

**Basic Financial Statements,
Supplementary Information and
Independent Auditor's Report**

Town of Beacon Falls, Connecticut

June 30, 2013

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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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Beacon Falls, Connecticut, as of June 30, 2013, 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 3-13 and the schedules of funding progress on page 45 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 financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and 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 March 18, 2014, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Glastonbury, Connecticut
April 11, 2014

MANAGEMENT DISCUSSION AND ANALYSIS

TOWN OF BEACON FALLS, CONNECTICUT

Management's Discussion and Analysis - Unaudited

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, 2013.

HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$14,757,615 (net position). Of this amount, \$663,943 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$1,281,586 during the current fiscal year.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund deficit of \$647,525, a decrease in the deficit of \$516,211 in comparison with the prior year. There was an increase of \$1,252,667 in the General Fund, a decrease of \$736,468 in the Bonding Projects Fund and an increase of \$12 in the nonmajor governmental funds.
- At the close of the current fiscal year, unassigned fund balance of the General Fund was \$2,125,229 or 11.0% of total General Fund expenditures. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.3 months of General Fund operating expenditures.
- The Town's total short-term and long-term debt increased by \$1,029,039 or 18.5% during the current fiscal year due to an increase in short-term bond anticipation notes payable for ongoing construction projects offset by scheduled principal repayments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The statement of net position presents information on all of the Town's assets 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 14 and 15 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

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 and the Bonding Projects Fund, both 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 16 - 20 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 21 and 22 of this report.

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 23 - 44 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 page 45 of this report. Combining and individual fund statements and schedules can be found on pages 46-55 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

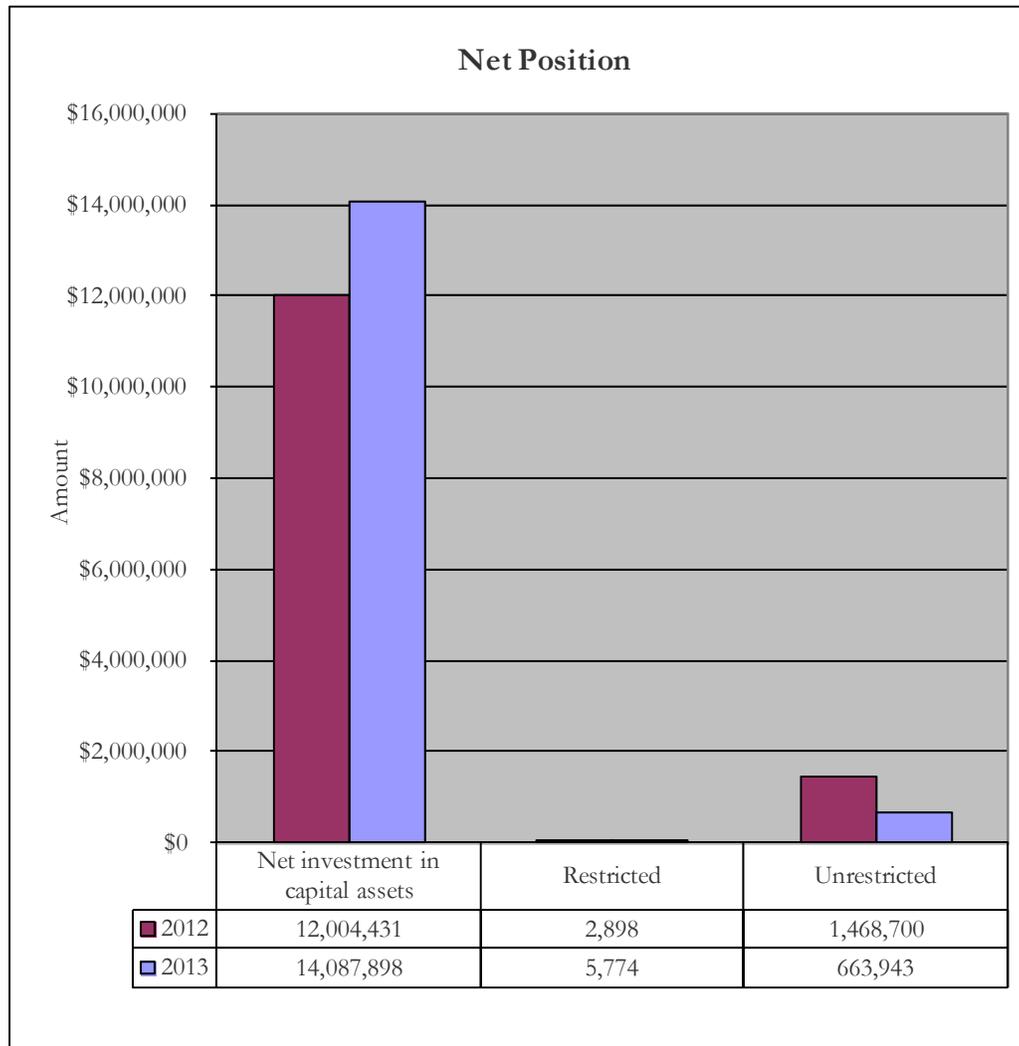
Over time, net position may serve as one measure of a government's financial position. Total net position of the Town totaled \$14,757,615 and \$13,476,029 (as restated) as of June 30, 2013 and 2012, respectively, and are summarized as follows:

Town of Beacon Falls, Connecticut
Net Position
June 30, 2013 and 2012

	Total	
	2013	2012 <i>(as adjusted per Note M)</i>
Current and other assets	\$ 5,455,392	\$ 3,947,826
Capital assets	16,487,194	16,120,578
Total assets	21,942,586	20,068,404
Other liabilities	3,062,092	2,248,032
Long-term liabilities	4,122,879	4,344,343
Total liabilities	7,184,971	6,592,375
Net position:		
Net investment in capital assets	14,087,898	12,004,431
Restricted	5,774	2,898
Unrestricted	663,943	1,468,700
Total net position	\$ 14,757,615	\$ 13,476,029

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Net Position *(Continued)*



As of June 30, 2013, approximately 95.5% 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.

Less than 1.0% of net position represents resources that are subject to external restrictions on how they may be used.

The remainder of the Town's net position are considered unrestricted.

Overall, net position increased by \$1,281,586 in comparison with the prior year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Change in Net Position

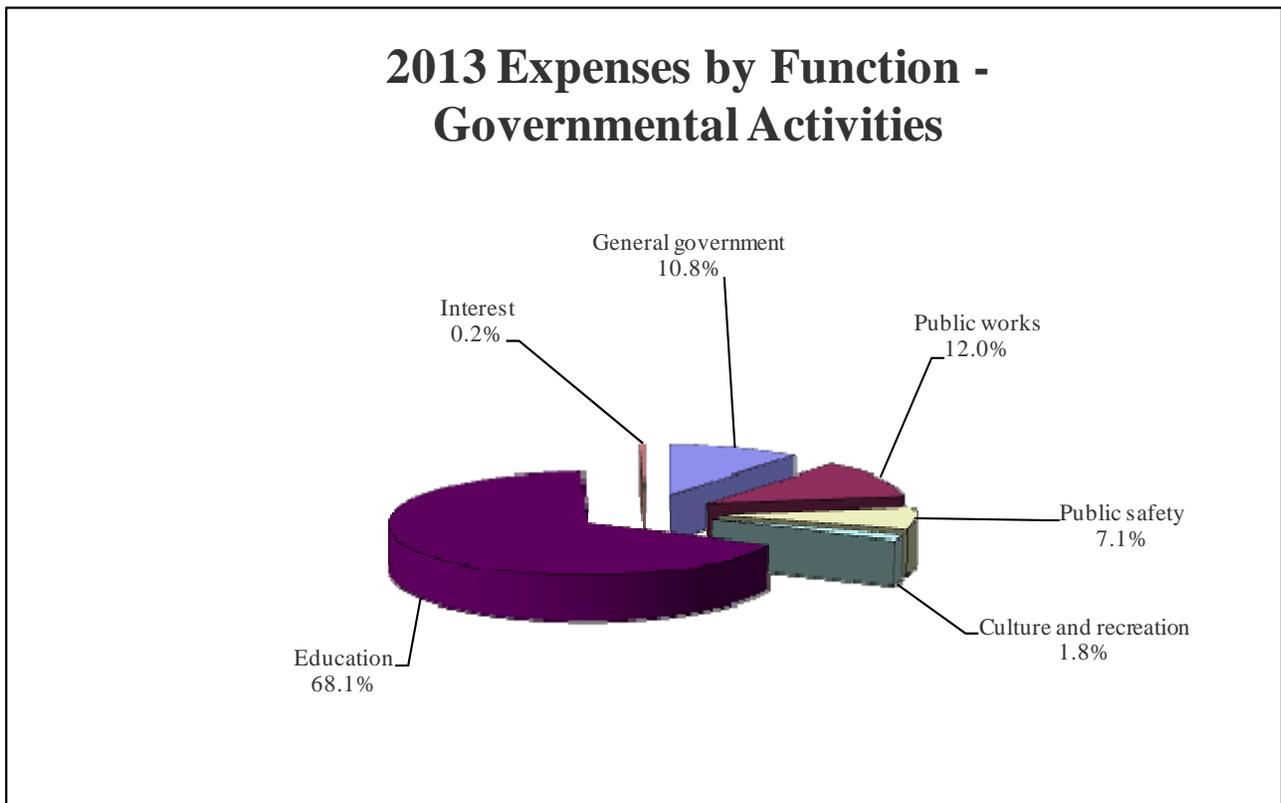
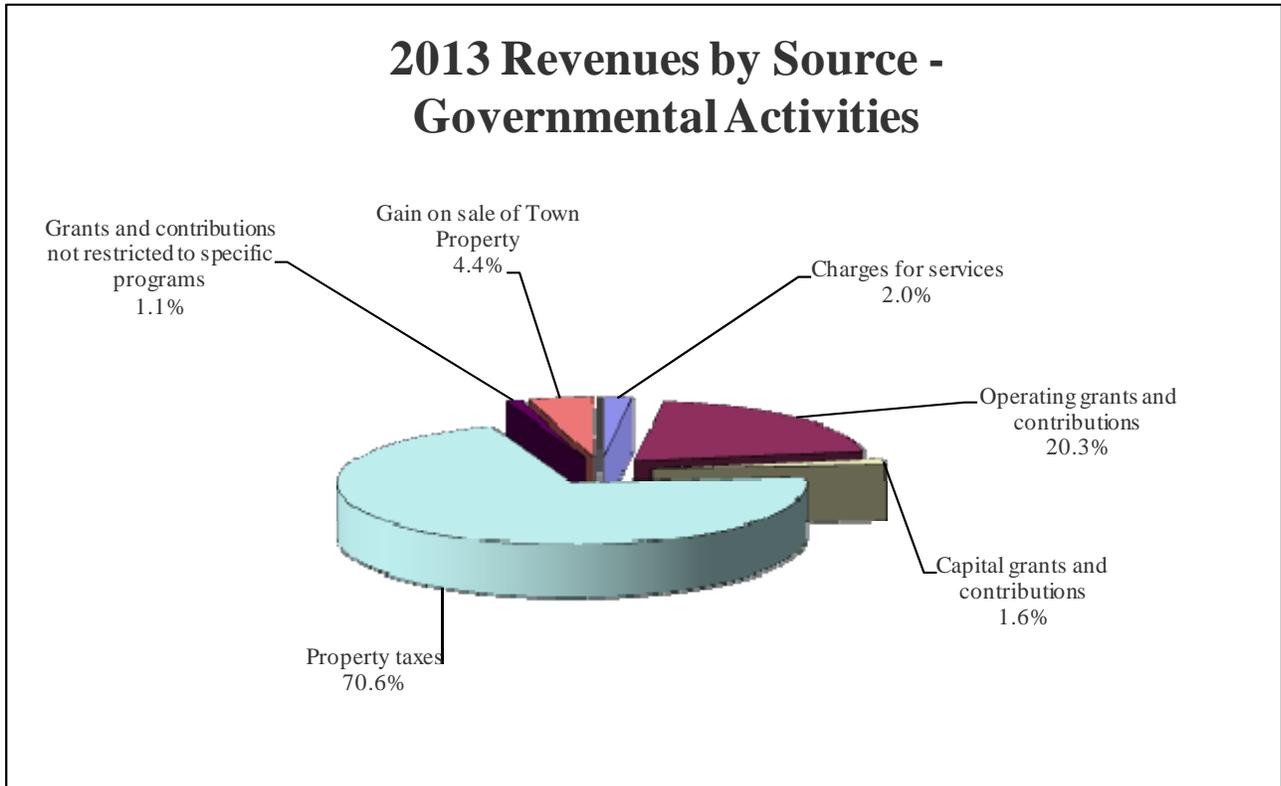
Changes in net position for the years ended June 30, 2013 and 2012 (as restated) are as follows:

Town of Beacon Falls, Connecticut
Changes in Net Position
For The Years Ended June 30, 2013 and 2012

	Total	
	2013	2012 <i>(as adjusted per Note M)</i>
Revenues		
Program revenues:		
Charges for services	\$ 420,022	\$ 157,661
Operating grants and contributions	4,299,079	4,289,476
Capital grants and contributions	337,407	1,338,909
General revenues:		
Property taxes, levied for general purposes	14,900,189	14,362,137
Grants and contributions not restricted to specific programs	233,119	386,944
Gain on sale of Town property	925,000	-
Unrestricted investment earnings	16,363	11,497
Total revenues	<u>21,131,179</u>	<u>20,546,624</u>
Expenses		
General government	2,139,658	2,004,632
Public works	2,372,634	2,190,355
Public safety	1,399,474	1,229,188
Culture and recreation	353,606	364,278
Education	13,516,056	13,312,652
Interest expense	68,165	171,288
Total expenses	<u>19,849,593</u>	<u>19,272,393</u>
Change in net position	1,281,586	1,274,231
Net assets - beginning, as originally reported	13,476,029	12,243,873
Adjustments	-	(42,075)
Net position, beginning, as adjusted	<u>13,476,029</u>	<u>12,201,798</u>
Net position, ending	<u>\$ 14,757,615</u>	<u>\$ 13,476,029</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Change in Net Position (Continued)



FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund deficit of \$647,525.

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 \$2,149,386, of which \$2,125,229 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 11.0% of total General Fund expenditures. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.3 months of general fund operating expenditures.

The fund balance of the Town's General Fund increased by \$1,252,667 during the current fiscal year, which was primarily due to actual revenues exceeding budgeted amounts, as well as the proceeds from the sale of Town property.

Bonding Projects Fund

The fund balance of the Bonding Projects Fund decreased by \$736,468 during the current fiscal year, which resulted in a fund deficit of \$3,091,063 as of June 30, 2013. This decrease was primarily due to current year capital outlays exceeding current year revenue sources.

GENERAL FUND BUDGETARY HIGHLIGHTS

The actual net change in fund balance of the General Fund on a budgetary basis was an increase of \$1,252,667 in the current fiscal year. Expenditures were \$275,814 less than budgeted, primarily due to a decrease in public works expenditures. Total budgetary revenues were \$92,374 more than expected, due to increased tax and assessment collections of approximately \$62 thousand. Other financing sources were \$884,479 more than expected due to the net proceeds received from the sale of Town property. During the year ended June 30, 2013, the Board of Finance approved no additional appropriations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2013 and 2012 (as restated) totaled \$16,487,194 and \$16,120,578, 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 \$366,616 or 2.3%. This increase is attributed to depreciation expense of \$785,697 offset by capital asset additions. Major capital asset events during the current fiscal year included the following:

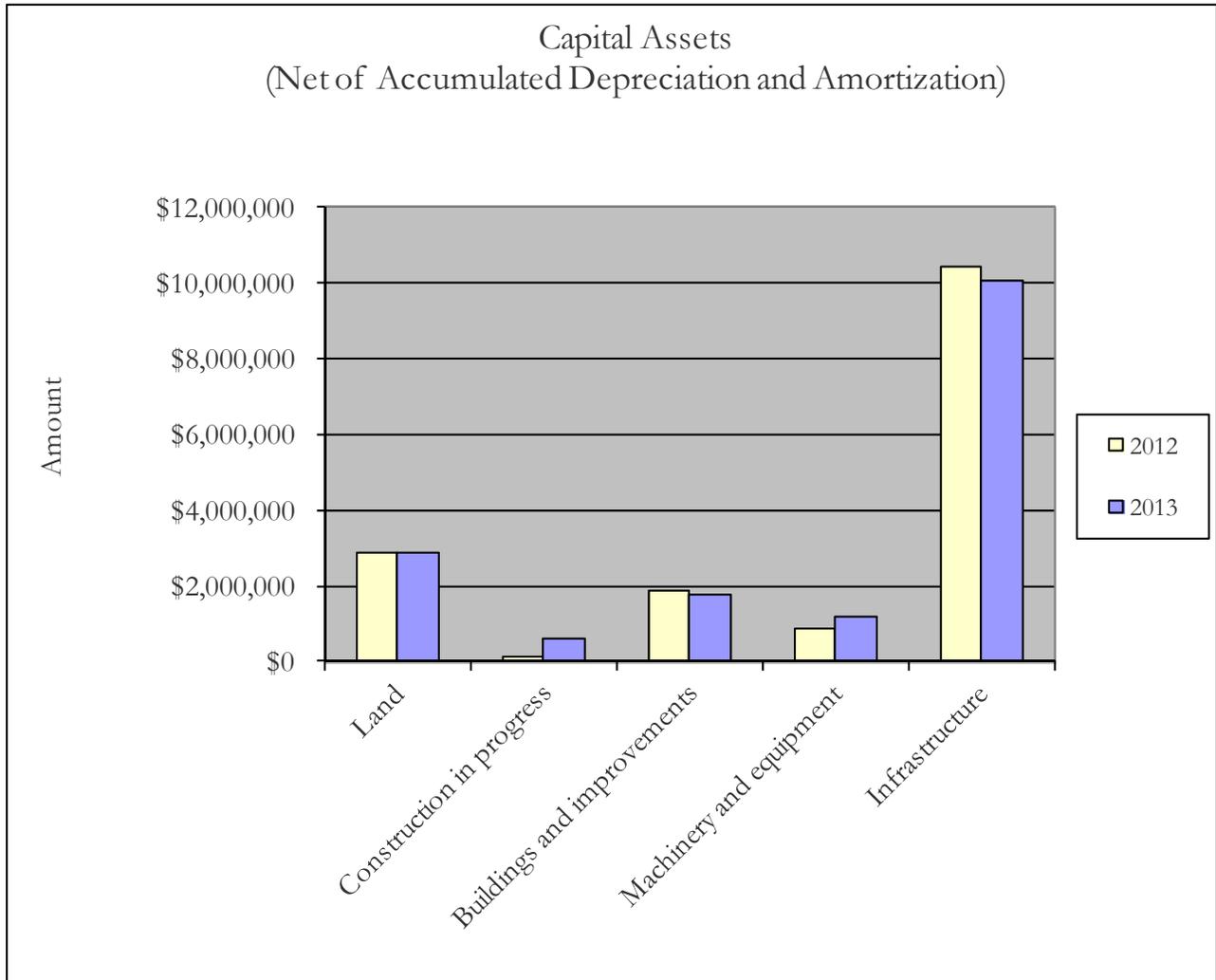
- Outlays for various ongoing construction projects totaling \$464,502, including Sewer Plant and Streetscape projects;
- Outlays related to new vehicle purchases in the amount of \$407,868, for a new loader, pump trailer, dump truck, police car, and ambulance ; and
- Outlays for various infrastructure purchases totaling \$226,651, primarily for the purchase of a tank and construction performed on Blackberry Hill Road.

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

	Governmental Activities	
	2013	2012 <i>(as adjusted per Note M)</i>
Land	\$ 2,878,308	\$ 2,878,308
Construction in progress	580,566	116,064
Buildings and improvements	1,777,701	1,842,831
Machinery and equipment	1,180,541	859,794
Infrastructure	10,070,078	10,423,581
Totals	<u>\$ 16,487,194</u>	<u>\$ 16,120,578</u>

CAPITAL ASSET AND DEBT ADMINISTRATION *(Continued)*

Capital Assets *(Continued)*



Additional information on the Town's capital assets can be found in Note D on page 33 of this report.

Short-term and Long-term Debt

At the end of the current fiscal year, the Town had total short-term and long-term debt outstanding of \$6,599,349. This entire amount is comprised of debt backed by the full faith and credit of the Town. The Town's total debt increased by \$1,029,039 or 18.5% during the current fiscal year due to an increase in bond anticipation notes payable for ongoing construction projects, offset by current year principal repayments. The Town's bond rating has been rated AA- by Standard & Poor's.

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 \$102,385,059, which is significantly in excess of the Town's outstanding general obligation debt.

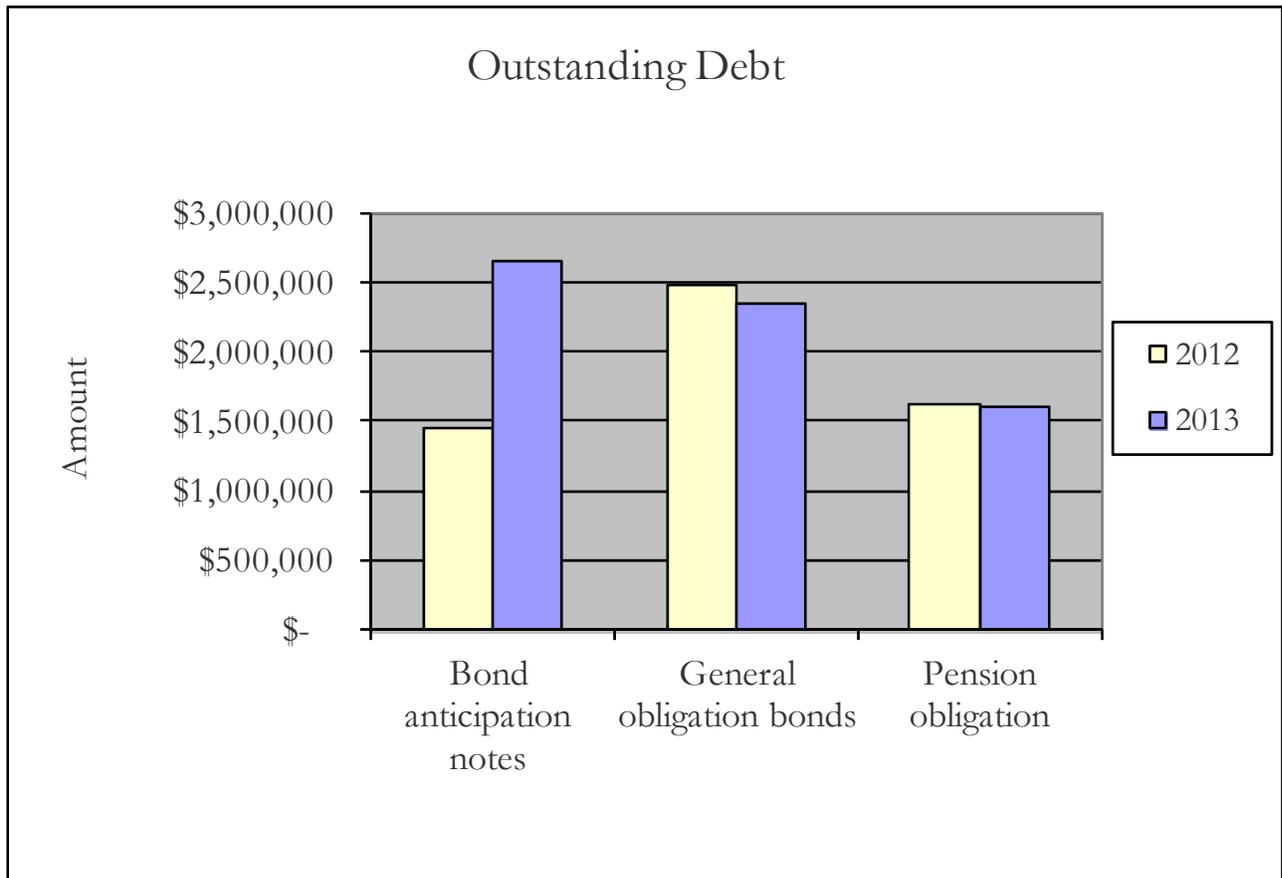
CAPITAL ASSET AND DEBT ADMINISTRATION *(Continued)*

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

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

Town of Beacon Falls, Connecticut
Short-term and Long-term Debt
June 30, 2013 and 2012

	Governmental Activities	
	2013	2012
Short-term		
Bond anticipation notes	\$ 2,645,000	\$ 1,454,000
Long-term		
General obligation bonds	2,353,480	2,489,010
Pension obligation	1,600,869	1,627,300
Totals	<u>\$ 6,599,349</u>	<u>\$ 5,570,310</u>



Additional information on the Town's short-term and long-term debt can be found in Note G and H on pages 35-38 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- The unemployment rate for the Town is currently 7.2%. This compares favorably to the state's average unemployment rate of 8.0% and the national unemployment rate of 7.6%.
- 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 2014, 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 2014.

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, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,034,703
Receivables:	
Property taxes and interest, net of allowance for uncollectibles of \$300,000	1,701,870
Assessments receivable	229,972
Intergovernmental	145,943
Loans	24,157
Other	70,019
Noncurrent assets:	
Receivables:	
Assessments	1,248,728
Capital assets:	
Non-depreciable	3,458,874
Depreciable, net	13,028,320
Total assets	21,942,586
LIABILITIES	
Accounts payable and accrued expenses	255,335
Accrued liabilities:	
Salaries and benefits payable	61,309
Accrued interest	39,130
Unearned revenue	61,318
Bond anticipation note	2,645,000
Noncurrent liabilities:	
Due within one year	200,944
Due in more than one year	3,921,935
Total liabilities	7,184,971
NET POSITION	
Net investment in capital assets	14,087,898
Restricted for:	
External donor restrictions	5,774
Unrestricted	663,943
Total net position	\$ 14,757,615

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, 2013

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	\$ 2,139,658	\$ 213,522	\$ 48,859	\$ -	\$ (1,877,277)
Public works	2,372,634	40,789	123,880	337,407	(1,870,558)
Public safety	1,399,474	112,131	-	-	(1,287,343)
Culture and recreation	353,606	26,761	17,243	-	(309,602)
Education	13,516,056	26,819	4,109,097	-	(9,380,140)
Interest on long-term debt	68,165	-	-	-	(68,165)
Total governmental activities	<u>19,849,593</u>	<u>420,022</u>	<u>4,299,079</u>	<u>337,407</u>	<u>(14,793,085)</u>
General revenues:					
					14,900,189
					233,119
					925,000
					16,363
					<u>16,074,671</u>
					1,281,586
					13,285,976
					190,053
					<u>13,476,029</u>
					<u>\$ 14,757,615</u>

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

TOWN OF BEACON FALLS, CONNECTICUT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2013

	General Fund	Bonding Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,169,220	\$ 432,756	\$ 432,727	\$ 2,034,703
Receivables:				
Property taxes, net of allowance for doubtful accounts of \$149,000	1,154,421	-	-	1,154,421
Interest on property taxes, net of allowance for uncollectibles of \$151,000	547,449	-	-	547,449
Assessments and interest receivable	1,478,700	-	-	1,478,700
Intergovernmental	51,954	-	93,989	145,943
Loans	24,157	-	-	24,157
Other	70,019	-	-	70,019
Due from other funds	1,040,750	-	80,049	1,120,799
Total assets	<u>\$ 5,536,670</u>	<u>\$ 432,756</u>	<u>\$ 606,765</u>	<u>\$ 6,576,191</u>
LIABILITIES				
Accounts payable	\$ 157,952	\$ 53,699	\$ 43,684	\$ 255,335
Accrued liabilities:				
Salaries and benefits payable	61,309	-	-	61,309
Bond anticipation note payable	-	2,645,000	-	2,645,000
Due to other funds	74,195	825,120	221,484	1,120,799
Unearned revenue	13,873	-	47,445	61,318
Total liabilities	<u>307,329</u>	<u>3,523,819</u>	<u>312,613</u>	<u>4,143,761</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	1,663,545	-	-	1,663,545
Unavailable revenue - assessments	1,416,410	-	-	1,416,410
Total deferred inflows of resources	<u>3,079,955</u>	<u>-</u>	<u>-</u>	<u>3,079,955</u>
FUND BALANCES (DEFICITS)				
Nonspendable:				
Loans receivable	24,157	-	-	24,157
Restricted for:				
General government	-	-	2,200	2,200
Culture and recreation	-	-	3,574	3,574
Committed to:				
General government	-	-	5,864	5,864
Sewer waste water system	-	-	156,027	156,027
Culture and recreation	-	-	13,981	13,981
Special projects	-	-	40,760	40,760
Capital projects	-	-	71,746	71,746
Unassigned	2,125,229	(3,091,063)	-	(965,834)
Total fund balances (deficit)	<u>2,149,386</u>	<u>(3,091,063)</u>	<u>294,152</u>	<u>(647,525)</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 5,536,670</u>	<u>\$ 432,756</u>	<u>\$ 606,765</u>	<u>\$ 6,576,191</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, 2013

Total fund balance for governmental funds		\$ (647,525)
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	580,566	
Buildings and improvements	3,327,596	
Machinery and equipment	4,987,729	
Infrastructure	20,222,419	
Less accumulated depreciation and amortization	<u>(15,509,424)</u>	
Total capital assets, net		16,487,194
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 reported as deferred revenue in the funds.		3,079,955
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	(39,130)	
Long-term debt:		
Bonds payable	(2,353,480)	
Capital lease obligations	(45,816)	
Other long-term liabilities:		
Compensated absences	(68,678)	
Pension obligation	(1,600,869)	
Insurance assessment	(8,923)	
Net OPEB obligation	<u>(45,113)</u>	
Total long-term liabilities		<u>(4,162,009)</u>
Net position of governmental activities		<u>\$ 14,757,615</u>

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

TOWN OF BEACON FALLS, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Bonding Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 14,623,812	\$ -	\$ -	\$ 14,623,812
Assessments	230,534	-	-	230,534
Intergovernmental	4,478,464	145,386	218,909	4,842,759
Charges for services	285,869	-	34,975	320,844
Miscellaneous	95,024	-	26,846	121,870
Interest income	14,834	1,358	171	16,363
Total revenues	<u>19,728,537</u>	<u>146,744</u>	<u>280,901</u>	<u>20,156,182</u>
EXPENDITURES				
Current:				
General government	2,101,438	-	30,010	2,131,448
Public works	1,709,383	-	24,826	1,734,209
Public safety	1,254,249	-	-	1,254,249
Culture and recreation	284,216	-	23,554	307,770
Education	13,516,055	-	-	13,516,055
Debt service:				
Principal payments	197,796	-	-	197,796
Interest and fiscal charges	180,197	19,420	-	199,617
Capital outlays	-	959,481	268,499	1,227,980
Total expenditures	<u>19,243,334</u>	<u>978,901</u>	<u>346,889</u>	<u>20,569,124</u>
Excess (deficiency) of revenues over expenditures	485,203	(832,157)	(65,988)	(412,942)
OTHER FINANCING SOURCES (USES)				
Premium on bond anticipation notes	4,153	-	-	4,153
Sale of town property	925,000	-	-	925,000
Transfers in	-	95,689	66,000	161,689
Transfers out	(161,689)	-	-	(161,689)
Total other financing sources (uses)	<u>767,464</u>	<u>95,689</u>	<u>66,000</u>	<u>929,153</u>
Net change in fund balances	1,252,667	(736,468)	12	516,211
Fund balances (deficit) - beginning, as originally reported	872,562	(2,354,595)	183,721	(1,298,312)
Adjustments (See Note M)	24,157	-	110,419	134,576
Fund balances (deficit) - beginning, as adjusted	<u>896,719</u>	<u>(2,354,595)</u>	<u>294,140</u>	<u>(1,163,736)</u>
Fund balances (deficit) - ending	<u>\$ 2,149,386</u>	<u>\$ (3,091,063)</u>	<u>\$ 294,152</u>	<u>\$ (647,525)</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 (DEFICIT) OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances (deficit) - total governmental funds	\$	516,211
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Total change in net position reported for governmental activities in the statement of activities is different because:

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

Expenditures for capital assets	\$ 1,152,313		
Depreciation and amortization expense	(785,697)		
Net adjustment			366,616

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

Principal repayments:			
Bonds payable	135,530		
Capital lease obligations	62,266		
Net adjustment			197,796

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	131,452		
Compensated absences	(3,623)		
Pension obligation	26,431		
Insurance assessment	12,359		
Net OPEB obligation	(11,499)		155,120

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

		45,843
Change in net position of governmental activities	\$	1,281,586

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, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
REVENUES				
Property taxes	\$ 14,592,360	\$ 14,592,360	\$ 14,623,812	\$ 31,452
Water and sewer assessments	200,000	200,000	230,534	30,534
Intergovernmental revenues	4,521,732	4,521,732	4,480,728	(41,004)
Charges for services	123,500	123,500	203,791	80,291
Other revenues	77,500	77,500	79,417	1,917
Investment income	25,000	25,000	14,184	(10,816)
Total revenues	<u>19,540,092</u>	<u>19,540,092</u>	<u>19,632,466</u>	<u>92,374</u>
EXPENDITURES				
Current:				
General government	2,106,441	2,112,586	2,016,860	(95,726)
Public works	1,850,609	1,861,958	1,697,367	(164,591)
Public safety	1,227,911	1,235,417	1,250,619	15,202
Library	139,475	144,475	146,429	1,954
Recreation	149,300	149,300	137,787	(11,513)
Education	13,516,055	13,516,055	13,516,055	-
Contingency	100,000	4,000	-	(4,000)
Capital outlay	76,568	142,568	133,606	(8,962)
Debt service:				
Principal payments	209,030	209,530	209,530	-
Interest and fiscal charges	164,703	164,203	156,025	(8,178)
Total expenditures	<u>19,540,092</u>	<u>19,540,092</u>	<u>19,264,278</u>	<u>(275,814)</u>
Excess (deficiency) of revenues over expenditures	-	-	368,188	368,188
OTHER FINANCING SOURCES				
Sale of town property	-	-	884,479	884,479
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,252,667</u>	<u>\$ 1,252,667</u>
Fund balances - beginning, as originally reported			<u>872,562</u>	
Adjustments (See Note M)			<u>24,157</u>	
Fund balances - beginning, as adjusted			<u>896,719</u>	
Fund balances - ending			<u>\$ 2,149,386</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, 2013

	Private Purpose Trust Fund - Melborne Trust Fund
ASSETS	
Cash and cash equivalents	\$ 19,616
NET POSITION	
Held in trust for scholarship benefits	\$ 19,616

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, 2013

	Private Purpose Trust Fund - Melborne Trust Fund
ADDITIONS	
Investment earnings:	
Interest	\$ 13
DEDUCTIONS	
Awards expense	2,000
Change in net position	(1,987)
Net position - beginning	21,603
Net position - ending	\$ 19,616

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

TOWN OF BEACON FALLS, CONNECTICUT

Notes to Financial Statements

June 30, 2013

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 the 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.

TOWN OF BEACON FALLS, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

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.

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

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. As outlined in the trust agreement, ten thousand dollars of the resources be preserved as capital. The Town utilizes a private purpose trust fund to account for activities of the Melborne 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.

TOWN OF BEACON FALLS, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

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

Measurement Focus and Basis of Accounting *(Continued)*

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.

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 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.

Adoption of New Accounting Standards

The Town has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* effective July 1, 2012. GASB Statement No. 63 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 resulted in the reclassification of certain financial statement line items on the government-wide and fiduciary statements of net position and the governmental funds balance sheet. In addition to reclassifications to these new categories, GASB No. 65 has also resulted in a change to the accounting treatment for certain items, including debt issuance costs.

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

Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand and demand deposits.

TOWN OF BEACON FALLS, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

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

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

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 an interest charges. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date.

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

Loans Receivable

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

Capital Assets

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

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

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

Assets	Years
Buildings	15 - 50
Machinery and equipment	8 - 15
Infrastructure	15 - 60

TOWN OF BEACON FALLS, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

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

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

Unearned Revenue

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

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has no items that qualify for reporting in this category.

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town only has one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and assessments. These amounts are deferred and 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.

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.

TOWN OF BEACON FALLS, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

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

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

Net Position and Fund Balance

The government-wide statement of net position presents the Town's non-fiduciary assets, deferred outflows 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 net assets whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position is the net amount of assets, liabilities, and deferred outflows of resources

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 regulated consistent with the Town's budgeting procedures as described in Note B.

Assigned – Amounts are constrained by the government'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.

TOWN OF BEACON FALLS, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

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

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

Net Position and Fund Balance *(Continued)*

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.

TOWN OF BEACON FALLS, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

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.

TOWN OF BEACON FALLS, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

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

Budgetary Information (Continued)

- The Board of Finance may authorize the transfer of appropriations between departments, and may authorize supplemental appropriations during the year provided that such appropriations do not cumulatively exceed \$20,000. Transfers and additional appropriations exceeding \$20,000 require Town meeting approval.
- Unexpended appropriations lapse at the end of the fiscal year. Appropriations for capital projects do not lapse until completion of the applicable project.
- The General Fund budget is prepared on a modified accrual basis of accounting. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued, and accordingly encumbrances outstanding at year-end are reflected in budgetary reports as expenditures in the current year.

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, 2013:

	<u>Total</u> <u>Revenues</u>	<u>Total</u> <u>Expenditures</u>	<u>Other</u> <u>Financing Sources</u> <u>(Uses), Net</u>	<u>Net Change</u> <u>in</u> <u>Fund Balance</u>
Budgetary basis	\$ 19,632,466	\$ 19,264,278	\$ 884,479	\$ 1,252,667
Certain items recorded net for budgetary purposes	96,071	100,224	4,153	-
Transfers out recorded as expenditures for budgetary purposes	-	(121,168)	(121,168)	-
GAAP basis	<u>\$ 19,728,537</u>	<u>\$ 19,243,334</u>	<u>\$ 767,464</u>	<u>\$ 1,252,667</u>

Expenditures Which Exceed Appropriations

As discussed above, the legal level of control at which expenditures may not legally exceed appropriations is at the department level. During the year ended June 30, 2013, expenditures exceeded appropriations in the following amounts:

<u>Department</u>	<u>Amount</u>
Public safety	\$ 15,202
Library	1,954

TOWN OF BEACON FALLS, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

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

Deficit Fund Equity

The Bonding Projects Fund has a deficit fund balance as of June 30, 2013 of \$3,091,063, which does not constitute a violation of statutory provisions. The deficit arose due to expenditures exceeding revenues received. This deficit is expected to be funded by future bond proceeds and other revenue sources.

NOTE C - CASH DEPOSITS

A reconciliation of the Town's cash deposits as of June 30, 2013 is as follows:

Government-wide statement of net position:

Cash and cash equivalents \$ 2,034,703

Statement of fiduciary net position:

Cash and cash equivalents 19,616

\$ 2,054,319

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, 2013, \$1,786,809 of the Town's bank balance of \$2,171,458 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized \$ 1,608,128

Uninsured and collateralized with securities held by the pledging
bank's trust department or agent but not in the Town's name 178,681

\$ 1,786,809

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, 2013

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 consisted of the following:

	Beginning Balance <i>(as adjusted per Note M)</i>	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 2,878,308	\$ -	\$ -	\$ 2,878,308
Construction in progress	116,064	464,502	-	580,566
Total capital assets, not being depreciated	<u>2,994,372</u>	<u>464,502</u>	<u>-</u>	<u>3,458,874</u>
Capital assets, being depreciated:				
Buildings and improvements	3,327,596	-	-	3,327,596
Machinery and equipment	4,585,579	461,160	(59,010)	4,987,729
Infrastructure	19,995,768	226,651	-	20,222,419
Total capital assets, being depreciated	<u>27,908,943</u>	<u>687,811</u>	<u>(59,010)</u>	<u>28,537,744</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	1,484,765	65,130	-	1,549,895
Machinery and equipment	3,725,785	140,413	(59,010)	3,807,188
Infrastructure	9,572,187	580,154	-	10,152,341
Total accumulated depreciation and amortization	<u>14,782,737</u>	<u>785,697</u>	<u>(59,010)</u>	<u>15,509,424</u>
Total capital assets, being depreciated, net	<u>13,126,206</u>	<u>(97,886)</u>	<u>-</u>	<u>13,028,320</u>
Governmental activities capital assets, net	<u>\$ 16,120,578</u>	<u>\$ 366,616</u>	<u>\$ -</u>	<u>\$ 16,487,194</u>

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

Governmental Activities:	
General government	\$ 18,119
Public safety	65,940
Public works	681,201
Culture and recreation	<u>20,437</u>
Total depreciation and amortization expense - governmental activities	<u>\$ 785,697</u>

TOWN OF BEACON FALLS, CONNECTICUTNotes to Financial Statements *(Continued)*

June 30, 2013

NOTE E - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2013 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds:		
General Fund	Bonding Projects Fund	\$ 820,266
	Nonmajor governmental funds	220,484
		<u>1,040,750</u>
Nonmajor governmental funds	General Fund	74,195
	Bonding Projects Fund	4,854
	Nonmajor governmental funds	1,000
		<u>80,049</u>
		<u>\$ 1,120,799</u>

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

NOTE F - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2013 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Funds		
Nonmajor governmental funds	General Fund	<u>\$ 66,000</u>
Bonding Projects Fund	General Fund	95,689
		<u>\$ 161,689</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.

TOWN OF BEACON FALLS, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

NOTE G - SHORT-TERM LIABILITIES

The following is a summary of changes in short-term debt for the year ended June 30, 2013:

	<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	07/2012	1.0%	\$ 1,454,000	\$ -	\$ (1,454,000)	\$ -
Bond anticipation notes	12/2012	1.0%	-	2,645,000	(2,645,000)	-
Bond anticipation notes	4/2013	1.0%	-	2,645,000	(2,645,000)	-
Bond anticipation notes	7/2013	1.0%	-	2,645,000	-	2,645,000
			<u>\$ 1,454,000</u>	<u>\$ 7,935,000</u>	<u>\$ (6,744,000)</u>	<u>\$ 2,645,000</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. As discussed more fully in Note N, the note was subsequently retired through principal repayment the issuance of new debt.

NOTE H - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2013:

Governmental Activities	<u>Beginning Balance</u> <i>(as adjusted per Note M)</i>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>	<u>Due Within One Year</u>
Bonds payable:					
General obligation bonds	\$ 2,489,010	\$ -	\$ (135,530)	\$ 2,353,480	\$ 135,530
Other liabilities:					
Pension obligation	1,627,300	-	(26,431)	1,600,869	28,564
Capital lease obligation	108,082	-	(62,266)	45,816	21,059
Compensated absences	65,055	14,834	(11,211)	68,678	6,868
Insurance assessment	21,282	-	(12,359)	8,923	8,923
Net OPEB obligation	33,614	11,499	-	45,113	-
	<u>\$ 4,344,343</u>	<u>\$ 26,333</u>	<u>\$ (247,797)</u>	<u>\$ 4,122,879</u>	<u>\$ 200,944</u>

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

TOWN OF BEACON FALLS, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2013

NOTE H - LONG-TERM LIABILITIES (Continued)

General Obligation Bonds

A summary of general obligation bonds outstanding at June 30, 2013 is as follows:

<u>Purpose of Bonds</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
Governmental Activities					
Bonds Payable					
USDA Sewer bonds	1998	\$ 2,529,100	4.75%	9/25/2028	\$ 1,348,800
USDA Sewer bonds	1999	149,400	4.75%	3/25/2029	79,680
USDA Water bonds	2003	1,387,500	4.625	1/23/1934	925,000
					<u>\$ 2,353,480</u>

Annual debt service requirements to maturity on general obligation bonds are as follows as of June 30, 2013:

<u>Year ending June 30:</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 135,530	\$ 108,632	\$ 244,162
2015	135,530	102,252	237,782
2016	135,530	95,872	231,402
2017	135,530	89,492	225,022
2018	135,530	83,113	218,643
2019-2023	677,650	319,866	997,516
2024-2028	677,650	160,368	838,018
2029-2033	320,530	34,324	354,854
	<u>\$ 2,353,480</u>	<u>\$ 993,919</u>	<u>\$ 3,347,399</u>

Overlapping Debt

The Town is contingently liable for its pro-rata share of Regional School District No. 16 (the "District")'s outstanding bonds. At June 30, 2013, the District's total outstanding bonds were \$24,134,306. The Town's share is approximately 39.45% of the total, or \$9,520,501. Such outstanding indebtedness represents general obligations of the 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. Regional School District No. 16 has \$12,000,000 of authorized, unissued bonds, for which the Town would be contingently liable for its share of the total, or \$4,734,000.

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, or \$102,385,059 as of June 30, 2013. 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, 2013.

TOWN OF BEACON FALLS, CONNECTICUTNotes to Financial Statements *(Continued)*

June 30, 2013

NOTE H - LONG-TERM LIABILITIES *(Continued)***General Obligation Bonds****Authorized, Unissued Bonds**

The amount of authorized, unissued bonds at June 30, 2013 totaled \$1,750,000 for sewer purposes.

Pension Obligation

As participants in the Connecticut Municipal Employee Retirement System (MERS), the Town is obligated to MERS for the plan's unfunded accrued liability to participating Town employees.

Annual debt service requirements to maturity on the unfunded pension obligation are as follows as of June 30, 2013:

Year ending June 30:	Governmental Activities		
	Principal	Interest	Total
2014	\$ 28,564	\$ 129,269	\$ 157,833
2015	30,871	126,962	157,833
2016	33,363	124,470	157,833
2017	36,057	121,776	157,833
2018	38,968	118,865	157,833
2019-2023	247,436	541,729	789,165
2024-2028	364,816	424,349	789,165
2029-2033	537,881	251,284	789,165
2034-2036	282,913	35,533	318,446
	<u>\$ 1,600,869</u>	<u>\$ 1,874,237</u>	<u>\$ 3,475,106</u>

Capital Leases

A summary of assets acquired through capital leases is as follows as of June 30, 2013:

	Governmental Activities
Machinery and equipment	\$ 244,630
Less: accumulated amortization	45,606
	<u>\$ 199,024</u>

Amortization expense relative to leased property under capital leases totaled \$16,327 for the year ended June 30, 2013 and is included in depreciation and amortization expense disclosed in Note D.

TOWN OF BEACON FALLS, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

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

Capital Leases (Continued)

Future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2013 is as follows:

Year ending June 30:	Governmental Activities
2014	\$ 23,385
2015	13,297
2016	13,296
Total minimum lease payments	49,978
Less: amount representing interest	(4,162)
Present value of minimum lease payments	<u>\$ 45,816</u>

Insurance Assessment

The Town has obtained worker's compensation insurance coverage as a member of the Municipal Interlocal Risk Management Agency ("MIRMA"), a public entity risk pool established for the purpose of administering an interlocal risk management program. MIRMA is to be self-sustaining through members' premiums. The Town incurred a supplemental assessment of \$63,848 during the year-ended June 30, 2010 for prior years MIRMA deficiencies. The remaining balance of \$8,923 is expected to be paid in full in the year ending June 30, 2014.

NOTE I - EMPLOYEE RETIREMENT PLANS

Connecticut Municipal Employees' Retirement System

Plan Description and Benefit Provisions

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 in the Connecticut Municipal Employees' Retirement System (MERS), a cost sharing multiple-employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement and disability benefits, annual cost of living adjustments and death benefits to the employees and beneficiaries of participating municipalities. Annual cost of living increases between 3% and 5% are paid to disabled members and nondisabled retired members which have reached age 65. All benefits vest after 5 years of continuous service or 15 years of active aggregate service. Vested members who retire after age 55 or after 25 years of service, irrespective of age, are entitled to an annual retirement benefit, payable monthly for life. 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. MERS is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106 or by calling (860) 702-3480.

TOWN OF BEACON FALLS, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

NOTE I - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System

Contributions

Plan members are required by State Statute to contribute 2.25% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute at an actuarially determined rate. The current rate is 16.65% of annual covered payroll for police officer and 11.79% of annual covered payroll for all other eligible participants. The contribution requirements of the Town are established and may be amended by the State Retirement Commission. The Town's contributions to the MERS for the years ended June 30, 2013, and 2012 were \$165,193 and \$157,518 respectively, equal to the required contributions for each year.

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 2013, the Town and retirees contributions totaled \$15,922 on a pay-as-you-go basis.

The Town has not established a trust fund as of June 30, 2013, to irrevocably segregate assets to fund the liability for post-employment benefits, which would require the reporting of a trust fund in accordance with GASB guidelines.

TOWN OF BEACON FALLS, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2013

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 in accordance with the parameters of GASB Statement No. 45. 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 Town's annual OPEB cost and net OPEB obligation are primarily attributed to an implicit rate subsidy, whereby retirees are considered to be receiving a benefit from the Town for access to insurance rates offered to the Town's active employees. 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	\$ 28,085
Interest on net OPEB obligation	1,685
Adjustment to annual required contribution	<u>(2,349)</u>
Annual OPEB cost (expense)	27,421
Contributions made	<u>15,922</u>
Increase in net OPEB obligation	11,499
Net OPEB obligation, beginning of year	<u>33,614</u>
Net OPEB obligation, end of year	<u><u>\$ 45,113</u></u>

Three-year Trend Information

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 22,436	69.3%	\$ 22,063
2012	28,006	58.8%	33,614
2013	27,421	58.1%	45,113

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013 (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)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
\$ -	\$ 1,195,490	\$ (1,195,490)	0.0%	N/A	N/A

TOWN OF BEACON FALLS, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

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

Funded Status and Funding Progress *(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, 2013
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level Dollar
Remaining amortization period:	30 years, open
Asset valuation method:	N/A
Actuarial assumptions:	
Inflation rate	0.0%
Interest rate	4.0%
Healthcare cost trend rate	8.0% 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.

The Town has obtained workers compensation insurance coverage as a member of the Municipal Interlocal Risk Management Agency, a public entity risk pool established for the purpose of administering an interlocal risk management program. MIRMA is to be self-sustaining through members' premiums.

TOWN OF BEACON FALLS, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2013

NOTE L - 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.

Inter-municipal Agreements and Commitments

The Town has entered into a municipal solid waste service agreement with the Connecticut Resources Recovery Authority (“CRRA”), known as the Regional Mid-Connecticut Project System of CRRA with sixty-nine other municipalities. Under the service agreement, the Town is required to deliver, or cause to be delivered to the system, solid waste generated within its boundaries up to its minimum commitment of 2,550 tons per year, and to pay a uniform per ton disposal service payment. The current aggregate fee is \$69 plus operating expenses per ton. The service agreement provides the obligation to pay the services fee is a general obligation of the Town.

NOTE M - ADJUSTMENTS – CORRECTION OF PRIOR PERIODS

The financial statement accounts described below have been restated to correct for the impact of the errors identified in connection with the Town’s financial statements as of June 30, 2012. The effect of the prior period adjustments on the change in net position and the change in fund balances (deficits) for the year ended June 30, 2012 cannot be readily determined. Net position and fund balances as of July 1, 2012 has been adjusted as follows:

Description:	Government-wide Governmental Activities	Governmental Funds		
		General Fund	Nonmajor Funds	
			Pent Road Fund	Streetscape Fund
Adjustment to record compensated absences obligations not recorded in prior periods	\$ (65,055)	\$ -	\$ -	\$ -
Adjustment to record construction in progress not capitalized in prior year	116,064	-	-	-
Adjustment for clerical error in prior years depreciation expense calculation	28,625	-	-	-
Adjustment to remove unsupported deposits	(5,645)	-	(5,645)	-
Adjustment to recognize Small Cities loans deferral in accordance with GASB 54 and 65	-	24,157	-	-
Adjustment to record grant receivable earned yet not recorded in prior year	116,064	-	-	116,064
	<u>\$ 190,053</u>	<u>\$ 24,157</u>	<u>\$ (5,645)</u>	<u>\$ 116,064</u>

TOWN OF BEACON FALLS, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

NOTE M - ADJUSTMENTS – CORRECTION OF PRIOR PERIODS *(Continued)*

	Government-wide Governmental Activities
Net position - beginning, as originally reported	\$ 13,285,976
Total adjustments	190,053
Net position - beginning, as adjusted	<u>\$ 13,476,029</u>

	Governmental Funds		
	General Fund	Nonmajor Funds	
		Pent Road Fund	Streetscape Fund
Fund balance - beginning, as originally reported	\$ 872,562	\$ 5,645	\$ (108,293)
Total adjustments	24,157	(5,645)	116,064
Fund balance - beginning, as adjusted	<u>\$ 896,719</u>	<u>\$ -</u>	<u>\$ 7,771</u>

NOTE N – SUBSEQUENT EVENTS

In July 2013, the \$2,645,000 bond anticipation note matured and was retired with partial repayment of the note and with proceeds from the issuance of a new bond anticipation note. Principal repayments totaled \$75,000. The \$2,570,000 bond anticipation note issued bears an interest rate of 1.0% and matured in October 2013.

In October 2013, the \$2,570,000 bond anticipation note matured and was retired with proceeds from the issuance of a new bond anticipation note. The new note totaled \$4,050,000 and bears an interest rate of 0.5%. This note matured in December 2013.

In December 2013, the \$4,050,000 bond anticipation note matured and was retired with proceeds from the issuance of a new bond anticipation note, in the amount of \$4,655,000. The new note bears an interest rate of 0.5% and matured in March 2014.

In March 2014, the \$4,655,000 bond anticipation note matured and was retired with proceeds from the issuance of general obligation bonds. The \$5,865,000 general obligation bonds issued bear interest rates between 2.0% and 4.0% and mature in March 2033. In addition, a \$1,000,000 bond anticipation note was issued. The bond anticipation note bears an interest rate of 1.0% and matures in March 2015.

TOWN OF BEACON FALLS, CONNECTICUT

Notes to Financial Statements (*Continued*)

June 30, 2013

NOTE O - RECENTLY ISSUED ACCOUNTING STANDARDS

The GASB has issued several new accounting standards that will become effective in future years. Management is currently evaluating the effect implementation of these standards, as applicable, will have on its financial statements. A summary of recently issued accounting standards that will become effective in future years is as follows:

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, which replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions in GASB 68 are effective for fiscal years beginning after June 15, 2014 and early adoption is permitted.

The GASB has issued Statement No. 67, *Financial Reporting for Pension Plans - An amendment of GASB Statement No. 25*, which replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB 67 builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. GASB 67 enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. The provisions in GASB 67 are effective for financial statements for periods beginning after June 15, 2013 and early adoption is permitted.

The GASB has issued Statement No. 66, *Technical Corrections – 2012*, which amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for 1) operating lease payments that vary from a straight-line basis, 2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and 3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The provisions in GASB 66 are effective for periods beginning after December 15, 2012 and early adoption is permitted.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BEACON FALLS, CONNECTICUT
SCHEDULES OF FUNDING PROGRESS - UNAUDITED
JUNE 30, 2013

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)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
July 1, 2008	\$ -	\$ 142,112	\$ 142,112	0.0%	N/A	N/A
July 1, 2013	-	1,195,490	1,195,490	0.0%	N/A	N/A

See accompanying Independent Auditor's Report

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

General Fund

TOWN OF BEACON FALLS, CONNECTICUT

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES

BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
PROPERTY TAXES				
Property taxes - current year	\$ 14,214,360	\$ 14,214,360	\$ 14,104,022	\$ (110,338)
Property taxes - prior years	250,000	250,000	327,343	77,343
Interest and lien fees	128,000	128,000	192,447	64,447
Total property taxes	14,592,360	14,592,360	14,623,812	31,452
WATER AND SEWER ASSESSMENTS	200,000	200,000	230,534	30,534
INTERGOVERNMENTAL REVENUES				
Ambulance corps reimbursement	20,000	20,000	-	(20,000)
State property tax	45,046	45,046	44,460	(586)
Elderly tax relief	45,546	45,546	49,211	3,665
Manufacturer's machinery and equipment	38,585	38,585	-	(38,585)
Library	1,410	1,410	5,207	3,797
Disability relief	1,341	1,341	1,826	485
Additional exemption for vets	9,916	9,916	12,129	2,213
Town aid road maintenance	92,861	92,861	93,547	686
School equalization grant	4,109,097	4,109,097	4,109,097	-
Distressed municipalities	32,551	32,551	18,641	(13,910)
Pequot grant	11,000	11,000	24,797	13,797
Miscellaneous grants	50,000	50,000	43,009	(6,991)
Miscellaneous reimbursements	5,000	5,000	1,335	(3,665)
Property tax relief	59,379	59,379	77,469	18,090
Total intergovernmental revenues	4,521,732	4,521,732	4,480,728	(41,004)
CHARGES FOR SERVICES				
Planning & zoning commission	3,000	3,000	10,247	7,247
Zoning board of appeals	1,000	1,000	750	(250)
Building permits	25,000	25,000	28,117	3,117
Miscellaneous permits	15,500	15,500	6,606	(8,894)
Inlands wetlands fees	2,000	2,000	595	(1,405)
Disposal fees	2,000	2,000	4,332	2,332
Mini-bus	3,500	3,500	4,440	940
Town clerk conveyance	40,000	40,000	36,573	(3,427)
Park & recreation - summer program	6,500	6,500	-	(6,500)
Police extra duty/vehicles/fees	25,000	25,000	112,131	87,131
Total charges for services	123,500	123,500	203,791	80,291

(Continued)

TOWN OF BEACON FALLS, CONNECTICUTSCHEDULE OF REVENUES AND OTHER FINANCING SOURCES *(Continued)*

BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
OTHER REVENUES				
Gas & miscellaneous refunds	\$ 1,500	\$ 1,500	\$ 2,772	\$ 1,272
Leachate collection system	50,000	50,000	64,031	14,031
Telecom property tax	26,000	26,000	12,614	(13,386)
Total other revenues	<u>77,500</u>	<u>77,500</u>	<u>79,417</u>	<u>1,917</u>
INVESTMENT INCOME	<u>25,000</u>	<u>25,000</u>	<u>14,184</u>	<u>(10,816)</u>
Total revenues	<u>19,540,092</u>	<u>19,540,092</u>	<u>19,632,466</u>	<u>92,374</u>
OTHER FINANCING SOURCES				
Sale of town property	<u>-</u>	<u>-</u>	<u>884,479</u>	<u>884,479</u>
Total revenues and other financing sources	<u>\$ 19,540,092</u>	<u>\$ 19,540,092</u>	<u>\$ 20,516,945</u>	<u>\$ 976,853</u>

See accompanying Independent Auditor's Report

TOWN OF BEACON FALLS, CONNECTICUT
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
GENERAL GOVERNMENT				
First selectman	\$ 95,808	\$ 97,935	\$ 99,858	\$ 1,923
Town hall	111,989	115,047	116,919	1,872
Town clerk	104,600	104,600	104,438	(162)
Tax collector	81,357	81,357	69,062	(12,295)
Treasurer	5,697	5,697	5,697	-
Building inspector	29,580	29,580	28,857	(723)
Employee benefits	982,970	993,516	956,417	(37,099)
Board of assessors	92,480	92,480	95,417	2,937
Board of assessment appeals	2,300	2,300	2,065	(235)
Zoning board of appeals	1,450	1,450	1,069	(381)
Board of finance	97,999	97,999	93,720	(4,279)
Economic development	2,550	2,550	600	(1,950)
Inland wetlands	10,700	10,700	5,004	(5,696)
Conservation commission	4,260	4,260	2,772.00	(1,488)
Planning & zoning commission	36,870	36,870	33,655	(3,215)
Water pollution control	2,740	2,740	1,027	(1,713)
Registrars of voters	51,250	51,250	40,316	(10,934)
Professional fees	135,000	142,753	142,752	(1)
Welfare	7,500	7,500	5,000	(2,500)
Insurance	136,185	113,312	92,852	(20,460)
Agency memberships	7,743	8,639	8,639	-
Community welfare	60,145	62,881	63,886	1,005
Commission for elderly	2,067	1,000	1,000	-
Minibus operations	27,801	23,348	24,236	888
Senior citizen center	13,200	21,518	21,517	(1)
Miscellaneous boards and commissions	2,200	1,304	85	(1,219)
Total general government	<u>2,106,441</u>	<u>2,112,586</u>	<u>2,016,860</u>	<u>(95,726)</u>
PUBLIC WORKS				
Highway maintenance	767,850	779,199	793,371	14,172
Town garage	30,500	30,500	23,877	(6,623)
Refuse	369,238	369,238	317,526	(51,712)
Wastewater treatment	683,021	683,021	562,593	(120,428)
Total public works	<u>1,850,609</u>	<u>1,861,958</u>	<u>1,697,367</u>	<u>(164,591)</u>

(Continued)

TOWN OF BEACON FALLS, CONNECTICUT

SCHEDULE OF EXPENDITURES *(Continued)*

BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
PUBLIC SAFETY				
Emergency services	\$ 314,100	\$ 315,421	\$ 315,409	\$ (12)
Fire marshall	3,400	4,460	4,460	-
Civil defense	14,010	14,010	8,108	(5,902)
Safety committee	1,300	1,300	1,121	(179)
Water hydrants	171,925	177,050	177,049	(1)
Police	635,145	635,145	658,312	23,167
Animal control	8,716	8,716	8,476	(240)
Public safety officer	79,315	79,315	77,684	(1,631)
Total public safety	<u>1,227,911</u>	<u>1,235,417</u>	<u>1,250,619</u>	<u>15,202</u>
LIBRARY	<u>139,475</u>	<u>144,475</u>	<u>146,429</u>	<u>1,954</u>
RECREATION	<u>149,300</u>	<u>149,300</u>	<u>137,787</u>	<u>(11,513)</u>
DEBT SERVICE				
Principal	209,030	209,530	209,530	-
Interest	164,703	164,203	156,025	(8,178)
Total debt service	<u>373,733</u>	<u>373,733</u>	<u>365,555</u>	<u>(8,178)</u>
CONTINGENCY	<u>100,000</u>	<u>4,000</u>	<u>-</u>	<u>(4,000)</u>
CAPITAL PROJECTS	<u>76,568</u>	<u>142,568</u>	<u>133,606</u>	<u>(8,962)</u>
EDUCATION	<u>13,516,055</u>	<u>13,516,055</u>	<u>13,516,055</u>	<u>-</u>
Total expenditures	<u>\$ 19,540,092</u>	<u>\$ 19,540,092</u>	<u>\$ 19,264,278</u>	<u>\$ (275,814)</u>

TOWN OF BEACON FALLS, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2013

Grand List Year	Balance Uncollected June 30, 2012	Current Levy	Lawful Corrections		Transfers To Suspense	Balance To Be Collected	Collections			Balance Uncollected June 30, 2013
			Additions	Deductions			Taxes	Interest, Liens and Fees	Total	
1996 and prior	\$ 26,271	\$ -	\$ -	\$ 26,271	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1997	12,012	-	-	-	-	12,012	-	-	-	12,012
1998	22,161	-	-	-	-	22,161	-	-	-	22,161
1999	22,386	-	-	-	-	22,386	-	-	-	22,386
2000	36,336	-	-	-	-	36,336	-	-	-	36,336
2001	10,104	-	-	-	-	10,104	-	-	-	10,104
2002	9,023	-	-	-	-	9,023	-	-	-	9,023
2003	8,396	-	-	-	-	8,396	-	-	-	8,396
2004	9,308	-	-	-	-	9,308	509	704	1,213	8,799
2005	15,650	-	-	-	-	15,650	427	189	616	15,223
2006	21,274	-	-	-	-	21,274	487	1,213	1,700	20,787
2007	98,098	-	-	-	-	98,098	36,197	22,737	58,934	61,901
2008	172,638	-	121	-	-	172,759	46,393	34,208	80,601	126,366
2009	276,065	-	60	1,337	-	274,788	65,070	31,736	96,806	209,718
2010	475,367	-	223	3,106	-	472,484	171,128	41,230	212,358	301,356
2011	-	14,559,601	13,517	17,043	444	14,555,631	14,116,778	57,431	14,174,209	438,853
	<u>\$ 1,215,089</u>	<u>\$ 14,559,601</u>	<u>\$ 13,921</u>	<u>\$ 47,757</u>	<u>\$ 444</u>	<u>\$ 15,740,410</u>	<u>\$ 14,436,989</u>	<u>\$ 189,448</u>	<u>\$ 14,626,437</u>	<u>\$ 1,303,421</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, 2013

Total cash collections for the year ended
June 30, 2013:

Taxes	\$ 14,436,989
Interest and lien fees	189,448
Base	<u>\$ 14,626,437</u>

	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2-1/4 times base	\$ 32,909,483	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	65,818,967	-	-	-
3-3/4 times base	-	-	54,849,139	-	-
3-1/4 times base	-	-	-	47,535,920	-
3 times base	-	-	-	-	43,879,311
Total debt limitation	<u>32,909,483</u>	<u>65,818,967</u>	<u>54,849,139</u>	<u>47,535,920</u>	<u>43,879,311</u>
Indebtedness:					
Bonds payable	-	-	2,353,480	-	-
Bond anticipation note payable	1,642,340	-	1,002,660	-	-
Bonds payable, net - Regional School District No. 16	-	9,520,501	-	-	-
Pension obligation	-	-	-	-	1,600,869
Authorized but unissued bonds	-	-	1,750,000	-	-
Authorized but unissued bonds - Regional School District No. 16	-	4,734,000	-	-	-
Total indebtedness	<u>1,642,340</u>	<u>14,254,501</u>	<u>5,106,140</u>	<u>-</u>	<u>1,600,869</u>
Less: assessments receivable	<u>-</u>	<u>-</u>	<u>1,478,700</u>	<u>-</u>	<u>-</u>
Net indebtedness	<u>1,642,340</u>	<u>13,040,570</u>	<u>3,627,440</u>	<u>-</u>	<u>1,600,869</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 31,267,143</u>	<u>\$ 52,778,397</u>	<u>\$ 51,221,699</u>	<u>\$ 47,535,920</u>	<u>\$ 42,278,442</u>
Total capacity of borrowing (7 times base)	\$ 102,385,059				
Total present indebtedness	19,911,219				
Margin for additional borrowing	<u>\$ 82,473,840</u>				

See accompanying Independent Auditor's Report

Nonmajor Governmental Funds

TOWN OF BEACON FALL, CONNECTICUT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

	Nonmajor Special Revenue Funds					
	Recreation Special Activities Fund	Library Fund	Dog Fund	Special Projects Fund	Sewer Waste Water Fund	Flag Fund
ASSETS						
Cash and cash equivalents	\$ 13,981	\$ 4,574	\$ 5,864	\$ 62,910	\$ 145,807	\$ 2,200
Intergovernmental receivables	-	-	-	-	-	-
Due from other funds	-	-	-	1,000	10,220	-
Total assets	<u>\$ 13,981</u>	<u>\$ 4,574</u>	<u>\$ 5,864</u>	<u>\$ 63,910</u>	<u>\$ 156,027</u>	<u>\$ 2,200</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	1,000	-	23,150	-	-
Unearned revenue - grant proceeds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>23,150</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Restricted for:						
General government	-	-	-	-	-	2,200
Culture and recreation	-	3,574	-	-	-	-
Committed to:						
General government	-	-	5,864	-	-	-
Sewer waste water system	-	-	-	-	156,027	-
Culture and recreation	13,981	-	-	-	-	-
Special projects	-	-	-	40,760	-	-
Capital projects	-	-	-	-	-	-
Total fund balances	<u>13,981</u>	<u>3,574</u>	<u>5,864</u>	<u>40,760</u>	<u>156,027</u>	<u>2,200</u>
Total liabilities and fund balances	<u>\$ 13,981</u>	<u>\$ 4,574</u>	<u>\$ 5,864</u>	<u>\$ 63,910</u>	<u>\$ 156,027</u>	<u>\$ 2,200</u>

(Continued)

See accompanying Independent Auditor's Report

TOWN OF BEACON FALLS, CONNECTICUT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS *(Continued)*

JUNE 30, 2013

	Nonmajor Special Revenue Funds		Nonmajor Capital Project Funds			Total Capital Project Funds	Total Nonmajor Governmental Funds
	Small Cities Fund	Total Special Revenue Funds	Non-recurring Capital Expenditure Fund	Pent Road Recreation Rehab Fund	Streetscape Enhancement Fund		
ASSETS							
Cash and cash equivalents	\$ 47,445	\$ 282,781	\$ -	\$ -	\$ 149,946	\$ 149,946	\$ 432,727
Intergovernmental receivables	-	-	-	-	93,989	93,989	93,989
Due from other funds	-	11,220	63,975	-	4,854	68,829	80,049
Total assets	<u>\$ 47,445</u>	<u>\$ 294,001</u>	<u>\$ 63,975</u>	<u>\$ -</u>	<u>\$ 248,789</u>	<u>\$ 312,764</u>	<u>\$ 606,765</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 43,684	\$ 43,684	\$ 43,684
Due to other funds	-	24,150	-	-	197,334	197,334	221,484
Unearned revenue - grant proceeds	47,445	47,445	-	-	-	-	47,445
Total liabilities	<u>47,445</u>	<u>71,595</u>	<u>-</u>	<u>-</u>	<u>241,018</u>	<u>241,018</u>	<u>625,226</u>
FUND BALANCES							
Restricted for:							
General government	-	2,200	-	-	-	-	2,200
Culture and recreation	-	3,574	-	-	-	-	3,574
Committed to:							
General government	-	5,864	-	-	-	-	5,864
Sewer waste water system	-	156,027	-	-	-	-	156,027
Culture and recreation	-	13,981	-	-	-	-	13,981
Special projects	-	40,760	-	-	-	-	40,760
Capital projects	-	-	63,975	-	7,771	71,746	71,746
Total fund balances	<u>-</u>	<u>222,406</u>	<u>63,975</u>	<u>-</u>	<u>7,771</u>	<u>71,746</u>	<u>294,152</u>
Total liabilities and fund balances	<u>\$ 47,445</u>	<u>\$ 294,001</u>	<u>\$ 63,975</u>	<u>\$ -</u>	<u>\$ 248,789</u>	<u>\$ 312,764</u>	<u>\$ 606,765</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, 2013

	Nonmajor Special Revenue Funds					
	Recreation Special Activities Fund	Library Fund	Dog Fund	Special Projects Fund	Sewer Waste Water Fund	Flag Fund
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	25,905	-	730	-	8,340	-
Donations	-	8,306	-	1,000	-	2,540
Interest income	-	-	4	39	128	-
Total revenues	<u>25,905</u>	<u>8,306</u>	<u>734</u>	<u>1,039</u>	<u>8,468</u>	<u>2,540</u>
EXPENDITURES						
Current:						
General government	-	-	1,582	-	-	340
Public works	-	-	-	-	24,826	-
Culture and recreation	15,924	7,630	-	-	-	-
Capital outlays	-	-	-	9,215	-	-
Total expenditures	<u>15,924</u>	<u>7,630</u>	<u>1,582</u>	<u>9,215</u>	<u>24,826</u>	<u>340</u>
Excess (deficiency) of revenues over expenditures	9,981	676	(848)	(8,176)	(16,358)	2,200
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	9,981	676	(848)	(8,176)	(16,358)	2,200
Fund balances (deficit) - beginning, as originally reported	<u>4,000</u>	<u>2,898</u>	<u>6,712</u>	<u>48,936</u>	<u>172,385</u>	<u>-</u>
Adjustments (See Note M)	-	-	-	-	-	-
Fund balances - beginning, as adjusted	<u>4,000</u>	<u>2,898</u>	<u>6,712</u>	<u>48,936</u>	<u>172,385</u>	<u>-</u>
Fund balances - ending	<u>\$ 13,981</u>	<u>\$ 3,574</u>	<u>\$ 5,864</u>	<u>\$ 40,760</u>	<u>\$ 156,027</u>	<u>\$ 2,200</u>

(Continued)

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, 2013

	Nonmajor Special Revenue Funds		Nonmajor Capital Project Funds			Total Capital Project Funds	Total Nonmajor Governmental Funds
	Small Cities Fund	Total Special Revenue Funds	Non-recurring Capital Expenditure Fund	Pent Road Recreation Rehab Fund	Streetscape Enhancement Fund		
REVENUES							
Intergovernmental	\$ 28,088	\$ 28,088	\$ -	\$ -	\$ 190,821	\$ 190,821	\$ 218,909
Charges for services	-	34,975	-	-	-	-	34,975
Donations	-	11,846	-	15,000	-	15,000	26,846
Interest income	-	171	-	-	-	-	171
Total revenues	28,088	75,080	-	15,000	190,821	205,821	280,901
EXPENDITURES							
Current:							
General government	28,088	30,010	-	-	-	-	30,010
Public works	-	24,826	-	-	-	-	24,826
Culture and recreation	-	23,554	-	-	-	-	23,554
Capital outlays	-	9,215	53,463	15,000	190,821	259,284	268,499
Total expenditures	28,088	87,605	53,463	15,000	190,821	259,284	346,889
Excess (deficiency) of revenues over expenditures	-	(12,525)	(53,463)	-	-	(53,463)	(65,988)
OTHER FINANCING SOURCES							
Transfers in	-	-	66,000	-	-	66,000	66,000
Total other financing sources	-	-	66,000	-	-	66,000	66,000
Net change in fund balances	-	(12,525)	12,537	-	-	12,537	12
Fund balances (deficit) - beginning, as originally reported	-	234,931	51,438	5,645	(108,293)	(51,210)	183,721
Adjustments <i>(See Note M)</i>	-	-	-	(5,645)	116,064	110,419	110,419
Fund balances - beginning, as adjusted	-	234,931	51,438	-	7,771	59,209	294,140
Fund balances - ending	\$ -	\$ 222,406	\$ 63,975	\$ -	\$ 7,771	\$ 71,746	\$ 294,152

Town of Beacon Falls, Connecticut

State Single Audit Report

June 30, 2013

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INTERNAL CONTROL AND COMPLIANCE REPORT

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the 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, the 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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated April 11, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-1 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as items 2013-2, 2013-3 and 2013-4 in the accompany schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that were reported to management of the Town in a separate letter dated April 11, 2014.

Town's Response to the Finding

The Town's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mahoney Sabol + Company, LLP

Glastonbury, Connecticut
April 11, 2014

STATE SINGLE AUDIT

**Independent Auditor's Report on Compliance for Each Major Program, on
Internal Control over Compliance Required by the Connecticut State Single Audit Act,
and on the Schedule of Expenditures of State Financial Assistance**

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

Report on Compliance for Each Major Program

We have audited the compliance by the Town of Beacon Falls, Connecticut (the "Town"), with the types of compliance requirements described in the State of Connecticut, Office of Policy and Management *Compliance Supplement to the State Single Audit Act* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2013. The Town's major state programs are identified in the summary of auditor's results section of the accompanying schedule of state findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major state programs occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each of the major state programs. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major State Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon, dated April 11, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the Connecticut State Single Audit Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Mahoney Sabol + Company, LLP

Glastonbury, Connecticut
April 11, 2014

TOWN OF BEACON FALLS, CONNECTICUT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 2013

<u>State Grantor; Pass-Through Grantor; Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
NONEXEMPT PROGRAMS:		
OFFICE OF POLICY AND MANAGEMENT		
Direct Programs:		
Payment in Lieu of Taxes on State-Owned Property	11000-OPM20600-17004	\$ 44,460
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	49,211
Property Tax Relief for Veterans	11000-OPM20600-17024	12,129
Payment in Lieu of Taxes on Exempt Property of Manufacturing Facilities in Distressed Municipalities	11000-OPM20600-17016	18,641
Property Tax Relief on Property of Totally Disabled Persons	11000-OPM20600-17011	1,826
Total Office of Policy and Management		<u>126,267</u>
CONNECTICUT STATE LIBRARY		
Direct Programs:		
Historical Preservation Grant	12060-CSL66094-35150	4,000
Connecticard Payments	11000-CSL66051-17010	146
Grants to Public Libraries	11000-CSL66051-17003	1,207
Total Connecticut State Library		<u>5,353</u>
DEPARTMENT OF TRANSPORTATION		
Direct Programs:		
Town Aid Road	13033-DOT57131-43459	93,547
Local Road & Bridge Project	13033-DOT59171-43456	145,386
Total Department of Transportation		<u>238,933</u>
JUDICIAL BRANCH		
Direct Programs:		
Judicial Distribution to Towns	34001-JUD95162-40001	2,231
Total State Financial Assistance Before Exempt Programs		<u>372,784</u>
EXEMPT PROGRAMS:		
OFFICE OF POLICY AND MANAGEMENT		
Direct Programs:		
Municipal Revenue Sharing	12060-OPM20600-35458	77,469
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	24,797
Municipal Video Competition	12060-OPM20600-35362	4,586
Total Office of Policy and Management		<u>106,852</u>
DEPARTMENT OF EDUCATION		
Direct Programs:		
Education Cost - Sharing	11000-SDE64370-17041	4,109,097
Total Exempt Programs		<u>4,215,949</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 4,588,733</u>

The accompanying note is an integral part of this schedule.

TOWN OF BEACON FALLS, CONNECTICUT
NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2013

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Beacon Falls, Connecticut (the "Town") through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs of the Town.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of 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 the more significant policies relating to the aforementioned grant programs.

Basis of Accounting

The accompanying schedule of expenditures of state financial assistance has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of state financial assistance is presented in accordance with regulations established by the State of Connecticut, Office of Policy and Management.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance based awards, revenues are recognized to the extent of performance achieved during the grant period.

The schedule of expenditures of state financial assistance contained in this report is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain financial assistance is not dependent on expenditure activity or the achievement of performance goals and, accordingly, is considered expended in the fiscal year of receipt. These financial assistance program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

TOWN OF BEACON FALLS, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

<input type="radio"/> Material weakness(es) identified?	<u>✓</u>	Yes	<u> </u>	No
<input type="radio"/> Significant deficiency(ies) identified?	<u> </u>	Yes	<u> </u>	None Reported

Noncompliance material to financial statements noted? Yes ✓ No

State Financial Assistance

Internal control over major programs:

<input type="radio"/> Material weakness(es) identified?	<u> </u>	Yes	<u> </u>	No
<input type="radio"/> Significant deficiency(ies) identified?	<u> </u>	Yes	<u> </u>	None Reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? Yes ✓ No

The following schedule reflects the major programs included in the audit:

State Grantor/ Program	State Grant Program Core-CT Number	Expenditures
Department of Transportation		
Local Road & Bridge Project	13033-DOT59171-43456	\$ 145,386
Town Aid Road Grants	13033-DOT57131-43459	93,547

Dollar threshold used to distinguish between Type A and Type B programs: \$100,000

TOWN OF BEACON FALLS, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2013

II. FINANCIAL STATEMENT FINDINGS

Finding 2013-1 Material Weakness in Internal Control Over Financial Reporting

Criteria

The accounting records and financial statements are the responsibility of management and, accordingly, the Town should have internal control over financial reporting that provides reasonable assurance that the accounting records can be relied upon and used to prepare the basic financial statements and related notes to the basic financial statements, in conformity with accounting principles generally accepted in the United States of America (US GAAP).

Condition

During our audit, we noted that the Town does not have appropriate closing procedures to ensure that accounts are reconciled and properly accounted for in conformity with US GAAP. Specifically, we noted the following:

- The general ledger of the General Fund was out of balance as of the beginning of the fiscal year and was never corrected by the Town's Finance Department.
- The detailed expenditure report for the General Fund did not agree to the general ledger expenditure control account and the difference was never reconciled by the Town's Finance Department.
- The General Fund was maintained on a cash basis and the following general ledger accounts were either not updated from the prior year or not properly reconciled as of year-end:
 - Operating cash account (not properly reconciled)
 - Property taxes receivable and related deferred inflows of resources accounts (not updated)
 - Assessments receivable and related deferred inflows of resources accounts (not updated)
 - Grants receivable accounts (not updated)
 - Other receivables accounts (not updated)
 - Accrued payroll accounts (not updated or reconciled)
 - Accrued liabilities (not reconciled)
 - Unearned revenue accounts (not updated)
- All funds, other than the General Fund, were not maintained under a general ledger control. Activity for each of the funds were tracked on a cash basis in an excel file. Interfund balances and activities were not properly accounted for and reconciled with the General Fund as of year-end.
- Schedules for government-wide conversion entries are not being maintained and reconciled to the supporting records.

Questioned Costs

No costs were questioned.

TOWN OF BEACON FALLS, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2013

II. FINANCIAL STATEMENT FINDINGS *(Continued)*

Finding 2013-1 Material Weakness in Internal Control Over Financial Reporting *(Continued)*

Effect

A significant number of audit adjustments including restatements of the Town's opening balances were required to prepare and present the Town's financial statements in conformity with US GAAP. In addition, there is an increased risk that the Town will not be able to prevent, detect, or correct a potential material misstatement to future financial statements in a timely manner.

Cause

The material weakness is caused by a lack of resources, oversight, accountability and expertise within the Town's Finance Department.

Auditor's Recommendation

We recommend that the Town develop formal closing procedures to ensure that all accounts are reconciled and properly accounted for in timely manner. The Town may want to consider engaging a consultant to assist in the development of these procedures. In addition, we recommend that the Board of Finance perform an analysis of accounting personnel and determine whether additional resources and/or training are needed to meet the Town's financial reporting requirements. Responsibilities of personnel should be clearly defined and an evaluation process should be implemented to improve oversight and accountability of the financial reporting process.

Management Response

The Town intends to take the appropriate actions to strengthen its internal control over financial reporting and remedy the conditions giving rise to this reported material weakness. The Town is currently in the process of replacing its Finance Director. This position, once filled, will add additional expertise and oversight to the finance department. In addition, the Town is currently in the process of hiring an outside accounting consultant to assist with the implementation of the auditor's recommendations.

Finding 2013-2 Significant Deficiency over Budgetary Procedures

Criteria

The Board of Finance is authorized to transfer unexpended balances from one appropriation to another throughout the year. In addition, the Town should have a formal purchase order process in place that is adhered to in order to ensure budgetary compliance.

Condition

During our audit we noted that requests were made of the Board of Finance for transfers of unexpended balances from one appropriation to another only after expenditures in excess of the original departmental appropriations were incurred. In addition, we noted that purchases for goods and services were often made without or prior to having an approved purchase order.

TOWN OF BEACON FALLS, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2013

II. FINANCIAL STATEMENT FINDINGS *(Continued)*

Finding 2013-2 Significant Deficiency over Budgetary Procedures *(Continued)*

Questioned Costs

No costs were questioned.

Effect

Expenditures in excess of original departmental appropriations were incurred prior to being authorized by the Board of Finance.

Cause

This deficiency is caused by a lack of oversight and accountability over budgetary compliance combined with a lack of adherence to a formal purchase order process.

Auditor's Recommendation

We recommend that the Board of Finance adopt a formal purchase order policy that addresses actions to be taken in the event of unapproved deviations from the policy. The benefits of a formal purchase order process is obtaining the approval of an expenditure before it is incurred and allowing the appropriate individuals to manage budgetary commitments. This process should allow for the timely identification of potential budgetary overruns so that transfer requests can be made of the Board of Finance prior to incurring the expenditures.

Management Response

The Town intends to take the appropriate actions to strengthen its budgetary procedures and purchase order policies, and remedy the conditions giving rise to this reported significant deficiency. The Town is currently in the process of replacing its Finance Director. This position, once filled, will add additional expertise and oversight to the finance department. In addition, the Town is currently in the process of hiring an outside accounting consultant to assist with the implementation of the auditor's recommendations.

Finding 2013-3 Significant Deficiency over Payroll Tax Remittance

Criteria

The Town is required to comply with federal and state payroll tax requirements including remitting applicable payroll tax withholdings on regular basis and filing a IRS Form 941 return at the end of each quarter.

Condition

During our audit, we noted that the Town received correspondence from the IRS regarding an instance where the Town overpaid payroll taxes and an instance where the Town underpaid payroll taxes based on the information reported in the applicable Form 941 returns.

Questioned Costs

No costs were questioned.

TOWN OF BEACON FALLS, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2013

II. FINANCIAL STATEMENT FINDINGS *(Continued)*

Finding 2013-3 Significant Deficiency over Payroll Tax Remittance *(Continued)*

Effect

The Town could be exposed to associated penalties and interest for the underpayment of payroll taxes or could unknowingly overpay payroll taxes.

Cause

Unknown

Auditor's Recommendation

We recommend that Town implement policies and procedures to ensure that the IRS Form 941s are accurately completed and that the amount of payroll taxes remitted are reconciled in a timely manner to each individual payroll register and the applicable IRS Form 941 return.

Management Response

The Town intends to take the appropriate actions to strengthen its payroll processes and remedy the conditions giving rise to this reported significant deficiency. The Town is currently in the process of replacing its Finance Director. This position, once filled, will add additional expertise and oversight to the finance department. In addition, the Town is currently in the process of hiring an outside accounting consultant to assist with the implementation of the auditor's recommendations.

Finding 2013-4 Significant Deficiency over Records Management

Criteria

The Town is required to maintain its financial records in order to comply with federal and state recordkeeping regulations, including grant requirements.

Condition

During our audit, we noted a number of instances where financial records (paid invoices, cash receipt documentation, bank statements and reconciliations) were either lost, misplaced or stored at a location outside of the Town's Finance Department.

Questioned Costs

No costs were questioned.

Effect

The effect of the Town's poor records management resulted in delays in the audit as a result of employees having to spend unnecessary time locating lost or misplaced files. In addition, poor records management exposes the Town to instances of non-compliance with applicable federal and state regulations in addition to grant requirements on records management.

TOWN OF BEACON FALLS, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2013

II. FINANCIAL STATEMENT FINDINGS *(Continued)*

Finding 2013-4 Significant Deficiency over Records Management *(Continued)*

Cause

Unknown.

Auditor's Recommendation

We recommend that Town implement a records management policy and procedures to ensure that the Town's financial records are kept long enough to assure accountability and are stored in secure location so that such records can be made available timely upon inspection.

Management Response

The Town intends to take the appropriate actions to strengthen its records management processes and remedy the conditions giving rise to this reported significant deficiency. The Town is currently in the process of replacing its Finance Director. This position, once filled, will add additional expertise and oversight to the finance department. In addition, the Town is currently in the process of hiring an outside accounting consultant to assist with the implementation of the auditor's recommendations.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

- No findings or questioned costs are reported.

SUMMARY SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS

- Finding 2012-01, 2012-02 and 2012-03 have been replaced by Finding 2013-1.

Town of Beacon Falls, Connecticut

**Communication of Internal Control
Related Matters**

June 30, 2013

To management and the Board of Finance of the
Town of Beacon Falls, Connecticut

In connection with our audit of the financial statements of the Town of Beacon Falls, Connecticut (the "Town"), as of June 30, 2013 and for the year then ended, auditing standards generally accepted in the United States of America ("US GAAS") require that we advise management and the Board of Finance (hereinafter referred to as "those charged with governance") of internal control matters identified during our audit.

Our responsibilities

Our responsibility, as prescribed by US GAAS, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. An audit includes consideration of internal control over financial reporting (hereinafter referred to as "internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of identifying deficiencies in internal control or expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion on internal control effectiveness.

Identified deficiencies in internal control

During our audit, we became aware of the following deficiencies in internal control, other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiencies.

I. Purchasing Policy

During our audit, we noted that the Town does not have a formal purchasing policy.

A purchase policy should address bid solicitation activities and competitive selection standards for vendors to ensure the best possible price for comparable goods or service. The purchasing policy should establish requirements for competitive bidding and should incorporate state regulations impacting municipalities. For example, Section 7-148v of the State of Connecticut General Statutes states: "Notwithstanding the provisions of any municipal charter or any special act to the contrary, any municipality may, by ordinance, establish requirements for competitive bidding for the award of any contract or the purchase of any real or personal property by the municipality. Such ordinance may provide that, except as otherwise required by any provision of the general statutes, sealed bidding shall not be required for contracts or purchases having a value less than or equal to an amount established in the ordinance, which amount shall not be greater than twenty-five thousand dollars". In addition, the policy should detail disciplinary actions for violations of the policy.

II. Capital Projects

The Town currently utilizes a capital project fund to account for capital expenditures and the related sources of funding. Often time, projects extend beyond the fiscal year in which the project was started. During our audit, we noted that the Town does not currently have a process in place to track cumulative expenditures on a GAAP basis of a project.

We recommend that the Town develop a project tracking system that captures the following information:

- Date of Project Authorization
- Amount of Project Authorization
- Sources of Project Funding
- Prior Year Project Expenditures
- Current Year Project Expenditures (should agree with current year general ledger)
- Cumulative Project Expenditures
- Remaining Project Expenditures

III. Capitalization and Disposal of Capital Assets

The Town is required to account for capital assets in its government-wide financial statements. During our audit, we noted that the Finance Department does not currently maintain an internal tracking system for financial reporting purposes to ensure that all capital asset activity (additions and disposals) are captured in accordance with the Town's accounting policy.

We recommend that the Finance Department implement a capital asset tracking system. A capital asset tracking system will improve accountability and the accuracy of financial reporting. Capital asset activity should be updated in the system in a timely manner throughout the year. Disposal of capital assets should be documented and reported to the Finance Department. In addition, as part of the year-end closing process, we recommend that the Finance Department verify the existence of its movable capital assets.

IV. Controls over Checks

During our audit, we noted that the Town Finance Department does not maintain a control log for bank checks. In addition, we noted a number of missing checks that could not be accounted for. Such checks could consist of voided, unused or unrecorded checks.

We recommend that the Town maintain control over voided checks and consider limiting the number of manual checks written in addition to limiting the number of bank accounts manual checks can be written from. Also, the Town should require that all disbursements be subject to the same approval process.

V. Approval of Pay Rates

During our audit, we noted that the Town does not consistently maintain documentation of approved pay rates for employees.

We recommend that the pay rates, including pay rate changes, are approved by the First Selectman and maintained in an employees file.

VI. Recording of Cash Receipts

During our audit, we noted that cash receipts are not recorded within the general ledger until after bank reconciliations are performed. In addition, we noted that cash receipts are sometimes recorded as miscellaneous revenue due to the Finance Department not knowing the source of the cash receipt.

We recommend that the Town strengthen its internal controls over the cash receipts process. Cash collected should be counted daily and a revenue control sheet should be completed and submitted to the Finance Department with a copy of the deposit remittance and applicable supporting documentation. The Finance Department should record revenue based off the revenue control sheet and should reconcile amounts deposited to the supporting documentation on a timely basis.

VII. Other Post-employment Benefits

During our audit, we noted that the Town has not historically obtained an actuarial valuation for its other post-employment benefits within the timeframe required by Governmental Accounting Standards Board Statement 45.

We recommend that the Town develop a financial reporting compliance calendar to ensure that Town obtains the actuarial valuation within the required timeframe. For financial reporting purposes, an actuarial valuation is required at least triennially for plans with a total membership of fewer than 200.

We appreciate the courtesies extended to us by the management and staff of the Town, and would be happy to discuss the above matters further at your request.

This communication is intended solely for the information and use of the Board of Finance and management of the Town, the Office of Policy and Management, and state awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.



Glastonbury, Connecticut

April 11, 2014