

# **TOWN OF DEEP RIVER, CONNECTICUT**

FINANCIAL REPORT  
June 30, 2013



**TOWN OF DEEP RIVER, CONNECTICUT**

**FINANCIAL REPORT**

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**TOWN OF DEEP RIVER, CONNECTICUT**

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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 financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Town of Deep River, Connecticut (the "Town") as of and for the fiscal year ended June 30, 2013, and the related notes thereto which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 3-10, the schedules of funding progress and employer contributions on pages 47-48 and budgetary comparison information on pages 49-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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

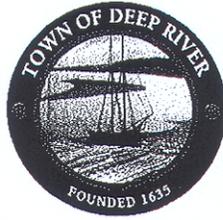
The combining and individual fund financial statements and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2014 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.

*McGladrey LLP*

New Haven, Connecticut  
March 18, 2014



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

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013 - *unaudited*

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As management of the Town of Deep River, Connecticut, we offer readers of the Town of Deep River's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013.

### **Financial Highlights**

- On a government-wide basis, the Town's net position increased by \$3,318 for the fiscal year, governmental activities increased by \$244,434 while business-type activities of the Town decreased by \$241,116. The governmental activities increase was due to increases in tax revenues, capital grants and operating grants. The business-type activities decrease was due principally to the non-cash charge for depreciation expense of \$330,354 in connection with the sewer fund assets.
- The Town's combined net position total \$18,867,818 at June 30, 2013.
- At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$732,768, a decrease of \$346,707 from the prior year.
- At year-end, the unassigned fund balance for the general fund was \$87,847 or 0.55% of total general fund expenditures and transfers out.
- The Town's total capital lease debt for governmental activities decreased by \$186,954 during the fiscal year. The decrease is due to regularly scheduled principal payments made during the fiscal year. Total debt for business-type activities decreased by \$155,374 due to principal payments on the Clean Water sewer note.

### **Overview of the Basic Financial Statements**

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

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

The *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 11 and 12 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

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

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

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

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

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

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

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

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town of Deep River, assets exceeded liabilities by \$18,867,818 at the close of the fiscal year.

The largest portion of the Town's net position, \$20,088,641 (106.5%), reflects its investment in capital assets (e.g., land, land improvements, buildings, sewer plant and collection system, machinery and equipment, vehicles and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Town of Deep River Statement of Net Position						
	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 1,678,858	\$ 2,395,296	\$ 196,737	\$ 283,329	\$ 1,875,595	\$ 2,678,625
Capital assets (net)	12,497,506	11,622,632	10,105,687	10,421,902	22,603,193	22,044,534
<b>Total assets</b>	<b>14,176,364</b>	<b>14,017,928</b>	<b>10,302,424</b>	<b>10,705,231</b>	<b>24,478,788</b>	<b>24,723,159</b>
Long-term liabilities outstanding	2,510,010	2,160,411	2,295,759	2,451,133	4,805,769	4,611,544
Other liabilities	594,289	1,029,886	210,912	217,229	805,201	1,247,115
<b>Total liabilities</b>	<b>3,104,299</b>	<b>3,190,297</b>	<b>2,506,671</b>	<b>2,668,362</b>	<b>5,610,970</b>	<b>5,858,659</b>
Net position:						
Net investment in capital assets	12,278,719	11,216,891	7,809,928	7,970,769	20,088,647	19,187,660
Restricted	71,701	71,353	-	-	71,701	71,353
Unrestricted (deficit)	(1,278,355)	(460,613)	(14,175)	66,100	(1,292,530)	(394,513)
<b>Total net position (deficit)</b>	<b>\$ 11,072,065</b>	<b>\$ 10,827,631</b>	<b>\$ 7,795,753</b>	<b>\$ 8,036,869</b>	<b>\$ 18,867,818</b>	<b>\$ 18,864,500</b>

Town of Deep River Statement of Activities						
	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 720,870	\$ 954,824	\$ 933,535	\$ 863,937	\$ 1,654,405	\$ 1,818,761
Operating grants and contributions	2,377,037	2,412,466	-	-	2,377,037	2,412,466
Capital grants and contributions	888,723	805,745	-	-	888,723	805,745
General revenues:						
Property taxes	12,034,095	11,740,270	-	-	12,034,095	11,740,270
Grants and contributions not restricted to specific programs	230,354	404,251	-	-	230,354	404,251
Investment income	7,680	12,010	12	21	7,692	12,031
<b>Total revenues</b>	<b>16,258,759</b>	<b>16,329,566</b>	<b>933,547</b>	<b>863,958</b>	<b>17,192,306</b>	<b>17,193,524</b>
<b>Expenses:</b>						
General government	2,062,945	1,946,418	-	-	2,062,945	1,946,418
Public safety	739,659	689,961	-	-	739,659	689,961
Public works	1,723,120	1,067,920	-	-	1,723,120	1,067,920
Health and social services	132,782	133,959	-	-	132,782	133,959
Parks and recreation	201,214	172,779	-	-	201,214	172,779
Education	11,149,235	11,197,802	-	-	11,149,235	11,197,802
Interest expense	5,370	9,166	-	-	5,370	9,166
Sewer department	-	-	1,174,663	1,064,416	1,174,663	1,064,416
<b>Total expenses</b>	<b>16,014,325</b>	<b>15,218,005</b>	<b>1,174,663</b>	<b>1,064,416</b>	<b>17,188,988</b>	<b>16,282,421</b>
<b>Change in net position</b>	<b>244,434</b>	<b>1,111,561</b>	<b>(241,116)</b>	<b>(200,458)</b>	<b>3,318</b>	<b>911,103</b>
<b>Net position, beginning</b>	<b>10,827,631</b>	<b>9,716,070</b>	<b>8,036,869</b>	<b>8,237,327</b>	<b>18,864,500</b>	<b>17,953,397</b>
<b>Net position, ending</b>	<b>\$ 11,072,065</b>	<b>\$ 10,827,631</b>	<b>\$ 7,795,753</b>	<b>\$ 8,036,869</b>	<b>\$ 18,867,818</b>	<b>\$ 18,864,500</b>

## **Governmental Activities**

The Town's net position increased by \$244,434 during the current fiscal year.

Governmental activities revenues totaled \$16,258,759 for fiscal year 2013. Property taxes are the largest revenue source for the Town and represent \$12,034,095 or 74.0% of governmental revenues. Current tax collections were 98.0% of the adjusted tax levy. Operating grants and contributions revenues are the Town's second largest revenue. Operating grants and contributions revenues were \$2,377,037 or 14.6% of governmental revenues for the year. Charges for services, the third largest revenue, were \$720,870 or 4.4% of governmental revenues. Capital grants and contributions restricted to specific programs were \$869,350, or 5.5% of governmental revenues. Grants and contributions not restricted to specific programs were \$230,354, or 1.4% and include elderly tax relief and in lieu of tax contributions. The remaining \$7,680 or 0.1% of revenues is generated by investment income.

Governmental activities revenues decreased by \$19,193, or 0.1%, from that of the prior year. Significant fluctuations from the prior year were as follows:

- A \$293,825 increase in property tax revenues. Such an increase was a result in an increase to our taxable grand list over that of the prior fiscal year, as well as enhanced collection efforts on both the current and past due tax levy.
- A \$35,429 decrease in operating grants and contributions. The decrease was due primarily to a decrease in education grant funding as a result of the elimination of certain Federal education stimulus awards.
- Capital grants and contributions increased by \$82,978 due primarily to the reimbursement received in connection with the Village Street bridge replacement project
- Charges for services decreased by \$164,356. The decrease was due primarily to a one-time lump sum payment of \$319,445 received in the prior fiscal in connection with the sale of our lease rights for the cellular phone tower located on Town property (transfer station).
- Investment income decreased \$4,339 due to the significant decrease in interest rates during the current fiscal year.

## **Expenses**

Governmental expenses totaled \$16,014,325 for the fiscal year. Of the expenses, \$11,149,235 or 69.6% is related to education. General government expenses amounted to \$2,062,945 or 12.9%, while public works amounted to \$1,723,120 or 10.8%. Public safety expenses were \$739,659 or 4.6%. Interest expense was \$5,370 or 0.1%. Health and social services expenses were \$132,782 or 0.8%, and park and recreation expenses were \$201,214 or 1.2%.

Governmental activities expenses increased by \$796,320 or 5.2%, from that of the prior year. Significant fluctuations from the prior year were as follows:

- Public works increased by \$655,200 due to the increase in the estimated landfill closure costs.

## **Business-Type Activities**

### Revenues

General revenues do not support the Town's business-type activities; thus, the largest source of revenues comes from charges for services. Of the \$933,547 in sewer department revenues, 99.99% or \$933,535 came from charges for services (sewer assessment, usage fees, and private septage disposal). Investment income makes up the final 0.01% of revenues for the Town's business-type activities. Revenues increased by \$69,598 primarily due to additional septage volume processed during fiscal year 2013.

### Expenses

Business-type expenses totaled \$1,174,663 for the sewer department's fiscal year ended June 30, 2013. Such expenses increased by \$110,247 from that of the prior year. Expenditures increased due to higher operating costs associated with the higher volumes noted above

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

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

**Governmental funds.** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year.

The combined fund balances of governmental funds for the fiscal year ended June 30, 2013, is \$732,768. The fund balance includes \$140,209 to liquidate contracts and purchase orders of the prior period, \$71,701 restricted for specific purposes, \$433,026 committed to certain functions and \$87,832 as unassigned in the general fund.

### General Fund

The General Fund is the operating fund of the Town. The fund balance of the General Fund decreased by \$178,318 during the current fiscal year.

**Proprietary funds.** The Town's proprietary fund provides the same information found in the government-wide financial statements, but in more detail. The Town's sewer enterprise fund posted an overall decrease in net position of \$241,116 for the fiscal year ended June 30, 2013.

### Sewer Fund

Unrestricted net position of the sewer fund at the end of the year amounted to (\$14,175).

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

## General Fund Budgetary Highlights

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues and Other Financing Sources:</b>				
Property taxes	\$ 11,876,474	\$ 11,876,474	\$ 11,959,196	\$ 82,722
Intergovernmental, charges for services and other	2,386,727	2,386,637	3,433,087	1,046,450
<b>Total revenues and other financing sources</b>	<b>14,263,201</b>	<b>14,263,111</b>	<b>15,392,283</b>	<b>1,129,172</b>
<b>Expenditures and Other Financing Uses:</b>				
Expenditures	14,330,825	14,725,684	15,591,550	865,866
Transfers	(67,624)	(67,624)	(20,000)	(47,624)
<b>Total expenditures and other financing uses</b>	<b>14,263,201</b>	<b>14,658,060</b>	<b>15,571,550</b>	<b>913,490</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ (394,949)</b>	<b>\$ (179,267)</b>	<b>\$ 215,682</b>

The final amended budget exceeded the original budget by \$394,859. Overall, revenues exceed our original estimates. However, expenses (primarily capital expenditures and road maintenance) also exceeded our original estimates based primarily on the timing of project completions.

## Capital Assets

At June 30, 2013, the Town of Deep River's investment in capital assets in both governmental and business-type activities amounted to \$22,603,193, net of depreciation. This includes land, land improvements, buildings, sewer plant and collection system, machinery and equipment, vehicles, and roads (accepted by the Town since July 1, 2004). The net increase in the Town's investment in capital assets for the current fiscal year was \$558,659, or 2.5%. The increase relates primarily to the ongoing streetscape project, town road and sewer plant improvements and the Village Street bridge replacement, offset by depreciation expense.

	Town of Deep River Capital Assets - Net					
	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 514,688	\$ 514,688	\$ 360,214	\$ 360,214	\$ 874,902	\$ 874,902
Construction in progress	1,580,205	997,258	-	-	1,580,205	997,258
Land improvements	385	1,180	-	-	385	1,180
Buildings	7,371,508	7,179,415	-	-	7,371,508	7,179,415
Sewer plant and collection system	-	-	9,415,135	9,677,208	9,415,135	9,677,208
Machinery and equipment	126,813	116,702	329,932	383,671	456,745	500,373
Vehicles	580,658	601,809	406	809	581,064	602,618
Infrastructure	2,323,249	2,211,580	-	-	2,323,249	2,211,580
<b>Total</b>	<b>\$ 12,497,506</b>	<b>\$ 11,622,632</b>	<b>\$ 10,105,687</b>	<b>\$ 10,421,902</b>	<b>\$ 22,603,193</b>	<b>\$ 22,044,534</b>

## Long-term Debt

At the end of the current fiscal year, the Town had total bonded and note debt outstanding of \$2,295,759. Such debt is backed by the full faith and credit of the government.

**Town of Deep River  
Outstanding Debt  
General Obligation Bonds and Notes  
June 30, 2013 and 2012**

	June 30, 2013			June 30, 2012		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Clean water notes	\$ -	\$ 2,295,759	\$ 2,295,759	\$ -	\$ 2,451,133	\$ 2,451,133
<b>Total</b>	<b>\$ -</b>	<b>\$ 2,295,759</b>	<b>\$ 2,295,759</b>	<b>\$ -</b>	<b>\$ 2,451,133</b>	<b>\$ 2,451,133</b>

The Town maintains a "Baa" rating from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue up to seven times total tax collections including interest and lien fees and the tax relief for the elderly freeze grant. The current debt limitation for the Town is approximately \$84,352,723, which is significantly in excess of the Town's outstanding general obligation debt.

## Next Year's Budgets and Rates

The Town elected and appointed officials considered many factors when setting the fiscal year 2013/2014 budget. The Town decided that it was important to continue the support of the schools and adopt a budget designed to promote long-term fiscal stability. The Town has not appropriated any of the unreserved fund balance to aid in balancing the 2013/2014 budget.

The 2013/2014 general fund budget is \$14,779,461, a decrease of \$812,089 or 5.2% over the prior year actual expenditures.

The decrease is due primarily to the timing of cash expenditures and related state reimbursements associated with the Village Street bridge replacement.

## Requests for Information

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

## **Basic Financial Statements**



TOWN OF DEEP RIVER, CONNECTICUT

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Type Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 806,082	\$ 3,970	\$ 810,052
Receivables:			
Property taxes, net of allowance for collection losses	363,806	-	363,806
Assessments/use charges	-	91,197	91,197
Intergovernmental	179,349	-	179,349
Loans	34,460	-	34,460
Other	54,162	94,537	148,699
Internal balances	195,017	(195,017)	-
Net pension asset	45,982	-	45,982
Assessments/use charges, noncurrent	-	202,050	202,050
Capital assets, not being depreciated	2,094,893	360,214	2,455,107
Capital assets, being depreciated, net of depreciation	10,402,613	9,745,473	20,148,086
<b>Total assets</b>	<b>14,176,364</b>	<b>10,302,424</b>	<b>24,478,788</b>
<b>Liabilities</b>			
Accounts payable and accruals	594,289	210,912	805,201
Noncurrent liabilities:			
Due within one year	160,177	158,510	318,687
Due in more than one year	2,349,833	2,137,249	4,487,082
<b>Total liabilities</b>	<b>3,104,299</b>	<b>2,506,671</b>	<b>5,610,970</b>
<b>Net Position</b>			
Net Investment in capital assets	12,278,719	7,809,928	20,088,647
Restricted	71,701	-	71,701
Unrestricted (deficit)	(1,278,355)	(14,175)	(1,292,530)
<b>Total net position (deficit)</b>	<b>\$ 11,072,065</b>	<b>\$ 7,795,753</b>	<b>\$ 18,867,818</b>

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

TOWN OF DEEP RIVER, CONNECTICUT

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Positions		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 2,062,945	\$ 276,949	\$ -	\$ -	\$ (1,785,996)	\$ -	\$ (1,785,996)
Public safety	739,659	207,170	45,000	-	(487,489)	-	(487,489)
Public works	1,723,120	89,062	-	888,723	(745,335)	-	(745,335)
Health and social services	132,782	-	-	-	(132,782)	-	(132,782)
Parks and recreation	201,214	73,417	-	-	(127,797)	-	(127,797)
Education	11,149,235	74,272	2,332,037	-	(8,742,926)	-	(8,742,926)
Interest expense	5,370	-	-	-	(5,370)	-	(5,370)
<b>Total governmental activities</b>	<b>16,014,325</b>	<b>720,870</b>	<b>2,377,037</b>	<b>888,723</b>	<b>(12,027,695)</b>	<b>-</b>	<b>(12,027,695)</b>
Business-type activities:							
Sewer Enterprise	1,174,663	933,535	-	-	-	(241,128)	(241,128)
<b>Total business-type activities</b>	<b>1,174,663</b>	<b>933,535</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(241,128)</b>	<b>(241,128)</b>
Total primary government	<u>\$ 17,188,988</u>	<u>\$ 1,654,405</u>	<u>\$ 2,377,037</u>	<u>\$ 888,723</u>	<u>(12,027,695)</u>	<u>(241,128)</u>	<u>(12,268,823)</u>
General revenues:							
Property taxes					12,034,095	-	12,034,095
Grants and contributions not restricted to specific programs					230,354	-	230,354
Income from investments					7,680	12	7,692
Total general revenues					<u>12,272,129</u>	<u>12</u>	<u>12,272,141</u>
Change in net position					244,434	(241,116)	3,318
Net position - beginning					<u>10,827,631</u>	<u>8,036,869</u>	<u>18,864,500</u>
Net position - ending					<u>\$ 11,072,065</u>	<u>\$ 7,795,753</u>	<u>\$ 18,867,818</u>

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

TOWN OF DEEP RIVER, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2013

	General	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 154,765	\$ 651,317	\$ 806,082
Receivables (net of allowances for collection losses):			
Property taxes	363,806	-	363,806
Intergovernmental	173,683	5,666	179,349
Loans	-	34,460	34,460
Other	48,701	5,461	54,162
Due from other funds	297,525	-	297,525
<b>Total assets</b>	<b>\$ 1,038,480</b>	<b>\$ 696,904</b>	<b>\$ 1,735,384</b>
<b>Liabilities</b>			
Accounts payable and accruals	\$ 587,345	\$ 6,944	\$ 594,289
Due to other funds	-	102,508	102,508
Deferred revenue	305,819	-	305,819
<b>Total liabilities</b>	<b>893,164</b>	<b>109,452</b>	<b>1,002,616</b>
<b>Fund balances</b>			
Restricted	-	71,701	71,701
Committed	-	433,026	433,026
Assigned	57,469	82,740	140,209
Unassigned	87,847	(15)	87,832
<b>Total fund balances</b>	<b>145,316</b>	<b>587,452</b>	<b>732,768</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,038,480</b>	<b>\$ 696,904</b>	

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

Capital assets, net of accumulated depreciation purchased in governmental funds are reported as expenditures, however, the statement of net positions includes those capital assets among the assets of the Town as a whole.	12,497,506
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred	305,819
Net pension asset	45,982
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,510,010)</u>

Net position of governmental activities \$ 11,072,065

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

TOWN OF DEEP RIVER, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2013

	General	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Property taxes and lien fees	\$ 11,959,196	\$ -	\$ 11,959,196
Intergovernmental	3,307,898	179,451	3,487,349
Charges for services	559,842	161,027	720,869
Investment income	6,251	1,429	7,680
Other	-	8,766	8,766
<b>Total revenues</b>	<b>15,833,187</b>	<b>350,673</b>	<b>16,183,860</b>
<b>EXPENDITURES</b>			
Current:			
General government	1,866,091	40,790	1,906,881
Public safety	640,974	2,602	643,576
Public works	1,065,435	-	1,065,435
Health and social services	100,270	13,750	114,020
Parks and recreation	180,101	-	180,101
Education	10,720,924	253,488	10,974,412
Capital outlay	1,265,386	188,432	1,453,818
Debt service	192,324	-	192,324
<b>Total expenditures</b>	<b>16,031,505</b>	<b>499,062</b>	<b>16,530,567</b>
<b>Revenues over (under) expenditures</b>	<b>(198,318)</b>	<b>(148,389)</b>	<b>(346,707)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	20,000	-	20,000
Transfers (out)	-	(20,000)	(20,000)
<b>Total other financing sources (uses)</b>	<b>20,000</b>	<b>(20,000)</b>	<b>-</b>
<b>Change in fund balances</b>	<b>(178,318)</b>	<b>(168,389)</b>	<b>(346,707)</b>
<b>FUND BALANCES , beginning</b>	<b>323,634</b>	<b>755,841</b>	<b>1,079,475</b>
<b>FUND BALANCES , ending</b>	<b>\$ 145,316</b>	<b>\$ 587,452</b>	<b>\$ 732,768</b>

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

**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, 2013**

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Net change in fund balances – total governmental funds \$ (346,707)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 874,874

Changes in revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 74,899

Change in net pension asset (9,033)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net positions. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 186,954

Changes in some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (536,553)

Change in net position of governmental activities \$ 244,434

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

TOWN OF DEEP RIVER, CONNECTICUT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2013

	Business-Type Activities <u>Sewer</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 3,970
Receivables:	
Assessments	25,000
User charges	66,197
Other	94,537
<b>Total current assets</b>	<u>189,704</u>
Noncurrent assets:	
Assessment receivables	202,050
Capital assets, net of accumulated depreciation	10,105,687
<b>Total noncurrent assets</b>	<u>10,307,737</u>
<b>Total assets</b>	<u>10,497,441</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	210,912
Due to other funds	195,017
Loan payable	158,510
<b>Total current liabilities</b>	<u>564,439</u>
Noncurrent liabilities:	
Loan payable	2,137,249
<b>Total noncurrent liabilities</b>	<u>2,137,249</u>
<b>Total liabilities</b>	<u>2,701,688</u>
<b>NET POSITION</b>	
Net Investment in capital assets	7,809,928
Unrestricted	(14,175)
<b>Total net position</b>	<u>\$ 7,795,753</u>

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

TOWN OF DEEP RIVER, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
 FUND NET POSITION - PROPRIETARY FUNDS  
 For the Year Ended June 30, 2013

	Business-Type Activities
	<u>Sewer</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 933,535
<b>Total operating revenues</b>	<u>933,535</u>
<b>OPERATING EXPENSES</b>	
Salaries and benefits	398,300
Contracted services	9,402
Utilities	279,602
Plant operation	102,327
Administration	7,074
Depreciation	330,354
<b>Total operating expenses</b>	<u>1,127,059</u>
<b>Operating loss</b>	(193,524)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment income	12
Interest expense	(47,604)
<b>Total nonoperating revenues (expenses)</b>	<u>(47,592)</u>
<b>Change in net position</b>	(241,116)
<b>NET POSITION, beginning</b>	<u>8,036,869</u>
<b>NET POSITION, ending</b>	<u>\$ 7,795,753</u>

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

TOWN OF DEEP RIVER, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
For the Year Ended June 30, 2013

	Business-Type Activities
	<u>Sewer</u>
<b>Cash Flows From Operating Activities</b>	
Receipts from customers	\$ 941,431
Payments to suppliers	(383,700)
Payment to employees	(336,856)
<b>Net cash provided by operating activities</b>	<u>220,875</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Purchase of capital assets	(14,139)
Principal payments	(155,374)
Interest payments	(47,604)
<b>Net cash used in capital and related financing activities</b>	<u>(217,117)</u>
<b>Cash Flows Provided by Investing Activities</b>	
Investment income	12
<b>Net cash provided by investing activities</b>	<u>12</u>
<b>Net increase in cash and cash equivalents</b>	3,770
<b>Cash and Cash Equivalents</b>	
Beginning	<u>200</u>
Ending	<u>\$ 3,970</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>	
Operating loss	\$ (193,524)
Adjustments to reconcile operating loss to cash provided by operating activities:	
Depreciation	330,354
(Increase) decrease in:	
Assessments receivable	14,582
Other and user charges receivable	(6,686)
Increase (decrease) in:	
Accounts and other payables	(6,317)
Due to other funds	82,466
<b>Net cash provided by operating activities</b>	<u>\$ 220,875</u>

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

TOWN OF DEEP RIVER, CONNECTICUT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

June 30, 2013

	Pension Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash	\$ -	\$ 17,839
Investments at fair value:		
Equity mutual funds	1,446,193	-
Bond mutual funds	701,001	-
Fixed income mutual funds	1,854	-
<b>Total investments</b>	<b>2,149,048</b>	<b>-</b>
Receivable		
Employer contribution	229,509	-
<b>Total assets</b>	<b>2,378,557</b>	<b>17,839</b>
<b>LIABILITIES</b>		
Due to student groups	-	17,839
<b>Total liabilities</b>	<b>-</b>	<b>17,839</b>
<b>NET POSITION HELD IN TRUST</b>	<b>\$ 2,378,557</b>	<b>\$ -</b>

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

TOWN OF DEEP RIVER, CONNECTICUT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
For the Year Ended June 30, 2013

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	Pension Trust Funds
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 276,613
Total contributions	<u>276,613</u>
Investment income:	
Net appreciation in fair value of investments	239,969
Interest income	315
Total	<u>240,284</u>
<b>Total additions</b>	<u>516,897</u>
<b>DEDUCTIONS</b>	
Benefits	168,684
Administration	500
<b>Total deductions</b>	<u>169,184</u>
<b>Change in net position</b>	347,713
<b>NET POSITION, July 1, 2012</b>	<u>2,030,844</u>
<b>NET POSITION, June 30, 2013</b>	<u><u>\$ 2,378,557</u></u>

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

## TOWN OF DEEP RIVER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

##### Reporting Entity

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

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

The Town adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in the current year. The adoption of this Statement changed the presentation of the basic financial statements to a statement of net position format.

The Town also adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that are included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. GASB 62 does not have any impact on the Town's financial statements.

##### Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## TOWN OF DEEP RIVER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The Town reports the following major governmental funds:

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

The Town reports the following major proprietary fund:

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

Additionally, the Town reports the following fiduciary fund types:

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

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

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

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

## TOWN OF DEEP RIVER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

#### Accounting Estimates

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

#### Property Taxes

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

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

#### Cash and Cash Equivalents

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

#### Allowance for Doubtful Accounts

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

#### Investments

Investments for the Town are primarily reported at fair value using quoted market prices. The Connecticut State Treasurer's Short-Term Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c through 3-27e. Investment guidelines are adopted by the State Treasurer. Investment income is recorded in the fund in which it was earned. Allowable investments under the pension funds' investment policy consist of investment grade corporate bonds as rated by Standard and Poor's, government bonds issued and guaranteed by the U.S. Treasury and U.S. Agencies, federally insured certificates of deposit, and equities consisting of stocks and mutual funds. Funds may

## TOWN OF DEEP RIVER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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also be invested in the high yield sector (bonds below investment grade) provided the investment is made in mutual funds and does not comprise more than 10% of the equity portion of the portfolio. Professional money managers are employed to manage the assets allocated to them. The Board of Selectmen, as trustee of the pension plans, is responsible for overall investment policy. Any change in investment manager or individual security purchase must have their approval. The pension committee acts as advisor to the Board of Selectmen.

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

#### Inventories

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

#### Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred net of interest earned on project specific debt during the construction phase of capital assets of business-type activities and enterprise fund is included as part of the capitalized cost of the assets constructed.

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

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

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

#### Compensated Absences

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

## TOWN OF DEEP RIVER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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

#### Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond principal premiums and discounts, as well as issuance costs, are deferred and amortized over the life the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred gains/losses on refundings. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Bond principal payments are recorded as expenditures. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### Encumbrances

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

All other General Fund appropriations lapse at year-end.

#### Pension accounting

##### ***Pension Trust Fund***

Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when paid. Standalone statements are not issued.

##### ***Governmental Funds and Government Activities***

The net pension obligation (asset), the cumulative difference between annual pension cost and the Town's contributions to the plan since 1986, is calculated on an actuarial basis consistent with the requirements of Governmental Accounting Standards Board Statement No. 27. In governmental funds, expenditures are recognized when they are paid or are expected to be paid with current available resources. In governmental activities, expense is recognized based on actuarially required contributions. The pension asset is recorded as a non-current asset in the government-wide financial

## TOWN OF DEEP RIVER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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statements. The pension obligation is recorded as a non-current liability in the government-wide financial statements.

#### ***Funding Policy***

The Town funds the contributions to its defined benefit pension plans based on an actuarial valuation, which amount is included in the budget.

#### Fund Equity and Net Position

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

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

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

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

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

*Nonspendable Fund Balance* - These amounts cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

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

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

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

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

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

**TOWN OF DEEP RIVER, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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**Note 2. Reconciliation of Government Wide And Fund Financial Statements**

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

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

Compensated absences	\$ (258,996)
Capital leases payable	(218,787)
Net pension obligation	(1,291,477)
Landfill closure	<u>(740,750)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net positions - governmental activities	<u><u>\$ (2,510,010)</u></u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

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

Capital outlay	\$ 1,448,450
Depreciation expense	<u>(573,576)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 874,874</u></u>

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

Capital lease principal repayments	<u>\$ 186,954</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 186,954</u></u>

**TOWN OF DEEP RIVER, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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

Compensated absences	\$ 6,906
Net pension obligation	(64,709)
Landfill closure	<u>(478,750)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (536,553)</u>

**Note 3. Cash, Cash equivalents and Investments**

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

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

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

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

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

**TOWN OF DEEP RIVER, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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Custodial Credit Risk

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2013, approximately \$177,000 of the Town's bank balance including certificates of deposits, of \$955,000 was uninsured and uncollateralized.

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

Cash, cash equivalents and investments of the Town consist of the following at June 30, 2013:

<b>Cash and cash equivalents</b>	
Deposits with financial institutions	\$ 827,891
<b>Total cash and cash equivalents</b>	<u>827,891</u>
<b>Investments</b>	
Pension Trust Funds:	
Equity Mutual Funds	1,446,193
Bond Mutual Funds	701,001
Fixed Income Mutual Funds	1,854
<b>Total pension investments</b>	<u>2,149,048</u>
<b>Total cash, cash equivalents and investments</b>	<u>\$ 2,976,939</u>

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

<b>Statement of Net Position</b>	
Cash and cash equivalents	\$ 810,052
<b>Fiduciary Funds</b>	
Cash	17,839
Investments	2,149,048
	<u>2,166,887</u>
<b>Total cash, cash equivalents and investments</b>	<u>\$ 2,976,939</u>

**TOWN OF DEEP RIVER, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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

Type of Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1 Year	1-5 Years	6-10 Years	Over 10 Years
Fixed Income Mutual Funds	\$ 1,854	\$ 1,854	\$ -	\$ -	\$ -
Bond Mutual Funds	\$ 701,001	\$ -	\$ -	\$ 701,001	\$ -

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

Standard & Poor's	Bond Mutual Funds	Fixed Income Mutual Funds
AAA	\$ 140,856	\$ -
AA	29,743	-
A	72,453	-
BBB	186,414	-
BB	126,102	-
B	98,476	-
Unrated	46,957	1,854
	<u>\$ 701,001</u>	<u>\$ 1,854</u>

**TOWN OF DEEP RIVER, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

**Note 4. Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Increases	Decreases	Transfers	Balance June 30, 2013
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 514,688	\$ -	\$ -	\$ -	\$ 514,688
Construction in progress	997,258	1,081,619	-	(498,672)	1,580,205
Total capital assets, not being depreciated	<u>1,511,946</u>	<u>1,081,619</u>	<u>-</u>	<u>(498,672)</u>	<u>2,094,893</u>
Capital assets, being depreciated:					
Land improvements	289,228	-	-	-	289,228
Buildings and Improvements	12,872,536	-	-	498,672	13,371,208
Machinery and equipment	788,983	28,520	-	-	817,503
Vehicles	2,004,774	77,161	-	-	2,081,935
Infrastructure	2,601,636	261,150	-	-	2,862,786
Total capital assets, being depreciated	<u>18,557,157</u>	<u>366,831</u>	<u>-</u>	<u>498,672</u>	<u>19,422,660</u>
Total capital assets	<u>20,069,103</u>	<u>1,448,450</u>	<u>-</u>	<u>-</u>	<u>21,517,553</u>
Less accumulated depreciation for:					
Land improvements	288,048	795	-	-	288,843
Buildings and Improvements	5,693,121	306,579	-	-	5,999,700
Machinery and equipment	672,281	18,409	-	-	690,690
Vehicles	1,402,965	98,312	-	-	1,501,277
Infrastructure	390,056	149,481	-	-	539,537
Total accumulated depreciation	<u>8,446,471</u>	<u>573,576</u>	<u>-</u>	<u>-</u>	<u>9,020,047</u>
Total capital assets, being depreciated, net	<u>10,110,686</u>	<u>(206,745)</u>	<u>-</u>	<u>498,672</u>	<u>10,402,613</u>
Governmental activities capital assets, net	<u>\$ 11,622,632</u>	<u>\$ 874,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,497,506</u>

**TOWN OF DEEP RIVER, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 360,214	\$ -	\$ -	\$ 360,214
Total capital assets, not being depreciated	<u>360,214</u>	<u>-</u>	<u>-</u>	<u>360,214</u>
Capital assets, being depreciated:				
Sewer plant	6,550,734	-	-	6,550,734
Sewer collection system	8,115,012	-	-	8,115,012
Machinery and equipment	1,914,632	14,139	-	1,928,771
Vehicles	181,903	-	-	181,903
Total capital assets, being depreciated	<u>16,762,281</u>	<u>14,139</u>	<u>-</u>	<u>16,776,420</u>
Total capital assets	<u>17,122,495</u>	<u>14,139</u>	<u>-</u>	<u>17,136,634</u>
Less accumulated depreciation for:				
Sewer plant	3,003,921	122,782	-	3,126,703
Sewer collection system	1,984,617	139,291	-	2,123,908
Machinery and equipment	1,530,961	67,878	-	1,598,839
Vehicles	181,094	403	-	181,497
Total accumulated depreciation	<u>6,700,593</u>	<u>330,354</u>	<u>-</u>	<u>7,030,947</u>
Total capital assets, being depreciated, net	<u>10,061,688</u>	<u>(316,215)</u>	<u>-</u>	<u>9,745,473</u>
Total business-type activities capital assets, net	<u>\$ 10,421,902</u>	<u>\$ (316,215)</u>	<u>\$ -</u>	<u>\$ 10,105,687</u>

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

**Governmental activities:**

General government	\$ 138,815
Public safety	84,963
Public works	164,323
Health and social services	12,500
Park and recreation	21,113
Education	151,862
<b>Total depreciation expense - governmental activities</b>	<u><u>\$ 573,576</u></u>

**Business-type activities:**

Sewer	<u><u>\$ 330,354</u></u>
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**TOWN OF DEEP RIVER, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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**Note 5. Interfund Receivables, Payables and Transfers**

During the course of operations, transactions are processed through a fund on behalf of another fund. A summary of interfund balances as of June 30, 2013 is presented below:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 297,525	\$ -
Non-Major Governmental Funds	-	102,508
Sewer Fund	-	195,017
<b>Grand Total</b>	<b>\$ 297,525</b>	<b>\$ 297,525</b>

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

Interfund transfers during the year ended June 30, 2013 were as follows:

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ 20,000	\$ -
Capital Projects	-	20,000
	<b>\$ 20,000</b>	<b>\$ 20,000</b>

The General Fund transfer to the Capital Projects Fund was for ongoing projects. Capital Projects Funds transfer to the General Fund for reimbursement of various capital projects accounted for in the General Fund in accordance with budget authorizations.

**Note 6. Unearned Revenue/Deferred Revenue**

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

	Deferred Revenues
<b>General Fund:</b>	
Delinquent property taxes receivable	\$ 305,819

**TOWN OF DEEP RIVER, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

**Note 7. Long-Term Liabilities**

A summary of changes in outstanding long-term obligations during the year ended June 30, 2013 is as follows:

Description	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due Within One Year
<b>Governmental activities:</b>					
Other long-term liabilities:					
Compensated absences	\$ 265,902	\$ 44,708	\$ 51,614	\$ 258,996	\$ 52,000
Capital lease obligations	405,741	-	186,954	218,787	108,177
Net pension obligation	1,226,768	64,709	-	1,291,477	-
Landfill closure costs	262,000	478,750	-	740,750	-
<b>Total other long-term liabilities</b>	<b>2,160,411</b>	<b>588,167</b>	<b>238,568</b>	<b>2,510,010</b>	<b>160,177</b>
<b>Governmental activity long-term liabilities</b>	<b>\$ 2,160,411</b>	<b>\$ 588,167</b>	<b>\$ 238,568</b>	<b>\$ 2,510,010</b>	<b>\$ 160,177</b>
<b>Business-type activities:</b>					
Bonds payable:					
Clean water sewer note	\$ 2,451,133	\$ -	\$ 155,374	\$ 2,295,759	\$ 158,510
<b>Business-type activity long-term liabilities</b>	<b>\$ 2,451,133</b>	<b>\$ -</b>	<b>\$ 155,374</b>	<b>\$ 2,295,759</b>	<b>\$ 158,510</b>

Clean Water Sewer Notes - Business-Type Activities

As of June 30, 2013, the outstanding clean water notes of the Town were as follows:

Purpose	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Clean Water Sewer Note	\$ 3,375,000	10/30/2006	04/30/2026	2.00%	\$ 2,451,133	\$ -	\$ 155,374	\$ 2,295,759
					<u>\$ 2,451,133</u>	<u>\$ -</u>	<u>\$ 155,374</u>	<u>\$ 2,295,759</u>

**TOWN OF DEEP RIVER, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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The following is a summary as of June 30, 2013, of the future principal and interest requirements for the Town's note indebtedness - business-type activities:

Fiscal Year Ending	Principal	Interest	Total
2014	\$ 158,510	\$ 44,467	\$ 202,977
2015	161,709	41,268	202,977
2016	164,973	38,004	202,977
2017	168,303	34,674	202,977
2018	171,700	31,277	202,977
2019	175,166	27,811	202,977
2020	178,701	24,276	202,977
2021	182,308	20,669	202,977
2022	185,988	16,989	202,977
2023	189,742	13,235	202,977
2024	193,572	9,405	202,977
2025	197,479	5,498	202,977
2026	167,608	1,539	169,147
Total	<u>\$ 2,295,759</u>	<u>\$ 309,112</u>	<u>\$ 2,604,871</u>

Legal Debt Limit

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

Category	Debt Limit	Indebtedness	Balance
General purpose	\$ 27,113,375	\$ -	\$ 27,113,375
Schools	54,226,751	4,056,723	50,170,028
Sewers	45,188,959	-	45,188,959
Urban renewal	39,163,764	-	39,163,764
Pension deficit	36,151,167	-	36,151,167

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or approximately \$84,352,723.

## TOWN OF DEEP RIVER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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Deep River is a member of Regional School District No. 4 which provides education facilities for grades 7-12 for the towns of Chester, Deep River and Essex. As of June 30, 2013, the outstanding bonded indebtedness of the District was \$14,355,000. The Town of Deep River's share will be approximately 28.26% or \$4,056,723. These are general obligations of Regional School District No. 4 and its member towns.

#### Capital Lease

At June 30, 2013, the Town is committed under leases for vehicles and miscellaneous instruments. These lease agreements qualify as capital leases for accounting purposes (title transfers at the beginning of the lease term) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The equipment that is capitalized totals \$908,821, with \$314,417 in accumulated depreciation.

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

2014	\$	113,100
2015		113,099
Total		<u>226,199</u>
Less amount representing interest		7,412
	\$	<u><u>218,787</u></u>

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

State and federal laws and regulations require that the Town place a final cover on its landfill and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The estimated liability for landfill post-closure care costs has a balance of approximately \$740,750 as of June 30, 2013. The liability is accrued in the governmental activities. The estimated total current cost of the landfill closure and post-closure care is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of June 30, 2013. However, post-closure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

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

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

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

## TOWN OF DEEP RIVER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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

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

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

The Town has been named as defendant in several claims and legal actions. The Town's management estimates that the potential claims against the Town would not have a material adverse effect on the financial condition of the Town.

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

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

##### **Defined Benefit Plan (PERS)**

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

##### **Plan Description**

###### **Summary**

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

**TOWN OF DEEP RIVER, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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**Classes of Employees Covered**

At July 1, 2011, the date of the last actuarial valuation, membership in the plan consisted of the following:

	July 1, 2011	July 1, 2011
	Town	Firemen
Active plan members	24	26
Terminated employees entitled to benefits but not yet receiving them	8	8
Retired plan members	-	12
<b>Total plan participants</b>	<b>32</b>	<b>46</b>

**Benefit Provisions**

Town Employee 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.

Firefighters' Plan

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

Employer Contributions

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

	Town	Firemen
Valuation date	July 1, 2011	July 1, 2011
Investment rate of return	6.00%	7.50%
Projected salary increases (per year)	3.00%	N/A
Inflation rate	3.00%	N/A
Cost of living adjustment	N/A	N/A
Asset valuation method	Fair Value	Fair Value

**TOWN OF DEEP RIVER, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

**Annual Pension Cost and Net Pension Obligation (Asset)**

The Town's annual pension cost and net pension obligation (asset) to the pension trust fund for the current year were:

	Town Plan	Firemen Plan
Annual required contribution	\$ 245,655	\$ 23,499
Interest on net pension obligation	73,606	(4,126)
Adjustment to annual required contribution	-	11,721
Annual pension cost	319,261	31,094
Contributions made	(254,552)	(22,061)
Increase in net pension obligation (asset)	64,709	9,033
Net pension obligation (asset), July 1, 2012	1,226,768	(55,015)
Net pension obligation (asset), June 30, 2013	<u>\$ 1,291,477</u>	<u>\$ (45,982)</u>

**Schedule of Funding Progress**

		(1)	(2)	(3)	(4)	(5)	(6)
	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
<u>Town</u>	7/1/2011	\$ 1,452,586	\$ 2,595,003	\$ (1,142,417)	55.98%	\$ 1,345,856	(84.9) %
<u>Firemen Plan</u>	7/1/2011	\$ 377,752	\$ 460,452	\$ (82,700)	82.04%	N/A	N/A

Historical Trend Information – The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL's for benefits.

**TOWN OF DEEP RIVER, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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**Three-Year Trend Information**

The Town's annual pension cost and net pension obligation (asset) to the pension trust fund for the current year were:

<u>Town</u>	Fiscal Year Ending	Annual Pension Cost	Percentage of APC Contributed	Amount Contributed	Net Pension Obligation
	6/30/2011	\$ 350,239	72.19%	\$ 252,835	\$ 1,150,406
	6/30/2012	299,751	74.52%	223,389	1,226,768
	6/30/2013	319,261	79.73%	254,552	1,291,477

<u>Firemen</u>	Fiscal Year Ending	Annual Pension Cost	Percentage of APC Contributed	Amount Contributed	Net Pension (Asset) Obligation
	6/30/2011	\$ 38,448	117.7%	\$ 45,250	\$ (74,275)
	6/30/2012	39,260	50.9%	20,000	(55,015)
	6/30/2013	31,094	70.9%	22,061	(45,982)

**TOWN OF DEEP RIVER, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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**TOWN OF DEEP RIVER, CONNECTICUT**  
**COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS**  
**June 30, 2013**

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	Pension Trust Funds		
	Town Employees' Pension Plan	Volunteer Firefighters' Retirement Plan	Total Pension Trust Funds
<b>ASSETS</b>			
Investments, at fair value:			
Equity mutual funds	\$ 1,209,217	\$ 236,976	\$ 1,446,193
Bond mutual funds	569,809	131,192	701,001
Fixed income mutual funds	1,854	-	1,854
<b>Total investments</b>	<u>1,780,880</u>	<u>368,168</u>	<u>2,149,048</u>
Receivable:			
Employer contribution	207,448	22,061	229,509
<b>Total assets</b>	<u>1,988,328</u>	<u>390,229</u>	<u>2,378,557</u>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>	<u>\$ 1,988,328</u>	<u>\$ 390,229</u>	<u>\$ 2,378,557</u>

**TOWN OF DEEP RIVER, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

**TOWN OF DEEP RIVER, CONNECTICUT**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITIONS - FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2013**

	Pension Trust Funds		
	Town Employees' Pension Plan	Volunteer Firefighters' Retirement Plan	Total Pension Trust Funds
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 254,552	\$ 22,061	\$ 276,613
Investment Income:			
Net appreciation in fair value of investments	198,431	41,538	239,969
Interest and dividends	315	-	315
<b>Total investment income</b>	<b>198,746</b>	<b>41,538</b>	<b>240,284</b>
<b>Total additions</b>	<b>453,298</b>	<b>63,599</b>	<b>516,897</b>
<b>DEDUCTIONS</b>			
Benefits	130,000	38,684	168,684
Administration	250	250	500
<b>Total deductions</b>	<b>130,250</b>	<b>38,934</b>	<b>169,184</b>
<b>Change in net position</b>	<b>323,048</b>	<b>24,665</b>	<b>347,713</b>
<b>NET POSITION, July 1, 2012</b>	<b>1,665,280</b>	<b>365,564</b>	<b>2,030,844</b>
<b>NET POSITION, June 30, 2013</b>	<b>\$ 1,988,328</b>	<b>\$ 390,229</b>	<b>\$ 2,378,557</b>

Connecticut State Teachers' Retirement System

The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board. A teacher is eligible to receive normal retirement benefits if he or she has attained age sixty and has accumulated twenty years of credited service in the public schools of Connecticut or has attained any age and has accumulated thirty-five years of credited service, at least twenty-five of which are service in the public schools of Connecticut. The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

**TOWN OF DEEP RIVER, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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Certain part-time and full-time certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings to the plan. The Town does not, and is not legally responsible to, contribute to the plan.

The State of Connecticut contributes based on actuarially determined amounts. The funding level was determined based on an actuarial valuation of the plan as a whole, which does not provide actuarial information on an individual city/town basis.

In addition, the Town has recognized revenues and expenditures for on-behalf payments for pension contributions paid directly to the Connecticut State Teachers' Retirement System by the State of Connecticut. Such on-behalf payments were approximately \$349,000 for the year ended June 30, 2013.

**Note 12. Fund Balances**

Below is a table of fund balance categories and classifications at June 30, 2013 for the Town governmental funds:

	General Fund	Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>
<b>Fund balances:</b>		
<b>Restricted:</b>		
General government	\$ -	\$ 71,083
Education	-	618
<b>Total restricted</b>	<u>-</u>	<u>71,701</u>
<b>Committed:</b>		
General government	-	196,081
Public works	-	236,945
<b>Total committed</b>	<u>-</u>	<u>433,026</u>
<b>Assigned:</b>		
General government	57,469	-
Health and social services	-	82,740
<b>Total assigned</b>	<u>57,469</u>	<u>82,740</u>
<b>Unassigned:</b>		
General government	87,847	-
Education	-	(15)
<b>Total unassigned (deficit)</b>	<u>87,847</u>	<u>(15)</u>
<b>Total fund balance</b>	<u>\$ 145,316</u>	<u>\$ 587,452</u>

## TOWN OF DEEP RIVER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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#### Note 13. Governmental Accounting Standards Board (GASB) Statements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations.

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

- **GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities***, clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, GASB 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, GASB 65 recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The provisions of this Statement are effective for periods beginning after December 15, 2012, and would be applied on a prospective basis. Early adoption is encouraged.
- **GASB Statement No. 66, *Technical Corrections - 2012***, enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. GASB 66 amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state or local government's risk financing activities to the general fund and the internal service fund types. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement also amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for: (a) operating lease payments that vary from a straight-line basis; (b) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans; and (c) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. The provisions of this Statement are effective for periods beginning after December 15, 2012, and would be applied on a prospective basis. Early adoption is encouraged.
- **GASB Statement No. 67, *Financial Reporting for Pension Plans an amendment of GASB Statement No. 25***, was issued in June 2012. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of

## TOWN OF DEEP RIVER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The provisions of this Statement will be effective for the Town beginning with its year ending June 30, 2014.

- **GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27***, was issued in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The provisions of this Statement will be effective for the Town beginning with its year ending June 30, 2016.
- **GASB Statement No. 69, *Government Combinations and Disposals of Government Operations***, was issued in January 2013. This Statement provides guidance for:
  - Determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations.
  - Using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations.
  - Measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based on their acquisition values in a government acquisition.
  - Reporting the disposal of government operations that have been transferred or sold.

The requirements of this Statement are effective for periods beginning after December 15, 2013, and should be applied on a prospective basis.

- **GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees***. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013.
- **GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement date, an amendment of GASB Statement No. 68***. The objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, Accounting and Financial Reporting for Pensions, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The provisions of this Statement are effective for reporting periods after June 15, 2014

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**Required Supplementary  
Information - *unaudited***



**TOWN OF DEEP RIVER, CONNECTICUT**

**PENSION TRUST FUNDS – SCHEDULES OF FUNDING PROGRESS  
REQUIRED SUPPLEMENTARY INFORMATION - *unaudited*  
June 30, 2013**

<b>TOWN EMPLOYEES' RETIREMENT SYSTEM</b>						
	A	B	(A-B)	(A/B)	C	((B-A)/C)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarially Accrued Liability (AAL) Projected Unit Credit	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over/Under Funded AAL as a Percentage of Covered Payroll
July 1,						
2011	1,452,586	2,595,003	(1,142,417)	56.0%	1,345,856	(84.9%)
2010	1,060,371	2,285,458	(1,225,087)	46.4%	1,236,322	(99.1%)
2009	928,782	1,994,719	(1,065,937)	46.6%	1,555,806	(68.5%)
2008	842,750	1,490,809	(648,059)	56.5%	1,378,940	(47.0%)
2007	768,390	1,260,386	(491,996)	61.0%	1,264,574	(38.9%)
2006	1,018,222	1,498,091	(479,869)	68.0%	1,211,885	(39.6%)

<b>FIREFIGHTERS' MERIT PLAN</b>						
	A	B	(A-B)	(A/B)	C	((B-A)/C)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarially Accrued Liability (AAL) Projected Unit Credit	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over/Under Funded AAL as a Percentage of Covered Payroll
July 1,						
2011	377,752	460,452	(82,700)	82.0%	N/A	N/A
2010	312,846	437,690	(124,844)	71.5%	N/A	N/A
2009	272,650	421,336	(148,686)	64.7%	N/A	N/A
2008	308,144	411,998	(103,854)	74.8%	N/A	N/A
2007	304,762	401,096	(96,334)	76.0%	N/A	N/A
2006	270,237	395,664	(125,427)	68.3%	N/A	N/A

TOWN OF DEEP RIVER, CONNECTICUT

PENSION TRUST FUNDS - SCHEDULE OF EMPLOYER CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION - *unaudited*  
June 30, 2013

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Schedule of Employer Contributions

	Year Ended June 30,	Annual Required Contribution	Actual Contribution	Net Percentage Contribution
<u>Town Plan</u>	2008	230,036	230,378	100.15%
	2009	246,683	200,743	81.38%
	2010	246,683	242,061	98.13%
	2011	287,059	252,835	88.08%
	2012	230,727	223,389	96.82%
	2013	245,655	254,552	103.62%
<u>Firemen Plan</u>	2008	23,557	45,000	191.03%
	2009	15,068	45,447	301.61%
	2010	22,204	43,000	193.66%
	2011	31,989	45,250	141.45%
	2012	30,808	20,000	64.92%
	2013	23,499	22,061	93.88%

TOWN OF DEEP RIVER, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS - BUDGET AND ACTUAL -

GENERAL FUND - *unaudited*

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes, interest and lien fees	\$ 11,876,474	\$ 11,876,474	11,959,196	\$ 82,722
Intergovernmental	2,017,787	2,017,697	2,882,735	865,038
Charges for services	361,440	361,440	544,347	182,907
Income from investments	7,500	7,500	6,005	(1,495)
<b>Total revenues</b>	<b>14,263,201</b>	<b>14,263,111</b>	<b>15,392,283</b>	<b>1,129,172</b>
<b>EXPENDITURES</b>				
Current:				
General government	1,782,735	1,853,599	1,851,299	2,300
Public safety	513,039	641,762	640,974	788
Public works	949,989	1,065,438	1,065,435	3
Health and social services	98,802	100,270	100,270	-
Parks and recreation	134,700	180,101	180,101	-
Education	9,766,767	9,763,100	9,767,671	(4,571)
Capital outlay	364,000	401,000	1,265,386	(864,386)
Debt service:				
Principal	594,560	594,181	594,181	-
Interest	126,233	126,233	126,233	-
<b>Total expenditures</b>	<b>14,330,825</b>	<b>14,725,684</b>	<b>15,591,550</b>	<b>(865,866)</b>
<b>Revenues over (under) expenditures</b>	<b>(67,624)</b>	<b>(462,573)</b>	<b>(199,267)</b>	<b>263,306</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	67,624	67,624	20,000	47,624
<b>Total other financing sources (uses)</b>	<b>67,624</b>	<b>67,624</b>	<b>20,000</b>	<b>(47,624)</b>
<b>Total</b>	<b>\$ -</b>	<b>\$ (394,949)</b>	<b>(179,267)</b>	<b>\$ 215,682</b>

See Note to Required Supplementary Information.

## TOWN OF DEEP RIVER, CONNECTICUT

### NOTE TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2013

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#### **Note 1. Budgets and Budgetary Accounting**

##### General Fund

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

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

**TOWN OF DEEP RIVER, CONNECTICUT**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION, Continued**  
**June 30, 2013**

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

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Balance, GAAP basis	\$ 15,853,187	\$ 16,031,505
Excess cost grants	(76,163)	(76,163)
Effect of GASB No. 54	(15,741)	(14,792)
State Teachers Retirement payments made by State Department of Education on behalf of the Town, not recognized for budgetary purposes	(349,000)	(349,000)
Balance, budgetary basis	<u>\$ 15,412,283</u>	<u>\$ 15,591,550</u>

Special Revenue Funds

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

Capital Project Funds

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

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



**General Fund**

## **General Fund**

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

TOWN OF DEEP RIVER, CONNECTICUT

GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGETARY BASIS -  
BUDGET AND ACTUAL

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>TAXES, INTEREST AND LIEN FEES</b>				
Current Taxes	\$ 11,676,474	\$ 11,676,474	\$ 11,653,786	\$ (22,688)
Prior Taxes	150,000	150,000	201,737	51,737
Interest and Lien Fees	50,000	50,000	103,673	53,673
<b>Total taxes, interest and lien fees</b>	<b>11,876,474</b>	<b>11,876,474</b>	<b>11,959,196</b>	<b>82,722</b>
<b>INTERGOVERNMENTAL</b>				
Education cost sharing	1,711,882	1,711,882	1,718,943	7,061
Telephone Tax Sharing	34,661	34,661	17,074	(17,587)
Transportation	4,998	4,998	8,452	3,454
Town aid roads	100,098	100,098	99,502	(596)
PILOT - State owned property	9,803	9,803	-	(9,803)
Pequot fund	14,321	14,231	12,061	(2,170)
Emergency Homeland	-	-	45,000	45,000
Tax relief for elderly	29,603	29,603	34,678	5,075
Unrestricted grants	75,000	75,000	154,208	79,208
Tax relief for veterans	2,919	2,919	3,596	677
Village Street	-	-	589,383	589,383
Small Town Economic Assistance	-	-	111,150	111,150
FEMA	-	-	56,959	56,959
Boat registration	3,600	3,600	-	(3,600)
LOCIP - Infrastructure	30,902	30,902	31,729	827
<b>Total intergovernmental</b>	<b>2,017,787</b>	<b>2,017,697</b>	<b>2,882,735</b>	<b>865,038</b>
<b>CHARGES FOR SERVICES</b>				
<b>Licenses and Permits</b>				
Licenses and permits	500	500	400	(100)
Building permits	50,000	50,000	62,917	12,917
Planning and zoning fees	19,500	19,500	7,050	(12,450)
Conveyance tax	40,000	40,000	38,037	(1,963)
Public Health Nursing Fees	-	-	64	64
Town Clerk fees	35,000	35,000	45,267	10,267
Fire Marshal permits/fees	100	100	600	500
Inland wetland/conservation permit	1,000	1,000	980	(20)
<b>Total licenses and permits</b>	<b>146,100</b>	<b>146,100</b>	<b>155,315</b>	<b>9,215</b>
<b>Charges for services</b>				
Reimbursement for Administrative Sewer	16,000	16,000	-	(16,000)
Rental income - Town equipment	25,000	25,000	27,510	2,510
Bulky waste site contract	55,000	55,000	55,000	-
<b>Total charges for services</b>	<b>96,000</b>	<b>96,000</b>	<b>82,510</b>	<b>(13,490)</b>

(Continued)

TOWN OF DEEP RIVER, CONNECTICUT

GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGETARY BASIS -  
 BUDGET AND ACTUAL, Continued  
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Miscellaneous</b>				
Recycling fees	25,000	25,000	43,033	18,033
Park and recreation fees	32,340	32,340	57,922	25,582
Miscellaneous	12,000	12,000	89,321	77,321
Public safety/police	30,000	30,000	98,456	68,456
Newsletter	20,000	20,000	17,790	(2,210)
<b>Total miscellaneous</b>	<b>119,340</b>	<b>119,340</b>	<b>306,522</b>	<b>187,182</b>
<b>Total charges for services</b>	<b>361,440</b>	<b>361,440</b>	<b>544,347</b>	<b>182,907</b>
<b>INCOME FROM INVESTMENTS</b>				
Interest Income	7,500	7,500	6,005	(1,495)
<b>TRANSFERS IN</b>	<b>67,624</b>	<b>67,624</b>	<b>20,000</b>	<b>(47,624)</b>
<b>Total revenues and transfers in</b>	<b>\$ 14,330,825</b>	<b>\$ 14,330,735</b>	<b>\$ 15,412,283</b>	<b>\$ 1,081,548</b>

(Concluded)

TOWN OF DEEP RIVER, CONNECTICUT

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>GENERAL GOVERNMENT:</b>				
<b>SELECTMAN</b>				
First Selectman Salary	\$ 65,668	\$ 66,256	\$ 66,256	\$ -
Selectmen Salary	7,947	7,947	7,946	1
Treasurer Salary	7,151	7,151	7,149	2
Administrative Assistant Salary	33,715	34,253	34,534	(281)
Accounts Manager	57,305	68,217	68,217	-
Legal Fees	15,500	18,397	18,397	-
Engineering Services	4,000	18,214	18,214	-
Expense Allowance	3,000	3,000	3,000	-
Office Supplies and Postage	22,500	28,103	28,103	-
School/Meetings	750	750	1,054	(304)
Legal Notices	8,160	8,160	7,578	582
<b>Total Selectman</b>	<b>225,696</b>	<b>260,448</b>	<b>260,448</b>	<b>-</b>
<b>ELECTIONS</b>				
Registrars' Salary	7,803	7,803	8,486	(683)
Part-time Elections Salary	6,367	4,532	3,547	985
Printing Expenses	3,000	3,000	3,302	(302)
<b>Total Elections</b>	<b>17,170</b>	<b>15,335</b>	<b>15,335</b>	<b>-</b>
<b>BUILDING OPERATIONS</b>				
Fuel Oil	102,000	126,099	127,663	(1,564)
Water	8,000	8,000	7,130	870
Electricity	50,000	50,000	48,730	1,270
Sewer Fees	3,147	3,147	2,820	327
Telephone - Town Dept.	27,500	28,135	27,935	200
Custodial Services/Supplies	20,000	23,302	23,650	(348)
Miscellaneous Supplies	1,000	1,196	1,599	(403)
Building Repairs	35,000	73,716	73,716	-
Elderly Housing Sewer Fees	3,000	3,000	3,000	-
Quarterly Sprinkler/Elevator Inspections	3,200	3,795	4,148	(353)
<b>Total Building Operations</b>	<b>252,847</b>	<b>320,390</b>	<b>320,391</b>	<b>(1)</b>
<b>TOWN CLERK</b>				
Town Clerk Salary	45,226	45,226	45,263	(37)
Assistant's Salary	17,453	18,530	18,563	(33)
Index Land Records	1,200	1,200	1,528	(328)
School/Meetings	800	800	901	(101)
Micro Filming	11,400	11,400	10,965	435
Vital Statistics	600	600	537	63
<b>Total Town Clerk</b>	<b>76,679</b>	<b>77,756</b>	<b>77,757</b>	<b>(1)</b>

(Continued)

TOWN OF DEEP RIVER, CONNECTICUT

GENERAL FUND EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS -  
 BUDGET AND ACTUAL, Continued  
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>BOARD OF FINANCE</b>				
Part-time Clerical Salary	400	400	-	400
Auditor/Consultant	24,000	22,923	21,900	1,023
Printing Expense	6,000	2,764	2,367	397
<b>Total Board of Finance</b>	<b>30,400</b>	<b>26,087</b>	<b>24,267</b>	<b>1,820</b>
<b>TAX REVIEW</b>				
Tax Reviewer Salary	624	624	198	426
<b>Total Tax Review</b>	<b>624</b>	<b>624</b>	<b>198</b>	<b>426</b>
<b>ASSESSOR</b>				
Assessor Salary	68,674	68,674	71,316	(2,642)
Secretary Salary	28,461	28,461	28,664	(203)
Valuation Appeals	10,000	10,000	8,195	1,805
Audits	1,500	1,500	1,000	500
Computer Maintenance & Service	12,000	12,000	12,000	-
Update Maps	1,500	1,142	420	722
School/Meetings	2,390	2,390	2,571	(181)
Auto Mileage Expense	700	700	700	-
<b>Total Assessor</b>	<b>125,225</b>	<b>124,867</b>	<b>124,866</b>	<b>1</b>
<b>TAX COLLECTOR</b>				
Tax Collector Salary	39,325	39,325	39,313	12
Part-time Clerical Salary	15,110	15,110	13,467	1,643
Legal Fees	-	-	56	(56)
Computer Maintenance & Services	3,500	3,500	274	3,226
School/Meetings	1,500	1,500	949	551
Legal Notices	450	450	375	75
Tax Refunds	15,000	28,900	34,352	(5,452)
DMV Fees	1,058	1,058	1,057	1
<b>Total Tax Collector</b>	<b>75,943</b>	<b>89,843</b>	<b>89,843</b>	<b>-</b>
<b>SPECIAL SERVICES</b>				
Data Processing Services	9,000	13,150	13,667	(517)
Copier	5,500	5,500	7,008	(1,508)
BMSI License/Computer Support Fee	12,000	12,000	8,317	3,683
Senior Citizen's Club	500	500	-	500
Beautification Committee	2,000	2,000	2,571	(571)
Memorial Day	1,600	1,600	1,527	73

(Continued)

TOWN OF DEEP RIVER, CONNECTICUT

GENERAL FUND EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS -  
 BUDGET AND ACTUAL, Continued  
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>SPECIAL SERVICES, CONTINUED</b>				
Industrial Development Committee	2,000	2,000	-	2,000
Newsletter/Brochure	20,000	20,000	21,110	(1,110)
Dog Fund Salary	10,000	13,667	15,543	(1,876)
Essex Dog Run Lease	3,938	3,938	3,937	1
Contingency	15,000	17,350	18,025	(675)
<b>Total Special Services</b>	<b>81,538</b>	<b>91,705</b>	<b>91,705</b>	<b>-</b>
<b>PLANNING &amp; ZONING</b>				
Enforcement Officer Salary	28,374	28,374	30,868	(2,494)
Part-time Clerical Salary	3,471	3,471	1,936	1,535
Legal Fees	-	-	809	(809)
Engineering Services	4,000	4,000	4,452	(452)
Training/Meetings	2,100	2,100	-	2,100
Legal notices	-	-	593	(593)
Printing Expenses	500	500	-	500
Engineering/Professional Services	17,000	3,064	2,850	214
<b>Total Planning &amp; Zoning</b>	<b>55,445</b>	<b>41,509</b>	<b>41,508</b>	<b>1</b>
<b>ZONING BOARD OF APPEALS</b>				
Part-time Clerical Salary	312	312	305	7
Office Supplies & Postages	-	-	15	(15)
Legal Notices	-	142	135	7
<b>Total Zoning Board of Appeals</b>	<b>312</b>	<b>454</b>	<b>455</b>	<b>(1)</b>
<b>BUILDING OFFICIAL</b>				
Building Official Salary	28,091	28,091	30,036	(1,945)
Secretary Salary	13,708	6,277	6,345	(68)
Reference Manuals/Books	650	650	125	525
State Training fees	2,400	2,400	912	1,488
<b>Total Building Official</b>	<b>44,849</b>	<b>37,418</b>	<b>37,418</b>	<b>-</b>
<b>INLAND WETLANDS &amp; CONSERVATION</b>				
Enforcement Agent Salary	7,540	5,238	5,238	-
Part-time Clerical Salary	2,913	2,318	2,318	-
Technical Services	1,000	-	-	-
Middlesex Soil Conservation Services	1,577	1,577	1,577	-
CACIWC	50	50	60	(10)
Auto Mileage Expense	250	54	-	54
Legal Notices	-	-	44	(44)
<b>Total Inland Wetlands &amp; Conservation</b>	<b>13,330</b>	<b>9,237</b>	<b>9,237</b>	<b>-</b>

(Continued)

TOWN OF DEEP RIVER, CONNECTICUT

GENERAL FUND EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS -  
 BUDGET AND ACTUAL, Continued  
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>INSURANCE &amp; BONDS</b>	120,000	102,642	102,725	(83)
<b>LIBRARY</b>				
Librarian Salary	56,044	69,139	69,139	-
Assistants Salary	47,373	53,268	53,268	-
Library Program Expenses	33,800	33,800	33,800	-
<b>Total Library</b>	<b>137,217</b>	<b>156,207</b>	<b>156,207</b>	<b>-</b>
<b>PROBATE</b>				
Clerk	3,500	2,256	2,130	126
<b>EMPLOYEE BENEFITS</b>				
Medical Insurance	210,000	191,361	182,689	8,672
Life Insurance	4,200	4,200	3,285	915
Pension Plan	155,000	155,000	155,000	-
Tax exemption - DRAA & DRFD	17,500	17,500	14,848	2,652
FICA/Social Security - Employer/WPCF	86,000	86,000	96,568	(10,568)
Unemployment Compensation	750	750	2,421	(1,671)
<b>Total Employee Benefits</b>	<b>473,450</b>	<b>454,811</b>	<b>454,811</b>	<b>-</b>
<b>POLITICAL SUBDIVISIONS</b>				
Estuary Transit District	6,952	6,952	6,952	-
Estuary Council Seniors	19,900	15,750	15,750	-
Tri-Town Services	5,000	5,000	5,000	-
Public Service Agencies (formerly CAGM)	4,400	2,050	2,050	-
CRERPA	9,258	9,258	9,258	-
CCM	3,000	3,000	2,988	12
<b>Total Political Subdivisions</b>	<b>48,510</b>	<b>42,010</b>	<b>41,998</b>	<b>12</b>
<b>TOTAL GENERAL GOVERNMENT</b>	<b>1,782,735</b>	<b>1,853,599</b>	<b>1,851,299</b>	<b>2,300</b>
<b>PUBLIC SAFETY:</b>				
<b>POLICE</b>				
Part-time Officers	78,682	78,682	76,245	2,437
Crossing Guard Salary	4,616	4,616	4,047	569
Funded Special Police Services	30,000	79,448	79,448	-
Full-time Officer/FT/OT	60,640	75,933	76,487	(554)
Resident Trooper	117,600	117,600	118,640	(1,040)
Miscellaneous Supplies	2,800	2,800	2,298	502
Vehicle Maintenance	4,000	4,000	5,381	(1,381)
Training	2,000	2,000	925	1,075
Uniforms	2,500	2,500	4,109	(1,609)
<b>Total Police</b>	<b>302,838</b>	<b>367,579</b>	<b>367,580</b>	<b>(1)</b>

(Continued)

TOWN OF DEEP RIVER, CONNECTICUT

GENERAL FUND EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS -  
 BUDGET AND ACTUAL, Continued  
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>FIRE DEPARTMENT</b>				
Part-time Clerical Salary	1,004	1,004	701	303
Communications Equipment Maintenance	6,000	6,000	6,140	(140)
Training	5,000	5,000	5,750	(750)
Physicals	1,000	1,000	81	919
Miscellaneous Building Supplies	5,000	5,000	5,149	(149)
Fire Equipment & Supplies	15,000	15,000	15,309	(309)
Vehicle Fuel & Oil	-	-	226	(226)
Vehicle Maintenance	18,000	18,000	18,035	(35)
Incentive Program	32,000	32,000	31,999	1
Operating Expenses	17,000	17,000	16,924	76
Water Hole Maintenance	3,500	3,500	3,325	175
Banquet	4,200	4,200	4,200	-
Personal Losses	400	400	266	134
<b>Total Fire Department</b>	<b>108,104</b>	<b>108,104</b>	<b>108,105</b>	<b>(1)</b>
<b>FIRE MARSHAL</b>				
Fire Marshal Salary	19,351	19,351	19,351	-
Deputy Marshal Salary	500	500	208	292
Fire Marshal Auto Expense	1,000	1,000	1,000	-
Deputy Fire Marshal Auto Expense	125	125	11	114
Miscellaneous Supplies	500	500	130	370
Burning Official/Training	150	150	150	-
<b>Total Fire Marshal</b>	<b>21,626</b>	<b>21,626</b>	<b>20,850</b>	<b>776</b>
<b>PUBLIC SERVICE COMMUNICATIONS</b>				
Valley Shore Communications Contract	56,015	117,488	117,488	-
Dispatcher Salary	22,956	26,101	26,101	-
<b>Total Public Service Communications</b>	<b>78,971</b>	<b>143,589</b>	<b>143,589</b>	<b>-</b>
<b>CIVIL PREPAREDNESS</b>	<b>1,500</b>	<b>864</b>	<b>850</b>	<b>14</b>
<b>TOTAL PUBLIC SAFETY</b>	<b>513,039</b>	<b>641,762</b>	<b>640,974</b>	<b>788</b>
<b>PUBLIC WORKS:</b>				
<b>HIGHWAY DEPARTMENT</b>				
Road Crew Salary	195,595	233,535	233,535	-
Equipment Maintenance	60,000	82,165	82,164	1
General Road Maintenance	216,000	263,707	263,707	-
Town Aid Road Maintenance	100,098	117,385	117,385	-
<b>Total Highway Department</b>	<b>571,693</b>	<b>696,792</b>	<b>696,791</b>	<b>1</b>

(Continued)

TOWN OF DEEP RIVER, CONNECTICUT

GENERAL FUND EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS -  
 BUDGET AND ACTUAL, Continued  
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>PUBLIC UTILITIES</b>				
Street Lighting	50,000	51,056	51,056	-
Fire Hydrant Service	64,000	65,592	65,592	-
<b>Total Public Utilities</b>	<b>114,000</b>	<b>116,648</b>	<b>116,648</b>	<b>-</b>
<b>WASTE/RECYCLE</b>				
Transfer Station Operator Salary	35,906	35,906	36,380	(474)
Recycling Salary	8,490	8,490	9,593	(1,103)
Water Tests/Engineering	17,000	12,957	12,957	-
CRRRA Tipping Fees	107,000	103,391	103,391	-
Bulky Waste Coverage	85,000	80,354	79,024	1,330
Household Hazardous Waste Facility	10,000	10,000	9,336	664
Sanitary Lavatory Rental	900	900	1,315	(415)
<b>Total Waste/Recycle</b>	<b>264,296</b>	<b>251,998</b>	<b>251,996</b>	<b>2</b>
<b>TOTAL PUBLIC WORKS</b>	<b>949,989</b>	<b>1,065,438</b>	<b>1,065,435</b>	<b>3</b>
<b>HEALTH AND SOCIAL SERVICES:</b>				
<b>SANITARIAN</b>				
Health District	56,196	56,196	56,196	-
<b>PUBLIC HEALTH NURSING SERVICE</b>				
Social Services Salary	15,606	17,074	19,074	(2,000)
LVVNA	27,000	27,000	25,000	2,000
<b>Total Public Health Nursing Service</b>	<b>42,606</b>	<b>44,074</b>	<b>44,074</b>	<b>-</b>
<b>TOTAL HEALTH AND SOCIAL SERVICES</b>	<b>98,802</b>	<b>100,270</b>	<b>100,270</b>	<b>-</b>
<b>PARKS &amp; RECREATION</b>				
Program Director Salary	21,216	27,432	28,122	(690)
Part-time Summer Program Salary	13,000	13,000	13,184	(184)
Life-Gate Guard Salary	17,000	17,000	18,631	(1,631)
Water-Devitt Field	6,500	6,500	367	6,133
Summer Youth Program	8,350	8,350	8,012	338
Maintenance-All Facilities	21,130	60,315	60,315	-
Youth Basketball	10,000	10,000	4,926	5,074
Seasonal Programs	10,354	10,354	10,233	121
New Programs	700	700	1,712	(1,012)
Self-Funding Programs	26,450	26,450	34,599	(8,149)
<b>TOTAL PARKS AND RECREATION</b>	<b>134,700</b>	<b>180,101</b>	<b>180,101</b>	<b>-</b>

(Continued)

TOWN OF DEEP RIVER, CONNECTICUT

GENERAL FUND EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS -  
 BUDGET AND ACTUAL, Continued  
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>DEBT SERVICE:</b>				
<b>INTEREST PAYMENTS</b>				
Regional District #4 Bonds	126,233	126,233	126,233	-
<b>DEBT REDEMPTION</b>				
Regional District #4 Bonds	401,857	401,857	401,857	-
Fire/Highway Dept. Truck	192,703	192,324	192,324	-
<b>Total Debt Redemption</b>	<b>594,560</b>	<b>594,181</b>	<b>594,181</b>	<b>-</b>
<b>TOTAL DEBT SERVICE</b>	<b>720,793</b>	<b>720,414</b>	<b>720,414</b>	<b>-</b>
<b>EDUCATION:</b>				
<b>ELEMENTARY SCHOOL</b>				
	5,400,787	5,400,787	5,406,032	(5,245)
<b>REGIONAL DISTRICT #4</b>				
	4,350,980	4,350,980	4,350,980	-
<b>DEEP RIVER ELEMENTARY SCHOOL</b>				
Maintenance	15,000	11,333	10,659	674
<b>TOTAL EDUCATION</b>	<b>9,766,767</b>	<b>9,763,100</b>	<b>9,767,671</b>	<b>(4,571)</b>
<b>CAPITAL OUTLAY</b>				
Computer Upgrade Project	18,000	18,000	28,520	(10,520)
WPCA	70,000	70,000	70,000	-
Devitt Field Fencing	-	-	9,174	(9,174)
Architectural / Engineering - Fire Department	-	5,000	-	5,000
Village Street Bridge	200,000	200,000	883,607	(683,607)
Equipment - Fire Department	-	12,000	13,305	(1,305)
Fountain Hill Cemetery	30,000	30,000	30,000	-
Phase 5 Streetscape	-	-	111,150	(111,150)
Truck - Highway Department	-	20,000	20,000	-
Police / Highway Vehicles & Equipment	46,000	46,000	44,587	1,413
Fire HQ	-	-	5,500	(5,500)
Town Hall Renovation Project	-	-	49,543	(49,543)
<b>TOTAL CAPITAL OUTLAY</b>	<b>364,000</b>	<b>401,000</b>	<b>1,265,386</b>	<b>(864,386)</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 14,330,825</b>	<b>\$ 14,725,684</b>	<b>\$ 15,591,550</b>	<b>\$ (865,866)</b>

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## **Nonmajor Governmental Funds**

## **NONMAJOR GOVERNMENTAL FUNDS**

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

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

***Dog License Fund*** – is used to account for revenue from dog license fees pursuant to the General Statutes of Connecticut.

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

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

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

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

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

### ***Capital Projects Funds***

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

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TOWN OF DEEP RIVER, CONNECTICUT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2013

	Special Revenue		
	Dog License Fund	Hot Lunch Program Fund	Incubator Building Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 20,898	\$ 196,266
Intergovernmental receivables	-	5,666	-
Loans receivable	-	-	-
Other receivables	-	5,461	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 32,025</b>	<b>\$ 196,266</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ -	\$ 6,362	\$ 582
Due to other funds	-	25,678	8,950
<b>Total liabilities</b>	<b>-</b>	<b>32,040</b>	<b>9,532</b>
Fund Balances			
Restricted	-	-	-
Committed	-	-	186,734
Assigned	-	-	-
Unassigned	-	(15)	-
<b>Total fund balance (deficit)</b>	<b>-</b>	<b>(15)</b>	<b>186,734</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 32,025</b>	<b>\$ 196,266</b>

Special Revenue			Capital Projects		Total Nonmajor Funds
Small Cities Project SC-96	Grant Account	Social Services Fund	Deep River Town Hall Auditorium Restoration Fund	Capital Projects Funds	
\$ 36,623	\$ 618	\$ 82,740	\$ 9,347	\$ 304,825	\$ 651,317
-	-	-	-	-	5,666
34,460	-	-	-	-	34,460
-	-	-	-	-	5,461
<u>\$ 71,083</u>	<u>\$ 618</u>	<u>\$ 82,740</u>	<u>\$ 9,347</u>	<u>\$ 304,825</u>	<u>\$ 696,904</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,944
-	-	-	-	67,880	102,508
-	-	-	-	67,880	109,452
71,083	618	-	-	-	71,701
-	-	-	9,347	236,945	433,026
-	-	82,740	-	-	82,740
-	-	-	-	-	(15)
<u>71,083</u>	<u>618</u>	<u>82,740</u>	<u>9,347</u>	<u>236,945</u>	<u>587,452</u>
<u>\$ 71,083</u>	<u>\$ 618</u>	<u>\$ 82,740</u>	<u>\$ 9,347</u>	<u>\$ 304,825</u>	<u>\$ 696,904</u>

TOWN OF DEEP RIVER, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES (DEFICIT) - NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ending June 30, 2013

	Special Revenue		
	Dog License Fund	Hot Lunch Program Fund	Incubator Building Fund
<b>REVENUES</b>			
Intergovernmental	\$ -	\$ 37,440	\$ -
Charges for services	-	74,272	86,755
Interest income	-	-	-
Other	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>111,712</b>	<b>86,755</b>
<b>EXPENDITURES</b>			
Current:			
General government	-	-	40,790
Public safety	2,602	-	-
Health and social services	-	-	-
Education	-	111,727	-
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>2,602</b>	<b>111,727</b>	<b>40,790</b>
<b>Revenues over (under) expenditures</b>	<b>(2,602)</b>	<b>(15)</b>	<b>45,965</b>
<b>OTHER FINANCING SOURCES</b>			
Transfers (out)	-	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Changes in fund balance</b>	<b>(2,602)</b>	<b>(15)</b>	<b>45,965</b>
<b>FUND BALANCES, beginning</b>	<b>2,602</b>	<b>-</b>	<b>140,769</b>
<b>FUND BALANCES (DEFICIT), ending</b>	<b>\$ -</b>	<b>\$ (15)</b>	<b>\$ 186,734</b>

Special Revenue			Capital Projects		Total Nonmajor Funds
Small Cities Project SC-96	Grant Account	Social Services Fund	Deep River Town Hall Auditorium Restoration Fund	Capital Projects Funds	
\$ -	\$ 142,011	\$ -	\$ -	\$ -	\$ 179,451
-	-	-	-	-	161,027
70	-	166	199	994	1,429
-	28	8,738	-	-	8,766
<u>70</u>	<u>142,039</u>	<u>8,904</u>	<u>199</u>	<u>994</u>	<u>350,673</u>
-	-	-	-	-	40,790
-	-	-	-	-	2,602
-	-	13,750	-	-	13,750
-	141,761	-	-	-	253,488
-	-	-	188,432	-	188,432
<u>-</u>	<u>141,761</u>	<u>13,750</u>	<u>188,432</u>	<u>-</u>	<u>499,062</u>
<u>70</u>	<u>278</u>	<u>(4,846)</u>	<u>(188,233)</u>	<u>994</u>	<u>(148,389)</u>
-	-	-	-	(20,000)	(20,000)
-	-	-	-	(20,000)	(20,000)
<u>70</u>	<u>278</u>	<u>(4,846)</u>	<u>(188,233)</u>	<u>(19,006)</u>	<u>(168,389)</u>
<u>71,013</u>	<u>340</u>	<u>87,586</u>	<u>197,580</u>	<u>255,951</u>	<u>755,841</u>
<u>\$ 71,083</u>	<u>\$ 618</u>	<u>\$ 82,740</u>	<u>\$ 9,347</u>	<u>\$ 236,945</u>	<u>\$ 587,452</u>

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**Fiduciary Funds**

## **FIDUCIARY FUNDS**

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

### **Agency Funds**

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

**TOWN OF DEEP RIVER, CONNECTICUT**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
AGENCY FUNDS**

**For the Year Ended June 30, 2013**

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	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<b>ASSETS</b>				
Cash and cash equivalents				
Student activity fund	\$ 18,823	\$ 20,934	\$ 21,918	\$ 17,839
	<hr/>	<hr/>	<hr/>	<hr/>
<b>LIABILITIES</b>				
Due to student groups				
Student activity fund	\$ 18,823	\$ 20,934	\$ 21,918	\$ 17,839
	<hr/>	<hr/>	<hr/>	<hr/>

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**Other Schedules**



TOWN OF DEEP RIVER, CONNECTICUT

BALANCE SHEET - BY ACCOUNT - GENERAL FUND

June 30, 2013

	General Fund	Library Fund	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 97,296	\$ 57,469	\$ 154,765
Receivables (net of allowances for collection losses):			
Property taxes	363,806	-	363,806
Intergovernmental	173,683	-	173,683
Other	48,701	-	48,701
Due from other funds	297,525	-	297,525
<b>Total assets</b>	<b>\$ 981,011</b>	<b>\$ 57,469</b>	<b>\$ 1,038,480</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accruals	\$ 587,345	\$ -	\$ 587,345
Deferred revenue	305,819	-	305,819
<b>Total liabilities</b>	<b>893,164</b>	<b>-</b>	<b>893,164</b>
<b>FUND BALANCES</b>			
Assigned	-	57,469	57,469
Unassigned	87,847	-	87,847
<b>Total fund balances</b>	<b>87,847</b>	<b>57,469</b>	<b>145,316</b>
<b>Total liabilities and fund balances</b>	<b>\$ 981,011</b>	<b>\$ 57,469</b>	<b>\$ 1,038,480</b>

TOWN OF DEEP RIVER, CONNECTICUT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BY ACCOUNT -  
GENERAL FUND

For the Year Ended June 30, 2013

	General Fund	Library Fund	Eliminations	Totals
<b>REVENUES</b>				
Property taxes and lien fees	\$ 11,959,196	\$ -	\$ -	\$ 11,959,196
Intergovernmental	3,307,898	-	-	3,307,898
Charges for services	544,347	15,495	-	559,842
Investment income	6,005	246	-	6,251
<b>Total revenues</b>	<b>15,817,446</b>	<b>15,741</b>	<b>-</b>	<b>15,833,187</b>
<b>EXPENDITURES</b>				
Current:				
General government	1,817,499	48,592	-	1,866,091
Public safety	640,974	-	-	640,974
Public works	1,065,435	-	-	1,065,435
Health and social services	100,270	-	-	100,270
Parks and recreation	180,101	-	-	180,101
Education	10,720,924	-	-	10,720,924
Capital outlay	1,265,386	-	-	1,265,386
Debt service	192,324	-	-	192,324
<b>Total expenditures</b>	<b>15,982,913</b>	<b>48,592</b>	<b>-</b>	<b>16,031,505</b>
<b>Revenues over (under) expenditures</b>	<b>(165,467)</b>	<b>(32,851)</b>	<b>-</b>	<b>(198,318)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	20,000	33,800	(33,800)	20,000
Transfers out	(33,800)	-	33,800	-
<b>Net other financing sources (uses)</b>	<b>(13,800)</b>	<b>33,800</b>	<b>-</b>	<b>20,000</b>
<b>Net change in fund balances</b>	<b>(179,267)</b>	<b>949</b>	<b>-</b>	<b>(178,318)</b>
<b>FUND BALANCES, beginning of year</b>	<b>267,114</b>	<b>56,520</b>	<b>-</b>	<b>323,634</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 87,847</b>	<b>\$ 57,469</b>	<b>\$ -</b>	<b>\$ 145,316</b>

TOWN OF DEEP RIVER, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING  
For the Year Ended June 30, 2013

Grand List Year	Balance Uncollected July 1, 2012	Current Levy	Lawful Corrections		Balance to be Collected	Collections			Balance Uncollected June 30, 2013
			Net Adjustments	Transfers to Suspense		Taxes	Interest and Lien Fees	Total	
1997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1998	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-	-	-
2002	-	-	-	-	-	-	-	-	-
2003	-	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-	-
2005	53	-	-	-	53	-	-	-	53
2006	2,135	-	-	-	2,135	1,119	947	2,066	1,016
2007	15,578	-	-	-	15,578	14,497	10,064	24,561	1,081
2008	22,701	-	-	-	22,701	18,751	8,024	26,775	3,950
2009	59,643	-	2,906	-	62,549	37,556	16,413	53,969	24,993
2010	214,766	-	397	-	215,163	125,790	23,346	149,136	89,373
2011	-	11,944,477	16,377	-	11,960,854	11,724,949	34,255	11,759,204	235,905
<b>Total</b>	<b>\$ 314,876</b>	<b>\$ 11,944,477</b>	<b>\$ 19,680</b>	<b>\$ -</b>	<b>\$ 12,279,033</b>	<b>\$ 11,922,662</b>	<b>\$ 93,049</b>	<b>\$ 12,015,711</b>	<b>\$ 356,371</b>

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