

Town of Beacon Falls
Notes to Financial Statements

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 financial 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 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 subsidies 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.

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.

Town of Beacon Falls
Notes to Financial Statements

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

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.

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.

Town of Beacon Falls
Notes to Financial Statements

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

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 the sewer system.
- 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 Falls.

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 Statutes (Section 7-402). Deposits may be placed with any "qualified public depository" as defined by statute, which has its main place of business in the State of Connecticut.

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 statutes 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 \$540,000. The allowance is calculated based upon prior collections.

In the fund financial statement, all property taxes receivable at June 30, 2007, 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.

Town of Beacon Falls
Notes to Financial Statements

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

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 included 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 of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

b. 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.

c. Compensated Absences

Eligible employees are paid for sickness, vacations, and personal days. At June 30, 2007 the liability for compensated absences cannot be reasonably estimated. However, it has been deemed not material to the financial statements.

d. 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.

Town of Beacon Falls
Notes to Financial Statements

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

e. 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

f. 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.

Town of Beacon Falls
Notes to Financial Statements

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

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:

	<u>General Fund</u>	
	<u>Total Revenues</u>	<u>Total Expenditures</u>
Non-GAAP Budgetary Basis Statement – June 30, 2007	\$ 15,983,969	\$ 16,108,218
Reclasses:		
Capital lease outlay		49,762
Actual GAAP – June 30, 2007	<u>\$ 15,983,969</u>	<u>\$ 16,157,980</u>

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, comprised of demand accounts, at June 30, 2007:

Governmental Funds	<u>\$ 4,779,022</u>
Fiduciary Fund	<u>\$ 31,676</u>

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, 2007 \$4,767,564 of the Town's bank balance of \$5,070,429 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 4,260,808
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	506,756
Total amount subject to custodial credit risk	<u>\$ 4,767,564</u>

Town of Beacon Falls
Notes to Financial Statements

C. Investments

At June 30, 2007 the Town's investments consisted of the following:

<u>Types of Investments</u>	<u>Fair Value</u>	<u>Average Credit Rating</u>	<u>Investment Maturity</u>
Special Revenue			
Pooled fixed income	\$ <u>2,984</u>	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 \$2,984 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 Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.

Note "4" - Receivables

A. Property Tax, Interest and Liens Receivable

Receivables at June 30, 2007, including the applicable allowances for uncollectible accounts, are as follows:

Property taxes	\$ 972,923
Accrued interest on taxes and lien fees	812,794
Sewer and water assessment	<u>2,070,629</u>
Gross Receivables	3,856,346
Less: Allowance for uncollectibles	<u>540,000</u>
Net Receivables	<u>\$ 3,316,346</u>

B. Grant Receivable

Grant receivable at June 30, 2007 consisted of a reimbursement for a grant fund disbursements from the federal government for reimbursement of minibus operations and a state general award grant. Grant receivable is considered collectible in full based on prior years experience.

Minibus grant	\$ 4,154
Pequot grant	<u>16,954</u>
Total receivables 6-30-07	<u>\$ 21,108</u>

C. Deposits

Deposits at June 30, 2007 represents a utility deposit to local utility company in connection with work performed during the rehabilitation of a town recreation area.

Town of Beacon Falls
Notes to Financial Statements

Note "4" - Receivables (continued):

D. Other Receivables

Other receivables recorded at June 30, 2007 consist of \$3,000 in prepaid firework expense, \$41,030 in miscellaneous fees and fines for the month of June, and \$86,165 due for police presence at construction sites, for a total receivable of \$130,194. 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, 2007 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets - Not Depreciated:				
Land	\$ 1,244,445	\$ ---	\$ ---	\$ 1,244,445
Capital Assets - Depreciated:				
Land improvements	799,988	673,625	---	1,473,613
Building & improvements	2,193,568	---	---	2,193,568
Machinery, equipment & vehicles	3,779,297	377,693	---	4,156,990
Infrastructure	13,070,246	---	---	13,070,246
Total Capital Assets Being Depreciated	19,843,099	1,051,318	---	20,894,417
Less: Accumulated Depreciation				
Land improvements	242,357	39,309	---	281,666
Building & improvements	1,119,186	39,763	---	1,158,949
Machinery, equipment & vehicles	2,838,853	184,514	---	3,023,367
Infrastructure	7,097,590	258,273	---	7,355,863
Total Accumulated Depreciation	11,297,986	521,859	---	11,819,845
Capital Assets Being Depreciated - Net	8,545,113	529,459	---	9,074,572
Capital Assets - Net	\$ 9,789,558	\$ 529,459	\$ ---	\$10,319,017

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

<u>Governmental Activities</u>	
General government services	\$ 2,888
Public Safety	131,399
Highways	217,190
Sanitation	144,275
Recreation & Senior Center	26,107
<u>Total depreciation expense</u>	<u>\$ 521,859</u>

Town of Beacon Falls
Notes to Financial Statements

Note "6" - Long-Term Debt

The following is a summary of activity for the year ended June 30, 2007.

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Amounts Due</u> <u>in One Year</u>
	\$	\$	\$	\$	\$
<u>General Obligation Bond</u>					
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	1,248,750	---	46,250	1,202,500	46,250
<u>General Obligation Bond</u>					
Issue dated March 25, 1999 payable in annual installments of \$4,980 ending in 2029. Issued with a rate of 4.75% interest is payable in March of each year with payments ending in 2029	114,540	---	4,980	109,560	4,980
<u>General Obligation Bond</u>					
Issue dated March 25, 1999 payable in annual installments of \$84,300 ending in 2028. Issued with a rate of 4.75% Interest is payable in September and March	1,938,900	---	84,300	1,854,600	84,300
<u>General Obligation Bond</u>					
Issue dated November 15, 1991 payable in annual installments of \$45,000 ending in 2007. Issued with a rate of 6.10%, interest is payable November 15 th of each year	45,000	---	45,000	---	---
<u>Unfunded Accrued Pension Obligation</u>					
Liability to State Treasurer for Police and Public Works employees retirement plan effective date January 1, 2005 payable in annual installments of principal and interest on July 1 st of each year of \$155,053 with interest at 8.07%	1,719,144	---	16,341	1,702,803	17,661
<u>Municipal Leasing Credit Corporation</u>					
Capitalized lease agreement for a Rescue One rescue truck. Payable in annual installments of \$40,187 including interest at 4.292% ending 7/15/2006	38,533	---	38,533	---	---
<u>Municipal Leasing Credit Corp</u>					
Capitalized lease agreement for 2004 GMC Pickup truck. Payable in annual installments of \$8,314 including interest at 5.45%	15,360	---	7,476	7,884	7,884

Town of Beacon Falls
Notes to Financial Statements

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

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Amounts Due</u> <u>in One Year</u>
<u>Municipal Leasing Credit Corporation</u>					
Capitalized lease agreement for a 2005 Paraliner Ambulance. Payable in annual installments of \$24,154 including interest at 7.86% ending 7/15/2009	86,089	---	20,039	66,050	20,997
<u>Municipal Leasing Credit Corporation</u>					
Capitalized lease agreement for a Chevy Impala Police Vehicle. Payable in annual installments of \$6,525 including interest at 4.88% ending in 2/15/07	6,222	---	6,222	---	---
<u>Daimler Chrysler Truck Financial</u>					
Capitalized lease agreement for a 2006 Ford Dump Truck. Payable in annual installments of \$12,546 including interest at 5.330% ending 3/27/2010	44,148	---	10,193	33,955	10,736
<u>Daimler Chrysler Truck Financial</u>					
Capitalized lease agreement for a 2006 Ford Dump Truck. Payable in annual installments of \$9,202 including interest at 5.120% ending 11/15/09	32,540	---	7,536	25,004	7,922
<u>Daimler Chrysler Truck Financial</u>					
Capitalized lease agreement for a 2006 Ford Dump/Plower Sand Truck. Payable in annual installments of \$14,043 including interest at 5.330% ending 1/31/10	49,415	---	11,409	38,006	12,017
<u>Western Bank of Chinook</u>					
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	---	46,230	8,500	37,730	7,971
<u>Kip America</u>					
Capitalized lease agreement for a Kip 3001 Single Roll copier/printer in monthly installments of \$251.70 including interest at 5.14% ending 1/6/2012. Bargain purchase option of \$1 at end of term	---	12,967	935	12,032	2,344
<u>Totals</u>	<u>\$ 5,338,641</u>	<u>\$ 59,197</u>	<u>\$ 307,714</u>	<u>\$ 5,090,124</u>	<u>\$ 223,062</u>

Town of Beacon Falls
Notes to Financial Statements

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 135,530	\$ 146,911	\$ 282,441
2009	135,530	140,532	276,062
2010	135,530	134,152	269,682
2011	135,530	127,771	263,301
2012	135,530	121,391	256,921
2013-2017	677,650	511,259	1,188,909
2018-2022	677,650	351,765	1,029,415
2023-2027	677,650	192,269	869,919
2028-2032	409,810	51,498	461,308
2033	46,250	2,139	48,389
	<u>\$ 3,166,660</u>	<u>\$ 1,779,687</u>	<u>\$ 4,946,347</u>

**Unfunded Accrued
Pension Obligation**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 17,661	\$ 137,392	\$ 155,053
2009	19,086	135,967	155,053
2010	20,626	134,427	155,053
2011	22,290	132,763	155,053
2012	24,088	130,965	155,053
2013-2017	152,928	622,337	775,265
2018-2022	225,416	549,849	775,265
2023-2027	332,263	443,002	775,265
2028-2032	489,756	285,509	775,265
2033-2035	398,689	66,471	465,160
	<u>\$ 1,702,803</u>	<u>\$ 2,638,682</u>	<u>\$ 4,341,485</u>

Capital Leases

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 69,871	\$ 9,910	\$ 79,781
2009	63,635	7,832	71,467
2010	66,929	4,538	71,467
2011	10,449	1,072	11,521
2012	9,777	483	10,260
	<u>\$ 220,661</u>	<u>\$ 23,385</u>	<u>\$ 244,496</u>

Note "7" – Interfund Transfers

Interfund transfers for the year ended June 30, 2007, consisted of the following:

Transfers to the general fund from:
Sewer and Waste Water Fund

\$ 155,000

Note "8" - Contingent Liabilities

The Town is contingently liable on Regional School District No. 16 serial bonds payable through March 15, 2020. The amount (38.574%) attributable to the Town is \$11,643,562.

Town of Beacon Falls
Notes to Financial Statements

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, 2007 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 contingency fund was overexpended by \$7,168. 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;

<u>Plan Type</u>	<u>Employee Contribution</u>		<u>Town Contribution</u>
	<u>Earnings Subject</u> <u>To FICA withholding</u>	<u>Earnings not Subject</u> <u>To FICA withholding</u>	<u>Based on</u> <u>Employee Earnings</u>
Public Works	2.25%	5%	6.75%
Police Department	2.25%	5%	8.00%

The Town's pension expense for the year ended June 30, 2007 was \$256,820. In addition to the monthly contribution the Town is obligated to MERS for the unfunded accrued liability under each plan. The total obligation is \$1,702,803 of which \$1,464,411 is attributable to the "union plan" and \$238,392 to the "police department plan". The Town has elected to pay the balance due in thirty annual installments of \$155,053, which includes interest.

Town of Beacon Falls
Notes to Financial Statements

Note "12" - Fund Deficits

The following individual funds had operating deficits for the year ended June 30, 2007 and/or fund balance deficits as of June 30, 2007.

	<u>Deficit</u> <u>From Operations</u>	<u>Fund Balance</u> <u>Deficit</u>
Major Fund		
Sewer Waste Water	\$ 165,355	\$ ---
Bonding Projects	486,476	486,476
Other Governmental Funds (Special Revenue):		
Reserve for Capital Expenditures	\$ ---	\$ 47,962
Library	1,770	---
Downtown Restoration Fund	455	---
Reconstruct Rice Lane	78	---
Rimmon Hill Capital Project	2,925	139,636

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. On October 26, 2006 the Town issued \$3,000,000 Bond Anticipation Notes to fund these projects. This bond anticipation note was repaid on July 26, 2007 and another anticipation note was issued.

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 coverages for the past 3 years.

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, 2007 the amounts due to and from other funds were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non Rec Capital Expenditure	\$ 78,642
General Fund	Special Projects	20,375
General Fund	Rimmon Hill Capital Projects	145,583
General Fund	Pension Obligation	223,039
Sewer and Waste Water	General Fund	774
Non Rec Capital Expenditure	Bonding Projects Fund	23,375
Cedar Lane Capital Project	Rimmon Hill Capital Project	220
<u>Total</u>		<u>\$492,008</u>

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, 2007

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues:				
Reimbursement monies:				
Leachate collection system	\$ 75,000	\$ 75,000	\$ 81,424	\$ 6,424
State property tax	69,000	69,000	69,250	250
Elderly tax relief	39,500	39,500	32,992	(6,508)
Mfg's machinery & equipment	140,000	140,000	65,427	(74,573)
Library	1,500	1,500	1,405	(95)
Disability tax relief	850	850	1,668	818
Additional exemption for veterans	16,000	16,000	6,621	(9,379)
Town aid road maintenance	78,182	78,182	90,937	12,755
School Equalization grant	3,437,310	3,437,310	3,437,135	(175)
COPS Fast Program	33,000	33,000	-	(33,000)
Mashantucket Pequot grant	45,048	45,048	46,863	1,815
Local capital improvement program	151,000	151,000	96,360	(54,640)
Miscellaneous grants	5,000	25,930	98,466	72,536
Miscellaneous reimbursements	15,000	15,000	43,686	28,686
Total Reimbursement Monies	4,106,390	4,127,320	4,072,234	(55,086)
Fees				
Planning/Zoning Commission	80,000	80,000	13,390	(66,610)
Zoning Board of Appeals	2,000	2,000	1,650	(350)
Building Permits	50,000	50,000	47,562	(2,438)
Recreation area permits	500	500	8,109	7,609
Miscellaneous permits/fees/fines	10,000	10,000	5,530	(4,470)
Inland wetlands fees	7,500	7,500	25,155	17,655
Zoning regulations/maps	350	350	3,426	3,076
Disposal fees	750	750	2,498	1,748
Mini-bus	650	650	777	127
Total Fees	151,750	151,750	108,097	(43,653)
Taxes				
Real estate conveyance tax	95,000	95,000	68,405	(26,595)
Telecomm property tax	35,000	35,000	26,809	(8,191)
Assessments, water, and sewer	289,500	289,500	226,672	(62,828)
Property taxes	10,982,714	10,982,714	11,358,153	375,439
Total Taxes	11,402,214	11,402,214	11,680,039	277,825
Refunds				
Region #16 Fund Balance	-	-	-	-
Gas and miscellaneous refunds	850	850	22,293	21,443
Xerox equipment refunds	2,000	2,000	6,042	4,042
Total Refunds	2,850	2,850	28,335	25,485
Interest Earned				
Interest on investments	60,250	60,250	95,264	35,014
Amounts Available for Appropriation	\$ 15,723,454	\$ 15,744,384	\$ 15,983,969	\$ 239,585

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, 2007

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Expenditures:				
General Government				
Selectmen	\$ 155,453	\$ 191,979	\$ 191,979	\$ -
Town Hall	110,636	143,802	143,680	122
Town Clerk	95,499	88,499	86,717	1,782
Tax Collector	67,023	74,012	73,970	42
Town Treasurer	6,531	5,531	5,531	-
Building Inspector	31,967	32,523	32,150	373
Employee's benefits	771,000	849,683	833,645	16,038
Board of Assessors	137,463	115,685	114,540	1,145
Board of Assessment Appeals	2,253	2,253	2,132	121
Zoning Board of Appeals	2,050	7,541	7,540	1
Board of Finance	1,800	1,482	1,481	1
Economic Dev. Commission	2,100	873	872	1
Inland Wetlands Commission	25,100	31,984	30,533	1,451
Conservation Commission	8,250	3,100	3,099	1
Planning/Zoning Commission	58,000	138,262	137,936	326
Water Pollution Control Auth	7,500	24,475	24,474	1
Registrar of Voters	29,566	37,783	37,781	2
Professional fees	67,500	131,280	128,073	3,207
Town wide insurance	115,000	110,662	108,292	2,370
Total General Government	1,694,691	1,991,409	1,964,425	26,984
Public Safety				
Fire house building	40,240	41,675	41,499	176
Fire protection	148,887	171,802	171,799	3
Fire Marshal	27,276	25,289	25,289	-
Civil defense	12,500	11,806	11,805	1
Safety committee	1,000	759	759	-
Hydrant rental	149,100	137,151	137,150	1
Ambulance	46,700	47,970	39,939	8,031
Police	366,166	461,597	380,598	80,999
Dog Warden	8,790	8,790	8,727	63
Public safety, other expenses	78,420	78,976	67,760	11,216
Total Public Safety	879,079	985,815	885,325	100,490
Street Department				
Highway maintenance	525,375	560,001	559,923	78
Town garage	27,450	18,408	18,408	-
Total Street Department	552,825	578,409	578,331	78
Sanitation				
Refuse	333,500	340,525	340,523	2
Waste water treatment	409,305	425,941	425,714	227
Total Sanitation	742,805	766,466	766,237	229

own of Beacon Falls
 equired Supplementary Information
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual - General Fund
 Year Ended June 30, 2007

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Expenditures (continued):				
	\$	\$	\$	\$
Social Services				
Welfare	7,500	5,500	5,500	-
Community welfare	50,081	51,059	51,059	-
Total Social Services	57,581	56,559	56,559	-
Recreation				
Library	99,515	100,723	100,121	602
Park recreation commission	220,650	224,647	222,040	2,607
Youth program	3,500	3,594	3,594	-
Commission for the Elderly	2,067	1,059	1,059	-
Mini-bus operations	14,043	23,062	23,061	1
Senior citizen's center	11,160	15,392	14,810	582
Total Recreation	350,935	368,477	364,685	3,792
Education	11,171,575	11,089,391	11,089,390	1
Other expenditures				
Agency membership	7,370	7,370	7,370	-
Historic Commission	1,850	575	575	-
Contingency fund	50,000	52,960	60,128	(7,168)
Total Other Expenditures	59,220	60,905	68,073	(7,168)
Debt service				
Interest & principal - Bond issue	369,743	335,193	335,193	-
Total Expenditures	15,878,454	16,232,624	16,108,218	124,406
Revenue less Expenditures	(155,000)	(488,240)	(124,249)	363,991
Operating Transfers In				
Sewer & Waste Water Fund	155,000	155,000	155,000	-
Increase (Decrease) for the Year	-	(333,240)	30,751	363,991
Beginning of Year	-	333,240	1,180,501	847,261
End of year	\$ -	\$ -	\$ 1,211,252	\$ 1,211,252

Non Major Governmental Funds - Special Revenue Funds
Combining Balance Sheet
June 30, 2007

	Non Rec Capital Expenditure Fund	Historic Commission Fund	Library Fund	Dog Fund	Special Projects Fund	Downtown Restoration Fund	Housing Rehab Fund
Assets	\$	\$	\$	\$	\$	\$	\$
Cash	7,305	2,241	2,865	5,243	21,257	1,070	102,829
Investments at fair value	---	2,984	---	---	---	---	---
Grant receivable	---	---	---	---	---	---	---
Due from other funds	23,375	---	---	---	---	---	---
Total Assets	30,680	5,225	2,865	5,243	21,257	1,070	102,829
Liabilities and Fund Balance							
Accounts payable	---	---	---	4,587	---	---	---
Due to other funds	78,642	---	---	---	20,375	---	---
Total Liabilities	78,642	---	---	4,587	20,375	---	---
Fund Balance	(47,962)	5,225	2,865	656	882	1,070	102,829
Total Liabilities and Fund Balance	\$ 30,680	\$ 5,225	\$ 2,865	\$ 5,243	\$ 21,257	\$ 1,070	\$ 102,829

Continued

	Reconstruct Rice Lane Fund	Grange Fund	Pension Obligation Fund	Woodland Lights Fund	Special Activity Fund	Total Special Revenue Funds
Assets	\$	\$	\$	\$	\$	\$
Cash	---	4,215	223,039	---	1,463	371,527
Investments at fair value	---	---	---	---	---	2,984
Grant receivable	---	---	---	---	---	---
Due from other funds	---	---	---	---	---	23,375
Total Assets	---	4,215	223,039	---	1,463	397,886
Liabilities and Fund Balance						
Accounts payable	---	---	---	---	---	4,587
Due to other funds	---	---	223,039	---	---	322,056
Total Liabilities	---	---	223,039	---	---	326,643
Fund Balance	---	4,215	---	---	1,463	71,243
Total Liabilities and Fund Balance	\$ ---	\$ 4,215	\$ 223,039	\$ ---	\$ 1,463	\$ 397,886

Concluded

NON MAJOR GOVERNMENTAL FUNDS - Special Revenue Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2007

	Non Rec Capital Expenditure Fund	Historic Commission Fund	Library Fund	Dog Fund	Special Projects Fund	Downtown Restoration Fund	Housing Rehab Fund
Revenues	\$	\$	\$	\$	\$	\$	\$
Investment income	6,236	240	5	282	1,097	---	---
Grants and donations	---	---	---	---	6,690	14,445	3,841
Activity income	---	---	3,595	4,797	---	---	---
Total	6,236	240	3,600	5,079	7,787	14,445	3,841
Expenditures and Transfers							
Activity expenses	---	---	5,370	4,624	4,249	14,900	---
Net Change	6,236	240	(1,770)	455	3,538	(455)	3,841
Fund Balance - Beginning	(54,198)	4,985	4,635	201	(2,656)	1,525	98,988
Fund Balance - Ending	(47,962)	5,225	2,865	656	882	1,070	102,829

Continued

	Reconstruct Rice Lane Fund	Grange Fund	Pension Obligation Fund	Woodland Lights Fund	Special Activity Fund	Total Special Revenue Funds
Revenues	\$	\$	\$	\$	\$	\$
Investment income	---	18	---	---	---	11,719
Grants and donations	---	---	---	56,264	---	77,399
Activity income	---	---	---	---	2,730	11,122
Total	---	18	---	56,264	2,730	100,240
Expenditures and Transfers						
Activity expenses	78	---	---	56,264	1,267	86,752
Net Change	(78)	18	---	---	1,463	13,488
Fund Balance - Beginning	78	4,197	---	---	---	57,755
Fund Balance - Ending	---	4,215	---	---	1,463	71,243

Concluded

Town of Beacon Falls
 Non Major Governmental Funds - Capital Projects
 Combining Balance Sheet
 June 30, 2007

	Rimmon Hill Sewer Project	Cedar Lane Water Project	Pent Road Recreation Rehabilitation	Total Capital Projects
Assets				
Cash	\$ 6,167	\$ 80,882	\$ -	\$ 87,049
Due from other capital project funds	-	220	-	220
Utility deposit	-	-	5,645	5,645
Total Assets	\$ 6,167	\$ 81,102	\$ 5,645	\$ 92,694
Liabilities and Fund Balances				
Due to general fund	\$ 145,583	\$ -	\$ -	\$ 145,583
Due to Cedar Lane Water Project Fund	220	-	-	220
Total Liabilities	145,803	-	-	145,803
Fund Balance (Deficit)	(139,636)	81,102	5,645	(52,889)
Total Liabilities and Fund Balance	\$ 6,167	\$ 81,102	\$ 5,645	\$ 92,914

Town of Beacon Falls
Non Major Governmental Funds - Capital Projects
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2007

	Rimmon Hill Sewer Project	Cedar Lane Water Project	Pent Road Recreation Rehabilitation	Total Capital Projects
Revenue				
Investment income	\$ 344	\$ 3,879	\$ -	\$ 4,223
Expenditures				
Miscellaneous	3,269	-	-	3,269
Deficiency of Revenue Over Expenditures	(2,925)	3,879	-	954
Fund Balance (Deficit)-Beginning of Year	(136,711)	77,223	5,645	(53,843)
Fund Balance (Deficit)-End of Year	<u>\$ (139,636)</u>	<u>\$ 81,102</u>	<u>\$ 5,645</u>	<u>\$ (52,889)</u>

Schedule of Property Taxes Levied, Collected, and Outstanding
(Report of Tax Collector)
June 30, 2007

Grand List Year	Taxes		Corrections		Transfers (To)/From Suspense	Adjusted Taxes Receivable	Collections			Taxes Receivable 6/30/07									
	7/1/06	Receivable	Additions	Deductions			Taxes	Interest	Liens & Costs										
					\$	\$				\$	\$	\$	\$	\$					
	\$	\$	\$	\$	\$	\$	\$	\$	\$	Total	\$								
2005	10,911,757		125,040	-	-	11,036,797	10,718,821	56,544	-	10,775,365	317,976								
2004	336,482		-	37,912	-	298,570	192,587	35,890	1,392	229,869	105,983								
2003	119,061		-	6,598	-	112,463	41,005	15,822	432	57,259	71,458								
2002	75,294		-	898	-	74,396	24,236	13,441	312	37,989	50,160								
2001	50,901		-	269	-	50,632	14,007	10,183	240	24,430	36,625								
2000	56,687		-	248	-	56,439	8,837	8,329	96	17,262	47,602								
1999	35,072		-	-	-	35,072	6,160	7,036	72	13,268	28,912								
1998	35,806		-	128	-	35,678	6,146	8,123	72	14,341	29,532								
1997	35,491		-	1,125	-	34,366	5,304	9,469	72	14,845	29,062								
1996	43,469		-	191	-	43,278	7,448	12,511	72	20,031	35,830								
1995	41,261		-	108	-	41,153	7,262	13,881	72	21,215	33,891								
1994	32,307		-	123	-	32,184	7,083	9,803	96	16,982	25,101								
1993	50,213		-	181	-	50,032	3,332	7,448	24	10,804	46,700								
1992	32,371		-	-	-	32,371	3,194	7,712	24	10,930	29,177								
1991	18,813		-	-	-	18,813	336	857	24	1,217	18,477								
1990	16,437		-	-	-	16,437	-	-	-	-	16,437								
1989	21,824		-	-	(21,824)	-	-	-	-	-	-								
<hr/>																			
\$	11,913,246	\$	125,040	\$	47,781	\$	(21,824)	\$	11,968,681	\$	11,045,758	\$	217,049	\$	3,000	\$	11,265,807	\$	922,923

Town of Beacon Falls
Schedule of Special Assessments
(Report of Tax Collector)
June 30, 2007

	Balance July, 1 2006	New Assessment	Current Year Adjustment	Collections	Balance June 30, 2007
	\$	\$	\$	\$	\$
Sewer					
Area 5	4,403	-	-	-	4,403
Area 6	222	-	-	-	222
Area 7	1,444	161	-	-	1,605
Plan 1	15,856	207,283	-	-	(750)
Plan 2	231	4,173	-	(223,889)	4,404
Water					
Area 1	809	-	-	-	809
Total Current	\$ <u>22,965</u>	\$ <u>211,617</u>	\$ <u>-</u>		
Assessments Receivable June 30, 2007					
Total Collections			\$ <u>(223,889)</u>	\$ <u>10,693</u>	

Town of Beacon Falls
Schedule of (Statement) of Debt Limitation
for the year ended June 30, 2007

Total Tax Collections (including interest and lien fees)
for the year Ending June 30, 2006

\$ 11,265,807

Reimbursement for Revenue Loss On:
Tax relief for the elderly

2,000

Total Base

\$ 11,267,807

Debt Limitation	General Purpose	Schools	Sewers	Urban Renewal	Three Times Pension Obligation
1/4 times base	\$ 25,352,566	\$ -	\$ -	\$ -	\$ -
1/2 times base	-	50,705,132	-	-	-
3/4 times base	-	-	42,254,276	-	-
1/4 times base	-	-	-	36,620,373	-
times base	-	-	-	-	30,732,195
	<u>25,352,566</u>	<u>50,705,132</u>	<u>42,254,276</u>	<u>36,620,373</u>	<u>30,732,195</u>

Indebtedness

Bonds and notes payable	1,423,161	-	2,269,032	-	-
Bonds anticipation notes payable	3,000,000	-	-	-	-
Unfunded accrued pension obligation	-	-	-	-	1,702,803
Regional School District #16 bonds payable (\$30,185,000 Town of Beacon Falls share 38.574%)	-	11,643,562	-	-	-
Total Indebtedness	<u>4,423,161</u>	<u>11,643,562</u>	<u>2,269,032</u>	<u>-</u>	<u>1,702,803</u>

Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 20,929,405</u>	<u>\$ 39,061,570</u>	<u>\$ 39,985,244</u>	<u>\$ 36,620,373</u>	<u>\$ 29,029,392</u>
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TE: In no case shall total indebtedness exceed seven times annual receipts from taxation.



Charles Heaven & Co.
Certified Public Accountants
Waterbury, Connecticut

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, 2007, which collectively comprise the Town of Beacon Falls, Connecticut's basic financial statement and have issued our report thereon dated December 17, 2007. 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 2007-1 thru 2007-4 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 2007-1.

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.

December 17, 2007

Town of Beacon Falls
Schedule of Findings and Responses
June 30, 2007

2007-1

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.

2007-2

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
 - o Cash disbursements journal
 - o Journal entry register with sample accounting entries
 - o Budgetary procedures - including transfer and additional appropriation
 - o 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.

2007-3

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.

2007-4

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.

AUDIT OF STATE FINANCIAL ASSISTANCE PROGRAMS



Charles Heaven & Co.
Certified Public Accountants
Waterbury, Connecticut

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, 2007. 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, 2007.

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, 2007, and have issued our report thereon dated December 17, 2007. 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.

December 17, 2007

Town of Beacon Falls
Schedule of Expenditures of State Financial Assistance
For the year ended June 30, 2007

<u>State Grantor Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Office of the State Comptroller:		
Boat Grant	12027-OSC15910-40211	\$ 1,184
Mashantucket Pequot / Mohegan Fund	12009-OSC15910-17005	46,863
Payment in lieu of taxes (PILOT) on state owned property	11000-OSC15910-17004	69,250
Office of Policy and Management:		
Property tax relief for elderly and totally disabled homeowners	11000-OPM20600-17018	36,579
Property tax relief for elderly homeowners - freeze programs	11000-OPM20600-17021	34,992
Property tax relief for manufacturing machinery and equipment	11000-OPM20600-17031	65,427
Property tax relief for the disabled	11000-OPM20600-17011	1,668
Property tax relief for veterans	11000-OPM20600-17024	6,621
Local capital improvement	12050-OPM20600-40254	96,360
Distressed Municipality	11000-OPM20600-17016	46,973
Department of Transportation:		
Town aid roads	12001-DOT57000-17036	90,937
Department of Environmental Protection		
Woodland High School Bleachers	12052-DEP44420-64004	56,264
Clean Water Fund	21014-OTT14230-40001	378,583
Department of Connecticut State Library:		
Library	11000-CSL66051-17003	1,406
CTCard	11000-CSL66051-17010	87
Department of Economic and Community Development		
Urban Act OPM	13019-ECD46100-41240	14,445
State of Connecticut Secretary of the State		
Elections - Add a Line 101107	Unknown	1,521
Judicial Department:		
Distribution of parking fines	34001-JUD95162-40001	4,135
Total State Financial Assistance before exempt programs		<u>953,295</u>
Exempt Programs		
Department of Education:		
Education cost-sharing	11000-SDE64370-17041	<u>3,437,115</u>
Total State Financial Assistance		\$ <u><u>4,390,410</u></u>

See Accompanying Notes to Schedule

Town of Beacon Falls
State Financial Assistance Programs
Notes to Schedule
Year Ended June 30, 2007

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
For the Year Ended June 30, 2007

I. SUMMARY OF AUDIT RESULTS

Financial Statements

We audited the basic financial statements of the Town of Beacon Falls, Connecticut as of and for the year ended June 30, 2007 and issued our unqualified report thereon dated December 17, 2007.

Internal control over financial reporting:

Material weaknesses identified?

_____ yes X no

Reportable conditions identified that
are not considered to be material
weaknesses?

 X yes _____ none reported

Noncompliance material to financial
statements noted?

_____ yes X no

State Financial Assistance

Internal control over major programs:

Material weaknesses identified?

_____ yes X no

Reportable conditions identified that
are not considered to be material
weaknesses?

_____ yes X none reported

We have issued an unqualified opinion relating to compliance for major State programs.

Any audit findings disclosed that are required

To be reported in accordance with Section
4-236-24 of the Regulations to the State
Single Audit Act?

_____ yes X no

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

State Grant Program	Identification Number	Expenditures
State Grantor and Program		
Department of Environmental Protection:		
Clean Water Fund	21014-OTT14230-40001	\$ 378,583
Department of Transportation:		
Town Aid Roads	12001-DOT57000-17036	90,937
Office of Policy Management:		
Local Capital Improvement	12050-OPM20600-40254	<u>96,360</u>
		<u>\$ 565,880</u>

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

We issued reports, dated December 17, 2007, 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:

2007-1

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 four reportable conditions.

2007-1

Finding:

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.

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.

2007-2

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
- o Cash disbursements journal
- o Journal entry register with sample accounting entries
- o Budgetary procedures - including transfer and additional appropriation
- o 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.

**Town of Beacon Falls
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007**

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.

2007-3

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.

2007-4

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.