

Town of Chaplin, Connecticut

**Financial Statements
Internal Control Reports
and Compliance Reports**

For the Year Ended June 30, 2008

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CERTIFIED PUBLIC ACCOUNTANTS + ADVISORS

**Town of Chaplin, Connecticut
For the Year Ended June 30, 2008**

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INDEPENDENT AUDITORS' REPORT

Board of Finance
Town of Chaplin, Connecticut
Chaplin, 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 Chaplin, Connecticut as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Chaplin, 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.

The Town made prior period adjustments. These are discussed further in footnote 1.

In our opinion, the financial statements referred to in the first paragraph 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 Chaplin, Connecticut as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis immediately following this report and budgetary comparison information included in Required Supplementary Information (RSI) 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 supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with Government Auditing Standards, we have also issued our report dated September 1, 2008 on our consideration of the Town of Chaplin, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Maier + Company

September 1, 2008

**Town of Chaplin, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2008**

Our discussion and analysis of Town of Chaplin, Connecticut's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Town's financial statements, which begin with Exhibit 1.

FINANCIAL HIGHLIGHTS

- The Town's net assets increased by \$81,833 as a result of this year's operations.
- The Town's fund balance increased. The increase for all funds totaled \$25,200.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start with Exhibit 3 and continue through Exhibit 5. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Town as a Whole

Our analysis of the Town as a whole begins with Exhibit 1. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's *net assets* and changes in them. You can think of the Town's net assets—the difference between assets and liabilities—as one way to measure the Town's financial health, or *financial position*. Over time, *increases or decreases* in the Town's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the *overall health* of the Town.

In the Statement of Net Assets and the Statement of Activities, the Town only reports governmental activities. These are the Town's basic services, including the education, public

**Town of Chaplin, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2008**

works, and general administration. Property taxes, state and federal grants and local revenues such as fees and licenses finance most of these activities.

Reporting the Town's Most Significant Funds

Our analysis of the Town's major funds begins in the section titled "The Town's Funds". The fund financial statements begin with Exhibit 3 and provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of Finance establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

The *governmental funds* focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified* accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

The Town as Trustee

The Town is the trustee, or *fiduciary*, for the activity funds at the school. These funds do not belong to the Town. The Town's fiduciary activities are reported in separate Statements of Fiduciary Net Assets in Exhibit 5. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE TOWN AS A WHOLE

The Town's net assets increased \$81,833 during this year. They increased from \$6,171,533 to \$6,253,366. This increase was primarily due to the reduction of the Town's debt. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town.

Net assets invested in capital assets, net of related debt increased by \$322,273. During the year the Town added \$217,415 in capital assets. This primarily consisted of \$145,868 spent on road improvements. In addition, this figure also contemplates the debt related to the capital assets. The debt related to the capital assets decreased by \$279,969. Part of the increase in the amounts invested in capital assets, net of related debt, was paid for with the current year "profits" of \$83,833. The rest was paid with unrestricted net assets.

**Town of Chaplin, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2008**

**Table 1
Net Assets (on Exhibit 1)**

	2008	Change During Year		2007
		Dollars	Percent	
Current and other assets	\$ 2,011,354	\$ (200,243)	-9.05%	\$ 2,211,597
Capital assets	5,811,457	42,304	0.73%	5,769,153
Total assets	7,822,811	(157,939)	-1.98%	7,980,750
Long-term debt outstanding	1,209,655	(261,915)	-17.80%	1,471,570
Other liabilities	359,800	22,153	6.56%	337,647
Total liabilities	1,569,455	(239,762)	-13.25%	1,809,217
Net assets:				
Invested in capital assets, net of related debt	4,803,436	322,273	7.19%	4,481,163
Restricted	5,925	-	0.00%	5,925
Unrestricted	1,444,005	(240,440)	-14.27%	1,684,445
Total net assets	\$ 6,253,366	\$ 81,833	1.33%	\$ 6,171,533

Table 2 shows the components of the change in net assets this year compared to last year:

**Table 2
Change in Net Assets**

	2008	Change		2007
		Dollars	Percent	
Revenues				
Program revenues:				
Charges for services	\$ 228,528	\$ 19,255	9.20%	\$ 209,273
Operating grants and contributions	2,456,981	90,997	3.85%	2,365,984
Capital grants and contributions	53,730	(12,006)	-18.26%	65,736
General revenues:				
Property taxes	4,692,033	261,868	5.91%	4,430,165
Grants and contributions	125,869	(2,200)	-1.72%	128,069
Interest and investment earnings	57,318	(23,612)	-29.18%	80,930
Gain on disposal of assets	-	(3,223)	100.00%	3,223
Other general revenues	2,749	(8,328)	-75.18%	11,077
Total revenues	7,617,208	322,751	4.42%	7,294,457
Program expenses				
General government	586,836	(50,900)	-7.98%	637,736
Public safety	222,806	24,827	12.54%	197,979
Public works	624,112	171,694	37.95%	452,418
Education	6,029,777	257,492	4.46%	5,772,285
Interest on long-term debt	71,844	(17,643)	-19.72%	89,487
Total expenses	7,535,375	385,470	5.39%	7,149,905
Increase (decrease) in net assets	\$ 81,833	\$ (62,719)	-43.39%	\$ 144,552

**Town of Chaplin, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2008**

Property taxes comprise 62% of the total government-wide revenues. As a percentage of total revenue, this is up from 61% last year. The small change is due primarily to the decrease in interest and investment earnings from 2007 to 2008. Interest and investment earnings decreased \$23,612 from \$80,930 in 2007 to \$57,318 in 2008. This is as a result of declining interest rates during that period.

The Town's total tax revenue increased 4.42% (\$322,731) this year over last year. Most of this was due to an increase in the grand list of \$277,371 (6.08%). The mill rate increased modestly from 33.8 to 35.5 mills (4.79%).

Total expenses increased by a net amount of \$385,470 or 5.39%. The education spending increased by \$257,492 or 4.46%. Of the total increase in education spending, \$168,158 was the increase in the Town's allocation for the regional high school. This allocation increased primarily due to an increase in the Town's prorated share of students attending the school.

Table 3 presents the cost of each of the Town's governmental programs as well as each governmental 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.

Table 3

	Total Cost of Services		Incr. Decr.	Net Cost of Services		Incr. Decr.
	2008	2007		2008	2007	
Governmental Activities						
General government	\$ 586,836	\$ 637,736	-7.98%	\$ 428,795	\$ 453,360	-5.42%
Public safety	222,806	197,979	12.54%	216,650	196,084	10.49%
Public works	624,112	452,418	37.95%	511,386	330,949	54.52%
Education	6,029,777	5,772,285	4.46%	3,567,481	3,439,032	3.74%
Interest on debt	71,844	89,487	-19.72%	71,844	89,487	-19.72%
Totals	\$ 7,535,375	\$ 7,149,905	5.39%	\$ 4,796,156	\$ 4,508,912	6.37%

The total cost of public works increased from last year due to an increase in road maintenance projects. The net cost of public works increased even more due to the fact that there were less grant revenues this year and more road expenditures.

THE TOWN'S FUNDS

The year showed an increase in net assets of \$81,813 in the government-wide statements (Exhibit 1 and 2) on a full accrual basis measuring long-term health. The Town showed an increase in fund balance in the governmental funds of \$25,200 as presented in Exhibits 3 and 4. These statements are on the modified accrual basis and are more a measure of short-term health.

**Town of Chaplin, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2008**

In the fund financial statements principal payments on long-term debt are a reduction in fund balance when the payments on the debt are made. Debt payments are never a direct reduction in net assets on the government-wide statements. Likewise, purchases of capital assets are a reduction in fund balance when the purchase is made. Capital asset purchases are never a direct reduction in net assets on the government-wide statements.

In addition, these other changes in fund balances should be noted:

- The General Fund's fund balance decreased by \$15,289. There was a planned reduction in equity in order to offset taxes of \$163,942, however more revenue was collected and there were less expenses than expected.
- The Capital Improvement Program continued to be used for capital and nonrecurring projects. A summary of the year's transactions, by project, can be found in Schedule 2 in the back of the financial statements.

General Fund Budgetary Highlights

Over the course of the year, the Board of Finance can revise the Town budget with additional appropriations and budget transfers. Additional appropriations increase the total budget. The Board of Finance is allowed by State Statute to make one additional appropriation up to \$20,000 per line item or department. A second additional appropriation or an appropriation over \$20,000 requires a Town Meeting. Transfers do not increase the total budget, but instead pulls appropriations from one department that might have excess funding, to another department that needs additional funding. State Statutes allow these transfers to be made by the Board of Finance without a Town Meeting.

In the original budget, the Town expected to decrease the fund balance by \$163,942 so that the tax rate would stay down. During the year, the Town made \$5,682 in additional appropriations to revenue and \$10,725 in appropriations to expense accounts. The net effect of the appropriations is \$5,043. Had the actual transactions equaled the budget, the Town would have reduced the Fund Balance by \$168,985. Instead, the revenues were \$69,557 higher than budgeted and the expenditures were \$51,822 lower than budget. In total the actual transaction were \$121,379 better than budget. Instead of reducing the Fund Balance by \$168,985, the transactions during the year decreased the budgetary Fund Balance by \$47,606.

Below is a summarized view of the final budget and actual results for the General Fund:

**Town of Chaplin, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2008**

**Table 4
General Fund - Budget Summary**

	Final Budget	Actual	Variance
Revenues			
Property Taxes	\$ 4,538,410	\$ 4,574,110	\$ 35,700
Reimbursements in Lieu of Taxes	233,761	225,931	(7,830)
Intergovernmental - Operations	120,371	125,543	5,172
Intergovernmental - Education	2,134,594	2,132,370	(2,224)
Receipts for Town Services	60,800	72,940	12,140
Other Funds	101,645	128,244	26,599
	<u>7,189,581</u>	<u>7,259,138</u>	<u>69,557</u>
Expenditures			
General Government	1,348,641	1,296,822	51,819
Education	5,489,569	5,489,569	-
Debt Service	356,856	356,853	3
Transfer to Capital Improvement Program	163,500	163,500	-
	<u>7,358,566</u>	<u>7,306,744</u>	<u>51,822</u>
Excess (Deficiencies) of Revenues Over Expenditures	<u>\$ (168,985)</u>	<u>\$ (47,606)</u>	<u>\$ 121,379</u>

Significant variances are summarized as follows:

- Tax Collections in the fund financial statements do not include monies collected from the State of Connecticut for the State's tax incentive programs. Instead they are included as intergovernmental revenues where they are budgeted. These State payments are included in total property taxes in the Government-wide statements because they are directly related to the assessments of taxes on the property.

Tax Collections are generally analyzed by percentages. The most common is the percentage of taxes collected in the current year compared to the current year levy. This would indicate what percentage of the taxpayers paid their taxes in the year in which they were due. The Town collected 97.45% of the current year taxes during the year. This is slightly lower than the budgeted collection rate of 97.50% (the average collection rate over the last four years). This resulted in \$22,213 lower collections than budgeted. Strong back tax collections of \$34,394 over budget and interest and lien fees of \$23,519 over budget contributed to the total property taxes being \$35,700 over budget.

- General Government expenditures were \$51,819 under budget. One large cause of this decrease was the fact that Transfer Station expenses were \$17,041 under budget. For further detail of the General Government expenditures see the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.

**Town of Chaplin, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2008**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008, the Town had \$5,811,457 invested in capital assets (net of accumulated depreciation). This amount represents a net increase (including additions and deductions) of \$42,304 from last year. In total there was \$217,415 in additional assets. The community center renovations were removed from construction in progress and placed into service as building and improvements. Additions to infrastructure (roads) totaled \$145,868. Total assets were offset by \$175,109 of annual depreciation. More detailed information about the Town's capital assets is presented in Note 5 to the financial statements.

Debt

At year end, the Town had \$1,008,021 in bonds outstanding. This is a decrease of \$279,969 from last year. The Town does not have a current bond rating since it has not been required to issue debt in a number of years. More detailed information about the Town's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2009 budget and tax rates. In recent years the real estate market has been very strong, but interest rates have increased over the past year. This may slow the market and therefore slow tax collections as people must be current on their taxes to sell or refinance. This would also reduce the increased income from conveyance taxes, refinancing and recording fees. The State provides most of the intergovernmental revenues. The State was not expected to increase grants more than slightly.

These indicators were taken into account when adopting the General Fund budget for 2009. The Board of Finance elected to keep the increase in the mill rate to a minimum (1.25 mills) and use \$118,075 of accumulated fund balance to offset a larger tax increase. After the budget was passed, the State passed their budget with additional revenues to the Town. In addition, the regional school district passed their final budget and made their final allocations to the Town. It is estimated that, with these adjustments, only \$119,989 of fund balance will be needed to offset a larger tax increase. This is the equivalent of approximately .94 mills.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Finance at Town of Chaplin, Connecticut, P.O. Box 286, Chaplin, CT 06235.

Town of Chaplin, Connecticut
Statement of Net Assets
June 30, 2008

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,196,661
Receivables, net of allowance for collection losses	783,599
Due from related parties	28,336
Inventory	2,758
Capital assets, net of accumulated depreciation	5,811,457
Total assets	7,822,811
LIABILITIES	
Accounts payable	138,120
Accrued wages and benefits	173,027
Accrued interest	17,920
Deferred revenue	30,723
Noncurrent liabilities:	
Due within one year	300,862
Due in more than one year	908,793
Total liabilities	1,569,445
NET ASSETS	
Invested in capital assets, net of related debt	4,803,436
Restricted net assets:	
Nonexpendable	5,925
Unrestricted net assets	1,444,005
Total net assets	\$ 6,253,366

The notes to the financial statements are an integral part of this statement.

Town of Chaplin, Connecticut
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Program Specific Revenues				Net (Expense)	
	Expenses	Charges for		Grants and Contributions	Government	Total
		Services	Operating			
Governmental activities:						
General government	\$ (586,836)	\$ 108,391	\$ 49,650	\$ -	\$	(428,795)
Public safety	(222,806)	4,131	2,025	-		(216,650)
Public works	(624,112)	13,100	98,111	1,515		(511,386)
Education	(6,029,777)	102,906	2,307,195	52,215		(3,567,461)
Interest on long-term debt	(71,844)	-	-	-		(71,844)
Total primary government	\$ (7,535,375)	\$ 228,528	\$ 2,456,981	\$ 53,730		(4,796,136)
General revenues:						
Property taxes, payments in lieu of taxes, interest and liens						4,692,033
Grants and contributions						125,869
Interest and investment earnings						57,318
Miscellaneous						2,749
Total general revenues						4,877,969
Changes in net assets						81,833
Net assets, beginning of the year						6,171,533
Net assets, end of the year					\$	6,253,366

The notes to the financial statements are an integral part of this statement.

Town of Chaplin, Connecticut
Balance Sheet
Governmental Funds
June 30, 2008

	General Fund	Capital Improvement Program	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 975,812	\$ 137,807	\$ 83,042	\$ 1,196,661
Receivables	778,185	-	5,414	783,599
Inventory	-	-	2,758	2,758
Due from other governmental funds	7,391	-	11,042	18,433
Due from related parties	32,761	-	12,425	45,186
Total assets	\$ 1,794,149	\$ 137,807	\$ 114,681	\$ 2,046,637
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ 80,207	\$ 56,247	\$ 1,666	\$ 138,120
Accrued expenses	158,670	-	14,357	173,027
Deferred revenue	716,737	-	30,723	747,460
Due to other governmental funds	11,042	-	7,391	18,433
Due to related parties	14,603	-	2,247	16,850
Total liabilities	981,259	56,247	56,384	1,093,890
Fund balance				
Reserved	167,116	-	8,683	175,799
Unreserved, reported in:				
General Fund	645,774	-	-	645,774
Special Revenue Fund	-	-	49,614	49,614
Capital Projects Fund - Undesignated	-	50,463	-	50,463
Capital Projects Fund - Designated	-	31,097	-	31,097
Permanent Funds	-	-	-	-
Total fund balance	812,890	81,560	58,297	952,747
Total liabilities and fund balance	\$ 1,794,149	\$ 137,807	\$ 114,681	

Reconciliation of net assets to fund balances - total governmental funds:

Less: Long-term liabilities not due and payable in current period:	
Bonds, notes, capital leases payable and unamortized premiums on bond costs	(1,008,021)
Compensated absences and special termination benefits	(201,634)
Post-closure landfill costs	
Accrued interest payable	(17,920)
Plus:	
Deferred charges on bond costs (to be amortized over the life of the bond)	
Net capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	5,811,457
Differences in recording prepaid insurance premiums under each basis of accounting	-
Other long-term assets not available to pay for current period expenditures, recorded as deferred revenue in the funds	716,737
Net assets reported on the government-wide financial statements (Exhibit 1)	\$ 6,253,366

The notes to the financial statements are an integral part of this statement.

Town of Chaplin, Connecticut
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	General Fund	Capital Improvement Program	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes, interest and lien fees	\$ 4,574,110	\$ -	\$ -	\$ 4,574,110
Intergovernmental revenues	2,658,993	91,336	229,534	2,979,863
Local revenues	208,096	1,898	125,450	335,444
	<u>7,441,199</u>	<u>93,234</u>	<u>354,984</u>	<u>7,889,417</u>
Expenditures				
Current expenditures:				
General government	660,618	-	22,471	683,089
Public Safety	204,705	-	-	204,705
Public Works	431,807	-	-	431,807
Education	5,602,595	-	323,132	5,925,727
Capital outlay	-	262,036	-	262,036
Debt service	356,853	-	-	356,853
	<u>7,256,578</u>	<u>262,036</u>	<u>345,603</u>	<u>7,864,217</u>
Excess (deficiency) of revenues over expenditures	184,621	(168,802)	9,381	25,200
Other financing sources (uses)				
Operating transfers in	88	163,500	36,498	200,086
Operating transfers out	(199,998)	-	(88)	(200,086)
	<u>(199,910)</u>	<u>163,500</u>	<u>36,410</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(15,289)	(5,302)	45,791	25,200
Fund balance, beginning of the year	828,179	86,862	12,506	927,547
Fund balance, end of the year	<u>\$ 812,890</u>	<u>\$ 81,560</u>	<u>\$ 58,297</u>	<u>\$ 952,747</u>

Reconciliation of the statement of revenues, expenditures and changes in fund balance (above) to the statement of activities (Exhibit 2)

Net change in fund balances - total governmental funds (above)	\$ 25,200
Transactions involving the treatment of capital outlays:	
Plus: Capital outlays treated as expenditures here, but capitalized on Exhibit 2	217,415
Less: Depreciation expense recorded in Exhibit 2, but not considered in the fund statements	(175,109)
Transactions involving the treatment of long-term debt:	
Plus: Principal repayments:	
General obligation bonds	279,969
Changes in other items not requiring the use of current financial resources:	
Compensated absences and special termination benefits	(18,054)
Accrued interest payable	5,040
Revenue in the Statement of Activities (Exhibit 2) that is deferred in this statement	
State reimbursement of bond principal	(209,734)
Taxes, interest and lien fees	17,861
Other	(60,755)
Changes in net assets of governmental activities (Exhibit 2)	<u>\$ 81,833</u>

The notes to the financial statements are an integral part of this statement.

**Town of Chaplin, Connecticut
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008**

	Agency Funds
Assets	
Cash and cash equivalents	\$ 2,395
Liabilities	
Due to students	2,395
Net assets	\$ -

The notes to the financial statements are an integral part of this statement.

Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The Town of Chaplin, Connecticut (Town) is a municipal corporation governed by a selectmen-town meeting form of government. Under this form of government the town meeting is the legislative body. A town meeting is required to make appropriations, levy taxes and borrow money. The administrative branch is led by an elected three-member board of selectmen. The selectmen oversee most of the activities not assigned specifically to another body. An elected board of education oversees the public school system. An elected board of finance is the budget making authority and supervises the town financial matters.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) 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. The criterion, provided by the Government Accounting Standards Board, has been considered and there are no agencies or entities which should be presented with this government.

B. Government-wide and fund financial statements

The *government-wide financial statements* (Exhibits 1 and 2) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Fiduciary funds are excluded from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the Town's policy is to use its restricted resources first. *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*.

Separate *fund financial statements* are provided for governmental funds and fiduciary funds (Exhibits 3, 4 and 5). *Governmental activities*, activities which normally are supported by taxes and intergovernmental revenues, are reported in the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. *Fiduciary funds* are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the governments own programs.

Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2008

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. 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.

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.

Property taxes, 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 by the Town.

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.

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital Improvement Program* accounts for the accumulation of assets for expenditures against the five year capital improvement plan.

Additionally, the Town reports the following fiduciary fund types:

Agency Funds account for monies held as a custodian for outside groups and agencies.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2008

D. Assets, liabilities, and net assets

1) Deposits and investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the Town are reported at fair value.

Custodial Credit Risk - The Town's policy is to invest in obligations allowable under the Connecticut General Statutes. In general, this includes deposits in allowable banks, obligations of the United States of America and obligations of any State or political subdivision, which is tax exempt.

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. Generally, the Town does not invest in any long-term investment obligations.

Concentration of Credit Risk - The Town places no limit on the amount they may invest in any one issuer.

2) Receivables

Property taxes are assessed on property values as of October 1st. The tax levy is divided into two billings; the following July 1st and January 1st. This is used to finance the fiscal year from the first billing (July 1st) to June 30th of the following year. The billings are considered due on those dates; however, the actual due date is based on a period ending 31 days after the tax bill. On these dates (August 1st and February 1st), the bill becomes delinquent at which time the applicable property is subject to lien, and penalties and interest are assessed.

Under State Statute, the Town has the right to impose a lien on a taxpayer if any personal property tax, other than a motor vehicle tax, due to the Town is not paid within the time limited by any local charter or ordinance. The lien shall be effective for a period of fifteen years from the date of filing unless discharged. A notice of tax lien shall not be effective if filed more than two years from the date of assessment for the taxes claimed to be due. All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance is calculated using a two tier formula based on prior experience and current knowledge.

Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2008

3) Activity between funds

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in appropriate governmental funds to indicate that they are not available for appropriation and are not expendable financial resources.

4) Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5) Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than the capitalization threshold for that asset type and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land is considered inexhaustible and, therefore, not depreciated. Property, plant, and equipment of the Town is depreciated using the straight line method over the following estimated useful lives:

Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2008

Assets	Years	Capitalization Threshold
Land	N/A	\$ 5,000
Buildings and Improvements	50	\$ 5,000
Equipment	10	\$ 5,000
Board of Education Equipment	10	\$ 300
Vehicles	10	\$ 5,000
Infrastructure	40	\$ 10,000

6) *Compensated absences*

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for unpaid accumulated sick leave since the Town has a policy to pay any amounts when employees separate from service with the Town. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7) *Long-term obligations*

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8) *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for 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.

There was a transfer of equity from the Special Education Grants Fund to the Preschool fund in the amount of \$1,696. The transfer was to move the after school program out of grants.

**Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2008**

Also, there was a \$55,144 prior period adjustment to net assets remove capital assets that were booked, but were below the capitalization threshold.

NOTE 2 - BUDGETING

A. Budget Basis

A formal, legally approved, annual budget is adopted for the General Fund only. This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions: (1) the Town does not recognize as income or expenditures payments made for the teachers' retirement by the State of Connecticut on the Town's behalf; (2) the general government budgets for payroll on a cash basis; and (3) funding received under the State's Excess Cost Grant is netted with education expenditures.

Unless committed through a formal encumbrance (e.g., purchase orders, signed contracts), all annual appropriations lapse at fiscal year end. Encumbrances outstanding at year end are reported on the budgetary basis statements as expenditures.

On the statements prepared under Generally Accepted Accounting Principles, encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities.

B. Budget Calendar

The Boards of Selectmen and Education submit requests for appropriations to the Board of Finance. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations of the next fiscal year.

The Board of Finance holds a public hearing, at which itemized estimates of the expenditures of the Town for the next fiscal year are presented. At this time, individuals are able to recommend any appropriations, which they desire the Board of Finance to consider. The Board of Finance then considers the estimates and any other matters brought to their attention at a public meeting held subsequent to the public hearing and prior to the annual meeting. The Board of Finance prepares the proposed budget.

The Board of Finance's estimated and recommended budget reports are submitted at the Annual Town Meeting. The Annual Town Meeting takes action on this budget. After the Annual Town Meeting the Board of Finance meets to levy a tax on the grand list which will be sufficient to cover, together with other income or revenue surplus which is appropriated, the amounts appropriated and any revenue deficit of the Town.

Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2008

C. Budget Control

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level except expenditures for education, which are, by State Statutes, appropriated as one department.

The governing body may amend the annual budget subject to the requirements of the Connecticut General Statutes. The Board of Finance may make a one-time additional appropriation up to \$20,000 to any appropriations. A Town meeting must be called to make appropriations over \$20,000 or additional changes to a previously adjusted appropriation. During the year \$10,725 in additional appropriations were made.

NOTE 3 - CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents at year end:

Deposits	\$ 288,107
Pooled Investment Funds	910,949
Total Cash and Cash Equivalents	<u>\$ 1,199,056</u>
Governmental Funds	\$ 1,196,661
Agency Funds	2,395
Total Cash and Cash Equivalents	<u>\$ 1,199,056</u>

The carrying amount of the Town's deposits with financial institutions was \$288,107 and the bank balance was \$264,281. Of the bank balance, \$107,376 was covered by federal depository insurance or by collateral held by the Town's agent in the Town's name. Of the remaining balance \$15,690 was collateralized with securities held by the pledging institution's trust department or agent, but not in the Town's name. In total \$141,215 was uninsured and uncollateralized.

The pooled investment funds' risk category cannot be determined since the Town does not own identifiable securities but invests as a shareholder of the investment pool. The pool, Short-Term Investment Fund (STIF), is a money market investment pool managed by the Cash Management Division of the State Treasurer's Office created by Section 3-27 of the Connecticut General Statutes (CGS). Pursuant to CGS 3-27a through 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the fund. The fund is considered a "2a7-like" pool and, as such, reports its investments at amortized cost (which approximates fair value). A 2a7-like pool is not necessarily registered with the Security and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940 that allows money market mutual funds to use the amortized cost to report net assets. The pool is rated AAAM by Standard & Poor. This is the highest rating for money market funds and investment pools.

Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2008

NOTE 4 - RECEIVABLES

Receivables as of year end for the Town's individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Other Governmental Funds
Taxes	\$ 144,419	\$ -
Interest and fees on back receivables	43,036	-
Intergovernmental:		
Principal reimbursement on bonds *	601,508	-
Other intergovernmental	-	5,414
Other receivables	23,800	-
Gross receivables	812,763	5,414
Less: allowance for uncollectibles	(34,588)	-
	<u>\$ 778,175</u>	<u>\$ 5,414</u>

* Long-term accounts receivable

A. Other Receivables

The Town entered into a lease agreement in September 2002 with AT&T Wireless for a piece of land to be used as a location for a cell phone tower. The lease was for a term of 10 years with a cancellation penalty. The Town was notified that AT&T was withdrawing from the lease on March 31, 2008. Per the Lease Agreement the termination fee due is equal to 6 months rent at the current rate. This amount of \$14,035 is included in the other receivable line.

B. Deferred Revenues

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent net property taxes, interest and liens receivable	\$ 115,219	\$ -
Reimbursements on school bond payments	601,518	-
Prepaid preschool tuition	-	167
Grant drawdowns prior to meeting all eligibility requirements	-	30,556
Total deferred/unearned revenue for governmental funds	<u>\$ 716,737</u>	<u>\$ 30,723</u>

Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2008

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Beginning	Increases	Decreases	Ending
Capital assets not being depreciated:				
Land	\$ 342,762	\$ -	\$ -	\$ 342,762
Construction in progress	35,562	-	(35,562)	-
	<u>378,324</u>	<u>-</u>	<u>(35,562)</u>	<u>342,762</u>
Capital assets being depreciated:				
Buildings and improvements	7,066,097	76,630	-	7,142,727
Vehicles	383,000	-	-	383,000
Equipment	165,963	30,479	-	196,442
Infrastructure	192,852	145,868	-	338,720
	<u>7,807,912</u>	<u>252,977</u>	<u>-</u>	<u>8,060,889</u>
Less: Accumulated depreciation:	<u>(2,417,085)</u>	<u>(175,109)</u>	<u>-</u>	<u>(2,592,194)</u>
Total capital assets, net	<u>\$ 5,769,151</u>	<u>\$ 77,868</u>	<u>\$ (35,562)</u>	<u>\$ 5,811,457</u>

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

General government	\$ 17,041
Public safety	19,814
Public works	18,140
Education	120,114
Total depreciation expense - governmental activities	<u>\$ 175,109</u>

NOTE 6 - INTERFUND ACTIVITIES

A. Interfund transfers:

Interfund transfers are primarily used to move revenue earned in the General Fund to other funds. During this fiscal year, \$163,500 was transferred from the General Fund to the Capital Improvement Program. Also \$35,988 was transferred from the General Fund to the Pre-School Program. In addition to these transfers \$510 was transferred from the General Fund to the Cemetery Fund, and \$88 was transferred from the Church and Copely Cemetery Fund to the General Fund.

B. Advance to/from other funds

There are no long-term loan agreements on the interfund balances.

Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2008

C. Due to/from other funds

The following are temporary borrowings between funds. These are either expected to be paid off within one year or have no agreed payment terms:

Receivable Fund	Payable Fund	Amount
General Fund	Preschool Program	\$ 7,391
Library Restoration Fund	General Fund	3,795
Chaplin Library Fund	General Fund	1,322
Cemetery Fund	General Fund	5,000
Church and Copley Fund	General Fund	925
		<u>\$ 18,433</u>

NOTE 7 - LONG-TERM DEBT

A. Changes in long-term liabilities

Long-term liability activity for the year June 30, 2008 was as follows:

	Opening Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds:					
Elementary School	\$ 1,025,000	\$ -	\$ (265,000)	\$ 760,000	\$ 265,000
Town	262,990	-	(14,969)	248,021	15,699
Total Bonds Payable	1,287,990	-	(279,969)	1,008,021	280,699
Compensated Absences	183,580	18,054	-	201,634	20,163
	<u>\$ 1,471,570</u>	<u>\$ 18,054</u>	<u>\$ (279,969)</u>	<u>\$ 1,209,655</u>	<u>\$ 300,862</u>

B. General obligation bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds generally are issued as 20 year serial bonds with equal amounts of principal maturing each year. Payments on these bonds have been made out of the General Fund and are all charged to expenditures.

General obligation bonds currently outstanding are as follows:

Purpose	Original Amount	Matures in Year Ending	Interest Rates	Amount
Elementary School Renovations	\$ 5,000,000	2011	6.25%	\$ 760,000
Library	\$ 350,000	2020	4.88%	248,021
				<u>\$ 1,008,021</u>

Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2008

Annual debt service requirements to maturity for general obligation bonds are as shown in the following schedule.

Year Ending	Principal	Interest	Year Ending	Principal	Interest
2009	280,699	59,591	2015	20,888	6,902
2010	281,464	42,263	2016	21,907	5,883
2011	247,627	24,898	2017	22,975	4,815
2012	18,109	9,681	2018	24,095	3,695
2013	18,992	8,798	2019	25,269	2,521
2014	19,917	7,873	2020	26,079	1,351
			Total	<u>\$ 1,008,021</u>	<u>\$ 178,271</u>

C. Debt Limitations under Connecticut State Statutes

Connecticut General Statutes Section 7-374 sets limits on the debt, as defined by the statutes, which can be incurred by the Town and other governmental agencies within the Town. The limitations for the Town of Chaplin, Connecticut are as follows:

Total tax collections (including interest and lien fees) for the year	\$ 4,575,028
Reimbursements for revenue loss on tax relief for the elderly (C.G.S. 12-129d)	15,195
Debt limitation base	<u>\$ 4,590,223</u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2 1/4 times base	\$ 10,328,002	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	20,656,004	-	-	-
3 3/4 times base	-	-	17,213,336	-	-
3 1/4 times base	-	-	-	14,918,225	-
3 times base	-	-	-	-	13,770,669
Total debt limitation	<u>10,328,002</u>	<u>20,656,004</u>	<u>17,213,336</u>	<u>14,918,225</u>	<u>13,770,669</u>

Indebtedness:					
Bonds and notes payable	248,021	760,000	-	-	-
Amount to be provided by CT	-	(601,518)	-	-	-
Total indebtedness	<u>248,021</u>	<u>158,482</u>	<u>-</u>	<u>-</u>	<u>-</u>

Debt limitation in excess of debt outstanding and authorized	<u>\$ 10,079,981</u>	<u>\$ 20,497,522</u>	<u>\$ 17,213,336</u>	<u>\$ 14,918,225</u>	<u>\$ 13,770,669</u>
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In no case shall total indebtedness exceed seven times annual receipts from taxation	<u>\$ 32,131,561</u>
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**Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2008**

NOTE 8 - FUND BALANCES

A. Reserved Fund Balances

Fund Balances are reported in the Fund Financial Statements. Reserved Fund Balances represent those portions of the fund equity not available for appropriation for expenditures or legally segregated for a specific future use. At June 30, 2008 this consisted of:

	General Fund	Other Governmental Funds
To balance next year's budget	\$ 119,989	\$ -
Discovery Day	5,417	-
CT State Library	1,715	-
Land Preservation	1,715	-
LOCIP	5,145	-
Encumbrances	33,135	-
Principal balance of trust funds	-	5,925
Inventory	-	2,758
	<u>\$ 167,116</u>	<u>\$ 8,683</u>

B. Designated Fund Balances

The Capital Improvement Program has \$31,097 designated for specific projects.

C. Deficit Fund Balances

The Preschool Program Fund had a deficit fund balance of \$3,339 at year end.

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Teachers' Retirement System

Teachers and certain other certified personnel in the Town are eligible to participate in the State of Connecticut Teachers' Retirement System, a multiple employer public employees retirement system described in the Connecticut General Statutes, Chapter 167a. The system has been established to provide retirement and other benefits for teachers, their survivors and beneficiaries. A member is eligible to receive a normal retirement benefit who (1) has reached the age of sixty and has accumulated twenty years of credited service in the public schools of Connecticut or (2) has attained any age and has accumulated thirty five years of credited service, at least twenty five years of which are service in the public schools of Connecticut. The financial report may be obtained through the State Teachers' Retirement Board.

Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2008

The normal retirement benefit is two percent times the number of years of credited service multiplied by their average annual salary received during the three years of highest salary. In no event will such benefit exceed seventy-five percent of the average annual salary, or be less than \$3,600. Benefits are fully vested after ten years of service.

The funding of the system is provided by required member contributions (7 percent of their annual salary) and by amounts appropriated by the State of Connecticut General Assembly. For the year ended June 30, 2008, the State contributed \$182,149 into the pension plan on behalf of the Town of Chaplin, Connecticut. This was recorded on the GAAP statements as revenue and expenditures in the General Fund. The Town's total payroll for all employees for the fiscal year ending June 30, 2008 was \$2,338,243 of which \$1,449,117 was covered under this pension plan.

B. Deferred Compensation Plan

The Town has established a deferred compensation plan under Section 457 of the Internal Revenue Service Code for employees of the general government. Employees may elect to defer a portion of their gross pay up to the maximum allowed in the Code. The Town is not the trustee of this plan.

NOTE 10 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

The Town currently is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established under the provisions of Connecticut General Statutes section 7-479a et. seq. for some of its insurance. The Town is liable only for contributions to the pool. Members do not retain the risk of loss, as they have transferred the risk by purchasing coverage with no deductible retention. A separate agreement states limits on the member's obligation to pay indemnification obligations and expenses should CIRMA be unable to do so.

NOTE 11 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial. The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

**Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2008**

NOTE 12 – RELATED PARTIES

A. Regional School District #11-Central Office Committee

Regional School District #11-Central Office Committee (Central Office Committee) was established as a joint venture by a compact to provide supervisory services between the Boards of Education of Chaplin, Hampton, Scotland, and Regional School District #11-Parish Hill High School. Balances due to or from the Central Office Committee are referred to as due to or due from a related party. There is no policy or mechanism in place to pay these balances off periodically.

Although the Town had no responsibility for funding deficits and had no privileges to surpluses, the Town withdrew from the compact as of June 30, 2007. An agreement must be worked out with the other parties involved in the compact. This agreement may call for funding of a certain portion of the Central Office Committee's deficit. The latest financial statements can be obtained by contacting the Superintendent of Schools at Regional School District #11, Parish Hill High School in Chaplin, Connecticut.

B. Regional School District #11 – Parish Hill High School

As of July 1, 2007, the Town has made an agreement of Regional School District #11 – Parish Hill High School to provide supervisory services for the Chaplin Board of Education.

C. Amounts Owed Between Related Parties

As of June 30, 2008 the amounts owed between these related parties was as follows:

	General Fund	Other Governmental Funds	Total
Due From:			
Central Office Committee	\$ 32,761	\$ 12,425	\$ 45,186
Parish Hill High School	-	-	-
	<u>\$ 32,761</u>	<u>\$ 12,425</u>	<u>\$ 45,186</u>
Due To:			
Central Office Committee	\$ -	\$ 2,247	\$ 2,247
Parish Hill High School	14,603	-	14,603
	<u>\$ 14,603</u>	<u>\$ 2,247</u>	<u>\$ 16,850</u>

NOTE 13 – GASB PRONOUNCEMENTS ISSUED, BUT NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) is the standard setting board for governmental entities. The following are statements which have been approved by GASB, but are not yet effective:

Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2008

- GASB #45 – *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions* – This will be effective for the year ending June 30, 2010. These statements require actuarial calculations for other post employment benefits (OPEB), such as health insurance.
- GASB #49 - *Accounting and Financial Reporting for Pollution Remediation Obligations* – This will be effective for the year ending June 30, 2009. This Statement will enhance comparability of financial statements among governments by requiring all governments to account for pollution remediation obligations in the same manner, including required reporting of pollution remediation obligations that previously may not have been reported. This Statement also will enhance users' ability to assess governments' obligations by requiring more timely and complete reporting of obligations as their components become reasonably estimable.
- GASB #51 – *Accounting and Financial Reporting for Intangible Assets* – This will be effective for the year ending June 30, 2010. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets (including easements, water rights, timber rights, patents, trademarks, and computer software) to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.
- GASB #52 - *Land and Other Real Estate Held as Investments by Endowments* - This Statement establishes consistent standards for the reporting of land and other real estate held as investments. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. This is effective for year ending June 30, 2009.
- GASB #53 – *Accounting and Financial Reporting for Derivative Instruments* - This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This is effective for year ending June 30, 2010.

Town of Chaplin, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2008

	Original Budget	Transfers and Additional Appropriations	Final Budget	Actual Budgetary Basis	Variance
REVENUES					
Property Taxes:					
Property Taxes	\$ 4,355,837	\$ 103,573	\$ 4,459,410	\$ 4,437,197	\$ (22,213)
Interest, Liens and Fees	27,000	-	27,000	50,519	23,519
Payment in Lieu of Taxes	7,000	-	7,000	7,000	-
Prior Year Taxes	45,000	-	45,000	79,394	34,394
	<u>4,434,837</u>	<u>103,573</u>	<u>4,538,410</u>	<u>4,574,110</u>	<u>35,700</u>
Reimbursements in Lieu of Taxes:					
Boat Tax Reimbursement	581	-	581	581	-
Disability Exemption	240	-	240	320	80
Elderly Tax Reimbursement	16,950	-	16,950	15,195	(1,755)
Machinery Equipment Reimbursement	740	-	740	1,309	569
Pequot State Property	124,956	7,850	132,806	125,869	(6,937)
State and Federal Property Reimbursements	74,357	6,847	81,204	82,026	822
Veterans Exemption	1,240	-	1,240	631	(609)
	<u>219,064</u>	<u>14,697</u>	<u>233,761</u>	<u>225,931</u>	<u>(7,830)</u>
State and Federal Funding for Operations:					
Circuit Court	1,500	-	1,500	2,840	1,340
Historic Document Preservation	7,000	-	7,000	7,000	-
Library Grant	1,300	-	1,300	505	(795)
Town Aid Road (TARM)	71,776	26,100	97,876	98,111	235
Utility Lease	12,695	-	12,695	13,547	852
Local Capital Improvement Program (LOCIP)	-	-	-	1,515	1,515
Car Grant	78,361	(78,361)	-	-	-
Trooper Grant	-	-	-	2,025	2,025
	<u>172,632</u>	<u>(52,261)</u>	<u>120,371</u>	<u>125,543</u>	<u>5,172</u>
State Educational Funding:					
Adult Education/Student Improvement	2,797	150	2,947	2,991	44
Education Cost Sharing: (K-12)	1,862,106	(60,477)	1,801,629	1,800,255	(1,374)
Elementary School Construction State Grant	261,949	-	261,949	261,949	-
Transportation	68,069	-	68,069	67,175	(894)
	<u>2,194,921</u>	<u>(60,327)</u>	<u>2,134,594</u>	<u>2,132,370</u>	<u>(2,224)</u>
Receipts for Town Services:					
Building Permits	10,000	-	10,000	21,316	11,316
Conveyance Tax	6,500	-	6,500	18,376	11,876
DEP - Sportsperson Licenses	700	-	700	(614)	(1,314)
Dog License and Surchaeges	750	-	750	1,531	781
Historic Commission	150	-	150	150	-
Inland Wetland - Permits and Regs	700	-	700	2,773	2,073
Inland Wetland - Applications	700	-	700	-	(700)
Pistol Permits	100	-	100	170	70
Planning and Zoning	9,500	-	9,500	2,154	(7,346)
Recording Fees	20,000	-	20,000	16,614	(3,386)
Transfer Station Fees	8,500	-	8,500	5,128	(3,372)
Zoning Board of Appeals	1,250	-	1,250	1,120	(130)
Town Clerk Copies and Land Preservation	1,950	-	1,950	4,222	2,272
	<u>60,800</u>	<u>-</u>	<u>60,800</u>	<u>72,940</u>	<u>12,140</u>

Town of Chaplin, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2008

	Original Budget	Transfers and Additional Appropriations	Final Budget	Actual Budgetary Basis	Variance
Other Funds:					
Investment Interest	65,000	-	65,000	54,870	(10,130)
Cell Tower Lease	28,170	-	28,170	32,756	4,586
Recycling	5,000	-	5,000	7,972	2,972
Firehouse Hall Rental	3,000	-	3,000	2,600	(400)
Vital Statistics and Copies	400	-	400	463	63
Vital Statistics/Surcharges	75	-	75	-	(75)
Elementary School Refunds/ Reimb	-	-	-	26,491	26,491
Miscellaneous Receipts	-	-	-	2,749	2,749
Restricted Revenue	-	-	-	170	170
Animal Adoption Program	-	-	-	70	70
Animal Redemption	-	-	-	15	15
Cemetery Fund Interest	-	-	-	88	88
	101,645	-	101,645	128,244	26,599
TOTAL REVENUES	7,183,899	5,682	7,189,581	7,259,138	69,557
EXPENDITURES					
General Government:					
Accountant	29,198	6,784	35,982	31,499	4,483
Assessor	34,221	-	34,221	33,751	470
Board of Assessment Appeals	125	35	160	160	-
Board of Finance	37,592	-	37,592	36,450	1,142
Board of Selectmen	68,439	-	68,439	68,396	43
Building Inspector	17,905	1	17,906	17,906	-
Burning Official	1,389	-	1,389	1,173	216
Conservation Commission	500	-	500	45	455
Employee Benefits	88,869	11,837	100,706	100,706	-
Historic District Commission	350	-	350	107	243
Inland Wetland Commission	9,967	(1,931)	8,036	7,673	363
Chaplin Library	55,038	11	55,049	55,049	-
Planning and Zoning Commission	16,390	-	16,390	14,990	1,400
Recreation Committee	10,050	2,145	12,195	12,195	-
Registrars and Elections	10,795	2,354	13,149	13,149	-
Senior Center	55,965	-	55,965	51,410	4,555
Tax Collector	41,840	-	41,840	40,790	1,050
Town Clerk	42,398	(6,150)	36,248	36,249	(1) *
Town Memberships	11,761	-	11,761	11,692	69
Town Treasurer	10,796	-	10,796	10,766	30
Vital Statistics	471	6	477	262	215
Zoning Board of Appeals	1,300	544	1,844	1,844	-
Annuity Match	18,800	-	18,800	17,726	1,074
Drug and Alcohol Testing	700	-	700	502	198
Insurance	58,760	(9,456)	49,304	49,304	-
Legal Fees	5,000	(775)	4,225	888	3,337
Municipal Agent Elderly	1,280	368	1,648	1,646	2
Official Records Destruction	1,200	(1,200)	-	-	-
Postage	100	-	100	100	-
Probate	2,000	-	2,000	2,000	-
Social Security	34,700	-	34,700	34,271	429
Town Counsel	5,000	1,175	6,175	6,175	-
Tree Warden	1,035	2	1,037	1,037	-
Unemployment Compensation	1,000	-	1,000	40	960

See Accountants' Report

Town of Chaplin, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2008

	Original Budget	Transfers and Additional Appropriations	Final Budget	Actual Budgetary Basis	Variance
Public Works:					-
Building, Grounds Maintenance	65,150	18,445	83,595	84,103	(508)
Public Works	189,465	(16,898)	172,567	171,517	1,050
Sanitation	152,500	4,125	156,625	153,389	3,236
Transfer Station	40,349	-	40,349	23,308	17,041
Public Safety:					-
Animal Control Officer	7,972	-	7,972	6,932	1,040
Fire Marshal	9,391	-	9,391	8,211	1,180
Police Protection	99,250	-	99,250	97,145	2,105
911 Dispatch Fees	4,341	-	4,341	4,341	-
Ambulance Assessment	10,000	2,000	12,000	12,000	-
Chaplin Special Needs	500	-	500	351	149
Community Conversation	-	-	-	-	-
Eastern Health District	10,605	-	10,605	10,605	-
Emergency Preparedness	1,000	362	1,362	1,362	-
Fire Protection	47,900	14,000	61,900	61,135	765
Paramedics	7,500	-	7,500	2,472	5,028
	<u>1,320,857</u>	<u>27,784</u>	<u>1,348,641</u>	<u>1,296,822</u>	<u>51,819</u>
Capital Improvement:					
CIP: Capital Improvement Plan	117,500	46,000	163,500	163,500	-
	<u>117,500</u>	<u>46,000</u>	<u>163,500</u>	<u>163,500</u>	<u>-</u>
Debt Service:					
Debt Service: Elementary School	329,066	-	329,066	329,063	3
Debt Service: USDA Library	27,790	-	27,790	27,790	-
	<u>356,856</u>	<u>-</u>	<u>356,856</u>	<u>356,853</u>	<u>3</u>
Total Town Government	<u>1,795,213</u>	<u>73,784</u>	<u>1,868,997</u>	<u>1,817,175</u>	<u>51,822</u>
Education Expenditures:					
Elementary School	2,961,766	-	2,961,766	2,961,762	4
Regional School	2,590,862	(63,059)	2,527,803	2,527,807	(4) *
Total Education	<u>5,552,628</u>	<u>(63,059)</u>	<u>5,489,569</u>	<u>5,489,569</u>	<u>-</u>
TOTAL EXPENDITURES	<u>7,347,841</u>	<u>10,725</u>	<u>7,358,566</u>	<u>7,306,744</u>	<u>51,822</u>
Excess (Deficiency) of Revenues Over Expenditures, Budgetary Basis	<u>\$ (163,942)</u>	<u>\$ (5,043)</u>	<u>\$ (168,985)</u>	<u>\$ (47,606)</u>	<u>\$ 121,379</u>
Adjustments to Generally Accepted Accounting Principles (GAAP):					
On Behalf Revenues from Teachers' Retirement Netted in Budget				(182,149)	
On Behalf Expenditures from Teachers' Retirement Netted in Budget				182,149	
Change in Accrued Payroll				(818)	
Change in Board of Education Encumbrances Payable				33,135	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing (Uses) - GAAP Basis				<u>\$ (15,289)</u>	

Notes to Required Supplementary Information: A formal, legally approved, annual budget is adopted for the General Fund only. This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions: (1) the Town does not recognize as income or expenditures payments made for the teachers' retirement by the State of Connecticut on the Town's behalf; (2) the General Government budgets for payroll on a cash basis; and (3) the Town offsets educational expenses with the Special Education Excess Cost Grant from the State.

* These accounts were over budget by the amount indicated.

See Accountants' Report

Town of Chaplin, Connecticut Fund Descriptions

Special Revenue Funds:

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Capital Project Funds:

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary and trust funds.

Permanent Funds:

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Town of Chaplin, Connecticut
Combining Balance Sheet
Other Governmental Funds
June 30, 2008

	Special Revenue Funds										Permanent Funds			Total Other Governmental Funds
	General Government				Education			Funds						
	Library Restoration Fund	Chaplin Library Fund	Senior Center Fund	Recreation Commission	Special Education Grants	Child Nutrition	Pre-School Program	Cemetery Fund	Church and Copley Cemetery					
Assets														
Cash and cash equivalents	\$ -	\$ 8,896	\$ 12,885	\$ 16,188	\$ 28,760	\$ 11,847	\$ 4,466	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,042	
Receivables	-	-	-	-	-	3,414	2,000	-	-	-	-	-	5,414	
Inventory	-	-	-	-	-	2,758	-	-	-	-	-	-	2,758	
Due from other governmental funds	3,795	1,322	-	-	-	-	-	5,000	925	-	-	-	11,042	
Due from related parties	-	-	-	-	12,425	-	-	-	-	-	-	-	12,425	
Total Assets	\$ 3,795	\$ 10,218	\$ 12,885	\$ 16,188	\$ 41,185	\$ 18,019	\$ 6,466	\$ 5,000	\$ 925	\$ -	\$ -	\$ -	\$ 114,681	
Liabilities and Fund Balance														
Liabilities														
Accounts payable	\$ -	\$ -	\$ 1,528	\$ -	\$ 87	\$ 51	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,666	
Accrued expenses	-	-	-	-	10,511	3,846	-	-	-	-	-	-	14,357	
Deferred revenue	-	-	-	-	30,556	-	167	-	-	-	-	-	30,723	
Due to other governmental funds	-	-	-	-	-	-	7,391	-	-	-	-	-	7,391	
Due to related party	-	-	-	-	-	-	2,247	-	-	-	-	-	2,247	
Total Liabilities	-	-	1,528	-	41,154	3,897	9,805	-	-	-	-	-	56,384	
Fund Balance														
Reserved	-	-	-	-	-	-	-	5,000	925	-	-	-	8,683	
Unreserved, undesignated	3,795	10,218	11,357	16,188	31	11,364	(3,339)	-	-	-	-	-	49,614	
Total Fund Balance	3,795	10,218	11,357	16,188	31	14,122	(3,339)	5,000	925	-	-	-	58,297	
Total Liabilities and Fund Balance	\$ 3,795	\$ 10,218	\$ 12,885	\$ 16,188	\$ 41,185	\$ 18,019	\$ 6,466	\$ 5,000	\$ 925	\$ -	\$ -	\$ -	\$ 114,681	

See Accountants' Report

Town of Chaplin, Connecticut
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue Funds							Permanent Funds			Total Other Governmental Funds
	General Government			Education				Cemetery Fund		Church and Copley Cemetery	
	Library Restoration Fund	Chaplin Library Fund	Senior Center Fund	Recreation Commission	Special Education Grants	Child Nutrition	Pre-School Program	Cemetery Fund			
Revenues											
Intergovernmental Revenues	\$ -	\$ 1,322	\$ -	\$ -	\$ 205,593	\$ 22,619	\$ -	\$ -	\$ -	\$ 229,534	
Local Revenues	902	2,061	14,019	3,586	31	36,940	66,189	1,722	-	125,450	
Total Revenues	902	3,383	14,019	3,586	205,624	59,559	66,189	1,722	-	354,984	
Expenditures											
Current Expenditures:											
General Government	351	2,206	16,002	3,222	-	-	-	690	-	22,471	
Public Works	-	-	-	-	-	-	-	-	-	-	
Education	-	-	-	-	205,593	64,833	52,706	-	-	323,132	
Total Expenditures	351	2,206	16,002	3,222	205,593	64,833	52,706	690	-	345,603	
Excess (Deficiency) of Revenues Over Expenditures	551	1,177	(1,983)	364	31	(5,274)	13,483	1,032	-	9,381	
Other Financing Sources (Uses)											
Operating Transfers In	-	-	-	-	-	-	35,988	510	-	36,498	
Operating Transfers (Out)	-	-	-	-	-	-	-	-	(88)	(88)	
Total Other Financing Sources and (Uses)	-	-	-	-	-	-	35,988	510	(88)	36,410	
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources and (Uses)	551	1,177	(1,983)	364	31	(5,274)	49,471	1,542	(88)	45,791	
Fund Balance, Beginning of the Year	3,244	9,041	13,340	15,824	-	19,396	(52,810)	3,458	1,013	12,506	
Fund Balance, End of the Year	\$ 3,795	\$ 10,218	\$ 11,357	\$ 16,188	\$ 31	\$ 14,122	\$ (3,339)	\$ 5,000	\$ 925	\$ 58,297	

See Accountants' Report

Town of Chaplin, Connecticut
Statement of Changes in Assets and Liabilities
Agency Funds
Student Activity Funds
For the Year Ended June 30, 2008

	Balance Beginning		Additions		Deductions		Balance Ending
Assets							
Cash	\$ 7,068	\$	43,926	\$	(48,599)	\$	2,395
Liabilities							
Due to students	\$ 7,068	\$	43,926	\$	(48,599)	\$	2,395

See Accountants' Report

Town of Chaplin, Connecticut
Report of the Property Tax Collector
For the Year Ended June 30, 2008

Grand List	Beginning Receivable Balance	Current Year Levy	Lawful Corrections		Net Taxes Collectible	Collections During the Year			Total	Transfer to Suspense	Ending Receivable Balance
			Additions	Deductions		Taxes	Interest	Liens			
2006	\$ -	\$ 4,558,692	\$ 9,404	\$ 24,817	\$ 4,543,279	\$ 4,442,499	\$ 29,797	\$ 1,438	\$ 4,473,734	\$ 1,838	\$ 98,942
2005	98,374	-	179	851	97,702	67,535	12,962	1,521	82,018	1,523	28,644
2004	23,985	-	-	449	23,536	12,109	3,768	210	16,087	1,483	9,944
2003	6,540	-	150	-	6,690	2,030	757	25	2,812	842	3,818
2002	4,537	-	-	-	4,537	210	157	10	377	1,050	3,277
2001	962	-	-	-	962	-	-	-	-	660	302
2000	713	-	-	-	713	-	-	-	-	597	116
1999	671	-	-	-	671	-	-	-	-	711	(40)
1998	91	-	-	-	91	-	-	-	-	119	(28)
1997	65	-	-	-	65	-	-	-	-	214	(149)
1996	(211)	-	-	-	(211)	-	-	-	-	186	(397)
1995	66	-	-	-	66	-	-	-	-	70	(4)
1994	141	-	-	-	141	-	-	-	-	141	-
1993	(4)	-	-	-	(4)	-	-	-	-	-	(4)
1992	(2)	-	-	-	(2)	-	-	-	-	-	(2)
	\$ 135,928	\$ 4,558,692	\$ 9,733	\$ 26,117	\$ 4,678,236	\$ 4,524,383	\$ 47,441	\$ 3,204	\$ 4,575,028	\$ 9,434	\$ 144,419

See Accountants' Report

Town of Chaplin, Connecticut
Statement of Changes in Fund Balance
Capital Improvement Program
For the Year Ended June 30, 2008

	Beginning Fund Balance	Approved Budget Original	Additional	Intrafund Transfers	Revenues	Total Available	Current Year Expenditures	Ending Fund Balance
DESIGNATED FUND BALANCE:								
General Government:								
Comprehensive Plan of Development	\$ 10,399	\$ -	\$ -	\$ -	\$ -	\$ 10,399	\$ -	\$ 10,399
Assessor - Phase II	9,129	25,000	-	-	-	34,129	(33,561)	568
Grange Renovations	574	-	-	-	-	574	-	574
Community Center	-	-	6,000	2,543	-	8,543	(8,543)	-
Emergency Management	-	12,500	-	-	-	12,500	-	12,500
Town Hall Planned Development	1,580	-	-	-	-	1,580	-	1,580
Indexing	352	-	-	-	-	352	-	352
Chaplin Elementary School:								
Flooring	-	30,000	-	-	-	30,000	(30,000)	-
Roof	7,000	-	-	-	-	7,000	-	7,000
Public Works/Highway:								
Palmer Rd.	-	-	40,000	-	-	40,000	(41,914)	(1,914)
Resurfacing Road	(18,280)	-	50,000	25,000	91,336	148,056	(148,018)	38
Total Designated Fund Balance	10,754	67,500	96,000	27,543	91,336	293,133	(262,036)	31,097
UNDESIGNATED FUND BALANCE								
Undesignated Fund Balance	76,108	-	-	(27,543)	1,898	50,463	-	50,463
TOTAL FUND BALANCE	\$ 86,862	\$ 67,500	\$ 96,000	\$ -	\$ 93,234	\$ 343,596	\$ (262,036)	\$ 81,560

See Accountants' Report

Town of Chaplin, Connecticut
Detailed Schedule of Board of Education Expenditures
Budget vs. Actual (Budgetary Basis)
For the Year Ended June 30, 2008

Account Name	Original Budget	Expenditures	Variance
Regular Instruction	\$ 1,678,143	\$ 1,601,769	\$ 76,374
Spec Ed / Handicapped	186,435	196,269	(9,834)
Spec Ed / Talented and Gifted	55,098	55,603	(505)
Adult Education	2,500	5,024	(2,524)
Social Worker	58,100	57,895	205
Health Office	42,770	41,014	1,756
PPT Services	140,890	105,280	35,610
School Library	83,016	112,539	(29,523)
Board of Education	1,846	1,526	320
Superintendent's Office	33,939	32,247	1,692
General Administration	41,081	46,271	(5,190)
School Office	187,665	177,008	10,657
Business Office	30,124	36,898	(6,774)
Buildings and Grounds	212,076	237,414	(25,338)
Pupil Transportation	180,778	196,228	(15,450)
Professional Development	6,000	5,600	400
Central Office Computer Support	17,429	9,309	8,120
Tuition/Public	-	4,420	(4,420)
Activities	3,876	3,875	1
School Lunch	-	35,573	(35,573)
	<u>\$ 2,961,766</u>	<u>\$ 2,961,762</u>	<u>\$ 4</u>

See Accountants' Report

**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 Chaplin, Connecticut
Chaplin, Connecticut

We have audited the basic financial statements of the Town of Chaplin, Connecticut as of and for the year ended June 30, 2008 and have issued our report thereon dated September 1, 2008. 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 Chaplin, Connecticut's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Chaplin, Connecticut's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Chaplin, 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 Chaplin, 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 Chaplin, Connecticut's financial statements that is more than inconsequential will not be prevented or detected by the Town of Chaplin, Connecticut's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs 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 Chaplin, 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 internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider items MW-07-1, MW-08-1 and MW-08-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Chaplin, Connecticut's financial 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Town of Chaplin, Connecticut's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Chaplin, Connecticut's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the management, Board of Finance, others within the entity, 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.

Marien + Company

September 1, 2008

**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 Chaplin, Connecticut
Chaplin, Connecticut

Compliance

We have audited the compliance of the Town of Chaplin, 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 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 Chaplin, 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 about 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 Chaplin, 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 Chaplin, Connecticut's compliance with those requirements.

In our opinion, the Town of Chaplin, 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 Chaplin, 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 Chaplin, 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 Chaplin, 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Chaplin, Connecticut as of and for the year ended June 30, 2008, and have issued our report thereon dated September 1, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Chaplin, Connecticut's basic financial statements. 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

State Single Audit Report

Page 3

This report is intended solely for the information and use of the management, Board of Finance, the 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.

Maier + Company

September 1, 2008

Town of Chaplin, Connecticut
Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2008

State Program Pass-through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
Connecticut State Library		
Grants to Public Libraries	11000-CSL66051-17003	\$ 1,322
Historic Document Preservation	12060-CSL66094-35150	7,000
Department of Education		
Early Childhood Program	11000-SDE64370-12113	107,000
Child Nutrition Program	11000-SDE64370-16072	1,073
Adult Education	11000-SDE64370-17030	2,991
Office of Policy and Management		
Property Tax Relief for Disabled	11000-OPM20600-17011	320
Property Tax Relief for Elderly and Totally Disabled	11000-OPM20600-17018	15,195
Property Tax Relief for Veterans	11000-OPM20600-17024	631
Property Tax Relief for Manufacturing Machinery & Equipment	11000-OPM20600-17031	1,309
Local Capital Improvement Program (LOCIP)	12050-OPM20600-40254	91,336
Department of Transportation		
Town Aid Road Grant - Transportation Fund	12001-DOT57131-17036	98,111
Office of the State Comptroller		
Payment in Lieu of Taxes - State Property	11000-OSC15910-17004	81,349
Grants to Towns (Casino)	12009-OSC15910-17005	125,869
Boat Grant	12027-OSC15910-40211	581
Total State Financial Assistance before exempt programs		<u>534,087</u>
EXEMPT PROGRAMS		
Department of Education		
Education Cost Sharing	11000-SDE64370-17041	1,800,255
School Building Grant - Principal	13010-SDE64370-40901	209,733
School Building Grant - Interest	13009-SDE64370-40896	52,216
Transportation of School Children - public	11000-SDE64370-17027	67,175
Excess Cost - Student Based	11000-SDE64370-17047	233
Total Exempt programs		<u>2,129,612</u>
Total State Financial Assistance		<u>\$ 2,663,699</u>

See Accountants' Report

Town of Chaplin, Connecticut
Notes to the Schedule of Expenditures of State Financial Assistance
June 30, 2008

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Chaplin, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Chaplin, Connecticut conform to Generally Accepted Accounting Principles as applicable to governmental entities. The following is a summary of the more significant policies relating to the aforementioned grant programs.

A. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, when applicable. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Certain revenues 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 by the government.

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 Chaplin, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008**

I. SUMMARY OF AUDIT RESULTS

Financial Statements:

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weaknesses?

☒ Yes ☐ No

☒ Yes ☐ None reported

Noncompliance material to the financial statements noted?

☐ Yes ☒ No

State Financial Assistance:

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weaknesses?

☐ Yes ☒ No

☐ Yes ☒ None reported

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?

☐ Yes ☒ No

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

<u>State Grantor And Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Office of the State Comptroller – Grants to Towns	12009-OSC15910-17005	\$125,869
Department of Education – Early Childhood Program	11000-SDE64370-12113	\$107,000
Department of Transportation – Town Aid Roads	12001-DOT57131-17036	\$98,111

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

- We issued reports, dated September 1, 2008, on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.
- Our report on compliance indicated no instances of noncompliance.
- Our report on internal control over financial reporting indicated three significant deficiencies. We believe that two of these are material weaknesses:

**Town of Chaplin, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008**

Significant deficiency:

SD-07-1 – Internal Control over Financial Reporting

Condition: The Town of Chaplin, Connecticut presents financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The Town of Chaplin, Connecticut does not collectively possess the resources, skills and knowledge to prepare their own financial statements including footnote disclosures in accordance with GAAP.

Recommendation: The Town of Chaplin, Connecticut should consider increasing the continuing education for financial personnel or to review the qualifications of others in management (i.e. Board Members, etc.) to see if there is someone who can prepare or take responsibility for the financial statements.

Management's Response: The Town of Chaplin, Connecticut will look into possible training opportunities for their staff to prepare the financial report.

Material Weaknesses:

MW-07-1 – Documentation of the Components of Internal Control

Condition: The Town of Chaplin, Connecticut has numerous internal controls in place over significant processes and accounts. Not all of these controls are formally documented. It is possible for controls to change over time or not be completely understood by the individuals involved in the processes.

Recommendation: We recommend that the Town of Chaplin, Connecticut make a listing of its significant processes and accounts. Controls in each area should be documented in a procedures manual. Each of the procedures should be reviewed to determine if controls are adequate.

Management's Response: The Town of Chaplin, Connecticut has a number of accounting policies in place already. These will be reviewed and incorporated into a manual. The Town of Chaplin, Connecticut will determine the significant processes for all income and expense transactions and make sure each is addressed in the manual. The manual will be reviewed and distributed to all individuals involved.

MW-08-1 – Entity Level Controls

Condition: Internal controls are a coordinated set of policies and procedures that management uses to achieve their objectives and meet their fundamental responsibilities for effectiveness, efficiency, compliance and financial reporting. The literature recognizes five sections of internal control published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Report) in Internal Control – Integrated Framework. These five interrelated components include:

**Town of Chaplin, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008**

- *Control Environment* – A favorable control environment exists when management is knowledgeable about controls (entity wide and specific), is committed to establishing controls and communicates its support for internal controls to all individuals involved.
- *Risk Assessment* – This involves management's continual identification and assessment of the potential risks that might prevent management from fulfilling its responsibilities and achieving its objectives.
- *Information and Communication Systems* – These are the systems used to assure that appropriate individuals have timely and accurate information to carry out their responsibilities.
- *Control Activities* – These are management's response to the risks identified. These are the specific policies and procedures that are put in place to alert management of undesired actions in a timely manner.
- *Monitoring* – There is a responsibility of management to follow up on the controls that have been put in place to assure that they continue to function and function properly, effectively and efficiently.

The Town of Chaplin, Connecticut does not have a framework established to deal with each of the interrelated entity level controls over and above the specific control policies and procedures that have been developed.

Recommendation: We recommend that as part of developing an accounting manual, the Town of Chaplin, Connecticut consider the entity wide controls as discussed above.

Management's Response: The Town of Chaplin, Connecticut will assign a committee to work on developing the necessary entity wide controls.

MW-08-2 – Internal Control Weaknesses:

Condition: The Town of Chaplin, Connecticut does not maintain an adequate segregation of duties for proper internal control over the financial transactions in certain areas. Proper internal control relies on the following three aspects of processing transactions being performed by separate individuals: authorizing transactions, custody of assets, and record keeping. This weakness in internal controls could lead to funds being expended in a manner not consistent with the intentions of management. These weaknesses were noted in the following cash receipts areas:

Town Clerk – The processes for the Town Clerk need to be reviewed and formalized. Consideration must be given to reporting requirements, Statutes regarding reserved monies, instituting a cash register, receipt requirements and reconciling with the building inspector.

**Town of Chaplin, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008**

Student Activity Funds – These are not set up on a double entry accounting system. Bank statements are not opened and balanced in a timely manner.

Approval/Recordkeeping – One individual was allowed to approve significant road work and negotiate a deferral of reporting this in the records.

Recommendation: The Town should review the segregation of duties involved in all the cash receipts functions. The duties of the individuals involved should be analyzed and restructured as necessary to provide for a better system of checks and balances. Once a better system has been devised, it should be written, approved by the Board of Finance and distributed to the individuals involved.

Management's Response: Management will review the systems in conjunction with creating an accounting manual as noted in MW-07-1 above.

III. FINDINGS AND QUESTIONED COSTS FOR STATE FINANCIAL ASSISTANCE

No findings or questioned cost are reported relating to State financial assistance programs.