

TOWN OF BEACON FALLS, CONNECTICUT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2017

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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, 2017, 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, 2017, and the respective changes in financial position, and the respective budgetary comparison for the General Fund 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 schedules on the Town's pension and other post-employment benefit plans on pages 47 through 49 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 50 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 January 9, 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

Glastonbury, Connecticut
January 9, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

TOWN OF BEACON FALLS, CONNECTICUT
Management's Discussion and Analysis – Unaudited
June 30, 2017

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, 2017.

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 \$15,528,360 (net position). Of this amount, \$5,075,662 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 increased by \$593,143 during the current fiscal year.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$7,223,218, an increase of \$704,595 in comparison with the prior year.
- At the close of the current fiscal year, unassigned fund balance of the General Fund was \$2,941,857 or 14.0% 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 \$1,450,225 or 8.7% during the current year, primarily due to costs incurred relating to the construction of a pump station and on-going road improvement projects, offset by current year depreciation.
- The Town's total bonded debt increased by \$900,000 or 10.9% during the current fiscal year due to the net issuance of \$1,285,000 in general obligation bonds, offset by current year debt service payments of \$350,000.

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.

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 Bonded Projects 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)*
June 30, 2017

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 47 through 49 of this report. Combining and individual fund statements and schedules can be found on pages 50 through 55 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 \$15,528,360 and \$14,935,217 as of June 30, 2017 and 2016, respectively, and are summarized as follows.

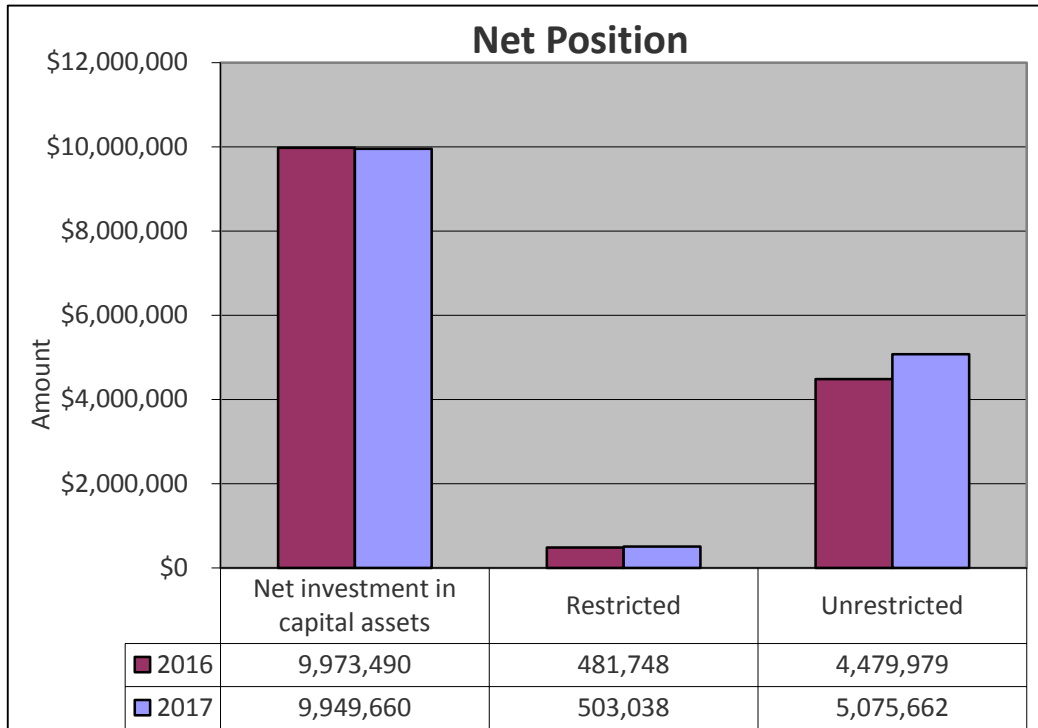
Town of Beacon Falls, Connecticut
Net Position
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 10,622,874	\$ 9,837,978
Capital assets	<u>18,043,526</u>	<u>16,593,301</u>
Total assets	<u>28,666,400</u>	<u>26,431,279</u>
Deferred outflows of resources	<u>506,655</u>	<u>94,177</u>
Other liabilities	1,249,166	708,089
Long-term liabilities	<u>12,395,529</u>	<u>10,882,150</u>
Total liabilities	<u>13,644,695</u>	<u>11,590,239</u>
Net position:		
Net investment in capital assets	9,949,660	9,973,490
Restricted	503,038	481,748
Unrestricted	<u>5,075,662</u>	<u>4,479,979</u>
Total net position	<u><u>\$ 15,528,360</u></u>	<u><u>\$ 14,935,217</u></u>

TOWN OF BEACON FALLS, CONNECTICUT
Management's Discussion and Analysis - Unaudited *(Continued)*
June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Net Position *(Continued)*



As of June 30, 2017, approximately 64.1% 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.

3.2% 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 increased by \$593,143 in comparison with the prior year.

TOWN OF BEACON FALLS, CONNECTICUT
Management's Discussion and Analysis - Unaudited *(Continued)*
June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Change in Net Position

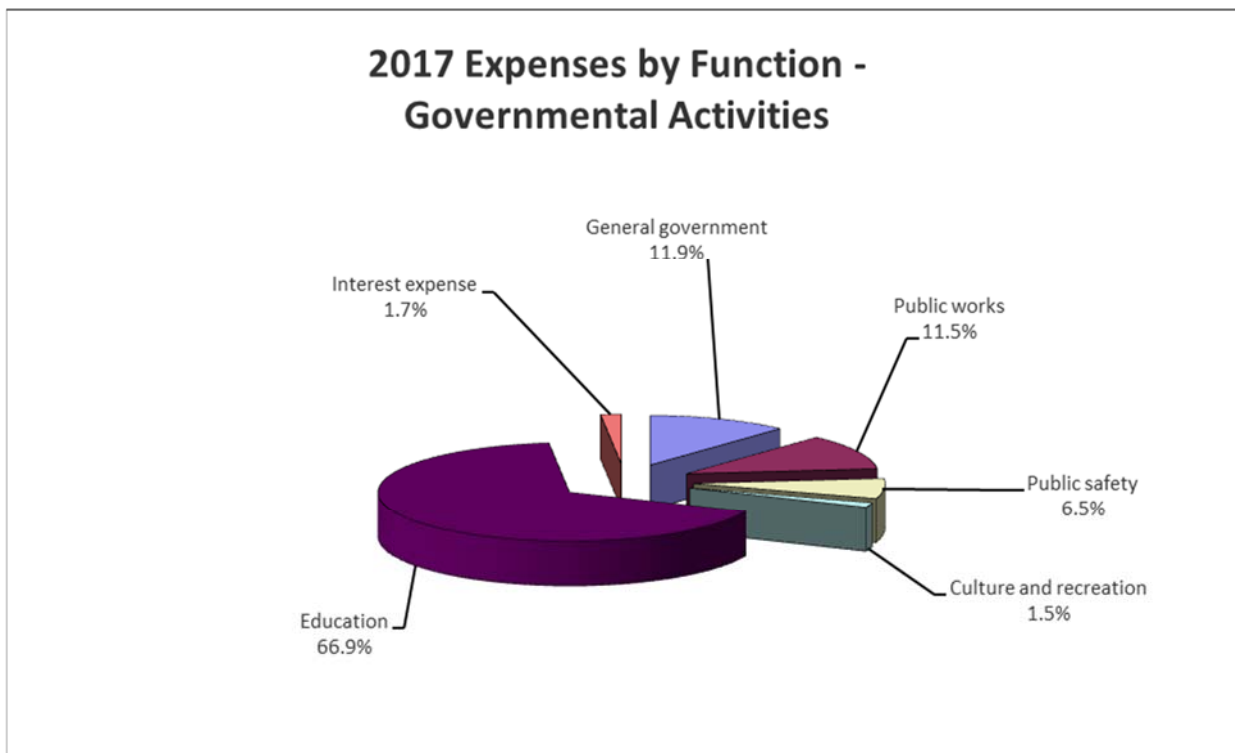
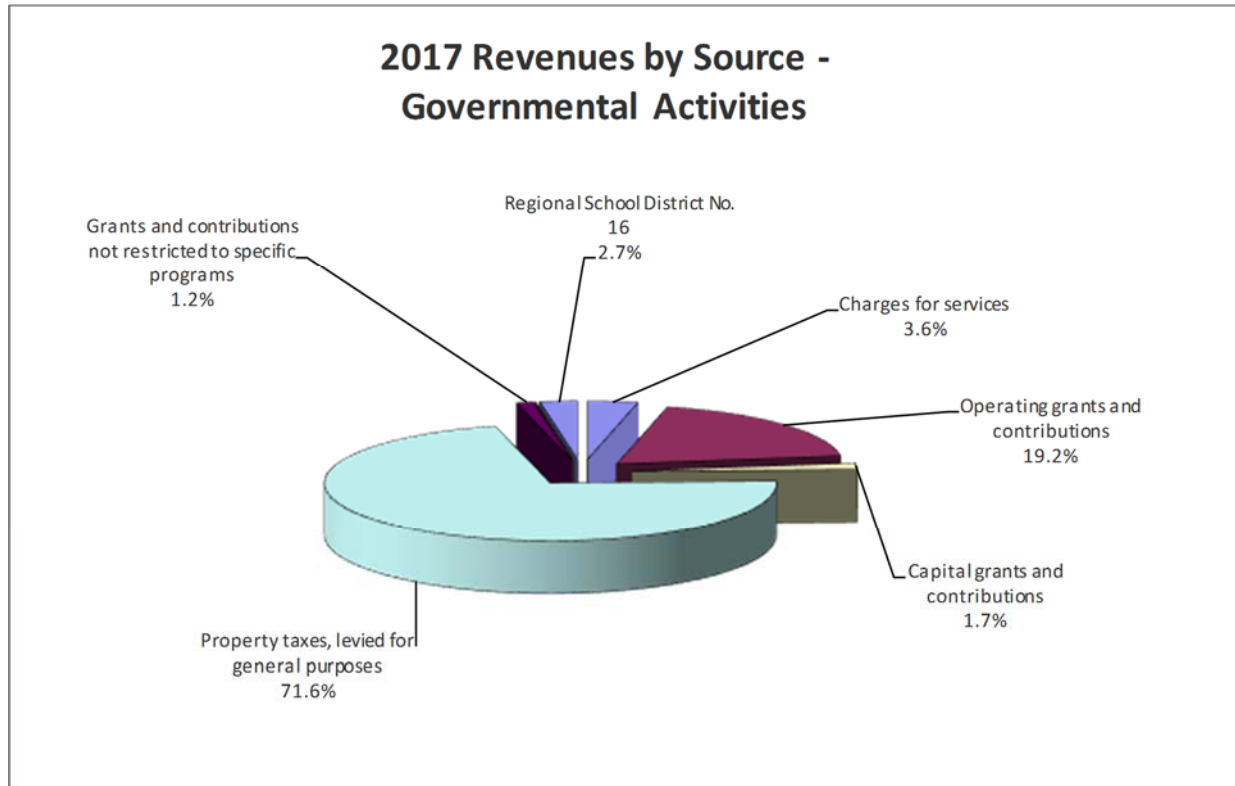
Changes in net position for the years ended June 30, 2017 and 2016 are as follows.

Town of Beacon Falls, Connecticut		
Changes in Net Position		
For The Years Ended June 30, 2017 and 2016		
	<u>2017</u>	<u>2016</u>
Revenues		
Program revenues:		
Charges for services	\$ 820,100	\$ 677,906
Operating grants and contributions	4,374,107	4,751,481
Capital grants and contributions	390,065	58,346
General revenues:		
Property taxes, levied for general purposes	16,289,815	16,305,177
Grants and contributions not restricted to specific programs	264,837	135,608
Unrestricted investment earnings	13,781	5,809
Regional School District No. 16	610,657	377,404
Total revenues	<u>22,763,362</u>	<u>22,311,731</u>
Expenses		
General government	2,630,281	2,520,205
Public works	2,554,948	2,530,007
Public safety	1,449,148	1,435,289
Culture and recreation	333,552	346,962
Education	14,820,178	14,820,178
Interest expense	382,112	153,779
Total expenses	<u>22,170,219</u>	<u>21,806,420</u>
Change in net position	<u><u>\$ 593,143</u></u>	<u><u>\$ 505,311</u></u>

TOWN OF BEACON FALLS, CONNECTICUT
Management's Discussion and Analysis - Unaudited *(Continued)*
June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Change in Net Position *(Continued)*



TOWN OF BEACON FALLS, CONNECTICUT
Management's Discussion and Analysis - Unaudited *(Continued)*
June 30, 2017

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 \$7,223,218.

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 \$3,295,806, of which \$2,941,857 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 14.0% 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 increased by \$388,837 during the current fiscal year. The increase was primarily due to collections on delinquent property taxes, the prior year surplus received from Regional School District No. 16 in the amount of \$268,127, and proceeds received from the sale of the Community School to the Town of Prospect by the Town's regional school district.

Bonded Projects Fund

The fund balance of the Bonded Projects Fund decreased by \$417,330 during the current fiscal year, which resulted in an ending fund balance of \$1,354,551 as of June 30, 2017. The current year change was primarily due to the recognition of general obligation bond proceeds in the amount of \$1,285,000, offset by current year capital costs relating to various road improvement projects and a pump station project.

Special Projects Fund

The fund balance of the Special Projects Fund decreased by \$2,479 during the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original operating budget for the General Fund planned for the utilization of fund balance in the amount of \$30,033. Additional appropriations in the amount of \$686,290 were approved by the Board of Finance and Town Meeting during the year ended June 30, 2017. Significant additional appropriations consisted of \$500,000 as a transfer to the Sewer Waste Water Fund and \$146,390 to fund various special projects.

TOWN OF BEACON FALLS, CONNECTICUT
Management's Discussion and Analysis - Unaudited *(Continued)*
June 30, 2017

GENERAL FUND BUDGETARY HIGHLIGHTS *(Continued)*

The actual net change in fund balance of the General Fund on a budgetary basis was an increase of \$298,857 in the current fiscal year. Expenditures were \$365,200 less than budgeted. Total budgetary revenues were \$650,154 more than expected, primarily due to the surplus received from the Town's regional school district, collections on delinquent property taxes, and proceeds received from the sale of Community School to the Town of Prospect. This school was historically the property of the Town's regional school district and when the sale occurred, the proceeds were allocated to the two member towns.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2017 and 2016 totaled \$18,043,526 and \$16,593,301, 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 \$1,450,225. This increase is primarily due to costs incurred relating to the construction of a pump station and on-going road improvement projects, offset by current year depreciation expense.

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

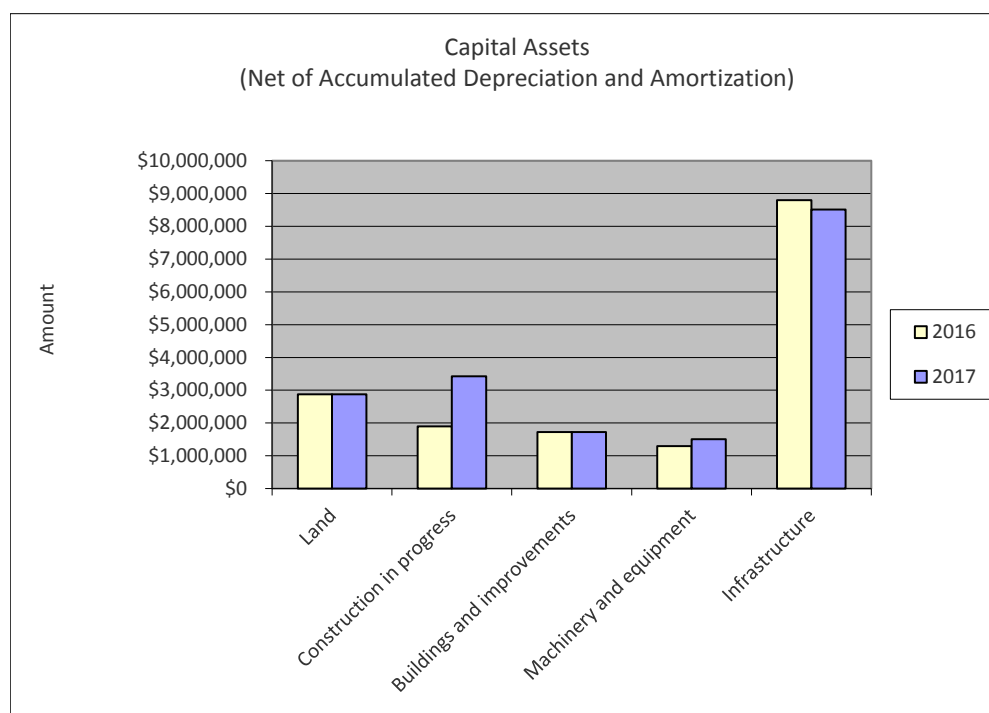
- Outlays for various ongoing construction projects totaling \$1,784,509, including construction of a pump station and improvements to Town roads;
- Outlays related to equipment purchases in the amount of \$349 thousand primarily for two police vehicles, an industrial grade mower, a public works utility truck and a wood chipper;
- Outlays related to new infrastructure improvements in the amount of \$221,670 related to Riverbend Park.

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

	2017	2016
Land	\$ 2,878,308	\$ 2,878,308
Construction in progress	3,423,230	1,898,414
Buildings and improvements	1,723,667	1,722,861
Machinery and equipment	1,503,141	1,295,481
Infrastructure	8,515,180	8,798,237
Totals	<u>\$ 18,043,526</u>	<u>\$ 16,593,301</u>

TOWN OF BEACON FALLS, CONNECTICUT
Management's Discussion and Analysis - Unaudited *(Continued)*
June 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION *(Continued)*



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

Short-term and Long-term Debt

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$9,135,000. This entire amount is comprised of debt backed by the full faith and credit of the Town. The Town's total debt increased by \$900,000 or 10.9% 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.

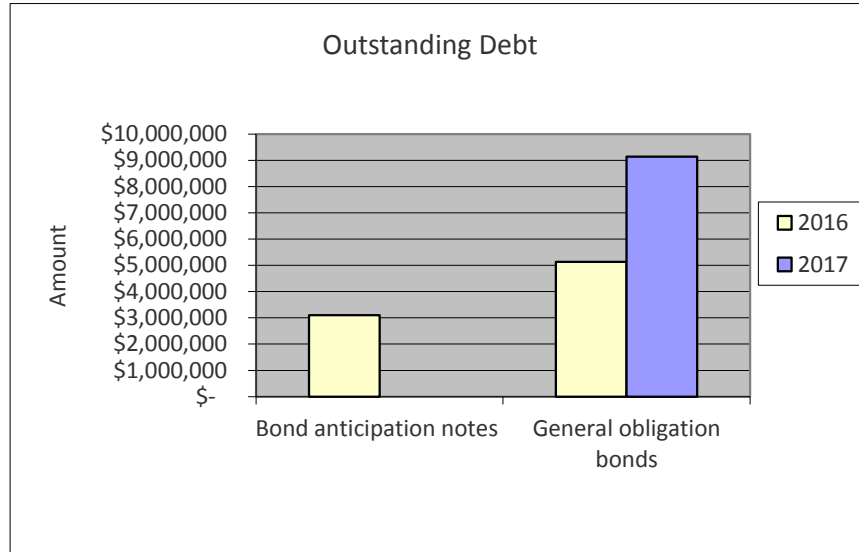
The following table is a two year comparison of short-term and long-term principal debt outstanding:

	2017	2016
Bond anticipation notes	\$ -	\$ 3,100,000
General obligation bonds	9,135,000	5,135,000
Totals	<u>\$ 9,135,000</u>	<u>\$ 8,235,000</u>

TOWN OF BEACON FALLS, CONNECTICUT
Management's Discussion and Analysis - Unaudited *(Continued)*
June 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION *(Continued)*

Short-term and Long-term Debt *(Continued)*



Additional information on the Town's short-term and long-term debt can be found in Notes G and H 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 2018, 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 2018.

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, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 7,719,644
Investments	11,066
Receivables:	
Property taxes and interest, net	1,073,870
Assessments and interest, net	169,853
Intergovernmental	5,565
Inventories	11,405
Other	96,365
Noncurrent assets:	
Receivables:	
Assessments	1,033,401
Loans	501,705
Capital assets:	
Non-depreciable	6,301,538
Depreciable, net	11,741,988
Total assets	<u>28,666,400</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on pension expense	471,532
Deferred charge on refunding	35,123
Total deferred outflows of resources	<u>506,655</u>
LIABILITIES	
Accounts payable	590,979
Accrued liabilities:	
Salaries and benefits payable	36,198
Accrued interest payable	93,147
Unearned revenue	528,842
Noncurrent liabilities:	
Due within one year	853,108
Due in more than one year	11,542,421
Total liabilities	<u>13,644,695</u>
NET POSITION	
Net investment in capital assets	9,949,660
Restricted for:	
Loan rehabilitation program	503,038
Unrestricted	5,075,662
Total net position	<u>\$ 15,528,360</u>

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, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 2,630,281	\$ 524,793	\$ 62,375	\$ -	\$ (2,043,113)
Public works	2,554,948	60,065	232,429	212,330	(2,050,124)
Public safety	1,449,148	218,521	3,482	-	(1,227,145)
Culture and recreation	333,552	16,721	7,901	177,735	(131,195)
Education	14,820,178	-	4,067,920	-	(10,752,258)
Interest expense	382,112	-	-	-	(382,112)
Total governmental activities	<u>\$ 22,170,219</u>	<u>\$ 820,100</u>	<u>\$ 4,374,107</u>	<u>\$ 390,065</u>	<u>(16,585,947)</u>
General revenues:					
Property taxes and assessments, levied for general purposes					16,289,815
Grants and contributions not restricted to specific programs					264,837
Unrestricted investment earnings					13,781
Regional School District No. 16					610,657
Total general revenues					<u>17,179,090</u>
Change in net position					593,143
Net position - beginning					<u>14,935,217</u>
Net position - ending					<u>\$ 15,528,360</u>

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

TOWN OF BEACON FALLS, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Bonded Projects Fund	Specical Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,573,131	\$ 1,502,930	\$ 638,970	\$ 2,004,613	\$ 7,719,644
Investments	-	-	-	11,066	11,066
Receivables:					
Property taxes and interest, net of allowance for uncollectible of \$210,000	1,073,870	-	-	-	1,073,870
Assessments and interest, net of allowance for uncollectible of \$67,000	1,203,254	-	-	-	1,203,254
Intergovernmental	-	-	5,565	-	5,565
Loans	24,157	-	-	477,548	501,705
Other	23,071	-	-	73,294	96,365
Due from other funds	385,894	7,592	9,471	497,970	900,927
Inventories	11,405	-	-	-	11,405
Total assets	<u>\$ 6,294,782</u>	<u>\$ 1,510,522</u>	<u>\$ 654,006</u>	<u>\$ 3,064,491</u>	<u>\$ 11,523,801</u>
LIABILITIES					
Accounts payable	\$ 195,333	\$ 155,971	\$ 134,685	\$ 104,990	\$ 590,979
Salaries and benefits payable	36,198	-	-	-	36,198
Due to other funds	514,149	-	884	385,894	900,927
Unearned revenue	9,659	-	502,529	16,654	528,842
Total liabilities	<u>755,339</u>	<u>155,971</u>	<u>638,098</u>	<u>507,538</u>	<u>2,056,946</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes and interest	1,040,383	-	-	-	1,040,383
Unavailable revenue - assessments and interest	1,203,254	-	-	-	1,203,254
Total deferred inflows of resources	<u>2,243,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,243,637</u>
FUND BALANCES					
Nonspendable	11,405	-	-	-	11,405
Restricted	24,157	1,389,328	-	478,881	1,892,366
Committed	-	-	15,908	2,135,466	2,151,374
Assigned	318,387	-	-	-	318,387
Unassigned	2,941,857	(34,777)	-	(57,394)	2,849,686
Total fund balances	<u>3,295,806</u>	<u>1,354,551</u>	<u>15,908</u>	<u>2,556,953</u>	<u>7,223,218</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,294,782</u>	<u>\$ 1,510,522</u>	<u>\$ 654,006</u>	<u>\$ 3,064,491</u>	<u>\$ 11,523,801</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, 2017

Total fund balance for governmental funds	\$	7,223,218
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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		3,423,230	
Buildings and improvements		3,540,876	
Machinery and equipment		5,677,864	
Infrastructure		20,812,164	
Less: accumulated depreciation and amortization		<u>(18,288,916)</u>	
Total capital assets, net			18,043,526

Deferred outflows and inflows of resources resulting from changes in the components of the net pension liability are reported in the statement of net position.		471,532
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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.		2,243,637
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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	(93,147)		
Long-term debt:			
Bonds payable	(9,135,000)		
Unamortized premium	(327,933)		
Deferred charges on refunding	35,123		
Capital lease obligations	(55,384)		
Other long-term liabilities:			
Compensated absences	(84,562)		
Pension obligation	(1,472,014)		
Net pension liability	(1,239,994)		
Net OPEB obligation	<u>(80,642)</u>		
Total long-term liabilities			<u>(12,453,553)</u>

Net position of governmental activities	\$	<u><u>15,528,360</u></u>
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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, 2017

	General Fund	Bonded Projects Fund	Special Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 16,512,580	\$ -	\$ -	\$ -	\$ 16,512,580
Assessments	193,567	-	-	-	193,567
Intergovernmental	4,584,028	-	281,445	-	4,865,473
Charges for services	441,470	-	-	294,215	735,685
Other	732,046	-	10,890	4,820	747,756
Interest income	12,806	-	-	975	13,781
Total revenues	<u>22,476,497</u>	<u>-</u>	<u>292,335</u>	<u>300,010</u>	<u>23,068,842</u>
EXPENDITURES					
Current:					
General government	2,380,925	-	-	8,620	2,389,545
Public works	1,642,511	-	-	98,774	1,741,285
Public safety	1,181,431	-	-	204,116	1,385,547
Culture and recreation	287,664	-	-	19,327	306,991
Education	14,820,178	-	-	-	14,820,178
Debt service:					
Principal payments	350,000	-	-	28,444	378,444
Interest and fiscal charges	230,155	-	-	16,282	246,437
Debt issuance costs	-	75,000	-	-	75,000
Capital outlays	49,841	1,662,330	319,526	408,062	2,439,759
Total expenditures	<u>20,942,705</u>	<u>1,737,330</u>	<u>319,526</u>	<u>783,625</u>	<u>23,783,186</u>
Excess (deficiency) of revenues over expenditures	1,533,792	(1,737,330)	(27,191)	(483,615)	(714,344)
OTHER FINANCING SOURCES (USES)					
Premium on bond issuance	133,939	-	-	-	133,939
Proceeds from bonds	-	4,350,000	-	-	4,350,000
Repayment of bond anticipation notes	-	(3,065,000)	-	-	(3,065,000)
Transfers in	-	35,000	24,712	1,582,329	1,642,041
Transfers out	(1,278,894)	-	-	(363,147)	(1,642,041)
Total other financing sources (uses)	<u>(1,144,955)</u>	<u>1,320,000</u>	<u>24,712</u>	<u>1,219,182</u>	<u>1,418,939</u>
Net change in fund balances	388,837	(417,330)	(2,479)	735,567	704,595
Fund balances - beginning	<u>2,906,969</u>	<u>1,771,881</u>	<u>18,387</u>	<u>1,821,386</u>	<u>6,518,623</u>
Fund balances - ending	<u>\$ 3,295,806</u>	<u>\$ 1,354,551</u>	<u>\$ 15,908</u>	<u>\$ 2,556,953</u>	<u>\$ 7,223,218</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, 2017

Net change in fund balances - total governmental funds	\$ 704,595
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	\$ 2,248,136
Depreciation and amortization expense	<u>(830,600)</u>
Net adjustment	1,417,536
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	110,852
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.	(78,163)
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:	
Debt issued or incurred:	
Bonds issued	(1,285,000)
Premium on bonds issued	(133,939)
Principal repayments:	
Bonds payable	350,000
Capital lease obligations	<u>28,443</u>
Net adjustment	(1,040,496)
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	(44,443)
Amortization on bond premium	(14,180)
Deferred amount on refunding	(2,051)
Compensated absences	1,723
Pension obligation	36,057
Net pension liability	(73,617)
Net OPEB obligation	<u>(8,338)</u>
	(104,849)
Deferred outflows and inflows of resources resulting from changes in the components of the net pension liability are amortized as a component of pension expense in the statement of activities.	<u>(416,332)</u>
Change in net position of governmental activities	<u><u>\$ 593,143</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 BALANCE - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
				Over (Under)
REVENUES				
Property taxes	\$ 16,285,870	\$ 16,285,870	\$ 16,512,580	\$ 226,710
Water and sewer assessments	185,000	185,000	193,567	8,567
Intergovernmental revenues	4,576,185	4,576,185	4,588,093	11,908
Charges for services	377,872	377,872	263,054	(114,818)
Other revenues	177,500	177,500	689,981	512,481
Interest income	7,500	7,500	12,806	5,306
Total revenues	<u>21,609,927</u>	<u>21,609,927</u>	<u>22,260,081</u>	<u>650,154</u>
EXPENDITURES				
Current:				
General government	2,351,158	2,330,647	2,211,942	(118,705)
Public works	1,752,404	1,774,619	1,726,794	(47,825)
Public safety	1,309,360	1,348,019	1,182,346	(165,673)
Library	160,933	162,483	161,814	(669)
Recreation	149,350	146,850	143,000	(3,850)
Education	14,820,178	14,820,178	14,820,178	-
Contingency	99,000	12,250	-	(12,250)
Debt service:				
Principal payments	385,000	385,000	385,000	-
Interest and fiscal charges	171,981	230,155	230,155	-
Capital outlays	252,150	927,603	911,375	(16,228)
Total expenditures	<u>21,451,514</u>	<u>22,137,804</u>	<u>21,772,604</u>	<u>(365,200)</u>
Excess (deficiency) of revenues over expenditures	158,413	(527,877)	487,477	1,015,354
OTHER FINANCING SOURCES (USES)				
Premium on bonds issued	-	133,939	133,939	-
Appropriation of fund balance	30,033	716,323	-	(716,323)
Transfers out	(188,446)	(322,385)	(322,559)	(174)
Total other financing sources (uses)	<u>(158,413)</u>	<u>527,877</u>	<u>(188,620)</u>	<u>(716,497)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	298,857	<u>\$ 298,857</u>
Fund balances - beginning			2,902,402	
Fund balances - ending			<u>\$ 3,201,259</u>	

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, 2017

	Private Purpose Trust Fund - Melbourne Trust Fund
ASSETS	
Cash and cash equivalents	\$ 3,605
Investments	10,324
Total assets	<u>13,929</u>
NET POSITION	
Restricted for scholarship benefits	<u>\$ 13,929</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, 2017

	Private Purpose Trust Fund - Melbourne Trust Fund
ADDITIONS	
Interest income	\$ 117
DEDUCTIONS	
Awards expense	1,500
Administrative expenses	12
Total deductions	1,512
Change in net position	(1,395)
Net position - beginning	15,324
Net position - ending	\$ 13,929

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

TOWN OF BEACON FALLS, CONNECTICUT

Notes to Financial Statements

June 30, 2017

NOTE A - 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 A - 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.

Bonded Projects Fund - This fund is used to account for the financial activity of capital projects financed with debt proceeds and government grants.

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)*
June 30, 2017

NOTE A - 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, 2016, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple Employer Defined Benefit Pension Plans*, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, GASB Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*, and GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The adoption of these statements did not have a material effect on the Town's financial statements.

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

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.

TOWN OF BEACON FALLS, CONNECTICUT
Notes to Financial Statements *(Continued)*
June 30, 2017

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

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

Capital Assets

Capital assets, which include property, 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:

Assets	Years
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.

Deferred Outflows/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 pension expense and a deferred charge on refunding reported in the government-wide statement of net position. Deferred 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 charge on refunding is being amortized to interest expense using the effective-interest method over the life of the related bonds.

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

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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:

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 as described in Note B.

NOTE A - 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)*

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.

Fund Balance Flow Assumption

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

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

Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables

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

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.

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

Interfund Activities *(Continued)*

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 B - BUDGETARY INFORMATION AND DEFICIT FUND BALANCE

Budgetary Information

The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements.

- 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.

TOWN OF BEACON FALLS, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2017

NOTE B - BUDGETARY INFORMATION AND DEFICIT FUND BALANCE *(Continued)*

Budgetary Information *(Continued)*

- 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.

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, 2017:

	Total Revenues	Total Expenditures	Other Financing Sources (Uses), Net	Net Change in Fund Balance
Budgetary basis	\$ 22,260,081	\$ 21,772,604	\$ (188,620)	\$ 298,857
Changes in encumbrances	-	(101,887)	-	101,887
Transfers out recorded as expenditures for budgetary purposes	-	(946,375)	(956,335)	(9,960)
Other reclassifications for GAAP purposes	38,000	38,000	-	-
Town Clerk Fund activity	178,416	180,363	-	(1,947)
GAAP basis	<u>\$ 22,476,497</u>	<u>\$ 20,942,705</u>	<u>\$ (1,144,955)</u>	<u>\$ 388,837</u>

Deficit Fund Balance

The following fund has a deficit fund balance as of June 30, 2017, which does not constitute a violation of statutory provisions:

Fund	Amount
Dog Fund	\$ (434)

The deficit is expected to be eliminated through future revenue sources.

TOWN OF BEACON FALLS, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2017

NOTE B - BUDGETARY INFORMATION *(Continued)*

Capital Projects Authorizations

The following is a summary of authorized capital projects:

	Authorization	Cumulative Expenditures	Balance
Town Roads: Lower Highland, Burton & Noe Place	\$ 2,100,000	\$ 1,881,882	\$ 218,118
Wastewater Treatment Plant \$1,000,000	1,000,000	754,862	245,139
Wastewater Treatment Plant \$700,000	700,000	683,504	16,496
Tiger Boom Mower	128,512	119,929	8,583
Two Police Equipped Ford Explorers	131,136	81,498	49,638
Quint Fire Engine	850,000	-	850,000
Ford F-550	110,000	98,998	11,002
Police Station Repairs	13,735	3,840	9,895
Repair Rear Awning (Senior Center)	6,000	5,290	710
Engine 3 Safety Upgrade	26,500	26,490	10
Revaluation	60,000	50,491	9,509
Town Hall Server Replacement	15,000	-	15,000
Hose Replacement Program	5,000	-	5,000
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
Fire Department Utility Vehicle	50,290	50,290	-
Record Archiving	3,500	875	2,625
Upgrade to Firehouse Bathrooms	28,500	26,325	2,175
4 Ice Rescue Suits	2,832	2,832	-
Station 2 Rehabilitation	12,000	11,890	110
Repair Single Basketball Court	10,600	10,600	-
Paint Town Hall	5,000	-	5,000
Replacement of 2 Computers	1,600	1,600	-
Road work	469,060	133,673	335,387
Time Clock Equipment and Software	10,000	6,918	3,082
Roof Replacement at Pent Road Sugar Shack	15,000	13,484	1,516
Roof Replacement at Pent Road - Bathrooms	5,500	-	5,500
Roof Replacement at Senior Center	13,500	8,650	4,850
Garage Door Widening & Replacement	9,000	8,846	154
Repair walls at Public Works Garage	15,000	5,600	9,400
Renovate Assessors/Tax Collectors Office	17,000	-	17,000
Town Hall Landscaping	12,000	9,931	2,069
Replace Oil Tank at WWTP	11,000	-	11,000
ICE Grant Expenses	19,648	19,417	231
Repairs to Lopus Road Culvert	15,000	15,000	-
Emergency Town Hall Boiler Repair	24,960	24,960	-
Codification	9,960	1,992	7,968
STEAP Grant - Upper Highland Avenue	199,500	196,970	2,530
Riverbend Park - US Fish & Wildlife Grant	110,653	110,653	-
	<u>\$ 6,248,236</u>	<u>\$ 4,398,095</u>	<u>\$ 1,850,142</u>

TOWN OF BEACON FALLS, CONNECTICUT
Notes to Financial Statements *(Continued)*
June 30, 2017

NOTE C - CASH DEPOSITS

A reconciliation of the Town's cash deposits as of June 30, 2017 is as follows:

Government-wide statement of net position:	
Cash and cash equivalents	\$ 7,719,644
Statement of fiduciary net position:	
Cash and cash equivalents	3,605
Add: Certificate of deposit classified as an investment	21,390
	<u>\$ 7,744,639</u>

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, 2017, \$7,677,295 of the Town's bank balance of \$7,937,619 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 6,909,565
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	767,730
	<u>\$ 7,677,295</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.

TOWN OF BEACON FALLS, CONNECTICUT
Notes to Financial Statements *(Continued)*
June 30, 2017

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 2,878,308	\$ -	\$ -	\$ -	\$ 2,878,308
Construction in progress	1,898,414	1,784,509	(78,163)	(181,530)	3,423,230
Total capital assets, not being depreciated	<u>4,776,722</u>	<u>1,784,509</u>	<u>(78,163)</u>	<u>(181,530)</u>	<u>6,301,538</u>
Capital assets, being depreciated:					
Buildings and improvements	3,467,856	73,020	-	-	3,540,876
Machinery and equipment	5,264,312	349,281	-	64,271	5,677,864
Infrastructure	20,542,727	152,178	-	117,259	20,812,164
Total capital assets, being depreciated	<u>29,274,895</u>	<u>574,479</u>	<u>-</u>	<u>181,530</u>	<u>30,030,904</u>
Less accumulated depreciation and amortization for:					
Buildings and improvements	1,744,995	72,214	-	-	1,817,209
Machinery and equipment	3,968,831	205,892	-	-	4,174,723
Infrastructure	11,744,490	552,494	-	-	12,296,984
Total accumulated depreciation and amortization	<u>17,458,316</u>	<u>830,600</u>	<u>-</u>	<u>-</u>	<u>18,288,916</u>
Total capital assets, being depreciated, net	<u>11,816,579</u>	<u>(256,121)</u>	<u>-</u>	<u>181,530</u>	<u>11,741,988</u>
Governmental activities capital assets, net	<u>\$ 16,593,301</u>	<u>\$ 1,528,388</u>	<u>\$ (78,163)</u>	<u>\$ -</u>	<u>\$ 18,043,526</u>

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

Governmental Activities:	
General government	\$ 35,546
Public works	692,782
Public safety	75,561
Culture and recreation	26,711
Total depreciation and amortization expense - governmental activities	<u>\$ 830,600</u>

NOTE E - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2017 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds:		
General Fund	Nonmajor governmental funds	<u>\$ 385,894</u>
Bonded Projects Fund	General Fund	<u>7,592</u>
Special Projects Fund	General Fund	<u>9,471</u>
Nonmajor governmental funds	General Fund	497,086
	Special Projects Fund	884
		<u>497,970</u>
Total interfund receivables/payables		<u>\$ 900,927</u>

TOWN OF BEACON FALLS, CONNECTICUT
Notes to Financial Statements *(Continued)*
June 30, 2017

NOTE E - INTERFUND RECEIVABLES AND PAYABLES *(Continued)*

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 F - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2017 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Funds		
Bonded Projects Fund	General Fund	\$ 35,000
Special Projects Fund	General Fund	24,712
Nonmajor governmental funds	General Fund	1,219,182
	Nonmajor governmental funds	363,147
		<u>1,582,329</u>
Total transfers		<u>\$ 1,642,041</u>

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

NOTE G - SHORT-TERM LIABILITIES

The following is a summary of changes in short-term debt for the year ended June 30, 2017:

	<u>Due Date</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities						
Bond anticipation notes	7/2016	2.00%	\$ 3,100,000	\$ -	\$ (3,100,000)	\$ -
			<u>\$ 3,100,000</u>	<u>\$ -</u>	<u>\$ (3,100,000)</u>	<u>\$ -</u>

The purpose of the bond anticipation notes are to provide interim financing for various ongoing construction projects until future general obligation bonds are issued. In July 2016, the Town retired the outstanding bond anticipation notes through proceeds from the issuance of general obligation bonds.

TOWN OF BEACON FALLS, CONNECTICUT
Notes to Financial Statements *(Continued)*
June 30, 2017

NOTE H - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 5,135,000	\$ 4,350,000	\$ (350,000)	\$ 9,135,000	\$ 705,000
Unamortized premium	179,814	166,820	(18,701)	327,933	-
Total bonds payable	5,314,814	4,516,820	(368,701)	9,462,933	705,000
Other liabilities:					
Pension obligation	1,508,071	-	(36,057)	1,472,014	38,968
Capital lease obligation	83,827	-	(28,443)	55,384	24,578
Compensated absences	86,285	166,461	(168,184)	84,562	84,562
Net pension liability	751,849	488,145	-	1,239,994	-
Net OPEB obligation	72,304	8,338	-	80,642	-
	<u>\$ 7,817,150</u>	<u>\$ 5,179,764</u>	<u>\$ (601,385)</u>	<u>\$ 12,395,529</u>	<u>\$ 853,108</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, 2017 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	\$ 4,785,000
General Obligation Bonds	2017	4,350,000	2.0% - 3.0%	1/15/2037	4,350,000
					<u>\$ 9,135,000</u>

TOWN OF BEACON FALLS, CONNECTICUT
Notes to Financial Statements *(Continued)*
June 30, 2017

NOTE H - 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, 2017:

Year ending June 30:	Governmental Activities		
	Principal	Interest	Total
2018	\$ 705,000	\$ 260,131	\$ 965,131
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
2023-2027	3,140,000	575,957	3,715,957
2028-2032	2,205,000	185,176	2,390,176
2033-2037	330,000	17,887	347,887
	<u>\$ 9,135,000</u>	<u>\$ 1,874,902</u>	<u>\$ 11,009,902</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, 2017, the District's total outstanding bonds and bond anticipation notes, net of school construction principal reimbursements were \$27,423,194. The Town's share is approximately 38.875% of the total, or \$10,660,767. 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, 2017.

The amount of authorized, unissued bonds at June 30, 2017 totaled \$5,000 for capital projects financing costs.

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)*
June 30, 2017

NOTE H - 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, 2017:

Year ending June 30:	Governmental Activities		
	Principal	Interest	Total
2018	\$ 38,968	\$ 118,865	\$ 157,833
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
2023-2027	337,560	451,605	789,165
2028-2032	497,696	291,469	789,165
2033-2037	407,808	68,471	476,279
	<u>\$ 1,472,014</u>	<u>\$ 1,371,760</u>	<u>\$ 2,843,774</u>

Capital Leases

A summary of assets acquired through capital leases are as follows as of June 30, 2017:

	Governmental Activities
Machinery and equipment	\$ 146,155
Less: accumulated amortization	36,608
	<u>\$ 109,547</u>

Amortization expense of leased property under capital leases totaled \$20,003 for the year ended June 30, 2017 and is included in depreciation and amortization expense disclosed in Note D.

Future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2017 are as follows:

Year ending June 30:	Governmental Activities
2018	\$ 26,184
2019	26,188
2020	5,437
Total minimum lease payments	57,809
Less: amount representing interest	(2,425)
Present value of minimum lease payments	<u>\$ 55,384</u>

TOWN OF BEACON FALLS, CONNECTICUT

Notes to Financial Statements (*Continued*)

June 30, 2017

NOTE I - 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 I - 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, 2017, 2016 and 2015 were \$188,395, \$180,221, and \$182,357, 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)*
June 30, 2017

NOTE I - 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, 2016 was \$332.670 million, the most recent available reporting provided by the Board. The portion that was associated with the Town totaled \$1,239,994 or approximately 0.3727% of the total estimated net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The portion of the net pension liability associated with the Town was based on the 2016 actuarial (expected) payroll amounts reported by participating employers. Expected payroll adjusts actual payroll for known changes in the status of employees, annualized salaries for partial year employees and anticipated salary increases.

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

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

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:

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

TOWN OF BEACON FALLS, CONNECTICUT
Notes to Financial Statements *(Continued)*
June 30, 2017

NOTE I - 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%)
Town proportionate share of the net pension liability as of June 30, 2017	\$ 1,965,360	\$ 1,239,994	\$ 628,033

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 of Resources

For the year ended June 30, 2017, the Town recognized pension expense related to the CMERS of \$262,012. At June 30, 2017, the Town reported its proportionate share of deferred outflows of resources related to the CMERS from the following source:

	Deferred Outflow of Resources
Net difference between projected and actual earnings on pension plan investments	<u>\$ 471,532</u>

TOWN OF BEACON FALLS, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2017

NOTE I - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System *(Continued)*

Pension Expense and Deferred Outflows 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,	
2018	\$ 107,041
2019	107,041
2020	157,344
2021	100,106
	<u>\$ 471,532</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, \$47,155 for the year ended June 30, 2017. 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 J - OTHER POST-EMPLOYMENT BENEFITS

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.

Funding Policy

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. Police officers are required to pay 25% of the cost, single coverage only. Town Hall employees are required to pay 50% of cost, single coverage only. Public works employees shall contribute at the same level as active employees, which may be adjusted from time to time. For fiscal year 2017, 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, 2017, 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*)
June 30, 2017

NOTE J - OTHER POST-EMPLOYMENT BENEFITS (*Continued*)

Annual OPEB Cost and Net OPEB Obligation

The Town's annual OPEB cost (expense) is calculated based on the annual required contribution ("ARC"), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Town's net OPEB obligation:

Annual required contribution	\$ 66,390
Interest on net OPEB obligation	2,892
Adjustment to annual required contribution	(4,100)
Annual OPEB cost (expense)	65,182
Contributions made	56,844
Increase in net OPEB obligation	8,338
Net OPEB obligation, beginning of year	72,304
Net OPEB obligation, end of year	<u>\$ 80,642</u>

Three-year Trend Information

The Town's annual OPEB cost, the percentage of annual OPEB costs contributed to the Plan, and the net OPEB obligation for the years ended June 30, 2015 through 2017 are as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 87,324	96.2%	\$ 60,902
2016	87,153	86.9%	72,304
2017	65,182	87.2%	80,642

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2016 (the date of the most recent actuarial valuation) was as follows:

Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age Actuarial Cost Method (B)	(Unfunded) AAL (UAAL) (B-A)	Funded Ratio (A/B)
\$ -	\$ 650,966	\$ (650,966)	0.0%

TOWN OF BEACON FALLS, CONNECTICUT
Notes to Financial Statements *(Continued)*
June 30, 2017

NOTE J - OTHER POST-EMPLOYMENT BENEFITS *(Continued)*

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the Town are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the Town and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and the plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Town and plan members in the future. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Valuation date:	July 1, 2016
Actuarial cost method:	Entry Age Normal, Level Percent of Pay
Amortization method:	Level Dollar
Remaining amortization period:	30 years, open
Asset valuation method:	N/A
Actuarial assumptions:	
Investment rate of return	4.0%
Payroll growth rate	3.5%
Healthcare cost trend rate	7.0% initial
	5.0% final

NOTE K - 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.

TOWN OF BEACON FALLS, CONNECTICUT
Notes to Financial Statements *(Continued)*
June 30, 2017

NOTE L - FUND BALANCE

Fund balance of the Town's governmental funds have been committed to the following purposes as of June 30, 2017:

	General Fund	Bonding Projects Fund	Special Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventories	\$ 11,405	\$ -	\$ -	\$ -	\$ 11,405
Restricted for:					
Capital purposes	-	1,389,328	-	-	1,389,328
Loan rehabilitation program	24,157	-	-	478,881	503,038
Committed to:					
General government	-	-	-	2,296	2,296
Public safety	-	-	-	62,101	62,101
Sewer waste water system	-	-	-	1,075,764	1,075,764
Culture and recreation	-	-	-	36,395	36,395
Special projects	-	-	15,908	-	15,908
Capital purposes	-	-	-	461,824	461,824
Debt service	-	-	-	497,086	497,086
Assigned to:					
Subsequent year's budget	216,500	-	-	-	216,500
General government	4,900	-	-	-	4,900
Public works	78,922	-	-	-	78,922
Public safety	915	-	-	-	915
Culture and recreation	17,150	-	-	-	17,150
Unassigned	2,941,857	(34,777)	-	(57,394)	2,849,686
	<u>\$ 3,295,806</u>	<u>\$ 1,354,551</u>	<u>\$ 15,908</u>	<u>\$ 2,556,953</u>	<u>\$ 7,223,218</u>

NOTE M - 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.

NOTE N - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. This statement establishes new accounting and financial reporting requirements for OPEB plans and replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town has not yet determined the impact that this statement will have on its financial statements.

TOWN OF BEACON FALLS, CONNECTICUT
Notes to Financial Statements (*Continued*)
June 30, 2017

NOTE N - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE (*Continued*)

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement addresses accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

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 does not expect this statement to have a material effect 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 has not yet determined the impact that this statement might have on its financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

TOWN OF BEACON FALLS, CONNECTICUT
Notes to Financial Statements *(Continued)*
June 30, 2017

NOTE N - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE *(Continued)*

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 has not yet determined the impact that this statement might have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.3727%	0.3901%	0.2402%
Town's proportionate share of the net pension liability	<u>\$ 1,239,994</u>	<u>\$ 751,849</u>	<u>\$ 571,948</u>
Town's covered payroll	\$ 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	83.6%	52.9%	49.2%
Plan fiduciary net position as a percentage of the total pension liability	88.29%	92.72%	90.48%

NOTES TO THE SCHEDULE:

The Town began to report this schedule when it implemented GASB Statement No. 68 in fiscal year 2015.

The total pension liability reported for each fiscal year is based on a measurement date as of the end of the prior fiscal year (i.e. the total pension liability reported for 2017 is based on a June 30, 2016 measurement date).

Benefit changes: There were no changes in benefit terms that affected the measurement of the total pension liability.

Changes in assumptions: There were no changes in assumptions that affected the measurement of the total pension liability.

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

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

NOTES TO THE SCHEDULE:

The Town began to report this schedule when it implemented GASB Statement No. 68 in fiscal year 2015.

TOWN OF BEACON FALLS, CONNECTICUT
SCHEDULE OF FUNDING PROGRESS - UNAUDITED
JUNE 30, 2017

Other Post-Employment Benefits Program				
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age normal (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)
July 1, 2016	\$ -	\$ 650,966	\$ 650,966	0.0%

See accompanying Independent Auditor's Report.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GENERAL FUND

TOWN OF BEACON FALLS, CONNECTICUT
SCHEDULE OF REVENUES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
PROPERTY TAXES				
Property taxes - current year	\$ 15,802,870	\$ 15,802,870	\$ 15,808,004	\$ 5,134
Property taxes - prior years	300,000	300,000	451,407	151,407
Interest and lien fees	183,000	183,000	253,169	70,169
Total property taxes	16,285,870	16,285,870	16,512,580	226,710
WATER AND SEWER ASSESSMENTS	185,000	185,000	193,567	8,567
INTERGOVERNMENTAL REVENUES				
State property tax	20,772	20,772	20,772	-
Elderly tax relief	53,000	53,000	45,328	(7,672)
Disability relief	2,000	2,000	1,643	(357)
Additional exemptions for veterans	13,000	13,000	10,038	(2,962)
Town aid road maintenance	188,446	188,446	188,620	174
School equalization grant	4,100,716	4,100,716	4,067,920	(32,796)
Distressed municipalities	20,000	20,000	34,805	14,805
Mashantucket Pequot grant	28,910	28,910	28,910	-
MRSA bonded distribution	-	-	43,809	43,809
MRSA sales tax sharing	123,341	123,341	123,341	-
LOCIP	26,000	26,000	15,359	(10,641)
Miscellaneous grants	-	-	3,483	3,483
Miscellaneous reimbursements	-	-	4,065	4,065
Total intergovernmental revenues	4,576,185	4,576,185	4,588,093	11,908
CHARGES FOR SERVICES				
Planning & zoning commission	6,000	6,000	4,160	(1,840)
Zoning board of appeals	750	750	600	(150)
Building permits	75,000	75,000	94,436	19,436
Town clerk conveyance	60,000	60,000	68,627	8,627
Miscellaneous permits	2,000	2,000	1,221	(779)
Inlands wetlands fees	3,500	3,500	754	(2,746)
Disposal fees	1,000	1,000	268	(732)
Mini-bus	4,000	4,000	4,289	289
Police private duty	160,622	160,622	3,465	(157,157)
Xerox Equipment	-	-	393	393
Leachate collection system	65,000	65,000	84,841	19,841
Total charges for services	377,872	377,872	263,054	(114,818)

(Continued)

TOWN OF BEACON FALLS, CONNECTICUT
SCHEDULE OF REVENUES (Continued)
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
				Over (Under)
OTHER REVENUES				
Regional School District No. 16 surplus	\$ 175,000	\$ 175,000	\$ 268,127	\$ 93,127
Other revenues	2,500	2,500	421,854	419,354
Total other revenues	177,500	177,500	689,981	512,481
INTEREST INCOME	7,500	7,500	12,806	5,306
Total revenues	\$ 21,609,927	\$ 21,609,927	\$ 22,260,081	\$ 650,154

See accompanying Independent Auditor's Report.

TOWN OF BEACON FALLS, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING SOURCES (USES)
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
GENERAL GOVERNMENT				
First selectman	\$ 124,590	\$ 126,555	\$ 125,757	\$ (798)
Town hall	121,040	145,648	141,924	(3,724)
Town clerk	103,419	105,269	102,315	(2,954)
Tax collector	88,117	89,107	80,897	(8,210)
Treasurer	12,000	12,000	12,000	-
Building inspector	32,325	39,604	39,259	(345)
Employee benefits	1,129,022	1,081,777	1,054,363	(27,414)
Board of assessors	96,422	101,230	100,702	(528)
Board of assessment appeals	2,150	2,150	2,084	(66)
Zoning board of appeals	850	850	651	(199)
Board of finance	37,500	37,500	37,332	(168)
Finance department	133,384	130,834	125,308	(5,526)
Economic development	13,000	13,000	4,990	(8,010)
Inland wetlands	6,000	6,000	5,715	(285)
Conservation commission	4,450	4,450	2,533	(1,917)
Planning & zoning commission	43,676	24,599	19,055	(5,544)
Water pollution control	1,200	1,200	993	(207)
Registrars of voters	52,100	52,100	43,611	(8,489)
Professional fees	120,050	120,050	88,003	(32,047)
Insurance	100,000	100,000	95,824	(4,176)
Agency memberships	7,896	7,896	7,892	(4)
Community welfare	76,604	82,465	80,208	(2,257)
Commission for elderly	2,100	2,100	1,000	(1,100)
Minibus operations	25,413	25,413	24,665	(748)
Senior citizen center	16,450	17,450	14,514	(2,936)
Miscellaneous boards and commissions	1,400	1,400	347	(1,053)
Total general government	2,351,158	2,330,647	2,211,942	(118,705)
PUBLIC WORKS				
Highway maintenance	760,978	769,415	751,394	(18,021)
Town garage	16,200	17,611	17,610	(1)
Refuse	336,500	336,500	319,363	(17,137)
Wastewater treatment	638,726	651,093	638,427	(12,666)
Total public works	1,752,404	1,774,619	1,726,794	(47,825)

(Continued)

TOWN OF BEACON FALLS, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING SOURCES (USES) (Continued)
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
PUBLIC SAFETY				
Emergency services	\$ 259,500	\$ 291,054	\$ 288,031	\$ (3,023)
Fire marshal	2,850	2,850	1,572	(1,278)
Civil defense	9,500	9,500	8,353	(1,147)
Safety committee	3,000	3,000	2,337	(663)
Water hydrants	193,692	193,692	188,613	(5,079)
Police	749,908	749,356	595,125	(154,231)
Animal control	9,210	10,539	10,498	(41)
Public safety officer	81,700	88,028	87,817	(211)
Total public safety	<u>1,309,360</u>	<u>1,348,019</u>	<u>1,182,346</u>	<u>(165,673)</u>
LIBRARY	<u>160,933</u>	<u>162,483</u>	<u>161,814</u>	<u>(669)</u>
RECREATION	<u>149,350</u>	<u>146,850</u>	<u>143,000</u>	<u>(3,850)</u>
DEBT SERVICE				
Principal	385,000	385,000	385,000	-
Interest	171,981	230,155	230,155	-
Total debt service	<u>556,981</u>	<u>615,155</u>	<u>615,155</u>	<u>-</u>
CAPITAL OUTLAYS	<u>252,150</u>	<u>927,603</u>	<u>911,375</u>	<u>(16,228)</u>
CONTINGENCY	<u>99,000</u>	<u>12,250</u>	<u>-</u>	<u>(12,250)</u>
EDUCATION	<u>14,820,178</u>	<u>14,820,178</u>	<u>14,820,178</u>	<u>-</u>
Total expenditures	<u>21,451,514</u>	<u>22,137,804</u>	<u>21,772,604</u>	<u>(365,200)</u>
OTHER FINANCING SOURCES (USES)				
Premium on bond issuance	-	133,939	133,939	-
Appropriation from fund balance	30,033	716,323	-	(716,323)
Transfers out	(188,446)	(322,385)	(322,559)	(174)
Total other financing sources (uses)	<u>(158,413)</u>	<u>527,877</u>	<u>(188,620)</u>	<u>(716,497)</u>
Total expenditures and other financing sources (uses)	<u>\$ 21,609,927</u>	<u>\$ 21,609,927</u>	<u>\$ 21,961,224</u>	<u>\$ 351,297</u>

See accompanying Independent Auditor's Report.

TOWN OF BEACON FALLS, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2017

Grand List Year	Balance Uncollected June 30, 2016	Current Levy	Lawful Corrections		Transfers To Suspense	Balance To Be Collected	Collections			Balance Uncollected June 30, 2017
			Additions	Deductions			Taxes	Interest, Liens and Fees	Total	
2001 and prior	\$ 33,777	\$ -	\$ -	\$ 27,052	\$ -	\$ 6,725	\$ -	\$ -	\$ -	\$ 6,725
2002	6,410	-	-	-	-	6,410	-	-	-	6,410
2003	5,694	-	-	-	2	5,692	613	932	1,545	5,079
2004	3,577	-	-	-	150	3,427	618	1,322	1,940	2,809
2005	5,119	-	-	-	3,771	1,348	631	1,240	1,871	717
2006	10,568	-	-	-	6,358	4,210	146	971	1,117	4,064
2007	29,987	-	-	-	11,323	18,664	768	2,899	3,667	17,896
2008	38,175	-	-	-	13,274	24,901	631	893	1,524	24,270
2009	48,710	-	-	-	15,971	32,739	4,127	2,525	6,652	28,612
2010	85,318	-	-	-	20,548	64,770	22,180	18,097	40,277	42,590
2011	85,596	-	-	97	-	85,499	43,458	39,750	83,208	42,041
2012	120,049	-	-	501	-	119,548	48,845	28,928	77,773	70,703
2013	225,877	-	-	1,650	-	224,227	116,779	37,909	154,688	107,448
2014	413,568	-	1,006	4,674	-	409,900	210,276	52,785	263,061	199,624
2015	-	16,085,022	45,271	31,674	-	16,098,619	15,820,208	54,612	15,874,820	278,411
	<u>\$ 1,112,425</u>	<u>\$ 16,085,022</u>	<u>\$ 46,277</u>	<u>\$ 65,648</u>	<u>\$ 71,397</u>	<u>\$ 17,106,679</u>	<u>\$ 16,269,280</u>	<u>\$ 242,863</u>	<u>\$ 16,512,143</u>	<u>\$ 837,399</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, 2017

Total cash collections for the year ended

June 30, 2017:

Taxes	\$ 16,269,280
Interest and lien fees	<u>242,863</u>
Total	16,512,143

Reimbursement for revenue loss:

Tax relief for elderly (CGS 12-129d)	<u>45,328</u>
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Base \$ 16,557,471

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2-1/4 times base	\$ 37,254,310	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	74,508,620	-	-	-
3-3/4 times base	-	-	62,090,516	-	-
3-1/4 times base	-	-	-	53,811,781	-
3 times base	-	-	-	-	49,672,413
Total debt limitation	<u>37,254,310</u>	<u>74,508,620</u>	<u>62,090,516</u>	<u>53,811,781</u>	<u>49,672,413</u>
Indebtedness:					
Bonds payable	3,161,817	-	5,973,183	-	-
Bonds and BANS payable, net - Regional School District No. 16	-	10,660,767 *	-	-	-
Pension obligation	-	-	-	-	1,472,014
Authorized but unissued bonds	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total indebtedness	<u>3,166,817</u>	<u>10,660,767</u>	<u>5,973,183</u>	<u>-</u>	<u>1,472,014</u>
Less: assessments receivable	<u>-</u>	<u>-</u>	<u>1,203,254</u>	<u>-</u>	<u>-</u>
Net indebtedness	<u>3,166,817</u>	<u>9,446,836</u>	<u>4,769,929</u>	<u>-</u>	<u>1,472,014</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 34,087,493</u>	<u>\$ 65,061,784</u>	<u>\$ 57,320,587</u>	<u>\$ 53,811,781</u>	<u>\$ 48,200,399</u>
Total capacity of borrowing (7 times base)	\$ 115,902,297				
Total present indebtedness	<u>18,855,596</u>				
Margin for additional borrowing	<u>\$ 97,046,701</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, 2017

	Nonmajor Special Revenue Funds					
	Recreation Special Activities Fund	Library Fund	Dog Fund	Small Cities Fund	Sewer Waste Water Fund	Flag Fund
ASSETS						
Cash and cash equivalents	\$ 28,961	\$ 12,769	\$ 127	\$ 10,896	\$ 1,124,237	\$ 2,296
Investments	-	11,066	-	-	-	-
Receivables:						
Loans	-	-	-	477,548	-	-
Other	-	575	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ 28,961</u>	<u>\$ 24,410</u>	<u>\$ 127</u>	<u>\$ 488,444</u>	<u>\$ 1,124,237</u>	<u>\$ 2,296</u>
LIABILITIES						
Accounts payable	\$ 300	\$ -	\$ 51	\$ -	\$ 48,473	\$ -
Due to other funds	-	22	510	9,563	-	-
Unearned revenue	16,654	-	-	-	-	-
Total liabilities	<u>16,954</u>	<u>22</u>	<u>561</u>	<u>9,563</u>	<u>48,473</u>	<u>-</u>
FUND BALANCES						
Restricted	-	-	-	478,881	-	-
Committed	12,007	24,388	-	-	1,075,764	2,296
Unassigned	-	-	(434)	-	-	-
Total fund balances	<u>12,007</u>	<u>24,388</u>	<u>(434)</u>	<u>478,881</u>	<u>1,075,764</u>	<u>2,296</u>
Total liabilities and fund balances	<u>\$ 28,961</u>	<u>\$ 24,410</u>	<u>\$ 127</u>	<u>\$ 488,444</u>	<u>\$ 1,124,237</u>	<u>\$ 2,296</u>

(Continued)

See accompanying Independent Auditor's Report.

TOWN OF BEACON FALLS, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2017

	Nonmajor Special Revenue Funds		Nonmajor Capital Project Funds				Total Nonmajor Governmental Funds
	Police Private Duty Fund	Total Special Revenue Funds	Capital Nonrecurring Fund	Open Space Fund	Total Capital Project Funds	Debt Service Fund	
ASSETS							
Cash and cash equivalents	\$ -	\$ 1,179,286	\$ 821,787	\$ 3,540	\$ 825,327	\$ -	\$ 2,004,613
Investments	-	11,066	-	-	-	-	11,066
Receivables:							
Loans	-	477,548	-	-	-	-	477,548
Other	72,719	73,294	-	-	-	-	73,294
Due from other funds	884	884	-	-	-	497,086	497,970
Total assets	<u>\$ 73,603</u>	<u>\$ 1,742,078</u>	<u>\$ 821,787</u>	<u>\$ 3,540</u>	<u>\$ 825,327</u>	<u>\$ 497,086</u>	<u>\$ 3,064,491</u>
LIABILITIES							
Accounts payable	\$ -	\$ 48,824	\$ 56,166	\$ -	\$ 56,166	\$ -	\$ 104,990
Due to other funds	11,502	21,597	364,297	-	364,297	-	385,894
Unearned revenue	-	16,654	-	-	-	-	16,654
Total liabilities	<u>11,502</u>	<u>87,075</u>	<u>420,463</u>	<u>-</u>	<u>420,463</u>	<u>-</u>	<u>507,538</u>
FUND BALANCES							
Restricted	-	478,881	-	-	-	-	478,881
Committed	62,101	1,176,556	458,284	3,540	461,824	497,086	2,135,466
Unassigned	-	(434)	(56,960)	-	(56,960)	-	(57,394)
Total fund balances	<u>62,101</u>	<u>1,655,003</u>	<u>401,324</u>	<u>3,540</u>	<u>404,864</u>	<u>497,086</u>	<u>2,556,953</u>
Total liabilities and fund balances	<u>\$ 73,603</u>	<u>\$ 1,742,078</u>	<u>\$ 821,787</u>	<u>\$ 3,540</u>	<u>\$ 825,327</u>	<u>\$ 497,086</u>	<u>\$ 3,064,491</u>

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, 2017

	Nonmajor Special Revenue Funds					
	Recreation Special Activities Fund	Library Fund	Dog Fund	Small Cities Fund	Sewer Waste Water Fund	Flag Fund
REVENUES						
Charges for services	\$ 7,815	\$ 4,617	\$ 3,197	\$ -	\$ 60,065	\$ -
Other	-	3,792	-	-	-	2
Interest income	-	50	-	-	925	-
Total revenues	<u>7,815</u>	<u>8,459</u>	<u>3,197</u>	<u>-</u>	<u>60,990</u>	<u>2</u>
EXPENDITURES						
Current:						
General government	-	-	5,753	2,867	-	-
Public works	-	-	-	-	98,774	-
Public safety	-	-	-	-	-	-
Culture and recreation	13,290	6,037	-	-	-	-
Debt service:						
Principal payments	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-
Total expenditures	<u>13,290</u>	<u>6,037</u>	<u>5,753</u>	<u>2,867</u>	<u>98,774</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(5,475)	2,422	(2,556)	(2,867)	(37,784)	2
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	500,000	-
Transfers out	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>-</u>
Net change in fund balances	(5,475)	2,422	(2,556)	(2,867)	462,216	2
Fund balances - beginning	<u>17,482</u>	<u>21,966</u>	<u>2,122</u>	<u>481,748</u>	<u>613,548</u>	<u>2,294</u>
Fund balances - ending	<u>\$ 12,007</u>	<u>\$ 24,388</u>	<u>\$ (434)</u>	<u>\$ 478,881</u>	<u>\$ 1,075,764</u>	<u>\$ 2,296</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 *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2017

	Nonmajor Special Revenue Funds		Nonmajor Capital Project Funds				
	Police Private Duty Fund	Total Special Revenue Funds	Capital Nonrecurring Fund	Open Space Fund	Total Capital Project Funds	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES							
Charges for services	\$ 218,521	\$ 294,215	\$ -	\$ -	\$ -	\$ -	\$ 294,215
Other	-	3,794	-	1,026	1,026	-	4,820
Interest income	-	975	-	-	-	-	975
Total revenues	<u>218,521</u>	<u>298,984</u>	<u>-</u>	<u>1,026</u>	<u>1,026</u>	<u>-</u>	<u>300,010</u>
EXPENDITURES							
Current:							
General government	-	8,620	-	-	-	-	8,620
Public works	-	98,774	-	-	-	-	98,774
Public safety	204,116	204,116	-	-	-	-	204,116
Culture and recreation	-	19,327	-	-	-	-	19,327
Debt service:							
Principal payments	-	-	28,444	-	28,444	-	28,444
Interest and fiscal charges	-	-	16,282	-	16,282	-	16,282
Capital outlays	-	-	408,062	-	408,062	-	408,062
Total expenditures	<u>204,116</u>	<u>330,837</u>	<u>452,788</u>	<u>-</u>	<u>452,788</u>	<u>-</u>	<u>783,625</u>
Excess (deficiency) of revenues over expenditures	14,405	(31,853)	(452,788)	1,026	(451,762)	-	(483,615)
OTHER FINANCING SOURCES							
Transfers in	-	500,000	585,243	-	585,243	497,086	1,582,329
Transfers out	-	-	(363,147)	-	(363,147)	-	(363,147)
Total other financing sources	<u>-</u>	<u>500,000</u>	<u>222,096</u>	<u>-</u>	<u>222,096</u>	<u>497,086</u>	<u>1,219,182</u>
Net change in fund balances	14,405	468,147	(230,692)	1,026	(229,666)	497,086	735,567
Fund balances - beginning	<u>47,696</u>	<u>1,186,856</u>	<u>632,016</u>	<u>2,514</u>	<u>634,530</u>	<u>-</u>	<u>1,821,386</u>
Fund balances - ending	<u>\$ 62,101</u>	<u>\$ 1,655,003</u>	<u>\$ 401,324</u>	<u>\$ 3,540</u>	<u>\$ 404,864</u>	<u>\$ 497,086</u>	<u>\$ 2,556,953</u>

See accompanying Independent Auditor's Report.