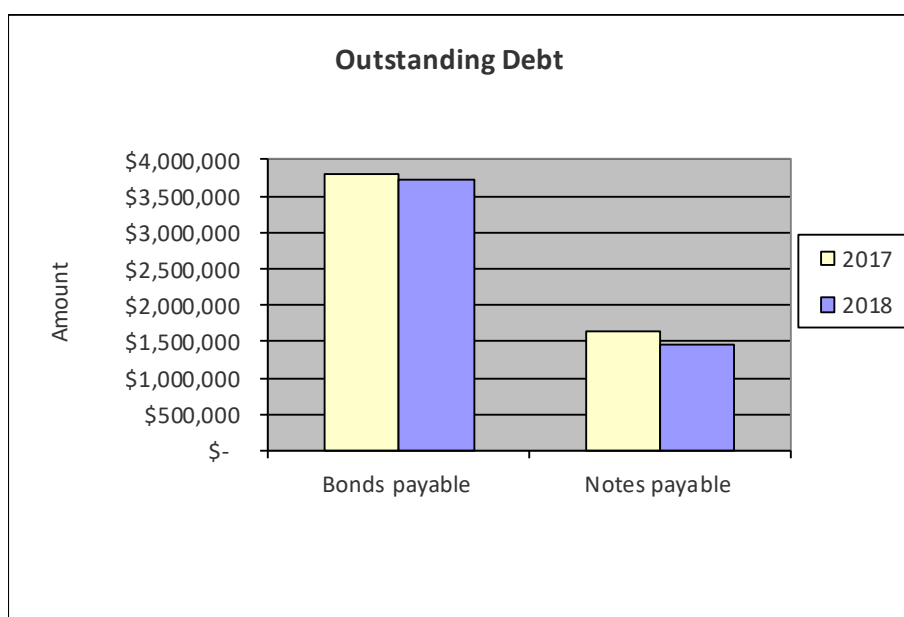
The following tables are a two-year comparison of long-term debt:

**Bonded Debt**  
**June 30, 2018**

	Governmental Activities	Business-type Activities	Total
Bonds payable	\$ 171,429	\$ 3,550,516	\$ 3,721,945
Notes payable	-	1,470,607	1,470,607
Totals	<u>\$ 171,429</u>	<u>\$ 5,021,123</u>	<u>\$ 5,192,552</u>

**Bonded Debt**  
**June 30, 2017**

	Governmental Activities	Business-type Activities	Total
Bonds payable	\$ 200,000	\$ 3,605,443	\$ 3,805,443
Notes payable	-	1,642,308	1,642,308
Totals	<u>\$ 200,000</u>	<u>\$ 5,247,751</u>	<u>\$ 5,447,751</u>



Additional information on the Town's debt can be found in Note 6 of this report.

**TOWN OF DEEP RIVER, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

A summary of key economic factors affecting the Town are as follows:

- The Town receives intergovernmental revenues from the State of Connecticut. Connecticut's economy moves in the same general cycle as the national economy, which from time to time will affect the amount of intergovernmental revenues the Town will receive.
- Significant estimates affecting next year's budget that are subject to change in the near term consist of the following:
  - For purposes of calculating property tax revenues for fiscal year 2019, the assessor's grand list was used along with an estimated tax rate, and an estimated rate of collection, with deductions for taxes to be paid by the State on behalf of certain taxpayers.
  - It is unknown how changes in market interest rates will impact real estate activity and related revenues collected by the Town Clerk and the amount of conveyance taxes and interest income.

All of these factors were considered in preparing the Town's budget for fiscal year 2019. The Town's fiscal year 2019 budget was approved by Town referendum on May 21, 2018. The Town's fiscal year 2019 budgeted expenditures for the General Fund totaled \$16,993,355, an increase of \$246,743 or 1.5% over the fiscal year 2018 original approved budgeted expenditures.

The Town has not assigned any portion of fund balance of the General Fund for spending in the 2019 fiscal year budget.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the First Selectman, 174 Main Street, Town Hall, Deep River, CT 06417, Telephone (860) 526-6020.

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## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF DEEP RIVER, CONNECTICUT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,223,606	\$ 92,237	\$ 2,315,843
Receivables:			
Property taxes and interest, net	421,485	-	421,485
Sewer usage and assessments, net	-	96,240	96,240
Grants and contracts	79,318	-	79,318
Other	155,563	167,938	323,501
Inventories	6,415	-	6,415
Internal balances	12,801	(12,801)	-
Assessments, long-term	-	344,910	344,910
Capital assets:			
Non-depreciable	697,774	360,214	1,057,988
Depreciable, net	11,369,269	13,682,310	25,051,579
Total assets	<u>14,966,231</u>	<u>14,731,048</u>	<u>29,697,279</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on pension expense	593,247	94,377	687,624
Deferred charges on OPEB expense	27,228	-	27,228
Total deferred outflows of resources	<u>620,475</u>	<u>94,377</u>	<u>714,852</u>
<b>LIABILITIES</b>			
Accounts payable	376,361	41,689	418,050
Accrued liabilities	242,645	-	242,645
Unearned revenue	35,115	-	35,115
Noncurrent liabilities:			
Due within one year	89,584	247,357	336,941
Due in more than one year	3,206,836	5,183,778	8,390,614
Total liabilities	<u>3,950,541</u>	<u>5,472,824</u>	<u>9,423,365</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred charges on pension expense	136,368	28,353	164,721
Total deferred inflows of resources	<u>136,368</u>	<u>28,353</u>	<u>164,721</u>
<b>NET POSITION</b>			
Net investment in capital assets	11,895,614	9,021,401	20,917,015
Restricted for:			
Grant programs	147,392	-	147,392
Repayment of debt	-	380,586	380,586
Unrestricted	(543,209)	(77,739)	(620,948)
Total net position	<u>\$ 11,499,797</u>	<u>\$ 9,324,248</u>	<u>\$ 20,824,045</u>

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF DEEP RIVER, CONNECTICUT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
<i>Governmental activities:</i>							
General government	\$ 2,254,786	\$ 468,415	\$ 4,500	\$ -	\$ (1,781,871)	\$ -	\$ (1,781,871)
Public safety	976,449	176,641	44,558	-	(755,250)	-	(755,250)
Public works	1,176,201	-	203,036	54,471	(918,694)	-	(918,694)
Health and social services	174,771	-	18,189	-	(156,582)	-	(156,582)
Recreational services	465,726	123,882	480	-	(341,364)	-	(341,364)
Education	13,014,038	50,084	2,321,407	-	(10,642,547)	-	(10,642,547)
Interest expense	7,201	-	-	-	(7,201)	-	(7,201)
Total governmental activities	18,069,172	819,022	2,592,170	54,471	(14,603,509)	-	(14,603,509)
<i>Business-type activities:</i>							
Sewer	1,651,125	1,272,794	-	-	-	(378,331)	(378,331)
Total business-type activities	1,651,125	1,272,794	-	-	-	(378,331)	(378,331)
Total primary government	<u>\$ 19,720,297</u>	<u>\$ 2,091,816</u>	<u>\$ 2,592,170</u>	<u>\$ 54,471</u>	<u>(14,603,509)</u>	<u>(378,331)</u>	<u>(14,981,840)</u>
General revenues:							
Property taxes, levied for general purposes					14,517,861	-	14,517,861
Grants and contributions not restricted to specific programs					142,098	-	142,098
Income from investments					22,256	-	22,256
Transfers, net					(384,850)	384,850	-
Total general revenues					14,297,365	384,850	14,682,215
Change in net position					(306,144)	6,519	(299,625)
Net position - beginning					11,805,941	9,317,729	21,123,670
Net position - ending					\$ 11,499,797	\$ 9,324,248	\$ 20,824,045

*The accompanying notes are an integral part of these financial statements.*



**TOWN OF DEEP RIVER, CONNECTICUT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	<b>General Fund</b>	<b>Capital Projects Funds</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,547,167	\$ 320,809	\$ 355,630	\$ 2,223,606
Receivables:				
Property taxes and interest, net	421,485	-	-	421,485
Grants and contracts	68,696	-	10,622	79,318
Other	150,335	-	5,228	155,563
Due from other funds	245,321	-	-	245,321
Inventories	-	-	6,415	6,415
Total assets	<u>\$ 2,433,004</u>	<u>\$ 320,809</u>	<u>\$ 377,895</u>	<u>\$ 3,131,708</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 368,344	\$ -	\$ 8,015	\$ 376,359
Accrued liabilities	238,324	-	-	238,324
Due to other funds	-	142,975	89,545	232,520
Unearned revenue	34,115	-	1,000	35,115
Total liabilities	<u>640,783</u>	<u>142,975</u>	<u>98,560</u>	<u>882,318</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue:				
Property taxes and interest	371,873	-	-	371,873
Total deferred inflows of resources	<u>371,873</u>	<u>-</u>	<u>-</u>	<u>371,873</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	6,415	6,415
Restricted	-	-	140,977	140,977
Committed	74,074	292,365	173,417	539,856
Assigned	97,828	-	-	97,828
Unassigned	1,248,446	(114,531)	(41,474)	1,092,441
Total fund balances	<u>1,420,348</u>	<u>177,834</u>	<u>279,335</u>	<u>1,877,517</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,433,004</u>	<u>\$ 320,809</u>	<u>\$ 377,895</u>	<u>\$ 3,131,708</u>

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF DEEP RIVER, CONNECTICUT**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

Total fund balance for governmental funds		\$ 1,877,517
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Land	\$ 684,688	
Construction in progress	13,086	
Buildings and improvements	13,568,979	
Machinery and equipment	972,396	
Vehicles	2,819,869	
Infrastructure and improvements	6,512,570	
Accumulated depreciation	(12,504,545)	
Total capital assets, net		12,067,043
Some of the Town's taxes, assessments, interest and usage receivables will be collected after year end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.		371,871
Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.		
Accrued interest payable	(4,321)	
Long-term debt:		
Bond payable	(171,429)	
Other long-term liabilities:		
Contract payable	(200,000)	
Compensated absences	(360,127)	
Post-closure landfill costs	(641,788)	
Net pension liabilities	(1,398,757)	
Total OPEB liability	(524,319)	
Total long-term liabilities		(3,300,741)
Deferred outflows/inflows of resources resulting from changes in the components of the Town's net pension and OPEB liabilities are reported in the statements of net position.		484,107
Net position of governmental activities		<u><u>\$ 11,499,797</u></u>

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF DEEP RIVER, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>General Fund</b>	<b>Capital Projects Funds</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Property taxes	\$ 14,603,284	\$ -	\$ -	\$ 14,603,284
Grants and contracts	2,344,069	-	137,859	2,481,928
Charges for services	720,569	-	89,978	810,547
Investment income	20,348	1,864	44	22,256
Other	8,034	-	18,464	26,498
Total revenues	<u>17,696,304</u>	<u>1,864</u>	<u>246,345</u>	<u>17,944,513</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,733,394	-	87,111	1,820,505
Public safety	779,031	-	-	779,031
Public works	812,276	-	-	812,276
Health and social services	109,190	-	15,081	124,271
Recreational services	435,956	-	-	435,956
Education	12,298,177	-	224,130	12,522,307
Capital outlays	497,660	95,776	31,794	625,230
Debt service:				
Principal payments	169,607	-	-	169,607
Interest and fiscal charges	7,921	-	-	7,921
Total expenditures	<u>16,843,212</u>	<u>95,776</u>	<u>358,116</u>	<u>17,297,104</u>
Excess (deficiency) of revenues over expenditures	853,092	(93,912)	(111,771)	647,409
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	61,223	-	9,000	70,223
Transfers out	(359,313)	-	-	(359,313)
Total other financing sources (uses)	<u>(298,090)</u>	<u>-</u>	<u>9,000</u>	<u>(289,090)</u>
Net change in fund balances	555,002	(93,912)	(102,771)	358,319
Fund balances - beginning, as originally reported	959,460	177,632	382,106	1,519,198
Adjustment (see Note 12)	(94,114)	94,114	-	-
Fund balances - beginning, as adjusted	<u>865,346</u>	<u>271,746</u>	<u>382,106</u>	<u>1,519,198</u>
Fund balances - ending	<u>\$ 1,420,348</u>	<u>\$ 177,834</u>	<u>\$ 279,335</u>	<u>\$ 1,877,517</u>

*The accompanying notes are an integral part of these 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, 2018**

Net change in fund balances - total governmental funds	\$	358,319
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Total change in net position reported for governmental activities in the statement of activities is different because:

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 amount by which depreciation and amortization expense exceeded capital outlays in the current period is as follows:

Expenditures for capital assets	\$ 391,333	
Depreciation and amortization expense	(775,026)	
Net adjustment		(383,693)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term obligations is as follows:

Principal repayments:		
General obligation bonds	28,571	
Capital lease obligations	141,035	
Net adjustment		169,606

Certain revenues reported in the statement of activities do not provide current financial resources and therefore are reported as deferred inflows of revenue in governmental funds. This amount represents the change in unavailable revenues.		(84,982)
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This amount represents the effect of such items.

Accrued interest	721	
Contract payable	(200,000)	
Compensated absences	(48,891)	
Net pension liabilities	4,935	
Total OPEB liability	(58,053)	
		(301,288)

(Continued)

**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 *(Concluded)*  
FOR THE YEAR ENDED JUNE 30, 2018

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Deferred outflows/inflows of resources resulting from changes in the components of the Town's net pension and OPEB liabilities are amortized as a component of pension expense in the statement of activities.	<u>\$ (64,106)</u>
Change in net position of governmental activities	<u><u>\$ (306,144)</u></u>

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF DEEP RIVER, CONNECTICUT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2018**

	<b>Business-type Activities</b>
	<b>Sewer Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 92,237
Receivables:	
Assessments and interest, net	35,676
User charges and interest, net	60,564
Other	167,938
Total current assets	<u>356,415</u>
Noncurrent assets:	
Receivables:	
Assessments	344,910
Capital assets:	
Non-depreciable	360,214
Depreciable, net	13,682,310
Total noncurrent assets	<u>14,387,434</u>
Total assets	<u>14,743,849</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on pension	<u>94,377</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	41,689
Compensated absences	15,860
Due to other funds	12,801
Bonds and note payable	231,497
Total current liabilities	<u>301,847</u>
Noncurrent liabilities:	
Compensated absences	142,738
Net pension liability	251,414
Bonds and note payable	4,789,626
Total non-current liabilities	<u>5,183,778</u>
Total liabilities	<u>5,485,625</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred charges on pension	<u>28,353</u>
<b>NET POSITION</b>	
Net investment in capital assets	9,021,401
Restricted	380,586
Unrestricted	(77,739)
Total net position	<u><u>\$ 9,324,248</u></u>

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF DEEP RIVER, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Business-type Activities</b>
	<b>Sewer Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 1,272,794
<b>OPERATING EXPENSES</b>	
Salaries and benefits	523,258
Contracted services	18,248
Utilities	126,740
Operations	412,446
Laboratory	18,634
Replacement	38,063
Repairs and maintenance	8,686
Depreciation	381,365
Total operating expenses	1,527,440
Operating loss	(254,646)
<b>NON-OPERATING EXPENSE</b>	
Interest expense	(123,685)
Change in net position before transfers	(378,331)
<b>TRANSFERS</b>	
Transfers in - debt service	350,313
Transfers in - capital assets	95,760
Transfers out - assessments	(61,223)
Total transfers	384,850
Change in net position	6,519
Net position - beginning	9,317,729
Net position - ending	\$ 9,324,248

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF DEEP RIVER, CONNECTICUT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Business-type Activities</b>
	<b>Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from the following:	
Charges for services	\$ 1,334,545
Cash paid for the following:	
Payroll and benefits	(500,400)
Goods and services	(730,614)
Net cash provided by operating activities	<u>103,531</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Interfund activity	<u>50,509</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	<u>(166,137)</u>
Net decrease in cash and cash equivalents	(12,097)
Cash and cash equivalents, beginning of year	<u>104,334</u>
Cash and cash equivalents, end of year	<u><u>\$ 92,237</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (254,646)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	381,365
Changes in assets and liabilities:	
Increase in receivables	61,751
Increase in net pension liability and related deferred inflows/outflows	34,450
Decrease in compensated absences	(11,592)
Decrease in accounts payable	(107,797)
Net cash provided by operating activities	<u><u>\$ 103,531</u></u>
<b>SCHEDULE OF NON-CASH CAPITAL AND FINANCING ACTIVITIES</b>	
Principal payments made by the General Fund	\$ 226,628
Interest payments made by the General Fund	123,685

*The accompanying notes are an integral part of these financial statements.*



**TOWN OF DEEP RIVER, CONNECTICUT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2018**

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	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 13,353
Investments:		
Insurance contracts	3,470,321	-
Total assets	<u>3,470,321</u>	<u>13,353</u>
<b>LIABILITIES</b>		
Due to student groups	-	\$ 13,353
Total liabilities	<u>-</u>	<u>13,353</u>
<b>NET POSITION</b>		
Restricted for pension benefits	<u>\$ 3,470,321</u>	

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF DEEP RIVER, CONNECTICUT**  
**STATEMENT OF CHANGES**  
**IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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	<b>Pension Trust Funds</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 220,691
Total contributions	<u>220,691</u>
Investment earnings:	
Net change in the fair value of investments, net of fees	<u>284,522</u>
Total investment earnings	<u>284,522</u>
Total additions	<u>505,213</u>
<b>DEDUCTIONS</b>	
Benefit payments	167,541
Administrative expenses	<u>3,478</u>
Total deductions	<u>171,019</u>
Change in net position	334,194
Net position - beginning	<u>3,136,127</u>
Net position - ending	<u><u>\$ 3,470,321</u></u>

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Deep River, Connecticut (the "Town") conform to accounting principles generally accepted in the United States of America, as applicable to governmental organizations. The following is a summary of significant accounting policies:

**Financial Reporting Entity**

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

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government and its component units, entities for which the government is considered to be financially accountable, and other organizations which by nature and significance of their relationship with the primary government would cause the financial statements to be incomplete or misleading if excluded. Based on these criteria, there are no component units requiring inclusion in these financial statements.

**Government-wide and Fund Financial Statements**

**Government-wide Financial Statements**

The statement of net position and the statement of activities display information about the Town and include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. The statements are intended to distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

**Fund Financial Statements**

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds and enterprise funds, each displayed in a separate column. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor funds.

**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Government-wide and Fund Financial Statements (Continued)**

**Fund Financial Statements (Continued)**

The Town reports the following major governmental funds:

**General Fund** - This fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those not accounted for and reported in another fund.

**Capital Projects Fund** - This fund is used to account for the acquisition and construction of significant capital assets other than those accounted for in the proprietary fund.

The Town reports the following major proprietary fund:

**Sewer Fund** - This fund is used to account for the operations of the Town's sewer systems.

In addition, the Town reports the following fiduciary fund types:

**Pension Trust Fund** - This fund type is used to account for the activities of the Town's Employees' Retirement System and the Firefighters' Retirement system, which accumulates resources for pension benefit payments to qualified employees.

**Agency Funds** - These funds are used to account for resources held by the Town in a purely custodial capacity. The Town utilizes these funds to account for assets of the student activities fund. The student activities fund accounts for monies generated by student activities in the Town's school system.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are prepared 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 if they are collected 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 the related liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**TOWN OF DEEP RIVER, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**Measurement Focus and Basis of Accounting *(Continued)***

Property taxes and interest have been recognized as revenues in the current fiscal year to the extent amounts have been collected by the end of the fiscal year. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is available to be received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when the cash is received.

The proprietary and pension trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting assets and liabilities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund consist of sewer charges to customers for services. Operating expenses of the Town's enterprise fund include the cost of operations and maintenance, administrative expenses, and depreciation of capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Implementation of New Accounting Standards**

Effective July 1, 2017, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 81, *Irrevocable Split-Interest Agreements*, GASB Statement No. 85, *Omnibus 2017*, and GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The adoption of these statements did not have a material effect on the Town's financial statements.

Effective July 1, 2017, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 established standards for recognizing and measuring liabilities, deferred outflows and inflows of resources, and expenses/expenditures for postemployment benefits other than pensions. This standard identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, this statement provides for certain required supplementary information and note disclosures about postemployment benefits other than pensions. The adoption of this statement resulted in additional disclosures in the notes to the financial statements.

**TOWN OF DEEP RIVER, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Equity**

**Cash and Cash Equivalents**

The Town's cash and cash equivalents are considered to be 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.

**Investments**

Investments are measured by the Town at fair value (generally based on quoted market prices), except for investments in insurance contracts as described below.

Investments in insurance contracts consists of fixed and variable separate accounts. Investments in these types of contracts are measured by the Town at contract value, which approximates fair value.

**Inventories**

Inventories are reported at cost using the first-in first-out (FIFO) method, except for USDA donated commodities, which are recorded at market value. Inventories are recorded as expenditures when consumed rather than when purchased.

**Property Taxes**

Property taxes are assessed as of October 1. Real estate and personal property taxes are billed in the following July and are due in two installments, July 1 and January 1. Personal property and motor vehicle taxes are billed in July and are due in one installment, July 1, and supplemental motor vehicle taxes are due in full January 1. Taxes become delinquent thirty days after the installment is due and interest on delinquent accounts is charged at a rate of 1.5% per month. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date. 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. Based on historical collection experience and other factors, the Town has established an allowance for uncollectible taxes and interest as of June 30, 2018 of \$21,000 and \$5,000, respectively.

**Sewer Charges**

The Town operates a Main Street sewer pipeline and treatment facility. Upon completion of projects, sewer assessments are levied and assessed to the users annually over a 20-30 year period. Bills for sewer operation and maintenance are mailed to the owners of properties along the sewer line annually. Users can chose to pay the charge in a lump sum amount or receive a second billing installment. Assessments and user charges are due and payable within thirty days and delinquent amounts are subject to interest at prevailing rates. Liens are filed on all delinquent properties until the assessment is paid in full. Based on historical collection experience and other factors, the Town has established an allowance for uncollectible sewer usage fees of \$1,000 as of June 30, 2018.

**TOWN OF DEEP RIVER, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Equity *(Continued)***

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, and sidewalks), 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, when purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of a capital asset or materially extend capital asset 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 funds 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

Capital assets acquired under capital lease are amortized over the life of the lease term or estimated useful life of the asset, as applicable.

**Unearned Revenue**

This liability represents resources that have been received but not yet earned.

**Deferred Outflows and Inflows of Resources**

Deferred outflows and inflows of resources represent either an acquisition or consumption of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources until that time.

Deferred outflows and inflows of resources include deferred charges on pension and OPEB expenses reported in the government-wide financial statements. Deferred pension and OPEB expenses result from certain changes in the components of the Town's net pension and OPEB liabilities and are being amortized as a component of pension and OPEB expense on a systematic and rational basis.

Deferred inflows of resources also consists of revenues that are considered unavailable under the modified accrual basis of accounting. Unavailable revenue is reported in the governmental funds balance sheet and is recognized as an inflow of resources in the period that the amounts become available.

**TOWN OF DEEP RIVER, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Equity *(Continued)***

**Compensated Absences**

Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement based on the provisions of negotiated contracts or other personnel policies. Expenditures for compensated absences are recognized in the governmental fund financial statements 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. 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. All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements in the current year to the extent they have matured (i.e. due to resignation or retirement).

**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 statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expenses when incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. 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 Position and Fund Balances**

The government-wide statement of net position presents the Town's assets, deferred outflows and inflows of resources and liabilities, with net position as the residual of these elements. Net position is reported in three categories:

***Net investment in capital assets*** - This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of capital assets.

***Restricted net position*** - This component of net position consists of amounts whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

***Unrestricted net position*** - This component of net position is the net amount of assets, liabilities, and deferred outflows/inflows of resources which do not meet the definition of the preceding two categories.

The Town's governmental funds report the following fund balance categories:

***Nonspendable*** - Amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact.



**TOWN OF DEEP RIVER, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Equity *(Continued)***

**Net Position and Fund Balances *(Continued)***

***Restricted*** - Constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments, or imposed by law through enabling legislation.

***Committed*** - Amounts can be only used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision making authority of the Town and cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same formal action.

***Assigned*** - 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.

***Unassigned*** - Residual classification for the General Fund or amounts necessary in other governmental funds to eliminate otherwise negative fund balance amounts in the other four categories.

***Net Position Flow Assumption***

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

The Town does not have a formal policy over net position. In practice, the Town considers restricted net position to have been depleted before unrestricted net position is applied.

***Fund Balance Flow Assumption***

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

The Town does not have a formal policy over the use of fund balance. In accordance with the applicable accounting guidance, when committed, assigned and unassigned resources are available for use, it is assumed that the Town will use committed resources first, then assigned resources and then unassigned resources as they are needed.

**Interfund Activities**

Interfund activities are reported as follows:

**Interfund Receivables and Payables**

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

**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)**

**Interfund Activities (Continued)**

**Interfund Receivables and Payables (Continued)**

Advances between funds, as reported in the fund financial statements, are offset by a restricted fund balance designation (non-spendable) in the General Fund and by a restricted, committed, or assigned fund balance designation of other governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**Interfund Services Provided and Used**

Sales and purchases of goods and services between funds for a price approximating their external exchange value are reported as revenues and expenditures, or expenses, in the applicable funds.

**Interfund Transfers**

Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after non-operating revenues and expenses.

**Interfund Reimbursements**

Interfund reimbursements represent repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

**Use of 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 and disclosures in the financial statements. Actual results could differ from those estimates.

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**Cash Deposits**

A reconciliation of the Town's cash deposits as of June 30, 2018 is as follows:

Government-wide statement of net position:	
Cash and cash equivalents	\$ 2,315,843
Statement of fiduciary net position:	
Cash and cash equivalents - agency funds	13,353
	<u>\$ 2,329,196</u>

**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

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**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**Cash Deposits (Continued)**

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Town 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. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2018, \$1,564,046 of the Town's bank balance of \$2,410,545 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 1,407,641
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	<u>156,405</u>
	<u><u>\$ 1,564,046</u></u>

All of the Town's deposits were in qualified public institutions as defined by Connecticut general statutes. Under these statutes, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

**Investments**

A reconciliation of the Town's investments as of June 30, 2018 is as follows:

Government-wide statement of net position:	
Investments	\$ -
Statement of fiduciary net position:	
Investments - pension trust funds	<u>3,470,321</u>
	<u><u>\$ 3,470,321</u></u>

As of June 30, 2018, the Town's fiduciary investments consisted of fixed and variable insurance contracts entered into with MassMutual. The insurance contracts are recorded at contract value, which approximates fair value.

**Interest Rate Risk**

With the exception of its pension funds, the Town does not have a formal investment policy that limits Town investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's fiduciary investments in insurance contracts are not evidenced by securities and are therefore not exposed to custodial credit risk.

**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**Investments (Continued)**

**Credit Risk**

The Town has no investment policy that would further limit its investment choices beyond those limited by Connecticut general statutes. Connecticut general statutes permit the Town to invest in obligations of the United States, including its instrumentalities and agencies; in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service.

**Concentrations of Credit Risk**

The Town places no limit on the amount of investment in any one issuer. As of June 30, 2018, 100% of the Town's fiduciary investments were invested in insurance contracts entered into with MassMutual.

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for governmental activities the year ended June 30, 2018 consisted of the following:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases/ Transfers</b>	<b>Ending Balance</b>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 684,688	\$ -	\$ -	\$ 684,688
Construction in progress	-	13,086	-	13,086
Total capital assets, not being depreciated	<u>684,688</u>	<u>13,086</u>	<u>-</u>	<u>697,774</u>
Capital assets, being depreciated:				
Buildings and improvements	13,568,979	-	-	13,568,979
Machinery and equipment	916,570	55,826	-	972,396
Vehicles	2,802,669	17,200	-	2,819,869
Infrastructure and improvements	6,207,349	305,221	-	6,512,570
Total capital assets, being depreciated	<u>23,495,567</u>	<u>378,247</u>	<u>-</u>	<u>23,873,814</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	7,076,909	313,540	-	7,390,449
Machinery and equipment	760,600	20,738	-	781,338
Vehicles	2,048,997	131,619	-	2,180,616
Infrastructure and improvements	1,843,013	309,129	-	2,152,142
Total accumulated depreciation and amortization	<u>11,729,519</u>	<u>775,026</u>	<u>-</u>	<u>12,504,545</u>
Total capital assets, being depreciated, net	<u>11,766,048</u>	<u>(396,779)</u>	<u>-</u>	<u>11,369,269</u>
Governmental activities capital assets, net	<u>\$ 12,450,736</u>	<u>\$ (383,693)</u>	<u>\$ -</u>	<u>\$ 12,067,043</u>

**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

**NOTE 3 - CAPITAL ASSETS (Continued)**

Depreciation and amortization expense was charged to functions of the Town as follows:

Governmental Activities:	
General government	\$ 147,256
Public safety	124,004
Public works	302,260
Health and social services	15,500
Library, parks and recreation	23,251
Education	<u>162,755</u>
Total depreciation and amortization expense - governmental activities	<u><u>\$ 775,026</u></u>

Capital asset activity for business-type activities for the year ended June 30, 2018 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
<b>Business-type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 360,214	\$ -	\$ -	\$ 360,214
Construction in progress	<u>5,146,063</u>	<u>-</u>	<u>(5,146,063)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>5,506,277</u>	<u>-</u>	<u>(5,146,063)</u>	<u>360,214</u>
Capital assets, being depreciated:				
Sewer plant	6,550,734	8,950	-	6,559,684
Sewer collection system	8,115,012	23,697	5,146,063	13,284,772
Machinery and equipment	2,148,195	114,590	-	2,262,785
Vehicles	<u>181,903</u>	<u>18,900</u>	<u>-</u>	<u>200,803</u>
Total capital assets, being depreciated	<u>16,995,844</u>	<u>166,137</u>	<u>5,146,063</u>	<u>22,308,044</u>
Less accumulated depreciation and amortization for:				
Sewer plant	3,617,832	122,881	-	3,740,713
Sewer collection system	2,677,036	202,748	-	2,879,784
Machinery and equipment	1,767,598	54,476	-	1,822,074
Vehicles	<u>181,903</u>	<u>1,260</u>	<u>-</u>	<u>183,163</u>
Total accumulated depreciation and amortization	<u>8,244,369</u>	<u>381,365</u>	<u>-</u>	<u>8,625,734</u>
Total capital assets, being depreciated, net	<u>8,751,475</u>	<u>(215,228)</u>	<u>5,146,063</u>	<u>13,682,310</u>
Business-type activities capital assets, net	<u><u>\$ 14,257,752</u></u>	<u><u>\$ (215,228)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,042,524</u></u>

Depreciation and amortization expense was charged to the enterprise funds of the Town as follows:

Business-Type Activities:	
Sewer	<u><u>\$ 381,365</u></u>

**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

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**NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivable and payable balances at June 30, 2018 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Governmental Funds:</b>		
General Fund	Capital Projects Fund	\$ 142,975
	Other Governmental Funds	89,545
	Sewer Fund	12,801
		<u>\$ 245,321</u>

The above balances resulted 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 5 - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2018 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
<b>Governmental Funds:</b>		
General Fund	Sewer Fund	<u>\$ 61,223</u>
Other Governmental Funds	General Fund	<u>9,000</u>
Total Transfers In - Governmental Funds		<u>\$ 70,223</u>
<b>Business-Type Activities Funds:</b>		
Sewer Fund	General Fund	350,313
	Governmental Activities	<u>95,760</u>
Total Transfers in - Business-Type Activities Funds		<u>\$ 446,073</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them, and (2) use revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

**NOTE 6 - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities</b>					
Bonds payable:					
General obligation bonds	\$ 200,000	\$ -	\$ (28,571)	\$ 171,429	\$ 28,571
Total bonds payable	200,000	-	(28,571)	171,429	28,571
Other liabilities:					
Capital leases	141,035	-	(141,035)	-	-
Contract payable	-	242,500	(42,500)	200,000	25,000
Compensated absences	311,236	52,520	(3,629)	360,127	36,013
Landfill closure and post-closure care liability	641,788	-	-	641,788	-
Net pension liability - Town Pension Plan	1,036,067	-	(48,485)	987,582	-
Net pension liability - Firefighters' Pension Plan	328,050	49,795	-	377,845	-
Net pension liability - CT MERS	39,575	-	(6,245)	33,330	-
Total OPEB liability	466,266	58,053	-	524,319	-
	<u>\$ 3,164,017</u>	<u>\$ 402,868</u>	<u>\$ (270,465)</u>	<u>\$ 3,296,420</u>	<u>\$ 89,584</u>
<b>Business-type Activities</b>					
Bonds and notes payable:					
USDA Rural Service Bonds	\$ 3,605,443	\$ -	\$ (54,927)	\$ 3,550,516	\$ 56,332
Notes payable	1,642,308	-	(171,701)	1,470,607	175,165
Total bonds and notes payable	5,247,751	-	(226,628)	5,021,123	231,497
Other liabilities:					
Compensated absences	147,006	12,023	(431)	158,598	15,860
Net pension liability - Town Pension Plan	255,916	-	(4,502)	251,414	-
	<u>\$ 5,650,673</u>	<u>\$ 12,023</u>	<u>\$ (231,561)</u>	<u>\$ 5,431,135</u>	<u>\$ 247,357</u>

The above liabilities have typically been liquidated by the General Fund for governmental activities and the Sewer Fund for business-type activities.

**General Obligation Bonds**

A summary of general obligation bonds outstanding at June 30, 2018 is as follows:

<b>Purpose of Bonds</b>	<b>Fiscal Date of Issue</b>	<b>Original Issue</b>	<b>Interest Rates</b>	<b>Fiscal Maturity Date</b>	<b>Amount Outstanding</b>
<b>Governmental Activities</b>					
Bonds payable:					
General obligation bond	2017	\$ 200,000	2.75%	2024	<u>\$ 171,429</u>
<b>Business-type Activities:</b>					
Bonds and notes payable:					
USDA Rural Service bond	2016	\$ 2,910,000	2.75%	2056	\$ 2,824,914
USDA Rural Service bond	2016	144,000	2.75%	2056	139,789
USDA Rural Service bond	2016	605,000	2.75%	2056	585,813
					<u>3,550,516</u>
Clean Water Fund note	2006	3,375,000	2.00%	2026	1,470,607
					<u>\$ 5,021,123</u>

**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

**NOTE 6 - LONG-TERM LIABILITIES (Continued)**

**General Obligation Bonds (Continued)**

Annual debt service requirements to maturity on general obligation bonds and the notes payable are as follows as of June 30, 2018:

	Governmental Activities				
Year ending	Bonds Payable				
June 30:	Principal	Interest	Total		
2019	\$ 28,571	\$ 4,714	\$ 33,285		
2020	28,571	3,929	32,500		
2021	28,571	3,143	31,714		
2022	28,571	2,357	30,928		
2023	28,571	1,571	30,142		
2024	28,574	786	29,360		
	<u>\$ 171,429</u>	<u>\$ 16,500</u>	<u>\$ 187,929</u>		-

	Business-type Activities				
Year ending	Bonds Payable		Notes Payable		
June 30:	Principal	Interest	Principal	Interest	Total
2019	\$ 56,332	\$ 91,004	\$ 175,165	\$ 27,813	\$ 350,314
2020	57,773	89,563	178,703	24,275	350,314
2021	59,252	88,084	182,308	20,669	350,313
2022	60,768	86,568	185,987	16,987	350,310
2023	62,324	85,012	189,743	13,235	350,314
2024-2028	336,384	400,296	558,701	15,943	1,311,324
2029-2033	381,717	354,964	-	-	736,681
2034-2038	433,179	303,501	-	-	736,680
2039-2043	491,602	245,078	-	-	736,680
2044-2048	557,932	178,748	-	-	736,680
2049-2053	633,238	103,442	-	-	736,680
2044-2056	420,015	21,729	-	-	441,744
	<u>\$ 3,550,516</u>	<u>\$ 2,047,989</u>	<u>\$ 1,470,607</u>	<u>\$ 118,922</u>	<u>\$ 7,188,034</u>

**Overlapping Debt**

The Town is contingently liable for its pro-rata share of Regional School District No. 4's (the "District") outstanding debt. At June 30, 2018, the outstanding indebtedness of the District was \$7,055,000. The Town of Deep River's share will be approximately 34.52% of the total, or \$2,435,386. Such outstanding indebtedness represents debt of Regional School District No. 4 and its member towns. However, the Town is not required to record its share of the debt in the accompanying statement of net position.

**Legal Debt Limit**

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



**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

**NOTE 6 - LONG-TERM LIABILITIES (Continued)**

**Capital Leases**

A summary of assets acquired through capital leases is as follows as of June 30, 2018:

	<b>Governmental Activities</b>
Equipment	\$ 602,092
Less: accumulated amortization	180,627
	<u>\$ 421,465</u>

Amortization expense relative to leased property under capital leases totaled \$40,139 for the year ended June 30, 2018 and is included in depreciation and amortization expense disclosed in Note 3.

**Contract Payable**

The Town has entered into an agreement with a natural gas distribution company to partially offset the revenue requirement associated with the costs of construction of the natural gas pipeline. The Town agreed to contribute an amount of \$250,000 towards the project. As of June 30, 2018, the Town has made payments of \$50,000. The remaining balance of \$200,000 will be paid by the Town in equal annual installments of \$25,000.

**Landfill Closure and Post-closure Care Liability**

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, 2018. The liability is accrued in the governmental activities. The estimated total current cost of 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, 2018. However, costs may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

**NOTE 7 - FUND BALANCE**

As of June 30, 2018, fund balances have been classified based on the following purposes:

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Nonspendable:				
Inventories	\$ -	\$ -	\$ 6,415	\$ 6,415
Restricted for:				
Rehabilitation grant program	-	-	36,811	36,811
Social services programs	-	-	88,876	88,876
Veterans	-	-	15,290	15,290
Committed to:				
Incubator building fund	-	-	171,548	171,548
Other purposes	-	-	1,869	1,869
Capital projects	-	292,365	-	292,365
Library operations	74,074	-	-	74,074
Assigned to:				
Public works - encumbrances	97,828	-	-	97,828
Unassigned	1,248,446	(114,531)	(41,474)	1,092,441
	<u>\$ 1,420,348</u>	<u>\$ 177,834</u>	<u>\$ 279,335</u>	<u>\$ 1,877,517</u>

**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

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**NOTE 7 - FUND BALANCE (Continued)**

**Deficit Fund Balances**

As of June 30, 2018, the Hot Lunch Program Fund, a nonmajor governmental fund, had a deficit fund balance of \$35,059. This fund deficit is expected to be funded through future program revenues and/or by a transfer in from the General Fund.

**NOTE 8 - EMPLOYEE RETIREMENT PLANS**

**Defined Benefit Plans**

**Plan Description and Administration**

The Town is the administrator of the following two single employer, defined benefit pension plans: the *Town of Deep River Employees' Retirement Plan* and *Town of Deep River Firefighters' Retirement Plan* (the "Plans"). The Town Employee Retirement Plan covers substantially all full time employees and noncertified Board of Education employees. The Firefighters' Retirement Plan covers volunteer firefighters. The Plans were established through ordinances. Plan administration and management is vested in the Pension Committee. 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. Balances of the Plans as of and for the year ended June 30, 2018 are accounted for in the fiduciary fund financial statements as pension trust funds. Separate, stand-alone reports are not issued.

**Plan Membership**

***Town Employees' Pension Plan***

Employees of the Town and the Board of Education, excluding those employees participating in the State Teachers' Retirement System, who work at least 1,000 hours a year are eligible to participate in the Plan on the July 1 following the attainment of age 21 and the completion of one year of service. After four years of service, benefits are 40% vested and increase 10% for each year up to ten years, at which time benefits are 100% vested.

***Volunteer Firefighters' Retirement Plan***

All active volunteer firefighter personnel are eligible to participate in the Plan on the July 1 following the attainment of age 21 and the completion of one year of credited service. After ten years of service, benefits are 50% vested and increase 10% for each year up to fifteen years, at which time benefits are 100% vested.

Membership of the Plans consisted of the following as of the date of the latest actuarial valuations:

	<b>Town Plan</b>	<b>Volunteer Firefighters Plan</b>
Retirees and beneficiaries receiving benefits	-	18
Terminated plan members entitled to but not yet receiving benefits	9	8
Active plan members	23	28
	<u>32</u>	<u>54</u>

**TOWN OF DEEP RIVER, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR JUNE 30, 2018

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**NOTE 8 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Defined Benefit Plans *(Continued)***

**Benefit Provisions**

***Town Employees' Pension 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. Normal retirement age is 65 and 5 years of participation. Early retirement age is 55 and 20 years of service.

Early retirement benefits shall be actuarially reduced for early commencement.

***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. The monthly retirement benefit to be provided for an original participant who elects the original benefit shall be equal to \$15 per month of credited service (up to a maximum of 20 years).

Normal retirement age is 65 and 10 years of participation. Early retirement age is 55 and 10 years of service.

**Contributions**

Recommended contributions to the plans are determined each year as part of the actuarial valuation using the projected unit credit cost method. The Town's contribution to the Town Plan totaled \$220,691. There were no current year contributions made to the Volunteer Firefighters' Plan.

**Summary of Significant Accounting Policies**

The Plans are accounted for using the accrual basis of accounting. Employer contributions to the Plans are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

*Investments* - Investments consist of investments in fixed and variable insurance contracts and are recorded at contract value, which approximates fair value. 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 each plan.

*Concentrations* - As of June 30, 2018, 100% of each plans' investments were in insurance contracts entered into with MassMutual.

*Rate of return* - For the year ended June 30, 2018, the annual money-weighted rate of return on the Town Plan's and the Volunteer Firefighters' Plan's investments, net of investment expense, was 9.12% and 9.92%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**TOWN OF DEEP RIVER, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR JUNE 30, 2018

**NOTE 8 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Defined Benefit Plans *(Continued)***

**Net Pension Liabilities**

The components of the Town's net pension liabilities for each of its plans as of June 30, 2018, were as follows:

	<b>Town Plan</b>	<b>Volunteer Firefighters Plan</b>	<b>Total</b>
Total pension liability	\$ 4,271,296	\$ 815,866	\$ 5,087,162
Plan fiduciary net position	3,032,300	438,021	3,470,321
Net pension liability	<u>\$ 1,238,996</u>	<u>\$ 377,845</u>	<u>\$ 1,616,841</u>
 Plan fiduciary net position as a percentage of the total pension liability	 70.99%	 53.69%	

The components of the changes in the net pension liability for each of the plans for the year ended June 30, 2018, were as follows:

	<b>Total Pension Liability (a)</b>	<b>Increase (Decrease) Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Town Plan</b>			
Balance as of June 30, 2017	\$ 3,987,573	\$ 2,695,620	\$ 1,291,953
<b>Changes for the year:</b>			
Service cost	103,534	-	103,534
Interest	245,317	-	245,317
Differences between expected and actual experience	(109)	-	(109)
Change in assumption	59,981	-	59,981
Contributions - employer	-	220,691	(220,691)
Net investment income	-	242,789	(242,789)
Benefit payments, including refunds	(125,000)	(125,000)	-
Administrative expense	-	(1,800)	1,800
<b>Net changes</b>	<u>283,723</u>	<u>336,680</u>	<u>(52,957)</u>
Balance as of June 30, 2018	<u>\$ 4,271,296</u>	<u>\$ 3,032,300</u>	<u>\$ 1,238,996</u>

**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

**NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)**

**Defined Benefit Plans (Continued)**

**Net Pension Liabilities (Continued)**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
<b>Volunteer Firefighters' Plan</b>			
Balance as of June 30, 2017	\$ 768,557	\$ 440,507	\$ 328,050
<b>Changes for the year:</b>			
Service cost	10,501	-	10,501
Interest	46,706	-	46,706
Differences between expected and actual experience	15,299	-	15,299
Change in assumption	17,344	-	17,344
Net investment income	-	41,733	(41,733)
Benefit payments, including refunds	(42,541)	(42,541)	-
Administrative expense	-	(1,678)	1,678
<b>Net changes</b>	<b>47,309</b>	<b>(2,486)</b>	<b>49,795</b>
Balance as of June 30, 2018	<u>\$ 815,866</u>	<u>\$ 438,021</u>	<u>\$ 377,845</u>

*Actuarial Assumptions* – The Town's net pension liabilities were measured as of June 30, 2018. The total pension liabilities were determined by actuarial valuations as of July 1, 2016 for each plan, using the following actuarial assumptions, applied to all periods included in the measurement:

	Town Plan	Volunteer Firefighters' Plan
Inflation	2.25%	Not applicable
Salary increases, including inflation	4.00%	Not applicable
Investment rate of return, including inflation	6.25%	6.25%
Discount rate	6.25%	6.25%

Mortality rates were based on the RP-2014 with MP-2017 mortality improvements.

The long-term expected rate of returns on pension plan investments were determined using a building-block method 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. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation		Long-term Expected Real Rate of Return	
	Town Plan	Volunteer Firefighters' Plan	Town Plan	Volunteer Firefighters' Plan
Mutual funds	99.93%	100.00%	7.75%	7.75%
Fixed Income	0.07%	0.00%	5.60%	Not applicable

**TOWN OF DEEP RIVER, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR JUNE 30, 2018

**NOTE 8 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Defined Benefit Plans *(Continued)***

**Net Pension Liabilities *(Continued)***

*Discount rate* - The discount rate used to measure the total pension liability for the Town Plan and the Volunteer Firefighters' Plan was 6.25%. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates. Based on those assumptions, each 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 each plan's investments were applied to all periods of projected benefit payments to determine the total pension liabilities.

*Sensitivity of the Net Pension Liabilities to Changes in the Discount Rate* - The following presents the net pension liabilities of the Town, calculated using the current discount rate for each plan as well as what the Town's net pension liabilities would be if it were calculated using a discount rate that is 1 percentage point lower (5.25%) or 1 percentage point higher (7.25%) than the current rate:

	Discount Rate		
	1% Decrease	Current	1% Increase
Town Plan - Net pension liability	\$ 1,768,488	\$ 1,238,996	\$ 790,663
Firefighters Plan - Net pension liability	478,063	377,845	294,543
	<u>\$ 2,246,551</u>	<u>\$ 1,616,841</u>	<u>\$ 1,085,206</u>

**Pension Expense and Deferred Outflows/Inflows of Resources**

For the year ended June 30, 2018, the Town recognized pension expense of \$197,703 for the Town Plan and \$36,750 for the Volunteer Firefighters' Plan. At June 30, 2018, the Town reported deferred outflows/inflows of resources related to each plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
<b>Town Plan:</b>			
Difference between expected and actual experience	\$ 306,708	\$ -	\$ 306,708
Changes of assumptions and demographics	82,587	-	82,587
Difference between projected and actual earnings on plan investments	75,989	139,784	(63,795)
	<u>465,284</u>	<u>139,784</u>	<u>325,500</u>
<b>Volunteer Firefighters' Plan:</b>			
Difference between expected and actual experience	64,850	-	64,850
Changes of assumptions and demographics	137,878	-	137,878
Difference between projected and actual earnings on plan investments	16,309	23,168	(6,859)
	<u>219,037</u>	<u>23,168</u>	<u>195,869</u>
<b>Total Deferred Outflows/Inflows of Resources</b>	<u>\$ 684,321</u>	<u>\$ 162,952</u>	<u>\$ 521,369</u>

**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

**NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)**

**Defined Benefit Plans (Continued)**

**Pension Expense and Deferred Outflows/Inflows of Resources (Continued)**

Amounts reported as deferred outflows/inflows of resources related to each of the Town's plans will be recognized as a component of pension expense in future years as follows:

Year ended June 30,	<b>Town Plan</b>	<b>Volunteer Firefighters' Plan</b>
2019	\$ 69,832	\$ 27,337
2020	52,205	22,820
2021	23,022	16,923
2022	48,928	20,505
2023	64,422	23,611
Thereafter	67,091	84,673
	<u>\$ 325,500</u>	<u>\$ 195,869</u>

**Plan Financial Statements**

The following presents the statement of fiduciary net position and the statement of changes in fiduciary net position for each of the Town's plans as of and for the year ended June 30, 2018.

	<b>Pension Trust Funds</b>		
	<b>Town Employees' Pension Plan</b>	<b>Volunteer Firefighters' Retirement Plan</b>	<b>Total Pension Trust Funds</b>
<b>ASSETS</b>			
Investments:			
Insurance contracts	\$ 3,032,300	\$ 438,021	\$ 3,470,321
Total assets	<u>3,032,300</u>	<u>438,021</u>	<u>3,470,321</u>
<b>NET POSITION</b>			
Restricted for:			
Pension benefits	<u>\$ 3,032,300</u>	<u>\$ 438,021</u>	<u>\$ 3,470,321</u>

**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

**NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)**

**Defined Benefit Plans (Continued)**

**Plan Financial Statements (Continued)**

	Pension Trust Funds		
	Town Employees' Pension Plan	Volunteer Firefighters' Retirement Plan	Total Pension Trust Funds
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 220,691	\$ -	\$ 220,691
Investment earnings:			
Net change in the fair value of investments	242,789	41,733	284,522
Total investment earnings	242,789	41,733	284,522
Total additions	463,480	41,733	505,213
<b>DEDUCTIONS</b>			
Benefit payments	125,000	42,541	167,541
Administrative expenses	1,800	1,678	3,478
Total deductions	126,800	44,219	171,019
Change in net position	336,680	(2,486)	334,194
Net pension held in trust for pension benefits:			
Beginning of year	2,695,620	440,507	3,136,127
End of year	\$ 3,032,300	\$ 438,021	\$ 3,470,321

**Connecticut Municipal Employees' Retirement System**

The Town participates in the Connecticut's Municipal Employees' Retirement System (CMERS). CMERS is the public pension plan offered by the State of Connecticut for municipal employees in participating municipalities. The plan was established in 1947 and is governed by Connecticut Statute Title 7, Chapter 113. Chapter 113, Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates, and other plan provisions.

Municipalities may designate which departments are to be covered under the CMERS. Only employees covered under the State Teachers' Retirement System may not be included. There are no minimum age or service requirements. Membership is mandatory for all regular full time employees of participating departments except Police and Fire hired after age 60.

The plan has 4 sub plans as follows:

- General employees with social security
- General employees without social security
- Policemen and firemen with social security
- Policemen and firemen without social security



**TOWN OF DEEP RIVER, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR JUNE 30, 2018

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**NOTE 8 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Connecticut Municipal Employees' Retirement System *(Continued)***

**Plan Description**

*Plan administration* - CMERS is a multiemployer pension plan administered by the Connecticut State Retirement Commission. The State Retirement Commission is responsible for the administration of the CMERS. The State Treasurer is responsible for investing CMERS funds for the exclusive benefit of CMERS members.

*Plan membership* - Union employees, police officers and other Town employees, who were hired after September 30, 1969, who are 55 or younger at the date of hire, and who work at least 20 hours per week are eligible to participate.

*Benefits provided* - General employees are eligible to retire at age 55 with 5 years of continuous service, or 15 years of active aggregate service, or 25 years of aggregate service. Police are eligible at the compulsory retirement age for police and fire members are eligible at the age of 65.

For members not covered by social security, the benefit is 2% of average final compensation times years of service. For members covered by social security, the benefit is 1% 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, the benefit until age 62 is reached or a social security disability award is received, is computed as if the member is not under social security.

Employees are eligible for early retirement after 5 years of continuous or 15 years of active aggregate service. The benefit is calculated on the basis of average final compensation and service to date of termination. Deferred to normal retirement age, or an actuarially reduced allowance may begin at the time of separation.

Employees are eligible for service-related disability benefits from being permanently or totally disabled from engaging in the service of the municipality provided such disability has arisen out of and in the course of employment with the municipality. Disability due to hypertension or heart disease, in the case of firemen and policemen, is presumed to have been suffered in the line of duty. Disability benefits are calculated based on compensation and service to the date of the disability with a minimum benefit (including workers' compensation benefits) of 50% of compensation at the time of disability.

Employees are eligible for non-service-related disability benefits with 10 years of service and being permanently or totally disabled from engaging in gainful employment in the service of the municipality. Disability benefits are calculated based on compensation and service to the date of the disability.

The plan also offers a pre-retirement death benefit in the form of a lump sum return of contributions with interest or surviving spouse benefit depending on length of service.

**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

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**NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)**

**Connecticut Municipal Employees' Retirement System (Continued)**

**Plan Description (Continued)**

*Contributions* - The contribution requirements of plan members are established and may be amended by the State Retirement Commission. The Town is required to contribute 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. The current rate is 11.74% of the annual Town employees' covered payroll. The contribution requirements of the Town are established and may be amended by the State Retirement Commission. The Town's contributions to the CMERS for the year ended June 30, 2018 was \$5,735 and was equal to the required contributions for the year.

For employees not covered by social security, each person is required to contribute 5% of compensation. For employees covered by social security, each person is required to contribute 2.25% of compensation up to the social security taxable wage base plus 5% of compensation, if any, in excess of such base.

**Summary of Significant Accounting Policies**

*Pensions* - For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions and pension expense, information about the fiduciary net position of CMERS and additions and deletions from CMERS' net position are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

*Investment policy* - The CMERS' policy in regard to the allocation of invested assets is established and may be amended by the State Retirement Commission. It is the policy of the State to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The State Treasurer is responsible for investing CMERS funds for the exclusive benefit of CMERS members.

**Net Pension Liability**

The total estimated net pension liability of the CMERS as of June 30, 2017 was \$248.200 million, the most recent available reporting provided by the Board. The portion that was associated with the Town totaled approximately \$33,330 or approximately 0.020% of the total estimated net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The portion of the net pension liability associated with the Town was based on the 2016 actuarial (expected) payroll amounts reported by participating employers. Expected payroll adjusts actual payroll for known changes in the status of employees, annualized salaries for partial year employees and anticipated salary increases.

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

Inflation	3.25%
Salary increases	4.25% - 11.00%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

**NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)**

**Connecticut Municipal Employees' Retirement System (Continued)**

**Net Pension Liability (Continued)**

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

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 (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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Allocation</b>	<b>Long-term Target Expected Real Rate of Return</b>
Large cap U.S. Equities	16.0%	5.8%
Developed Non-U.S. Equities	14.0%	6.6%
Emerging Markets (Non-U.S.)	7.0%	8.3%
Core Fixed Income	8.0%	1.3%
Inflation Linked Bonds	5.0%	1.0%
Emerging Market Bond	8.0%	3.7%
High Yield Bonds	14.0%	3.9%
Real Estate	7.0%	5.1%
Private Equity	10.0%	7.6%
Alternative Investments	8.0%	4.1%
Liquidity Fund	3.0%	0.4%
	<u>100.0%</u>	

*Discount rate* - The discount rate used to measure the CMERS' total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<b>1% Decrease (7.00%)</b>	<b>Current Discount (8.00%)</b>	<b>1% Increase (9.00%)</b>
Town proportionate share of the net pension liability (asset) as of June 30, 2018	\$ 82,146	\$ 33,330	\$ (7,762)

**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

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**NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)**

**Connecticut Municipal Employees' Retirement System (Continued)**

**Net Pension Liability (Continued)**

*Pension plan fiduciary net position* - Detailed information about the CMERS plan's fiduciary net position is included in the State of Connecticut's basic financial statements.

**Pension Expense and Deferred Outflows and Inflows of Resources**

For the year ended June 30, 2018, the Town recognized a pension expense benefit related to the CMERS of \$2,053. At June 30, 2018, the Town reported its proportionate share of deferred outflows and inflows of resources related to the CMERS from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflow of Resources, Net</u>
Difference between expected and actual experience			
Difference between projected and actual earnings on pension plan investments	\$ 634	\$ -	\$ 634
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(1,769)	(1,769)
	<u>2,669</u>	<u>-</u>	<u>2,669</u>
	<u>\$ 3,303</u>	<u>\$ (1,769)</u>	<u>\$ 1,534</u>

Amounts reported as deferred outflows and inflows of resources related to the CMERS will be recognized as a component of pension expense in future years as follows:

Year ended June 30,	
2019	\$ 581
2020	2,241
2021	487
2022	<u>(1,775)</u>
	<u>\$ 1,534</u>

**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

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**NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)**

**Money Purchase Defined Contribution Pension Plan**

The Town established a defined contribution pension plan to recognize the contributions made to the successful operation of the Town by its employees and reward such contributions by providing retirement benefits to eligible participants under this plan. All amounts contributed to the plan are invested under a group annuity investment contract issued by an insurance company. For purposes of the plan, the group annuity investment contract serves as the Plan's trust and the Town is treated as the plan's trustee. The plan operates on a fiscal year ending June 30. All Town of Deep River employees are eligible to participate in the plan. There is no minimum age or service requirement to participate in the plan. The Town contributes 5% of the employee's salary to the plan. Employees are not permitted to contribute to the plan. Town contributions for the year ended June 30, 2018 were \$12,091. Participants vest in accordance with the following schedule in regards to Town contributions:

<u>Years of Service</u>	<u>Vested Percentage</u>
1	20%
2	40%
3	60%
4	80%
5	100%

In addition, participants become 100% vested in their Town contribution account upon retirement, death, or becoming totally and permanently disabled. Normal retirement age under the plan is 65 years.

**Connecticut State Teachers' Retirement System**

**Plan Description**

The faculty and professional personnel of the Town's Board of Education participates in the State of Connecticut's Teachers' Retirement System ("TRS"), which is a cost sharing multiple-employer defined benefit pension plan that provides retirement, disability, survivorship and health insurance benefits to plan members and their beneficiaries. The TRS is governed by Connecticut General Statute ("CGS") *Title 10, Chapter 167a* and is administered by the Connecticut State Teachers' Retirement Board (the "Board"). The TRS is included as a fiduciary pension trust fund in the State of Connecticut's Comprehensive Annual Financial Report and the Board issues publicly available financial reports.

**Benefit Provisions**

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

*Normal Retirement:* Retirement benefits for the employees are calculated as 2.0% of the average annual salary times the years of credited service (maximum benefit is 75.0% of average annual salary during the 3 years of highest salary). In addition, amounts derived from the accumulation of the 6.0% contributions made prior to July 1, 1989 and voluntary contributions are payable.

**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

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**NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)**

**Connecticut State Teachers' Retirement System (Continued)**

**Benefit Provisions (Continued)**

*Early Retirement:* Employees are eligible after 25 years of credited service with a minimum of 20 years of Connecticut service, or age 55 with 20 years of credited service with a minimum of 15 years of Connecticut service. Benefit amounts are reduced by 6.0% per year for the first 5 years preceding normal retirement age and 4.0% per year for the next 5 years preceding normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3.0% per year by which retirement precedes normal retirement date.

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

*Disability Retirement:* Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required to be eligible for non-service related disability. Disability benefits are calculated as 2% per year of service times the average of the highest three years of pensionable salary, as defined per the Plan, but not less than 15%, nor more than 50%. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of Social Security benefits and workers' compensation cannot exceed 75% of average annual salary. A plan member who leaves service and has attained 10 years of service will be entitled to 100% of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age 60, and early retirement reductions are based on the number of years of service the member would have had if they had continued work until age 60.

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

**Contributions**

Per CGS 10-183z, contribution requirements of active employees and the State are amended and certified by the Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amounts to finance any unfunded accrued liability.

In accordance with CGS Section 10-183z, the Town does not and is not legally responsible to contribute to the plan as a special funding situation exists that requires the State to contribute 100% of an employer's contributions on-behalf of its participating municipalities at an actuarially determined rate. Effective January, 1, 2018, active employees are required to contribute 7.0%, previously 6.0%, of their annual earnings to the plan.

**Administrative Expenses**

Administrative costs of the plan are funded by the State.

**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

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**NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)**

**Connecticut State Teachers' Retirement System (Continued)**

**Basis of Presentation**

The collective net pension liability, deferred outflows and inflows of resources, and pension expense for the TRS has been measured as of June 30, 2017 based on an actuarial valuation performed as of June 30, 2016. Since the Town does not contribute directly to the TRS, the Town does not recognize its proportionate share of these amounts in its financial statements. The information determined as of the June 30, 2017 measurement date for the TRS has been utilized by the Town for reporting on-behalf revenues, expenditures and expenses for the year ended June 30, 2018 and for reporting the proportionate share of the collective net pension liability that is attributed to the Town as of June 30, 2018.

**Allocation Methodology**

The schedule of employer allocations for the TRS was calculated based upon the fiscal year 2017 expected contribution effort for each participating employer. The employer allocations were then applied to the net pension liability and pension expense to determine the amount applicable to each employer. For fiscal year 2017, the Town's expected contribution effort for allocation purposes totaled \$422,483 or 0.042% of the total expected contribution effort. The Town has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures of the General Fund for the year ended June 30, 2018.

The components associated with the collective pension expense and deferred inflows and outflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Comprehensive Annual Financial Report as of and for the year ended June 30, 2017. The portion of the collective pension expense allocated to the Town totaled \$651,916. The Town has recognized this amount as an operating contribution and related education expense of the governmental activities for the year ended June 30, 2018.

The total collective net pension liability of participating employers for the TRS was approximately \$13.502 billion as of the June 30, 2017 measurement date. The portion attributed to the Town totaled \$5,635,957 or approximately 0.042% of the total collective net pension liability.

**Actuarial Assumptions**

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

Inflation	2.75%
Salary increases	3.25%-6.50%, including inflation
Investment rate of return	8.00%, net of investment related expense

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

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**NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)**

**Connecticut State Teachers' Retirement System (Continued)**

**Actuarial Assumptions (Continued)**

Future cost-of-living increases for teachers who retired prior to September 1, 1992, are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

**Long-Term Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Large Cap U.S. Equities	21.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%
Emerging Markets (Non-U.S.)	9.0%	8.3%
Real Estate	7.0%	5.1%
Private Equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Core Fixed Income	7.0%	1.3%
High Yield Bonds	5.0%	3.9%
Emerging Market Bond	5.0%	3.7%
Inflation Linked Bond Fund	3.0%	1.0%
Cash	6.0%	0.4%
	<u>100.0%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 8.00%. 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 the State contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

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**NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)**

**Connecticut State Teachers' Retirement System (Continued)**

**Proportionate Share of the Collective Net Pension Liability**

The following presents the proportionate share of the collective net pension liability attributed to the Town as of the June 30, 2017 measurement date, calculated using a discount rate of 8.00%, as well as what the proportionate share of the net pension liability attributed to the Town would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	<b>Discount Rates</b>		
	<b>1% Decrease (7.00%)</b>	<b>Current (8.00%)</b>	<b>1% Increase (9.00%)</b>
Proportionate share of the net pension liability attributed to the Town	\$ 7,054,556	\$ 5,635,957	\$ 4,436,620

**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**Board of Education Other Post-Employment Benefits Plan**

**Plan Description**

The Town offers post-retirement medical and dental benefits to eligible retirees and their spouses through the Board of Education's single employer defined benefit group health insurance plan (the "Plan"), which covers both active and retired members. Benefit provisions are established through negotiations between the Town and the union representing Town employees. The Plan does not issue a publicly available financial report and is not included in the financial statements of another entity.

**Benefits Provided**

The OPEB Plan provides for medical, prescription, dental and vision insurance benefits to eligible retirees, spouses and beneficiaries. Contributions requirements of the plan members are established in the provisions of the program and in accordance with the General Statutes of the State of Connecticut. Currently, plan members are required to contribute 100% of their healthcare premiums to the Town, less any reimbursements received by the Town from the State Retirement Board. The Town finances the plan on a pay-as-you-go-basis.

**Employees Covered by Benefit Terms**

As of June 30, 2018, the measurement date, the following employees were covered by the benefit terms:

Retirees, beneficiaries, and dependents currently receiving benefits	42
Active participants	12
Total	<u>54</u>

**TOWN OF DEEP RIVER, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR JUNE 30, 2018

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**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Board of Education Other Post-Employment Benefits Plan *(Continued)***

**Total OPEB Liability**

The Town's OPEB liability reported as of June 30, 2018 totaled \$524,319. The total OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2017.

*Actuarial Assumptions and Other Inputs* - The total OPEB liability as of June 30, 2018 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Discount rate	3.62% as of June 30, 2018
	4.00% as of June 30, 2017
Healthcare cost trend rates	8.00% decreasing by 0.50% per year, 4.00% ultimate rate

The discount rate was based on the Fidelity 20-Year Go Municipal Bond Index as of the measurement date, which represents municipal bond trends based on a portfolio of 20 general obligation bonds that mature in 20 years.

Mortality rates were based on the 1994 Group Annuity Reserving Mortality Table.

**Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
Balance as of June 30, 2017	<u>\$ 466,266</u>
<b>Changes for the year:</b>	
Service cost	10,000
Interest	18,651
Differences between expected and actual experience	18,557
Change in assumption	<u>10,845</u>
<b>Net changes</b>	<u>58,053</u>
Balance as of June 30, 2018	<u><u>\$ 524,319</u></u>

Changes of assumptions primarily reflects a change in the discount rate from 4.00% to 3.62%.

**TOWN OF DEEP RIVER, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR JUNE 30, 2018

**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Board of Education Other Post-Employment Benefits Plan *(Continued)***

**Changes in the Total OPEB Liability *(Continued)***

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* - The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1- percentage-point lower (2.62%) or 1-percentage-point higher (4.62%) than the current discount rate:

	<u>1% Decrease (2.62%)</u>	<u>Current Discount (3.62%)</u>	<u>1% Increase (4.62%)</u>
Total OPEB Liability	\$ 554,893	\$ 524,319	\$ 496,619

*Sensitivity of the Total OPEB liability to Changes in the Healthcare Cost Trend Rates* - The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease In Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase In Trend Rates</u>
Total OPEB Liability	\$ 499,010	\$ 524,319	\$ 551,644

**OPEB Expense and Deferred Outflows of Resources**

For the year ended June 30, 2018, the Town recognized OPEB expense of \$30,825. As of June 30, 2018, the Town reported deferred outflows of resources related to OPEB from the following source:

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 10,043
Changes in assumptions	17,185
	<u>\$ 27,228</u>

Amounts reported as deferred outflows of resources related to OPEB will be recognized as a component of OPEB expense as follows:

Year ended June 30,	
2019	\$ 2,174
2020	2,174
2021	2,174
2022	2,174
2023	2,174
Thereafter	16,358
	<u>\$ 27,228</u>

**TOWN OF DEEP RIVER, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR JUNE 30, 2018

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**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Connecticut State Teachers' Retirement System**

**Plan Description**

The faculty and professional personnel of the Town's Board of Education participates in the State of Connecticut's Teachers' Retirement System ("TRS"), which is a cost sharing multiple-employer defined benefit pension plan that provides retirement, disability, survivorship and health insurance benefits to plan members and their beneficiaries. The TRS is governed by Connecticut General Statute ("CGS") *Title 10, Chapter 167a* and is administered by the Connecticut State Teachers' Retirement Board (the "Board"). The OPEB trust fund is included in the TRS, and the TRS is included in the State of Connecticut audit as a pension trust fund.

**Benefit Provisions**

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

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

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

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

Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

**Contributions**

Per CGS 10-183z, which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the TRB and appropriated by the General Assembly. The State pays for one third of plan costs through and annual appropriation in the General Fund. School district employers are not required to make contributions to the Plan.

**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

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**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

**Connecticut State Teachers' Retirement System (Continued)**

**Contributions (Continued)**

The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers' pay for one third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents.

Contributions remitted by the State are recognized when legally due, based upon statutory requirements.

**Administrative Expenses**

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

**Basis of Presentation**

The collective net OPEB liability, deferred outflows and inflows of resources, and OPEB expense for the TRS has been measured as of June 30, 2017 based on an actuarial valuation performed as of June 30, 2016. Since the Town does not contribute directly to the TRS, the Town does not recognize its proportionate share of these amounts in its financial statements. The information determined as of the June 30, 2017 measurement date for the TRS has been utilized by the Town for reporting on-behalf revenues, expenditures and expenses for the year ended June 30, 2018 and for reporting the proportionate share of the collective net OPEB liability that is attributed to the Town as of June 30, 2018.

The components associated with the OPEB expense and deferred outflows and inflows of resources have been determined using the unrecognized portions of each year's experience and assumption changes for the year ended June 30, 2017.

**Allocation Methodology**

The schedule of allocations have been prepared to provide the total amount of employer contributions from the State and the proportionate share percentages that have been determined based on these contributions. Based on these percentages the proportionate share amounts of the net OPEB liability associated with each participating employer and the employer OPEB expense and revenue for State support for each participating employer for the year ending June 30, 2017.

For fiscal year 2017, the Town's expected contribution effort for allocation purposes totaled \$8,316 or 0.042% of the total expected contribution effort. The Town has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures of the General Fund for the year ended June 30, 2018.

**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

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**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

**Connecticut State Teachers' Retirement System (Continued)**

**Allocation Methodology (Continued)**

The components associated with the collective OPEB expense and deferred outflows and inflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Comprehensive Annual Financial Report as of and for the year ended June 30, 2017. The portion of the collective OPEB expense allocated to the Town totaled \$67,230. The Town has recognized this amount as an operating contribution and related education expense of the governmental activities for the year ended June 30, 2018.

The total collective net OPEB liability of participating employers for the TRS was approximately \$3.475 billion as of the June 30, 2017 measurement date. The portion attributed to the Town totaled \$1,450,643 or approximately 0.042% of the total collective net OPEB liability.

**Actuarial Assumptions**

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

Inflation	2.75%
Salary increases	3.25%-6.50%, including inflation
Investment rate of return	2.75%, net of investment related expense
Healthcare cost trend rates:	
Pre-Medicare	7.25% for 2017 decreasing to an ultimate rate of 5.00% by 2022
Medicare	7.25% for 2017 decreasing to an ultimate rate of 5.00% by 2022

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

**Long-Term Rate of Return**

The long-term expected rate of return on plan assets is reviewed as part of the actuarial valuation process. Several factors are considered in evaluation the long-term rate of return assumption, including the Plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) for each major asset class.

The long-term expected rate of return was determined by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**TOWN OF DEEP RIVER, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR JUNE 30, 2018

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**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Connecticut State Teachers' Retirement System *(Continued)***

**Long-Term Rate of Return *(Continued)***

The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Allocation</u>	<u>Expected 10-Year Geometric Real Rate of Return</u>
U.S. Treasuries (Cash Equivalents)	100.0%	0.04%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate was performed in accordance with the applicable standards. The projection's basis was an actuarial valuation performed as of June 30, 2016. In addition to the actuarial methods and assumptions of the June 30, 2016 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annual at a rate of 3.25%.
- Employee contributions were assumed to be made at the current member contribution rate.
- Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- No future employer contributions were assumed to be made.
- For future plan members, contribution inflows were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

Based on those assumptions, the Plan's fiduciary net position was projected to be depleted in 2018 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

**Proportionate Share of the Collective Net OPEB Liability**

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate* - The following presents the proportionate share of the collective net OPEB liability attributed to the Town as of the June 30, 2017 measurement date, calculated using a discount rate of 3.56%, as well as what the proportionate share of the net OPEB liability attributed to the Town would be if it were calculated using a discount rate that is 1-percentage point lower (2.56%) or 1-percentage-point higher (4.56%) than the current rate:

	<u>1% Decrease (2.56%)</u>	<u>Current Rate (3.56%)</u>	<u>1% Increase (4.56%)</u>
Proportionate share of the net			
OPEB liability attributed to the Town	\$ 1,748,257	\$ 1,450,643	\$ 1,216,633

**TOWN OF DEEP RIVER, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR JUNE 30, 2018

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**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Connecticut State Teachers' Retirement System *(Continued)***

**Proportionate Share of the Collective Net OPEB Liability**

*Sensitivity of the Net OPEB liability to Changes in the Healthcare Cost Trend Rates* - The following presents the proportionate share of the collective net OPEB liability attributed to the Town as of the June 30, 2017 measurement date, calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>1% Decrease in Trend Rates</b>	<b>Current Trend Rates</b>	<b>1% Increase in Trend Rates</b>
Proportionate share of the net			
OPEB liability attributed to the Town	\$ 1,194,403	\$ 1,450,643	\$ 1,795,639

**NOTE 10 - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God. The Town purchases commercial insurance for all risks of loss except workers' compensation and liability-automobile-property insurance for which it participates in risk sharing pools. During the year ended June 30, 2018, deductibles paid by the Town were insignificant. Neither the Town nor its insurers have settled any claims that exceeded the Town's insurance coverage during the past three years. In addition, there have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

The Town is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies that was formed in 1980 by the Connecticut Conference of Municipalities for the purpose of establishing and administering an interlocal risk management program.

***Workers' Compensation Pool***

The Town is a member of CIRMA's Workers' Compensation Pool, a risk-sharing pool. The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. The coverage is subject to an incurred loss retrospective rating plan, and losses incurred in the coverage period will be evaluated at 18, 30 and 42 months after the effective date of coverage. The premium is subject to payroll audit at the close of the coverage period. CIRMA's Workers' Compensation Pool retains \$1,000,000 per occurrence.

***Liability-Automobile-Property Pool***

The Town is a member of CIRMA's Liability-Automobile-Property Pool, a risk-sharing pool. The Liability-Automobile-Property Pool provides general liability, automobile liability, employee benefit liability, law enforcement liability, public officials and property coverage. The premium is subject to these coverages, and claims and expense payments falling within the deductible amounts are the responsibility of the Town. CIRMA's Liability-Automobile-Property Pool retains \$1,000,000 per occurrence for each line of liability coverage.



**TOWN OF DEEP RIVER, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR JUNE 30, 2018

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**NOTE 10 - RISK MANAGEMENT *(Continued)***

***Medical Health Insurance Fund***

The Town participates in a medical health insurance fund, which is maintained by Regional School District No. 4. The fund accounts for and finances the retained risk of loss for member Town employee medical benefits coverage. A third party administers the plan for which the fund pays a fee. The Town pays an annual contribution for its coverage. The fund is to be self-sustaining through members' premiums, but reinsures in excess of \$150,000 for each insured occurrence. In addition to Regional School District No. 4, the participating members are the Town of Chester Board of Education, the Town of Essex (including Board of Education) and the Regional Supervision District Board of Education. Members may be subject to additional assessments in the event of a deficiency.

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

***Litigation***

There are several lawsuits pending against the Town. The outcome and eventual liability to the Town, if any, in these cases is not known at this time. The Town's management, based upon consultation with legal counsel, estimates that potential claims against the Town, not covered by insurance, resulting from such litigation would not materially affect the financial position of the Town.

***Federal Awards and State Financial Assistance***

The Town has received federal awards and state financial assistance for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. Based on prior experience, management believes such disallowances, if any, will not be material.

**NOTE 12 - PRIOR PERIOD ADJUSTMENT**

The beginning fund balances of the Town's General Fund and Capital Projects Fund have been adjusted to correct a prior period error as follows:

	General Fund	Capital Projects Fund
Fund balance - beginning, as originally reported	\$ 959,460	\$ 177,632
Adjustment to properly reflect interfund transactions relating to the sewer project	<u>(94,114)</u>	<u>94,114</u>
Fund balance - beginning, as adjusted	<u>\$ 865,346</u>	<u>\$ 271,746</u>

**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

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**NOTE 13 - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE**

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations. (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement which (1) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (2) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, and (3) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town is currently evaluating the potential impact of adopting this Statement on its financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town is currently evaluating the potential impact of adopting this Statement on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2020. The Town is currently evaluating the potential impact of adopting this Statement on its financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for the Town's reporting period beginning July 1, 2018. The Town is currently evaluating the potential impact of adopting this Statement on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement should be applied prospectively and are effective for the Town's reporting period beginning July 1, 2020. The Town is currently evaluating the potential impact of adopting this Statement on its financial statements.

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## REQUIRED SUPPLEMENTARY INFORMATION

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**TOWN OF DEEP RIVER, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Property taxes	\$ 14,454,245	\$ 14,454,245	\$ 14,603,284	\$ 149,039
Intergovernmental	1,784,817	1,888,953	1,863,955	(24,998)
Charges for services	465,300	465,300	810,307	345,007
Investment income	2,250	2,250	20,314	18,064
Total revenues	16,706,612	16,810,748	17,297,860	487,112
<b>EXPENDITURES</b>				
Current:				
General government	1,851,693	1,758,729	1,754,032	(4,697)
Public safety	665,616	779,030	779,031	1
Public works	1,102,361	1,165,450	1,163,450	(2,000)
Health and social services	109,185	109,190	109,190	-
Recreational services	372,765	412,799	412,800	1
Education	11,999,325	11,987,889	11,865,350	(122,539)
Capital outlays	117,500	223,676	223,676	-
Debt service	528,167	527,842	527,841	(1)
Total expenditures	16,746,612	16,964,605	16,835,370	(129,235)
Excess (deficiency) of revenues over expenditures	(40,000)	(153,857)	462,490	616,347
<b>OTHER FINANCING SOURCES</b>				
Appropriation of fund balance	-	113,857	-	(113,857)
Transfers in	40,000	40,000	-	(40,000)
Total other financing sources	40,000	153,857	-	(153,857)
Net change in fund balance	\$ -	\$ -	\$ 462,490	\$ 462,490

*See accompanying notes to required supplementary information.*

**TOWN OF DEEP RIVER, CONNECTICUT**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>PROPERTY TAXES</b>				
Current taxes	\$ 14,139,245	\$ 14,139,245	\$ 14,171,472	\$ 32,227
Prior taxes	150,000	150,000	191,631	41,631
Interest and lien fees	55,000	55,000	98,358	43,358
Motor Vehicle Supplemental	110,000	110,000	141,823	31,823
Total Property Taxes	14,454,245	14,454,245	14,603,284	149,039
<b>INTERGOVERNMENTAL REVENUES</b>				
Education cost sharing	744,409	744,409	1,454,298	709,889
Special Education	560,311	560,311	-	(560,311)
Telecomm Property Tax Grant	14,530	14,530	10,571	(3,959)
Transportation	4,000	4,000	-	(4,000)
Town Road Maintenance	198,414	198,414	198,037	(377)
PILOT - State-owned property	8,904	8,904	-	(8,904)
Pequot funds	16,522	16,522	16,522	-
Tax relief for the Elderly	38,373	38,373	-	(38,373)
Unrestricted grants	-	-	18,531	18,531
Tax Relief for Veterans	3,083	3,083	3,389	306
MRSA Sales Tax Sharing	134,627	134,627	-	(134,627)
Municipal Revenue Sharing in lieu of taxes	1,961	1,961	-	(1,961)
Local capital improvements grant	55,683	55,683	54,471	(1,212)
Town clerk grant	4,000	4,000	4,000	-
Grants for Municipal Projects	-	104,136	104,136	-
Total Intergovernmental Revenues	1,784,817	1,888,953	1,863,955	(24,998)
<b>CHARGES FOR SERVICES</b>				
Licenses and Permits:				
Other licenses and permits	500	500	150	(350)
Building permits	50,000	50,000	69,632	19,632
Planning and zoning fees	15,000	15,000	31,793	16,793
Conveyance tax	40,000	40,000	66,654	26,654
Town clerk fees	35,000	35,000	39,809	4,809
Fire marshal permits and fees	100	100	420	320
Inland wetlands and conservation permits	1,000	1,000	5,762	4,762
Total Licenses and Permits	141,600	141,600	214,220	72,620
Charges for Services:				
WPCA Administrative Services	16,000	16,000	16,000	-
Kirtland/River Street - sewer expansion	33,000	33,000	85,075	52,075
Rental income - Town equipment	27,000	27,000	26,000	(1,000)
Bulky waste site usage contract	70,000	70,000	70,000	-
Total Charges for Services	146,000	146,000	197,075	51,075

*(Continued)*

**TOWN OF DEEP RIVER, CONNECTICUT**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED) (Concluded)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>CHARGES FOR SERVICES (Continued)</b>				
Miscellaneous:				
Recycling fees	\$ 25,000	\$ 25,000	\$ 40,923	\$ 15,923
Park and recreation fees	89,700	89,700	123,882	34,182
Miscellaneous	12,000	12,000	44,568	32,568
Insurance premium credits	-	-	1,208	1,208
Public safety/police	30,000	30,000	176,641	146,641
Newsletter	20,000	20,000	7,818	(12,182)
Auditorium	1,000	1,000	2,178	1,178
Sales of Town Equipment	-	-	1,002	1,002
Insurance reimbursement/claims	-	-	792	792
Total Miscellaneous	<u>177,700</u>	<u>177,700</u>	<u>399,012</u>	<u>221,312</u>
Total Charges for Services	<u>465,300</u>	<u>465,300</u>	<u>810,307</u>	<u>345,007</u>
INVESTMENT INCOME	<u>2,250</u>	<u>2,250</u>	<u>20,314</u>	<u>18,064</u>
Total Revenues	<u>16,706,612</u>	<u>16,810,748</u>	<u>17,297,860</u>	<u>487,112</u>
<b>OTHER FINANCING SOURCES</b>				
Appropriation of fund balance	-	113,857	-	(113,857)
Transfer in from Capital Non-Recurring	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>(40,000)</u>
Total Other Financing Sources	<u>40,000</u>	<u>153,857</u>	<u>-</u>	<u>(153,857)</u>
Total Revenues and Other Financing Sources	<u>\$ 16,746,612</u>	<u>\$ 16,964,605</u>	<u>\$ 17,297,860</u>	<u>\$ 333,255</u>

*See accompanying notes to required supplementary information.*

**TOWN OF DEEP RIVER, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>GENERAL GOVERNMENT</b>				
Selectman:				
First Selectman salary	\$ 70,000	\$ 70,000	\$ 71,396	\$ 1,396
Selectmen salary	8,000	8,000	8,059	59
Treasurer salary	8,030	8,030	8,029	(1)
Administrative assistant salary	35,489	35,489	38,009	2,520
Accounts manager	64,361	66,703	67,646	943
Assistant to the Accounts manager	20,961	20,961	13,706	(7,255)
Legal notices/fees	24,000	24,000	31,316	7,316
Engineering services	4,000	4,000	1,505	(2,495)
Expense allowance	3,000	3,000	3,000	-
Office supplies and postage	21,000	21,000	18,620	(2,380)
School/meetings	1,000	1,000	897	(103)
Total Selectman	259,841	262,183	262,183	-
Elections:				
Registrar's salary	8,764	8,764	10,005	1,241
Part-time elections salary	7,151	7,151	3,595	(3,556)
Printing expenses	1,000	1,000	3,653	2,653
Education fees	1,200	1,039	700	(339)
Total Elections	18,115	17,954	17,953	(1)
Building Operations:				
Fuel oil/gas -buildings/vehicles	100,000	80,397	80,397	-
Water	8,000	8,000	7,557	(443)
Electricity	65,000	60,807	60,869	62
Sewer fees	3,600	3,600	5,790	2,190
Telephone - Town Dept.	35,000	30,831	30,831	-
Custodial services	19,000	19,000	15,138	(3,862)
Building repairs	50,000	42,007	40,963	(1,044)
Elderly housing sewer fees	3,000	3,000	3,000	-
Quarterly sprinkler/elevator inspections	4,500	4,500	7,271	2,771
Custodial supplies	8,000	8,000	8,325	325
Total Building Operations	296,100	260,142	260,141	(1)
Town Clerk:				
Town Clerk salary	50,794	51,509	51,747	238
Assistant's salary	20,254	21,558	21,558	-
Index land records	1,200	1,200	1,065	(135)
School/meetings	1,000	1,000	992	(8)
Micro filming	12,090	12,090	12,120	30
Vital statistics	500	500	526	26
State of CT dog licensing fees	2,851	2,851	2,700	(151)
Town Clerk Grant	4,000	4,000	4,000	-
Total Town Clerk	92,689	94,708	94,708	-

(Continued)

**TOWN OF DEEP RIVER, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED) (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
GENERAL GOVERNMENT (Continued)				
Board of Finance:				
Part-time clerical salary	\$ 100	\$ 100	\$ -	\$ (100)
Auditor/consultant	24,000	16,578	17,000	422
Printing expense	6,000	3,658	3,336	(322)
Total Board of Finance	30,100	20,336	20,336	-
Board of Assessment Appeals:				
Tax reviewer salary	668	249	249	-
Total Board of Assessment of Appeals	668	249	249	-
Assessor:				
Assessor salary	77,129	81,060	81,060	-
Secretary salary	31,965	31,965	32,615	650
Valuation appeals	10,000	12,149	12,721	572
Audits	1,500	1,500	1,500	-
Computer maintenance and service	15,345	15,345	14,068	(1,277)
Update maps	1,500	1,500	1,600	100
School/meetings	2,800	2,800	3,020	220
Auto mileage expense	700	700	436	(264)
Total Assessor	140,939	147,019	147,020	1
Tax Collector:				
Tax Collector salary	44,167	44,167	43,127	-
Part-time clerical salary	16,971	16,971	17,060	-
Computer maintenance and services	8,530	8,530	8,922	-
School/meetings	2,000	2,000	671	-
Printing/mailling services	6,630	6,630	7,224	-
Tax refunds	15,000	21,221	22,515	-
Total Tax Collector	93,298	99,519	99,519	-
Special Services:				
Data processing services	10,000	10,000	10,863	863
Copier	6,500	6,500	5,959	(541)
BMSI license/computer support fee	17,240	17,240	16,262	(978)
Beautification committee	1,500	1,500	885	(615)
Auditorium	-	-	1,996	1,996
Memorial Day	1,500	1,500	1,454	(46)
Newsletter/brochure	20,000	12,950	12,950	-
Tree warden fees	2,500	2,500	2,080	(420)
Dog fund salary	12,000	12,000	12,000	-
Essex Dog Run lease	5,000	5,000	4,818	(182)
Contingency	15,000	9,106	9,029	(77)
Total Special Services	91,240	78,296	78,296	-
(Continued)				

(Continued)

See accompanying notes to required supplementary information.



**TOWN OF DEEP RIVER, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED) (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>GENERAL GOVERNMENT (Continued)</b>				
Planning and Zoning:				
Enforcement officer salary	\$ 32,985	\$ 32,985	\$ 33,603	\$ 618
Part-time clerical salary	3,899	2,818	2,818	-
Engineering services	4,000	906	906	-
Training/meetings/stipend	2,150	-	-	-
Stipend	1,500	1,500	1,500	-
Printing expenses	500	500	221	(279)
Engineering review/professional services	15,000	1,625	1,285	(340)
Total Planning and Zoning	60,034	40,334	40,333	(1)
Zoning Board of Appeals:				
Part-time clerical salary	315	-	-	-
Total Zoning Board of Appeals	315	-	-	-
Building Official:				
Building Official salary	31,550	43,003	47,334	4,331
Secretary salary	15,397	15,397	13,127	(2,270)
Reference manuals/books	850	850	135	(715)
State training fees	2,400	2,400	1,054	(1,346)
Total Building Official	50,197	61,650	61,650	-
Inland Wetlands and Conservation:				
Enforcement agent salary	8,468	6,183	5,982	(201)
Part-time clerical salary	3,207	3,207	3,391	184
Middlesex Soil Conservation Services	1,577	1,577	1,577	-
Total Inland Wetlands and Conservation	13,252	10,967	10,950	(17)
Insurance and Bonds	100,000	91,145	91,145	-
Political Subdivisions:				
Estuary Transit District	9,995	9,995	9,950	(45)
Estuary Council Seniors	16,500	16,500	16,500	-
Tri-Town Services	6,000	6,000	6,000	-
Public Service Agencies	3,500	933	960	27
CT River Council of Governments	7,812	7,812	7,811	(1)
CCM	3,100	2,970	2,988	18
Total Political Subdivisions	46,907	44,210	44,209	(1)

(Continued)

See accompanying notes to required supplementary information.

**TOWN OF DEEP RIVER, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED) (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget Over (Under)
GENERAL GOVERNMENT (Continued)				
Employee Benefits:				
Medical insurance	\$ 307,656	\$ 279,675	\$ 286,283	\$ 6,608
Life insurance	6,006	6,006	5,198	(808)
Pension plan	122,115	122,115	118,174	(3,941)
Tax exemption - DRAA & DRFD	15,000	15,000	11,906	(3,094)
FICA/Social Security - Employer	106,471	106,471	103,779	(2,692)
Unemployment compensation	750	750	-	(750)
Total Employee Benefits	557,998	530,017	525,340	(4,677)
Total General Government	1,851,693	1,758,729	1,754,032	(4,697)
PUBLIC SAFETY				
Police:				
Part-time officers	57,440	57,440	56,211	(1,229)
Crossing guard salary	5,082	5,082	5,210	128
Funded special police services	30,000	149,733	157,962	8,229
Full-time officer/FT/OT	82,507	82,507	85,453	2,946
Resident trooper	233,140	233,140	223,524	(9,616)
Miscellaneous supplies	2,800	2,800	818	(1,982)
Vehicle maintenance	4,000	4,000	7,273	3,273
Training	1,500	1,500	934	(566)
Uniforms	1,000	1,000	307	(693)
Over-Time FT Officer/Resident Trooper Muster	12,688	12,688	12,197	(491)
Total Police	430,157	549,890	549,889	(1)
Fire department:				
Part-time clerical salary	1,049	1,049	1,107	58
Communications equipment maintenance	7,500	7,500	8,031	531
Training	5,000	5,000	3,581	(1,419)
Physicals	2,500	2,500	1,501	(999)
Miscellaneous building supplies	6,500	6,500	6,319	(181)
Fire equipment and supplies	18,000	18,000	19,904	1,904
Vehicle maintenance	20,000	20,000	25,937	5,937
Incentive program	32,000	32,000	31,437	(563)
Operating expenses	18,500	10,719	8,473	(2,246)
Water hole maintenance	3,500	3,500	815	(2,685)
Banquet	4,200	4,200	4,200	-
Personal losses	400	400	64	(336)
Total fire department	119,149	111,368	111,369	1
Fire marshal:				
Fire marshal salary	17,938	17,938	17,937	(1)
Deputy marshal salary	524	524	510	(14)
Fire marshal auto expense	750	750	750	-
Deputy fire marshal auto expense	125	125	-	(125)
Computer software fee	500	500	510	10
Miscellaneous supplies	650	650	781	131
Total fire marshal	20,487	20,487	20,488	1
Public service communications:				
Valley Shore communications contract	68,540	68,540	68,540	-
Dispatcher salary	25,783	27,245	27,245	-
Total public service communications	94,323	95,785	95,785	-

(Continued)

See accompanying notes to required supplementary information.

**TOWN OF DEEP RIVER, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED) (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>PUBLIC SAFETY (Continued)</b>				
Civil preparedness	\$ 1,500	\$ 1,500	\$ 1,500	\$ -
Total Public Safety	665,616	779,030	779,031	1
<b>PUBLIC WORKS</b>				
Highway Department:				
Road crew salary	321,000	321,000	303,848	(17,152)
Equipment maintenance	100,000	97,241	76,827	(20,414)
General road maintenance	100,000	150,000	167,222	17,222
Town aid road maintenance	198,414	198,414	198,414	-
MS4	15,000	15,000	14,483	(517)
Contingency/Storms	12,500	12,500	31,361	18,861
Total Highway Department	746,914	794,155	792,155	(2,000)
Public Utilities:				
Street lighting	47,500	55,493	55,493	-
Fire hydrant service	70,000	77,188	77,188	-
Total Public Utilities	117,500	132,681	132,681	-
Waste/recycle:				
Transfer station operator salary	40,326	40,326	43,007	2,681
Recycling salary	9,535	9,535	1,936	(7,599)
Water tests/engineering	20,000	20,000	14,570	(5,430)
MIRA tipping fees	71,736	71,736	69,209	(2,527)
Recycling fees	8,832	8,832	3,646	(5,186)
Bulky waste/wood chipping	74,618	75,285	94,830	19,545
Household hazardous waste facility	12,000	12,000	10,666	(1,334)
Sanitary lavatory rental	900	900	750	(150)
Total Waste/recycle	237,947	238,614	238,614	-
Total Public Works	1,102,361	1,165,450	1,163,450	(2,000)
<b>HEALTH AND SOCIAL SERVICES</b>				
Sanitarian:				
Health District	51,934	51,934	51,934	-
Public Health Nursing Service:				
Social services salary	20,051	20,056	20,427	371
Social service person stipend	1,200	1,200	1,200	-
LVVNA	31,000	31,000	31,000	-
MM Paramedic Service	5,000	5,000	4,629	(371)
Total Public Health Nursing Service	57,251	57,256	57,256	-
Total Health and Social Services	109,185	109,190	109,190	-

(Continued)

See accompanying notes to required supplementary information.

**TOWN OF DEEP RIVER, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED) (Concluded)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>RECREATIONAL SERVICES</b>				
Parks and Recreation:				
Program director salary	\$ 36,457	\$ 41,955	\$ 50,606	\$ 8,651
Life-Gate guard salary	26,333	26,333	16,819	(9,514)
Water-Devitt Field	4,500	4,500	4,433	(67)
Software Upgrade	3,600	3,600	6,028	2,428
Summer youth program	-	-	845	845
Maintenance - all facilities	29,000	29,000	31,178	2,178
Seasonal programs	13,100	13,100	11,810	(1,290)
New programs	700	700	-	(700)
Self-funding programs	89,700	117,681	115,150	(2,531)
Total Parks and Recreation	203,390	236,869	236,869	-
Library:				
Librarian salary	62,945	64,545	64,273	(272)
Assistants salary	63,930	70,255	70,528	273
Library programs	39,000	39,000	39,000	-
Total Library	165,875	173,800	173,801	1
Probate:				
Probate Court	3,500	2,130	2,130	-
Total Recreational Services	372,765	412,799	412,800	1
<b>DEBT SERVICE</b>				
Debt redemption:				
Sewer construction bonds	202,977	202,977	202,977	-
Kirtland/River Street - sewer project	147,337	147,337	147,336	(1)
Fire/highway department truck	144,210	144,210	144,209	(1)
DRES Boiler Project	33,643	33,318	33,319	1
Total Debt Service	528,167	527,842	527,841	(1)
<b>EDUCATION</b>				
Elementary school	5,377,423	5,377,423	5,255,884	(121,539)
Regional School District No. 4	6,580,902	6,580,902	6,580,902	-
Elementary School:				
Teachers' Retirement Expense	1,000	1,000	-	(1,000)
Maintenance	40,000	28,564	28,564	-
	41,000	29,564	28,564	(1,000)
Total Education	11,999,325	11,987,889	11,865,350	(122,539)
<b>CAPITAL OUTLAYS</b>				
Fountain Hill Cemetery	35,000	35,000	35,000	-
Town Hall Gas Conversion	42,500	42,500	42,500	-
Fire Department - Stations	40,000	42,040	42,040	-
Municipal Grants - Highway	-	104,136	104,136	-
Total Capital Outlays	117,500	223,676	223,676	-
Total Expenditures	\$ 16,746,612	\$ 16,964,605	\$ 16,835,370	\$ (129,235)
				(Concluded)

See accompanying notes to required supplementary information.

**TOWN OF DEEP RIVER, CONNECTICUT**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**  
**TOWN PENSION PLAN (UNAUDITED)**  
**LAST FIVE FISCAL YEARS**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total pension liability:</b>					
Service cost	\$ 103,534	\$ 116,192	\$ 129,162	\$ 130,425	\$ 127,970
Interest	245,317	222,391	192,973	194,320	183,873
Differences between expected and actual experience	(109)	90,742	269,406	99,116	22,046
Changes of assumptions	59,981	-	46,030	-	-
Benefit payments, including refunds	(125,000)	-	(591,074)	(301,569)	(17,968)
Net change in total pension liability	283,723	429,325	46,497	122,292	315,921
Total pension liability - beginning	3,987,573	3,558,248	3,511,751	3,389,459	3,073,538
Total pension liability - ending	4,271,296	3,987,573	3,558,248	3,511,751	3,389,459
<b>Plan fiduciary net position:</b>					
Contributions - employer	221,448	262,455	296,968	455,724	208,548
Net investment income	242,032	259,926	(14,710)	40,074	316,336
Benefit payments, including refunds	(125,000)	-	(591,074)	(301,569)	(17,968)
Administrative expense	(1,770)	-	-	-	-
Net change in plan fiduciary net position	336,710	522,381	(308,816)	194,229	506,916
Plan fiduciary net position - beginning	2,695,590	2,173,209	2,482,025	2,287,796	1,780,880
Plan fiduciary net position - ending	3,032,300	2,695,590	2,173,209	2,482,025	2,287,796
<b>Town's net pension liability</b>	<b>\$ 1,238,996</b>	<b>\$ 1,291,983</b>	<b>\$ 1,385,039</b>	<b>\$ 1,029,726</b>	<b>\$ 1,101,663</b>
Plan fiduciary net position as a percentage of total pension liability	70.99%	67.60%	61.08%	70.68%	67.50%
Covered payroll	\$ 1,521,485	\$ 1,494,780	\$ 1,472,759	\$ 1,513,578	\$ 1,523,697
Town's net pension liability as a percentage of covered payroll	81.43%	86.43%	94.04%	68.03%	72.30%

*See accompanying notes to required supplementary information.*

**TOWN OF DEEP RIVER, CONNECTICUT**  
**SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS**  
**TOWN PENSION PLAN (UNAUDITED)**  
**LAST FIVE FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 220,691	\$ 262,962	\$ 239,778	\$ 260,189	\$ 267,568
Contributions in relation to the actuarially determined contribution	<u>221,448</u>	<u>262,455</u>	<u>296,968</u>	<u>455,724</u>	<u>208,548</u>
Contribution deficiency (excess)	<u>\$ (757)</u>	<u>\$ 507</u>	<u>\$ (57,190)</u>	<u>\$ (195,535)</u>	<u>\$ 59,020</u>
Covered payroll	\$ 1,521,485	\$ 1,494,780	\$ 1,472,759	\$ 1,513,578	\$ 1,523,697
Contributions as a percentage of covered payroll	14.50%	17.56%	20.16%	30.11%	13.69%
Annual money-weighted rate of return, net of investment expense	9.12%	11.96%	2.40%	1.69%	Not available

*See accompanying notes to required supplementary information.*

**TOWN OF DEEP RIVER, CONNECTICUT**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**  
**FIREFIGHTERS' PENSION PLAN (UNAUDITED)**  
**LAST FIVE FISCAL YEARS**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total pension liability:</b>					
Service cost	\$ 10,501	\$ 10,751	\$ 5,376	\$ 4,174	\$ 1,997
Interest	46,705	43,154	38,239	37,191	34,578
Differences between expected and actual experience	15,299	43,868	9,362	11,822	37,759
Changes of assumptions	17,344	-	166,978	-	-
Benefit payments, including refunds	(42,541)	(39,352)	(39,352)	(39,352)	(39,352)
Net change in total pension liability	47,308	58,421	180,603	13,835	34,982
Total pension liability - beginning	768,557	710,136	529,533	515,698	480,716
Total pension liability - ending	815,865	768,557	710,136	529,533	515,698
<b>Plan fiduciary net position:</b>					
Contributions - employer	-	20,734	48,729	25,500	22,061
Net investment income	41,732	47,316	(716)	6,710	59,413
Benefit payments, including refunds	(42,541)	(39,352)	(39,352)	(39,352)	(39,352)
Administrative expense	(1,678)	-	-	-	-
Net change in plan fiduciary net position	(2,487)	28,698	8,661	(7,142)	42,122
Plan fiduciary net position - beginning	440,507	411,809	403,148	410,290	368,168
Plan fiduciary net position - ending	438,020	440,507	411,809	403,148	410,290
<b>Town's net pension liability</b>	<b>\$ 377,845</b>	<b>\$ 328,050</b>	<b>\$ 298,327</b>	<b>\$ 126,385</b>	<b>\$ 105,408</b>
Plan fiduciary net position as a percentage of total pension liability	53.69%	57.32%	57.99%	76.13%	79.56%
Covered employee payroll	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Town's net pension liability as a percentage of covered employee payroll	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

*See accompanying notes to required supplementary information.*

**TOWN OF DEEP RIVER, CONNECTICUT**  
**SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS**  
**FIREFIGHTERS' PENSION PLAN (UNAUDITED)**  
**LAST FIVE FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 32,841	\$ 56,388	\$ 32,254	\$ 36,104	\$ 36,507
Contributions in relation to the actuarially determined contribution	<u>-</u>	<u>20,734</u>	<u>48,729</u>	<u>25,550</u>	<u>22,061</u>
Contribution deficiency (excess)	<u>\$ 32,841</u>	<u>\$ 35,654</u>	<u>\$ (16,475)</u>	<u>\$ 10,554</u>	<u>\$ 14,446</u>
Covered employee payroll	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Contributions as a percentage of covered employee payroll	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Annual money-weighted rate of return, net of investment expense	9.92%	12.00%	-0.18%	1.66%	N/A

*See accompanying notes to required supplementary information.*



**TOWN OF DEEP RIVER, CONNECTICUT**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (UNAUDITED)**  
**LAST FOUR FISCAL YEARS**

	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Town's proportion of the net pension liability	0.020%	0.012%	0.015%	0.009%
Town's proportionate share of the net pension liability	<u>\$ 33,330</u>	<u>\$ 39,575</u>	<u>\$ 29,465</u>	<u>\$ 22,138</u>
Town's covered payroll	\$ 48,850	\$ 53,331	\$ 48,000	\$ 48,000
Town's proportionate share of the net pension liability as a percentage of its covered payroll	68.2%	74.2%	61.4%	46.1%
Plan fiduciary net position as a percentage of the total pension liability	91.68%	88.29%	92.72%	90.48%

*See accompanying notes to required supplementary information.*

**TOWN OF DEEP RIVER, CONNECTICUT**  
**SCHEDULE OF CONTRIBUTIONS**  
**CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (UNAUDITED)**  
**LAST FOUR FISCAL YEARS**

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	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Contractually required contribution	\$ 5,735	\$ 6,051	\$ 1,048	\$ 1,022
Contributions in relation to the contractually required contribution	<u>5,735</u>	<u>6,051</u>	<u>1,048</u>	<u>1,022</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered payroll	\$ 48,850	\$ 53,331	\$ 47,757	\$ 47,757
Contributions as a percentage of covered employee payroll	11.74%	11.35%	2.19%	2.14%

*See accompanying notes to required supplementary information.*

**TOWN OF DEEP RIVER, CONNECTICUT**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM (UNAUDITED)**  
**LAST FOUR FISCAL YEARS**  
**(Rounded to Nearest Thousand)**

	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Proportion of the net pension liability attributed to the Town	0.042%	0.042%	0.040%	0.040%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability attributed to the Town	<u>5,636,000</u>	<u>5,946,000</u>	<u>4,382,000</u>	<u>4,050,000</u>
Total	<u><u>\$ 5,636,000</u></u>	<u><u>\$ 5,946,000</u></u>	<u><u>\$ 4,382,000</u></u>	<u><u>\$ 4,050,000</u></u>
Town's covered payroll	\$ 1,644,000	\$ 1,525,000	\$ 1,628,000	\$ 1,628,000
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	55.93%	52.26%	59.50%	61.51%

*See accompanying notes to required supplementary information.*

**TOWN OF DEEP RIVER, CONNECTICUT**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY**  
**OTHER POST-EMPLOYMENT BENEFITS PROGRAM (UNAUDITED)**  
**LAST FISCAL YEAR**

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	<b>2018</b>
<b>Total OPEB liability:</b>	
Service cost	\$ 10,000
Interest	18,651
Changes in benefit terms	-
Differences between expected and actual experience	18,557
Changes of assumptions	10,845
Benefit payments, including refunds	-
Net change in total OPEB liability	58,053
Total OPEB liability - beginning	466,266
Total OPEB liability - ending	<u>\$ 524,319</u>

*See accompanying notes to required supplementary information.*

**TOWN OF DEEP RIVER, CONNECTICUT**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM (UNAUDITED)**  
**LAST FISCAL YEAR**  
**(Rounded to Nearest Thousand)**

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	<b>2018</b>
Proportion of the net OPEB liability attributed to the Town	0.042%
Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability attributed to the Town	1,451,000
Total	<u>\$ 1,451,000</u>
Town's covered employee payroll	\$ 1,644,000
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.0%
Plan fiduciary net position as a percentage of the total OPEB liability	1.79%

*See accompanying notes to required supplementary information.*

**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

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**NOTE 1 - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND**

**BUDGETARY INFORMATION**

A legally adopted budget is authorized annually for the General Fund. The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements, 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.

**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.

**TOWN OF DEEP RIVER, CONNECTICUT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) (Continued)  
AS OF AND FOR THE YEAR JUNE 30, 2018

**NOTE 1 - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – BUDGETARY BASIS - GENERAL FUND (Continued)**

**BUDGETARY INFORMATION (Continued)**

**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.

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP basis"). A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2018:

	Total Revenues	Total Expenditures	Other Financing Sources (Uses), Net	Net Change in Fund Balance
Budgetary basis	\$ 17,297,860	\$ 16,835,370	\$ -	\$ 462,490
"On-behalf" payments -				
State Teachers' Retirement Fund	430,799	430,799	-	-
Library Fund	17,840	62,156	39,000	(5,316)
Certain transfers recorded as revenues or expenditures for GAAP purposes	(61,223)	(398,313)	(337,090)	-
Reimbursement for certain grant costs recorded as a reduction to expenditures for budgetary purposes	11,028	11,028	-	-
Adjustment for encumbrances	-	(97,828)	-	97,828
GAAP basis	<u>\$ 17,696,304</u>	<u>\$ 16,843,212</u>	<u>\$ (298,090)</u>	<u>\$ 555,002</u>

**NOTE 2 - SCHEDULE OF CHANGES IN NET PENSION LIABILITY - TOWN PENSION PLAN**

The Town began to report the schedule of net pension liability when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every year with the most recent available actuarial valuation performed as of July 1, 2018. This information is utilized by the Town for reporting as of June 30, 2018.

*Benefit Changes* - There have been no changes in benefit terms that have had a significant effect on the measurement of the total pension liability.

*Assumption Changes* - The following assumption changes had a significant effect on the calculation of the Town's total pension liability calculated as June 30, 2018:

- The RP-2014 with MP-2017 mortality improvements table was utilized, previously the table utilized was the RP-2000 projected to valuation date using Scale AA

**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

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**NOTE 3 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - TOWN PENSION PLAN**

The Town began to report the schedule of contributions and investment returns when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarially determined contribution rates are calculated as of July 1, 2016, two years prior to the end of the fiscal year in which contributions are reported.

The following methods and assumptions were utilized to determine the contribution rates for the year ended June 30, 2018.

- Actuarial cost method: Projected Unit Credit
- Amortization method: Level percentage of payroll, closed
- Remaining amortization period: 30 years from 7/1/2016
- Asset valuation method: Fair market value
- Discount rate: 6.25%
- Inflation: 2.25%
- Investment rate of return: 6.25%
- Salary increases: 4.00%
- Retirement age: Age 65
- Mortality: RP-2000 projected to valuation date using Scale AA

**NOTE 4 - SCHEDULE OF CHANGES IN NET PENSION LIABILITY - FIREFIGHTERS' PENSION PLAN**

The Town began to report the schedule of net pension liability when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every year with the most recent available actuarial valuation performed as of July 1, 2018. This information is utilized by the Town for reporting as of June 30, 2018.

*Benefit Changes* - There have been no changes in benefit terms that have had a significant effect on the measurement of the total pension liability.

*Assumption Changes* - The following assumption changes had a significant effect on the calculation of the Town's total pension liability calculated as June 30, 2018:

- The RP-2014 with MP-2017 mortality improvements table was utilized, previously the table utilized was the RP-2000 projected to valuation date using Scale AA

**NOTE 5 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - FIREFIGHTERS' PENSION PLAN**

The Town began to report the schedule of contributions and investment returns when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.



**TOWN OF DEEP RIVER, CONNECTICUT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) (Continued)**  
**AS OF AND FOR THE YEAR JUNE 30, 2018**

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**NOTE 5 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - FIREFIGHTERS' PENSION PLAN (Continued)**

Actuarially determined contribution rates are calculated as of July 1, 2016, two years prior to the end of the fiscal year in which contributions are reported.

The following methods and assumptions were utilized to determine the contribution rates for the year ended June 30, 2018.

- Actuarial cost method: Unit Credit
- Amortization method: Level percentage of payroll, closed
- Remaining amortization period: 30 years from 7/1/2016
- Asset valuation method: Fair market value
- Discount rate: 6.25%
- Inflation: 2.25%
- Investment rate of return: 6.25%
- Salary increases: Not applicable
- Retirement age: Age 65
- Mortality: RP-2000 projected to valuation date using Scale AA

**NOTE 6 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - STATE OF CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

The Town began to report this schedule when it implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, in fiscal year 2015. GASB Statement No. 68 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2016. The June 30, 2016 actuarial valuation was rolled forward to the most recent measurement date of June 30, 2017. This information is utilized by the Town for reporting as of June 30, 2018.

*Benefit Changes* - There have been no changes in benefit terms that have had a significant effect on the measurement of the total pension liability.

*Assumption Changes* - There have been no changes in assumptions that have had a significant effect on the measurement of the total pension liability.

**NOTE 7 - SCHEDULE OF CONTRIBUTIONS - STATE OF CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

The Town began to report the schedule of contributions and investment returns when it implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, in fiscal year 2015. GASB Statement No. 68 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarially determined contribution rates are calculated as of June 30, 2016, two years prior to the end of the fiscal year in which contributions are reported.

**TOWN OF DEEP RIVER, CONNECTICUT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR JUNE 30, 2018

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**NOTE 7 - SCHEDULE OF CONTRIBUTIONS - STATE OF CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**  
*(Continued)*

**Methods and Assumptions Utilized**

- Actuarial cost method: Entry Age Actuarial Cost Method
- Amortization method: Level dollar, closed
- Remaining amortization period: 23 years
- Asset valuation method: Smoothed market with 20% recognition of investment gains and losses
- Inflation: 3.25%
- Investment rate of return: 8.00%
- Salary increases: Varies 4.25% to 11.00%
- Mortality: RP2000 Mortality Table for Annuitants and Non-Annuitants

**NOTE 8 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM**

The Town began to report this schedule when it implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, in fiscal year 2015. GASB Statement No. 68 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2016. The June 30, 2016 actuarial valuation was rolled forward to the most recent measurement date of June 30, 2017. This information is utilized by the Town for reporting as of June 30, 2018.

*Benefit Changes* - There have been no changes in benefit terms that have had a significant effect on the measurement of the total pension liability.

*Assumption Changes* - The following assumption changes had a significant effect on the measurement of the total pension liability reported as of June 30, 2018.

- the inflation assumption was reduced from 3.00% to 2.75%,
- the real rate of return assumption was reduced from 5.50% to 5.25%, which when combined with the inflation assumption change, resulted in a decrease in the investment rate of return assumption from 8.50% to 8.00%,
- the payroll growth assumption was reduced from 3.75% to 3.25%, and
- various demographic assumption changes including the utilization of the RPH-2014 mortality tables

**NOTE 9 - SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY - OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

The Town began to report this schedule when it implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in fiscal year 2018. GASB Statement No. 75 requires the information within this schedule to be presented for the ten most recent fiscal years.

The Total OPEB Liability was determined based upon the results of the actuarial valuation as of July 1, 2017, adjusted to the measurement date of June 30, 2018.

*Benefit Changes* - There have been no changes in benefit terms that have had a significant effect on the measurement of the total OPEB liability.

**TOWN OF DEEP RIVER, CONNECTICUT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR JUNE 30, 2018

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**NOTE 9 - SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY - OTHER POST-EMPLOYMENT BENEFITS PROGRAM**  
***(Continued)***

*Assumption Changes* - The discount rate was decreased from 4.00% as of July 1, 2017 to 3.62% as of July 1, 2018.

**NOTE 10 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY - CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM**

The Town began to report this schedule when it implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in fiscal year 2018. GASB Statement No. 75 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2016. The June 30, 2016 actuarial valuation was rolled forward to the most recent measurement date of June 30, 2017. This information is utilized by the Town for reporting as of June 30, 2018.

*Benefit Changes* - There have been no changes in benefit terms that have had a significant effect on the measurement of the total OPEB liability.

*Assumption Changes* - There have been no changes in assumptions that have had a significant effect on the measurement of the total OPEB liability.

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## **COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

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## **GENERAL FUND**

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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**  
**COMBINING BALANCE SHEET - GENERAL FUND ACCOUNTS**  
**JUNE 30, 2018**

	<b>General Fund</b>	<b>Library Fund</b>	<b>Eliminations</b>	<b>Combined General Fund</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,473,093	\$ 74,074	\$ -	\$ 1,547,167
Receivables:				
Property taxes and interest, net	421,485	-	-	421,485
Grants and contracts	68,696	-	-	68,696
Other	150,335	-	-	150,335
Due from other funds	245,321	-	-	245,321
Total assets	<u>\$ 2,358,930</u>	<u>\$ 74,074</u>	<u>\$ -</u>	<u>\$ 2,433,004</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 368,344	\$ -	\$ -	\$ 368,344
Accrued liabilities	238,324	-	-	238,324
Unearned revenue	34,115	-	-	34,115
Total liabilities	<u>640,783</u>	<u>-</u>	<u>-</u>	<u>640,783</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue:				
Property taxes and interest	371,873	-	-	371,873
Total deferred inflows of resources	<u>371,873</u>	<u>-</u>	<u>-</u>	<u>371,873</u>
<b>FUND BALANCES</b>				
Committed	-	74,074	-	74,074
Assigned	97,828	-	-	97,828
Unassigned	1,248,446	-	-	1,248,446
Total fund balances	<u>1,346,274</u>	<u>74,074</u>	<u>-</u>	<u>1,420,348</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,358,930</u>	<u>\$ 74,074</u>	<u>\$ -</u>	<u>\$ 2,433,004</u>

*See accompanying Independent Auditor's Report.*

**TOWN OF DEEP RIVER, CONNECTICUT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**GENERAL FUND ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>General Fund</b>	<b>Library Fund</b>	<b>Eliminations</b>	<b>Combined General Fund</b>
<b>REVENUES</b>				
Property taxes	\$ 14,603,284	\$ -	\$ -	\$ 14,603,284
Grants and contracts	2,344,069	-	-	2,344,069
Charges for services	702,763	17,806	-	720,569
Investment income	20,314	34	-	20,348
Other	8,034	-	-	8,034
Total revenues	<u>17,678,464</u>	<u>17,840</u>	<u>-</u>	<u>17,696,304</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,733,394	-	-	1,733,394
Public safety	779,031	-	-	779,031
Public works	812,276	-	-	812,276
Health and social services	109,190	-	-	109,190
Library, parks and recreation	373,800	62,156	-	435,956
Education	12,298,177	-	-	12,298,177
Capital outlays	497,660	-	-	497,660
Debt service:				
Principal	172,780	-	-	172,780
Interest and fiscal charges	4,748	-	-	4,748
Total expenditures	<u>16,781,056</u>	<u>62,156</u>	<u>-</u>	<u>16,843,212</u>
Excess (deficiency) of revenues over expenditures	897,408	(44,316)	-	853,092
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	61,223	39,000	(39,000)	61,223
Transfers out	(398,313)	-	39,000	(359,313)
Total other financing sources	<u>(337,090)</u>	<u>39,000</u>	<u>-</u>	<u>(298,090)</u>
Net change in fund balances	560,318	(5,316)	-	555,002
Fund balances - beginning, as originally reported	880,070	79,390	-	959,460
Adjustment (see Note 12)	(94,114)	-	-	(94,114)
Fund balances - beginning, as adjusted	<u>785,956</u>	<u>79,390</u>	<u>-</u>	<u>865,346</u>
Fund balance - ending	<u>\$ 1,346,274</u>	<u>\$ 74,074</u>	<u>\$ -</u>	<u>\$ 1,420,348</u>

See accompanying Independent Auditor's Report.

**TOWN OF DEEP RIVER, CONNECTICUT**  
**SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Grand List Year	Balance Uncollected June 30, 2017	Current Levy	Lawful Corrections		Transfers To Suspense	Balance To Be Collected	Collections			Balance Uncollected June 30, 2018
			Additions	Deductions			Taxes	Interest, Liens and Fees	Total	
2016	\$ -	\$ 14,535,439	\$ 12,834	\$ 67,071	\$ -	\$ 14,481,202	\$ 14,252,761	\$ 37,733	\$ 14,290,494	\$ 228,441
2015	208,216	-	375	1,273	-	207,318	125,607	31,292	156,899	81,711
2014	80,895	-	164	-	231	80,828	41,843	12,727	54,570	38,985
2013	45,649	-	-	1,998	17,781	25,870	15,480	7,600	23,080	10,390
2012	26,582	-	-	-	13,618	12,964	5,720	5,144	10,864	7,244
2011	15,619	-	-	-	13,092	2,527	2,279	644	2,923	248
2010	20,661	-	-	-	20,188	473	429	493	922	44
2009	1,378	-	112	-	1,401	89	46	63	109	43
2008	631	-	-	-	588	43	-	-	-	43
2007	412	-	30	-	399	43	-	-	-	43
2006	586	-	-	-	586	-	-	-	-	-
2005	151	-	-	-	151	-	-	-	-	-
2003	51	-	-	-	51	-	-	-	-	-
2002	45	-	-	-	45	-	-	-	-	-
2001 and prior	943	-	-	943	-	-	-	-	-	-
	<u>\$ 401,819</u>	<u>\$ 14,535,439</u>	<u>\$ 13,515</u>	<u>\$ 71,285</u>	<u>\$ 68,131</u>	<u>\$ 14,811,357</u>	<u>\$ 14,444,165</u>	<u>\$ 95,696</u>	<u>\$ 14,539,861</u>	<u>\$ 367,192</u>

*See accompanying Independent Auditor's Report.*



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

Total cash collections for the year ended

June 30, 2018:

Taxes	\$ 14,444,165
Interest and lien fees	95,696
Total	<u>14,539,861</u>

Reimbursement for revenue loss:

Tax relief (CGS 12-129d)	3,389
Base	<u>\$ 14,543,250</u>

	<b>General Purposes</b>	<b>Schools</b>	<b>Sewers</b>	<b>Urban Renewal</b>	<b>Pension Deficit</b>
Debt limitation:					
2-1/4 times base	\$ 32,722,313	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	65,444,625	-	-	-
3-3/4 times base	-	-	54,537,188	-	-
3-1/4 times base	-	-	-	47,265,563	-
3 times base	-	-	-	-	43,629,750
Total debt limitation	<u>32,722,313</u>	<u>65,444,625</u>	<u>54,537,188</u>	<u>47,265,563</u>	<u>43,629,750</u>
Indebtedness:					
Loan payable	-	171,429	-	-	-
Note payable	-	-	1,470,607	-	-
Bonds payable	-	-	3,550,516	-	-
Bonds payable - Regional School District No. 4	-	2,435,386	-	-	-
Total indebtedness	<u>-</u>	<u>2,606,815</u>	<u>5,021,123</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 32,722,313</u>	<u>\$ 62,837,810</u>	<u>\$ 49,516,065</u>	<u>\$ 47,265,563</u>	<u>\$ 43,629,750</u>
Total capacity of borrowing (7 times base)	\$ 101,802,750				
Total present indebtedness	7,627,938				
Margin for additional borrowing	<u>\$ 94,174,812</u>				

The Town is a member of Regional School District No. 4. This amount represents the Town's proportional share of the District's outstanding bonds payable as of June 30, 2018, calculated as follows:

Bonds payable, net - Regional School District No. 4	\$ 7,055,000
Town's proportionate share	34.52%
	<u>\$ 2,435,386</u>

*See accompanying Independent Auditor's Report.*

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## **SEWER FUND**

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The Sewer Fund is used to account for the operations of the Town's sewer systems.

**TOWN OF DEEP RIVER, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - SEWER FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Sewer use charges	\$ 409,770	\$ 409,770	\$ 410,468	\$ 698
Sewer use interest and liens	5,000	5,000	27,684	22,684
Permits and fees	50	50	50	-
Septic Hauler fees	542,600	542,600	740,904	198,304
Chester flow	45,000	45,000	59,338	14,338
Chester O&M	17,000	17,000	30,155	13,155
Test station and other	-	-	4,195	4,195
Total revenues	<u>1,019,420</u>	<u>1,019,420</u>	<u>1,272,794</u>	<u>253,374</u>
<b>EXPENDITURES</b>				
Salaries and administration	476,215	476,215	523,258	47,043
Contracted services	22,250	22,250	18,248	(4,002)
Utilities	116,500	116,500	126,740	10,240
Operations	291,955	291,955	412,446	120,491
Safety	1,500	1,500	-	(1,500)
Laboratory	11,000	11,000	18,634	7,634
Replacement	100,000	100,000	118,102	18,102
Capital expenditures	-	-	8,686	8,686
Total expenditures	<u>1,019,420</u>	<u>1,019,420</u>	<u>1,226,114</u>	<u>206,694</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,680</u>	<u>\$ 46,680</u>

*See accompanying notes to required supplementary information.*

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## NONMAJOR GOVERNMENTAL FUNDS

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### SPECIAL REVENUE FUNDS

Special revenue funds account for the proceeds of specific revenue sources that are restricted, committed, or assigned for specified purposes. Nonmajor special revenue funds include the following:

**Hot Lunch Program Fund** - A fund used to account for the operations of the food program by the school system.

**Incubator Building Fund** - A fund used to account for fees collected and expenditures relating to the Incubator buildings located at Plattwood Park Industrial Area.

**Small Cities Project SC-96 Fund** - A fund used to account for project or improvements.

**Grant Account Fund** - A fund used to account for Federal and State grants.

**Social Services Fund** - A fund used to account for the activity of social services.

**Veterans Fund** - A fund used to account for the maintenance and upkeep of monuments on the Deep River Veterans Green.

### CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and infrastructure projects, other than those financed by proprietary funds. The nonmajor capital projects fund consists of the following:

**Deep River Town Hall Auditorium Fund** - A fund used to account for the restoration of the Town Hall auditorium.

**TOWN OF DEEP RIVER, CONNECTICUT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	<b>Nonmajor Special Revenue Funds</b>				
	<b>Hot Lunch Program Fund</b>	<b>Incubator Building Fund</b>	<b>Small Cities Program Fund</b>	<b>Grant Account Fund</b>	<b>Social Services Fund</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 27,863	\$ 183,502	\$ 36,811	\$ 1,419	\$ 88,876
Receivables:					
Grants and contracts	10,622	-	-	-	-
Other	-	3,934	-	1,294	-
Inventories	6,415	-	-	-	-
Total assets	<u>\$ 44,900</u>	<u>\$ 187,436</u>	<u>\$ 36,811</u>	<u>\$ 2,713</u>	<u>\$ 88,876</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 5,440	\$ 862	\$ -	\$ 1,713	\$ -
Due to other funds	74,519	15,026	-	-	-
Unearned revenue	-	-	-	1,000	-
Total liabilities	<u>79,959</u>	<u>15,888</u>	<u>-</u>	<u>2,713</u>	<u>-</u>
<b>FUND BALANCES</b>					
Nonspendable	6,415	-	-	-	-
Restricted	-	-	36,811	-	88,876
Committed	-	171,548	-	-	-
Unassigned	(41,474)	-	-	-	-
Total fund balances	<u>(35,059)</u>	<u>171,548</u>	<u>36,811</u>	<u>-</u>	<u>88,876</u>
Total liabilities and fund balances	<u>\$ 44,900</u>	<u>\$ 187,436</u>	<u>\$ 36,811</u>	<u>\$ 2,713</u>	<u>\$ 88,876</u>

*(Continued)*

*See accompanying Independent Auditor's Report.*

**TOWN OF DEEP RIVER, CONNECTICUT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (Concluded)**  
**JUNE 30, 2018**

	<b>Nonmajor Special Revenue Funds</b>		<b>Nonmajor Capital Project Funds</b>	
	<b>Veterans Fund</b>	<b>Total Nonmajor Special Revenue Funds</b>	<b>Deep River Town Hall Auditorium Restoration Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 15,290	\$ 353,761	\$ 1,869	\$ 355,630
Receivables:				
Grants and contracts	-	10,622	-	10,622
Other	-	5,228	-	5,228
Inventories	-	6,415	-	6,415
Total assets	<u>\$ 15,290</u>	<u>\$ 376,026</u>	<u>\$ 1,869</u>	<u>\$ 377,895</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 8,015	\$ -	8,015
Due to other funds	-	89,545	-	89,545
Unearned revenue	-	1,000	-	1,000
Total liabilities	<u>-</u>	<u>98,560</u>	<u>-</u>	<u>98,560</u>
<b>FUND BALANCES</b>				
Nonspendable	-	6,415	-	6,415
Restricted	15,290	140,977	-	140,977
Committed	-	171,548	1,869	173,417
Unassigned	-	(41,474)	-	(41,474)
Total fund balances	<u>15,290</u>	<u>277,466</u>	<u>1,869</u>	<u>279,335</u>
 Total liabilities and fund balances	<u>\$ 15,290</u>	<u>\$ 376,026</u>	<u>\$ 1,869</u>	<u>\$ 377,895</u>
				(Concluded)

See accompanying Independent Auditor's Report.

**TOWN OF DEEP RIVER, CONNECTICUT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Nonmajor Special Revenue Funds</b>				
	<b>Hot Lunch Program Fund</b>	<b>Incubator Building Fund</b>	<b>Small Cities Program Fund</b>	<b>Grant Account Fund</b>	<b>Social Services Fund</b>
<b>REVENUES</b>					
Grants and contracts	\$ 70,911	\$ -	\$ -	\$ 66,948	\$ -
Charges for services	50,084	39,410	-	-	-
Interest income	-	-	30	-	-
Other	275	-	-	-	18,189
Total revenues	<u>121,270</u>	<u>39,410</u>	<u>30</u>	<u>66,948</u>	<u>18,189</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	40,207	34,460	-	-
Health and social services	-	-	-	-	15,081
Education	157,182	-	-	66,948	-
Capital outlays	-	31,794	-	-	-
Total expenditures	<u>157,182</u>	<u>72,001</u>	<u>34,460</u>	<u>66,948</u>	<u>15,081</u>
Excess (deficiency) of revenues over expenditures	(35,912)	(32,591)	(34,430)	-	3,108
<b>OTHER FINANCING SOURCES</b>					
Transfers in	9,000	-	-	-	-
Total other financing sources	<u>9,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(26,912)	(32,591)	(34,430)	-	3,108
Fund balances - beginning	<u>(8,147)</u>	<u>204,139</u>	<u>71,241</u>	<u>-</u>	<u>85,768</u>
Fund balances - ending	<u>\$ (35,059)</u>	<u>\$ 171,548</u>	<u>\$ 36,811</u>	<u>\$ -</u>	<u>\$ 88,876</u>

*(Continued)*

*See accompanying Independent Auditor's Report.*

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

	<b>Nonmajor Special Revenue Funds</b>		<b>Nonmajor Capital Project Fund</b>	
	<b>Veterans Fund</b>	<b>Total Nonmajor Special Revenue Funds</b>	<b>Deep River Town Hall Auditorium Restoration Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>				
Grants and contracts	\$ -	\$ 137,859	\$ -	\$ 137,859
Charges for services	-	89,494	484	89,978
Interest income	14	44	-	44
Other	-	18,464	-	18,464
Total revenues	14	245,861	484	246,345
<b>EXPENDITURES</b>				
Current:				
General government	12,285	86,952	159	87,111
Health and social services	-	15,081	-	15,081
Education	-	224,130	-	224,130
Capital outlays	-	31,794	-	31,794
Total expenditures	12,285	357,957	159	358,116
Excess (deficiency) of revenues over expenditures	(12,271)	(112,096)	325	(111,771)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	9,000	-	9,000
Total other financing sources	-	9,000	-	9,000
Net change in fund balances	(12,271)	(103,096)	325	(102,771)
Fund balances - beginning	27,561	380,562	1,544	382,106
Fund balances - ending	\$ 15,290	\$ 277,466	\$ 1,869	\$ 279,335

*(Concluded)*

*See accompanying Independent Auditor's Report.*



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## FIDUCIARY FUNDS

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### AGENCY FUNDS

Agency funds are used to report resources held by the Town in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Agency funds include the following:

**Student Activities Fund** - To account for monies from various self-funding school activities.

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

	Balance, July 1, 2017	Additions	Deletions	Balance, June 30, 2018
<b>Student Activities Fund</b>				
Assets				
Cash and cash equivalents	\$ 13,977	\$ 16,321	\$ 16,945	\$ 13,353
Total assets	<u>\$ 13,977</u>	<u>\$ 16,321</u>	<u>\$ 16,945</u>	<u>\$ 13,353</u>
Liabilities				
Due to student groups	\$ 13,977	\$ 16,321	\$ 16,945	\$ 13,353
Total liabilities	<u>\$ 13,977</u>	<u>\$ 16,321</u>	<u>\$ 16,945</u>	<u>\$ 13,353</u>

*See accompanying Independent Auditor's Report.*