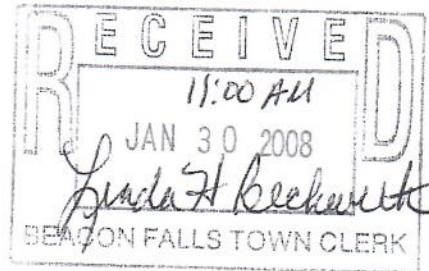




Charles Heaven & Co.
Certified Public Accountants



**TOWN OF BEACON FALLS
AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL FINANCIAL DATA
JUNE 30, 2007**

Town of Beacon Falls
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For the Year Ended June 30, 2007

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Charles Heaven & Co.
Certified Public Accountants
Waterbury, Connecticut

INDEPENDENT AUDITOR'S REPORT

To the Board of Finance
Town of Beacon Falls, Connecticut

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, as of and for the year ended June 30, 2007, which collectively comprise the Town of Beacon Falls's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Beacon Falls, Connecticut's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2007, on our consideration of the Town of Beacon Falls, Connecticut'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on Pages 3 through 14 and 36 through 38 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Beacon Falls, Connecticut basic financial statements. The combining and individual nonmajor fund financial statements, and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Charles Heaven & Co.

December 17, 2007

Town of Beacon Falls
Management's Discussion and Analysis
June 30, 2007

This Annual Financial Report reflects the financial reporting requirements of the Government Accounting Standards Board (GASB) Statement 34. GASB Statement 34 requires that we, as managers of the Town of Beacon Falls, focus on our most important, or "major" funds, including the general fund.

Fund statements measure and report the "operating results" of many funds by measuring cash on hand and other assets that can easily be converted to cash. These statements show the short-term performance of individual funds using the same measures governments use when financing current operations. On the other hand, if we charge a fee to users for services, fund information will continue to be based on modified accrual accounting. Showing budgetary compliance has always been an important part of governmental accountability. Our financial statements include the *original* budget as well as the final amended budget.

Our hope is to provide you, the reader, with an objective and readable analysis of our financial performance for the year. Taken together, the following statements should enable you to assess whether our financial position has improved or deteriorated as a result of the year's operations. The annual report includes government-wide financial statements prepared on the accrual basis for all of your government's activities. Accrual accounting measures not just current assets and current liabilities, but long-term assets and liabilities as well. It also reports all revenues and all costs of providing services each year, not just those received or paid in the current fiscal year (or shortly thereafter).

In summary, the government-wide financial statements will help you:

- Assess the finances of Beacon Falls in its entirety, including the year's operating results;
- Determine whether our overall financial position improved or deteriorated;
- Evaluate whether our current-year revenues were sufficient to pay for current-year services;
- See the costs of providing the services you have requested of us;
- See how we finance the programs you have asked for – through user fees and other program revenues versus general tax revenues;
- Understand the extent to which your government has invested in capital assets, including roads, bridges, sewers, schools, parks, and other infrastructure assets;
- Make better comparisons between governments.

The Annual Financial Report includes the following information and financial statements as defined by GASB Statement 34:

✱ **Management's Discussion and Analysis (MD&A)** – An introduction to the basic financial statements and an analytical overview of the government's financial activities. The MD&A provides an objective and easily readable analysis of the Town's financial activities based on currently known facts, decisions, or conditions. The MD&A

- ❑ Includes comparisons of the current year to the prior year based on government-wide information;
- ❑ Provides an analysis of our overall financial position and the results of operations to assist you in assessing whether our financial position has improved or deteriorated as a result of the year's activities;
- ❑ Analyzes significant changes in fund and major budget variances;

Town of Beacon Falls
Management's Discussion and Analysis
June 30, 2007

- ❑ Describes capital asset and long-term debt activity during the year;
- ❑ Concludes with a description of currently known facts, decisions, or conditions that are expected to have a significant effect on our financial position or the results of our operations.

✱ **Basic Financial Statements**

➤ **Government-Wide Financial Statements** are designed to provide readers with a broad overview of the Town of Beacon Falls' finances, in a manner similar to private-sector business.

- They include a *statement of net assets* which presents information on all of the Town's assets and liabilities with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Beacon Falls is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes). The statement of activities is prepared using the economic resources measurement focus and the accrual basis of accounting. These statements report all assets, liabilities, revenues, expenses, and gains and losses of the government. The government-wide financial present functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*). Other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*) do not appear as we have no business-type activities. The governmental activities of Beacon Falls include general government, public safety, streets, sanitation, social service, recreation and senior center, education, other, and interest on long-term debt. The government-wide financial statements include only the Town of Beacon Falls (known as the *primary government*).
- Fiduciary activities whose resources are not available to finance our governmental programs are excluded from these statements.

Capital assets, including infrastructure, are reported along with depreciation expense in the statement of activities. Net assets are reported as capital assets net of related debt, restricted, and unrestricted.

Expenses presented are reduced by program revenues, resulting in a measurement of "net (expense) revenue" for each of the government's functions. Program expenses include all direct expenses. General revenues such as taxes and special and extraordinary items are reported separately, ultimately arriving at the change in net assets for the period. Special items are significant transactions or other events that are either unusual or infrequent and are within the control of management.

➤ **Fund Financial Statements** are a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Beacon Falls, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of our municipality can be divided into two categories: governmental funds and fiduciary funds.

**Town of Beacon Falls
Management's Discussion and Analysis
June 30, 2007**

- *Governmental fund* financial statements include financial data for the general fund, special revenue funds, and capital project funds and are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government'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* in the government-wide financial statements with similar information presented for *governmental activities* in the long-term impact of the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The Town of Beacon Falls maintains three major governmental funds and fifteen nonmajor governmental funds, twelve of which are special revenue funds and three of which are capital project 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, bonding projects fund, the sewer wastewater fund (major funds), and the fifteen nonmajor governmental funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The Town of Beacon Falls adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.
- *Fiduciary fund* financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support our own programs.

Fund financial statements are presented for primary government funds. Governmental fund statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances. A summary reconciliation of the fund and government-wide statements accompanies the fund financial statements.

Major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental funds. Other funds that we believe are particularly important to you are also reported as a major fund. Non-major funds are reported in the aggregate in a separate column.

Governmental fund balances are segregated into reserved and unreserved categories.

We present separate fiduciary fund statements used to report assets held in a trustee or agency capacity for others and which cannot be used our own programs. We must show a statement of

Town of Beacon Falls
Management's Discussion and Analysis
June 30, 2007

fiduciary net assets and a statement of changes in fiduciary assets and liabilities. Fiduciary fund statements also disclose interfund loans, interfund services provided and used, and interfund transfers if any.

- Notes to the Financial Statements
 - Consist of notes that provide information essential to your understanding of the data provided in the government-wide and fund financial statements.
- Required Supplementary Information (RSI)
 - Consists of MD&A and budgetary comparison schedules.
 - Includes budgetary comparison schedules for the general fund to demonstrate whether resources were obtained and used in accordance with the legally adopted budget.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the general fund budget and actual comparison.

As management of the Town of Beacon Falls, we offer readers of our financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished elsewhere in this report.

Financial Highlights

- Our assets exceeded our liabilities at the close of the most recent year by \$9,555,624 (net assets). Of this amount, \$2,516,981 (*unrestricted net assets*) may be used to meet our ongoing obligations to citizens and creditors.
- Our total net assets decreased by \$40,905 due mainly to the \$163,355 operating deficit in the sewer wastewater fund.
- As of the close of the current fiscal year, our governmental funds reported combining ending fund balances of \$1,394,088, a decrease of \$604,638 in comparison with the prior fiscal year's ending fund balance of \$1,998,726. The entire net fund balance, \$1,394,088, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,211,252, or 7.5% of total general fund expenditures of \$16,157,980.
- Beacon Falls' total long-term debt decreased by \$173,298 (3.4%) to \$4,867,062 during the current fiscal year through the scheduled payment of principal amortization.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As previously mentioned, Beacon Falls' assets exceeded liabilities by \$9,555,624 at the close of the most recent fiscal year.

A significant portion of the Town's net assets (66.7%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. Beacon Falls 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

Town of Beacon Falls
Management's Discussion and Analysis
June 30, 2007

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.

Table 1. Net Assets

	Total Primary Government 2007	Total Primary Government 2006
Current and Other Assets.....	\$ 8,358,321	\$ 5,870,165
Capital Assets (net of depreciation).....	10,319,017	9,789,558
Total Assets	18,677,338	15,659,723
Current and other liabilities	4,254,652	1,022,834
Non-current liabilities.....	4,867,069	5,040,360
Total Liabilities	9,121,714	6,063,194
Net Assets:		
Invested in Capital Assets, net of debt Restricted	6,369,331	6,170,061
Sewer systems.....	650,958	--
Other	18,354	114,609
Unrestricted	2,516,981	3,311,859
Total Net Assets	\$9,555,624	\$9,596,529

Of our net assets, \$669,312 represents resources that are subject to external restrictions on how they may be used such as ongoing fund balances in revenue and capital accounts and money set aside for special projects. The remaining balance of *unrestricted net assets*, \$2,516,981, may be used to meet our ongoing obligations to citizens and creditors.

At the end of the current fiscal year, we are able to report positive balances in all three categories of net assets.

Our net assets decreased by \$40,905 during the current fiscal year. The Town brought in net general revenues of \$12,106,649 which were exceeded by our net operating expenditures of \$12,147,554 by the amount of the net asset decrease. Gross expenses of \$16,442,228 were offset by \$511,983 in charges for services, \$3,535,911 in operating grants and contributions, and \$246,780 in capital grants and contributions. Of the net expenditures, \$7,652,255 was accounted for by the cost of education at Regional School District No. 16. Net General Government expenditures of \$1,842,400, net Public Safety outlays of \$897,208, Sanitation Department net costs of \$529,476, and Street Department costs of \$497,149, accounted for most of the remaining expenditures. The majority of our total revenue was \$11,532,599 in tax collections supplemented by \$321,287 of unrestricted grants and contributions and \$252,763 of miscellaneous revenues and investment income.

Town of Beacon Falls
Management's Discussion and Analysis
June 30, 2007

Governmental activities. As already indicated, governmental activities decreased the Town of Beacon Falls' net assets by \$40,905. Key elements of this decrease are as follows:

Table 2. Changes in Net Assets

	Total Primary Government 2007	Total Primary Government 2006
Revenues:		
Program Revenues:		
Charges for Services	\$ 511,983	\$ 703,166
Operating Grants and Contributions	3,535,911	3,518,809
Capital Grants and Contributions.....	246,780	300,132
General Revenues:		
Property Taxes	11,532,599	10,646,584
Grants and Contributions not Restricted to Specific Purpose	321,287	261,247
Investment Earnings	211,215	82,526
Other General revenues	41,548	18,783
Total Revenues.....	16,401,323	15,531,247
Program Expenses:		
General Government	1,951,356	1,507,323
Public Safety	982,816	1,120,571
Street Department	699,161	648,552
Sanitation	913,781	881,887
Social Services	56,559	53,209
Recreation and Senior Center.....	397,429	357,627
Education	11,145,654	10,756,842
Other	72,400	36,227
Interest on Long-Term Debt.....	223,072	293,881
Total Program Expenses.....	16,442,228	15,656,119
(Decrease) in Net Assets	(\$ 40,905)	(\$ 124,872)

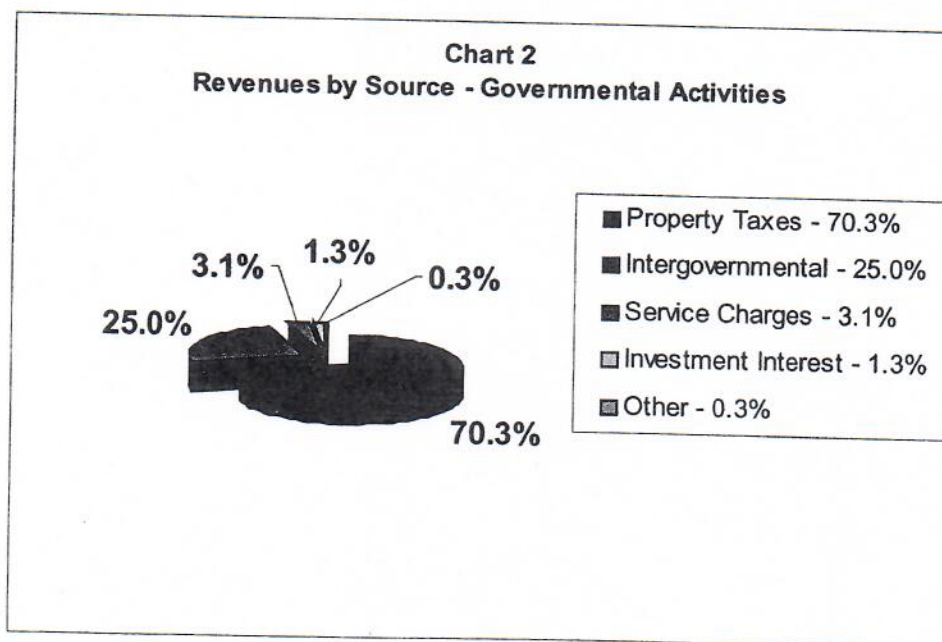
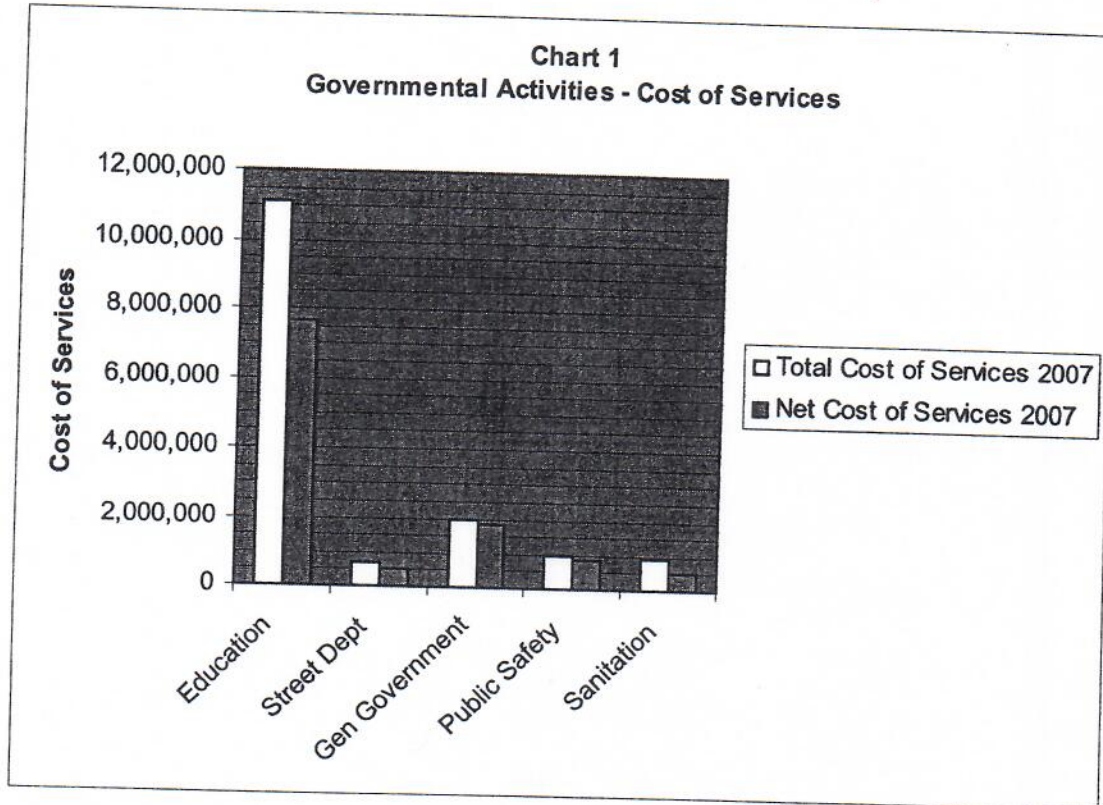
Charges for services dropped between FY 2006 and FY 2007 due to \$143 thousand less in water and sewer charges and a drop in general government fees. While we budgeted a roughly \$500 thousand increase in property taxes (real estate, personal property, and motor vehicles), we collected more than \$886 thousand in taxes over the prior year. We were able to capitalize on the higher interest rate environment by earning an additional \$129 thousand over last year.

General government increased \$444,033, offset somewhat by a \$137,755 decline in public safety expenses as we shifted some administrative costs from the fire service to general government emergency services. However, employee medical and insurance premiums rose by \$110,462, we instituted a finance manager position for \$34,273, and we increased professional fees by \$58,292. We also added \$223,565 of special capital projects to the FY 2007 budget.

Chart 1 presents the costs of each of the Town's five largest programs as well as each program's net cost (total cost less revenues generated by the activities). The Net Cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

**Town of Beacon Falls
Management's Discussion and Analysis
June 30, 2007**

As Chart 2 depicts, the bulk of our revenues come from property taxes and grants from the federal and state governments.



Town of Beacon Falls
Management's Discussion and Analysis
June 30, 2007

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. We would like to note that the sewer fund, which was once a part of the general fund, has been set up as a special revenue fund of its own in the nonmajor fund category.

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

As of the end of the current fiscal year, Beacon Falls' governmental funds reported combined ending fund balances of \$1,394,088, a decrease of \$604,638 in comparison with the prior year's closing fund balance of \$1,998,726. The entire fund balance constitutes *unreserved undesignated fund balance* which is available for spending at the government's discretion.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved undesignated fund balance of the general fund was \$1,211,252. As a measure of the general fund's liquidity, it may be useful to compare both unreserved undesignated fund balance and total fund balance to total general fund expenditures and transfers out. Unreserved undesignated and total fund balance represent 7.5% of total general fund expenditures of \$16,157,980. This ratio compares favorably with the municipal credit rating agency guidelines of 5% - 10%.

Beacon Falls' general fund balance increased by \$30,751 during the current fiscal year, the reasons for which are discussed below.

General Fund Budgetary Highlights

The original revenue budget was increased \$21 thousand to \$15,744,384 as we received an unbudgeted \$21 thousand of miscellaneous small grants throughout the year. The original expenditure budget experienced numerous modifications throughout the year, increasing a net total of \$354,170 to a final level of \$16,232,624. The most meaningful transfers are noted below.

- Selectmen's account was increased \$37 thousand to account for \$26,600 Finance Manager (new) and \$9,506 printing and legal notices;
- The Town Hall account rose another \$33 thousand due to \$13,398 Inter-departmental clerk (new), \$9,875 computer support, and \$9,148 utilities;
- Employee benefit expenses came in \$79 thousand higher than originally budgeted due mainly to health insurance increases;
- The Planning/Zoning Commission required an increase of \$80 thousand primarily for legal fees of \$76,643 involving a major residential development;
- The Water Pollution Control Authority needed an additional \$17 thousand for legal fees;
- We needed to add \$64 thousand to our professional fees account to handle \$36 thousand of additional engineering and consultant fees and \$30 thousand attorney fees;
- The Street Department requested \$26 thousand more in their budget which was offset by LoCIP (Local Capital Improvement Program) additions;
- The Sanitation budget rose by \$24 thousand (\$7 thousand for refuse and \$16 thousand in waste water treatment) on account of refuse collection and electricity for sewer plant;

Town of Beacon Falls
Management's Discussion and Analysis
June 30, 2007

- We dropped the Board of Education by \$81 thousand for a refund from the Region #16;
- We were able to lower our debt service obligation by \$35 thousand because of errors in the original budget projections.

Actual operations generated \$15,983,969 of revenue, \$240 thousand more than budgeted. Actual expenditures of \$16,108,218 were \$124 thousand less than budgeted for a total favorable budget variance of \$364 thousand. Actual revenues over expenditures resulting in a \$124 thousand operating loss which was offset to a \$31 thousand operating surplus with the scheduled transfer in of \$155 thousand from the sewer and wastewater fund to the general fund. Overall, a scheduled general fund surplus drawdown of \$488 thousand was avoided and fund balance actually increased by \$31 thousand.

Capital Asset and Debt Administration

Capital assets. The Town of Beacon Falls' investment in capital assets for its governmental assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, sewers, highways, and bridges. The total increase in the Town's investment in capital assets for the current fiscal year, before depreciation, was \$1,051,318.

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

- We made \$673,625 of land improvements in FY 2007 consisting of piping and paving on Skokorat Road (\$14,900) and ongoing work on the Railroad Avenue pump station and Depot Street Bridge projects (\$562,365);
- We leased or purchased \$377,693 of machinery, equipment, and vehicles consisting of two 2007 Chevrolet pickup trucks, a printer copier, and a UV disinfectant system.

Table 3. Capital Assets at Year-end (Net of Depreciation)

	Governmental Activities	
	2007	2006
Land (not depreciated)	\$1,244,445	\$1,244,445
Land Improvements.....	1,191,947	557,631
Buildings and Improvements.....	1,034,619	1,074,382
Machinery, Equipment, Vehicles	1,133,623	940,444
Infrastructure	5,714,383	5,972,656
Totals	<u>\$10,319,017</u>	<u>\$9,789,558</u>

Additional information on the Town of Town of Beacon Falls' capital assets can be found in Note 5., Capital Assets, of this report.

Long-term obligations. At the end of the current fiscal year, the Town had \$4,867,062 of long-term general obligation debt outstanding and \$3,304,872 of short-term debt (bond anticipation notes – BANs). All of our debt is general obligation backed by the full faith and credit of the municipality. All outstanding loans, with the exception of the now-retired November 15, 1991 general purpose bond, represent advances made by the United States government through its Department of Agriculture Rural Development Agency (formerly Farmers Home Administration) for sewer and water purposes. While a portion of the loans is repaid through assessments on benefited users, the Town is still obligated, because of its full faith and credit pledge, to repay all interest on and the principal of these loans.

Town of Beacon Falls
Management's Discussion and Analysis
June 30, 2007

When we converted the police and public works pension plan to the State of Connecticut Municipal Employees Retirement Fund (MERF) two years ago, we were required to pay \$1.734 million to begin funding the plan. We assumed an obligation to MERF which we will pay off over 30 years at \$155,053 a year to meet this obligation.

Beacon Falls is a member town of Regional School District No. 16 along with the Town of Prospect. As such, \$30,185,000 of Region 16's debt represents overlapping debt to the Town for which it has also pledged its full faith and credit. Beacon Falls' share of the district's net debt is based on the average daily membership (ADM) of Beacon Falls students attending the regional facility on October 1 of the preceding year. For the fiscal year 2007, Beacon Falls' ADM percentage was calculated to be 38.574%, and thus its share of Region 16's gross debt amounted to \$11,643,562. The State reimburses the District for principal and interest on its long-term debt at about 62% for bonds issued prior to 1996. The District expects to receive \$18,629,899 in bond principal reimbursement over the life of its outstanding bonds. Beacon Falls' share of the District net debt of \$11,555,101 at the ADM rate amounts to \$4,457,265, which debt constitutes overlapping debt to the Town.

The Town has a number of capital leases for various pieces of equipment that are incorporated into the category of debt. The information pertaining to leases is shown below the long-term debt information.

Table 4. Long-Term Debt and Other Obligations

Table 4. Long-Term Debt and Other Obligations						
Long-Term Debt						
<u>Bonds</u>	<u>Date</u>	<u>Purpose</u>	<u>Rate</u>	<u>Original Issue</u>	<u>Bonds Outstanding</u>	<u>Final Maturity Fiscal Year Ending 6/30</u>
The Town has no bonds outstanding						
<u>Loans</u>						
9/25/98	Sewer	4.75	\$2,529,100	\$1,854,600	2028	
3/25/99	Sewer	4.75	149,400	109,560	2029	
7/15/02	Water	4.625	1,387,500	1,202,500	2034	
1/1/05	Pension Obligation (MERF)	8.07	1,734,266	1,702,803	2035	
Total Long-Term Obligations			\$5,768,802	\$4,869,463		
<u>Short-Term Debt</u>						
<u>Project</u>	<u>Authorized</u>	<u>Date Authorized</u>	<u>BANs/Notes Outstanding</u>	<u>Legal Limit</u>		
Road Projects	\$ 560,000	6/27/06	\$ 560,000	10/26/14		
RR Avenue Pump Station	750,000	6/27/06	750,000	10/26/14		
Depot Street Bridge	3,690,000	6/27/06	1,690,000	10/26/14		
Wastewater Treatment Plant		12/5/05;				
UV Disinfection System	500,000	6/12/06	304,872	3/15/15		
	\$5,500,000		\$3,304,872			

Town of Beacon Falls
Management's Discussion and Analysis
June 30, 2007

**Other Obligations -
Leases**

<u>Dated</u>	<u>Rate</u>	<u>Original Amount</u>	<u>Balance 6/30/2007</u>	<u>Final Fiscal Year</u>	<u>Purpose</u>
			\$		
2004	5.45%	\$ 37,489	7,884	2009	GMC 2500 truck
2004	7.86%	108,727	66,050	2010	2005 Paraliner ambulance
2006	5.33%	56,694	33,955	2010	2006 Ford dump truck
2006	5.33%	63,458	38,006	2010	2006 Ford dump/plow truck
2006	5.12%	41,742	25,004	2010	2006 Ford dump truck
2007	5.61%	46,230	37,730	2017	2 2007 Chevrolet pickup trucks
2007	5.14%	12,967	12,032	2012	Kip 3001 single roll copier/printer
		<u>\$367,307</u>	<u>\$220,661</u>		

Beacon Falls' long term bonded debt decreased by \$173,298 (3.4%) during the current fiscal year. The key factor in this decrease was the payment of scheduled bond principal. We also made the final \$45,000 payment on our 1991 bond issue. Since we no longer have any general obligation bonded debt (the remainder of our debt being loans from either the US Department of Agriculture (USDA) or the State of Connecticut), we no longer have a credit rating from Moody's Investors Service, Inc. Our last credit rating was "A3".

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times its tax collections plus interest and lien fees. For June 30, 2007, the maximum amount of borrowing permitted under the formula would be \$78,874,649.

The Town has bond, note, and lease obligations of \$8,394,996 for general, pension and sewer purposes plus debt of the regional school district of \$11,643,562 for total debt of \$20,038,558. For the purposes of calculating the statutory debt limit, the Town's outstanding general obligation debt is \$58,836,091 below the maximum debt limitation (see "Statement of Statutory Debt Limitation" contained in this report).

Additional information on the Town of Beacon Falls' long-term debt can be found in the Notes of this report.

Economic Factors and Next Year's Budget

- The unemployment rate for the Town of Beacon Falls was 4.5 % as of June 30, 2007, a slight increase from a rate of 4.3% a year ago. This compares favorably to the state's average unemployment rate of 4.6% and with the national average unemployment rate of 4.7% (not seasonally adjusted).

The Town portion of the FY 2007 - 08 budget rose \$230,543, or 4.9%, from \$4,690,879 in FY 2007 to \$4,921,422 in FY 2008. The Town's share of the Regional School District No. 16 net budget increased by \$617,342 (5.5%) from \$11,171,575 to \$11,788,917. Overall, Beacon Falls' total FY 2008 budget rose \$847,885 (5.4%) to \$16,710,339. We expect to reduce the increase in taxes needed to pay for the new budget by applying estimated increases in other revenues of \$346,525 to our revenue mix so that increased revenue from taxes is held to \$501,360, or 4.6%.

Town of Beacon Falls
Management's Discussion and Analysis
June 30, 2007

Meaningful increases/decreases have been budgeted in the line items detailed below:

- ❖ \$49 thousand increased employee benefit costs centered on worker's compensation, the medical plan, and the pension plan;
- ❖ \$42 thousand more to the Board of Finance to fund a finance professional position;
- ❖ \$109 thousand to police for:
 - \$32,301 Resident state Trooper (new Trooper at a higher rate)
 - \$44,808 Wages Patrolmen – Additional personnel and hours
 - \$8,568 Automobile expenses due to additional personnel
 - \$2,673 Telephone expenses due to additional personnel;
- ❖ \$89 thousand decrease in special projects;
- ❖ \$45 thousand decrease in debt service with the final payment on our 1991 sewer bond.

All of these factors were considered in preparing the Town's budget for the 2008 fiscal year.

Requests for Information

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

Town of Beacon Falls
Statement of Net Assets
June 30, 2007

	Governmental Activities
Assets	
Cash	
Investments	\$ 4,779,022
Receivable, net	2,984
Grants receivable	3,316,346
Deposits	21,108
Other receivables	5,644
Mortgages receivable	130,195
Capital assets, net of depreciation of \$11,819,845	103,022
Total Assets	<u>10,319,017</u> <u>18,677,338</u>
Liabilities	
Accounts payable	
Accrued interest	453,917
Other current liabilities	264,467
Noncurrent liabilities:	3,313,206
Due within one year	
Due in more than one year	223,062
Total Liabilities	<u>4,867,062</u> <u>9,121,714</u>
Net Assets	
Invested in capital assets, net of related debt	
Restricted for :	6,369,331
Sewer systems	
Other purposes	650,958
Unrestricted	18,354
Total Net assets	<u>2,516,981</u> <u>\$ 9,555,624</u>

See accompanying notes to the basic financial statements

Town of Beacon Falls
Statement of Activities
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Total Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 1,951,356	\$ 108,097	\$ 859	\$ -	\$ (1,842,400)
Public safety	982,816	80,811	4,797	-	(897,208)
Street department	699,161	-	90,937	110,805	(497,419)
Sanitation	913,781	310,594	-	73,711	(529,476)
Social services	56,559	-	690	-	(55,869)
Recreation & senior center	397,429	12,481	1,493	6,000	(377,455)
Education	11,145,654	-	3,437,135	56,264	(7,652,255)
Other	72,400	-	-	-	(72,400)
Interest on long term debt	223,072	-	-	-	(223,072)
Total Governmental Activities	\$ 16,442,228	\$ 511,983	\$ 3,535,911	\$ 246,780	(12,147,554)

General Revenues:

Property taxes and assessments	11,532,599
Grants and contributions not restricted to specific programs	321,287
Investment earnings	211,215
Miscellaneous	41,548
Total General Revenues	12,106,649

Change in Net Assets

(40,905)

Net Assets - July 1, 2006

9,596,529

Net Assets - June 30, 2007

\$ 9,555,624

See accompanying notes to the basic financial statements

Town of Beacon Falls
 Balance Sheet
 Governmental Funds
 June 30, 2007

	Major Funds			Non-Major	Total
	General Fund	Bonding Projects	Sewer Waste Water	Governmental Funds	Governmental Funds
Assets:					
Cash	\$ 824,316	\$ 2,541,074	\$ 955,056	\$ 458,576	\$ 4,779,022
Investments at fair value	-	-	-	2,984	2,984
Taxes receivable	1,785,717	-	-	-	1,785,717
Grants receivable	21,108	-	-	-	21,108
Sewer & water assessments	2,070,629	-	-	-	2,070,629
Due from other funds	467,639	-	774	23,595	492,008
Other current assets	130,195	-	-	5,645	135,840
Mortgages receivable	103,022	-	-	-	103,022
Total Assets	\$ 5,402,626	2,541,074	\$ 955,830	\$ 490,800	\$ 9,390,330
Liabilities:					
Accounts payable	\$ 445,156	\$ 4,175	\$ -	\$ 4,587	\$ 453,918
Other current liabilities	8,334	3,000,000	304,872	-	3,313,206
Due to other funds	774	23,375	-	467,859	492,008
Deferred property taxes	1,509,305	-	-	-	1,509,305
Deferred sewer assessments	2,124,783	-	-	-	2,124,783
Deferred mortgages receivable	103,022	-	-	-	103,022
Total Liabilities	4,191,374	3,027,550	304,872	472,446	7,996,242
Fund Balances:					
Unreserved:					
Indesignated					
General fund	1,211,252	-	-	-	1,211,252
Special revenue funds	-	-	650,958	71,243	722,201
Capital project funds	-	(486,476)	-	(52,889)	(539,365)
Total Fund Balances	1,211,252	(486,476)	650,958	18,354	1,394,088
Total Liabilities and Fund Balances	\$ 5,402,626	\$ 2,541,074	\$ 955,830	\$ 490,800	\$ 9,390,330

accompanying notes to the basic financial statements

Town of Beacon Falls

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2007

Total Fund Balances for Governmental Funds

\$ 1,394,088

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

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Capital assets recorded net of depreciation of \$11,819,845 are:

10,319,017

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Accrued interest for general obligation bonds and pension obligation is

(264,467)

Delinquent taxes and other receivable are recognized as revenue in the period for which levied in the statement of activities, but are reported as deferred revenue (a liability) in governmental funds

3,197,110

Long-term liabilities that pertain to governmental funds are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:

Unfunded accrued pension obligations
 Bonds payable
 Obligations under capital leases

\$ (1,702,803)
 (3,166,660)
 (220,661)

(5,090,124)

Total Net Assets of Governmental Activities

\$ 9,555,624

Town of Beacon Falls
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2007

	Major Funds			Non-Major	Total
	General	Bonding	Sewer Waste	Governmental	Governmental
	Fund	Projects	Water	Funds	Funds
Revenues:					
Property taxes & assessments	\$ 11,680,039	\$ -	\$ -	\$ -	\$ 11,680,039
Federal, state & other grants	4,072,234	-	73,711	77,399	4,223,344
Investment income	95,264	69,379	30,630	15,942	211,215
Fees, fines, & permits	108,097	-	205,800	-	313,897
Miscellaneous	28,335	-	-	11,122	39,457
Total Revenues	15,983,969	69,379	310,141	104,463	16,467,952
Expenditures:					
Current:					
General government	1,963,490	-	-	-	1,963,490
Public safety	876,825	-	-	4,624	881,449
Highways	481,971	-	-	-	481,971
Sanitation	766,237	-	-	3,269	769,506
Social services	56,559	-	-	-	56,559
Recreation & senior center	364,685	-	-	6,637	371,322
Education	11,089,390	-	-	56,264	11,145,654
Other	68,073	-	-	4,327	72,400
Debt service :					
Principal and interest	335,193	-	-	-	335,193
Capital outlay	155,557	562,365	318,496	14,900	1,051,318
Total Expenditures	16,157,980	562,365	318,496	90,021	17,128,862
Excess (Deficiency) of Revenues over Expenditures	(174,011)	(492,986)	(8,355)	14,442	(660,910)
Other Financing Sources (Uses):					
Capital lease proceeds	49,762	-	-	-	49,762
Bond anticipation note premium	-	6,510	-	-	6,510
Operating transfers in (out)	155,000	-	(155,000)	-	-
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and other Financing Uses	30,751	(486,476)	(163,355)	14,442	(604,638)
Fund Balance-Beginning of Year	1,180,501	-	814,313	3,912	1,998,726
Fund Balance-End of Year	\$ 1,211,252	\$ (486,476)	\$ 650,958	\$ 18,354	\$ 1,394,088

See accompanying notes to the basic financial statements

own of Beacon Falls

conciliation of the Statement of Revenues, Expenditures, and Changes in
and Balances of Government Funds to the Statement of Activities
ar Ended June 30, 2007

Change in Fund Balances-Total Governmental Funds

\$ (604,638)

ounts reported for governmental activities in the statement
f activities are different because:

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, the governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Interest expense	\$ (66,803)
Repayment of capital lease principal	67,987
Repayment of bond principal	<u>180,530</u>

181,714

Recognition of deferred taxes and assessments as revenue in the statement of activities do not provide current financial resources and are, therefore, not included in governmental funds.

(182,440)

The change in the allowance for uncollectible receivable reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditure in government funds

35,000

Governmental funds report capital outlay as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital acquisitions	1,051,318
Depreciation expense	<u>(521,859)</u>

529,459

ange in Net Assets of Governmental Activities

\$ (40,905)

**Town of Beacon Falls
Statement of Fiduciary Net Assets
Private-Purpose-Trust- Melborne
June 30, 2007**

	Private Purpose Trust
Assets:	
Cash	\$ 31,676
Total Assets	<u><u>\$ 31,676</u></u>
Net Assets	<u><u>\$ 31,676</u></u>

See accompanying notes to the basic financial statements

Town of Beacon Falls
Statement of Changes in Fiduciary Net Assets
Private-Purpose-Trust- Melborne
Year Ended June 30, 2007

	Private Purpose Trust
Additions:	
Interest	1,267
Deduction:	
Scholarship Awards	2,000
Miscellaneous	\$ 958
Net Change	(1,691)
Net Assets - beginning of the year	33,367
Net Assets - end of the year	<u>\$ 31,676</u>

See accompanying notes to the basic financial statements