TOWN OF BEACON FALLS
AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL FINANCIAL DATA
JUNE 30, 2008



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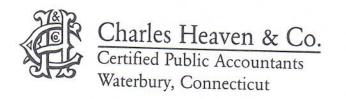
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Town of Beacon Falls
Table of Contents
For the Year Ended June 30, 2008

Independent Auditors' Report	PAGE
Management's Discussion and Analysis:	1-2
Basic Financial Statements:	3-11
Government-wide Financial Statements:	3-11
Statement of Net Assets	
Statement of Activity	
Fund Financial Statements:	12
Governmental Funds:	13
Balance Sheet	
Reconciliation of the Pales	
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	14
Statement of Revenues, Expenditures and Changes in Fund Balances Changes in F	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances Changes in Fund Balances of Governmental Funds to the  Fiducian Figure 1.	16
Fiduciary Funds:	
Statement of Fiducian N.	17
Statement of Changes in Fiduciary Net Assets	
Name of the Assets	18
Notes to Financial Statements	19
Required Supplementary Information:	20-34
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - General Fund	
Combining and Individual Fund Statements and Schedules:  Nonmajor Governmental Funds - Special P.	35-37
Nonmajor Governmental Funds Special Processing Special Processing Special Processing Pro	
Combining Balance Share Special Revenue Funds	
Combining Statement	
Combining Statement of Revenues, Expenditures and Changes in Fund Balance  Combining Balance Short	38
Combining Balance Sheet	39
Supplement of Revenues, Expenditures	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balance Supplemental Schedules Schedule of Property Taxon I	41
(Report of Tax Collected, Collected and Outstanding	
Schedule of Special Assessments (Report of Tax Collector) Statement of Debt Limitation	42
Statement of Debt Limitation (Report of Tax Collector)	43
Independent Auditory, P	44
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters	
Schedule of Findings and Responses	45-46
	47-48
Schedule of Prior Year Audit Findings	<b>→</b> ()
4	48

Town of Beacon Falls Table of Contents For the Year Ended June 30, 2008

AUDIT OF STATE FINANCIAL ASSISTANCE PROGRAMS:	PAGE
Independent Auditors' Report on Compliance, with Requirements Applicable to Each Major Program, on Internal Control over Compliance In Accordance with the State Single Audit Act, and On the Schedule of Expenditures of State Financial Assistance	49-50
Schedule of Expenditures of State Financial Assistance	51
Notes to Schedule of State Financial Assistance	52
Schedule of Findings and Questioned Costs	53-55



### 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, 2008, 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, 2008, 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 February 13, 2009, 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 important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on Pages 3 through 11 and 35 through 37 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 the required 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.

February 13, 2009

This discussion is intended to provide readers a narrative overview of the financial activities of the Town of Beacon Falls (the "Town") for the fiscal year ended June 30, 2008. The information presented here should be considered in conjunction with the Town's basic financial statements that follow.

### Overview of the Financial Statements

The Management Discussion and Analysis serves as an introduction to the Town's basic financial statements. The basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains over supplementary information.

### Basic Financial Statements

- Government-Wide Financial Statements are designed to provide a broad overview of the Town of Beacon Falls' finances, in a manner similar to private-sector business.
  - The Statement of net assets and the statement of activities, which are the government-wide statements, report information about Town finances as a whole about its activities in a way that helps the reader determine whether the Town is better off or worse off as a result of the year's activities. 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 the statement of activities for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).
  - The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues, called "governmental activities" from other functions that are intended to recover all or a significant portion of their costs through user fees and charges, referred to as "business-type activities". The governmental activities of the Town include general government, public safety, public works, health and welfare, culture and recreation, sanitation, and education activities. The business-type activity of the Town is operated by the Sewer Commission.
  - The government-wide financial statements can be found on page 12 and 13 of the financial statements.
- 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. Traditional readers of governmental financial statements will find the fund financial statement presentation familiar. The Town of Beacon Falls, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Town's funds can be divided into two categories: governmental funds and fiduciary funds.
  - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, that is to say the Town's most basic services. Unlike the government-wide financial statements, however, the funds focus on cash and other financial resources that can be readily converted to cash flow in and out, and balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a near or short-term view of the Town's finances that 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* in the government-wide financial statements with similar information presented for *governmental activities* in the government-wide financial statements. 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 sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in the fund balances for the General fund, the Bonding Project Fund and the Sewer and Waste Water Fund, each of which is considered to be a major fund. The remaining thirteen governmental funds are combined into a single aggregated presentation in the financial statements. Individual fund data for each of these nonmajor funds is reported as supplementary information to the financial statements.

The town adopts an annual appropriate budget for its General Fund. A budgetary comparison statements has been provided for the General Fund to demonstrate compliance with the authorized budget.

The basic governmental funds financial statements can be found on pages 14 to 16 of the financial statements.

Fiduciary fund are used to account for resources held by the Town for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are not available to provide services to the Town. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 18 and 19 of the financial statements.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 to 34.

# Government-wide Financial Analysis

\* As noted earlier, net assets may serve as a useful indicator of a government's financial position. Beacon Falls' assets exceeded liabilities by \$9,213,705 at the close of the fiscal year.

Table 1. Net Assets

Current and Other Asset	Total Primary Government 2008	Total Primary Government 2007
Current and Other Assets Capital Assets (net of depreciation)	\$ 6,416,234 11,021,078	\$ 8,358,321 10,319,017
Total Assets	17,437,312	18,677,338
Current and other liabilities Non-current liabilities Total Liabilities	3,557,053 4,666,554 8,223,607	4,254,652 4,867,069 9,121,714
Net Assets: Invested in Capital Assets, net of debt	6,051,114	6,369,331
Sewer systems Other Unrestricted	472,057 145,606 2,544,928	650,958 18,354 2,516,621
Total Net Assets	\$9,213,705	\$9,555,624

- \*\* The largest portion of the Town's net assets \$6,051,114 (65.7%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, and infrastructure assets such as roads and bridges). The Town uses these capital assets to provide services to its citizen; consequently those assets are not available for spending. Of the Town's remaining net assets at June 30, 2008; \$2,544,928 (27.6%) is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors. This compares with last year's unrestricted net assets of 2.516.981 (26.3%).
- Our net assets decreased by \$341,919 during the current fiscal year. The Town brought in net general revenues of \$12,085,304 which was exceeded our by net operating expenditures of \$12,427,223 by the amount of the net asset decrease. Gross expenses of \$16,874,860 were offset by \$251,867 in charges for services, \$3,998,502 in operating grants and contributions, and \$197,268 in capital grants and contributions. Of the net expenditures, \$11,687,971 was accounted for by the Board of Education. Net General Government expenditures of \$1,746,355, Public Safety outlays of \$1,068,327, and Street Department net costs of \$688,996 accounted for the bulk of expenditures. The majority of the Town's revenue was \$11,291,119 in tax collections supplemented by \$288,265 of unrestricted grants and contributions.

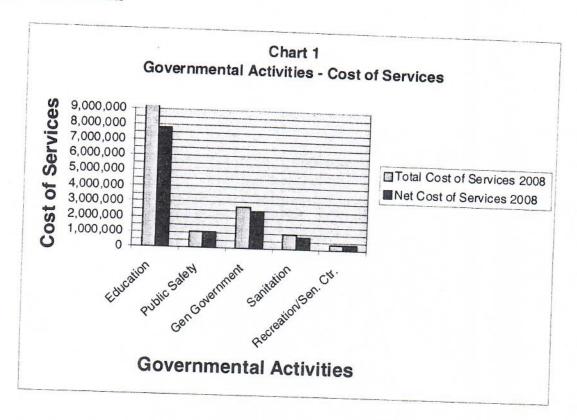
Governmental activities. The largest portion of the Town's revenues (8.3%) are derived from property taxes, followed by operating grants (24.2%), and all other sources (7.5%).

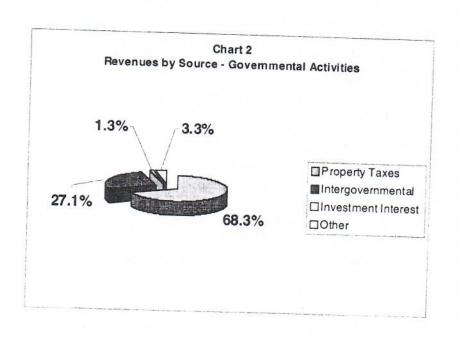
Table 2. Changes in Net Assets

	Total Primary Government 2008	Total Primary Government 2007
Revenues:		
Program Revenues:		
Charges for Services	\$ 251,867	\$ 511 983
Operating Grants and Contributions	3,998,502	4 511,705
Capital Grants and Contributions	197,268	3,535,911
General Revenues:	197,200	246,780
Property Taxes	11,291,119	11 522 500
Grants and Contributions not Restricted to	11,271,119	11,532,599
Specific Purpose	288,265	321,287
mvestment Earnings	211,972	211,215
other deficial revenues	293,948	41,548
Total Revenues	16,532,941	
riogram Expenses:	10,552,541	16,401,323
General Government	1,746,355	1.051.250
r done Safety	1,068,327	1,951,356
Street Department	688,996	982,816
Santation	975,701	699,161 913,781
Social Services	59,184	56,559
Recreation and Senior Center	393,603	397,429
Education	11,687,971	11,145,654
Other	184,283	72,400
interest on Long-Term Debt	70,440	223,072
Total Program Expenses	16,874,860	16,442,228
(Decrease) in Net Assets	(\$ 341,919)	
hart I presents the costs of seek of the	(4 371,719)	(\$ 40,905)

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.

### Management's Discussion and Analysis Town of Beacon Falls





As Chart 2 depicts, the bulk of our revenues come from property taxes and grants from the federal and state governments. Despite the state's current financial difficulties, we managed to maintain a reasonably consistent level of grant receipts between fiscal year 2007 and 2008.

For the most part, increases in expenses reflect the rising cost of education as Regional School District No. 16, for which Beacon Falls shares responsibility with the Town of Prospect.

# 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.

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's 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 year.

As of the end of the current fiscal year, Beacon Falls' governmental funds reported combined ending fund balances of \$477,351, which consists of capital projects fund deficit of \$1,586,086, \$674,312 represented undesignated fund balances of various special revenue funds, and unrestricted \$1,389,120 fund balance of the general fund.

The general fund is the chief operating fund of the Town. As a measure of the general fund's liquidity, it may be useful to compare its fund balance to its expenditures. The fund balance represented 8.3% of General Fund expenditures for the fiscal year ended June 30, 2008. The ratio compares favorably with the credit rating agency standard of 5% - 7%.

The fund balance of the Town's General Fund increased \$177,868 from the previous fiscal year, primarily the result of transfers from the sewer and bond funds.

The transfer of available funds from the Water Pollution Control Authority to cover allowable expenses and the transfer of investment income of the Capital Projects to the General Fun to offset the associated debt service payment.

The Town realized favorable budgetary variances in almost every major expenditure category that amounted to a total reduction in operating costs (compared to budget) of \$184,148.

On an actual basis, expenses of \$16,660,052 exceeded revenues of \$16,470,685 by \$189,367 which, when coupled with transfer in from other funds of \$367,235, generated the \$177,868 increase in general fund balance.

### General Fund Budgetary Highlights

Revenues for the year were \$112,346 (0.7%) higher than amounts provided for in the budget, mainly due to an increase in grant revenue, to a higher than anticipated property tax collection rate. Expenditures were \$184,148 less than budgeted appropriations due to a very highly controlled budget.

# Capital Asset and Debt Administration

The Town's total investment in capital assets (net of accumulated depreciation) for the fiscal year was \$11,021,078, an increase of \$702,061 from the previous fiscal year.

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

	Governmen	tal Activities
Landónia	2008	2007
Land (not depreciated)	\$1,244,445	\$ 1,244,445
Land Improvements	1,548,489	1,473,613
Buildings and Improvements	2,215,668	2,193,568
Machinery, Equipment, Vehicles	4,259,962	4,156,990
Infrastructure	14,128,750	13,070,246
Sub Totals	\$23,397,314	\$22,138,862
Accumulated depreciation	12,376,236	11,819,845
Total Fixed Assets - Net	\$11,021,078	\$10,319,017
Vestments during it		

Capital asset investments during the year included:

Long-term obligations. At the end of the current fiscal year, the Town had \$4,884,805 of long-term general obligation debt outstanding and \$3,000,000 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 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.

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, \$27,310,000 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 2008, Beacon Falls' ADM percentage was calculated to be 39.41%, and thus its share of Region 16's gross debt amounted to \$10,762,052. 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	I one T-	n		38
Doht	Table 4.	Long-Term	Debt and	Other	Obligations

Long-Terr	Purpose		Rate	Original Issue	Outstanding	Final Maturity Fiscal Year Ending 6/30
9/25/98 3/25/99 7/15/02 1/1/05 Short-Terr	Sewer Sewer Water Pension Obliga Total Long-7 n Debt	tion (MERF) Term Obligation	4.75 4.75 4.625 8.07	\$2,529,100 149,400 1,387,500 1,734,266 \$5,768,802	\$1,770,300 104,580 1,156,250 1,685,141 \$4,716,271	2028 2029 2034 2035
Project Road Project RR Avenue Depot Stree	cts Pump Station	* 560,000 750,000 3,690,000 \$5,000,000	Date Authorized 6/27/06 6/27/06 6/27/06	BANs/Notes Outstanding \$ 560,000 750,000 1,690,000 \$3,000,000	Legal Limit 10/26/14 10/26/14 10/26/14	

#### Other Obligations -Leases

Dated	Rate	Original Amount	Balance 6/30/2008	Final Fiscal Year	Purpose
2004	7.86%	108,727	45,053	2010	2005 Paraliner ambulance
2006	5.33%	56,694	11,308	2010	2006 Ford dump truck
2006	5.33%	63,458	25,989	2010	2006 Ford dump/plow truck
2006	5.12%	41,742	17,082	2010	2006 Ford dump truck
2007	5.61%	46,230	29,759	2017	2 2007 Chevrolet pickup trucks
2007	5.14%	12,967	9,688	2012	Kin 3001 single roll agriculture
2008	6.90%	24,544	17,744	2012	Kip 3001 single roll copier/printer
		\$354,362	\$168,534		

The Town maintains a "A3" credit rating from Moody's Investors Service, Inc. for its general obligation debt.

Additional information on the Town of Beacon Falls' long-term debt can be found in note on page(s) 29 of this document.

### **Economic Factors and Next Year's Budget and Rates**

- The unemployment rate for the Waterbury area is currently (as of December 2008) 8.3%, which is an increase from a rate of 6.1% a year ago. This compares less favorably to the state's average unemployment rate of 6.6%.
- The uncertainty of federal and state grants could play an adverse role in the Town's finances based on its heavy dependence on these sources of funding. The state and federal budgets have been adopted, but there is no assurance that the state will not implement mid-year budget cuts as it did in fiscal 2003.

All of these factors were considered in preparing the Town's budget for the 2009 fiscal year.

During the current fiscal year, unreserved fund balance on a budgetary basis in the general fund increased to \$1,389,120. The Town used allocated no Fund Balance to offset spending in the 2009 fiscal year budget. It is hoped that the use of available fund balance will avoid the need to raise taxes or charges during the 2010 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.

Assets	Governmental Activities
Cash	Activities
Investments	\$ 3,183,840
Receivable, net	3,108
Grants receivable	3,012,201
Deposits	98,906
Other receivables	5.645
Mortgages receivable	9,512
Capital assate not of description	103,022
Capital assets, net of depreciation of \$12,376,236  Total Assets	11,021,078
Total Assets	17,437,312
Liabilities	
Accounts payable	
Accrued interest	130,637
Other current liabilities	187,649
Noncurrent liabilities:	3,020,516
Due within one year	
Due in more than one year	223,776
Total Liabilities	4,661,029
	8,223,607
Net Assets	
Invested in capital assets, net of related debt	
Restricted for:	6,136,273
Sewer systems	
Other purposes	472,057
Unrestricted	145,606
Total Net Assets	2,459,769
	\$ 9,213,705

Town of Beacon Falls Statement of Activities Year Ended June 30, 2008

			Program Revenues		Total Net (Expense)
Functions/Programs	Expenses	Charges for Services	Operating Grants and	Capital Grants and	Revenue and Changes in
Governmental Activities:		Strices	Contributions	Contributions	Net Assets
General government Public safety Street department Sanitation Social services Recreation & senior center Education Other	\$ 1,746,355 1,068,327 688,996 975,701 59,184 393,603 11,687,971 184,283	\$ 134,877 - - 115,419 - 1,571	\$ - \$ 17,195 91,077 4,670 11,422 3,874,138	76,806 \$ 22,100 45,000 48,362 5,000	(1,534,672) (1,029,032) (552,919) (811,920) (54,514) (375,610) (7,813,833)
Interest on long term debt	70,440		1.5 <del>5</del> .		(184,283)
<b>Total Governmental Activities</b>	\$ 16,874,860	\$ 251,867	\$ 3,998,502 \$	197,268	(70,440) (12,427,223)
	Grants and cont Investment earn Miscellaneous	and assessments tributions not restrictings Total General Re	eted to specific program	ms	11,291,119 288,265 211,972 293,948 12,085,304
	Change in Net				(341,919)
	Net Assets - July 1			-	9,555,624
	Net Assets - June	30, 2008		\$	9,213,705

Town of Beacon Falls Balance Sheet Governmental Funds June 30, 2008

Terror III		General	 Major Funds Bonding	5	Sewer Waste		Non-Major Governmental	Total
Assets:		Fund	Projects		Water		Funds	Governmenta
Cash Investments at fair value	\$	964,695	\$ 1,470,568	\$	468,748	\$	279,829 \$	3,183,840
Taxes and interest receivable		1,548,896	-		141		3,108	3,108
Grants receivable		98,906			-		-,	1,548,896
Sewer & water assessments					-			98,906
Due from other funds		1,954,305	-		-		2	1,954,305
Other current assets		244,600	-		3,309		104,844	352,753
Mortgages receivable		9,512 103,022	-		-		5,645	15,157
Total Assets	\$	4,923,936	 1 100 -		-			103,022
		4,723,930	 1,470,568	\$	472,057	\$	393,426 \$	7,259,987
Liabilities:								
Accounts payable Other current liabilities	\$	127,637	\$	\$	- \$	:	3,000 \$	
Due to other funds		20,516	3,000,000		4	•	3,000 \$	130,637
Deferred property taxes and interest		107,933	-				244,820	3,020,516
Deferred sewer assessments		1,191,403	(*)				244,020	352,753
Deferred mortgages receivable		1,984,305	141		-			1,191,403
Total Liabilities		103,022	-				-	1,984,305
Total Liabilities		3,534,816	3,000,000		-	-	247,820	103,022
Fund Balances:							217.020	6,782,636
Unreserved:								
Undesignated								_
General fund		1,389,120						
Special revenue funds		1,569,120	-		-		-	1,389,120
Capital project funds			(1.520.120)		472,057		202,255	674,312
Total Fund Balances		1,389,120	 (1,529,432)		-		(56,649)	(1,586,081)
	-	1,505,120	 (1,529,432)		472,057		145,606	477,351
otal Liabilities and Fund Balances	\$	4,923,936	\$ 1.470,568	5	472,057 \$		393,426 \$	7,259,987

Total Fund Balances for Governmental Funds		\$ 477,351
Total net assets reported for governmental activities in the		477,551
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 \$12,376,236 are:		
depreciation of \$12,376,236 are:		11,021,078
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		
garden conds and pension obligation is		(187,649)
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		
		2,787,730
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	\$ (1,685,141)	
Bonds payable	(3,031,130)	
Obligations under capital leases	(168,534)	
		(4,884,805)
tal Net Assets of Governmental Activities		
- Commentar retrities		\$ 9,213,705

Town of Beacon Falls Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds Year Ended June 30, 2008

		General		Major Funds	,		Non-Major	Total
				Bonding		Sewer Waste	Governmental	Governmenta
Revenues:		Fund		Projects		Water	Funds	
Property taxes & assessments	•						1 dilus	Funds
Federal, state & other grants	\$		\$	-	\$		2	
Investment income		4,381,003		-		48,362	Ψ	11,700,499
		91,173		84,095		29,002	54,670	4,484,035
Fees, fines, & permits		138,539				113,328	7,702	211,972
Miscellaneous		159,471				113,328	-	251,867
<b>Total Revenues</b>		16,470,685		84,095		190,692	134,477	293,948
Expenditures:						190,092	196,849	16,942,321
Current:								
General government								
Public safety		1,758,584		_				
Street department		1,003,884		-			2 121	1,758,584
Sanitation		477,436		-			2,121	1,006,005
		793,479		_		-	-	477,436
Social services		59,184				7	6,299	799,778
Recreation & senior center		345,425				-		59,184
Education		11,687,971		-		-	23,696	369,121
Other		147,872		-		-		11,687,971
Debt service:		117,072		-		-	36,411	184,283
Principal and interest		282,441						101,205
Capital outlay		121,520		1.050		-		282,441
<b>Total Expenditures</b>	-	16,677,796		1,058,504		78,428	-	1,258,452
* ************************************	-	10,077,790		1,058,504		78,428	68,527	17,883,255
Excess (Deficiency) of Revenues								11,003,233
over Expenditures		(207.111)						
Co. 12 (44 (46) (46) (46) (46) (46) (46) (46)		(207,111)		(974,409)		112,264	128,322	(940,934)
Other Financing Sources (Uses):								(340,934)
Capital lease proceeds								
Bond anticipation		17,744		-		_		12211
Bond anticipation note premium		-		6,453			-	17,744
Operating transfers in (out)	_	367.235		(75,000)		(291,165)	(1.070)	6,453
Excess (Deficiency) of Revenues						(221,103)	(1,070)	-
and Other Financia C								
and Other Financing Sources over								
Expenditures and other Financing								
Uses		177,868	(	(.042,956)		(178,901)	127.262	0.2020.00000000000000000000000000000000
and Dalama B. J. J.				,		(170,201)	127,252	(916,737)
und Balance-Beginning of Year		1,211,252		(486,476)		650,958	18,354	1,394,088
und Balance-End of Year	\$	1,389,120 \$		520 122° =			. 5,557	1,374,000
	.,	1,307,120 \$	(1	.529,432) \$		472,057 \$	145,606 \$	477,351

Town of Beacon Falls Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Government Funds to the Statement of Activities Year Ended June 30, 2008

Amounts reported for government to			\$ (916,737)
Amounts reported for governmental activities in the statement of 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, debt increases long-term liabilities and does not affect the statement of activities and report principal reduces the liability. Also, the governmental funds report the effect of issuar costs and premiums when debt is first issued, whereas these amounts are deferred and are in the statement of activities, however, interest expense is recognized as it accrues, regard of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:	ayment nce		
Interest expense			
Repayment of capital lease principal Repayment of bond principal	\$	76,818 52,128 153,191	
Pagagaisis C. J. C.			282,137
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.			
			(458,380)
The change in the allowance for uncollectible receivable reported in the statement of activities does not require the use of current			
inancial resources and, therefore, is not reported as expenditure in government funds			
Jovernmental funds report assistant			49,000
fovernmental funds report capital outlay as expenditures. However in the statement factivities the cost of those assets is allocated over their estimated useful lives stepreciation expense.			
Capital acquisitions		,258,452	
Depreciation expense		(556,391)	
			702,061
nge in Net Assets of Governmental Activities			

Town of Beacon Falls Statement of Fiduciary Net Assets Private-Purpose-Trust- Melborne June 30, 2008

Assets:	Private Purpose Trust
Cash	\$ 29,403
Total Assets	\$ 29,403
Net Assets	\$ 29,403

Town of Beacon Falls Statement of Changes in Fiduciary Net Assets Private-Purpose-Trust- Melborne Year Ended June 30, 2008

Additions: Interest		Private Purpose Trust
Deduction:		927
Scholarship Awards		
Miscellaneous		2,000
	_\$	1,200
Net Change		
		(2,273)
Net Assets - beginning of the year		
		31,676
Net Assets - end of the year	\$	29,403

# Note "1" - Summary of Significant Accounting Policies

The accompanying financial statements of the Town of Beacon Falls, Connecticut (the "Town") have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town's significant accounting policies are described below:

### A. Reporting Entity

The Town of Beacon Falls, Connecticut was incorporated in 1871 under the provisions of the Connecticut General Statutes has a population of 5,260 living within an area of 9.8 square miles. The Town is located in New Haven County. The Town operates under a Town Meeting, Board of Selectmen and Board of Finance form of government. The Town provides the following services: public safety, public works, parks and recreation, health and social services, planning and zoning and education by being part of Regional School District #16. Town appropriations to the school district are determined by a separate taxpayer approved budget and the percentage of the Town of Beacon Falls residents attending the District's schools.

The Legislative authority of the Town is vested in the Town meeting. The First Selectman is the chief executive, chief administrative officer and budget-making authority of the Town. The Board of Finance is responsible for revising the proposed budget and submitting the final budget to the Town Meeting. The Board of Finance is also responsible for establishing the annual tax rate. The Town has the power to incur indebtedness by issuing bonds or notes as provided by the Connecticut General Statutes.

In evaluating the Town as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Town may be financially accountable and, as such, should be included within the Town's financial statements. The Town (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide a specific financial burden on the Town. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

For financial reporting purposes, the Town's financial statements include all funds, agencies, boards, commissions and authorities over which the town exercises oversight responsibility in accordance with the criteria set forth in Governmental Accounting Standards Board (GASB) Statements No. 14 and as amended by GASB No. 39. Oversight responsibility was determined on the basis of financial independence, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, obligation of the Town to finance any deficits that may occur or receipt of significant subsides from the Town. Based on the aforementioned criteria, the Town of Beacon Falls has no component units.

The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Town of Beacon Falls.

Based upon the foregoing criteria, the following organizations are not considered part of the Town and thus are excluded from the accompanying financial statements:

- Regional School District #16 which provides educational services and facilities to the residents of Beacon Falls and Prospect.
- Beacon Falls Industrial Park Projects.

Note "1" - Summary of Significant Accounting Policies (continued)

# B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all the nonfiduciary activities of the Town. Eliminations have been made to minimize the double counting of internal activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

#### Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses, as applicable. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are defined as major or non-major in the basic financial statements according to GASB reporting standards, which categorize funds based on relative size and materiality.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns, and nonmajor funds are aggregated into one column in the financial statements. Individual fund data for each of the nonmajor governmental fund is provided in the form of combining statements.

# C. Measurement Focus and Basis of Accounting and Financial Statement Presentation

### Government-Wide Statements

The government-wide 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. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

# Note "1" - Summary of Significant Accounting Policies (continued)

# Fund Financial Statements

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

Property taxes, charges for services, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

The Town reports three major governmental funds:

- The General Fund is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund
- Sewer Waste Water Fund accounts for the one time sewer connection fees charged as residents/businesses connect to the sewer system. Expenditures are for upgrades/repairs to
- Bonding Projects accounts for capital expenditure financed by bond anticipation notes which will be refinanced with general obligation bonds.

Additionally, the Town reports the following fund type

### Fiduciary Fund Type

The Melbourne Trust Fund is used to account for aid to needy children from the Town of Beacon

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

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

# D. Assets, Liabilities, and Net Assets or Equity

# 1. Deposits and Investments

The deposit of public funds is controlled by the Connecticut General Statues (Section 7-402). Deposits may be placed with any "qualified public depository" as defined by statute, which has its main place

Note "1" - Summary of Significant Accounting Policies (continued)

The Connecticut General Statutes authorize the investment of funds in the obligations of the United States, or may be invested in any state or other tax exempt political subdivision under certain conditions. Funds may also be deposited in the State Treasurer's Short-Term Investment Fund (STIF). The provisions of the statues regarding the investments of municipal pension funds does not specify permitted investments. Therefore investments of such funds are generally controlled by the laws applicable to fiduciaries and the provisions of the applicable pension plan.

Town investments are reported at fair value.

### 2. Receivables

In the government-wide financial statements receivables are shown net of an allowance for uncollectible taxes of \$491,000. The allowance is calculated based upon prior collections.

In the fund financial statement, all property taxes receivable at June 30, 2008, which have not been collected within 60 days of June 30, have been recorded as deferred revenue, since they are not considered to be available to finance expenditures of the current year. Taxes collected during the 60 day period have been recorded as revenue.

Property taxes are assessed on October 1 and billed the following July. Real and personal property bills are payable in two installments, July 1 and January 1. Motor vehicle taxes are payable in one installment on July 1, with the motor vehicle supplemental bills payable on January 1. Assessments for real and personal property, including motor vehicles, are computed at seventy percent of the market value. Liens are effective on the assessment date and are continued by filing before the end of the fiscal year following the due date.

Special sewer and water assessments are levied over various periods, and the annual installments are due and payable similar to property taxes. The Town may foreclose liens against property benefited by special assessment when delinquent assessments are in arrears. Special assessment taxes levied are a lien on the property and are recorded as special assessment receivable in the general fund with a corresponding amount recorded as deferred revenue. In the government-wide financial statements, special assessments revenues are reported in the period when the town has an enforceable legal claim against the property.

### a. Capital Assets

Capital assets, which include land, land improvements, building (including improvements and appurtenances) furniture and 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 and 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 fair value at the date of donation.

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

# Note "1" - Summary of Significant Accounting Policies (continued)

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

Assets	
	<u>Years</u>
Land improvements	
Buildings	20
Infrastructure	50
Machinery, Equipment and Vehicles	15-50
y, Equipment and venicles	8-15

### a. Interfund Activity

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

On the fund financial statements, short-term interfund loans are classified as interfund "due from/to other funds". These amounts are eliminated in the statement of net assets.

### b. Compensated Absences

Eligible employees are paid for sickness, vacations, and personal days. At June 30, 2008 the liability for compensated absences cannot be reasonably estimated. However, it has been deemed not material to the financial statements.

# c. Accrued Liabilities and Long-term Debt

All accrued liabilities and long-term debt are reported in the government-wide financial statements.

Long-term debt is recognized as a liability of a governmental fund when it is due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

### d. Governmental Fund Balance

In the fund financial statements, the undesignated fund balances for governmental funds represent the amount available for budgeting future operations. The reservation of fund balance represents the amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

In the government-wide financial statements, net assets are classified into the following categories:

# Invested in Capital Assets, Net of Related Debt

This category presents the net assets that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purpose is excluded.

### Restricted Net Assets

This category presents the net assets restricted by external parties (creditors, grantors, contributors or laws and regulations).

### Unrestricted Net Assets

This category represents the net assets of the Town, which are not restricted

#### e. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accordingly, actual results could differ from those estimates.

# Note "2" - Budgetary Compliance - The General Fund

# Budgetary Compliance - The General Fund

The Town's General Fund budgetary procedures are as follows:

In January each department head, officer, head of office, board and/or commission submits detailed estimates of expenditures for the ensuing fiscal year to the Board of Selectman and Board of Finance.

The Board of Selectmen reviews all proposed estimates of expenditures as well as estimated revenues to be collected.

After discussing and reaching agreement, the Board of Selectmen forwards the proposed budget to the Board of Finance for review. The Board of Finance then prepares a proposed General Town Budget.

The Board of Finance holds a public hearing on the proposed budget prior to presenting it to the Annual Town Meeting in May. Following approval of the proposed budget at the Town meeting, the Board of Finance establishes the tax rate.

The Town Meeting legally appropriates this budget as one balance for revenue and on department basis for expenditures and transfers. The Board of Finance is authorized to approve additional appropriations up to and including \$20,000 per department per year, however no more than one additional appropriation per department can be made without town meeting approval.

General Fund budget transfers between line items were approved during the fiscal year.

Generally accepted accounting principles (GAAP), unlike the budgetary basis, requires the recording of the expenditure and other financing sources for a capital lease. The difference between GAAP and the budgeting basis is the accounting for capital leases as follows:

#### General Fund

Non-GAAP Budgetary Basis Statement – June 30,	Total Revenues	Total Expenditures
2008 Reclasses:	\$ 16,470,685	\$ 16,660,052
Capital lease Actual GAAP – June 30, 2008	\$ 16,470,685	17,744 \$ 16,677,796

# Note "2" - Budgetary Compliance - The General Fund (continued);

There is no fund balance difference.

# Budgetary Compliance - Special Revenue Funds

The Town does not budget for its special revenue fund. Considering a cost benefit analysis, it is not practical for the town to report budgetary information for special revenue funds on a combined basis.

#### Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the town.

### Note "3" - Cash, Deposits and Investments

#### A. Cash

The following is a summary of cash which are comprised of demand deposits at June 30, 2008:

Governmental Funds

\$3,183,840

Fiduciary Fund

\$ 29,403

### B. Deposits - Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2008 \$4,082,739 of the Town's bank balance of \$4,385,604 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized
Uninsured and collateral held by the pledging bank's
trust department, not in the Town's name
Total amount subject to custodial credit risk

\$ 3,644,364

438,375 \$ 4,082,739

#### C. Investments

At June 30, 2008 the Town's investments consisted of the following:

Types of Investments Special Revenue	<u>Fair</u>	Average	Investment
	<u>Value</u>	Credit Rating	Maturity
Pooled fixed income	\$3,108	AAA	N/A

- Ratings by Standard & Poor's are provided where applicable to indicate the associated credit risk. N/A indicates not applicable.
- The Town's pooled fixed income of \$3,108 is comprised of the State of Connecticut Short-Term Investment Fund, a "2a7 – Like" pool. The fair value of the portion in the pool is the same as the value of the pool shares.

# Note "3" - Cash, Deposits and Investments (continued)

- Interest rate risk The Town does not have a formal investment policy that limits investment
  maturities as a means of managing its exposure to fair value losses arising from increasing
  interest rates.
- Credit risk The Town has no investment policy that would limit its investment choices due to credit risk other than State Statues governing investments in obligations of the United States or any State or other tax exempt political subdivision.

### Note "4" - Receivables

# A. Property Tax, Interest and Liens Receivable

Receivables at June 30, 2008, including the applicable allowances for uncollectible accounts, are as follows:

Property taxes Accrued interest on taxes and lien fees Sewer and water assessments Gross Receivables Less: Allowance for uncollectibles Net Receivables	\$ 956,437 Back Taxes. 592,459
	\$ 3,012,201

#### B. Grant Receivable

Grant receivable at June 30, 2008 consisted of a reimbursement for expenditures qualifying under the local capital improvement grant program. Grant receivable is considered collectible in full based on prior years experience.

Locip Grant

\$\_\_\_98,906

### C. <u>Deposits</u>

Deposits at June 30, 2008 represents a utility deposit to local utility company in connection with work performed during the rehabilitation of a town recreation area.

### D. Other Receivables

Other receivables recorded at June 30, 2008 consist of \$3,075 in prepaid firework expense and \$6,437 due for police presence at construction sites, for a total receivable of \$9,512. Other receivables are considered collectible in full based on prior years experience.

### E. Mortgage Receivable

The amount recorded as a mortgage receivable \$103,022 represents loans disbursed from the Small Cities, Community Development Block Grant. This grant is administered through the State of Connecticut, however, funds for this grant are federal funds originating with the Department of Housing and Urban Development (HUD).

# Note "5" - Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

Governmental Activities Capital Assets - Not Depreciated:	Beginning Balance	Increases	<u>Decreases</u>	Ending Balance
Land Capital Assets - Depreciated:	\$ <u>1,244,445</u>	\$	\$	\$ 1,244,445
Land improvements Building & improvements Machinery, equipment & vehicles Infrastructure	1,473,613 2,193,568 4,156,990 13,070,246	74,876 22,100 102,972 1,058,504	  	1,548,489 2,215,668 4,259,962 14,128,750
Total Capital Assets Being Depreciated	20,894,417	1,258,452		22,152,869
Less: Accumulated Depreciation				
Land improvements Building & improvements Machinery, equipment & vehicles Infrastructure	281,666 1,158,949 3,023,367 7,355,863	71,457 39,993 186,668 258,273	  	353,123 1,198,942 3,210,035 7,614,136
Total Accumulated Depreciation	11,819,845	556,391		12,376,236
Capital Assets Being Depreciated - Net	9,074,572	702,061		9,776,633
Capital Assets - Net	\$ <u>10,319,017</u>	\$702,061	\$	\$11,021,078
D				Andrews

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

Governmental Activities	
General government services Public Safety	\$ 5,432
Highways	108,319
Sanitation	242,235
Recreation & Senior Center	175,923
Total depreciation expense	<u>24,482</u> \$556,391
	$\Phi = 0.00,091$

# Note "6" - Long-Term Debt

The following is a summary of activity for the year ended June 30, 2008.

r.	Balance			Balance A	mounts Due
	<u>ıly 1,</u> 2007	Additions	Retirements	June 30, 2008	in One Year
General Obligation Bond Issue dated July 15, 2002 payable in annual installments of \$46,250 ending in 2033. Issued with a rate at		\$	\$	\$ \$	
4.625% interest is payable in July and January  General Obligation Bond  Issue dated March 25, 1999 payable in annual installments of \$4,980 ending in 2029. Issued with a rate	1,202,500		46,250	1,156,250	46,250
of 4.75% interest is payable in March of each year with payments ending in 2029  General Obligation Bond  Issued dated March 25, 1999 payable in annual installments of \$84,300 ending in 2028. Issued with a rate of	109,560		4,980	104,580	4,980
4.75% Interest is payable in September and March Unfunded Accrued Pension Obligation Liability to State Treasurer for Police and Public Works employees	1,854,600		84,300	1,770,300	84,300
January 1, 2005 payable in annual installments of principal and interest on July 1 <sup>st</sup> of each year of \$155,053	1,702,803		17,662	1,685,141	19,086
including interest at5.45%  Municipal Leasing Credit  Corporation  Capitalized lease agreement for a 2005 Paraliner Ambulance. Payable	7,884		7,884		
In annual installments of \$24,154 Including interest at 7.86% ending 7/15/2009 Diamler Chrysler Truck Financial Capitalized lease agreement for a 2006 Ford Dump Trust. Payable in Annual installments of \$12,546 Including interest at 5.330% ending	66,050		20,997	45,053	22,001
3/27/2010	33,955		10,736	23,219	11,308

# Note "6" - Long-Term Debt (continued)

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008	Amounts Due in One Year
Daimler Chrysler Truck Financial Capitalized lease agreement for a 2006 Ford Dump Truck. Payable i		\$	\$	\$	\$
annual installments of \$9,202 including interest at 5.120% ending	g				
<u>Daimler Chrysler Truck Financial</u> Capitalized lease agreement for a	25,004	i <del>nsi</del> .	7,922	17,082	8,328
2006 Ford Dump/Plower Sand Truck. Payable in annual					
installments of \$14,043 including interest at 5.330% ending 1/31/10 Western Bank of Chinook	38,006		12,017	25,989	12,657
Capitalized lease agreement for 2 2007 Chevrolet Pickup Trucks. Payable in annual installments of					
\$8,500 including interest at 5.61% ending 8/01/16	37,730		7,971	20.750	
Kip America Capitalized lease agreement for a Kip 3001 Single Roll copier/printer			7,971	29,759	6,848
in monthly installments of \$251.70 including interest at 5.14% ending					
1/6/2012. Bargain purchase option of \$1 at end of term Ford Motor Credit	12,032	<del></del>	2,344	9,688	2,493
Capitalized lease agreement for a 2008 Crown Victoria in yearly					
installments of \$6,800 at 6.9% ending 10/1/10		24,544	6.800		
Totals \$	5,090,124 \$	24,544 24,544 \$	6,800 229,863 \$	<u>17,744</u> <u>4,884,805</u> \$	5,525 223,776

The following is a summary of the Town's future annual debt service requirements to maturity for general obligation bonds, capital leases and unfunded accrued pension obligation:

General Obligation Bonds					
Year Ending June 30	D-: .				
2009	Princip		Interest		Total
2010		5,530 \$	140,532	\$	276,062
2011		5,530	134,152		269,682
2012		5,530	127,771		263,301
2013		5,530	121,391		256,921
2014-2018		,530	115,011		250,541
2019-2023		,650	479,361		1,157,011
2024-2028		,650	319,866		997,516
2029-2033		,650	160,368		838,018
2029-2033		,530	34,324		354,854
	\$3,031	130 \$_	1,632,776	\$_	4,663,906
Unfunded A					1,005,200
Unfunded Accrued					
Pension Obligation	Principal	I	nterest		Total
2009	\$ 19,	086 \$	135,967	\$	155,053
2010	20,	626	134,427	Ψ	155,053
2011	22,	290	132,763		155,053
2012	24,	088	130,965		155,053
2013	26,0	032	129,021		155,053
2014-2018	165,2	267	609,998		775,265
2019-2023	243,6	504	531,661		775,265
2024-2028	359,0	072	416,193		775,265
2029-2033	529,2		245,993		775,265
2034-2035	275,8		34,302		310,106
	\$1,685,1	Contract Con	2,501,290	\$	4,186,431
0.1.1.		A. A. Maria	1100	Ψ	4,100,431
Capital Leases	Principal	In	terest	т	Cotal
2009	\$ 69,1		9,056	\$	78,216
2010	72,8	35	5,381	Ψ	78,216
2011	16,7		1,508		18,270
2012	9,7		483		10,260
	\$168,5			\$	184,962
		T	101140	Ψ	104,902

### Note "7" - Interfund Transfers

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Transfers to the general fund from:	
Sewer and Waste Water Fund	\$ 201.165
Capital Projects	\$ 291,165
Downtown Restoration Fund	75,000
Testoration I und	1,070
Contingent Liabilities	\$ 367,235

### Note "8" - Contingent Liabilities

The Town is contingently liable on Regional School District No. 16 serial bonds payable through March 15, 2020. The amount (39.41%) attributable to the Town is \$10,762,052.

# Note "8" - Contingent Liabilities (continued):

The town participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the town has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2008 may be impaired. In the opinion of the town, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

### Note "9" - Litigation

It is the opinion of town officials that there are no material or substantial claims against the town, which will be finally determined so as to result in a judgment or judgments against the town, which would materially effect its financial position.

### Note "10" - Over Expenditures

Per the comparison of budget to actual on Page 40, the police line items and education fund was overexpended respectly by \$38,185 and \$14,378. The overexpenditure was the result of timing difference between the recording of expenditures and budget transfers.

### Note "11" - Pension Plan

Effective January 1, 2005 the Town participates in two plans under the Connecticut Municipal Employee Retirement System (MERS). The "union plan" covers all union employees and the "police department plan" which covers police officers. Covered employees are eligible to participate provided they are not over the age of 55 at the time of hire and work at least 20 hours per week if hired after September 30, 1969. If hired prior to that date there is no minimum hourly requirement. Benefits are available to participants upon attaining age 55 with at least 10 years of continuous service or 15 years of aggregate service. Participants with 25 years of aggregate service are not subject to an age requirement. Members will receive an annual retirement benefit, payable monthly for life, in an amount for each year of service equal to:

- If covered by Social Security: 1 1/6% of final average pay up to the social security earnings base plus 2% of final average pay over the social security earnings base
- If not covered by Social Security: 2% of final average pay.

The final average pay is determined based upon the average of earnings for the highest three years. The social security earnings base is the average of the earnings received during the last 10 years of service.

The current required contribution for the Town as well as the plan members are as follows;

	Employee Co Earnings Subject	ontribution Earnings not Subject	Town Contribution	
Plan Type Public Works Police Department	T FIG.	To FICA withholding 5%	Based on Employee Earnings 6.75%	
- F. Millett	2.25%	5%	8.00%	

### Note "11" - Pension Plan

The Town's pension expense for the year ended June 30, 2008 was \$245,282. In addition to the monthly contribution the Town is obligated to MERS for the unfunded accrued liability under each plan. The total obligation is \$1,685,141 of which \$1,449,221 is attributable to the "union plan" and \$235,920 to the "police department plan". The Town has elected to pay the balance due in thirty annual installments of \$155,053, which includes interest.

### Note "12" - Fund Deficits

The following individual funds had operating deficits for the year ended June 30, 2008 and/or fund balance deficits as of June 30, 2008.

Major Fund	Fro	( <u>Deficit</u> ) m Operations	Fu	ind Balance (Deficit)
Bonding Projects Other Governmental Funds (Special Revenue):	\$(	974,409)	\$(	1,529,432)
Reserve for Capital Expenditures Special Activity Fund (Dog Fund) Rimmon Hill Capital Project	\$ \$( \$(	67) 6,164)	\$( \$ \$(	46,753)  145,800)

### Note "13" - Subsequent Events:

At a special town meeting held on August 28, 2006, three bond resolutions were ratified for issuance. The appropriations were \$3,690,000 for the rehab of the Depot Bridge, \$750,000 for a new sewage pumping station and \$560,000 for various road and bridge improvements. At June 30, 2008 the town had a bond anticipation note of \$3,000,000 still outstanding as the various projects had not been completed and note matures in July 2008. On July 25, 2008 the town issued a bond anticipation note for \$2,900,000 that matures on July 23, 2009 with an interest rate of 2% to refinance the original bond anticipation note.

On 9/17/08 the town issued \$425,000 in bond anticipation notes that mature on 7/23/09 with an interest rate of 2.5%. The bonds were for property acquisition.

### Note "14" - Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees; and natural disasters. Commercial liability and property insurance coverage is purchased to protect against losses from these risks. The Town does not maintain a self insurance fund. However, the Town is a member of the Connecticut Interlock Risk Management Agency (CIRMA) workers compensation pool. Premiums are subject to adjustment from retrospective rating, and are recorded as expenditures in the year paid. The Town reports all of its risk management activities in the General Fund. There have been no settlements that have been in excess of insurance coverage for the past 3 years.

### Town of Beacon Falls Notes to Financial Statements

### Note "15" - Interfund Balances:

These 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.

At June 30, 2008 the amounts due to and from other funds were as follows:

Receivable Fund General Fund General Fund General Fund Sewer and Waste Water Reserve Fund General Fund	yable Fund n Rec Capital Expenditure recial Projects mon Hill Capital Projects neral Fund neral Fund mon Hill Capital Project serial Fund mon Hill Capital Project
--	---

Town of Beacon Falls
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended June 30, 2008

Year Ended June 30, 2008		В	udg	et				Variance
	-	Original	8	Final	-	Actual		Favorable
Revenues:		-	-			Actual		(Unfavorable)
State and Federal Grants								
State property tax	\$	61,849	\$	61,849	\$	67,666	¢	E 017
Elderly tax relief		41,640	*	41,640	Ψ		Þ	5,817
Mfg's machinery & equipment		50,801		50,801		38,098		(3,542)
Library		1,501		1,501		74,713		23,912
Disability tax relief		1,142		1,142		1,422		(79)
Additional exemption for veterans		10,001		10,001		1,154		12
Town aid road maintenance		66,687		66,687		8,121		(1,880)
Education cost sharing		3,881,050				91,077		24,390
Mashantucket Pequot grant		40,531		3,881,050		3,874,138		(6,912)
Local capital improvement program		20,000		40,531		47,289		6,758
Commercial vehicle		38,953		20,000		98,906		78,906
Other grants				38,953				(38,953)
Total State and Federal Grants		1,001		1,001		78,419		77,418
Town Fees		4,215,156		4,215,156		4,381,003		165,847
Planning/Zoning Commission		65,000						
Zoning Board of Appeals		65,000		65,000		26,635		(38,365)
Building permits		2,500		2,500		550		(1,950)
Recreation area permits		50,000		50,000		32,430		(17,570)
Town clerk conveyance		500		500		-		(500)
		50,000		50,000		73,074		23,074
Park & Rec summer program		12,000		12,000		-		(12,000)
Miscellaneous permits/fees/fines Inland wetlands fees		2,500		2,500		1,638		(862)
		10,000		10,000		550		(9,450)
Zoning regulations/maps		350		350		÷		(350)
Disposal fees		1,200		1,200		2,091		891
Mini-bus		750		750		1,571		821
Total Town Fees		194,800		194,800		138,539		(56,261)
Taxes & Assesments								
Assessments, water, and sewer		270,000		270,000		220,012		(49,988)
Property taxes		11,463,574		11,463,574	11100000	11,480,487		16,913
Total Taxes & Assessments		11,733,574		11,733,574		11,700,499		(33,075)
Other Revenue						All acceptance of the Colonial Colonia		
Telecomm property tax		26,809		26,809		30,966		4,157
Gas and miscellaneous refunds		5,500		5,500		39,280		33,780
Xerox equipment refunds		7,500		7,500		4,520		(2,980)
Leachate collection system		80,000		80,000		39,359		(40,641)
Stipulation - Mystic Tank Lines		20,000		20,000		15,000		(5,000)
Insurance claims		-		-		30,346		30,346
Total Other Revenue		139,809	1300	139,809		159,471	IIII O	19,662
Interest Earned						,,,,		. 7,002
Interest on investments		75,000		75,000		91,173		16,173
Amounts Available for Appropriation	\$	16,358,339	\$	16,358,339	\$	16,470,685	\$	112,346

Continued

Town of Beacon Falls
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended June 30, 2008

2 cm 23 de a guile 30, 2000		Bud	get			Variance Favorable
E 194	Or	iginal	Final	-	Actual	
Expenditures:					retual	(Unfavorable
General Government						
Selectmen	\$	88,755 \$	94,701	•	01021 6	
Town Hall		137,188	143,088	φ	94,024 \$	677
Town Clerk		77,608	77,753		139,818	3,270
Tax Collector		59,868	61,534		70,336	7,417
Town Treasurer		5,531	5,992		59,383	2,151
Building Inspector		33,133	33,133		5,992	-
Employee's benefits		820,054			31,624	1,509
Board of Assessors		78,159	766,527		753,806	12,721
Board of Assessment Appeals		2,253	78,159		72,334	5,825
Zoning Board of Appeals			2,253		1,953	300
Board of Finance		1,250	1,700		1,700	-
Economic Dev. Commission		77,616	80,491		76,342	4,149
Inland Wetlands Commission		3,000	3,056		906	2,150
Conservation Commission		17,432	17,432		16,772	660
Planning/Zoning Commission		5,750	5,750		1,388	4,362
Water Pollution Control Auth		35,500	37,912		36,404	1,508
Registrar of Voters		2,500	2,500		1,499	1,001
Professional fees		36,066	60,164		48,367	11,797
Town wide insurance		50,000	221,128		217,397	3,731
	1	29,900	156,226		128,539	27,687
Total General Government	1,7	61,563	1,849,499		1,758,584	90,915
Public Safety						70,713
Emergency services	1	81,140	235,473		221,922	13,551
Fire protection		-	_		,	15,551
Fire Marshal		27,025	27,025		22,305	4,720
Civil defense		12,000	12,000		11,928	72
Safety committee		1,000	1,000		498	502
Hydrant rental	1	50,730	150,730		150,707	
Police		60,373	482,008		520,193	(28,195)
Animal control		8,991	8,991		8,828	(38,185)
Public safety, other expenses		76,727	76,727		67,503	163
Total Public Safety		17,986	993,954		THE RESERVE OF THE PERSON NAMED IN COLUMN TWO IS NOT THE PERSON NAMED IN COLUMN TWO IS NAME	9,224
Street Department		17,700	773,734		1,003,884	(9,930)
Highway maintenance	4	39,224	482,968		154 202	
Town garage		25,250			454,202	28,766
Total Street Department		54,474	27,450		23,234	4,216
Sanitation		77,777	510,418		477,436	32,982
Refuse	24	55,624	255 (24		242.02=	THOSE SERVICES
Waste water treatment			355,624		342,827	12,797
Total Sanitation		6,140	457,340		450,652	6,688
Omination		1,764	812,964		793,479	19,485

Town of Beacon Falls Required Supplementary Information Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund

Year Ended June 30, 2008			•		Variance
	-		dget		Favorable
Expenditures (continued):		Original	Final	Actual	(Unfavorable)
Expenditures (continued).	\$		¢	ф	
Social Services	Ş		\$	\$	\$
Welfare		7.500	7.500		
Community welfare		7,500	7,500	5,500	2,000
Total Social Services	-	54,309 61,809	54,309	53,684	625
Recreation	-	01,809	61,809	59,184	2,625
Library		102 227	104.113		NO ARMOND
Park Recreation Commission		103,337	104,113	102,422	1,691
		229,398	233,249	198,552	34,697
Youth program		3,500	3,500	3,456	44
Commission for the Elderly		2.067	2,067	•	2,067
Mini-bus operations		14,387	26,188	25,731	457
Senior Citizen's Center		15,000	17,246	15,264	1,982
Total Recreation		367,689	386,363	345,425	40,938
Education	1	1,788,917	11,673,593	11,687,971	(14,378)
Other expenditures					
Agency membership		4,595	4,595	2.006	500
Special Projects		134,877	225,618	3,996	599
Contingency fund		50,729		210,448	15,170
Total Other Expenditures		190,201	38,704	37,204	1,500
Debt service	Name of Street, or other Desires of Street, or other Desires or other Desi	190,201	268,917	251,648	17,269
Interest & principal - bond issue		365,936	206 602	202 111	1.242
merest & principal - bond issue		303,930	286,683	282,441	4.242
Total Expenditures	1	6,710,339	16,844,200	16,660,052	184,148
Revenue less Expenditures		(352,000)	(485,861)	(189,367)	296,494
Operating Transfers In				\$2000 EED WED EN OOF	Workership (1970)
Sewer & Waste Water Fund	-	352,000	352,000	367,235	15.235
Increase (Decrease) for the Year			(133,861)	177,868	311,729
Beginning of Year		_	133,861	1,211,252	1,077,391
End of year	\$	- \$		\$ 1,389,120	\$ 1,389,120

Town of Beacon Falls
Non Major Governmental Funds - Special Revenue Funds
Combining Balance Sheet
June 30, 2008

Assets		Capital Expenditure Fund	Historic Commission Fund	Library	Dog	Special Projects	Downtown Restoration
Cash	4	9				Fund	Fund
	<b>,</b>	31 889	7 307	01010	×9	↔	
Investments at fair value		70011	700,5	3,701	680'/	40,037	
Grant racaimable		!	3,108	1	1	1	-
Die ferreit del		1 1	!	1	1		
Due from other funds	1	-	1	***		-	
1 otal Assets	н	31,889	5,415	3,701	7,089	40,037	
Liabilities and Fund Balance							
Accounts payable		1	1		3,000		
Due to other funds		78.642	1		2,000	1 10	1
Total Liabilities	1	78.642				20,375	
		100		1	3,000	20,375	1
Fund Balance	1	(46,753)	5,415	3,701	4,089	19,662	
Fund Balance	<del>&gt;&gt;</del> ∥	31.889 \$	5,415 \$	3,701 \$	7,089 \$	40.037 \$	
							Continued
		Housing			Special	Total	
	1	Rehab Fund	Grange Fund	Reserve Fund	Activity Fund	Revenue	
Assets	9	\$	₩	S	\$		
Cash		105,890	4,231		1,396	196.540	
myesuments at fair value		-	1	-		3 108	
Grant receivable		1 1	1 1	!	1	20110	
Due from other funds	1	1		104,624		104 634	
I otal Assets	II	105,890	4,231	104,624	1,396	304,272	
Liabilities and Fund Balance							
Accounts payable		-	1	1	1	3 000	
Test of other lunds	1		-	-	-	710 66	
rotai Liabinnes		1	1	1 4 4	1	102,017	
Fund Balance Total Liabilities and	I	105,890	4,231	104,624	1,396	202,255	
Fund Balance	<u>~</u>	\$ 068,501	4,231 \$	104,624 \$	1.396 \$	304 272	

Concluded

Town of Beacon Falls

Non Major Governmental Funds - Special Revenue Funds

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2008

Non Rec

	Expenditure	Commission Fund	uc	Library Fund	Dog	Projects	Restoration
Revenues	÷	÷9	59	<del>59</del>	₩ .		rund
Investment income	1,209		190	2	164	165	ď
Grants and donations	i	1	1	1	1	54 670	
Activity income				4,317	5.390		1
1 otal Expenditures and Transfers	1,209		061	4,319	5,554	55,191	
Activity expenses				3,483	2,121	36,411	1,070
Net Change	1,209	190	0	836	3,433	18,780	(0,070)
Fund Balance - Beginning Fund Balance - Ending	\$ (47,962)	e e		5000		882	1,070
0	CCLOL		A 0	3,701 \$	4,089 \$	19,662 \$	
Povaniae	Housing Rehab Fund	Grange Fund		Reserve Fund	Special Activity Fund	Total Special Revenue Funds	Continued
Investment investor	•	€9	<del>6</del> 9	€9	\$		
Grants and donations	3,061	91	9	1	1	5,163	
Activity income		-	1	1	1	54.670	
Total				104,624	20,146	134,477	
Expenditures and Transfers	3,061	16		104,624	20,146	194,310	
Activity expenses					20,213	63,298	
Net Change	3,061	16	10	104,624	(67)	131,012	
Fund Balance - Beginning Fund Balance - Ending	102,829 \$ 105,890	4,215 \$ 4,231	<del>50</del>	104,624 \$	1,463	71,243	
				11		11	Concluded

Town of Beacon Falls Non Major Governmental Funds - Capital Projects Combining Balance Sheet June 30, 2008

		Rimmon Hill Sewer Project	l	Cedar Lane Water Project		Pent Road Recreation Rehabilitation	1	Total Capital Projects
Assets								
Cash	\$	3	\$	83,286	\$		¢.	
Due from other capital project funds		-	Ψ	220	φ	-	\$	83,289
Utility deposit	221-200-2	_		220		5,645		220
Total Assets					_	3,043		5,645
Total Assets	\$	3	\$	83,506	\$	5,645	\$	89,154
Liabilities and Fund Balances  Due to general fund  Due to Cedar Lane Water Project Fund	\$	145,583 220	\$		\$		\$	145,583
		220				-		220
Total Liabilities		145.803		5		-		145,803
Fund Balance (Deficit)		(145,800)		83,506		5,645		(56,649)
Fotal Liabilities and Fund Balance	\$	3	\$	83,506	\$	5,645	\$	89,154



Town of Beacon Falls
Non Major Governmental Funds - Capital Projects
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2008

		Rimmon Hill Sewer Project	Cedar Lane Water Project	Pent Road Recreation Rehabilitation	Total Capital Projects
Revenue					
Investment income	\$	135 \$	2,404	\$ - \$	2,539
Expenditures Miscellaneous		6,299			6,299
Deficiency of Revenue Over Expenditures		(6,164)	2,404		(3,760)
Fund Balance (Deficit)-Beginning of Year	-	(139,636)	81,102	5,645	(52,889)
Fund Balance (Deficit)-End of Year	\$	(145,800) \$	83,506	\$ 5,645 \$	(56,649)

Town of Beacon Falls Schedule of Property Taxes Levied, Collected, and Outstanding (Report of Tax Collector) June 30, 2008

Receivable	Comme	Commentions	Transfers	Adjusted		Collections	ons	
	Addit	ctions	Suspense	Taxes Receivable	Taxes	Interect	Liens &	
	A	50	\$		9	-		Lotal
1.369,602	31 929					A	59	4
	1-11:0	1	ı	11,401,531	11.014 184	56.407		
511,976	1	6.035		211041		10:00	1	189,0/0,11
105 002				14,110	181,610	39.354	1 080	110000
102,202	ï	285		105 300	30 110		000,1	777,044
71 45x		2		666,001	38,118	14,372	360	52 850
00111		103	4	71.295	822 9	0000		000,20
50.160	OCF				0,730	7,299	77	-x/ x
	2	£	1	50.580	9010	000		0,101
36.625	,	338		1000	0711	060	1	3.016
		000	I.	36,287	1 178	1 123	9	2.01
47,602				47 /00	07111	1,132	48	2.358
20 013				700,74	243	1,007	24	
716,07	•	1		28 912			+1	1,7,7
29 532				717:01	7/	102	24	100
1000	•		1	29.531	1.48	221	1	130
29.062	1	13 272			0+1	721	24	403
000 30		7/11/11	,	15,790	30	53	č	
22,830		20.220		115610	0	75	47	901
33 XUI				010,01	362	678	PC	1 064
10000	,	19,473		14 468	707	000	1	1,004
25,101		13 302		0000	064	898	24	1418
3000		200,01	1	11,799	02	163		)
10,700		33.767	1	10,000	2	707		232
771 00		1	1	12,933	i	23		
111,60	,	15,147	1	14 030	090	;	,	,
18,477	1	14 503		0001	607	4	1	413
401 71		COCH	1	3,974	1			
10,437	ı	1	116 1271				1	

Search Colo Servery

926,438

11,364,838

\$ 911.1

117,818 \$

12,171,682 \$ 11,245,244 \$

(16,437) \$

136,755 \$

32.349 \$

\$ 12.292.525 \$

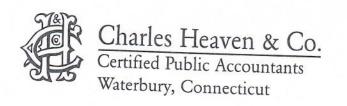
Town of Beacon Falls Schedule of Special Assessments (Report of Tax Collector) June 30, 2008

		\$	Balance July, 1 2007	New Assessment	Current Yea Adjustment		Collections	Balance June 30, 2008
Sewer		Ф	\$		\$	\$	\$	June 30, 2008
Area 5			4,403					
Area 6			222					4,403
Area 7			1,605		-		-	222
Plan 1			(750)	215,103	-		-	1,605
Plan 2			4,404		-		(215,865)	(1,512)
			7,707	2,576			(3,794)	3,186
Water								
Area 1			809		_			809
	Total Current	\$ =	10,693 \$	217,679 \$	3 -	_		
		Ass Tota	essments Receivab al Collections	le June 30, 2008		\$	(219,659) \$ =	8,713

Town of Beacon Falls Schedule of (Statement) of Debt Limitation Year ended June 30, 2008

			\$ 11,364,838	
			\$11.366,838	
General Purpose	Schools	Sewers	Urban Renewal	Three Times
\$ 25.575.295			renewal	Obligation
\$ 25,575,385		\$ -	\$	\$ -
	51,150,770		-	-
	-	42,625,642	-	
	-	-	36,942,223	
25.575.385	51 150 770	12 625 612	-	34,100,513
	31,130,770	42,023,042	36,942,223	34,100,513
1,324,784	_	1 874 880		
3,000,000		1,074,000	-	-
1 -			-	1 605 111
				1,685,141
	10 762 052			
4,324,784		1 974 990		-
.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	10,702,032	1.874,880	-	1,685,141
	General Purpose \$ 25,575,385	General Purpose Schools  \$ 25,575,385 \$ - 51,150,770	General Purpose Schools Sewers  \$ 25,575,385 \$ - \$ - 51,150,770	\$ 11,364,838  2,000  \$ 11,366,838    Urban Renewal

NOTE: In no case shall total indebtedness exceed seven times annual receipts from taxation.



# 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

Board of Finance Town of Beacon Falls Beacon Falls, Connecticut

We have audited the 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, 2008, which collectively comprise the Town of Beacon Falls, Connecticut's basic financial statement and have issued our report thereon dated February 13, 2009. 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.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of Beacon Falls, Connecticut's internal control over financial reporting as a basis for designing our auditing procedures for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Beacon Falls, Connecticut's internal control over financial reporting.

Accordingly, we do not express an opinion on the effectiveness of the Town of Beacon Falls, Connecticut's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Beacon Falls, Connecticut's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Beacon Falls, Connecticut's financial statements that is more than inconsequential will not be prevented or detected by the Town of Beacon Falls, Connecticut's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses, item 2008-1 thru 2008-4 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Beacon Falls, Connecticut's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Beacon Falls, Connecticut's statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2008-1.

The Town of Beacon Falls, Connecticut's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town of Beacon Falls, Connecticut's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the Board of Selectman, Board of Finance, Management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Charles Heaven & Co.

February 13, 2009

### Town of Beacon Falls Schedule of Findings and Responses June 30, 2008

2008-1

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### Finding:

We noticed that certain required tax reconciliation are not being performed therefore the tax department should establish written procedures for recording of receipts, certificates of correction, abatements, and transfer to suspense. The procedures should include monthly written reconciliations of taxes and assessments receivable and are to be strictly adhered to.

### Management Response:

Recent addition of experienced finance personnel will assist the tax collection staff in the development and implementation of written procedures for this office.

#### 2008-2

#### Findings:

The Town does not have a formal Accounting Procedure Manual therefore we recommend the development and implementation of an Accounting Procedure Manual. A complete accounting procedure manual will define systems and procedures to be followed for each of the fund types. At a minimum the manual should contain:

- Accounting procedures and guidelines for:
  - o General Ledger
  - o Cash receipts journal
  - Cash disbursements journal
  - o Journal entry register with sample accounting entries
  - o Budgetary procedures including transfer and additional appropriation
  - Tax collectors office
- Supporting data required
- Internal controls
- Required internal management reports
- Required external reports
- Update procedures

The manual would facilitate accounting procedures used by various personnel, assist in training new personnel, and provide a guide for existing personnel to continue accounting for ongoing programs.

### Management Response:

Experienced finance personnel have made a positive impact on the recording and reporting of financial information. As time allows written descriptions of the procedures being followed will be accomplished.

#### 2008-3

### Findings:

The purpose of the special revenue and capital project funds should be documented and reviewed at least yearly.

#### Management Response:

Experienced finance personnel and the Board of Finance should complete the information necessary to alleviate this finding.

Town of Beacon Falls Schedule of Findings and Responses June 30, 2008

2008-4

Findings:

During our audit of general fixed assets, we noted that the Town was relying upon an outdated appraisal report and had not updated it for current year additions. The Town should purchase a fixed asset software package or consider using an appraisal company on a yearly basis.

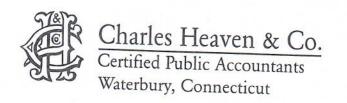
Management Response:

A fixed asset software package will be proposed in the upcoming budget.

Schedule of Prior Year Audit Findings:

All prior year findings are repeated in the current year Schedule of Findings and Responses.

AUDIT OF STATE FINANCIAL ASSISTANCE PROGRAMS



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE STATE SINGLE AUDIT ACT, AND ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Board of Finance Town of Beacon Falls Beacon Falls, Connecticut

### Compliance

We have audited the compliance of the Town of Beacon Falls, Connecticut with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that are applicable to each of its major state programs for the year ended June 30, 2008. The major state programs are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the Town of Beacon Falls, Connecticut's management. Our responsibility is to express an opinion on compliance based on our audit.

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 as to whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Beacon Falls, Connecticut'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. Our audit does not provide a legal determination on the Town of Beacon Falls, Connecticut's compliance with those requirements.

In our opinion, the Town of Beacon Falls, Connecticut complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2008.

### Internal Control Over Compliance

The management of the Town of Beacon Falls, Connecticut is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 of Beacon Falls, Connecticut's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the Town of Beacon Falls, Connecticut's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### Schedule of Expenditures of State Financial Assistance

We have audited the basic financial statements of the Town of Beacon Falls, Connecticut as of and for the year ended June 30, 2008, and have issued our report thereon dated February 13, 2009. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Selectman, Board of Finance, Management of the Town of Beacon Falls, Connecticut, the State of Connecticut Office of Policy and Management, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

CHARLES HEAVEN & CO.

February 13, 2009

State Grantor Program Title	State Grant Program Core-CT Number	Expenditure
Office of the State Comptroller:		Expenditure
Downer in lieu of the Office of the Office of the State Comptroller:		
Payment in lieu of taxes (PILOT) on state owned property Boat Grant	11000-OSC15910-17004	\$ 67,666
	12027-OSC15910-40211	1,184
Mashantucket Pequot / Mohegan Fund	12009-OSC15910-17005	47,289
Office of Policy and Management:		
Contingency needs	11000 OPM20100 12226	
Property tax relief for the disabled	11000-OPM20100-12336	5,000
Distressed Municipality	11000-OPM20600-17011	1,154
Property tax relief for elderly and totally disabled homeowners	11000-OPM20600-17016	42,926
Property tax relief for olderly and totally disabled nomeowners	11000-OPM20600-17018	36,098
Property tax relief for elderly homeowners - freeze programs	11000-OPM20600-17021	2,000
Property tax relief for veterans	11000-OPM20600-17024	8,121
Property tax relief for manufacturing machinery and equipment	11000-OPM20600-17031	74,713
Local capital improvement	12050-OPM20600-40254	98,906
Department of Transportation:		
Town aid roads	12001 DOMESTIC	
Alcohol traffic safety grants	12001-DOT57131-17036	91,077
	12062-DOT57513-22086	17,195
Department of Environmental Protection		
Clean Water Fund	21015-OTT14230-42318	20.704
Non-Budgeted Operating	21014-OTT14230-40001	38,684 9,678
Department of Connecticut State Library:		5,070
Library Svcs & Technology		
Library	11000-CSL66051-21031	10,000
CTCard	11000-CSL66051-17003	1,422
CTCard	11000-CSL66051-17010	83
Department of Economic and Community Development		
Open Spc Grnt Consrvtn & Recrtn	12052-DEP44420-40524	155
	1000 001 11120 40324	155
State of Connecticut Secretary of the State		
Elections - Add a Line 101107	Unknown	2,732
udicial Department:		
Distribution of parking fines	34001-JUD95162-40001	6.693
Total State Financial Assistance before exempt programs		562,776
Exempt Programs		
Department of Education:		
Education cost-sharing	11000-SDE64370-17041	3,874,138
Total State Financial Assistance		\$ 4.436.914
		\$ 4,436,914

Town of Beacon Falls State Financial Assistance Programs Notes to Schedule Year Ended June 30, 2008

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Beacon Falls, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including local capital improvement, road repairs, tax relief, education and other public assistance.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Beacon Falls, Connecticut conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

### **Basis of Accounting**

The financial statements contained in the Town of Beacon Falls' annual audit report are prepared on the following basis of accounting:

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported as expenditures in the year due.

The government-wide financial statements are prepared on the accrual basis of accounting. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred.

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 grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

Town of Beacon Falls Schedule of Findings and Questioned Costs Year Ended June 30, 2008

### I. SUMMARY OF AUDIT RESULTS

Financial Statements			
We audited the basic finan year ended June 30, 2008 a	cial statements of the Town and issued our unqualified re	of Beaco	on Falls, Connecticut as of and for the
Internal control over finance Material weaknesses ide Significant deficiency ice are not considered to be weaknesses? Noncompliance material to statements noted?	cial reporting: entified? dentified that be material  financial	_ yes _	no none reported X no
State Financial Assistance			
Internal control over major Material weaknesses ide Significant deficiency id are not considered to b weaknesses?	ntified? entified that e material		X noX none reported
We have issued an unqualif	ied opinion relating to compl		
Any audit findings disclosed To be reported in accordan 4-236-24 of the Regulation Single Audit Act?	I that are required ce with Section s to the State		X_ no
The following schedule refle	ects the programs tested as m	aior prog	trame in the audit.
State Grant Program State Grantor and Program			spenditures
Department of Transportation: Town Aid Roads	12001-DOT57000-17036	5 \$	91,077
Office of Policy Management: Local Capital Improvement	12050-OPM20600-40254	4 _	98,906
		\$	189,983

Schedule of Findings and Questioned Costs Year Ended June 30, 2008

## II. SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

We issued reports, dated February 13, 2009, 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.

Our report on compliance indicated one reportable instances of noncompliance as follows:

2008-1

Finding:

We noticed that certain required tax reconciliation are not being performed therefore the tax department should establish written procedures for recording of receipts, certificates of correction, abatements, and transfer to suspense. The procedures should include monthly written reconciliations of taxes and assessments receivable and are to be strictly adhered to.

Management Response:

Recent addition of experienced finance personnel will assist the tax collection staff in the development and implementation of written procedures for this office.

Our report on internal control over financial reporting indicated three significant deficiencies as follows:

2008-2

Findings:

The Town does not have a formal Accounting Procedure Manual therefore we recommend the development and implementation of an Accounting Procedure Manual. A complete accounting procedure manual will define systems and procedures to be followed for each of the fund types. At a minimum the manual should contain:

### **Town of Beacon Falls** Schedule of Findings and Questioned Costs Year Ended June 30, 2008

- Accounting procedures and guidelines for:
  - General Ledger
  - Cash receipts journal
  - Cash disbursements journal
  - Journal entry register with sample accounting entries
  - o Budgetary procedures including transfer and additional appropriation
  - Tax collectors office
- Supporting data required
- Internal controls
- Required internal management reports
- Required external reports
- Update procedures

The manual would facilitate accounting procedures used by various personnel, assist in training new personnel, and provide a guide for existing personnel to continue accounting for ongoing programs.

### Management Response:

Experienced finance personnel have made a positive impact on the recording and reporting of financial information. As time allows written descriptions of the procedures being followed will be accomplished.

#### 2008-3

### Findings:

The purpose of the special revenue and capital project funds should be documented and reviewed at least yearly.

### Management Response:

Experienced finance personnel and the Board of Finance should complete the information necessary to alleviate this finding.

#### 2008-4

#### Findings:

During our audit of general fixed assets, we noted that the Town was relying upon an out dated appraisal report and had not updated it for current year additions. The Town should purchase a fixed asset software package or consider using an appraisal company on a yearly basis.

### Management Response:

A fixed asset software package will be proposed in the upcoming budget.

### III. FINDINGS AND QUESTIONED COSTS FOR STATE FINANCIAL ASSISTANCE

No findings or questioned costs are reported relating to state financial assistance programs.