

Town of Chaplin, Connecticut

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

For the Year Ended June 30, 2009

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CERTIFIED PUBLIC ACCOUNTANTS + ADVISORS

**Town of Chaplin, Connecticut
For the Year Ended June 30, 2009**

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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, 2009, 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 opinions on these financial statements based on our audit.

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

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, 2009, 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 (GAAP).

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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Chaplin, Connecticut's basic financial statements. The combining and individual fund financial statements and supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such combining and individual fund financial statements and supplementary 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 August 10, 2009 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.

Marion + Company

August 10, 2009

**Town of Chaplin, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

Our discussion and analysis of the Town of Chaplin, Connecticut's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the Town's financial statements, which begin with Exhibit 1.

FINANCIAL HIGHLIGHTS

- The Town's net assets decreased by \$85,124 as a result of this year's operations.
- The Town's fund balance decreased. The decrease for all funds totaled \$116,047.

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 shows the following activity:

**Town of Chaplin, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

Governmental activities—The Town's basic services are reported here, including the education, public 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.

Governmental funds—The Town's basic services are reported in governmental funds, which 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 reconciliations on Exhibits 3 and 4.

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 *combined* net assets decreased \$85,124 from a year ago—*decreasing* from \$6,253,366 to \$6,168,242. Last year net assets *increased* by \$81,822. 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 \$194,227. During the year the Town added \$87,728 in capital assets 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 \$280,699. The increase in the amounts invested in capital assets was paid with unrestricted net assets.

**Town of Chaplin, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

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

	2009	Change During Year		2008
		Dollars	Percent	
Current and other assets	\$ 1,734,903	\$ (276,451)	-13.74%	\$ 2,011,354
Capital assets	5,724,985	(86,472)	-1.49%	5,811,457
Total assets	7,459,888	(362,923)	-4.64%	7,822,811
Long-term debt outstanding	907,528	(302,127)	-24.98%	1,209,655
Other liabilities	384,118	24,318	6.76%	359,800
Total liabilities	1,291,646	(277,809)	-17.70%	1,569,455
Net assets:				
Invested in capital assets, net of related debt	4,997,663	194,227	4.04%	4,803,436
Restricted	12,187	6,262	105.69%	5,925
Unrestricted	1,158,392	(285,613)	-19.78%	1,444,005
Total net assets	\$ 6,168,242	\$ (85,124)	-1.36%	\$ 6,253,366

**Table 2
Change in Net Assets**

	2009	Change		2008
		Dollars	Percent	
Revenues				
Program revenues:				
Charges for services	\$ 156,897	\$ (71,631)	-31.34%	\$ 228,528
Operating grants and contributions	2,582,563	125,582	5.11%	2,456,981
Capital grants and contributions	40,198	(13,532)	-25.19%	53,730
General revenues:				
Property taxes	4,918,936	226,903	4.84%	4,692,033
Grants and contributions	125,954	85	0.07%	125,869
Interest and investment earnings	16,154	(41,164)	-71.82%	57,318
Other general revenues	13,074	10,325	375.59%	2,749
Total revenues	7,853,776	236,568	3.11%	7,617,208
Program expenses				
General government	813,753	226,917	38.67%	586,836
Public safety	227,443	4,637	2.08%	222,806
Public works	512,119	(111,993)	-17.94%	624,112
Education	6,330,517	300,740	4.99%	6,029,777
Interest on long-term debt	55,068	(16,776)	-23.35%	71,844
Total expenses	7,938,900	403,525	5.36%	7,535,375
Increase (decrease) in net assets	\$ (85,124)	\$ (166,957)	-204.02%	\$ 81,833

**Town of Chaplin, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

Property taxes comprise 62% of the total government-wide revenues. While property tax revenue increased by \$226,903 from \$4,492,033 in 2008 to \$4,918,936 in 2009, the percentage of total revenue remains consistent with 62% last year. This is because the increase was offset primarily by the decreases in charges for services and interest and investment earnings from 2008 to 2009. Charges for services decreased \$71,631 from \$228,528 in 2008 to \$156,897 in 2009 as a result of the declining real estate market and the loss of a cell tower lease during that period. Interest and investment earnings decreased \$41,164 from \$57,318 in 2008 to \$16,154 in 2009. This is as a result of declining interest rates during that period.

The Town's total tax revenue increased 4.84% (\$226,903) this year over last year. Most of this was due to an increase in the grand list of \$205,832 (4.52%). The mill rate increased modestly from 35.5 to 36.75 mills (3.52%).

Total expenses increased by a net amount of \$403,525 or 5.36%. The education spending increased by \$300,740 or 4.99%. Of the total increase in education spending, \$218,180 was due to an increase in spending at the elementary school level.

Governmental Activities

Table 3 presents the cost of each of the Government'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 Government's taxpayers by each of these functions.

Table 3

	Total Cost of Services			Incr. Decr.	Net Cost of Services			Incr. Decr.		
	2009	2008			2009	2008				
Governmental Activities										
General government	\$	813,753	\$	586,836	38.67%	\$	709,649	\$	428,795	65.50%
Public safety		227,443		222,806	2.08%		222,425		216,650	2.67%
Public works		512,119		624,112	-17.94%		399,394		511,386	-21.90%
Education		6,330,517		6,029,777	4.99%		3,772,706		3,567,481	5.75%
Interest on debt		55,068		71,844	-23.35%		55,068		71,844	-23.35%
Totals	\$	7,938,900	\$	7,535,375	5.36%	\$	5,159,242	\$	4,796,156	7.57%

The total cost of general government increased from last year due to an increase in general expenses and capital project spending, and a decrease in the expenditures eligible for capitalization versus expense. The net cost of general government increased even more due to the fact that there were fewer charges for services this year resulting from the loss of the cell tower lease and a sluggish real estate market.

**Town of Chaplin, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

THE TOWN'S FUNDS

The year showed a decrease in net assets of \$65,124 in the government-wide statements (Exhibit 1 and 2) on a full accrual basis measuring long-term health. The Town showed a decrease in fund balance in the governmental funds of \$116,047 as presented in Exhibits 3 and 4. These statements are on the modified accrual basis and are more a measure of short-term health.

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 \$154,066. There was a planned reduction in equity in order to offset taxes of \$119,990 and during the year the town appropriated \$40,951 more for a total reduction \$160,942 in equity. However there were fewer 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.

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, 2009**

**Table 4
General Fund - Budget Summary**

	Final Budget	Actual	Variance
Revenues			
Property Taxes	\$ 4,779,993	\$ 4,797,747	\$ 17,754
Reimbursements in Lieu of Taxes	230,187	227,710	(2,477)
Intergovernmental - Operations	121,411	110,891	(10,520)
Intergovernmental - Education	2,194,938	2,190,740	(4,198)
Receipts for Town Services	57,750	50,753	(6,997)
Other Funds	63,500	49,541	(13,959)
	<u>7,447,779</u>	<u>7,427,382</u>	<u>(20,397)</u>
Expenditures			
General Government	1,429,195	1,363,957	65,238
Education	5,623,736	5,624,145	(409)
Debt Service	340,290	340,290	-
Transfer to Capital Improvement Program	215,500	215,500	-
	<u>7,608,721</u>	<u>7,543,892</u>	<u>64,829</u>
Excess (Deficiencies) of Revenues Over Expenditures	<u>\$ (160,942)</u>	<u>\$ (116,510)</u>	<u>\$ 44,432</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 97.26% 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 \$28,567 lower collections than budgeted. Strong back tax collections of \$26,240 over budget and interest and lien fees of \$20,081 over budget contributed to the total property taxes being \$17,754 over budget.

- General Government expenditures were \$65,238 under budget. Many expense lines contributed to the cause of this. 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, 2009**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the Town had \$5,724,985 invested in capital assets (net of accumulated depreciation). This amount represents a net decrease (including additions and deductions) of \$86,472 from last year. In total there was \$87,728 in additional assets, all to infrastructure (roads). Total assets were offset by \$174,200 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 \$727,322 in bonds outstanding. This is a decrease of \$280,699 from last year. The Town's general obligation bond rating carries an A3 rating. 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 2010 budget and tax rates. The economy has entered a recession. The real estate market has crashed. To try to counteract this interest rates are at an all time low. This has slowed the market and therefore slowed tax collections as people must be current on their taxes to sell or refinance. This also reduced the income from building permits, conveyance taxes, refinancing and recording fees. The State provides most of the intergovernmental revenues. The State has large budget deficits and level funding is the best the municipalities can hope for in the next few years.

These indicators were taken into account when adopting the General Fund budget for 2010. The Board of Finance elected to decrease the mill rate by 6.8 mills to compensate for the large increase in the grand list due to it being the Town's reassessment year. The Town will also use \$45,383 of accumulated fund balance to offset a larger tax increase.

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, 2009

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,134,294
Receivables, net of allowance for collection losses	562,510
Due from related parties	35,122
Inventory	2,977
Capital assets:	
Not being depreciated	342,762
Depreciable capital assets, net of accumulated depreciation	5,382,223
Total assets	<u>7,459,888</u>
LIABILITIES	
Accounts payable	155,543
Accrued wages and benefits	182,777
Accrued interest	13,397
Deferred revenue	32,401
Noncurrent liabilities:	
Due within one year	299,485
Due in more than one year	608,043
Total liabilities	<u>1,291,646</u>
NET ASSETS	
Invested in capital assets, net of related debt	4,997,663
Restricted net assets:	
Expendable	6,262
Nonexpendable	5,925
Unrestricted net assets	<u>1,158,392</u>
Total net assets	<u><u>\$ 6,168,242</u></u>

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, 2009

Functions/Programs	Program Specific Revenues				Net (Expense) Revenue
	Charges for			Total	
	Expenses	Services	Grants and Contributions		
			Operating	Capital	Government Activities
Governmental activities:					
General government	\$ (813,753)	\$ 65,178	\$ 38,926	\$ -	\$ (709,649)
Public safety	(227,443)	3,040	1,978	-	(222,425)
Public works	(512,119)	12,881	98,362	1,482	(399,394)
Education	(6,330,517)	75,798	2,443,297	38,716	(3,772,706)
Interest on long-term debt	(55,068)	-	-	-	(55,068)
Total primary government	<u>\$ (7,938,900)</u>	<u>\$ 156,897</u>	<u>\$ 2,582,563</u>	<u>\$ 40,198</u>	<u>(5,159,242)</u>
General revenues:					
Property taxes, payments in lieu of taxes, interest and liens					4,918,936
Grants and contributions					125,954
Interest and investment earnings					16,154
Miscellaneous					13,074
Total general revenues					<u>5,074,118</u>
Changes in net assets					(85,124)
Net assets, beginning of the year					<u>6,253,366</u>
Net assets, end of the year					<u>\$ 6,168,242</u>

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

Town of Chaplin, Connecticut
Balance Sheet
Governmental Funds
June 30, 2009

	General Fund	Capital Improvement Program	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 905,957	\$ 125,129	\$ 103,208	\$ 1,134,294
Receivables	558,989	-	3,521	562,510
Inventory	-	-	2,977	2,977
Due from other governmental funds	45,262	20,000	10,316	75,578
Due from related parties	28,517	-	9,425	37,942
Total assets	\$ 1,538,725	\$ 145,129	\$ 129,447	\$ 1,813,301
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ 143,197	\$ -	\$ 12,346	\$ 155,543
Accrued expenses	176,086	-	6,691	182,777
Deferred revenue	527,482	20,000	12,401	559,883
Due to other governmental funds	30,316	-	45,262	75,578
Due to related parties	2,820	-	-	2,820
Total liabilities	879,901	20,000	76,700	976,601
Fund balance				
Reserved	60,359	-	15,164	75,523
Unreserved, reported in:				
General Fund	598,465	-	-	598,465
Special Revenue Fund	-	-	37,433	37,433
Capital Projects Fund - Undesignated	-	53,255	-	53,255
Capital Projects Fund - Designated	-	71,874	-	71,874
Permanent Funds	-	-	150	150
Total fund balance	658,824	125,129	52,747	836,700
Total liabilities and fund balance	\$ 1,538,725	\$ 145,129	\$ 129,447	

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	(727,322)
Compensated absences and special termination benefits	(180,206)
Accrued interest payable	(13,397)
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	5,724,985
Other long-term assets not available to pay for current period expenditures, recorded as deferred revenue in the funds	527,482
Net assets reported on the government-wide financial statements (Exhibit 1)	\$ 6,168,242

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, 2009

	General Fund	Capital Improvement Program	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes, interest and lien fees	\$ 4,797,747	\$ -	\$ -	\$ 4,797,747
Intergovernmental revenues	2,773,117	30,000	245,224	3,048,341
Local revenues	107,294	704	101,339	209,337
	<u>7,678,158</u>	<u>30,704</u>	<u>346,563</u>	<u>8,055,425</u>
Expenditures				
Current expenditures:				
General government	720,565	-	40,533	761,098
Public safety	182,358	-	-	182,358
Public works	465,455	-	-	465,455
Education	5,908,056	-	311,580	6,219,636
Capital outlay	-	202,635	-	202,635
Debt service	340,290	-	-	340,290
	<u>7,616,724</u>	<u>202,635</u>	<u>352,113</u>	<u>8,171,472</u>
Excess (deficiency) of revenues over expenditures	61,434	(171,931)	(5,550)	(116,047)
Other financing sources (uses)				
Operating transfers in	-	215,500	-	215,500
Operating transfers out	(215,500)	-	-	(215,500)
	<u>(215,500)</u>	<u>215,500</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(154,066)	43,569	(5,550)	(116,047)
Fund balance, beginning of the year	812,890	81,560	58,297	952,747
Fund balance, end of the year	<u>\$ 658,824</u>	<u>\$ 125,129</u>	<u>\$ 52,747</u>	<u>\$ 836,700</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)	\$ (116,047)
Transactions involving the treatment of capital outlays:	
Plus: Capital outlays treated as expenditures here, but capitalized on Exhibit 2	87,728
Less: Depreciation expense recorded in Exhibit 2, but not considered in the fund statements	(174,200)
Transactions involving the treatment of long-term debt:	
Plus: Principal repayments:	
General obligation bonds	280,699
Changes in other items not requiring the use of current financial resources:	
Compensated absences and special termination benefits	21,428
Accrued interest payable	4,523
Revenue in the Statement of Activities (Exhibit 2) that is deferred in this statement	
State reimbursement of bond principal	(209,733)
Taxes, interest and lien fees	19,433
State grants	20,000
Other	1,045
Changes in net assets of governmental activities (Exhibit 2)	<u>\$ (65,124)</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, 2009**

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 6,265</u>
Liabilities	
Due to students	<u> 6,265</u>
Net assets	<u><u>\$ -</u></u>

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

**Town of Chaplin, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009**

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 (GASB), 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
For the Year Ended June 30, 2009**

C. Measurement focus, accounting basis, 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
For the Year Ended June 30, 2009**

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 tax and other receivables are shown net of an allowance for uncollectibles. The allowance is calculated based on prior experience of uncollectible taxes as a percentage of the total levy.

**Town of Chaplin, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009**

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
For the Year Ended June 30, 2009**

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.

E. Subsequent Events

Subsequent events have been evaluated through the date of this report, August 10, 2009.

**Town of Chaplin, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009**

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:

- **Teacher's Retirement** - The Town does not recognize as income or expenditures payments made for the teacher's retirement by the State of Connecticut on the Town's behalf in its budget. The Governmental Accounting Standards Board's Statement 24 requires that the employer government recognize payments for salaries and fringe benefits paid on behalf of its employees.
- **Encumbrances** - 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.
- **Excess Cost Grant** - The State reimburses the Town for certain costs incurred for special educational needs of students that exceed a set multiple of a student in the regular program. This reimbursement is the Excess Cost Grant – Student Based. Connecticut General Statute 10-76g states that this grant should reduce the education expenditures instead of being reported as a revenue.
- **Cash Basis Payroll** – Payroll in the general government portion of the budget is budgeted based on when it is expected to be paid. On the statements prepared under Generally Accepted Accounting Principles, payroll is charged to the fiscal year in which it is earned.
- **Long-Term Debt and Lease Financing** - Revenues and expenditures from refunding or renewing long-term debt or issuing lease financing are included in the budget as the net revenues or expenditures expected.

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.

**Town of Chaplin, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009**

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.

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 \$40,951 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	\$ 432,725
Pooled Investment Funds	707,834
Total Cash and Cash Equivalents	<u>\$ 1,140,559</u>
Governmental Funds	\$ 1,134,294
Agency Funds	6,265
Total Cash and Cash Equivalents	<u>\$ 1,140,559</u>

The carrying amount of the Town's deposits with financial institutions was \$432,725 and the bank balance was \$442,002. Of the bank balance, \$299,332 was covered by federal depository insurance or by collateral held by the Town's agent in the Town's name. Of the remaining balance \$6,851 was collateralized with securities held by the pledging institution's trust department or agent, but not in the Town's name. In total \$135,819 was uninsured and uncollateralized.

Town of Chaplin, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

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.

Note 4 - Receivables and Deferred Revenues

A. 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	\$ 152,575	\$ -
Interest and fees on back receivables	27,383	-
Intergovernmental:		
Principal reimbursement on bonds *	391,785	-
Other intergovernmental	6,622	3,521
Other receivables	-	4,627
Gross receivables	578,365	8,148
Less: allowance for uncollectibles	(19,376)	(4,627)
	<u>\$ 558,989</u>	<u>\$ 3,521</u>

* Long-term receivable

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:

Town of Chaplin, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

	Unavailable	Unearned
Reimbursements on school bond payments	\$ 391,785	\$ -
Delinquent net property taxes, interest and liens receivable	134,652	-
Other receivables	1,045	-
State Grants		20,000
Grant drawdowns prior to meeting all eligibility requirements	-	12,401
Total deferred/unearned revenue for governmental funds	<u>\$ 527,482</u>	<u>\$ 32,401</u>

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
Capital assets being depreciated:				
Buildings and improvements	7,142,727	-	-	7,142,727
Vehicles	383,000	-	-	383,000
Equipment	196,442	-	-	196,442
Infrastructure	338,720	87,728	-	426,448
	<u>8,060,889</u>	<u>87,728</u>	<u>-</u>	<u>8,148,617</u>
Less: Accumulated depreciation:	(2,592,194)	(174,200)	-	(2,766,394)
Total capital assets, net	<u>\$ 5,811,457</u>	<u>\$ (86,472)</u>	<u>\$ -</u>	<u>\$ 5,724,985</u>

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

General government	\$ 20,971
Public safety	16,977
Public works	16,892
Education	119,360
Total depreciation expense - governmental activities	<u>\$ 174,200</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 the year \$215,500 was transferred from the General Fund to the Capital Improvement Program.

Town of Chaplin, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

B. Advance to/from other funds

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

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	Special Education Grants	\$ 36,555
General Fund	Preschool Program	5,483
General Fund	Child Nutrition Fund	3,224
Cemetery Fund	General Fund	5,150
Capital Improvement Fund	General Fund	20,000
Library Restoration Fund	General Fund	4,241
Church and Copley Fund	General Fund	925
		<u>\$ 75,578</u>

Note 7 - Long-Term Debt

A. 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%	\$ 495,000
Library	\$ 350,000	2020	4.88%	232,322
				<u>\$ 727,322</u>

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

Town of Chaplin, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

Year Ending	Principal	Interest	Year Ending	Principal	Interest
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
2015	20,888	6,902	Total	<u>\$ 727,322</u>	<u>\$ 118,680</u>

B. 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	\$ 4,780,877
Reimbursements for revenue loss on tax relief for the elderly (C.G.S. 12-129d)	13,999
Debt limitation base	<u>\$ 4,794,876</u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2 1/4 times base	\$ 10,788,471	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	21,576,942	-	-	-
3 3/4 times base	-	-	17,980,785	-	-
3 1/4 times base	-	-	-	15,583,347	-
3 times base	-	-	-	-	14,384,628
Total debt limitation	<u>10,788,471</u>	<u>21,576,942</u>	<u>17,980,785</u>	<u>15,583,347</u>	<u>14,384,628</u>

Indebtedness:					
Bonds and notes payable	232,322	495,000	-	-	-
Amount to be provided by CT	-	(391,785)	-	-	-
Regional School District 11	-	-	-	-	-
Total indebtedness	<u>232,322</u>	<u>103,215</u>	<u>-</u>	<u>-</u>	<u>-</u>

Debt limitation in excess of debt outstanding and authorized	<u>\$ 10,556,149</u>	<u>\$ 21,473,727</u>	<u>\$ 17,980,785</u>	<u>\$ 15,583,347</u>	<u>\$ 14,384,628</u>
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In no case shall total indebtedness exceed seven times annual receipts from taxation	<u>\$ 33,564,132</u>
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C. Changes in long-term liabilities

Long-term liability activity for the year June 30, 2009 was as follows:

Town of Chaplin, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

	Opening Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds:					
Elementary School	\$ 760,000	\$ -	\$ (265,000)	\$ 495,000	\$ 265,000
Town	248,021	-	(15,699)	232,322	16,464
Total Bonds Payable	1,008,021	-	(280,699)	727,322	281,464
Compensated Absences	201,634	-	(21,428)	180,206	18,021
	<u>\$ 1,209,655</u>	<u>\$ -</u>	<u>\$ (302,127)</u>	<u>\$ 907,528</u>	<u>\$ 299,485</u>

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, 2009 this consisted of:

	General Fund	Other Governmental Funds
To Balance Next Year's Budget	\$ 45,383	\$ -
Local Capital Improvement Program Fees	6,627	-
Discovery Day Donations	5,427	-
Land Preservation Fees	2,208	-
Connecticut State Library Grant	714	-
Pre-School Program	-	6,262
Principal Balance of Trust Funds	-	5,925
Inventory	-	2,977
	<u>\$ 60,359</u>	<u>\$ 15,164</u>

B. Designated Fund Balances

The Capital Improvement Program has \$71,874 designated for specific projects.

C. Restricted Net Assets

Restricted Net Assets are reported when constraints placed on net assets are either (1) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation of the Town.

Town of Chaplin, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

	Nonexpendable	Expendable
Preschool Program	\$ -	\$ 6,262
Cemetery Fund	5,925	-
	<u>\$ 5,925</u>	<u>\$ 6,262</u>

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.

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, 2009, the State contributed \$250,776 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, 2009 was \$2,327,697 of which \$1,624,456 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.

Town of Chaplin, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

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.

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 compact ended 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.

**Town of Chaplin, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009**

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

As of July 1, 2007, the Town has made an unwritten agreement with 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, 2009 the amounts owed between these related parties was as follows:

	General Fund	Governmental Funds	Total
Due From:			
Central Office Committee	\$ 28,517	\$ 9,425	\$ 37,942
Parish Hill High School	-	-	-
	<u>\$ 28,517</u>	<u>\$ 9,425</u>	<u>\$ 37,942</u>
Due To:			
Central Office Committee	\$ -	\$ -	\$ -
Parish Hill High School	2,820	-	2,820
	<u>\$ 2,820</u>	<u>\$ -</u>	<u>\$ 2,820</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:

- *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 #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 #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 the year ending June 30, 2010.

**Town of Chaplin, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009**

- GASB #54 – *Fund Balance Reporting and Governmental Fund Type Definitions* – This statement provides clearer fund balance classifications that can be more consistently applied. This is effective for the year ending June 30, 2011.

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, 2009

	Original Budget	Transfers and Additional Appropriations	Final Budget	Actual Budgetary Basis	Variance
REVENUES					
Property Taxes:					
Property Taxes	\$ 4,677,993	\$ -	\$ 4,677,993	\$ 4,649,426	\$ (28,567)
Interest, Liens and Fees	35,000	-	35,000	55,081	20,081
Payment in Lieu of Taxes	7,000	-	7,000	7,000	-
Prior Year Taxes	60,000	-	60,000	86,240	26,240
	<u>4,779,993</u>	<u>-</u>	<u>4,779,993</u>	<u>4,797,747</u>	<u>17,754</u>
Reimbursements in Lieu of Taxes:					
Boat Tax Reimbursement	581	-	581	581	-
Disability Exemption	318	-	318	331	13
Elderly Tax Reimbursement	13,832	-	13,832	13,999	167
Machinery Equipment Reimbursement	1,332	-	1,332	422	(910)
Pequot State Property	129,103	-	129,103	125,954	(3,149)
State and Federal Property Reimbursements	84,459	-	84,459	86,122	1,663
Veterans Exemption	562	-	562	301	(261)
	<u>230,187</u>	<u>-</u>	<u>230,187</u>	<u>227,710</u>	<u>(2,477)</u>
State and Federal Funding for Operations:					
Circuit Court	2,500	-	2,500	1,120	(1,380)
Historic Document Preservation	7,000	-	7,000	7,000	-
Library Grant	500	-	500	493	(7)
Miscellaneous Grants	1,300	-	1,300	456	(844)
Town Aid Road (TARM)	98,111	-	98,111	98,362	251
Utility Lease	12,000	-	12,000	-	(12,000)
Local Capital Improvement Program (LOCIP)	-	-	-	1,482	1,482
Trooper Grant	-	-	-	1,978	1,978
	<u>121,411</u>	<u>-</u>	<u>121,411</u>	<u>110,891</u>	<u>(10,520)</u>
State Educational Funding:					
Adult Education/Student Improvement	3,244	-	3,244	3,216	(28)
Education Cost Sharing: (K-12)	1,880,888	-	1,880,888	1,872,626	(8,262)
Elementary School Construction State Grant	248,449	-	248,449	248,449	-
Transportation	62,357	-	62,357	66,449	4,092
	<u>2,194,938</u>	<u>-</u>	<u>2,194,938</u>	<u>2,190,740</u>	<u>(4,198)</u>
Receipts for Town Services:					
Building Permits	15,000	-	15,000	12,927	(2,073)
Conveyance Tax	11,000	-	11,000	14,480	3,480
DEP - Sportsperson Licenses	400	-	400	(624)	(1,024)
Dog License and Surchaeges	700	-	700	640	(60)
Historic Commission	150	-	150	50	(100)
Inland Wetland - Permits and Regs	4,000	-	4,000	(6)	(4,006)
Inland Wetland - Applications	-	-	-	(84)	(84)
Pistol Permits	100	-	100	280	180
Planning and Zoning	1,100	-	1,100	2,710	1,610
Recording Fees	16,000	-	16,000	12,009	(3,991)
Transfer Station Fees	4,500	-	4,500	4,785	285
Zoning Board of Appeals	800	-	800	-	(800)
Town Clerk Copies and Land Preservation	4,000	-	4,000	3,586	(414)
	<u>57,750</u>	<u>-</u>	<u>57,750</u>	<u>50,753</u>	<u>(6,997)</u>

(Continued)

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, 2009

	Original Budget	Transfers and Additional Appropriations	Final Budget	Actual Budgetary Basis	Variance
Other Funds:					
Bond Interest Elementary School	-	-	-	33	33
Investment Interest	55,000	-	55,000	15,282	(39,718)
Discovery Day	-	-	-	10	10
Recycling	5,000	-	5,000	8,096	3,096
Firehouse Hall Rental	3,000	-	3,000	2,400	(600)
Vital Statistics and Copies	500	-	500	187	(313)
Vital Statistics/Surcharges	-	-	-	(62)	(62)
Elementary School Refunds/ Reimb	-	-	-	10,316	10,316
Miscellaneous Receipts	-	-	-	13,074	13,074
Animal Adoption Program	-	-	-	190	190
Animal Redemption	-	-	-	15	15
	<u>63,500</u>	<u>-</u>	<u>63,500</u>	<u>49,541</u>	<u>(13,959)</u>
TOTAL REVENUES	7,447,779	-	7,447,779	7,427,382	(20,397)
EXPENDITURES					
General Government:					
General Government	103,843	8,405	112,248	110,354	1,894
Accountant	29,565	6,784	36,349	35,936	413
Animal Control Officer	7,175	-	7,175	5,875	1,300
Assessor	30,905	-	30,905	28,931	1,974
Board of Assessment Appeals	125	-	125	50	75
Board of Finance	36,710	-	36,710	34,193	2,517
Board of Selectmen	70,334	-	70,334	70,274	60
Building, Grounds Maintenance	67,340	136	67,476	67,476	-
Building Inspector	18,528	-	18,528	18,061	467
Burning Official	1,433	-	1,433	1,288	145
Conservation Commission	800	-	800	45	755
Emergency Preparedness	1,940	-	1,940	1,336	604
Employee Benefits and Costs	171,838	(6,656)	165,182	157,488	7,694
Fire Marshal	9,712	456	10,168	10,034	134
Historic District Commission	350	-	350	328	22
Inland/Wetlands	11,203	4,717	15,920	13,021	2,899
Chaplin Library	63,493	-	63,493	56,539	6,954
Planning and Zoning Commission	16,446	-	16,446	14,243	2,203
Police Protection	99,500	-	99,500	98,794	706
Public Works	188,700	23,384	212,084	212,083	1
Recreation	10,050	55	10,105	10,105	-
Registrars, Elections and Primaries	11,995	-	11,995	6,017	5,978
Sanitation	164,708	-	164,708	156,941	7,767
Senior Center	57,835	-	57,835	51,501	6,334
Tax Collector	40,829	1,910	42,739	42,739	-
Town Clerk	38,719	1,494	40,213	40,212	1
Town Memberships	12,789	-	12,789	12,497	292
Town Treasurer	11,161	-	11,161	11,129	32
Transfer Station	34,936	-	34,936	28,955	5,981
Vital Statistics	486	266	752	752	-
Volunteer Fire Department	72,150	-	72,150	66,319	5,831
Zoning Board of Appeals	2,645	-	2,645	441	2,204
	<u>1,388,243</u>	<u>40,951</u>	<u>1,429,194</u>	<u>1,363,957</u>	<u>65,237</u>

(Continued)

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, 2009

	Original Budget	Transfers and Additional Appropriations	Final Budget	Actual Budgetary Basis	Variance
Capital Improvement:					
CIP: Capital Improvement Program	215,500	-	215,500	215,500	-
	<u>215,500</u>	<u>-</u>	<u>215,500</u>	<u>215,500</u>	<u>-</u>
Debt Service:					
Debt Service: Elementary School	312,500	-	312,500	312,500	-
Debt Service: USDA Library	27,790	-	27,790	27,790	-
	<u>340,290</u>	<u>-</u>	<u>340,290</u>	<u>340,290</u>	<u>-</u>
Total Town Government	<u>1,944,033</u>	<u>40,951</u>	<u>1,984,984</u>	<u>1,919,747</u>	<u>65,237</u>
Education Expenditures:					
Elementary School	3,077,275	-	3,077,275	3,077,684	(409) *
Regional School	2,546,461	-	2,546,461	2,546,461	-
Total Education	<u>5,623,736</u>	<u>-</u>	<u>5,623,736</u>	<u>5,624,145</u>	<u>(409)</u>
TOTAL EXPENDITURES	<u>7,567,769</u>	<u>40,951</u>	<u>7,608,720</u>	<u>7,543,892</u>	<u>64,828</u>
Excess (Deficiency) of Revenues Over Expenditures, Budgetary Basis	<u>\$ (119,990)</u>	<u>\$ (40,951)</u>	<u>\$ (160,941)</u>	<u>\$ (116,510)</u>	<u>\$ 44,431</u>
Adjustments to Generally Accepted Accounting Principles (GAAP):					
On Behalf Revenues from Teachers' Retirement Netted in Budget				(250,776)	
On Behalf Expenditures from Teachers' Retirement Netted in Budget				250,776	
Change in Accrued Payroll				(4,421)	
Change in Board of Education Encumbrances Payable				<u>(33,135)</u>	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing (Uses) - GAAP Basis				<u>\$ (154,066)</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) encumbrances are recorded against the budget when the commitment is made; (3) the Town offsets educational expenses with the Special Education Excess Cost Grant from the State; (4) the General Government budgets for payroll on a cash basis; and (5) revenues and expenditures from refunding or renewing long-term debt and obtaining new capital lease financing are recorded net in the budget.

* These accounts were over budget by the amount indicated.

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.

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, 2009

	Special Revenue Funds										Total Other Governmental Funds
	General Government			Education			Permanent 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	\$ -	\$ 13,746	\$ 12,478	\$ 2,177	\$ 46,752	\$ 9,882	\$ 18,173	\$ -	\$ -	\$ -	103,208
Receivables	-	-	-	-	-	3,521	-	-	-	-	3,521
Inventory	-	-	-	-	-	2,977	-	-	-	-	2,977
Due from other governmental funds	4,241	-	-	-	-	-	-	5,150	925	-	10,316
Due from related parties	-	-	-	-	9,425	-	-	-	-	-	9,425
Total Assets	\$ 4,241	\$ 13,746	\$ 12,478	\$ 2,177	\$ 56,177	\$ 16,380	\$ 18,173	\$ 5,150	\$ 925	\$ -	129,447
Liabilities and Fund Balance											
Liabilities											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 6,089	\$ 1,321	\$ 4,936	\$ -	\$ -	\$ -	12,346
Accrued expenses	-	-	-	-	1,359	4,140	1,192	-	-	-	6,691
Deferred revenue	-	-	-	-	12,101	-	300	-	-	-	12,401
Due to other governmental funds	-	-	-	-	36,555	3,224	5,483	-	-	-	45,262
Total Liabilities	-	-	-	-	56,104	8,685	11,911	-	-	-	76,700
Fund Balance											
Reserved	-	-	-	-	-	2,977	6,262	5,000	925	-	15,164
Unreserved, undesignated	4,241	13,746	12,478	2,177	73	4,718	-	150	-	-	37,583
Total Fund Balance	4,241	13,746	12,478	2,177	73	7,695	6,262	5,150	925	-	52,747
Total Liabilities and Fund Balance	\$ 4,241	\$ 13,746	\$ 12,478	\$ 2,177	\$ 56,177	\$ 16,380	\$ 18,173	\$ 5,150	\$ 925	\$ -	129,447

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, 2009

	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					
Revenues														
Intergovernmental Revenues														
Local Revenues	\$ - 900	\$ 1,304 2,877	\$ 5,000 14,687	\$ - 5,349	\$ 214,217 44	\$ 24,703 32,272	\$ - 43,560	\$ - 1,650	\$ - -	\$ - -	\$ - -	\$ 245,224 101,339		
Total Revenues	900	4,181	19,687	5,349	214,261	56,975	43,560	1,650	-	-	-	346,563		
Expenditures														
Current Expenditures:														
General Government	454	653	18,566	19,360	-	-	-	1,500	-	-	-	40,533		
Public Safety	-	-	-	-	-	-	-	-	-	-	-	-		
Public Works	-	-	-	-	-	-	-	-	-	-	-	-		
Education	-	-	-	-	214,219	63,402	33,959	-	-	-	-	311,580		
Total Expenditures	454	653	18,566	19,360	214,219	63,402	33,959	1,500	-	-	-	352,113		
Excess (Deficiency) of Revenues Over Expenditures	446	3,528	1,121	(14,011)	42	(6,427)	9,601	150	-	-	-	(5,550)		
Other Financing Sources (Uses)														
Operating Transfers In	-	-	-	-	-	-	-	-	-	-	-	-		
Operating Transfers (Out)	-	-	-	-	-	-	-	-	-	-	-	-		
Total Other Financing Sources and (Uses)	-	-	-	-	-	-	-	-	-	-	-	-		
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources and (Uses)	446	3,528	1,121	(14,011)	42	(6,427)	9,601	150	-	-	-	(5,550)		
Fund Balance, Beginning of the Year	3,795	10,218	11,357	16,188	31	14,122	(3,339)	5,000	925	925	925	58,297		
Fund Balance, End of the Year	\$ 4,241	\$ 13,746	\$ 12,478	\$ 2,177	\$ 73	\$ 7,695	\$ 6,262	\$ 5,150	\$ 925	\$ 925	\$ 925	\$ 52,747		

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, 2009

	Balance Beginning		Additions		Deductions		Balance Ending
Assets							
Cash	\$ 2,394	\$	37,359	\$	(33,488)	\$	6,265
Liabilities							
Due to students	\$ 2,394	\$	37,359	\$	(33,488)	\$	6,265

Town of Chaplin, Connecticut
Report of the Property Tax Collector
For the Year Ended June 30, 2009

Grand List	Beginning Receivable Balance	Current Year Levy	Lawful Corrections		Net Taxes Collectible	Collections During the Year			Transfer to Suspense	Ending Receivable Balance
			Additions	Deductions		Taxes	Interest	Liens		
2007	\$ -	\$4,764,524	\$16,123	\$23,626	4,757,021	\$ 4,634,102	\$ 27,847	\$ 257	\$1,145	121,774
2006	98,942	-	1,384	879	99,447	68,084	14,699	1,707	7,745	23,618
2005	28,644	-	487	-	29,131	16,417	5,267	1,909	6,128	6,586
2004	9,944	-	-	-	9,944	4,292	2,222	716	4,430	1,222
2003	3,818	-	-	-	3,818	1,563	1,051	744	2,154	101
2002	3,277	-	-	-	3,277	-	-	-	3,337	(60)
2001	302	-	-	-	302	-	-	-	304	(2)
2000	116	-	-	-	116	-	-	-	116	-
1999	(40)	-	-	-	(40)	-	-	-	41	(81)
1998	(28)	-	-	-	(28)	-	-	-	-	(28)
1997	(149)	-	-	-	(149)	-	-	-	-	(149)
1996	(397)	-	-	-	(397)	-	-	-	-	(397)
1995	(4)	-	-	-	(4)	-	-	-	-	(4)
1994	-	-	-	-	-	-	-	-	-	-
1993	(4)	-	-	-	(4)	-	-	-	-	(4)
1992	(2)	-	-	-	(2)	-	-	-	-	(2)
	\$ 144,419	\$ 4,764,524	\$ 17,994	\$ 24,505	\$ 4,902,432	\$ 4,724,458	\$ 51,086	\$ 5,333	\$ 25,400	\$ 152,574

See Accountants' Report

Town of Chaplin, Connecticut
Statement of Changes in Fund Balance
Capital Improvement Program
For the Year Ended June 30, 2009

	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	\$ 11,979	\$ -	\$ -	\$ -	\$ -	\$ 11,979	\$ (814)	\$ 11,165
Assessor - Phase II	568	66,500	-	-	-	67,068	(59,961)	7,107
Grange Renovations	574	-	-	-	-	574	-	574
Town Clerk Indexing	352	-	-	(352)	-	-	-	-
Workforce One Building	-	-	-	-	-	-	(1,340)	(1,340)
Emergency Preparedness	12,500	-	-	-	-	12,500	(9,326)	3,174
Chaplin Elementary School:								
Freezer	-	-	-	5,264	-	5,264	(5,264)	-
Roof	7,000	-	-	(7,000)	-	-	-	-
Public Works/Highway:								
Palmer Rd.	(1,914)	-	-	-	30,000	28,086	(27,202)	884
Mt. Laurel Lane	-	9,000	-	-	-	9,000	(11,000)	(2,000)
PW Roof	-	50,000	-	-	-	50,000	-	50,000
Roads	38	90,000	-	-	-	90,038	(87,728)	2,310
Total Designated Fund Balance	31,097	215,500	-	(2,088)	30,000	274,509	(202,635)	71,874
UNDESIGNATED FUND BALANCE								
Undesignated Fund Balance	50,463	-	-	2,088	704	53,255	-	53,255
TOTAL FUND BALANCE	\$ 81,560	\$ 215,500	\$ -	\$ -	\$ 30,704	\$ 327,764	\$ (202,635)	\$ 125,129

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, 2009

Account Name	Original Budget	Expenditures	Variance
Regular Instruction	\$ 1,726,170	\$ 1,714,305	\$ 11,865
Spec Ed / Handicapped	196,557	191,477	5,080
Spec Ed / Talented and Gifted	57,559	57,363	196
Adult Education	2,800	5,730	(2,930)
Social Worker	61,861	61,667	194
Health Office	44,289	42,726	1,563
PPT Services	147,514	114,338	33,176
School Library	68,451	120,563	(52,112)
Board of Education	25,224	2,038	23,186
Superintendent's Office	39,869	39,869	-
General Administration	46,675	30,545	16,130
School Office	186,520	185,093	1,427
Business Office	40,673	43,607	(2,934)
Buildings and Grounds	231,665	259,712	(28,047)
Pupil Transportation	187,543	188,870	(1,327)
Professional Development	4,000	3,553	447
Central Office Computer Support	6,005	6,005	-
Tuition/Public	-	5,486	(5,486)
Activities	3,900	4,737	(837)
School Lunch	-	-	-
	<u>\$ 3,077,275</u>	<u>\$ 3,077,684</u>	<u>\$ (409)</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, 2009 and have issued our report thereon dated August 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of Chaplin, Connecticut's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Chaplin, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and others deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items MW-07-1, MW-08-1 and MW-08-2 to be material weaknesses.

A *significant deficiency* is a deficiency, or combination or deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We considered the deficiency described in the accompanying schedule of findings and questioned costs as item SD-07-1 to be a significant deficiency.

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.

Maier + Company

August 10, 2009

**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, 2009. 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, 2009.

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, 2009, and have issued our report thereon dated August 10, 2009. Our audit was performed for the purpose of forming opinions on the 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.

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

August 10, 2009

Town of Chaplin, Connecticut
Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2009

State Program Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
Connecticut State Library:		
Grants to Public Libraries	11000-CSL66051-17003	\$ 1,304
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	3,123
Adult Education	11000-SDE64370-17030	3,216
Office of Policy and Management:		
Property Tax Relief for Elderly and Totally Disabled	11000-OPM20600-17018	13,999
Property Tax Relief for Veterans	11000-OPM20600-17024	301
Property Tax Relief for Manufacturing Machinery, Equipment, and Commercial Vehicles	11000-OPM20600-17031	422
Local Capital Improvement Program (LOCIP)	12050-OPM20600-40254	27,702
Prepare/Revise-Municipal Plans	12052-OPM20600-43129	-
Department of Transportation:		
Town Aid Road Grant - Transportation Fund	12001-DOT57131-17036	98,362
Office of the State Comptroller:		
Payment in Lieu of Taxes - State Owned Property	11000-OSC15910-17004	85,008
Grants to Towns (Casino)	11000-OSC15910-17005	125,954
Boat Grant	12027-OSC15910-40211	581
Department of Social Services:		
Services to the Elderly	11000-DSS60782-16123	5,000
Total State Financial Assistance before Exempt Programs		<u>478,972</u>
EXEMPT PROGRAMS		
Department of Education:		
Education Cost Sharing	11000-SDE64370-17041	1,872,626
School Building Grant - Principal	13010-SDE64370-40901	209,733
School Building Grant - Interest	13009-SDE64370-40896	38,716
Transport of School Children - Public	11000-SDE64370-17027	66,449
Excess Cost - Student Based	11000-SDE64370-17047	7,357
Total Exempt Programs		<u>2,194,881</u>
Total State Financial Assistance		<u>\$ 2,673,853</u>

See Accountants' Report

Town of Chaplin, Connecticut
Notes to the Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2009

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.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009**

I. Summary of Audit Results

A. 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

B. 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:

State Grantor and Program	State Core-CT Number	Expenditures
Office of the State Comptroller:		
Grants to Towns (Casino)	11000-OSC15910-17005	\$125,954
Department of Education:		
Early Childhood Program	11000-SDE64370-12113	\$107,000
Department of Transportation:		
Town Aid Road	12001-DOT57131-17036	\$98,362

II. Findings and Questioned Costs Related to Financial Statements:

A. We issued reports, dated August 10, 2009, on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.

B. Compliance - Our report on compliance indicated no reportable instances of noncompliance.

C. Internal control - Our report on internal control indicated the following:

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

Material Weakness(es) – A deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town of Chaplin, Connecticut's financial statements will not be prevented, or detected and corrected in a timely basis.

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

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:

- *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.

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

- *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 the cash receipt 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.

Recommendation: The Town should review the segregation of duties involved in the cash receipts areas. 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.

Significant Deficiency(ies) – A deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009**

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 reviewing 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.

III. Findings And Questioned Costs Related to State Financial Assistance

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