

TOWN OF BEACON FALLS, CONNECTICUT

FINANCIAL STATEMENTS

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

TOWN OF BEACON FALLS, CONNECTICUT
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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Finance
Town of Beacon Falls, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Beacon Falls, Connecticut (the "Town") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and the information plans on pages 43 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund statements and schedules on pages 54 through 59 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2018 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Mahoney Sabol + Company, LLP

Certified Public Accountants
Glastonbury, Connecticut
December 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

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

The management of the Town of Beacon Falls, Connecticut (the "Town") offers the readers of its financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$14,549,669 (net position). Of this amount, \$3,938,447 represents the Town's unrestricted net position, which may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position decreased by \$296,433 during the current fiscal year.
- The beginning net position of the Town was decreased by \$682,258 as a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This decrease represented the difference between the net other post-employment benefits obligation previously recognized in accordance with GASB Statement No. 45 and the total other post-employment liability recognized in accordance with GASB Statement No. 75.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$6,151,366, a decrease of \$1,071,852 in comparison with the prior year.
- At the close of the current fiscal year, unassigned fund balance of the General Fund was \$2,827,421 or 13.8% of total General Fund expenditures. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.7 months of General Fund operating expenditures.
- The Town's total capital assets increased by \$330,913 or 1.8% during the current year.
- The Town's total long-term bonded debt decreased by \$705,000 or 7.7% during the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The statement of net position presents information on all of the Town's assets, deferred outflows/inflows of resources and liabilities, with net position as the residual of these elements. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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 result in cash flows in future fiscal periods.

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

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Government-wide Financial Statements *(Continued)*

Both of the government-wide financial statements are intended to distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include activities such as: general government, public works, public safety, culture and recreation, and education. The Town has no business-type activities.

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

Fund Financial Statements

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

Governmental Funds

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

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

The Town maintains several governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Sewer Waste Water Fund and the Special Projects Fund, all of which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 15 through 19 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to the Town's own programs. The basic fiduciary fund financial statements can be found on pages 20 and 21 of this report.

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

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 46 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information other than this management's discussion and analysis that can be found on pages 43 through 53 of this report. Combining and individual fund statements and schedules can be found on pages 54 through 59 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

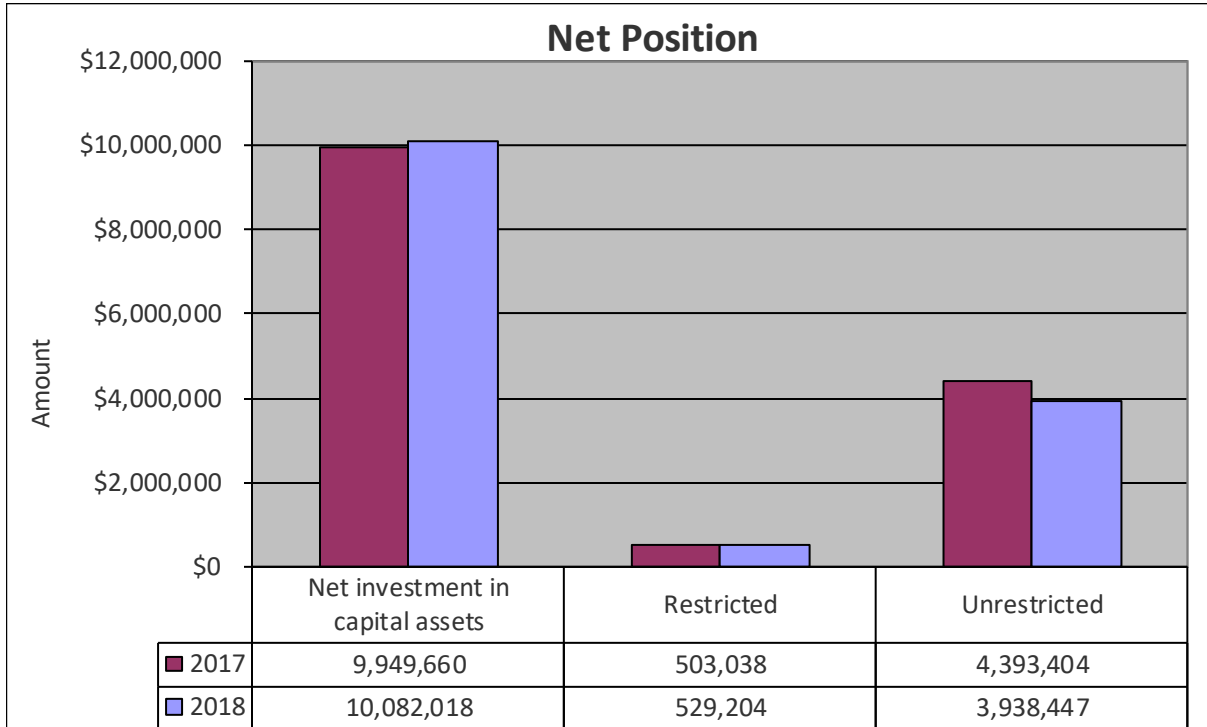
Over time, net position may serve as one measure of a government's financial position. The net position of the Town totaled \$14,549,669 as of June 30, 2018 and \$14,846,102 as of June 30, 2017, as adjusted for the implementation of GASB Statement No. 75, and is summarized as follows:

	2018	2017 <i>(As Adjusted)</i>	\$ Variance	% Variance
Current and other assets	\$ 8,850,632	\$ 10,622,874	\$ (1,772,242)	-16.7%
Capital assets	18,374,439	18,043,526	330,913	1.8%
Total assets	<u>27,225,071</u>	<u>28,666,400</u>	<u>(1,441,329)</u>	-5.0%
Deferred outflows of resources	<u>234,697</u>	<u>506,655</u>	<u>(271,958)</u>	-53.7%
Other liabilities	819,988	1,931,424	(1,111,436)	-57.5%
Long-term liabilities	<u>12,021,031</u>	<u>12,395,529</u>	<u>(374,498)</u>	-3.0%
Total liabilities	<u>12,841,019</u>	<u>14,326,953</u>	<u>(1,485,934)</u>	-10.4%
Deferred inflows of resources	<u>69,080</u>	<u>-</u>	<u>69,080</u>	100.0%
Net position:				
Net investment in capital assets	10,082,018	9,949,660	132,358	1.3%
Restricted	529,204	503,038	26,166	5.2%
Unrestricted	<u>3,938,447</u>	<u>4,393,404</u>	<u>(454,957)</u>	-10.4%
Total net position	<u>\$ 14,549,669</u>	<u>\$ 14,846,102</u>	<u>\$ (296,433)</u>	-2.0%

TOWN OF BEACON FALLS, CONNECTICUT
 MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (Continued)
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)



As of June 30, 2018, approximately 69.3% of the Town's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

3.6% of the Town's net position is subject to external restrictions on how they may be used and are therefore presented as restricted net position.

The remainder of the Town's net position is considered unrestricted. Overall, net position decreased by \$296,433 in comparison with the prior year.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Change in Net Position

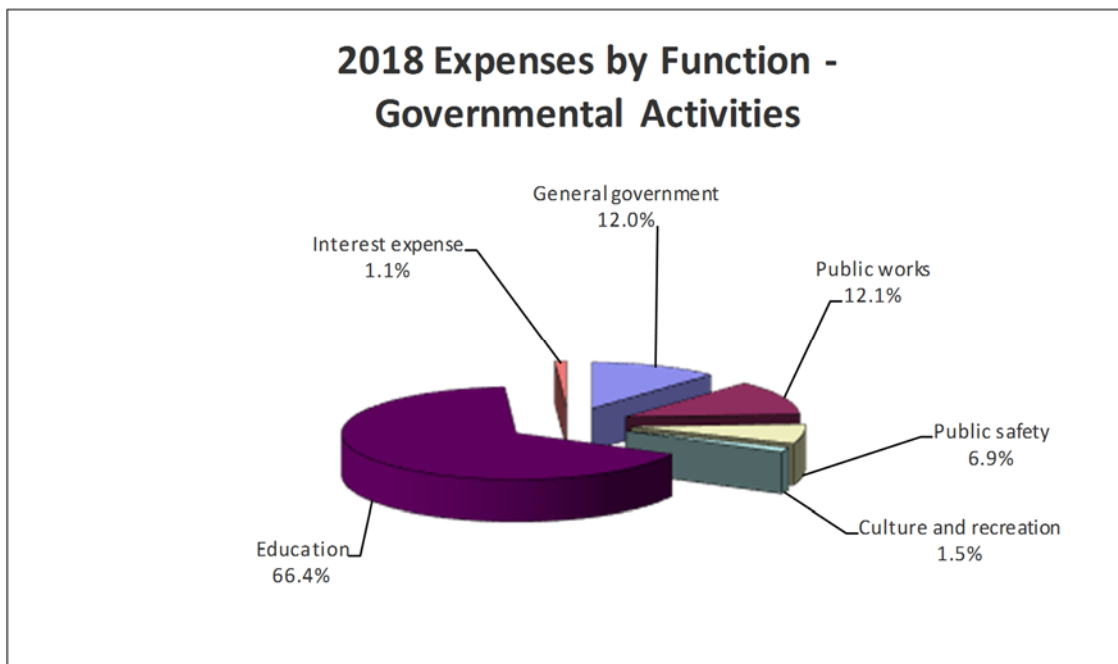
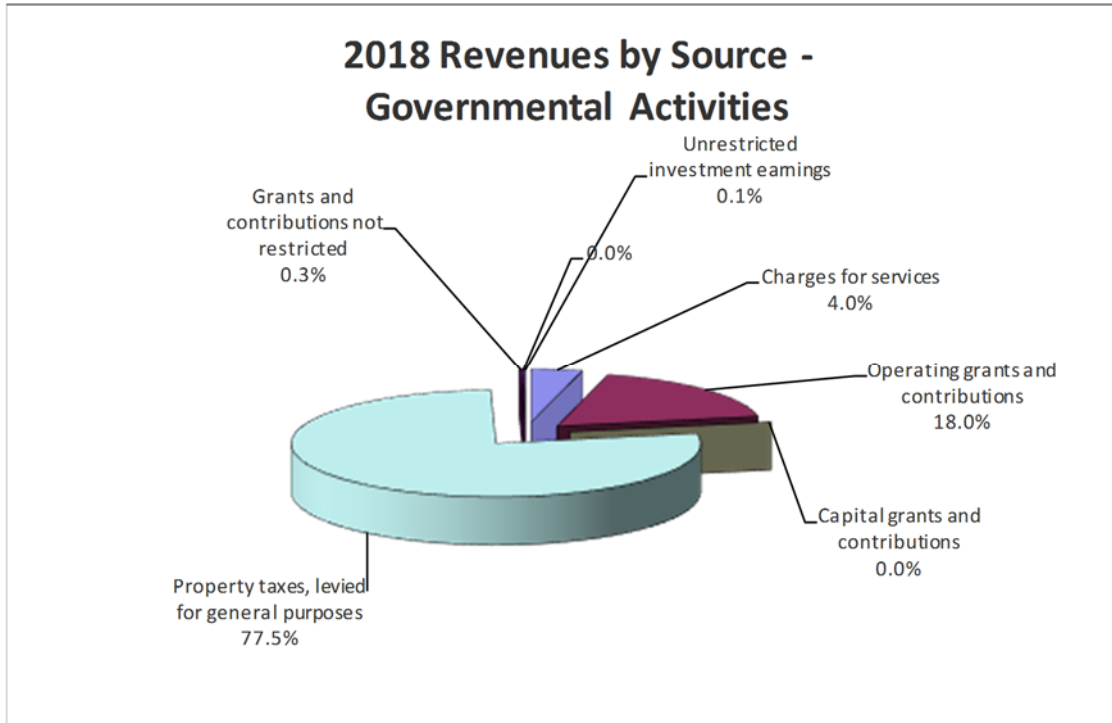
Changes in net position for the years ended June 30, 2018 and 2017 are as follows. Reclassifications have been made to the amounts reported for the year ended June 30, 2017 to conform with current year presentation. The amounts reported for the year ended June 30, 2017 have not been adjusted for the implementation of GASB Statement No. 75, since the effects of the adjustments on the statements of changes in net position are not readily determinable.

	<u>2018</u>	<u>2017</u>	<u>\$ Variance</u>	<u>% Variance</u>
Revenues				
Program revenues:				
Charges for services	\$ 868,810	\$ 820,100	\$ 48,710	5.9%
Operating grants and contributions	3,900,630	4,374,107	(473,477)	-10.8%
Capital grants and contributions	-	390,065	(390,065)	-100.0%
General revenues:				
Property taxes, levied for general purposes	16,775,393	16,289,815	485,578	3.0%
Grants and contributions not restricted to specific programs	59,768	264,837	(205,069)	-77.4%
Unrestricted investment earnings	30,789	13,781	17,008	123.4%
Total revenues	<u>21,635,390</u>	<u>22,152,705</u>	<u>(517,315)</u>	-2.3%
Expenses				
General government	2,622,748	2,630,281	(7,533)	-0.3%
Public works	2,663,666	2,554,948	108,718	4.3%
Public safety	1,508,891	1,449,148	59,743	4.1%
Culture and recreation	337,709	333,552	4,157	1.2%
Education	14,561,418	14,209,521	351,897	2.5%
Interest expense	237,391	382,112	(144,721)	-37.9%
Total expenses	<u>21,931,823</u>	<u>21,559,562</u>	<u>372,261</u>	1.7%
Change in net position	<u>\$ (296,433)</u>	<u>\$ 593,143</u>	<u>\$ (889,576)</u>	-150.0%

TOWN OF BEACON FALLS, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Change in Net Position (Continued)



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

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$6,151,366.

General Fund

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, fund balance of the General Fund was \$3,048,724 of which \$2,827,421 was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 13.8% of total General Fund expenditures. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.7 months of General Fund operating expenditures.

The fund balance of the Town's General Fund decreased by \$247,082 during the current fiscal year.

Sewer Waste Water Fund

The fund balance of the Sewer Waste Water Fund increased by \$62,944 during the current fiscal year, which resulted in an ending fund balance of \$1,138,708 as of June 30, 2018.

Special Projects Fund

The fund balance of the Special Projects Fund increased by \$805 during the current fiscal year, which resulted in an ending fund balance of \$16,713 as of June 30, 2018.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original operating budget for the General Fund planned for the utilization of fund balance in the amount of \$155,531. Additional appropriations in the amount of \$347,878 were authorized during the year ended June 30, 2018.

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

GENERAL FUND BUDGETARY HIGHLIGHTS *(Continued)*

The actual net change in fund balance of the General Fund on a budgetary basis was a decrease of \$284,338 in the current fiscal year. Expenditures were \$652,236 less than budgeted. Total budgetary revenues were \$453,932 less than expected, primarily due to a shortfall in revenues received from the State of Connecticut.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2018 and 2017 totaled \$18,374,439 and \$18,043,526, respectively (net of accumulated depreciation and amortization). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure. The total increase in the Town's investment in capital assets for the current fiscal year was \$330,913. This increase is primarily due to costs incurred relating to the fire department equipment and on-going road improvement projects, offset by current year depreciation expense and disposals.

Major capital asset additions during the current year included the following:

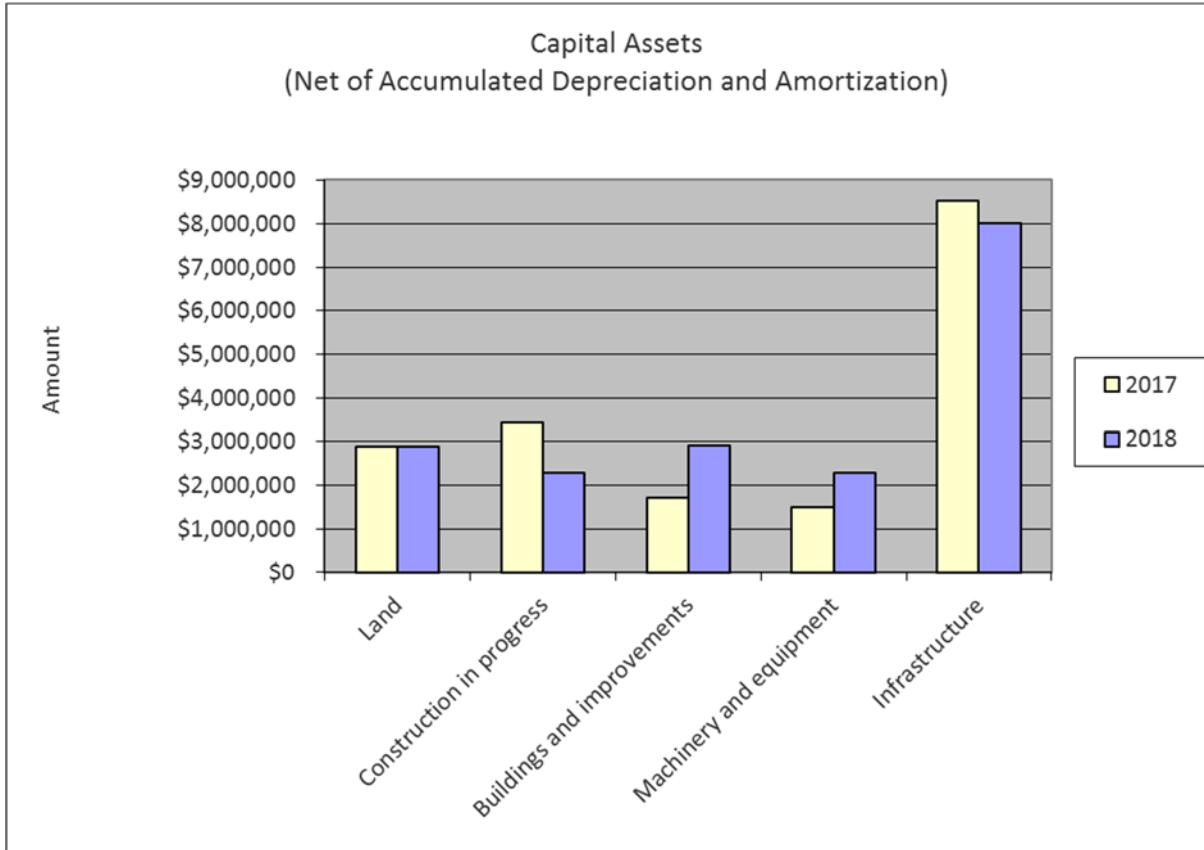
- Outlays related to fire department equipment purchases in the amount of \$850 thousand primarily for a fire ladder truck;
- Outlays in the amount of \$77 thousand to fund the purchase of machinery and equipment for the public works department;
- Outlays in the amount of \$42 thousand to fund the purchase of a 2017 Ford Taurus for the police department;

The following table is a two year comparison of the investment in capital assets:

	<u>2018</u>	<u>2017</u>	<u>\$ Variance</u>	<u>% Variance</u>
Land	\$ 2,878,308	\$ 2,878,308	\$ -	0.0%
Construction in progress	2,288,641	3,423,230	(1,134,589)	-33.1%
Buildings and improvements	2,915,802	1,723,667	1,192,135	69.2%
Machinery and equipment	2,282,346	1,503,141	779,205	51.8%
Infrastructure	8,009,342	8,515,180	(505,838)	-5.9%
Totals	<u>\$ 18,374,439</u>	<u>\$ 18,043,526</u>	<u>\$ 330,913</u>	1.8%

TOWN OF BEACON FALLS, CONNECTICUT
 MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (Continued)
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)



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

Long-term Debt

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$8,430,000. This entire amount is comprised of debt backed by the full faith and credit of the Town. The Town's total debt decreased by \$705,000 or 7.7% during the current fiscal year.

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

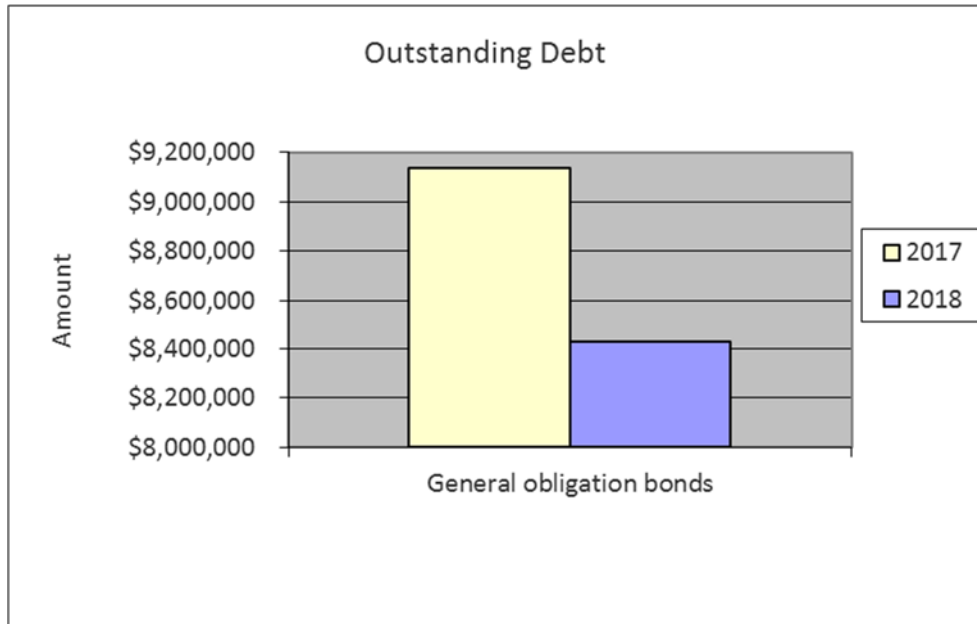
The following table is a two year comparison of long-term principal debt outstanding:

	<u>2018</u>	<u>2017</u>	<u>\$ Variance</u>	<u>% Variance</u>
General obligation bonds	\$ 8,430,000	\$ 9,135,000	\$ (705,000)	-7.7%

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

CAPITAL ASSET AND DEBT ADMINISTRATION *(Continued)*

Long-term Debt *(Continued)*



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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- Significant estimates affecting next year's budget that are subject to change in the near term consist of the following:
 - For purposes of calculating property tax revenues for fiscal year 2019, the assessor's grand list was used along with an estimated tax rate, and an estimated rate of collection, with deductions for taxes to be paid by the State on behalf of certain taxpayers.
 - Intergovernmental grants were based on estimates from the State.
 - It is unknown how the weakened economy will impact real estate activity and related revenues collected by the Land Use Department, the Town Clerk, the Building Department and the amount of conveyance taxes and interest income.

All of these factors were considered in preparing the Town's budget for fiscal year 2019.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Office, Town of Beacon Falls, 10 Maple Avenue, Beacon Falls, Connecticut 06403.

BASIC FINANCIAL STATEMENTS

TOWN OF BEACON FALLS, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,193,617
Investments	11,136
Receivables:	
Property taxes and interest, net	935,165
Assessments and interest, net	164,645
Other	59,791
Other	21,079
Noncurrent assets:	
Receivables:	
Assessments	935,995
Loans	529,204
Capital assets:	
Non-depreciable	5,166,949
Depreciable, net	13,207,490
Total assets	27,225,071
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on pension expense	201,626
Deferred charges on refunding	33,071
Total deferred outflows of resources	234,697
 LIABILITIES	
Accounts payable	180,924
Salaries and benefits payable	39,979
Accrued interest payable	85,447
Unearned revenue	513,638
Noncurrent liabilities:	
Due within one year	770,814
Due in more than one year	11,250,217
Total liabilities	12,841,019
 DEFERRED INFLOWS OF RESOURCES	
Deferred charges on OPEB expense	69,080
 NET POSITION	
Net investment in capital assets	10,082,018
Restricted for:	
Loan rehab program	529,204
Unrestricted	3,938,447
Total net position	\$ 14,549,669

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

TOWN OF BEACON FALLS, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:					
Governmental activities:					
General government	\$ 2,622,748	\$ 528,953	\$ 59,339	\$ -	\$ (2,034,456)
Public works	2,663,666	52,490	294,724	-	(2,316,452)
Public safety	1,508,891	250,819	1,500	-	(1,256,572)
Culture and recreation	337,709	36,548	5,536	-	(295,625)
Education	14,561,418	-	3,539,531	-	(11,021,887)
Interest expense	237,391	-	-	-	(237,391)
Total governmental activities	<u>\$ 21,931,823</u>	<u>\$ 868,810</u>	<u>\$ 3,900,630</u>	<u>\$ -</u>	<u>(17,162,383)</u>
General revenues:					
					16,775,393
					59,768
					30,789
					<u>16,865,950</u>
					(296,433)
					15,528,360
					(682,258)
					<u>14,846,102</u>
					\$ <u>14,549,669</u>

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

TOWN OF BEACON FALLS, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Sewer Waste Water Fund	Special Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,579,379	\$ 1,149,228	\$ 522,360	\$ 942,650	\$ 6,193,617
Investments	-	-	-	11,136	11,136
Receivables:					
Property taxes and interest, net	935,165	-	-	-	935,165
Assessments and interest, net	1,100,640	-	-	-	1,100,640
Intergovernmental	-	-	-	-	-
Loans	24,157	-	-	505,047	529,204
Other	22,213	-	-	37,578	59,791
Due from other funds	52,722	-	4,882	540,834	598,438
Prepaid items	-	-	-	4,790	4,790
Inventories	16,289	-	-	-	16,289
Total assets	<u>\$ 5,730,565</u>	<u>\$ 1,149,228</u>	<u>\$ 527,242</u>	<u>\$ 2,042,035</u>	<u>\$ 9,449,070</u>
LIABILITIES					
Accounts payable	\$ 134,137	\$ 10,520	\$ -	\$ 36,267	\$ 180,924
Salaries and benefits payable	39,979	-	-	-	39,979
Due to other funds	537,716	-	8,000	52,722	598,438
Unearned revenue	5,284	-	502,529	5,825	513,638
Total liabilities	<u>717,116</u>	<u>10,520</u>	<u>510,529</u>	<u>94,814</u>	<u>1,332,979</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes and interest	864,061	-	-	-	864,061
Unavailable revenue - assessments and interest	1,100,664	-	-	-	1,100,664
Total deferred inflows of resources	<u>1,964,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,964,725</u>
FUND BALANCES					
Nonspendable	16,289	-	-	4,790	21,079
Restricted	24,157	-	-	946,767	970,924
Committed	6,808	1,138,708	16,713	1,031,509	2,193,738
Assigned	174,049	-	-	-	174,049
Unassigned	2,827,421	-	-	(35,845)	2,791,576
Total fund balances	<u>3,048,724</u>	<u>1,138,708</u>	<u>16,713</u>	<u>1,947,221</u>	<u>6,151,366</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,730,565</u>	<u>\$ 1,149,228</u>	<u>\$ 527,242</u>	<u>\$ 2,042,035</u>	<u>\$ 9,449,070</u>

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

TOWN OF BEACON FALLS, CONNECTICUT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balance for governmental funds	\$	6,151,366
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Land	\$	2,878,308
Construction in progress		2,288,641
Buildings and improvements		4,808,019
Machinery and equipment		6,160,326
Infrastructure		20,862,162
Less: accumulated depreciation and amortization		<u>(18,623,017)</u>
Total capital assets, net		18,374,439
Deferred outflows and inflows of resources resulting from changes in the components of the net pension and total OPEB liabilities are reported in the statement of net position.		
		132,546
Some of the Town's taxes, assessments, and interest receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		
		1,964,725
Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.		
Accrued interest payable		(85,447)
Long-term debt:		
Bonds payable		(8,430,000)
Unamortized premium		(309,235)
Deferred charges on refunding		33,071
Capital lease obligations		(30,806)
Other long-term liabilities:		
Compensated absences		(83,302)
Pension obligation		(1,433,046)
Net pension liability		(1,048,812)
Total OPEB liability		<u>(685,830)</u>
Total long-term liabilities		<u>(12,073,407)</u>
Net position of governmental activities	\$	<u><u>14,549,669</u></u>

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

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

	<u>General Fund</u>	<u>Sewer Waste Water Fund</u>	<u>Special Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Property taxes	\$ 16,893,534	\$ -	\$ -	\$ -	\$ 16,893,534
Assessments	160,771	-	-	-	160,771
Intergovernmental	3,894,050	-	6,531	-	3,900,581
Charges for services	465,354	52,490	-	286,530	804,374
Other	157,747	-	20,610	67,750	246,107
Interest income	25,760	4,959	-	70	30,789
Total revenues	<u>21,597,216</u>	<u>57,449</u>	<u>27,141</u>	<u>354,350</u>	<u>22,036,156</u>
EXPENDITURES					
Current:					
General government	2,535,243	-	-	8,770	2,544,013
Public works	1,685,939	236,417	-	-	1,922,356
Public safety	1,213,503	-	-	185,169	1,398,672
Culture and recreation	286,018	-	-	19,751	305,769
Education	14,683,272	-	-	-	14,683,272
Debt service:					
Principal payments	-	-	-	734,200	734,200
Interest and fiscal charges	-	-	-	261,737	261,737
Capital outlays	13,757	8,088	42,661	1,193,483	1,257,989
Total expenditures	<u>20,417,732</u>	<u>244,505</u>	<u>42,661</u>	<u>2,403,110</u>	<u>23,108,008</u>
Excess (deficiency) of revenues over expenditures	1,179,484	(187,056)	(15,520)	(2,048,760)	(1,071,852)
OTHER FINANCING SOURCES (USES)					
Transfers in	55,000	250,000	16,325	1,215,241	1,536,566
Transfers out	(1,481,566)	-	-	(55,000)	(1,536,566)
Total other financing sources (uses)	<u>(1,426,566)</u>	<u>250,000</u>	<u>16,325</u>	<u>1,160,241</u>	<u>-</u>
Net change in fund balances	(247,082)	62,944	805	(888,519)	(1,071,852)
Fund balances - beginning	<u>3,295,806</u>	<u>1,075,764</u>	<u>15,908</u>	<u>2,835,740</u>	<u>7,223,218</u>
Fund balances - ending	<u>\$ 3,048,724</u>	<u>\$ 1,138,708</u>	<u>\$ 16,713</u>	<u>\$ 1,947,221</u>	<u>\$ 6,151,366</u>

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

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

Net change in fund balances - total governmental funds \$ (1,071,852)

Total change in net position reported for governmental activities in the statement of activities is different because:

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

Expenditures for capital assets	\$ 1,215,788	
Depreciation and amortization expense	<u>(883,115)</u>	
Net adjustment		332,673

In the statement of activities, only the loss on the sale of capital assets is reported whereas the proceeds from the sale increase financial resources in the governmental funds. (1,760)

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

Principal repayments:		
Bonds payable	705,000	
Capital lease obligations	<u>24,578</u>	
Net adjustment		729,578

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The net effect of such items is as follows:

Accrued interest	7,700	
Amortization on bond premium	18,698	
Deferred amount on refunding	(2,052)	
Compensated absences	1,260	
Pension obligation	38,968	
Net pension liability	191,182	
Total OPEB liability	<u>77,070</u>	
		332,826

Deferred outflows and inflows of resources resulting from changes in the components of the net pension and total OPEB liabilities are amortized as a component of pension and OPEB expense in the statement of activities. (338,986)

Certain revenues reported in the statement of activities do not provide current financial resources and therefore are reported as deferred inflows of revenue in governmental funds. This amount represents the change in unavailable revenues. (278,912)

Change in net position of governmental activities \$ (296,433)

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

TOWN OF BEACON FALLS, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Private Purpose Trust Fund - Melbourne Trust Fund
ASSETS	
Cash and cash equivalents	\$ 2,629
Investments	10,436
Total assets	<u>13,065</u>
NET POSITION	
Restricted for scholarship benefits	<u>\$ 13,065</u>

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

TOWN OF BEACON FALLS, CONNECTICUT
STATEMENT OF CHANGES
IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Private Purpose Trust Fund - Melbourne Trust Fund
ADDITIONS	
Interest income	\$ 136
DEDUCTIONS	
Scholarships awarded	1,000
Service Charge	-
Total deductions	1,000
Change in net position	(864)
Net position - beginning	13,929
Net position - ending	\$ 13,065

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

TOWN OF BEACON FALLS, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

The Town was incorporated in 1871. The Town operates under a Board of Selectmen, Town Meeting and Board of Finance form of government.

The legislative power of the Town is vested with the Board of Selectmen and by Town Meeting. The Board of Selectmen may enact, amend or repeal ordinances and resolutions. The administration of the Town offices and agencies is the responsibility of the First Selectman.

The Board of Finance is responsible for financial and taxation matters as prescribed by the Connecticut General Statutes, and is responsible for presenting fiscal operating budgets for Town Meeting approval.

The Town provides the following services: public works, public safety, culture and recreation, education and general administrative services.

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

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Town and include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. The statements are intended to distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Town has no business-type activities.

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

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

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

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

Sewer Waste Water Fund - This fund is used to account for the financial activity relating to the Town's sewer waste water activities.

Special Projects Fund - This fund is used to account for the financial activity of unbudgeted grants and related capital expenditures.

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

Private Purpose Trust Funds - This fund type is used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The Town utilizes a private purpose trust fund to account for activities of the Melbourne Trust Fund.

Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

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

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

Measurement Focus and Basis of Accounting *(Continued)*

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received or is available to be received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when the cash is received.

The private-purpose trust fund is reported using the economic resources measurement focus and the accrual basis of accounting.

Implementation of Accounting Standards

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

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

The Town has reported the following cumulative effect of applying GASB Statement No. 75 as an adjustment of beginning net position as of July 1, 2017.

	<u>Governmental Activities</u>
Net position - beginning, as originally reported	\$ 15,528,360
Adjustment to remove net other post-employment benefit obligation recognized under GASB Statement No. 45	80,642
Adjustment to record total other post-employment liability recognized under GASB Statement No. 75	<u>(762,900)</u>
	<u>(682,258)</u>
Net position - beginning, as adjusted	<u><u>\$ 14,163,844</u></u>

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

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

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

Cash and Cash Equivalents

The Town's cash and cash equivalents include short-term highly liquid investments with original maturities of three months or less when purchased.

Property Taxes, Sewer Assessment and Usage Charges

Property taxes are assessed as of October 1. Taxes are billed in the following July and are due in two installments, July 1 and January 1. Personal property and motor vehicle taxes are billed in July and are due in one installment, July 1. Taxes not paid within 30 days of the due date are subject to interest charges. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date.

Sewer and water assessments are levied over various periods, and annual installments on the amounts levied are due and payable similar to property taxes. The Town may foreclose liens against property benefited by special assessment, when assessment payers are in arrears.

Loans Receivable

The Town administers a loan program for low to moderate income families through the Small Cities grant program. The loans bear an interest rate of 0%. Repayment of the loans is deferred, but the loans become due and payable upon sale or transfer of the property, the owner's demise, or when the subject property is no longer the applicant's principal place of residence. The notes may be paid in full or in part by the borrower at any time without penalty.

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 with an estimated useful life 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 estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of a capital asset or materially extend capital asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	15 - 50
Machinery and equipment	8 - 15
Infrastructure	15 - 60

Unearned Revenue

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

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

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

Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources until that time. Deferred outflows of resources consist of deferred charges on pension expense and deferred charges on refundings reported in the government-wide statement of net position. Deferred charges on pension expenses resulted from changes in the components of the Town's net pension liability and are being amortized as a component of pension expense on a systematic and rational basis. The deferred charges on refundings are being amortized to interest expense using the effective-interest method over the life of the related bonds.

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. The Town reports unavailable revenue from property taxes, assessments and related interest in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Town also reports deferred charges on OPEB expense in the government-wide statement of net position, which resulted from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits.

Compensated Absences

Town employees are granted vacation and sick leave based upon length of employment. In the event of termination or retirement, employees are compensated for accumulated vacation and sick time. All compensated absences are accrued when incurred in the government-wide financial statements. Expenditures for compensated absences are recognized in the governmental fund financial statements in the current year to the extent they are paid during the year, or when the vested amount is expected to be paid with available resources.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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

Net Position and Fund Balance

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

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

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

Net Position and Fund Balance (Continued)

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

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

Unrestricted net position – This component of net position consists of amounts which do not meet the definition of the preceding two categories.

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

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

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

Committed – Amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Finance (the highest level of decision making authority of the Town) and cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same formal action. The formal action required to be taken by the Board of Finance to commit fund balance includes formal voting procedures consistent with the Town’s budgeting procedures.

Assigned – Amounts are constrained by the Town’s intent to be used for specific purposes, but are not restricted or committed. The Board of Finance and Board of Selectmen may assign fund balance as needed to meet the obligations of the Town.

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

Net Position Flow Assumption

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

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

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

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

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

Fund Balance Flow Assumption (Continued)

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

Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables

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

Interfund Services Provided and Used

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

Interfund Transfers

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

Interfund Reimbursements

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

Use of Estimates

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

NOTE 2 - CASH DEPOSITS

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

Government-wide statement of net position:	
Cash and cash equivalents	\$ 6,193,617
Statement of fiduciary net position:	
Cash and cash equivalents	<u>2,629</u>
	6,196,246
Add: Certificate of deposit presented as an investment	<u>21,572</u>
	<u>\$ 6,217,818</u>

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

NOTE 2 - CASH DEPOSITS *(Continued)*

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2018, \$6,083,844 of the Town's bank balance of \$6,344,304 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 5,475,460
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	<u>608,384</u>
	<u><u>\$ 6,083,844</u></u>

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

NOTE 3 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 2,878,308	\$ -	\$ -	\$ 2,878,308
Construction in progress	3,423,230	107,319	(1,241,908)	2,288,641
Total capital assets, not being depreciated	<u>6,301,538</u>	<u>107,319</u>	<u>(1,241,908)</u>	<u>5,166,949</u>
Capital assets, being depreciated:				
Buildings and improvements	3,540,876	25,235	1,241,908	4,808,019
Machinery and equipment	5,677,864	1,033,236	(550,774)	6,160,326
Infrastructure	20,812,164	49,998	-	20,862,162
Total capital assets, being depreciated	<u>30,030,904</u>	<u>1,108,469</u>	<u>691,134</u>	<u>31,830,507</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	1,817,209	75,008	-	1,892,217
Machinery and equipment	4,174,723	252,271	(549,014)	3,877,980
Infrastructure	12,296,984	555,836	-	12,852,820
Total accumulated depreciation and amortization	<u>18,288,916</u>	<u>883,115</u>	<u>(549,014)</u>	<u>18,623,017</u>
Total capital assets, being depreciated, net	<u>11,741,988</u>	<u>225,354</u>	<u>1,240,148</u>	<u>13,207,490</u>
Governmental activities capital assets, net	<u><u>\$ 18,043,526</u></u>	<u><u>\$ 332,673</u></u>	<u><u>\$ (1,760)</u></u>	<u><u>\$ 18,374,439</u></u>

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

NOTE 3 - CAPITAL ASSETS *(Continued)*

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

Governmental Activities:	
General government	\$ 36,602
Public works	720,620
Public safety	97,565
Culture and recreation	<u>28,328</u>
Total depreciation and amortization expense - governmental activities	<u><u>\$ 883,115</u></u>

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds:		
General Fund	Other governmental funds	<u>\$ 52,722</u>
Special Projects Fund	General Fund	<u>4,882</u>
Other governmental funds	General Fund	532,834
	Special Projects Fund	<u>8,000</u>
		<u>540,834</u>
Total interfund receivables/payables		<u><u>\$ 598,438</u></u>

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

NOTE 5 - INTERFUND TRANSFERS

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

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Funds		
General Fund	Other governmental funds	<u>\$ 55,000</u>
Special Projects Fund	General Fund	<u>16,325</u>
Sewer Waste Water Fund	General Fund	<u>250,000</u>
Other governmental funds	General Fund	<u>1,215,241</u>
Total transfers		<u><u>\$ 1,536,566</u></u>

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

NOTE 5 - INTERFUND TRANSFERS *(Continued)*

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

NOTE 6 - LONG-TERM LIABILITIES

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

Governmental Activities	Beginning Balance <i>(As Adjusted)</i>	Increases	Decreases	Ending	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 9,135,000	\$ -	\$ (705,000)	\$ 8,430,000	\$ 695,000
Unamortized premium	327,933		(18,698)	309,235	-
Total bonds payable	9,462,933	-	(723,698)	8,739,235	695,000
Other liabilities:					
Pension obligation	1,472,014	-	(38,968)	1,433,046	42,115
Capital lease obligation	55,384	-	(24,578)	30,806	25,369
Compensated absences	84,562	7,894	(9,154)	83,302	8,330
Net pension liability	1,239,994	-	(191,182)	1,048,812	-
Total OPEB liability	762,900	-	(77,070)	685,830	-
	<u>\$ 13,077,787</u>	<u>\$ 7,894</u>	<u>\$ (1,064,650)</u>	<u>\$ 12,021,031</u>	<u>\$ 770,814</u>

Long - term liabilities above typically have been liquidated by the General Fund and the Capital Nonrecurring Fund.

General Obligation Bonds

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

Purpose of Bonds	Date of Issue	Original Issue	Interest Rates	Maturity Date	Amount Outstanding
Governmental Activities					
Bonds Payable					
General Obligation Bonds	2014	\$ 5,865,000	2.0% - 4.0%	3/15/2033	\$ 4,400,000
General Obligation Bonds	2017	4,350,000	2.0% - 3.0%	1/15/2037	4,030,000
					<u>\$ 8,430,000</u>

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

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

General Obligation Bonds *(Continued)*

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

Year ending June 30:	Governmental Activities		
	Principal	Interest	Total
2019	\$ 695,000	\$ 239,131	\$ 934,131
2020	690,000	220,206	910,206
2021	690,000	198,932	888,932
2022	680,000	177,482	857,482
2023	640,000	157,682	797,682
2024-2028	3,110,000	485,938	3,595,938
2029-2033	1,725,000	125,932	1,850,932
2034-2037	200,000	9,468	209,468
	<u>\$ 8,430,000</u>	<u>\$ 1,614,771</u>	<u>\$ 10,044,771</u>

Overlapping Debt

The Town is contingently liable for its pro-rata share of Regional School District No. 16's (the "District") outstanding bonds. At June 30, 2018, the District's total outstanding bonds and bond anticipation notes, net of school construction principal reimbursements were \$24,322,099. The Town's share is approximately 38.875% of the total, or \$9,455,216. Such outstanding indebtedness represents general obligations of Regional School District No. 16 and its member towns. However, the Town is not required to record its share in the accompanying statement of net position.

Legal Debt Limit

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

The amount of authorized, unissued bonds at June 30, 2018 totaled \$5,000.

Pension Obligation

The Town participates in the Connecticut Municipal Employee Retirement System (MERS). Upon joining MERS, the Town became obligated and entered into an agreement to pay MERS for prior unfunded actuarial accrued liabilities for Town employees participating in MERS.

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

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

Pension Obligation *(Continued)*

Annual debt service requirements to maturity on the unfunded pension obligation are as follows as of June 30, 2018:

Year ending June 30:	Governmental Activities		
	Principal	Interest	Total
2019	\$ 42,115	\$ 115,718	\$ 157,833
2020	45,515	112,318	157,833
2021	49,190	108,643	157,833
2022	53,162	104,671	157,833
2023	57,454	100,379	157,833
2024-2028	364,816	424,349	789,165
2029-2033	537,881	251,284	789,165
2034-2036	282,913	35,533	318,446
	<u>\$ 1,433,046</u>	<u>\$ 1,252,895</u>	<u>\$ 2,685,941</u>

Capital Leases

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

	Governmental Activities
Machinery and equipment	\$ 123,046
Less: accumulated amortization	42,655
	<u>\$ 80,391</u>

Amortization expense of leased property under capital leases totaled \$15,381 for the year ended June 30, 2018 and is included in depreciation and amortization expense disclosed in Note 3.

Future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2018 are as follows:

Year Ending June 30:	Governmental Activities
2019	\$ 26,188
2020	5,437
Total minimum lease payments	31,625
Less: amount representing interest	(819)
Present value of minimum lease payments	<u>\$ 30,806</u>

NOTE 7 - EMPLOYEE RETIREMENT PLANS

Connecticut Municipal Employees' Retirement System

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

Municipalities may designate which departments are to be covered under the CMERS. There are no minimum age or service requirements. Membership is mandatory for all regular full time employees of participating departments except Police and Fire hired after age 60.

The plan has 4 sub plans as follows:

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

Plan Description

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

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

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

For members not covered by social security, the benefit is 2% of average final compensation times years of service. For members covered by social security, the benefit is 1% of the average final compensation not in excess of the year's breakpoint plus 2% of average final compensation in excess of the year's breakpoint, times years of service.

The maximum benefit is 100% of average final compensation and the minimum benefit is \$1,000 annually. Both the minimum and the maximum include workers' compensation and social security benefits. If any member covered by social security retires before age 62, the benefit until age 62 is reached or a social security disability award is received, is computed as if the member is not under social security.

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

NOTE 7 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System *(Continued)*

Plan Description *(Continued)*

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

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

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

Contributions - The contribution requirements of plan members are established and may be amended by the State Retirement Commission. The Town is required to contribute annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment which covers the liabilities of the system not met by member contributions. The current rate is 11.38% of the annual Town employees' covered payroll. The contribution requirements of the Town are established and may be amended by the State Retirement Commission. The Town's contributions to the CMERS for the years ended June 30, 2018, 2017 and 2016 were \$195,710, \$188,395, and \$180,221, respectively, and were equal to the required contributions for each year.

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

Summary of Significant Accounting Policies

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

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

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

NOTE 7 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System *(Continued)*

Net Pension Liability

The total estimated net pension liability of the CMERS as of June 30, 2017 was \$248.200 million, the most recent available reporting provided by the Board. The portion that was associated with the Town totaled \$1,048,812 or approximately 0.423% of the total estimated net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The portion of the net pension liability associated with the Town was based on the 2017 actuarial (expected) payroll amounts reported by participating employers. Expected payroll adjusts actual payroll for known changes in the status of employees, annualized salaries for partial year employees and anticipated salary increases.

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large cap U.S. Equities	16.0%	5.80%
Developed Non-U.S. Equities	14.0%	6.60%
Emerging Markets (Non-U.S.)	7.0%	8.30%
Core Fixed Income	8.0%	1.30%
Inflation Linked Bonds	5.0%	1.00%
Emerging Market Bonds	8.0%	3.70%
High Yield Bonds	14.0%	3.90%
Real Estate	7.0%	5.10%
Private Equity	10.0%	7.60%
Alternative Investment	8.0%	4.10%
Liquidity Fund	3.0%	0.40%
	<u>100.0%</u>	

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

NOTE 7 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System *(Continued)*

Net Pension Liability *(Continued)*

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

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

	1% Decrease (7.00%)	Current Discount (8.00%)	1% Increase (9.00%)
Proportionate share of the net pension liability (asset) as of June 30, 2018	\$ 2,584,928	\$ 1,048,812	\$ (244,256)

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

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2018, the Town recognized pension expense related to the CMERS of \$274,434. At June 30, 2018, the Town reported its proportionate share of deferred outflows of resources related to the CMERS from the following sources:

	Deferred Outflow of Resources
Difference between expected and actual experience	\$ 35,781
Net difference between projected and actual earnings on pension plan investments	80,897
Other differences	84,948
	\$ 201,626

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

NOTE 7 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System *(Continued)*

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

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

Year ended June 30,		
2019	\$	66,384
2020		116,687
2021		59,446
2022		<u>(40,891)</u>
	\$	<u>201,626</u>

Deferred Compensation Plan

The Town offers all employees who are eligible for benefits a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Town is not required to make contributions to this plan. Amounts contributed by employees into this plan totaled, \$33,540 for the year ended June 30, 2018. Deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for the exclusive benefit of the plan participants and their beneficiaries. Therefore, the accounts of the deferred compensation plans are not reported in the basic financial statements of the Town.

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Town Plan

Plan Description

The Town provides healthcare insurance benefits for eligible retirees through the Town's group health insurance plan, which covers both active and retired members (the "Plan"). Benefit provisions are established by various collective bargaining and employment agreements with the Town. The Plan is considered to be part of the Town's financial reporting entity. The Plan does not issue a publicly available financial report and is not included in the financial statements of another entity.

Benefits Provided

Contribution requirements of the plan members and the Town are established in the provisions of the program and in accordance with the General Statutes of the State of Connecticut. Currently, employees who are age 55 and older, with 20 years of service in the Town, are eligible to receive benefits. Town Hall employees hired after July 1, 2005 and public works employees hired after July 1, 2003 must serve 25 years to be eligible for medical coverage. For the Police, Town and Public works employees all retirees under the age of 65 contribute at the same level as active employees, which may be adjusted from time to time. After the age of 65, employees contribute 50% of Medicare supplemental cost. For fiscal year 2018, the Town and retirees contributions totaled \$56,844 and were funded on a pay-as-you-go basis.

The Town has not established a trust fund as of June 30, 2018, to irrevocably segregate assets to fund the liability for post-employment benefits, which would require the reporting of a trust fund.

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

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Employees Covered by Benefit Terms

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

Retirees, beneficiaries, and dependents currently receiving benefits	8
Active participants	<u>21</u>
	<u>29</u>

Total OPEB Liability

The Town's OPEB liability reported as of June 30, 2018 totaled \$685,830. The total OPEB liability was measured as of June 30, 2018 using the Alternative Measurement Method.

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

Discount rate	3.58% as of June 30, 2017
Payroll growth rate	3.50%
Healthcare cost trend rates:	
Medical & prescription drug	7.00%, decreasing by 0.5% per year 5.00% ultimate rate

The discount rate was based on the Bond Buyer 20 (GO 20 Index) as of the measurement date, which represents municipal bond trends based on a portfolio of 20 general obligation bonds that mature in 20 years.

Mortality rates were based on separate RP-2014 headcount-weighted tables (adjusted back to 2006) for active employees and annuitants, projected generationally with Scale MP-2016.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of June 30, 2017	<u>\$ 762,900</u>
Changes for the year:	
Service cost	35,639
Interest	21,948
Changes of assumptions	(77,813)
Benefit payments, including refunds of member contributions	<u>(56,844)</u>
Net changes	<u>(77,070)</u>
Balance as of June 30, 2018	<u><u>\$ 685,830</u></u>

Changes of assumptions primarily reflects a change in the discount rate from 2.85% to 3.58%.

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

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Changes in the Total OPEB Liability *(Continued)*

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1- percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current discount rate:

	Discount Rates		
	1% Decrease	Current	1% Increase
	(2.58%)	(3.58%)	(4.58%)
Total OPEB Liability	\$ 795,743	\$ 685,830	\$ 597,128

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

	Healthcare Costs Trend Rates		
	1% Decrease	Current	1% Increase
	(1.00%)	(1.00%)	(1.00%)
Total OPEB Liability	\$ 581,309	\$ 685,830	\$ 820,258

OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2018, the Town recognized OPEB expense of \$48,854. As of June 30, 2018, the Town reported deferred inflows of resources related to OPEB from the following source:

	Deferred Inflows of Resources
Changes of assumptions	\$ 69,080

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

Year Ended June 30:	
2019	\$ (8,733)
2020	(8,733)
2021	(8,733)
2022	(8,733)
2023	(8,733)
Thereafter	(25,415)
	\$ (69,080)

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

NOTE 9 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God. The Town purchases commercial insurance for all other risks of loss, including blanket and umbrella. Coverage has not been materially reduced, nor have settled claims exceeded commercial coverage in any of the past three years.

NOTE 10 - FUND BALANCE

Fund balance of the Town's governmental funds have been committed to the following purposes as of June 30, 2018:

	General Fund	Sewer Waste Water Fund	Special Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventories	\$ 16,289	\$ -	\$ -	\$ -	\$ 16,289
Prepays	-	-	-	4,790	4,790
Restricted for:					
Capital purposes	-	-	-	444,549	444,549
Loan rehabilitation program	24,157	-	-	502,218	526,375
Committed to:					
General government	6,808	-	-	1,676	8,484
Public safety	-	-	-	72,751	72,751
Sewer waste water system	-	1,138,708	-	-	1,138,708
Library	-	-	-	25,992	25,992
Culture and recreation	-	-	-	19,697	19,697
Special projects	-	-	16,713	-	16,713
Capital purposes	-	-	-	414,307	414,307
Debt service	-	-	-	497,086	497,086
Assigned to:					
Subsequent year's budget	49,054	-	-	-	49,054
General government	9,933	-	-	-	9,933
Public works	68,769	-	-	-	68,769
Public safety	39,423	-	-	-	39,423
Culture and recreation	6,870	-	-	-	6,870
Unassigned	2,827,421	-	-	(35,845)	2,791,576
	<u>\$ 3,048,724</u>	<u>\$ 1,138,708</u>	<u>\$ 16,713</u>	<u>\$ 1,947,221</u>	<u>\$ 6,151,366</u>

Deficit Fund Balance

The Dog Fund, a nonmajor governmental fund, has a deficit fund balance of \$1,069 as of June 30, 2018, which does not constitute a violation of statutory provisions. The deficit is expected to be eliminated through future revenue sources.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

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

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

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

NOTE 11 - COMMITMENTS AND CONTINGENCIES *(Continued)*

Capital Projects Authorizations

The following is a summary of available commitments for authorized capital projects:

	<u>Authorization</u>	<u>Cumulative Expenditures</u>	<u>Balance</u>
Town Roads: Lower Highland, Burton & Noe Place	\$ 2,100,000	\$ 1,883,089	\$ 216,911
Wastewater Treatment Plant \$1,000,000	1,000,000	772,607	227,393
Wastewater Treatment Plant \$700,000	700,000	700,000	-
Tiger Boom Mower	128,512	119,929	8,583
Two Police Equipped Ford Explorers	131,136	115,333	15,803
Quint Fire Engine	850,000	850,000	-
Ford F-550	110,000	124,493	(14,493)
Police Station Repairs	13,735	13,735	-
Revaluation	60,000	55,491	4,509
Town Hall Server Replacement	15,000	499	14,501
Hose Replacement Program	5,000	1,986	3,014
Record Archiving	3,500	875	2,625
Upgrade to Firehouse Bathrooms	28,500	28,063	437
Paint Town Hall	5,000	3,799	1,201
Road work	469,060	167,750	301,310
Time Clock Equipment and Software	10,000	9,598	402
Roof Replacement at Pent Road - Bathrooms	2,500	-	2,500
Repair walls at Public Works Garage	15,000	5,600	9,400
Renovate Assessors/Tax Collectors Office	19,000	17,909	1,091
Town Hall Landscaping	12,000	10,422	1,578
Replace Oil Tank at WWTP	11,000	-	11,000
Codification	9,960	6,972	2,988
STEAP Grant - Upper Highland Avenue	199,500	196,971	2,529
PW Truck Lease	21,000	20,747	253
Power Stretcher Lease - Existing	4,750	4,622	128
Power Stretcher Lease - New	5,500	5,437	63
Engine 3 Safety Upgrade	14,000	4,798	9,202
Library Computers, Scanners, Software	2,750	2,246	504
Replace/Upgrade Computers	4,500	4,170	330
PW F-500 Mason Dump truck with Plow	42,800	42,460	340
Fire - Workout Room	12,000	-	12,000
Guardrail Replacement	19,990	19,121	869
Phone System Upgrade - Police Station	9,000	7,990	1,010
Security Upgrades/Police & Fire	43,000	15,340	27,660
Personal Protection Equipment - Fire	30,000	-	30,000
Portable Radios - Fire	25,000	24,965	35
Assembly Room Upgrades	5,000	-	5,000
Accounting Software	35,000	-	35,000
Map Printer for Town Clerk	13,620	13,620	-
	<u>\$ 6,186,313</u>	<u>\$ 5,250,637</u>	<u>\$ 935,676</u>

NOTE 12 - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
REVENUES				
Property taxes	\$ 16,615,715	\$ 16,615,715	\$ 16,893,534	\$ 277,819
Assessments	185,000	185,000	160,771	(24,229)
Intergovernmental	4,550,563	4,550,563	3,894,050	(656,513)
Charges for services	300,500	300,500	315,944	15,444
Other	239,960	239,960	157,747	(82,213)
Interest income	10,000	10,000	25,760	15,760
Total revenues	<u>21,901,738</u>	<u>21,901,738</u>	<u>21,447,806</u>	<u>(453,932)</u>
EXPENDITURES				
Current:				
General government	2,438,290	2,497,394	2,365,133	(132,261)
Public works	1,746,807	1,743,756	1,683,144	(60,612)
Public safety	1,238,901	1,272,870	1,256,911	(15,959)
Library	162,891	167,425	167,159	(266)
Recreation	126,636	113,466	108,579	(4,887)
Education	15,121,523	15,121,523	14,683,272	(438,251)
Contingency	69,600	-	-	-
Debt service:				
Principal payments	705,000	705,000	705,000	-
Interest and fiscal charges	260,131	260,131	260,131	-
Total expenditures	<u>21,869,779</u>	<u>21,881,565</u>	<u>21,229,329</u>	<u>(652,236)</u>
Excess of revenues over expenditures	31,959	20,173	218,477	198,304
OTHER FINANCING SOURCES (USES)				
Appropriation of fund balance	155,531	503,409	-	(503,409)
Transfers out	(187,490)	(523,582)	(502,815)	20,767
Total other financing sources (uses)	<u>(31,959)</u>	<u>(20,173)</u>	<u>(502,815)</u>	<u>(482,642)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (284,338)</u>	<u>\$ (284,338)</u>

See accompanying notes to required supplementary information.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Over (Under)</u>
PROPERTY TAXES				
Property taxes - current year	\$ 16,130,715	\$ 16,130,715	\$ 16,345,233	\$ 214,518
Property taxes - prior years	300,000	300,000	344,284	44,284
Interest and lien fees	185,000	185,000	195,481	10,481
Other	-	-	8,536	8,536
Total property taxes	<u>16,615,715</u>	<u>16,615,715</u>	<u>16,893,534</u>	<u>277,819</u>
WATER AND SEWER ASSESSMENTS	<u>185,000</u>	<u>185,000</u>	<u>160,771</u>	<u>(24,229)</u>
INTERGOVERNMENTAL REVENUES				
State property tax	29,864	29,864	19,012	(10,852)
Elderly tax relief	53,000	53,000	-	(53,000)
Disability relief	2,000	2,000	1,725	(275)
Additional exemptions for veterans	13,000	13,000	10,626	(2,374)
Town aid road maintenance	188,446	188,446	188,923	477
School equalization grant	2,884,974	2,884,974	3,537,089	652,115
Special education grant	1,090,241	1,090,241	-	(1,090,241)
Distressed municipalities	20,000	20,000	43,809	23,809
Mashantucket Pequot grant	28,405	28,405	28,405	-
MRSA bonded distribution	23,086	23,086	-	(23,086)
MRSA sales tax sharing	177,547	177,547	-	(177,547)
LOCIP	35,000	35,000	16,325	(18,675)
Other grants	5,000	5,000	48,136	43,136
Total intergovernmental revenues	<u>4,550,563</u>	<u>4,550,563</u>	<u>3,894,050</u>	<u>(656,513)</u>
CHARGES FOR SERVICES				
Planning & zoning commission	6,000	6,000	4,115	(1,885)
Zoning board of appeals	750	750	300	(450)
Building permits	90,000	90,000	109,286	19,286
Town clerk conveyance	70,000	70,000	67,116	(2,884)
Miscellaneous permits	1,500	1,500	2,855	1,355
Inlands wetlands fees	750	750	3,077	2,327
Disposal fees	1,000	1,000	250	(750)
Mini-bus	4,000	4,000	4,192	192
Police private duty	55,000	55,000	55,000	-
Police other revenue	3,000	3,000	2,020	(980)
Miscellaneous fees	3,500	3,500	99	(3,401)
Xerox equipment	-	-	215	215
Leachate collection system	65,000	65,000	67,419	2,419
Total charges for services	<u>300,500</u>	<u>300,500</u>	<u>315,944</u>	<u>15,444</u>

(Continued)

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
OTHER REVENUES				
Regional School District No. 16 surplus	\$ 175,000	\$ 175,000	\$ 121,854	\$ (53,146)
Other	64,960	64,960	35,893	(29,067)
Total other revenues	<u>239,960</u>	<u>239,960</u>	<u>157,747</u>	<u>(82,213)</u>
INTEREST INCOME	<u>10,000</u>	<u>10,000</u>	<u>25,760</u>	<u>15,760</u>
Total revenues	<u>21,901,738</u>	<u>21,901,738</u>	<u>21,447,806</u>	<u>(453,932)</u>
OTHER FINANCING SOURCES				
Appropriation from fund balance	<u>155,531</u>	<u>503,409</u>	<u>-</u>	<u>(503,409)</u>
Total revenues and other financing sources	<u>\$ 22,057,269</u>	<u>\$ 22,405,147</u>	<u>\$ 21,447,806</u>	<u>\$ (957,341)</u> <i>(Concluded)</i>

See accompanying notes to required supplementary information.

TOWN OF BEACON FALLS, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
GENERAL GOVERNMENT				
First selectman	\$ 154,140	\$ 152,896	\$ 140,857	\$ (12,039)
Town hall	161,343	159,633	154,288	(5,345)
Town clerk	103,768	108,321	105,506	(2,815)
Tax collector	78,791	91,124	90,349	(775)
Treasurer	12,000	12,000	12,000	-
Building inspector	31,500	34,356	34,354	(2)
Employee benefits	1,151,858	1,113,404	1,048,872	(64,532)
Board of assessors	103,741	105,883	100,133	(5,750)
Board of assessment appeals	1,800	1,800	1,800	-
Board of finance	36,000	36,000	27,500	(8,500)
Finance department	133,943	134,986	134,109	(877)
Economic development	42,000	42,760	42,755	(5)
Inland wetlands	4,500	4,500	3,496	(1,004)
Conservation commission	3,100	2,340	2,001	(339)
Planning & zoning commission	31,591	31,591	29,135	(2,456)
Registrars of voters	51,350	51,350	39,696	(11,654)
Professional fees	105,050	105,050	104,327	(723)
Insurance	100,000	100,358	100,356	(2)
Agency memberships	7,896	7,896	7,892	(4)
Community welfare	82,969	84,760	81,830	(2,930)
Commission for elderly	2,100	1,340	1,000	(340)
Minibus operations	23,900	24,461	23,759	(702)
Senior citizen center	14,950	17,910	16,671	(1,239)
Solar generation	-	72,675	62,447	(10,228)
Total general government	<u>2,438,290</u>	<u>2,497,394</u>	<u>2,365,133</u>	<u>(132,261)</u>
PUBLIC WORKS				
Highway maintenance	760,940	768,497	736,410	(32,087)
Town garage	18,200	14,400	12,964	(1,436)
Refuse	333,000	333,000	319,476	(13,524)
Wastewater treatment	634,667	608,312	594,747	(13,565)
Storm damage	-	19,547	19,547	-
Total public works	<u>1,746,807</u>	<u>1,743,756</u>	<u>1,683,144</u>	<u>(60,612)</u>

(Continued)

TOWN OF BEACON FALLS, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES (Concluded)
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
PUBLIC SAFETY				
Emergency services	\$ 279,000	\$ 287,897	\$ 280,896	\$ (7,001)
Fire marshal	1,800	2,100	2,030	(70)
Civil defense	9,500	9,500	8,114	(1,386)
Safety committee	3,000	2,560	2,091	(469)
Water hydrants	198,200	202,085	202,085	-
Police	656,341	674,616	667,783	(6,833)
Animal control	9,360	9,456	9,456	-
Public safety officer	81,700	84,656	84,456	(200)
Total public safety	1,238,901	1,272,870	1,256,911	(15,959)
LIBRARY	162,891	167,425	167,159	(266)
RECREATION	126,636	113,466	108,579	(4,887)
DEBT SERVICE				
Principal	705,000	705,000	705,000	-
Interest	260,131	260,131	260,131	-
Total debt service	965,131	965,131	965,131	-
CONTINGENCY	69,600	-	-	-
EDUCATION	15,121,523	15,121,523	14,683,272	(438,251)
Total expenditures	21,869,779	21,881,565	21,229,329	(652,236)
OTHER FINANCING USES				
Transfers out	187,490	523,582	502,815	(20,767)
Total expenditures and other financing sources (uses)	\$ 22,057,269	\$ 22,405,147	\$ 21,732,144	\$ (673,003)

(Concluded)

See accompanying notes to required supplementary information.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.4230%	0.3727%	0.3901%	0.2402%
Town's proportionate share of the net pension liability	<u>\$ 1,048,812</u>	<u>\$ 1,239,994</u>	<u>\$ 751,849</u>	<u>\$ 571,948</u>
Town's covered payroll	\$ 1,501,792	\$ 1,483,591	\$ 1,421,731	\$ 1,162,152
Town's proportionate share of the net pension liability as a percentage of its covered payroll	69.8%	83.6%	52.9%	49.2%
Plan fiduciary net position as a percentage of the total pension liability	91.68%	88.29%	92.72%	90.48%

See accompanying notes to required supplementary information.

TOWN OF BEACON FALLS, CONNECTICUT
SCHEDULE OF CONTRIBUTIONS
CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (UNAUDITED)
LAST FOUR FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 195,710	\$ 188,395	\$ 180,221	\$ 182,357
Contributions in relation to the contractually required contribution	<u>195,710</u>	<u>188,395</u>	<u>180,221</u>	<u>182,357</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,501,792	\$ 1,483,591	\$ 1,421,731	\$ 1,162,152
Contributions as a percentage of covered payroll	13.03%	12.70%	12.68%	15.69%

See accompanying notes to required supplementary information.

TOWN OF OLD SAYBROOK, CONNECTICUT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
OTHER POST-EMPLOYMENT BENEFITS PROGRAMS (UNAUDITED)
LAST FISCAL YEAR

	2018
Total OPEB liability	
Service cost	\$ 35,639
Interest on total OPEB liability	21,948
Effect of plan changes	-
Effect of economic/demographic gains and losses	-
Effect of assumptions changes or inputs	(77,813)
Benefit payments, including refunds	(56,844)
Net change in total OPEB liability	(77,070)
Total OPEB liability - beginning	762,900
Total OPEB liability - ending	\$ 685,830

See accompanying notes to required supplementary information.

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

A legally adopted budget is authorized annually for the General Fund. The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements, in accordance with provisions of Connecticut General Statutes:

- The head of each department, office or agency of the Town, supported wholly or in part from Town funds, except the Regional Board of Education, files with the Board of Selectmen a detailed estimate of the expenditures to be made and the revenues, other than property taxes, to be collected in the ensuing fiscal year.
- Expenditures are budgeted by function, department and object. The legal level of budgetary control, the level at which expenditures may not exceed appropriations, is established at the department level.
- The Board of Selectmen reviews the budget estimates with the heads of all Town supported departments, offices and agencies. In preparing the proposed budget, the Board of Selectmen may add to, delete from or eliminate requests made by the various departments, offices and agencies. The Board of Selectmen includes in the budget the estimated budget request of Regional School District No. 16. The Board of Selectmen submits its budget recommendations to the Board of Finance.
- The Board of Finance may review the budget requests with the head of each department, board, agency and commission. These estimates are recommended as the annual operating budget for adoption either at the Town meeting in May or at Town referendum, in accordance with Connecticut General Statutes.
- The Board of Finance may authorize the transfer of appropriations between departments, and may authorize supplemental appropriations during the year provided that such appropriations do not cumulatively exceed \$20,000. Transfers and additional appropriations exceeding \$20,000 require Town meeting approval.
- Unexpended appropriations lapse at the end of the fiscal year. Appropriations for capital projects do not lapse until completion of the applicable project.
- The General Fund budget is prepared on a modified accrual basis of accounting. 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 reflected in budgetary reports as expenditures in the current year.

TOWN OF BEACON FALLS, CONNECTICUT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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

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

	<u>Total</u>	<u>Total</u>	<u>Other</u>	<u>Net Change</u>
	<u>Revenues</u>	<u>Expenditures</u>	<u>Financing Sources</u>	<u>in</u>
			<u>(Uses), Net</u>	<u>Fund Balance</u>
Budgetary basis	\$ 21,447,806	\$ 21,229,329	\$ (502,815)	\$ (284,338)
Changes in encumbrances	-	(23,108)	-	23,108
Transfers out recorded as expenditures for budgetary purposes	(41,380)	(965,131)	(923,751)	-
Other	9,960	-	-	9,960
Town Clerk Fund activity	180,830	176,642	-	4,188
GAAP basis	<u>\$ 21,597,216</u>	<u>\$ 20,417,732</u>	<u>\$ (1,426,566)</u>	<u>\$ (247,082)</u>

NOTE 2 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

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

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

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

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

NOTE 3 - SCHEDULE OF CONTRIBUTIONS - CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

The Town began to report the schedule of contributions and investment returns when it implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, in fiscal year 2015. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarially determined contribution rates are calculated as of January 1, 2017, prior to the end of the fiscal year in which contributions are reported.

NOTE 3 - SCHEDULE OF CONTRIBUTIONS - CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
(Continued)

Methods and Assumptions Utilized

- Actuarial cost method: Entry Age Actuarial Cost Method;
- Amortization method: Amortization assuming 2.50% per year increase, closed;
- Remaining amortization period: 22 years remaining as of valuation date;
- Asset valuation method: Market value of assets less unrecognized returns in each of the last five years;
- Inflation: 2.50%;
- Investment rate of return: 7.25%;
- Salary increases: Varies 0.00% to 9.34%;
- Retirement age: Age 65 for Town Employees. Normal retirement age for Police Employees;
- Mortality
 - Healthy: RP-2014 (adjusted back to 2006) Employee and Healthy Annuitant tables projected generationally with Scale MP-2016;
 - Disabled: RP-2014 (adjusted back to 2006) Disabled Retiree table projected generationally with Scale MP-2016.

NOTE 4 - SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY - OTHER POST-EMPLOYMENT BENEFITS PLAN

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

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of July 1, 2016. The July 1, 2016 actuarial valuation was rolled forward to the most recent measurement date of July 1, 2017. This information is utilized by the Town for reporting as of June 30, 2018.

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

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

GENERAL FUND

TOWN OF BEACON FALLS, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2018

Grand List Year	Balance Uncollected June 30, 2017	Current Levy	Lawful Corrections		Transfers To Suspense	Balance To Be Collected	Collections			Balance Uncollected June 30, 2018
			Additions	Deductions			Taxes	Interest, Liens and Fees	Total	
2002 and prior	\$ 13,135	\$ -	\$ 219	\$ (6,725)	\$ -	\$ 6,629	\$ -	\$ -	\$ -	\$ 6,629
2003	5,079	-	87	-	-	5,166	-	-	-	5,166
2004	2,809	-	2,657	-	-	5,466	-	-	-	5,466
2005	717	-	4,895	-	-	5,612	-	-	-	5,612
2006	4,064	-	2,576	-	-	6,640	-	-	-	6,640
2007	17,896	-	444	-	(9,021)	9,319	-	-	-	9,319
2008	24,270	-	3,688	-	(17,713)	10,245	-	-	-	10,245
2009	28,612	-	3,158	-	(19,926)	11,844	51	66	117	11,793
2010	42,590	-	30	-	(27,379)	15,241	826	418	1,244	14,415
2011	42,041	-	4,088	(128)	(1,357)	44,644	12,755	6,738	19,493	31,889
2012	70,703	-	-	-	(434)	70,269	27,233	17,449	44,682	43,036
2013	107,448	-	7	(76)	(442)	106,937	39,273	21,829	61,102	67,664
2014	199,624	-	732	-	(454)	199,902	103,355	44,173	147,528	96,547
2015	278,411	-	2,638	(2,645)	(447)	277,957	131,901	33,304	165,205	146,056
2016	-	16,577,616	43,765	(41,883)	-	16,579,498	16,298,708	53,476	16,352,184	280,790
	<u>\$ 837,399</u>	<u>\$ 16,577,616</u>	<u>\$ 68,984</u>	<u>\$ (51,457)</u>	<u>\$ (77,173)</u>	<u>\$ 17,355,369</u>	<u>\$ 16,614,102</u>	<u>\$ 177,453</u>	<u>\$ 16,791,555</u>	<u>\$ 741,267</u>

See accompanying Independent Auditor's Report.

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

Total cash collections for the year ended
June 30, 2018:

Taxes	\$ 16,614,102
Interest and lien fees	177,453
Total	<u>16,791,555</u>

Reimbursement for revenue loss:

Tax relief (CGS 12-129d)	12,351
Base	<u>\$ 16,803,906</u>

	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2-1/4 times base	\$ 37,808,789	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	75,617,577	-	-	-
3-3/4 times base	-	-	63,014,648	-	-
3-1/4 times base	-	-	-	54,612,695	-
3 times base	-	-	-	-	50,411,718
Total debt limitation	<u>37,808,789</u>	<u>75,617,577</u>	<u>63,014,648</u>	<u>54,612,695</u>	<u>50,411,718</u>
Indebtedness:					
Bonds payable	2,917,801	-	5,512,199	-	-
Bonds and BANS payable, net - Regional School District No. 16	-	9,455,216 *	-	-	-
Pension obligation	-	-	-	-	1,433,046
Authorized but unissued bonds	5,000	-	-	-	-
Total indebtedness	<u>2,922,801</u>	<u>9,455,216</u>	<u>5,512,199</u>	<u>-</u>	<u>1,433,046</u>
Less: assessments receivable	-	-	1,100,640	-	-
Net indebtedness	<u>2,922,801</u>	<u>8,241,285</u>	<u>4,411,559</u>	<u>-</u>	<u>1,433,046</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 34,885,988</u>	<u>\$ 67,376,292</u>	<u>\$ 58,603,089</u>	<u>\$ 54,612,695</u>	<u>\$ 48,978,672</u>
Total capacity of borrowing (7 times base)	\$ 117,627,342				
Total present indebtedness	<u>17,008,691</u>				
Margin for additional borrowing	<u>\$ 100,618,651</u>				

* Amount is presented net of estimated state grants and school construction principal reimbursements.

See accompanying Independent Auditor's Report.

NONMAJOR GOVERNMENTAL FUNDS

TOWN OF BEACON FALLS, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Nonmajor Special Revenue Funds						Total Special Revenue Funds
	Recreation Special Activities Fund	Library Fund	Dog Fund	Small Cities Fund	Flag Fund	Police Private Duty Fund	
ASSETS							
Cash and cash equivalents	\$ 25,522	\$ 16,787	\$ 136	\$ 6,759	\$ 1,676	\$ -	\$ 50,880
Investments	-	11,136	-	-	-	-	11,136
Receivables:							
Loans	-	-	-	505,047	-	-	505,047
Other	-	575	-	-	-	37,003	37,578
Due from other funds	-	-	-	-	-	35,748	35,748
Prepaid items	4,790	-	-	-	-	-	4,790
Total assets	<u>\$ 30,312</u>	<u>\$ 28,498</u>	<u>\$ 136</u>	<u>\$ 511,806</u>	<u>\$ 1,676</u>	<u>\$ 72,751</u>	<u>\$ 645,179</u>
LIABILITIES							
Accounts payable	\$ -	\$ 564	\$ 51	\$ -	\$ -	\$ -	\$ 615
Due to other funds	-	1,942	1,154	9,588	-	-	12,684
Unearned revenue	5,825	-	-	-	-	-	5,825
Total liabilities	<u>5,825</u>	<u>2,506</u>	<u>1,205</u>	<u>9,588</u>	<u>-</u>	<u>-</u>	<u>19,124</u>
FUND BALANCES							
Nonspendable	4,790	-	-	-	-	-	4,790
Restricted	-	-	-	502,218	-	-	502,218
Committed	19,697	25,992	-	-	1,676	72,751	120,116
Unassigned	-	-	(1,069)	-	-	-	(1,069)
Total fund balances	<u>24,487</u>	<u>25,992</u>	<u>(1,069)</u>	<u>502,218</u>	<u>1,676</u>	<u>72,751</u>	<u>626,055</u>
Total liabilities and fund balances	<u>\$ 30,312</u>	<u>\$ 28,498</u>	<u>\$ 136</u>	<u>\$ 511,806</u>	<u>\$ 1,676</u>	<u>\$ 72,751</u>	<u>\$ 645,179</u>

(Continued)

See accompanying Independent Auditor's Report.

TOWN OF BEACON FALLS, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Concluded)
JUNE 30, 2018

	Nonmajor Capital Project Funds				Debt Service Fund	Total Nonmajor Governmental Funds
	Capital Nonrecurring Fund	Open Space Fund	Bonded Projects Funds	Total Capital Project Funds		
ASSETS						
Cash and cash equivalents	\$ 416,015	\$ 4,584	\$ 471,171	\$ 891,770	\$ -	\$ 942,650
Investments	-	-	-	-	-	11,136
Receivables:						
Loans	-	-	-	-	-	505,047
Other	-	-	-	-	-	37,578
Due from other funds	8,000	-	-	8,000	497,086	540,834
Prepaid items	-	-	-	-	-	4,790
Total assets	<u>\$ 424,015</u>	<u>\$ 4,584</u>	<u>\$ 471,171</u>	<u>\$ 899,770</u>	<u>\$ 497,086</u>	<u>\$ 2,042,035</u>
LIABILITIES						
Accounts payable	\$ 12,144	\$ -	\$ 23,508	\$ 35,652	\$ -	\$ 36,267
Due to other funds	2,148	-	37,890	40,038	-	52,722
Unearned revenue	-	-	-	-	-	5,825
Total liabilities	<u>14,292</u>	<u>-</u>	<u>61,398</u>	<u>75,690</u>	<u>-</u>	<u>94,814</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	4,790
Restricted	-	-	444,549	444,549	-	946,767
Committed	409,723	4,584	-	414,307	497,086	1,031,509
Unassigned	-	-	(34,776)	(34,776)	-	(35,845)
Total fund balances	<u>409,723</u>	<u>4,584</u>	<u>409,773</u>	<u>824,080</u>	<u>497,086</u>	<u>1,947,221</u>
Total liabilities and fund balances	<u>\$ 424,015</u>	<u>\$ 4,584</u>	<u>\$ 471,171</u>	<u>\$ 899,770</u>	<u>\$ 497,086</u>	<u>\$ 2,042,035</u>

(Concluded)

See accompanying Independent Auditor's Report.

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

	Nonmajor Special Revenue Funds						Total Special Revenue Funds
	Recreation Special Activities Fund	Library Fund	Dog Fund	Small Cities Fund	Flag Fund	Police Private Duty Fund	
	Fund	Fund	Fund	Fund	Fund	Fund	
REVENUES							
Charges for services	\$ 24,003	\$ 8,353	\$ 3,355	\$ -	\$ -	\$ 250,819	\$ 286,530
Other	200	1,209	-	27,497	-	-	28,906
Interest income	-	70	-	-	-	-	70
Total revenues	<u>24,203</u>	<u>9,632</u>	<u>3,355</u>	<u>27,497</u>	<u>-</u>	<u>250,819</u>	<u>315,506</u>
EXPENDITURES							
Current:							
General government	-	-	3,990	4,160	620	-	8,770
Public safety	-	-	-	-	-	185,169	185,169
Culture and recreation	11,723	8,028	-	-	-	-	19,751
Debt service:							
Principal payments	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-
Total expenditures	<u>11,723</u>	<u>8,028</u>	<u>3,990</u>	<u>4,160</u>	<u>620</u>	<u>185,169</u>	<u>213,690</u>
Excess (deficiency) of revenues over expenditures	12,480	1,604	(635)	23,337	(620)	65,650	101,816
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(55,000)	(55,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,000)</u>	<u>(55,000)</u>
Net change in fund balances	12,480	1,604	(635)	23,337	(620)	10,650	46,816
Fund balances - beginning	<u>12,007</u>	<u>24,388</u>	<u>(434)</u>	<u>478,881</u>	<u>2,296</u>	<u>62,101</u>	<u>579,239</u>
Fund balances - ending	<u>\$ 24,487</u>	<u>\$ 25,992</u>	<u>\$ (1,069)</u>	<u>\$ 502,218</u>	<u>\$ 1,676</u>	<u>\$ 72,751</u>	<u>\$ 626,055</u>

(Continued)

See accompanying Independent Auditor's Report.

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

	Nonmajor Capital Project Funds				Debt Service Fund	Total Nonmajor Governmental Funds
	Capital Nonrecurring Fund	Open Space Fund	Bonded Projects Fund	Total Capital Project Funds		
REVENUES						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 286,530
Other	37,800	1,044	-	38,844	-	67,750
Interest income	-	-	-	-	-	70
Total revenues	<u>37,800</u>	<u>1,044</u>	<u>-</u>	<u>38,844</u>	<u>-</u>	<u>354,350</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	8,770
Public safety	-	-	-	-	-	185,169
Culture and recreation	-	-	-	-	-	19,751
Debt service:						
Principal payments	29,200	-	-	29,200	705,000	734,200
Interest and fiscal charges	1,606	-	-	1,606	260,131	261,737
Capital outlays	<u>248,705</u>	<u>-</u>	<u>944,778</u>	<u>1,193,483</u>	<u>-</u>	<u>1,193,483</u>
Total expenditures	<u>279,511</u>	<u>-</u>	<u>944,778</u>	<u>1,224,289</u>	<u>965,131</u>	<u>2,403,110</u>
Excess (deficiency) of revenues over expenditures	(241,711)	1,044	(944,778)	(1,185,445)	(965,131)	(2,048,760)
OTHER FINANCING SOURCES (USES)						
Transfers in	250,110	-	-	250,110	965,131	1,215,241
Transfers out	-	-	-	-	-	(55,000)
Total other financing sources (uses)	<u>250,110</u>	<u>-</u>	<u>-</u>	<u>250,110</u>	<u>965,131</u>	<u>1,160,241</u>
Net change in fund balances	8,399	1,044	(944,778)	(935,335)	-	(888,519)
Fund balances - beginning	<u>401,324</u>	<u>3,540</u>	<u>1,354,551</u>	<u>1,759,415</u>	<u>497,086</u>	<u>2,835,740</u>
Fund balances - ending	<u>\$ 409,723</u>	<u>\$ 4,584</u>	<u>\$ 409,773</u>	<u>\$ 824,080</u>	<u>\$ 497,086</u>	<u>\$ 1,947,221</u>

(Concluded)

See accompanying Independent Auditor's Report.